

Attachment C

AMENDMENT # 1
AGREEMENT TO CONVEY OWNERSHIP INTEREST IN
JACKSON PRAIRIE STORAGE PROJECT EXPANSION

THIS AMENDMENT is entered into this 30th day of October, 2002, by and between Avista Corporation ("Corp") and Avista Energy, Inc. ("Energy"). Each of Corp and Energy may be referred to individually as "Party" or collectively as "Parties"

RECITALS:

1. Corp is a one third owner of the Jackson Prairie Storage Project ("Storage Project"), an underground natural gas storage facility utilized to serve the needs of its owners, as well as third parties.
2. Corp (under its former name "The Washington Water Power Company") and Energy are parties to that certain Agreement to Convey Ownership Interest in Jackson Prairie Storage Project Expansion Dated October 5, 1998 (Agreement).
3. Pursuant to an Amendment of the Jackson Prairie Gas Storage Agreement dated May 31, 2002 (May 2002 Amendment) the owners of the Storage Project, including Corp, are expanding the storage capacity, (not daily deliverability) of the project. The expanded capability is projected to be available for use in phases over a six (6) year period ending in 2008. The total estimated increase in capacity is approximately 1,750,000 Dth per year for a total of 10,500,000 Dth which will be shared equally by the partners at 3,500,000 Dth each. The available capacity expansion will be 60% working gas space and 40% cushion gas space. This expansion is known as the "2002 - 2008 Expansion Project".
4. Corp, after an analysis of the costs and benefits of this additional storage capability, has determined that it would be in the best interests of its core customers to assign its interests, for a period of years, to the expanded storage to a third party, subject to recall at some later date.
5. Corp and Energy desire to amend the Agreement whereby Energy will contribute moneys and gas supply sufficient to cover Corp's share of the costs related to this expansion, together with ongoing operating expense related thereto, in return for which Energy will acquire for a limited term, an ownership interest in the expanded storage project.

AGREEMENT:

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, the parties agree as follows;

1. Naming conventions. In the agreement all references to The Washington Water Power Company (WWP) will be changed to Avista Corporation (Corp), all references to

“Avista” as reference to Avista Energy Inc. will be changed to “Energy”.

2. Section 1. of the Agreement will be renumbered as 1 A. and a new section will be inserted as 1 B., which will read as follows:

“1 B. Conveyance of Ownership Interest in Jackson Prairie 2002 – 2008 Expansion Project. In addition to the Conveyance of Ownership Interest referenced in 1 A. above, Corp will convey to Energy and Energy will accept such conveyance, Corp’s ownership interest in the expanded Jackson Prairie Storage capacity resulting from the 2002 – 2008 Expansion Project, subject to the terms and conditions contained herein. It is estimated that the expanded storage capacity, representing Corp’s one-third share which is being conveyed to Energy will approximate 3,500,000 Dth of which approximately 60% will be working gas and 40% will be cushion gas. The precise amount of storage capacity, however, will depend on the characteristics of the Storage Project as of the completion date of the expansion.

Section No’s 1A and 1B above are additive so at the end of the 2002 – 2008 Expansion Project, Energy will have an ownership interest in approximately 4,500,000 Dth of capacity of which approximately 3,100,000 Dth will be working gas and 1,400,000 Dth will be cushion gas.”

3. Section 2 of the Agreement will be deleted in its entirety and replaced with the following:

“2. Responsibilities of Energy. Energy will acquire the ownership interests of Corp associated with the aforementioned expansions subject, however, to the provisions of the 1998 Storage Project Agreement as amended in May of 2002. The 1998 Storage Project Agreement and the May 2002 Amendment are hereby incorporated by reference. Accordingly, the parties acknowledge and agree that Corp will retain all voting and management rights associated with its 1/3 ownership interest in the project, including rights associated with this project expansion and other expansions, consistent with the terms of the 1998 Storage Project Agreement and the May 2002 Amendment. Accordingly, Energy will be subject to the obligations and limitations set forth in the 1998 Storage Project Agreement and the May 2002 Amendment, in all respects, including those relating to the management of the project and operating characteristics and limitations thereof. Energy, for its part, shall otherwise be responsible for all nominations and scheduling associated with deliveries to and from the Project, as well as arranging for the necessary transportation to and from the Project, as expanded.”

