

Avista Corp.  
1411 East Mission P.O. Box 3727  
Spokane, Washington 99220-0500  
Telephone 509-489-0500  
Toll Free 800-727-9170



December 30, 2009

Mr. David Danner  
Executive Director & Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
P. O. Box 47250  
Olympia, Washington 98504-7250

**RE: Docket No. UE-091902 (Avista Corporation Affiliated Interest Filing/Lancaster)**

Dear Mr. Danner:

Pursuant to RCW 80.16.020 and WAC 480-100-245, please find enclosed for filing an original and three copies of the following contracts and agreements which supplement the Company's previous filing in this matter:

**Electric Transmission**

Avista Energy, Inc. has assigned certain transmission rights and obligations to Avista Corporation effective January 1, 2010. The transmission rights and obligations assigned to Avista Corporation are the following:

1. **Attachment A** - Transmission ancillary services for the Lancaster plant are provided by BPA. These services are contractually provided under an interconnection agreement between Rathdrum Power, LLC and BPA. On April 11, 2002, a letter agreement (BPA No. 02TX-11007) between BPA, Avista Energy, Inc. and Cogentrix, as manager for Rathdrum Power, LLC, directed BPA to bill Avista Energy directly for these services. Later, an Assignment Consent Agreement (BPA No. 10TX-14605) between BPA, Avista Energy, Inc. and Avista Corp. was executed and will become effective on January 1, 2010 transferring the Letter Agreement from Avista Turbine Power to Avista Corp.
2. **Attachment B** - 250 MW of firm Point-To-Point transmission service is provided by BPA from Lancaster (POR) to John Day (POD). This service is contractually provided under a Point-To-Point Transmission Service Agreement between BPA and Avista Energy, Inc. (BPA No. 97TX-50002). This service will be transferred to Avista Corp effective January 1, 2010. Avista Corp has an existing BPA PTP Service Agreement (BPA No. 96MS-96008) dated August 14, 1996. The transferred transmission rights will be effectuated by including two new Exhibits under Avista's existing BPA contract 96008. The two exhibits being added,

include one for 100 MW and one for 150 MW. The 100 MW portion has term extension roll-over rights with no termination rights. The 150 MW portion has no term extension roll-over rights but does have termination rights with two years notice.

3. **Attachment B-1** - 250 MW of firm Point-To-Point transmission service is provided by BPA from Lancaster (POR) to John Day (POD). This service is contractually provided under a Point-To-Point transmission Service Agreement between BPA and Avista Energy, Inc. (BPA No. 97TX-50002). Avista Energy notified BPA that Avista Corp would substitute for Avista Energy for administrative purposes under the agreement in order to receive or request amendments. (Avista Energy letter incorrectly dated as March 28, 2007 [actual date was March 28, 2008].) The transferred transmission rights will be effectuated by revising Exhibit C, Table 1 of the contract to show a change from 250 MW to 0 MW.

### **Natural Gas Transportation**

There are four contracts with three entities that are associated with the delivery of natural gas to the Lancaster facility. As discussed below, Avista Corporation shall hold the rights under those contracts on January 1, 2010.

- **Gas Transmission Northwest Corporation (“GTN”)**. There are two contracts with GTN: one for 25000 MDQ (Contract No. 10801) and one for 1388 MDQ (Contract No. 10802) from Kingsgate to Malin. With regard to both contracts, the original service agreements were between GTN and Coral Power LLC (Shell Energy North America (US), L.P.) (“Coral”) (original shipper). Coral subsequently and temporarily released the capacity under both contracts to Avista Energy, Inc. (replacement shipper) in Contract Nos. 10475 and 10476. The confirmations naming Avista Energy as the replacement shipper to contracts 10475 and 10476 are attached hereto as **Attachment C**. Effective January 1, 2010, Avista Energy, Inc. has released its capacity under both contracts to Avista Corporation. Under North American Energy Standards Board (“NAESB”) rules, Avista Corporation will, as replacement shipper pursuant to a temporary release, hold the same rights as the original shipper with regard to the original service agreements. The confirmations naming Avista Corporation as the replacement shipper to Contract Nos. 10801 and 10802 are attached hereto as **Attachment D**. These documents link together the capacity release transactions between the three parties; showing Avista Energy and Avista Corporation, as replacement shippers, holding the same contractual rights and obligations as the original shipper and are specified in and by GTN’s filed Tariff. At the end of the release term the transportation reverts back to the original shipper. Avista Energy, Inc. never held title to the transport agreements during their operational terms and incurred no economic gains or losses from these FERC regulated releases. The underlying service agreements between GTN and Coral is attached hereto as **Attachment E**.
- **NOVA Gas Transmission Ltd (TransCanada) (“NOVA”)**: Effective January 1, 2010, Avista Energy, Inc. has assigned its service agreement with NOVA for firm transportation-delivery under NOVA’s Rate Schedule FT-D (“NOVA Contract”). The permanent assignment of the NOVA Contract to Avista Corporation is attached hereto as **Attachment F**. A copy of NOVA’s Rate Schedule FT-D is attached hereto as **Attachment G**.

- Foothills Pipe Lines Ltd (“Foothills”): Effective January 1, 2010, Avista Energy, Inc. has assigned its service agreement with Foothills for firm transportation service under service Agreement FT (“Foothills Contract”). The permanent assignment of the Foothills Contract to Avista Corporation is attached hereto as **Attachment H**. A copy of the new Service Agreement FT between Avista Corporation and Foothills is attached hereto as **Attachment I**.

**Other Documentation**

- **Attachment J** – Letter from Avista Turbine Power to Rathdrum Power LLC providing notice that Avista Corporation will be the generation control center effective January 1, 2010.

In conjunction with Avista’s next general rate case, the Company will provide additional evidentiary support for cost recovery associated with these transactions<sup>1</sup>. At present, the Company plans to file its next general rate case before the end of the first quarter of 2010.

Please feel free to contact me at 509.495.4316 should you have any questions.

Sincerely,



David Meyer  
Vice President and Chief Counsel of  
Regulatory and Governmental Affairs

Enclosure

cc: All Parties in Docket Nos. UE-090134, UG-090135 & UG-060518 (consolidated)

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<sup>1</sup> In the Commission’s Order 10, issued in Docket Nos. UE-090134, UG-090135 & UG-060518 (consolidated), at paragraph 231, the Commission stated:

The Company must file the Lancaster power supply and related transmission and fuel gas transport contracts once such contracts are finally executed. In conjunction with the contract filing, or in a separate filing, the Company must file evidence to demonstrate that, as an affiliated interest transaction, the contract(s) comply with the statutory requirements set out in RCW 80.16.020. (emphasis added)

Should the Commission desire additional information in advance of the Company’s next general rate case, please advise.