

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF PETITION OF)	
POTLATCH CORPORATION FOR AN ORDER)	CASE NO. AVU-E-01-5
DETERMINING THE TERMS AND)	
CONDITIONS FOR POTLATCH'S PURCHASE)	NOTICE OF PETITION
OF ELECTRICITY FROM AVISTA UTILITIES.)	
)	NOTICE OF SCHEDULING
)	
)	NOTICE OF
)	INTERVENTION DEADLINE
)	
)	ORDER NO. 28725

Potlatch Petition

YOU ARE HEREBY NOTIFIED that on March 23, 2001, Potlatch Corporation (Potlatch) filed a Petition with the Idaho Public Utilities Commission (Commission) for an Order determining the terms and conditions of electric service from Avista Corporation dba Avista Utilities—Washington Water Power Division (Idaho) to Potlatch’s Lewiston Idaho facility. The Lewiston facility is a pulp, paperboard, tissue and wood products manufacturing facility. Pursuant to a ten-year Electric Service and Purchase Agreement dated January 3, 1993 (Agreement), Potlatch purchases power from and sells power to Avista. Reference Case No. WWP-E-91-5, Order No. 23858. Under the terms of the Agreement, Avista is obligated to provide Potlatch with not less than 70, nor more than 120, MVA of firm demand, plus a maximum of 25 megawatts in interruptible demand.

The Potlatch Service Agreement expires December 31, 2001. The Agreement contains no provisions regarding the terms, conditions, or prices of Avista’s electric sales to Potlatch after the Agreement’s expiration. Avista and Potlatch representatives have met on a number of occasions in an attempt to negotiate a successor agreement. Potlatch contends that the meetings have served only to establish the fact that Potlatch and Avista have fundamental and irreconcilable differences that will not be resolved through further negotiations.

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Potlatch's position is that Avista is obligated to serve the entirety of the Lewiston facility's electric load at just and reasonable rates determined in the same manner as the rates of other Avista customers. Avista, Potlatch states, has refused to provide service on this basis, and offered alternative service and pricing methods that are discriminatory and prejudicial to Potlatch.

Potlatch contends that Avista has an obligation to serve the Lewiston facility at just and reasonable rates, pursuant to *Idaho Code* 61-301. Avista, it states, has a further duty not to discriminate, prejudice or disadvantage any corporation or person, pursuant to *Idaho Code* 61-315. The Commission, Potlatch contends, is charged with the enforcement of the cited statutes and the determination of just, reasonable, and non-discriminatory rates. *Idaho Code* 61-502. Accordingly, Potlatch contends that the Commission is the appropriate body to resolve the current impasse between the parties.

Potlatch prays that the Commission issue an Order (a) requiring Avista to serve the entirety of the Lewiston facility's requirements and (b) establishing a just, reasonable and non-discriminatory rate for such service.

Avista Answer

On April 13, 2001, Avista filed an Answer to Potlatch's Petition. Avista contends that the failure of negotiations to reach an agreement is the result of Potlatch's incorrect assumption that it is entitled to serve at average embedded cost rates. Avista admits that it has refused to offer Potlatch service at average embedded cost rates. Avista denies that the utility has an obligation to offer electric service on the terms requested by Potlatch and admits that the Commission is the appropriate body to resolve the dispute.

As Potlatch's demand at the Lewiston facility is greater than 25,000 kva, Avista contends that pursuant to Schedule 25, Potlatch currently receives and will continue to receive service under a special contract for its remaining term.

The findings of the Commission in Order No. 24418 entered on July 13, 1992 in Docket No. WWP-E-92-2, Avista contends, continues to be applicable to Potlatch's request for service and require denial of Potlatch's request for service at average embedded cost rates. Those findings, in pertinent part, state:

We find that the establishment of an upper limit on [Avista's] extra large general service Schedule No. 25 is philosophically sound. Large new

load additions would require [Avista] to obtain additional capacity that is inherently more expensive. Requiring a special contract when service exceeds 25,000 kVA allows [Avista] the flexibility to negotiate rates that reflect the more expensive nature of serving the load, thereby avoiding the subsidization by other customers of large new users.

We further find that 25,000 kVA is a reasonable level at which to place the cap and agree with Staff that the cap should be fixed, consistent with the tariffs of Idaho Power Company and Utah Power & Light Company.

Schedule No. 25, provides in relevant part:

Customers whose demand from all such meters [serving contiguous facilities or properties] exceeds 25,000 kVA may be served under special contract wherein the rates, terms and conditions of service are specified and approved by the IPUC. If [Avista] and the customer cannot agree on the rates, terms, and conditions of service, the matter will be brought before the IPUC for resolution. If the customer requires service during either the contract negotiation or resolution period, service will be supplied under this rate schedule subject to refund or surcharge based on the terms of the final contract.

Schedule 25 also provides that “service under this schedule is subject to the rules and regulations contained in this tariff.” The rules and regulations contained in Schedule 70 provide, inter alia, that:

For service or large volumes received under unusual circumstances [Avista] may require the customer to execute a special written agreement. (Sheet 70—(d), ¶ 6).

[Avista] may refuse to ... render additional service to a customer when such service, including compliance with these rules and regulations, will adversely affect service being rendered to other customers ... (Sheet 70—(e), ¶ 9.A).

[Avista] may not be required to provide service if, to do so, it would be economically unfeasible. (Sheet 70—(f), ¶ 9.E).