4. Section 4. of the Agreement will be renumbered as 4 A. and a new section will be inserted as 4 B., which will read as follows:

“4 B. Contribution of Funds by Energy, 2002 – 2008 Expansion Project. As of the effective date of this Amendment, Energy shall be responsible for contributing Corp’s share of all capital costs relating to the expansion including reimbursement of those costs incurred by Corp to date. All such Capital costs are presently estimated at \$500,000 in

water lifting costs plus the cost of approximately 1.4 million Dth of cushion gas; Energy, however, shall be responsible for actual costs incurred, notwithstanding this estimate. In addition, Energy shall as and from the effective date provide for the payment of all operating and maintenance expense and administrative and general expense, as well as other ongoing development costs, which would otherwise be incurred by Corp, with respect to the expansion project. Energy will remit payment and schedule gas supplies directly to the designated Project Operator, responsible for the project expansion. In the event of a failure of any condition precedent, Corp shall refund any funds and compensate for gas supply contributed by Energy.”

5. All other sections of the agreement shall remain in full force and affect.

6. This Amendment may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties.

Signed

Avista Corporation

Scott Morris

(Name)

10-30-02

(Date)

Attest: John H. Watts

(Name)

Avista Energy, Inc.

John H. Watts

(Name)

10-30-02

(Date)

Attest: John H. Watts

(Name)

Avista Corp.

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



May 7, 1999

Michael D'Arienzo
Avista Energy
201 W. North River Drive, Suite 610
Spokane, WA 99220-2595

Dear Mike:

Pursuant to the Agreement to Convey Ownership Interest in Jackson Prairie Storage Project Expansion dated October 5, 1998 this letter is intended to outline how the initial inventory of 1,000,000 decatherms will be handled.

Avista Corp. is requesting that Avista Energy provide natural gas volumes at the Jackson Prairie receipt point under the following schedule. In return the total volume of 1,000,000 decatherms will be available for withdrawal on November 1, 1999, assuming the Jackson Prairie Storage Expansion Project is operational on that date.

The schedule of receipt volumes at the Jackson Prairie receipt point will be a minimum of 200,000 decatherms in each of the following months, May 1999, June 1999, July 1999, August 1999 and September 1999. Avista Energy may deliver more in each month, so as long the cumulative volumes at the end of each month meet the original schedule.

If you are in agreement with the details of filling the initial inventory of 1,000,000 decatherms, please acknowledge by signing below.

Sincerely,

A handwritten signature in cursive script that reads "Patrice K. Gorton".

Patrice K. Gorton
Acquisitions Administrator

Acknowledged

A handwritten signature in cursive script that reads "Michael D'Arienzo".

as of 7 May, 1999.

Michael D'Arienzo
Director
Avista Energy

**AGREEMENT TO CONVEY OWNERSHIP INTEREST IN
JACKSON PRAIRIE STORAGE PROJECT EXPANSION**

THIS AGREEMENT is entered into this 5th day of October, 1998, by and between THE WASHINGTON WATER POWER COMPANY, a Washington corporation with its principal place of business located at 1411 E. Mission Avenue, Spokane, Washington, and AVISTA ENERGY, INC., a Washington corporation with its principal place of business at 201 W. North River Drive, Spokane, Washington.

RECITALS

WHEREAS, The Washington Water Power Company (hereinafter "WWP") is a one-third owner of the Jackson Prairie Storage Project (hereinafter "Storage Project"), an underground natural gas storage facility utilized to serve the needs of its owners, as well as third parties; and

WHEREAS, the owners of the Storage Project, including WWP, presently intend to expand the storage capacity and daily withdrawal and injection capability, with such expanded capability projected to be available for use on or about November 1, 1999; and

WHEREAS, WWP's one-third share of the expanded Storage Project is projected to provide an additional 1,000,000 decatherms of storage capacity, with 100,000 decatherms of daily withdrawal and injection capability; and

WHEREAS, WWP, after an analysis of the costs and benefits of this additional storage capability, has determined that it would be in the best interests of its core customers to assign its interests, for a period of years, to the expanded storage to a third party, subject to recall at some later date; and

WHEREAS, WWP desires to enter into an arrangement with Avista Energy, Inc. (hereinafter "Avista") whereby Avista will contribute moneys sufficient to cover WWP's share of the capital costs related to this expansion, together with ongoing operating expense related thereto, in return for which Avista will acquire, for a limited term, an ownership interest in the expanded Storage Project,

NOW, THEREFORE, in consideration of the mutual covenants and premises contained herein, WWP and Avista hereby agree to the following terms and conditions:

1. Conveyance of Ownership Interest in Jackson Prairie Storage Project Expansion. As of the effective date of this Agreement, WWP will convey to Avista, and Avista will accept such conveyance, WWP's ownership interest in the expanded Jackson Prairie Storage capacity and withdrawal and injection capacity, subject to the terms and conditions contained herein. It is presently anticipated that the expanded storage capacity, representing WWP's one-third share which is hereby being conveyed to Avista, will approximate 1,000,000 decatherms and will allow for approximately 100,000 decatherms of daily withdrawal and injection capability. The precise amount of storage capacity and withdrawal and injection capability, however, will depend on the characteristics of the Storage Project as of the completion date of the expansion.

