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IDAHO PUBLIC  
UTILITIES COMMISSION



February 22, 2008

Jean Jewell, Commission Secretary  
Idaho Public Utilities Commission  
472 W. Washington Street  
Boise, ID 83702

Re: Comments of Avista Corporation in Case NO. IPC-E-07-18

Dear Ms. Jewell:

Enclosed for filing are an original and four (4) copies of Avista's comments regarding the "Disposition Of Proceeds For The Sale Of Idaho Power Company's SO2 Emission Allowances In CY 2007".

If you have any questions regarding this filing, please feel free to me at (509) 495-8620.

Sincerely,

A handwritten signature in black ink, appearing to read "Pat Ehrbar", with a long horizontal line extending to the right.

Patrick Ehrbar  
Regulatory Analyst  
State and Federal Regulation  
Avista Utilities  
509-495-8620  
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Enclosures: One Original + Four Copies  
cc: Service List

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**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

|                                    |   |                      |
|------------------------------------|---|----------------------|
| IN THE MATTER OF THE APPROPRIATE   | ) | CASE NO. IPC-E-07-18 |
| DISPOSITION OF PROCEEDS FOR THE    | ) |                      |
| SALE OF IDAHO POWER COMPANY'S      | ) | COMMENTS OF AVISTA   |
| SO2 EMISSION ALLOWANCES IN CY 2007 | ) | CORPORATION          |
|                                    | ) |                      |
|                                    | ) |                      |

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Avista Corporation ("Avista" or "Company") hereby submits comments in response to the Idaho Public Utilities Commission's ("Commission") request for written comments in Case No IPC-E-07-18.

The Company appreciates the opportunity to comment on the IPUC Order No. 30495 dated February 4, 2008 regarding the proceeds from the sale of SO2 credits by Idaho Power. Avista supports passing revenue and expense associated with the sale of SO2 credits through the Power Cost Adjustment (PCA) mechanism.

It may be necessary for Avista to trade emissions-related credits, such as SO<sub>2</sub>, greenhouse gas (GHG) credits and renewable energy credits (RECs) to meet its legal obligations. The increasing frequency and unpredictability of the costs and benefits associated with these emissions-related sales and purchases make it important to develop a consistent policy for handling the costs or credits associated with them. Although emissions credits are not traditional power supply expenses, they directly relate to power supply operations and their subsequent costs or benefits should flow through to customers. It should not be a one way street where only costs are passed through but revenues are not.

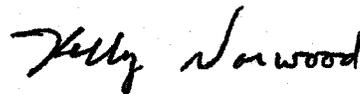
The emissions sales are relatively unique and therefore not predictable. The revenues from the sale of excess SO<sub>2</sub> credits, near-term CO<sub>2</sub> credits or RECs, should be passed through to customers through the revenue sharing mechanism of the PCA, net of the costs associated with the sales.

The policy of passing costs and benefits through the PCA would encourage best practices by utilities for managing the sales and purchases of emissions- or RPS-related credits. For example, this 10% revenue-sharing arrangement in the PCA would be an encouragement to utilities to be diligent in the pursuit of voluntary emissions credit related projects that will benefit customers. Avista's decision to join the Chicago Climate Exchange (CCX) falls under this type of arrangement. The CCX is a voluntary GHG reduction program that Avista decided to join in order to develop experience with trading GHG credits and provide a positive monetary benefit for customers through the sale of excess GHG credits.

To the extent that longer term sales or purchases of emissions or RPS-related credits are known and measurable, they could be proformed into base rates. Examples of the long-term issues could be federally or state mandated GHG emissions rules with known compliance schedules. Expected CO<sub>2</sub> costs would be proformed into base rates and any true up amounts could be tracked through the PCA until the next rate case. Likewise, if the CO<sub>2</sub> credits provided a longer-term positive revenue stream, the Company would proform those revenues in the next rate case.

Respectfully submitted this 22nd day of February 2008.

AVISTA CORPORATION



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KELLY NORWOOD  
Vice President, State and Federal Regulation

I HEREBY CERTIFY that on this 22<sup>nd</sup> day of February, 2008, I caused to be served a true and correct copy of Avista Utilities' Comments in Case No. IPC-E-07-18 by Overnight Mail to the IPUC and Electronic Mail to the following:

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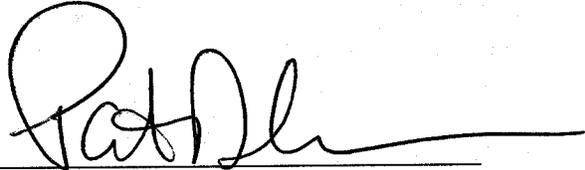
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A handwritten signature in black ink, appearing to read "Pat Ehrbar", written over a horizontal line.

Pat Ehrbar