

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: SCOTT WOODBURY

DATE: SEPTEMBER 1, 2006

SUBJECT: CASE NO. AVU-E-05-7 (Avista)
POWER PURCHASE AND SALE AGREEMENT – THOMPSON RIVER
CO-GEN LLC

On August 31, 2006, Avista Corporation dba Avista Utilities (Avista; Company) and Thompson River Co-Gen, LLC (TRC) filed a Joint Petition in Case No. AVU-E-05-7 requesting approval of a 20-year Power Purchase and Sale Agreement dated August 25, 2006.

TRC is a Montana corporation that operates a thermal wood waste/coal generation facility power plant located at Thompson Falls, Montana. The TRC facility is capable of generating up to approximately 13 MW of energy and is a qualifying facility (QF) pursuant to the Public Utility Regulatory Policies Act of 1978 (PURPA). Avista will be the sole purchaser of TRC's generation.

For all net delivered output received by Avista that is not Surplus Energy, Avista shall pay \$58.50 per MW hour. For all Surplus Energy, Avista shall pay the current month's market energy cost per MW hour or the net delivery output purchase price, whichever is lower. The power purchase rates are negotiated as a reasonable compromise to resolve their dispute and do not represent a levelized rate calculated from published avoided cost rates.

COMMISSION DECISION

Tendered for Commission approval is a Power Purchase Agreement between Avista and TRC. The contract parties recommend that the matter be processed pursuant to Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of

Procedure, IDAPA 31.01.01.201-204. Commission Staff concurs in the recommended procedure. Does the Commission agree that Modified Procedure is appropriate?

Scott Woodbury

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