

**ASSIGNMENT AND NOVATION AGREEMENT
FIRM TRANSPORTATION CAPACITY**

THIS AGREEMENT made effective as of the 8th day of October, 2009

AMONG:

Avista Energy, Inc., a body corporate, having an office and carrying on business in the City of Spokane, in the State of Washington, (hereinafter referred to as the "Assignor")

- and -

Avista Corporation, a body corporate, having an office and carrying on business in the City of Spokane, in the State of Washington, (hereinafter referred to as "Assignee")

- and -

Foothills Pipe Lines Ltd., a body corporate, having an office in the City of Calgary, in the Province of Alberta (hereinafter referred to as "Foothills")

THIS AGREEMENT WITNESSETH THAT:

A. WHEREAS the Assignor and Foothills are parties or successors in interest to parties to a firm gas transportation contract made effective the 1st day of November, 2004, as amended or supplemented, from time to time (hereinafter referred to as the "Contract"); and

B. AND WHEREAS the Assignor wishes to assign, set over, transfer and convey a portion of the interest and obligations of the Assignor in and under the Contract to Assignee;

NOW THEREFORE in consideration of the premises hereto and the mutual covenants and agreements herein set forth, the parties hereto mutually agree as follows:

1. Notwithstanding other provisions contained in this Agreement, any assignment made hereunder shall be subject to and conditional upon the delivery by the Assignee of financial assurances

contained in the Contract relating directly or indirectly thereto, as the case may be, in existence prior to the effective date hereof.

6. (a) The Assignor releases and relieves Foothills from its obligations to the Assignor arising under the provisions of the Assigned Portion of the Contract from and after the Effective Date. Foothills hereby releases and discharges the Assignor of and from the observance and performance of the covenants, agreements, duties and obligations of the Assignor to be observed and performed under the Assigned Portion of the Contract, as may have arisen or accrued or may arise or accrue from and after the Effective Date.
 - (b) The Assignee waives any claim it may have against Foothills by reason of any dealings by Foothills with the Assignor, as Shipper under the Contract, after the effective date hereof and prior to the delivery by the Assignee of a fully executed copy of this Agreement to Foothills.
7. The Assignee agrees to execute concurrently herewith, a contract (the "Assignee's Contract") providing for transportation of the Assigned Portion of the Contract on the Foothills transportation facilities. Upon execution by both the Assignee and Foothills of the Assignee's Contract, and upon the satisfactory fulfillment of all conditions under this agreement, the rights and obligations of the Assignee in respect of the Assigned Portion of the Contract as created hereunder will merge with the rights and obligations created under the Assignee's Contract, such that the Assignee's Contract will be the surviving document governing the transportation of the Assigned Portion of the Contract.

12. This Agreement shall be interpreted, construed and enforced in accordance with the laws of Alberta.

IN WITNESS WHEREOF the parties hereby have executed and delivered this Agreement as of the day and year first above written.

Avista Energy, Inc.

Per: Tracy Van Orden

Per: Tracy Van Orden, Controller, Avista Energy

Avista Corporation

Per: [Signature]

Per: Kevin Christie, Director, Natural Gas Supply

Foothills Pipe Lines Ltd.

Per: [Signature]

Per: [Signature]