

Avista Corp.

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February 26, 2010

State of Washington
Mr. David Danner, Executive Director & Secretary
1300 S. Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, Washington 98504-7250

RE: Request for Approval – Special Contact for Electric Service

Attached for filing with the Commission is a special contract for electric distribution service from Avista (Company) to the Spokane Tribe of Indians (Spokane Tribe or Tribe). The proposed Agreement is attached herewith as Exhibit 1. The Company respectfully requests Commission approval of the Agreement effective April 1, 2010. The Company believes that the proposed Agreement, in conjunction with the information presented herein, complies with the special contract filing requirements set forth in WAC 480-80-143.

Background

The Spokane Tribe operates three pumping facilities located on tribal land near Little Falls, Washington (northwest of Spokane). The Tribe receives electric power to operate these pumping facilities from the Bureau of Reclamation under a contract dated September 4, 1975. The electric power is delivered through Avista transmission and distribution facilities to the Tribe's pumping facilities. Transmission service is provided under a separate Transmission Service Agreement. The special contract filed herein provides for distribution service from Avista's Little Falls substation over a 34.5 kV feeder to the Tribe's pumping facilities.

Avista has provided similar service to the Tribe under an agreement dated December 10, 1998, which expired December 31, 2003. In 2003, approximately 3.1 million kilowatt-hours were delivered to the three pumps under the prior agreement. The annual charge for distribution service under the prior agreement was \$9,112 in 2003.

In December 2004, the Commission (Docket UE-042095) approved a Special Contract which replaced the previous agreement. The monthly charge for distribution service under that Agreement was \$1,579.71 per month, or \$18,957 per year.

Terms of Agreement

The Agreement was executed on February 25, 2010 and becomes effective following approval by the Commission. The term of the Agreement is open-ended but will terminate upon the earliest of the following events: 1) termination or expiration of the Bureau of Reclamation (power) Contract; 2) termination by either party after providing at least one year prior written notice of termination; 3)

Avista/Spokane Tribe Special Contract
February 26, 2010
Page 2 of 2

upon mutual agreement of both parties; or 4) the effective date of a new long-term transmission services agreement between the parties following the termination or expiration of the Transmission Agreement.

The monthly charge for distribution service under the Agreement is \$1,505.68 per month, or \$18,068.15 per year. The distribution charge is based on an allocation of costs from Avista's cost of service study filed with the Commission in Docket No. UE-080416. The workpapers supporting the distribution charge are filed herewith as Exhibit 2.

Compliance with Special Contract Rule (WAC 480-80-143)

Avista believes the Agreement meets the requirements of WAC 480-80-143. The service provided under the Agreement is unique, and therefore more appropriately provided under a special contract rather than a filed tariff. Further, the contract is non-discriminatory and is not unreasonably preferential as required under RCW 80.28.090 and 80.28.100. Lastly, the incremental costs associated with providing service under the Agreement are less than the charge for service, therefore, the revenue received from the Agreement provides a contribution to Avista's fixed costs.

The Company respectfully requests that the Commission approve the proposed Agreement to be effective April 1, 2010. If you have any questions regarding this filing, please contact me at 509-495-8620 or Tara Knox at 509-495-4325.

Sincerely

A handwritten signature in black ink, appearing to read 'Patrick Ehrbar', with a long horizontal line extending to the right.

Patrick Ehrbar
Manager, Rates & Tariffs

Enc.