



Avista Corp.

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March 11, 2015

Mr. Steven King
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 (Spokane Energy, LLC) pursuant to RCW 80.16.020.

Dear Mr. King:

Pursuant to RCW 80.16.020 and WAC 480-100-245, Avista is filing herewith a summary of the arrangement between, Spokane Energy, LLC (“Spokane Energy”) and Avista Corporation (“Avista”), to assign and transfer Spokane Energy’s interests in an Agreement for Long-Term Purchase and Sale of Firm Capacity (“Capacity Contract”) to its parent company, Avista. Spokane Energy proposes to transfer all of its rights and obligations under the Capacity Contract, and all of the existing transmission rights necessary to perform under the Capacity Contract, to Avista.

Avista is filing herewith, a verified copy of the “Joint Application of Spokane Energy LLC, and Avista Corporation for Approval of Assignment of Capacity Sales Agreement, Waivers, and Request for Expedited Consideration” that was filed on March 3, 2015 with the Federal Energy Regulatory Commission (“FERC”) as Attachment A. This Joint Application contains verified copies of the relevant transactional documents that are referenced below. Also attached is Attachment B, Avista’s most recent Washington Affiliated Interest and Subsidiary Transactions Report filed on April 15, 2014, which includes discussion of the Spokane Energy arrangement on page 5 of the Attachment.

Background:

In June 1992, Avista (then Washington Water Power) entered into a contract with Portland General Electric (“PGE”) to provide electrical capacity to PGE on a long-term basis. The contract expires on December 31, 2016. In 1998, Avista negotiated a series of agreements which

assigned to a subsidiary, Spokane Energy LLC, its responsibilities to supply the contracted capacity to PGE through December 2014, in return for a net payment of \$143.4 million.¹

As previously described in Avista's annual Affiliated Interest and Subsidiary Transactions Reports filed with the Commission on April 15, 2014, Spokane Energy is a special purpose limited liability company and has 100% of its membership owned by Avista. Spokane Energy was formed solely to assume ownership of the Capacity Contract.

The assignment of the Capacity Contract to Spokane Energy was to facilitate the partial monetization of the Capacity Contract. Specifically, Spokane Energy received the lump sum amount from a funding vehicle ("Wilmington Trust") which did not take title to any power or own any facilities for the sale of power at wholesale or for the transmission of power. In exchange for the amount Spokane Energy received from Wilmington Trust, a Note was issued to Wilmington Trust whereby it was to be repaid with all but \$1.00/kW-month of the amounts received by Spokane Energy from PGE under the Capacity Contract through December 31, 2014.

Current Activity:

The Note between Spokane Energy and Wilmington Trust was repaid in full in January 2015. Accordingly, the contracts that were required to facilitate this arrangement are no longer necessary and there is no longer any reason for the Capacity Contract to be held by Spokane Energy. Therefore, Avista and Spokane Energy have executed a Transfer and Assumption Agreement to assign the Capacity Contract to Avista effective on the later of April 1, 2015, or the date upon which FERC approves the assignment. Spokane Energy and Avista also filed an application with FERC on March 3, 2015, pursuant to section 203 of the Federal Power Act, 16 U.S.C. § 824b, for approval of the assignment of Spokane Energy's interests in the Capacity Contract to its parent company, Avista. (See Attachment A.)

After the Capacity Contract is assigned to Avista, Avista will directly meet its obligations under the Capacity Contract until the contract expires December 31, 2016. The reassignment of the Capacity Contract back to Avista will provide for more efficient administration of the Capacity Contract.

Please direct any questions related to this matter to me at (509) 495-2564 or michael.andrea@avistacorp.com.

Sincerely,



Michael Andrea
Senior Counsel

¹ As discussed in the Third Supplemental Order in Dockets UE-991606 and UG-991607, and shown on Page 29 of that Order, the net proceeds from this transaction were allocated to customers by reducing rate base and offsetting certain expenses that otherwise would have increased rates.

VERIFICATION

(STATE OF WASHINGTON)

(County of Spokane)

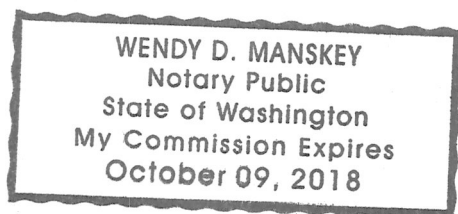
I, Michael G. Andrea, being first duly sworn on oath, deposes and says: That he a Senior Counsel, at phone number (509) 495-2564, for Avista Corporation and makes this verification for and on behalf of said corporation, being thereto duly authorized;

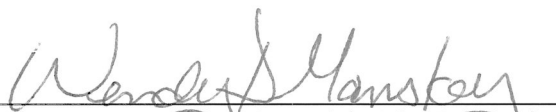
That the FERC filing and contracts provided as Attachment A – Spokane Energy FERC Section 203, are accurate contracts, and all of the statements contained therein with respect to Avista Corporation and its affiliate, Spokane Energy are true and correct to the best of his knowledge, information and belief.

BY 

Michael G. Andrea
Senior Counsel

SIGNED AND SWORN to before me this 11th day of March 2015, by Michael G. Andrea.




NOTARY PUBLIC in and for the State of
Washington, residing at Spokane.

Commission Expires: 10-09-18