

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE JOINT PETITION)
OF AVISTA CORPORATION AND STIMSON) CASE NO. AVU-E-06-10
LUMBER COMPANY FOR APPROVAL OF)
A POWER PURCHASE AND SALE) ORDER NO. 30224
AGREEMENT)**

On December 6, 2006, Avista Corporation and Stimson Lumber Company (collectively Petitioners) filed a Joint Petition with the Idaho Public Utilities Commission (Commission) for an Order approving a Power Purchase Agreement (Agreement) between Stimson Lumber Company (Stimson) and Avista Corporation (Avista; Company) dated October 1, 2006. Also included is a Generator Interconnection Agreement (GIA) between Avista and Stimson.

Stimson Lumber Company operates a thermal wood waste small power electric generation plant at Plummer, Idaho. Stimson's facility is capable of generating up to approximately 6.5 MW of energy. The facility is a qualifying facility (QF) pursuant to the Public Utility Regulatory Policies Act of 1978 (PURPA).

The Stimson facility was previously owned and operated by HaleyWest LLC. Stimson has assumed HaleyWest LLC's obligations under a Power Sale and Purchase Agreement between Avista and HaleyWest LLC that expired under its own terms on September 30, 2006. Stimson and Avista both desired that energy deliveries from the facility to Avista continue without interruption following termination of the HaleyWest LLC Agreement.

The Stimson Purchase and Sale Agreement is for a term of five years. Avista will be the sole purchaser of Stimson's generation. For all Net Delivered Output received by Avista that is not surplus energy, Avista shall pay the published non-levelized avoided cost rates for non-fueled projects smaller than 10 MW. For all surplus energy received by Avista, Avista shall pay to Stimson the current month's market energy cost per megawatt hour or the Net Delivered Output purchase price, whichever is lower. Stimson shall operate the facility in such a manner that the hourly scheduled amount of Net Delivered Output does not exceed 6.5 MW in any hour. Avista shall have the right, but not the obligation to purchase any Net Delivered Output from the facility in excess of 6.5 MW in any hour. The maximum annual amount of electric power that

Avista is obligated to purchase is 56,940 MWh in any operating year that is a non-leap year; (57,069 MWh leap year).

Petitioners are not requesting retroactive approval of the Agreement. The Agreement allows for energy deliveries and payments by Avista to Stimson at the published avoided cost rates effective October 1, 2006. In the event that the Commission does not approve the Agreement by January 30, 2007, or approves it subject to conditions unacceptable to the parties, the Agreement will terminate. In such event, Stimson shall refund certain amounts to Avista. Reference Agreement ¶ 5.4.

The Petitioners request Commission approval of the Agreement and the related interconnection agreement. The Petitioners also request a Commission Order allowing deferral and recovery of all power purchase costs subject to Avista's Power Cost Adjustment (PCA) mechanism or as otherwise recovered by Avista through base rates, and declaring that prices to be paid for energy and capacity are just and reasonable, in the public interest, and that the costs incurred by Avista for purchasing capacity and energy from Stimson are legitimate expenses. The parties request approval of the Agreement as satisfaction of the entirety of Avista's obligations under PURPA with regard to the facility.

The Agreement originally submitted in this case included a definition for "Market Energy Cost" defined in part as "eighty five percent (85%) of the weighted average of the daily On-Peak and Off-Peak Dow Jones Mid-Columbia Index (Dow Jones Mid-C Index) prices for firm energy." The reference to the Mid-C firm energy price was mistaken. By First Amendment to the Agreement filed December 26, 2006, the Market Energy Cost definition is corrected to instead refer to the Mid-C non-firm energy in accordance with Schedule 62.

On December 22, 2006, the Commission issued a Notice of Application and Modified Procedure in Case No. AVU-E-06-10. The deadline for filing written comments was January 11, 2007. The Commission Staff was the only party to file comments. Staff recommends approval of the Stimson Agreement and the first amendment to the Agreement.

Commission Findings

The Commission has reviewed and considered the filings of record in Case No. AVU-E-06-10 including the comments and recommendation of Commission Staff. A negotiated Power Purchase Agreement dated October 1, 2006 has been submitted by Stimson Lumber

Company and Avista Corporation for Commission consideration and approval. Also submitted is a related Generator Interconnection Agreement and a First Amendment dated December 21, 2006. Based on our review of the record, we continue to find it reasonable to process this case pursuant to Modified Procedure, i.e., by written submission rather than by hearing. IDAPA 31.01.01.204.

The Stimson Agreement is for a term of five years. The Commission finds that the Agreement submitted in this case contains acceptable contract provisions and comports with the terms and conditions of prior Commission Orders. We find the negotiated terms and contract rates to be just and reasonable and in the public interest. We further find it reasonable to allow payments made under the Agreement as prudently incurred expenses for ratemaking purposes.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Avista Corporation dba Avista Utilities, an electric utility, pursuant to the authority and power granted it under Title 61 of the Idaho Code and the Public Utility Regulatory Policies Act of 1978 (PURPA).

The Commission has authority under PURPA and the implementing regulations of the Federal Energy Regulatory Commission (FERC) to set avoided costs, to order electric utilities to enter into fixed-term obligations for the purchase of energy from qualified facilities and to implement FERC rules. 18 C.F.R. Part 292 (2003).

ORDER

In consideration of the foregoing, IT IS HEREBY ORDERED and the Commission does hereby approve the October 1, 2006 Power Purchase Agreement between Avista Corporation dba Avista Utilities and Stimson Lumber Company together with the related Generator Interconnection Agreement and First Amendment.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

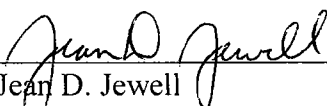
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 19th
day of January 2007.


PAUL KJELLANDER, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


DENNIS S. HANSEN, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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