

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-100467

EXHIBIT NO. \_\_\_\_\_ (RJL-7)

ROBERT J. LAFFERTY

REPRESENTING AVISTA CORPORATION

## EXECUTION VERSION

JOINT CONSENT AND TERMINATION

This JOINT CONSENT AND TERMINATION (this “Consent”) is granted as of March 19, 2010, under (i) that certain Loan and Reimbursement Agreement, dated as of March 8, 2000 (the “Loan Agreement”), among Rathdrum Power, LLC (“Borrower”), the Lenders named therein (the “Lenders”), and Credit Agricole Corporate & Investment Bank (as successor to Calyon New York Branch, itself as successor to Credit Lyonnais New York Branch), as Administrative Agent for the Banks (the “Administrative Agent”) and Issuing Bank thereunder, (ii) that certain Power Purchase Agreement, dated as of December 10, 1998, between Avista Turbine Power, Inc. (“Assignor”), as assignee of Avista Energy, Inc., and Borrower (as amended, modified or supplemented from time to time, the “Power Purchase Agreement”), (iii) that certain Consent to Assignment of Power Purchase Agreement, dated as of March 8, 2000, between Assignor and Credit Agricole Corporate & Investment Bank (as successor to Calyon New York Branch, itself as successor to Credit Lyonnais New York Branch), as Security Agent for the Lenders (the “Security Agent”), (the “PPA Consent to Assignment”), (iv) that certain Guaranty Agreement, dated as of June 11, 1999, by Avista Corporation (“Assignee”) in favor of Borrower (as amended, modified or supplemented from time to time, the “Guaranty Agreement”), and (v) that certain Consent to Assignment of PPA Parent Guaranty, dated as of March 8, 2000, between Assignee and the Security Agent (the “Guaranty Consent to Assignment”).

W I T N E S S E T H:

WHEREAS, Borrower owns an electric generating power plant located in Rathdrum, Idaho, and Assignor currently purchases all of the electric power and capacity from such generating plant pursuant to the Power Purchase Agreement;

WHEREAS, Assignor has requested that Borrower consent, and Borrower is willing to grant its consent pursuant to the terms and conditions of this Consent, to the assignment, transfer and conveyance by Assignor of all of Assignor’s rights, title and interests under the Power Purchase Agreement and the PPA Consent to Assignment to Assignee, and the assumption by Assignee of all of Assignor’s rights, title and interests under the Power Purchase Agreement and the PPA Consent to Assignment, which transaction shall be evidenced by a form of Assignment and Assumption Agreement attached hereto as Exhibit A (such transaction, the “Assignment”);

WHEREAS, in connection with the Assignment, Assignee and Borrower are willing to terminate the Guaranty Agreement from and after the effective date of the Assignment;

WHEREAS, the consummation of the Assignment and the termination of the Guaranty Agreement are restricted by certain provisions contained in the Loan Agreement and, accordingly, Borrower has conditioned its consent to the Assignment and the termination of the Guaranty Agreement on the approval of the Required Lenders under the Loan Agreement to the Assignment and the termination of the Guaranty Agreement;

WHEREAS, the undersigned Required Lenders are willing to provide such consents and to allow the termination of the Guaranty Consent to Assignment, but only upon the terms and subject to the conditions set forth below; and

WHEREAS, on the effective date of the Assignment, Borrower and the Required Lenders will enter into an amendment to the Loan Agreement (the “Loan Agreement Amendment”)

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Defined Terms. Capitalized terms used herein without definition shall, unless otherwise provided herein, have the meanings ascribed to them in the Loan Agreement.

2. Lender Consents. Each of the undersigned Lenders, constituting the Required Lenders, hereby consents, in accordance with Section 10.9(a) of the Loan Agreement, (a) to the Assignment, (b) to the termination of the Guaranty Agreement and (c) to the termination of the Guaranty Consent to Assignment, and waives any claim that an Event of Default occurs or will occur under Section 11.1(d)(ii), Section 11.1(h) or Section 11.1(j) of the Loan Agreement as a result of Borrower’s agreement to permit the Assignment, the termination of the Guaranty Agreement and the termination of the Guaranty Consent to Assignment.

