

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE FILING BY)
AVISTA CORPORATION DBA AVISTA) **CASE NO. AVU-G-07-04**
UTILITIES OF ITS 2007 NATURAL GAS)
INTEGRATED RESOURCE PLAN (IRP)) **NOTICE OF FILING**
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) **NOTICE OF**
) **COMMENT DEADLINE**

YOU ARE HEREBY NOTIFIED that on December 28, 2007, Avista Corporation dba Avista Utilities (Avista) filed its 2007 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 § 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 and 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 2007 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 2007 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 2007 IRP, the Company sponsored four 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 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 least-cost optimization based on daily, monthly, seasonal and annual assumptions related to:

- Customer growth and customer natural gas usage to form demand forecasts;
- Existing and potential transportation and storage options;
- Existing and potential natural gas supply availability and pricing;
- Revenue requirements on all new asset additions;
- Weather assumptions; and
- Demand-side management.

Additionally, the Company has incorporated VectorGas™, a module within SENDOUT®, to simulate weather and price uncertainty. Some examples of the analyses VectorGas™ provides include:

- Probability distributions of price and weather;
- Probability distributions of costs (i.e., system costs, storage costs, and commodity costs);
- Resource mix (optimally sizing a contract or asset level for various and competing resources); and
- Hedging percentages.

Demand Forecast

The Company's approach to demand forecasting focuses on customer growth and use per customer as the base components of demand. The Company considers various factors that influence these components, including population and employment trends, age and income demographics, natural gas prices, price elasticity, and use per customer trends.

In its Expected Case, Avista has sufficient natural gas resources in Oregon until 2011-2012 and in Washington and Idaho until 2014-2015. Peak day resource deficits begin in these years and are driven primarily by projected average demand growth of 2% per year and average natural gas customer growth of 2.4%.

A major change from the 2006 IRP to the 2007 IRP is the lower demand forecast. This reduction was driven mainly by a lower economic growth rate and a lower use per customer than previously forecasted in the Company's service territories.

Natural Gas Price Forecast

The natural gas market, the Company contends, has dramatically changed over the last several years as it has transitioned from a regional to a national or perhaps global market. Regional and national natural gas supplies since 2005 have experienced increased volatility. The elevated prices and increased volatility have influenced the way the Company plans in the short term and in the long term. The Company's natural gas procurement plan seeks to competitively acquire natural gas supplies while reducing exposure to short-term price volatility, using a number of tools such as financial hedging and storage.

Resources

Avista has a diversified portfolio of natural gas supply resources, including owned and contracted storage, firm capacity rights on five pipelines and commodity purchase contracts from several different supply basins. The Company's philosophy is to reliably provide natural gas to customers with an appropriate balance of price stability and prudent costs. Avista plans to meet the identified resource deficits with demand-side management measures and firm resources, including distribution, system enhancements and pipeline transportation capacity.

Demand-Side Management

Avista actively promotes and offers energy-efficiency programs to its natural gas customers. These demand-side management (DSM) programs are one component of a comprehensive strategy to provide customers with a best cost/risk energy resource.

Demand-side management efforts include a review and implementation of customer programs, including residential space and water heating efficiency; wall, floor and window audits and replacement programs; and commercial and industrial gas efficiency programs, among others. Avista has implemented an energy efficiency initiative called the "Heritage Project." It builds on the Company's long-time commitment to energy conservation and efficiency, introducing new products and services to increase customers' energy savings.

Resource Needs

In the Expected Case for Washington and Idaho, the first deficiency is in 2014-2015. Given this timing, the Company contends that it has sufficient time to carefully monitor, plan and take action on potential resource additions. The Company also plans to define and analyze sub-regions within this broad region for potential resource needs that may materialize earlier than 2014-2015.

2008-2009 Action Plan

The Company's IRP identifies and establishes an action plan that will steer the Company toward the risk-adjusted, least-cost method of providing service to its natural gas customers. Included in this action plan are efforts to improve modeling, evaluation of its planning standard, further research into supply-side resource options and goals for demand-side management. The action plan includes efforts to:

- Refine specific resource acquisition action plans for Klamath Falls and Medford service areas.
- Research and refine the evaluation of resource alternatives, including implementation risk factors and timelines, updated cost estimates, and feasibility assessments, targeting options of the service territories with nearer term unserved demand exposure.
- Explore non-traditional resources to address the Company's needle-peaking requirements. This review will emphasize potential structured transactions with neighboring utilities and other market participants that leverage existing regional infrastructure as an alternative to incremental infrastructure additions.
- Reevaluate the Company's peak day weather planning standard to ascertain if it still provides the best risk-adjusted methodology for resource planning.
- Continue pursuit of cost-effective demand-side solutions to reduce demand. In Oregon demand-side measures are targeted to reduce demand by 350,000 therms in the first year. In Washington and Idaho, demand-side measures are targeted to reduce demand by more than 1,425,000 therms in the first year.
- Define and analyze sub-regions within the Washington/Idaho region for potential resource needs that may materialize earlier than the broader region indicates.
- Integrate the VectorGas™ module in the Company's SENDOUT® modeling software to strengthen its ability to analyze demand impacts under varying weather and price scenarios as well as conduct sensitivity analysis to identify, quantify and manage risk around these demand influencing components.
- Continue to assess methods for capturing additional value related to existing storage assets, including methods of optimizing recently recalled capacity.

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the Company's filing in Case No. AVU-G-07-04 and finds it reasonable to establish the following schedule for comment on Avista's 2007 Natural Gas Integrated Resource Plan:

Friday, March 14, 2008

Deadline for filing written comments

YOU ARE FURTHER NOTIFIED that the Company's 2007 Natural Gas IRP filing is available for public inspection during regular business hours at the Commission's office and the Idaho offices of Avista Corporation dba Avista Utilities, or it may be viewed electronically at www.puc.idaho.gov by clicking on "File Room" and "Gas Cases." Written comments concerning the Company's 2007 Natural Gas IRP filing should be mailed to the Commission and the Company at the addresses reflected below.

Commission Secretary
Idaho Public Utilities Commission
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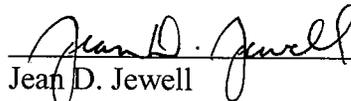
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All comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Comments 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 Avista at the e-mail address listed above.

DATED at Boise, Idaho this 23rd day of January 2008.



Jean D. Jewell
Commission Secretary

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