

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE JOINT PETITION)
OF AVISTA CORPORATION AND POTLATCH) **CASE NO. AVU-E-03-7**
CORPORATION FOR APPROVAL OF POWER)
PURCHASE AND SALE AGREEMENT.) **NOTICE OF JOINT PETITION**
)
) **NOTICE OF MODIFIED**
) **PROCEDURE**
)
) **NOTICE OF COMMENT/**
) **PROTEST DEADLINE**
)
) **NOTICE OF REPLY COMMENT**
) **DEADLINE**

YOU ARE HEREBY NOTIFIED that on August 25, 2003, Avista Corporation dba Avista Utilities (Avista) and Potlatch Corporation (Potlatch) filed a Petition with the Idaho Public Utilities Commission (Commission) requesting an Order approving a submitted Power Purchase and Sale Agreement between Avista and Potlatch dated July 22, 2003. Potlatch operates a wood pulp, paperboard, tissue and wood product manufacturing facility in Lewiston, Idaho. Potlatch owns and operates four electric generators at the Lewiston plant that are capable of generating approximately 130 megawatts (MWs) of energy. The Potlatch electric generators are qualifying facilities (QFs) pursuant to the Public Utilities Regulatory Policies Act of 1978 (PURPA). Direct testimony of Avista supporting the Purchase and Sale Agreement was filed with the Commission on September 26, 2003. Also filed with the Commission on October 10, 2003 is a related Interconnection Agreement dated September 22, 2003.

The submitted Power Purchase and Sale Agreement (Agreement) is for a ten-year term beginning July 1, 2003 and ending June 30, 2013. The Agreement is conditioned upon approval by the Commission of 1) a direct assignment of all power purchase costs paid by Avista to Potlatch under the Purchase and Sale Agreement to Avista's Idaho operations and 2) deferral and recovery of 100% of all power purchase costs paid by Avista to Potlatch under the

Agreement to Avista's Idaho Power Cost Adjustment (PCA) mechanism (Schedule 66) or otherwise recovered by Avista through base rates.

As recited in the Joint Petition of the parties, Avista will be the sole purchaser of Potlatch's generation and said purchase is intended to satisfy Avista's obligations under PURPA to purchase power from the qualifying facilities at the Lewiston plant. Avista will pay Potlatch \$42.92 per MWh up to a maximum base generation amount of 543,120 MWh (544,608 during a leap year) generated by Potlatch during each July 1 through June 30 period (Operating Year) of the Agreement. This amount is equivalent to 62 average MW and is referred to in the Agreement as the "Base Generation Amount." Amounts generated by Potlatch in excess of the maximum Base Generation Amount each Operating Year ("Excess Generation Amount") will either be purchased by Avista at 85% of the applicable Mid-Columbia Index Price, with a price cap of \$55 per MWh, or used by Potlatch to reduce its load requirement from Avista. The purchase of Potlatch's Excess Generation Amount by Avista is limited to 43,800 MWh (5 average MW) each Operating Year.

Additionally, it is noted that Potlatch has the capacity to generate additional amounts ("Incremental Generation Amounts") under certain circumstances. The Purchase and Sale Agreement provides for the purchase by Avista of Incremental Generation Amounts, under the terms and conditions specified in the Agreement.

As reflected in the Agreement, Avista will serve Potlatch's load requirement at Lewiston's plant under its Extra Large General Service Schedule 25 rates, including all applicable rate adjustments, unless the Commission issues an Order in the future authorizing different billing rates.

Avista and Potlatch request that the Commission issue an Order approving the Purchase and Sale Agreement as a settlement of all known existing disputes between the parties, including without limitation, Case No. AVU-E-01-05 (In the matter of the Petition of Potlatch Corporation for an Order determining the terms and conditions of Potlatch's purchase of electricity from Avista Utilities) and Case No. AVU-E-02-08 (a Potlatch complaint alleging that Avista was refusing to purchase the cogeneration of Potlatch's PURPA qualifying facilities at its Lewiston plant).