In order to prevent ... impairment of [Avista's] service, the customer shall notify [Avista], in writing, in advance of all changes in ...usage which will materially affect the service to be rendered. Such notice shall be given within a reasonable time to permit [Avista] to provide necessary facilities and acquire additional power supply if required. (Sheet 70 — (f), ¶ 10).

Avista alleges that the caps for new large service for jurisdictional utilities in the state of Idaho remain unchanged from the date of the Commission's Order in 1992. Avista alleges that the Commission intended by its special contract requirement for large loads over 25,000 kVA that are not presently being served at embedded cost rates that the parties would negotiate a contract that would reflected the marginal or incremental cost of new resources to serve the load.

Potlatch's total load for which it is requesting service, Avista contends, is approximately 100 MVA. Of this total amount, approximately 55 to 49 MVA of Potlatch's present firm load requirements are met through a buy-sell Agreement pursuant to which Avista buys an average of 55 to 59 MVA from Potlatch at one negotiated price (the first 59 MVA of Potlatch's generation for any hour is reserved for delivery and sale to Avista). Avista then sells back an equivalent 55 to 59 MVA plus an additional 15 to 19 MVA at another negotiated price, such that the firm net load requirement from Avista is currently an average of 15 to 19 MVA. Potlatch's remaining load, up to 25 MVA at Potlatch's election, is served as "interruptible" power at a system avoided cost rate as defined in the existing agreement (typically, Avista contends, represented by purchases on the short-term energy market). Therefore, Avista contends that none of Potlatch's current load of approximately 100 MVA is served at average embedded cost rates. Moreover, if Potlatch does not use its generation to meet part of its own load, 55 to 59 MVA of the load being requested by Potlatch for service after January 1, 2002, would constitute "new load" for Avista, which, if served by Avista, would require Avista to obtain new generating resources at costs that are significantly above embedded rates.

Potlatch's position "that Avista is obligated to serve the entirety of the Lewiston facility's electric load [i.e., the full 100 MVA]," Potlatch Petition, ¶ 6), Avista contends, is tantamount to a categorical refusal by Potlatch to use its cogeneration energy to serve a portion of its own load. Avista contends that it is in the public interest for Potlatch to use its cogeneration to serve its own load. Thereafter, Avista states that it might serve the remaining

balance of Potlatch's load under a special contract that reflects a negotiated rate approved by the Commission.

Avista contends that it is only recently that Potlatch has said that it would be requesting service from Avista for its entire load. Therefore, Avista states that it quite reasonably did not develop a long-term plan to serve Potlatch's entire electric load requirement. The Company contends that Potlatch must provide reasonable and sufficient notice of such election. In order to comply with Potlatch's request, Avista contends that it would be necessary for the Company to acquire more expensive new resources at marginal costs that are at least twice Avista's embedded cost of service. These higher costs, the Company contends, would ultimately be borne by Avista's other customer through increased rates.

Avista notes that any sale by Potlatch of its generation off system will require physical separation of its load facilities from its generation facilities and execution of separate agreements for its load integration and its generation integration.

Avista requests that the Commission issue an Order setting the matter for hearing and establishing the parameters of Avista's obligation to provide service to the Lewiston facility.

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the filings of record in Case No. AVU-E-01-5. The Commission notes that Potlatch Corporation prefiled its direct testimony in support of its Petition on April 6, 2001. Potlatch and Avista both request a hearing in this matter. Pursuant to agreement of the parties and the Commission, the Commission finds it reasonable to adopt the following schedule for prefile of direct testimony by Avista:

June 18, 2001 Prefile deadline direct testimony Avista Utilities

The prepared testimony and exhibits must conform to the requirements of Rules 266 and 267 of the Commission's Rules of Procedure. Reference IDAPA 31.01.01.266-267. Following receipt of Avista's prefiled testimony in this matter, the Commission will establish further scheduling.

YOU ARE FURTHER NOTIFIED that **persons desiring to intervene** in Case No. AVU-E-01-5 for the purpose of becoming a party, i.e., to present evidence, to acquire rights of cross-examination, to participate in settlement or negotiation conferences, and to make and argue motions **must file a Petition to Intervene** with the Commission pursuant to Rules of

Procedure 72 and 73 of the Commission's Rules of Procedure, IDAPA 31.01.01.072 and -073. Persons desiring to intervene in Case No. AVU-E-01-5 must file a Petition to Intervene **on or before Friday, May 25, 2001.**

Persons desiring to present their views without parties' rights of participation and cross-examination are not required to intervene and may present their comments without prior notification to the Commission or the parties.

YOU ARE FURTHER NOTIFIED that discovery is available in Case No. AVU-E-01-5 pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.221-234.

YOU ARE FURTHER NOTIFIED that Potlatch's Petition together with filings of record in Case No. AVU-E-01-5 can be reviewed at the Commission's office in Boise, Idaho and at the Company's Idaho offices during regular business hours.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and that the Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

YOU ARE FURTHER NOTIFIED that all hearings and prehearing conferences in this matter will be held in facilities meeting the accessibility requirements of the Americans with Disabilities Act. In order to participate, understand testimony and argument at a public hearing, persons needing the help of a sign language interpreter or other assistance may ask the Commission to provide a sign language interpreter or other assistance as required under the Americans with Disabilities Act. The request for assistance must be received at least five (5) working days before the hearing by contacting the Commission Secretary at:

IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, ID 83720-0074
(208) 334-0338 (TELEPHONE)
(208) 334-3762 (FAX)

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission does hereby adopt the scheduling set out above.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this
day of May 2001.

PAUL KJELLANDER, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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