

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE FILING OF)
AVISTA CORPORATION DBA AVISTA) CASE NO. AVU-G-06-2
UTILITIES OF ITS 2006 NATURAL GAS)
INTEGRATED RESOURCE PLAN (IRP)) ORDER NO. 30101**

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). On May 11, 2006, the Commission issued a Notice of the Company's IRP filing and established a June 9, 2006 comment deadline. Commission Staff was the only party to submit comments. Staff recommends that the Company's IRP be acknowledged and accepted.

The Commission has completed its review of the Company's 2006 natural gas Integrated Resource Plan and has considered the filings of record in Case No. AVU-G-06-2, including the comments and recommendations of the Commission Staff. The Company's IRP identifies a strategic gas-supply portfolio that is intended to meet the Company's future demand requirements. Resource options include both supply-side and demand-side measures. By this Order, the Commission accepts the filing and acknowledges that it satisfies the Commission's requirements as set forth in Order No. 25342, Case No. GNR-G-93-2 (Reference PURPA § 303(b)(3), Energy Policy Act of 1992). The Company is apprised that the Commission's acknowledgement is not to be interpreted as approval, or as judgment of prudence of the IRP or the prudence of following or not following the plan. The Commission appreciates the Company's efforts and hopes that preparation of the document proved to be of operational benefit to the Company.

The Commission notes that Staff provided specific comments regarding the Company's transition away from the Benchmark Mechanism previously used by the Company for natural gas supply procurement. In Commission Order No. 29902 (October 27, 2005) Avista was required to prepare a report using a back-cast methodology to evaluate the present acquisition results against the prior benchmark program for the 12-month period ending March 31, 2006. The Commission has been informed that the Company's analysis and report has been submitted and is being reviewed by Staff. The Company contends that the result of its analysis

shows the total cost to procure gas for customers would have been essentially the same under the Benchmark Mechanism as the actual cost of gas procured by the utility.

Staff notes also that the Company has taken steps to diversify its natural gas procurement and risk management activities with regard to the risk and volatility of natural gas prices. Most notably, Staff notes that the Company has determined that it is currently practical to procure a portion of its natural gas supply as much as three years in advance. This, Staff states, is a significant departure from recent practices of most natural gas utilities to procure no more than one year in advance and/or mostly at index pricing. The Company plans to purchase 33% of its supply on this basis with rolling three-year contracts that will require replacement of 11% of its supply with new three-year contracts every year. Staff supports this change in supply procurement.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Avista Corporation dba Avista Utilities, a natural gas utility, and the issues raised in Case No. AVU-G-06-2 pursuant to the jurisdiction granted under Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000 et seq.

ORDER

In consideration of the foregoing and as more particularly described above, the Commission by this Order does hereby acknowledge and accept Avista's natural gas 2006 Integrated Resource Plan filing.

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 12th
day of July 2006.



PAUL KJELLANDER, PRESIDENT

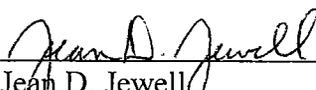


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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