

May 25, 2007

RE: FERC Order No. 890 – Transmission Planning Strawman

Dear Avista Transmission Customers and Stakeholders,

Please find attached the *ColumbiaGrid Policy Statement Regarding Order No. 890 Regional Planning – Strawman Materials*, dated May 24, 2007 (“ColumbiaGrid Strawman”). Avista respectfully submits the information discussed herein and the ColumbiaGrid Strawman as its “straw man” proposal to meet the nine transmission planning principles outlined in the Federal Energy Regulatory Commission’s (“FERC”) Order No. 890.¹

Background

On February 16, 2007, FERC issued Order No. 890, which revises the pro forma open access transmission tariff (“OATT”). Among the various revisions to the OATT required by Order No. 890 is the addition of a transmission planning attachment (“Attachment K”) to the OATT. Avista is consulting with others – including transmission customers, stakeholders, and other transmission providers in the region – in our development of revisions to our OATT in response to Order 890, including our development of an Attachment K. (For a complete description of Order No. 890, reference should be made to the order itself, which may be found at <http://www.ferc.gov>.)

Order No. 890 generally requires “coordinated, open, and transparent planning on both a local and regional level” and that the Transmission Provider’s planning process must incorporate the following nine planning principles: coordination, openness, transparency, information exchange, comparability, dispute resolution, regional coordination, economic planning studies, and cost allocation for new projects.

Avista is to develop and submit its Attachment K to FERC by October 11, 2007. In the interim, Avista is posting on its Open Access Same-Time Information System (“OASIS”) this letter and the ColumbiaGrid Strawman describing how we plan to satisfy the nine principles noted above.

¹ FERC Docket Nos. RM05-17-000 and RM05-25-000, *Preventing Undue Discrimination and Preference in Transmission Service*, ¶ 443.

Regional and Sub-Regional Transmission Planning Activities

The ColumbiaGrid Strawman outlines how transmission planning activities related to the Avista Transmission System will be performed, including the roles of specific regional and sub-regional transmission planning organizations in meeting the nine transmission planning principles outlined in Order No. 890.

Local System Planning Activities

As noted in Section I of the ColumbiaGrid Strawman, there exist applicable provisions in Avista's OATT, including the standard form of Network Operating Agreement, that apply to the local transmission planning activities necessary to provide ongoing reliable service to Network Load and to bundled retail native load customers. In addition to the regional, sub-regional and local system planning activities outlined in the ColumbiaGrid Strawman, Avista will continue to meet on a regular basis with its Network Customers and the wholesale utility customers of the Bonneville Power Administration pursuant to Section 4 of the Network Operating Agreement. These meetings, under the context of a Network Operating Committee, are for the purpose of discussing transmission and applicable distribution operations and maintenance issues and to share the necessary information, including load forecast and resource acquisition information, to enable Avista to plan the ongoing operation and expansion of its Transmission System to meet the needs of its Network Customers and bundled retail native load customers.

Additionally, Avista's Network Customers are able and welcome, should they choose, to participate on an ongoing basis in the ColumbiaGrid planning process as an Interested Person or, with respect to a given Project, an Affected Person.

Avista looks forward to working cooperatively with our transmission customers and stakeholders in the continued development of our transmission planning process and to continuing to meet the transmission needs of our Network Customers and bundled retail native load customers. As valued customers and stakeholders, Avista continues to seek your input in the continuing development of our transmission planning process. Please contact Jeff Schlect at (509)-495-4851 or Warren Clark at (509) 495-4186 with any questions or comments.

Respectfully,



Jeff Schlect
Manager, Transmission Services