3. Borrower Consents. Borrower hereby waives any claim that an Event of Default (as defined in the Power Purchase Agreement) will occur under Section 18.1(b)(ii) of the Power Purchase Agreement as a result of the Assignment, the termination of the Guaranty Agreement and the termination of the Guaranty Consent to Assignment, and further consents and agrees to the assignment by Assignor of all of Assignor’s rights, title and interests under the Power Purchase Agreement and the PPA Consent to Assignment to Assignee and the assumption by Assignee of all of Assignor’s rights, title and interests under the Power Purchase Agreement and the PPA Consent to Assignment pursuant to the Assignment, notwithstanding any provisions in Power Purchase Agreement, including but not limited to Section 21.2(a).

4. Termination of Guaranty Agreement. Upon the effective date of the Assignment, the obligations of Assignee under the Guaranty Agreement and the Guaranty Consent to Assignment shall terminate and be of no further force or effect with respect to obligations thereunder arising after such date.

5. Effectiveness. This Consent shall not become effective unless and until the date that the Administrative Agent and Borrower shall each have received counterparts of this Consent, duly executed and delivered by each of Borrower, the Administrative Agent, the Security Agent and the Required Lenders. The Assignment, the termination of the Guaranty Agreement and the termination of the Guaranty Consent to Assignment (collectively, the “Assignment Transactions”) shall not become effective unless and until (i) Assignee makes any necessary regulatory filings with The Washington Utilities and Transportation Commission (the “WUTC”) and (ii) the regulatory proceedings related to such filings shall have been completed without the disapproval by the WUTC of Assignee’s entry into the Assignment Transactions, per se. The effectiveness of this Consent, however, is not otherwise conditioned upon the nature of the ratemaking treatment (i.e., cost recovery) afforded by the WUTC with respect to the assigned Power Purchase Agreement. As soon as practicable following the execution of this Consent, Assignee shall file all applications, agreements, filings, notices and other documents with any such commission or regulatory authority as may be necessary in connection with the Assignment Transactions and shall exercise commercially reasonable efforts to prosecute and complete the

regulatory proceedings related to such filings. The date on which the Assignment Transactions become effective shall be promptly confirmed in writing by Assignor and Assignee to Borrower. In the event that the Assignment Transactions are not consummated by July 1, 2011, then this Consent and the authorities granted herein shall be null and void.

6. Continuing Effect. Except as set forth herein or in the Loan Agreement Amendment, all of the terms and provisions of the Power Purchase Agreement, Loan Agreement and the other Financing Documents are and shall remain in full force and effect.

7. Counterparts. This Consent may be executed in any number of counterparts by the parties hereto, each of which counterparts when so executed shall be an original, but all the counterparts shall together constitute one and the same instrument. Delivery of an executed signature page of this Consent (which may be by electronic mail or facsimile transmission) shall be effective as delivery of a manually executed counterpart hereof.

8. Severability. Any provision of this Consent that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate nor render unenforceable such provision in any other jurisdiction.



9. GOVERNING LAW. THIS CONSENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK.

10. Headings. The headings of this Consent are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.


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IN WITNESS WHEREOF, the parties hereto have caused this Consent to be duly executed and delivered by their respective proper and duly authorized officers as of the day and year first above written.


RATHDRUM POWER, LLC

By:   
Name: Michael L. Everett  
Title: Vice President 

AVISTA TURBINE POWER, INC.

