

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE FILING BY)
AVISTA CORPORATION DBA AVISTA) **CASE NO. AVU-G-06-2**
UTILITIES OF ITS 2006 NATURAL GAS)
INTEGRATED RESOURCE PLAN (IRP)) **NOTICE OF FILING**
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) **NOTICE OF**
) **COMMENT DEADLINE**

YOU ARE HEREBY NOTIFIED that on March 31, 2006, Avista Corporation dba Avista Utilities (Avista; Company) filed its 2006 natural gas Integrated Resource Plan (IRP) with the Idaho Public Utilities Commission (Commission). The Company's filing complies with the Commission's direction in Order No. 25342, Case No. GNR-G-93-2 (Reference PURPA Section 303(b)(3), Energy Policy Act of 1992). Pursuant to the Commission's Order, the Company is required to file every two years.

Avista notes that it has a statutory obligation to provide reliable natural gas service to customers at rates, terms and conditions that are fair, just, reasonable and sufficient. Avista regards its IRP as a methodology for identifying and evaluating various resource options and as a process by which to establish a plan of action for resource decisions. Avista's 2006 natural gas IRP identifies a strategic gas-supply portfolio that meets the Company's future demand requirements. Resource options include both supply-side and demand-side measures.

Avista's 2006 natural gas IRP addresses the following subject areas: natural gas demand forecast, demand-side management, distribution planning, supply-side resources, integrated resource portfolio, avoided cost determination, and action plan.

To facilitate stakeholder involvement in the 2006 IRP, the Company sponsored six Technical Advisory Committee (TAC) meetings. A broad spectrum of people were invited to each meeting. The meetings focused on specific planning topics, reviewed the status and progress of planning activities and solicited ongoing input on the IRP development.

Modeling Approach

The Company applied its SENDOUT[®] model (a PC-based linear programming model widely used to solve natural gas supply and transportation optimization questions) to

develop the least-cost resource mix for the 20-year planning period. The model performs the least-cost optimization based upon daily, monthly, seasonal and annual assumptions related to:

- Customer growth and customer natural gas usage that ultimately form demand forecasts;
- Existing and potential transportation and storage options;
- Existing and potential natural gas supply availability and pricing;
- Weather assumptions; and
- Demand-side management opportunities.

Natural Gas Price Forecasts

The market for natural gas supply, the Company contends, has undergone dramatic changes over the last several years, as the commodity market has transitioned from a regionally based market to a national, and perhaps global, market. Regional and national natural gas prices have recently risen to unprecedented levels. The Company states that it is difficult to determine the length of the price run-up, as well as the expected impact on customer loads.

Resources

Avista has a diversified portfolio of natural gas supply resources, including owned and contracted storage, firm capacity rights on six pipelines, and contracts in place to purchase natural gas from several different supply basins. Avista has modeled a number of conservation measures or programs that, if cost effective, could further reduce demand.

In addition to conservation measures as supply resources, Avista evaluated incremental pipeline transportation, storage options, distribution enhancements and various forms of liquefied natural gas storage or service.

Demand-Side Management

Avista actively promotes and offers energy-efficiency programs to all (non-transport) retail electric and natural gas customers. These demand-side management (DSM) programs are one component of a comprehensive strategy to provide customers with a least-cost energy resource. The IRP is used as an opportunity to evaluate that resource mix with the intent to refine the approaches to the management of both supply-side and demand-side management portfolios.

Based on the projected natural gas prices and the estimated cost of alternative supply resources, the SENDOUT[®] model selected certain DSM programs for further review and implementation. In Washington and Idaho, demand-side measures are targeted to reduce demand by over 1,062,000 therms in the first year. In Oregon demand-side management measures are targeted to reduce demand by over 441,000 therms in the first year.

Resource Needs

The SENDOUT[®] model was run utilizing existing resources and the demand cases to determine whether resource deficiencies exist during the planning period. In the Expected Case for Washington and Idaho, the system first becomes capacity deficient in 2012-2013. In the expected case for Oregon, the system first becomes capacity deficient in 2010-2011. For Washington/Idaho and Oregon, the model shows a preference for incremental transportation resources from existing supply basins to resolve capacity deficiencies.

