

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)
AVISTA Corporation dba Avista Utilities)
for Authorization to Transfer Spare)
Transformer(s) and an Associated)
Accounting Order)

DOCKET NO. UE-06 _____

PETITION OF AVISTA CORPORATION

I. PETITIONER

1 In accordance with WAC 480-07-395, the name and address of Petitioner, Avista Corporation (“Avista,” or “Company”), is as shown below. Please direct all correspondence related to this Petition as follows:

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II. INTRODUCTION

2 Pursuant to WAC 480-07-395, Avista Corp. hereby requests that the Commission issue an order authorizing Avista to transfer spare transformers from its inventory to other utility companies as required under the Spare Transformer Sharing Agreement (“Sharing Agreement”), which Avista has entered into subject to Commission authorization as requested in this Petition. Under the Sharing Agreement, participating utilities may be called upon to provide transformers to another participating utility if an act of terrorism results in the destruction or long-term disabling of that utility's electric transmission substations. Avista

also requests an accounting order setting forth the proper accounting treatment of the transfer and replacement of any transformers that Avista provides to other utility companies pursuant to the Sharing Agreement.

III. SPARE TRANSFORMER SHARING AGREEMENT

3 Under the coordination of the Edison Electric Institute (“EEI”), a group of utilities including Avista have been working together to implement a spare transformer sharing program to provide for the expeditious recovery of a utility’s transmission systems in the event of a coordinated and deliberate destruction of a utility’s substation or substations.

4 Avista entered into the Sharing Agreement with other participating public utility companies on April 13, 2006. A copy of the Sharing Agreement is provided as Exhibit A to this Petition.

5 On July 18, 2006, EEI, on behalf of the signatories to the Sharing Agreement, filed with the Federal Energy Regulatory Commission (“FERC”) a Joint Section 203 Application and Petition for Declaratory Order, Docket Nos. EC06-140-000 and EL06-86-000, seeking approval of the contemplated transfers under the Sharing Agreement.

6 In the event that Avista suffers a coordinated and deliberate act of destruction to one or more of its transformers, the Sharing Agreement provides secure and rapid access to replacement transformers that would otherwise require advanced lead time and overseas production. Such a “Triggering Event”¹ would enable Avista to acquire spare transformer(s)

¹ As defines in section 1.1 of the Sharing Agreement: “Triggering Event” means an act or coordinated acts of deliberate, documented terrorism, as defined in the Homeland Security Act of 2002, 6 U.S.C. § 101(15), as the same may be amended from time to time, resulting in (1) the destruction or long-term disabling of one or more electric transmission substations, and (2) the declaration of a state of emergency by the President of the United States pursuant to the National Emergencies Act, 50 U.S.C. § 1601 et seq., as the same may be amended from time to time.

from other participating utilities in the Sharing Agreement, reestablishing its transmission systems in the shortest possible timeframe. The protocols within the Sharing Agreement are in the public interest because such actions will enhance the reliability of the electric transmission grid.

7 Avista's obligation under the protocols of the Sharing Agreement in terms of spare transformer(s) availability will be met through its existing and future anticipated inventory levels. These inventory levels were initially designed for the Company's potential use, and do not require any additional purchases, or additional maintenance requirements that would not have been otherwise performed as part of Avista's regularly scheduled maintenance plans.

8 Furthermore, the Sharing Agreement does not restrict or restrain Avista from aiding itself or other regional utilities in the event of a disaster.

9 If Avista does complete a spare transformer transfer to another participating utility, the terms of the Sharing Agreement requires such utility to pay for the transformer. The received funds would be used by Avista to purchase a replacement transformer to replenish its inventory levels of spare transformers.

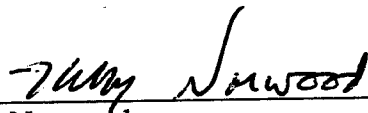
VI. COMPANY'S REQUEST

10 The Company respectfully requests that the Commission issue an order under RCW Chapter 80.12 and WAC Chapter 480-143 authorizing in advance the transfer of spare transformers to other participating utility companies if required per the terms of the Sharing Agreement.

11 In addition, Avista requests an advanced order approving the following proposed accounting treatment for the sale of a transformer by Avista to a utility receiving a transformer under the Sharing Agreement:

A transformer sold by Avista to another utility under the Sharing Agreement will be retired by charging accumulated depreciation and crediting the appropriate transformer plant account. The amount paid to Avista for the transformer will be recorded as salvage and credited to accumulated depreciation. The cost of a replacement transformer will be charged to the appropriate transformer plant account.

DATED this 31st day of August 2006

By: 
Kelly Norwood
Vice President, Avista Corp.

VERIFICATION

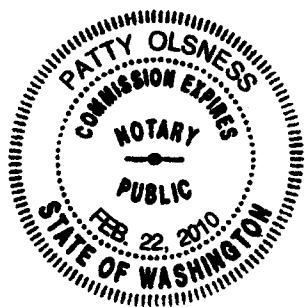
STATE OF WASHINGTON)
)
County of Spokane)

Kelly O. Norwood, being first duly sworn on oath, deposes and says: That he is a Vice President of Avista Corporation and makes this verification for and on behalf of said corporation, being thereto duly authorized;

That he has read the foregoing Petition, knows the contents thereof, and believes the same to be true.

Kelly Norwood

SIGNED AND SWORN to before me on this 31st day of August 2006



Patty Olsness

NOTARY PUBLIC in and for the State of Washington, residing at Spokane.

Commission Expires: 2/22/10