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the filings of record in Case No. AVU-E-03-7. The Commission has preliminarily determined that the public interest regarding the Avista/Potlatch July 22, 2003, Purchase and Sale Agreement may not require a hearing to consider the issues presented, and that the issues raised by the Petition may be processed under **Modified Procedure**, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.

YOU ARE FURTHER NOTIFIED that the Commission may not hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure and stating why Modified Procedure should not be used. Reference IDAPA 31.01.01.203.

YOU ARE FURTHER NOTIFIED that **the deadline for filing written comments or protests** with respect to the Application and the Commission's use of Modified Procedure in Case No. AVU-E-03-07 is **Friday, November 14, 2003**.

YOU ARE FURTHER NOTIFIED that the **deadline for Avista and Potlatch to file reply comments** in Case No. AVU-E-03-07 is **Friday, November 28, 2003**.

YOU ARE FURTHER NOTIFIED that persons desiring a hearing must specifically request a hearing in their written protests or comments. If no written comments or protests are received within the deadline, the Commission will consider the matter on its merits and enter its Order without a formal hearing. If comments or protests are filed within the deadline, the Commission will consider them and in its discretion may set the matter for hearing or may decide the matter and issue its Order based on the written positions before it. Reference IDAPA 31.01.01.204.

YOU ARE FURTHER NOTIFIED that written comments concerning Case No. AVU-E-03-07 should be mailed to the Commission and to Avista and Potlatch at the addresses reflected below.

COMMISSION SECRETARY
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074

Street Address for Express Mail:

472 W WASHINGTON ST
BOISE, ID 83702-5983

DAVID MEYER
SENIOR VP AND GENERAL COUNSEL
AVISTA CORPORATION
1411 EAST MISSION AVENUE
PO BOX 3727
SPOKANE, WA 99220
dmeyer@avistacorp.com

R BLAIR STRONG
PAINE, HAMBLIN, COFFIN, BROOKE
& MILLER LLP
717 W SPRAGUE AVE, STE 1200
SPOKANE WA 99201
rbstrong@painehamblin.com

AVISTA

PAMELA MULL
ASSOCIATE GENERAL COUNSEL
POTLATCH CORPORATION
601 WEST RIVERSIDE AVE, STE 1100
SPOKANE, WA 99201
Pamela.mull@potlatchcorp.com

CONLEY WARD
GIVENS PURSLEY
277 NORTH 6TH STREET, STE 200
PO BOX 2720
BOISE ID 83701-2720
cew@givenspursley.com

POTLATCH

These comments should contain the case caption and case number shown on the first page of this document.

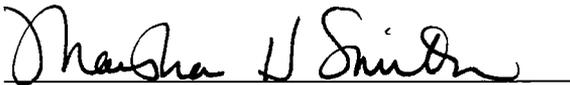
Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.state.id.us. Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to Avista and Potlatch at the e-mail addresses listed above.

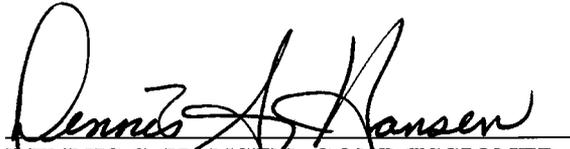
YOU ARE FURTHER NOTIFIED that the Petition and pre-filed testimony in Case No. AVU-E-03-07 can be reviewed at the Idaho Public Utilities Commission, 472 West Washington Street, Boise, Idaho and at the Idaho offices of Avista. In addition, the Application may be viewed by accessing the Commission's website at www.puc.state.id.us under the "File Room" icon and selecting the appropriate topic heading.

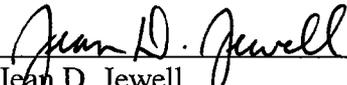
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DATED at Boise, Idaho this 22nd day of October 2003.


PAUL KJELLANDER, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


DENNIS S. HANSEN, COMMISSIONER


Jean D. Jewell
Commission Secretary

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