

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )**  
**OF AVISTA CORPORATION FOR )** **CASE NO. AVU-E-08-03**  
**AUTHORITY TO DEFER COLSTRIP )**  
**LAWSUIT SETTLEMENT PAYMENT )** **NOTICE OF APPLICATION**  
**)**  
**)** **NOTICE OF**  
**)** **MODIFIED PROCEDURE**  
**)**  
**)** **ORDER NO. 30591**

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**NOTICE OF APPLICATION**

YOU ARE HEREBY NOTIFIED that on May 22, 2008, Avista Corporation ("Avista" or "Company") filed an Application with the Commission seeking an accounting order deferring the Company's payment of a settlement associated with a lawsuit over damages caused by the operation of the Colstrip Generating Project in Colstrip, Montana. Avista states that it owns a 15 percent interest in Units 3 & 4 of the Colstrip Generating Project.

YOU ARE FURTHER NOTIFIED that Avista estimates that its share of the lawsuit settlement payment, absent any recovery from applicable insurance carriers, is \$2,084,443.

YOU ARE FURTHER NOTIFIED that Avista claims it could potentially recover approximately \$734,035 under relevant insurance policies and thereby reduce its out-of-pocket expense to approximately \$1,350,408. The defendant, Colstrip Generating Project, is currently seeking indemnification from its insurance carriers. The potential outcome of their efforts is not ascertainable.

YOU ARE FURTHER NOTIFIED that Avista asserts that the settlement terms represent a favorable resolution of this matter because it (1) offers a final resolution of more than five years of disputed litigation; (2) represents a substantial reduction of Avista's potential exposure for "excessive compensatory and punitive damages"; (3) facilitates Avista's negotiation with the Montana Department of Environmental Quality concerning appropriate remediation efforts at the Colstrip facility; and (4) assists the defendants in limiting any future claims by providing them with "rights of first refusal with respect to plaintiffs' properties."

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YOU ARE FURTHER NOTIFIED that Avista requests an “order allowing for the deferral of the settlement payment.” The Company states that it will more fully “address the prudence and recovery of the settlement payment, and propose a method of recovery of the settlement payment[,]” minus “any reimbursement from insurance carriers,” in its next general rate case, or any other proceeding the Commission deems appropriate.

YOU ARE FURTHER NOTIFIED that Avista has specifically requested the “authority to defer the Colstrip settlement payment in Account 186 – Miscellaneous Deferred Debits.” The Company states that the “settlement payment will be allocated to the Washington and Idaho jurisdictions based on the current Production/Transmission allocation of 64.59% to Washington and 35.41 % to Idaho, and placed in separate Washington and Idaho 186-accounts.” The Company would apply the typical customer deposit rate to Idaho’s share of the deferrals.

#### **NOTICE OF MODIFIED PROCEDURE**

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission’s Rules of Procedure, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission within twenty-one (21) days from the service date of this Notice. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Application shall be mailed to the Commission and Avista at the addresses reflected below:

Commission Secretary  
Idaho Public Utilities Commission  
PO Box 83720  
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street  
Boise, ID 83702-5918

Kelly O. Norwood  
Vice President  
State and Federal Regulation  
Avista Corporation  
1411 E. Mission Avenue  
Spokane, Washington 99220  
E-mail: [kelly.norwood@avistacorp.com](mailto:kelly.norwood@avistacorp.com)

David J. Meyer, Esq.  
Vice President and Chief Counsel of  
Regulatory and Governmental Affairs  
Avista Corporation  
1411 E. Mission Avenue  
Spokane, Washington 99220  
E-mail: [david.meyer@avistacorp.com](mailto:david.meyer@avistacorp.com)

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.idaho.gov](http://www.puc.idaho.gov). 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 at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that the Application has been filed with the Commission and is available for public inspection during regular business hours at the Commission offices. The Application is also available on the Commission's Website at [www.puc.idaho.gov](http://www.puc.idaho.gov) and then clicking on the "File Room" and then "Electric Cases."

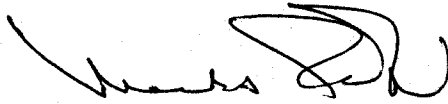
YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* § 61-524. The Commission may enter any final Order consistent with its authority under Title 61.

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.*

**ORDER**

IT IS HEREBY ORDERED that this Application will be processed under Modified Procedure. Persons interested in submitting written comments regarding this case or protesting the use of Modified Procedure should do so no later than 21 days from the service date of this Order.

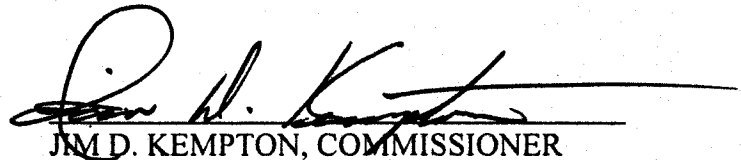
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 9<sup>th</sup> day of July 2008.



MACK A. REDFORD, PRESIDENT

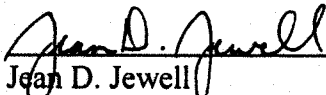


MARSHA H. SMITH, COMMISSIONER



J.M.D. KEMPTON, COMMISSIONER

ATTEST:



Jean D. Jewell  
Commission Secretary

O:AVU-E-08-03\_np