By:   
Name: Mark T. Thies  
Title: SVP CFO & Treasurer

AVISTA CORPORATION

By:   
Name: MARIAN DURKIN  
Title: SVP General Counsel

CREDIT AGRICOLE CORPORATE &  
INVESTMENT BANK  
as Administrative Agent, Bank and Security Agent

By: *Thomas W. Boylan*  
Name: **Thomas W. Boylan**  
Title: **Director**

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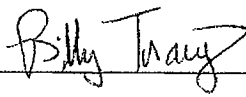
By: \_\_\_\_\_

Name:

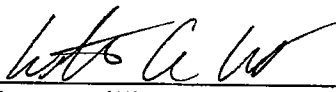
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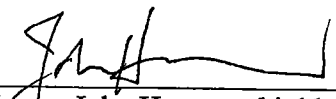


THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.  
NEW YORK BRANCH

By: \_\_\_\_\_   
Name:  
Title: **Billy Tracy  
Vice President  
& Manager**

DZ BANK AG DEUTSCHE ZENTRAL-  
GENOSSENSCHAFTSBANK,  
Frankfurt am Main, New York Branch


By:   
Name: William Kersten  
Title: Vice President

By:   
Name: John Hammarskjold  
Title: Vice President

HSB NORDBANK AG

By: \_\_\_\_\_  
Name:  
Title:

TEACHERS INSURANCE AND ANNUITY  
ASSOCIATION OF AMERICA

By: *Lisa M. Ferraro*   
Name: *Lisa M. Ferraro*  
Title: *Managing Director*

## EXHIBIT A

ASSIGNMENT AND  
ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment") is entered into as of March 19, 2010, by and among AVISTA TURBINE POWER, INC., a Washington corporation ("Assignor"), AVISTA CORPORATION, a Washington corporation ("Assignee"), and CREDIT AGRICOLE CORPORATE & INVESTMENT BANK (as successor to Calyon New York Branch, itself as successor to Credit Lyonnais New York Branch), as Security Agent for the Lenders (the "Security Agent"), with reference to the following facts:

WHEREAS, Assignor (as successor in interest to Avista Energy, Inc.) and Rathdrum Power, LLC ("Seller") are party to that certain Power Purchase Agreement, dated as of December 10, 1998, (as amended, modified or supplemented from time to time, the "Power Purchase Agreement") relating to the sale of electricity by Seller to Assignor,

WHEREAS, Assignor and the Security Agent are party to that certain Consent to Assignment of Power Purchase Agreement, dated as of March 8, 2000, (the "PPA Consent to Assignment").

WHEREAS, Assignor is desirous of assigning, transferring and conveying unto Assignee all of Assignor's rights, title and interest in the Power Purchase Agreement and the PPA Consent to Assignment from and after the date hereof, and Assignee is willing and prepared to accept the same and pay for the obligations in respect thereof from and after the date hereof; and

WHEREAS, Assignor is desirous of delegating any and all duties, obligations, responsibilities, liabilities, claims, demands and other commitments in respect of the Power Purchase Agreement and the PPA Consent to Assignment from and after the date hereof, and Assignee is willing and prepared to perform and to be bound by all the terms, conditions and covenants of Assignor in the Power Purchase Agreement and the PPA Consent to Assignment from and after the date hereof.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor, Assignee and Security Agent agree as follows:

1. Effectiveness. The assignment and assumption transactions provided for in Section 2 of this Assignment shall not become effective unless and until (i) Assignee makes any necessary regulatory filings with The Washington Utilities and Transportation Commission (the "WUTC") and (ii) the regulatory proceedings related to such filings shall have been completed without the disapproval by the WUTC of Assignee's agreement to perform and be bound by all of the terms, conditions and covenants contained in the Power Purchase Agreement and the PPA Consent to Assignment. The effectiveness of this Assignment, however, is not otherwise conditioned upon the nature of the ratemaking treatment (i.e., cost recovery) afforded by the WUTC with respect to the assigned Power Purchase Agreement. As soon as practicable following the execution of this Assignment, Assignee shall file all applications, agreements,

filings, notices and other documents with any such commission or regulatory authority as may be necessary in connection with this Assignment and shall exercise commercially reasonable efforts to prosecute and complete the regulatory proceedings related to such filings. The date on which the assignment and assumption transactions provided for in Section 2 of this Assignment become effective upon satisfaction of such conditions being referred to herein as the “Effective Date” and such date shall be confirmed in writing among Assignor, Assignee and the Security Agent. In the event that the assignment and assumption transactions provided for in Section 2 of this Assignment are not effective by July 1, 2011, then this Assignment shall be null and void.

