

## DECISION MEMORANDUM

**TO:** COMMISSIONER KJELLANDER  
COMMISSIONER SMITH  
COMMISSIONER REDFORD  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL

**FROM:** CECELIA A. GASSNER

**DATE:** MARCH 7, 2007

**SUBJECT:** AVISTA CORPORATION'S APPLICATION REQUESTING APPROVAL  
OF A NATURAL GAS TRANSPORTATION SERVICE AGREEMENT,  
CASE NO. AVU-G-07-1

On February 20, 2007, Avista Corporation ("Avista" or "Company") filed an Application with the Commission requesting approval of a Natural Gas Transportation Service Agreement (the "Agreement") between the Company and Potlatch Forest Products Corporation ("Potlatch"). This Commission has the jurisdiction over such request pursuant to *Idaho Code* §§ 61-307, 61-622 and 61-623. The Company requested that the Application be processed by Modified Procedure.

### THE APPLICATION

According to the Application, Avista has been providing natural gas transportation service to Potlatch's Lewiston, Idaho plant under an existing agreement since 1993. During that time, Potlatch has increased its efficiency and reduced its annual natural gas consumption from 64 million therms to 38 million therms. Application at 2. In addition, Avista has seen considerable load growth in the Moscow/Lewiston area and an increased need for pipeline capacity. *Id.* Avista and Potlatch negotiated a capacity release agreement, and Potlatch expressed its desire to negotiate a new gas distribution agreement as well. *Id.* at 3.

The initial term of the Agreement is ten years, beginning the day following Commission approval and ending November 30, 2016. The parties have agreed on charges based upon Potlatch's desire to pay Avista for distribution service in the future that more reasonably reflects the alternative cost of connecting directly to a different pipeline, and Avista's desire to retain a reasonable level of distribution charges. *Id.* at 3-4. Based on Potlatch's usage

in 2006, its annual bill under the existing agreement is \$264,000. *Id.* at 4. Under the Agreement, Potlatch would pay: \$185,000 through November 2007; \$150,000 from December 2007 through November 2008; \$111,000 from December 2008 through November 2009; and \$74,000 per annum from December 2009 through the end of the Agreement. *Id.* The Company believes that the current and projected rate of growth it is experiencing in north Idaho should offset a portion of the lost revenue/margin received from Potlatch under the existing agreement. *Id.* at 4-5.

#### **STAFF RECOMMENDATION**

Staff recommends that the Company's Application be processed by Modified Procedure with a twenty-one (21) day comment period. This should allow sufficient time for interested parties to review the Company's Application and file their comments with the Commission. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-.204.

#### **COMMISSION DECISION**

Does the Commission preliminarily find that the public interest may not require a hearing to consider the issues presented in this case, and that this case is appropriate for Modified Procedure pursuant to Commission Rules of Procedure 201 through 204?

Does the Commission approve of the recommended comment period?



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Cecelia A. Gassner

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