

Avista Corp.
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March 2, 2010

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: Avista Corporation Affiliated Interest Filing (Jackson Prairie Storage Project) pursuant to RCW 80.16.020.

Dear Mr. Danner:

Pursuant to RCW 80.16.020 and WAC 480-90-245, please find enclosed for filing an original and three copies of the "Confirmation Agreement" between Avista Corp. and Avista Energy dated March 1, 2010 relating to the reconveyance of the previously-assigned storage capacity in the Jackson Prairie Storage Project to Avista Corporation (Attachment A). This agreement simply reconfirms certain provisions previously agreed to in the prior agreements discussed below.

PRIOR AGREEMENTS

- 1) October 5, 1998 Agreement to Convey Ownership Interest from Avista Corporation (WWP) to Avista Energy (Attachment B).

On October 5, 1998, Avista Corporation (at that time WWP) entered into an agreement ("1998 Agreement") with Avista Energy in which Avista Corporation conveyed, for a limited term, to Avista Energy its ownership interest in Jackson Prairie Storage capacity and withdrawal and injection capacity. Avista Energy acquired such ownership interests subject to the provisions of the 1989 Storage Project Agreement and the superseding 1998 Storage Project Agreement, which were incorporated by reference into the 1998 Agreement by reference. Notwithstanding the conveyance, Avista Corporation retained all voting and management rights associated with its ownership interest. The 1998 Agreement became effective on October 5, 1998, and was to continue for a period of 10 years commencing on the date of the expansion ("Primary Term"). After the Primary Term, the 1998 Agreement was to evergreen on a year-to-year basis unless terminated by Avista Corporation by written notice to Avista energy not less than 12 months prior to the end of the Primary Term or any anniversary date thereafter. The 1998 Agreement provides that, upon termination, "Avista [Energy] shall take all necessary actions to arrange for a transfer of the ownership interest back to [Avista Corporation]."

This Agreement was described in Avista's 2001 Subsidiary Transaction (Affiliated Interest) filing, dated May 31, 2002.

The 1998 Agreement has been amended twice: on October 30, 2002 and June 30, 2007.

A. October 30, 2002 Amendment (Attachment C)

On October 30, 2002, Avista Corporation and Avista Energy amended the 1998 Agreement (“2002 Amendment”). Specifically, the 1998 Agreement was amended to convey to Avista Energy, Avista Corporation’s interest in the expanded storage capacity resulting from the 2002-2008 expansion project. The 2002 Amendment also provided Avista Energy with an ownership interest in approximately 4,500,000 Dth of capacity, of which approximately 3,100,000 Dth was to be working gas and 1,400,000 Dth was to be cushion gas. The 2002 Amendment also made clear that Avista Energy would be responsible for all nominations and scheduling associated with deliveries to and from the Jackson Prairie project and would arrange for the necessary transportation. Finally, the 2002 Amendment stated that Avista Energy would be responsible for contributing Avista Corporation’s share of all capital costs relating to the expansion, including reimbursement of those costs already incurred by Avista Corporation, and would be responsible for providing payment of all operating and maintenance expenses, administrative expenses, and development costs that would otherwise be incurred by Avista Corporation. This Amendment was as described in Avista’s 2002 Subsidiary Transaction (Affiliated Interest) filing, dated May 30, 2003.

B. June 30, 2007 Amendment (Attachment D)

On June 30, 2007, Avista Corporation and Avista Energy again amended the 1998 Agreement (“2007 Amendment”). The 2007 Amendment states that, at the time the 2007 Amendment was executed, the Primary Term of the 1998 Agreement was due to expire on October 31, 2009. The 2007 Amendment acknowledged that, in a separate agreement, Avista Energy was to agree to release 3,030,887 Dth of Jackson Prairie Expansion Capacity and 104,000 Dth per day of Deliverability on a non-recallable basis to Coral Resources through April 30, 2011. Accordingly, the 2007 Amendment extended the term of the 1998 Agreement to April 30, 2011 and provided that after that time “[t]here shall be no further rights to renew, rollover or extend in any way the [1998 Agreement], and Avista Energy shall have no right to any capacity or deliverability that is added at Jackson Prairie after the closing.” A draft form of this Amendment was provided as a part of Avista’s 2006 Subsidiary Transaction (Affiliated Interest) filing, dated May 30, 2007. The executed Amendment, in substantially the same form, was signed on June 30, 2007.

2) June 30, 2007 Agreement to Temporarily Assign Rights to use Jackson Prairie Expansion Capacity (Attachment E)

On June 30, 2007, Avista Energy temporarily assigned its rights to use 3,030,887 Dth of Jackson Prairie Expansion Capacity to Coral Energy Resources L.P. (“Coral”). Pursuant to the temporary assignment, the maximum deliverability that Coral may request and Avista Energy must make

available is 104,000 Dth per day, subject to a deliverability decline. The temporary assignment expressly states: "Nothing in this Agreement shall be construed as divesting Avista Corp of any portion of its one-third (1/3) ownership interest in Jackson Prairie or its rights and obligations under the Project Agreement." The term of the temporary assignment to Coral will end on April 30, 2011.

FERC FILING

- 1) April 19, 2007 Abbreviated Application for Limited Jurisdiction Certificate of Public Convenience and Necessity (Attachment F)

On April 19, 2007, Avista Energy filed with FERC an Abbreviated Application for Limited Jurisdiction Certificate of Public Convenience and Necessity ("Application") authorizing the temporary assignment of storage capacity in Jackson Prairie storage facility to Coral pursuant to section 7 of the Natural Gas Act and section 157.7 of FERC's regulations. In its Application, Avista Energy also requested pregranted abandonment at the conclusion of the temporary assignment. Specifically, the Application stated: "After April 30, 2011, the Conveyance Agreement [the 1998 Agreement as amended] and Assignment Agreement will expire, and the assigned capacity will revert from Coral Resources to Avista Corp for use in serving its retail customers."

- 2) May 25, 2007 FERC Order (Attachment G)

On May 25, 2007, FERC issued an order granting Avista Energy its requested certificate of public convenience and necessity authorizing the temporary assignment of storage capacity to Coral and also granting the requested approval for abandonment at the conclusion of the temporary assignment. Avista Energy, Inc., 119 FERC ¶ 62, 161 (2007).

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