2. Assignment and Assumption. Subject to the terms and conditions of this Assignment:

(a) Assignor hereby irrevocably assigns, conveys and transfers unto Assignee, its successors and assigns, all of Assignor’s rights, title and interests in and to the Power Purchase Agreement and the PPA Consent to Assignment from and after the Effective Date. Assignor hereby delegates any and all duties, obligations, responsibilities, liabilities, claims, demands and other commitments under the Power Purchase Agreement and the PPA Consent to Assignment unto Assignee, its successors and assigns, from and after the Effective Date; and

(b) From and after the Effective Date, Assignee hereby accepts all of Assignor’s rights, title and interests in and to the Power Purchase Agreement and the PPA Consent to Assignment, and agrees to perform and be bound by all of the terms, conditions and covenants contained in the Power Purchase Agreement and the PPA Consent to Assignment in all respects with the same force and effect as if Assignee had entered into the Power Purchase Agreement and the PPA Consent to Assignment originally. Assignee hereby assumes any and all duties, obligations, responsibilities, liabilities, claims, demands and other commitments under the Power Purchase Agreement and the PPA Consent to Assignment from and after the Effective Date.

2. Allocation of Liability. For the avoidance of any doubt, Assignor and Assignee agree that Assignor shall be responsible for all liabilities, and entitled to all benefits, as purchaser under the Power Purchase Agreement and the PPA Consent to Assignment with respect to periods of time prior to the effectiveness of the assignment of the Power Purchase Agreement and the PPA Consent to Assignment to Assignee effected hereunder, and that Assignee shall be responsible for all liabilities, and entitled to all benefits, as purchaser under the Power Purchase Agreement and the PPA Consent to Assignment with respect to period of time on and after the effectiveness of the assignment of the Power Purchase Agreement and the PPA Consent to Assignment to Assignee effected hereunder.

3. Further Assurances. The Assignor and Assignee hereby agree, each at its own expense, to perform all such further acts and execute and deliver all such further agreements, instruments and other documents as such other party shall reasonably request to evidence more effectively the assignment, acceptance and assumption made by the Assignor and Assignee under this Assignment.

4. Legal Authority. Assignor and Assignee represent to the other that it has the full

legal right, power and authority to enter into this Assignment and that this Assignment shall constitute a valid and legally binding obligation of such party enforceable against it in accordance with its terms.

5. Successors and Assigns. This Assignment shall be binding upon, and inure to the benefit of, Assignor, Assignee, the Security Agent and their respective successors and assigns.

6. GOVERNING LAW. THIS ASSIGNMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK.

7. Counterparts; Signatures. This Assignment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument. Any signature page of any such counterpart, or any electronic facsimile thereof, may be attached or appended to any other counterpart to complete a fully executed counterpart of this Assignment. Any electronic facsimile transmission of any signature of a party shall be deemed an original and shall bind such party.

IN WITNESS WHEREOF, this Assignment has been executed and delivered by Assignor, Assignee and the Security Agent as of the day and year first above written.

Assignor: AVISTA TURBINE POWER, INC.

By: [Signature]  
Name: Mark T. Thies  
Title: SVP, CFO & Treasurer

Assignee: AVISTA CORPORATION

By: [Signature]  
Name: MARIAN DURKIN  
Title: SVP General Counsel

The Security Agent:

CREDIT AGRICOLE CORPORATE &  
INVESTMENT BANK

By: *Thomas W. Boylan*  
Name: **Thomas W. Boylan**  
Title: **Director**