



Corp.

Avista Energy - Management of Gas Procurement Services

Proposed Benchmark Mechanism - Overview

Effective: Jan 30, 2004 - Mar 31, 2007

Total Cost Of Gas = \$76.3m*

Commodity 76.2%
\$58 m

Tier 1 50% Fixed/Storage

Tier 2 50% FOM (purchase to average load)

Tier 3 +/- 8% Daily balancing (daily sales or purchases to balance loads, at AE's average daily cost/revenue)

80/20 sharing on Tier 3

Storage .6%
\$4.5 m

100% Cycle
80/20 Sharing

Transportation 17.8%
\$13.6 m

\$3m Guarantee
80/20 Sharing after

Basin Optimization 80/20 Sharing

*WA only for April 2002 - March 2003

Exhibit (KON-2)

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