2006-2007 Action Plan

Avista's 2006 action plan is focused on the following key areas:

- Sales forecasting
- Supply/capacity
- Forecasting
- Demand-side management
- Distribution planning

Sales Forecasting

During 2006, the Company will update customer forecasting models, incorporating the most recent data. The dramatic increase in natural gas retail prices will provide improved information on price elasticity and weather sensitivity co-efficients.

Avista anticipates making two changes to the forecasting methodology, one in 2006 and the other in 2007. The Company currently uses county-level forecasts for eight counties in the three states it serves. During 2006, Avista will add five counties, two in Washington and three in Idaho. This will help identify differential growth patterns between the core areas (Spokane and Coeur d'Alene) and the more rural and resort areas of the service area.

In 2007, utilizing the data and forecasts from these additional counties, Avista will develop a "gate-station" forecasting system that will allocate the sales and customer forecast to the various pipeline delivery points in the service area. Avista anticipates having this system available so that the Company can utilize the results for the next IRP.

Supply/Capacity

Avista will conduct regular meetings with Commission Staff members with the intent to provide information on market updates, any material changes to the hedging program, and significant changes in assumptions and status of Company activity related to the IRP.

Avista will continue to seek low-cost peaking resources that do not require annual contractual commitments and will investigate acquisition of winter capacity releases from third-party providers.

The Company will further its understanding of LNG opportunities, including satellite and Company-owned LNG resources. Avista will further consider and evaluate the Coos Bay LNG/Pacific Connector Pipeline opportunity.

The Company will assess methods for capturing additional value related to existing storage assets, including but not limited to recalling some or all of the current releases.

Avista will further develop its storage strategy with particular focus on storage opportunities for Oregon customers and will research non-Jackson Prairie storage prospects for all customers.

Forecasting

The Company will complete its evaluation of VectorGas™. If purchased, the Company will utilize VectorGas™ to strengthen Avista's ability to analyze the financial impacts under varying load and price scenarios.

Demand-Side Management

The DSM analysis that occurred during the IRP process is the launching pad for a more detailed investigation of the natural gas-efficiency technologies identified as cost-effective resource options. The Company initiated this additional evaluation and development of programs in January 2006 with the expectation that program revisions and the launch of new programs will occur in the spring of 2006. The Company has explicitly recognized within this IRP the obligation to achieve all natural gas-efficiency resources available through the intervention of cost-effective utility programs. Given the rapid changes within the natural gas market, there are many new efficiency opportunities within the market. Considerable uncertainty remains regarding the customer response to these programs. This uncertainty does not preclude the Company from pursuing the planned aggressive ramp-up of natural gas-efficiency programs. Additionally, the Company has and will actively seek opportunities for new or enhanced resource acquisition through the development of cooperative regional programs.

Distribution Planning

Avista will continue to utilize computer modeling to facilitate distribution-planning efforts and identify least-cost opportunities to meet growth and re-enforcement needs. Avista will determine the benefit and feasibility of using city-gate station forecasts as a method for improving distribution planning.

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the Company's filing in Case No. AVU-G-06-2 and finds it reasonable to establish the following schedule for comment on Avista's 2006 natural gas Integrated Resource Plan:

Friday, June 9, 2006

Deadline for filing written comments

YOU ARE FURTHER NOTIFIED that the Application and submitted comments are available for public inspection during regular business hours at the Commission's office and the Idaho offices of Avista Corporation dba Avista Utilities, or they may be viewed electronically at www.puc.idaho.gov by clicking on "File Room" and "Gas Cases." Written comments concerning this Application and the Company's filing should be mailed to the Commission and the Company 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
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All 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. 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 the Applicant at the e-mail address listed above.

DATED at Boise, Idaho this 11th day of May 2006.



Jean D. Jewell
Commission Secretary

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