2. Responsibilities of Avista. Avista will acquire the ownership interests of WWP associated with the aforementioned expansion, subject, however, to the provisions of the 1989 Storage Project Agreement as well as the superceding 1998 Storage Project Agreement, which, it

is anticipated, will soon become effective upon receipt of necessary regulatory approvals. The 1989 and 1998 Storage Project Agreements are hereby incorporated by reference. Accordingly, the parties acknowledge and agree that WWP will retain all voting and management rights associated with its ownership interest, including rights associated with the project expansion, consistent with the terms of the 1998 Storage Project Agreement. Accordingly, Avista will be subject to the obligations and limitations set forth in the 1989 and 1998 Storage Project Agreements, in all respects, including those relating to the management of the project and operating characteristics and limitations thereof. Avista, for its part, shall otherwise be responsible for all nominations and scheduling associated with deliveries to and from the Project, as well as arranging for the necessary transportation to and from the Project, as expanded.

3. Conditions Precedent.

a. While Avista's obligations with respect to contributions toward the capital and operating costs shall commence as of the effective date of this Agreement, Avista's use of the expansion capability hereby conveyed is subject to the receipt of necessary regulatory approvals, including the issuance of a certificate of convenience and necessity by FERC authorizing the expansion;

b. Receipt of any necessary consents/waivers from the other owners of the Storage Project, sufficient to effectuate this transfer.

4. Contribution of Funds by Avista. As of the effective date of this Agreement, Avista shall be responsible for contributing WWP's share of all capital costs relating to the expansion, including reimbursement of those costs incurred by WWP to date. All such capital costs, already incurred, and so projected, are presently estimated at \$8 million; Avista, however, shall be responsible for actual costs incurred, notwithstanding this estimate. In addition, Avista shall, as and from the effective date, provide for the payment of all operating and maintenance expense and administrative and general expense, as well as other ongoing development costs which would otherwise be incurred by WWP, with respect to the expansion project. Avista will remit payment directly to the designated Project Operator, responsible for the project expansion. In the event of a failure of any condition precedent, WWP shall refund any funds contributed by Avista.

5. Term of Agreement. This Agreement shall become effective as of the date first above written (i.e., "the Effective Date") and will continue for a period of ten years, commencing with the in-service date of the expansion (i.e., the "Primary Term"), and will evergreen on a year-to-year basis thereafter, unless sooner terminated by WWP by written notice delivered to Avista not less than 12 months prior to the end of the primary term or any anniversary date thereafter.

6. Recall of Interests. Upon termination, Avista shall take all necessary actions to arrange for a transfer of the ownership interest back to WWP. Upon recall, WWP will compensate Avista in an amount equal to the lesser of the depreciated book value or market value, as determined by WWP, which is associated with that portion of the ownership interest which is being recalled. The depreciation method used for purposes of this section, shall be half year convention straight line depreciation.

7. Severability. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

8. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington. If any legal action is necessary to enforce the terms and conditions of this Agreement, the parties hereby agree that a court of competent jurisdiction sitting in the County of Spokane, Washington, shall be the sole jurisdiction and venue for the bringing of the action.

9. Waiver. Waiver of any default or breach of this Agreement or of any warranty, representation, covenant or obligation contained herein shall not be construed as a waiver of any subsequent breach.

10. Entire Agreement. This Agreement supersedes any prior written or oral agreement between them respecting the subject matter contained herein.

11. Amendment. This Agreement cannot be modified or amended except by a writing signed by all the parties hereto.

12. Cumulative Remedies. No right or remedy herein conferred on or reserved to either party is intended to be exclusive of any other remedy or right, and each and every right or remedy shall be cumulative and in addition to any right or remedy given hereunder or now or hereafter existing at law or in equity or by statute.

13. Successors. This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors, representatives and assigns.

14. Expenses. Each party shall pay its own expenses incurred in connection with the consummation of the transactions herein specified, including without limitation, transfer fees, permit fees and fees and expenses of each party's legal counsel, accountants and other advisers.

15. Notices. All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, given by prepaid telegram or mailed first-class, postage prepaid, registered or certified mail as follows:

If to WWP: Attention: Manager of Resource Optimization
 The Washington Water Power Co.
 P.O. Box 3727
 Spokane, Washington 99220-3727

If to Avista: Attention: Director Energy Marketing
 201 W. North River Drive
 Suite 610
 Spokane, WA 99201

DATED this 5th day of October, 1998.

WASHINGTON WATER POWER COMPANY

By:  _____

AVISTA ENERGY, INC.

By:  _____

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