

June 30, 2003

Mr. Jerry D. Rust  
President and Director  
Northwest PowerPool  
26 SW Salmon, Suite 400  
Portland, OR 97204

Subject: Northwest - California Subregional Planning Opportunities

Dear Mr. Rust:

This letter is a follow up to our recent telephone conversation. I want to let you know of my appreciation for you taking the time to briefly discuss the California ISO's interest in opening a dialog with all interested Northwest parties to discuss opportunities for initiating a subregional planning effort between our two regions. Our discussion was very helpful to me in understanding where the Northwest PowerPool currently stands on assessing the interest within your membership of initiating such a process within your region.

As we discussed in our telephone conversation, the California ISO is very interested in pursuing our mutual interests in subregional transmission planning opportunities between our two regions. The California ISO considers such an organized planning process with the Northwest one of our corporation's highest priorities for this year and beyond. As you may know, the California ISO is currently involved in the Southwest Transmission Expansion Planning ("STEP") effort that is underway between Southern California, Nevada, and Arizona entities. This process is considered by many of the participating parties to be well on its way of becoming a very successful subregional planning effort for that area. Numerous transmission options are being discussed to increase the transmission capacity within the Southwest region of the Western interconnection and have, for that reason, attracted significant, positive attention among numerous transmission and generation stakeholders as well as state and federal entities.

While the California ISO envisions a similarly successful process with the Northwest as viable, to be successful it must be a process that meets the needs of the Northwest and California stakeholders. As such, the California ISO recognizes that it may be inappropriate to simply "import" the STEP process to a Northwest - California planning effort. However, we do believe that the subregional planning approaches that have been taken by STEP and other subregional planning efforts such as the Central Arizona Transmission Study ("CATS") are worth consideration. These approaches have been quite effective in those subregions and I believe they can be shaped to fit our mutual needs between the Northwest and California. To this end, the California ISO is very interested in presenting and discussing these processes with your members. And while the California ISO is willing to coordinate this effort, we also believe that the Northwest PowerPool, if willing, would be an excellent forum to coordinate this effort as well.

I sincerely appreciate the opportunity to speak with you and look forward to doing so again soon. I will continue to contact other Northwest entities to discuss the merits and value of a Northwest - California subregional planning effort. The California ISO looks forward to working with you and the Northwest PowerPool to develop this subregional planning effort.

Sincerely,

*Original signed by*

Gary L. DeShazo  
Regional Transmission Manager

cc: Terry Winter (ISO)  
Armando Perez (ISO)  
Robert Sparks (ISO)  
Scott Waples (Avista)  
Ken Morris (PacifiCorp)  
Rich Bayless (PacifiCorp)  
Harlow Peterson (SRP)  
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