

Attachment D

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

This Agreement to Extend Agreement to Convey Ownership Interest In Jackson Prairie Storage Project Expansion is dated June 30, 2007, and is entered into by AVISTA ENERGY, INC. (“**Avista Energy**”), a Washington corporation, and AVISTA CORPORATION (“**Avista Corp**”), a Washington corporation.

RECITALS

Avista Corp, through its regulated utility business unit operating under the trade name “Avista Utilities,” is engaged in the business of distributing natural gas for residential, commercial and industrial use, generating, transmitting and distributing electric power to wholesale and retail customers, and transmitting electric power on behalf of third parties. Avista Corp is authorized to conduct business in the States of Washington, Idaho, Oregon, and Montana. Avista Corp’s rates, services, practices, accounting, and securities are subject to and under the regulatory jurisdiction of the Washington Utilities and Transportation Commission, the Idaho Public Utilities Commission, the Montana Public Service Commission, and the Oregon Public Utilities Commission. Avista Corp has its principal office and place of business at 1411 East Mission Avenue, Spokane, Washington.

Avista Energy provides wholesale natural gas and electric power marketing and energy resource management services in interstate commerce. Avista Energy is a subsidiary of Avista Capital, Inc. (“Avista Capital”), which, in turn is wholly owned by Avista Corp. Avista Energy has its principal office and place of business at 201 W. North River Drive Spokane, WA 99201.

The Jackson Prairie Storage Project (“**Jackson Prairie**”) is an underground natural gas storage facility located in Lewis County, Washington.

Avista Corp (previously Washington Water Power), Northwest Pipeline Corporation (“**Northwest**”), and Puget Sound Energy (“**Puget**”) entered into a Gas Storage Project Agreement (“**Project Agreement**”) dated January 15, 1998, as amended. Under the Project Agreement, Avista Corp, Northwest, and Puget own equal undivided one-third interests in Jackson Prairie. The Project Agreement provides for the operation of Jackson Prairie and describes the storage service rights and obligations of the owners. The Project Agreement permits Avista Corp, Northwest, and Puget to transfer their respective ownership interests in Jackson Prairie to their respective affiliates, subject to the transferring owner’s right to recall the transferred ownership interest.

Under the 1998 Project Agreement, as amended, Avista Corp, Northwest, and Puget have agreed to expand Jackson Prairie’s firm withdrawal deliverability and firm storage working gas capacity. This incremental deliverability and storage capacity is known as the **Jackson Prairie Expansion Capacity**.

As permitted by, and subject to the requirements of, the Project Agreement, Avista Corp and Avista Energy entered into an agreement (“**Conveyance Agreement**”) on October 5, 1998, as amended on October 30, 2002, under which Avista Corp conveyed, for a limited term, its ownership interest in the Jackson Prairie Expansion Capacity and related withdrawal and injection capacity to Avista Energy. As consideration for the transfer, Avista Energy paid the Avista Corp’s share of capital costs associated with constructing the Jackson Prairie Expansion Capacity and pays Avista Corp’s share of operating and maintenance expenses and administrative and general expenses associated with the Jackson Prairie Expansion Capacity. The Primary Term of the Conveyance Agreement currently expires on October 31, 2009.

Avista Energy uses the Jackson Prairie Expansion Capacity to support its wholesale interstate natural gas marketing activities and resource management services.

On April 16, 2007, Avista Energy, Avista Energy Canada, Ltd, Coral Energy Holding, L.P., Coral Energy Resources, L.P. (“Coral Resources”), Coral Power, L.L.C., and Coral Energy Canada Inc. entered into a Purchase and Sale Agreement, under which Avista Energy will sell its operating assets, including its trade book and related agreements, to Coral Resources.

As part of the transactions contemplated under the Purchase and Sale Agreement, Avista Energy and Avista Corp. are agreeing to extend the Conveyance Agreement to April 30, 2011. By a separate agreement, Avista Energy is agreeing 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 for the continued use of such capacity and deliverability to support wholesale interstate natural gas marketing activities and resource management services.

Avista Corp. and Avista Energy therefore agree as follows:

1. Extension. The term of the Conveyance Agreement shall be extended to April 30, 2011. The Jackson Prairie Expansion Capacity volume shall be limited to the balance at the Closing of the asset sale to Coral Resources. There shall be no further rights to renew, rollover or extend in any way the Conveyance Agreement, and Avista Energy shall have no right to any capacity or deliverability that is added at Jackson Prairie after the closing.
2. 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.
4. Governing Law. This Agreement and the rights and obligations of the Parties hereunder shall be governed by the laws of the State of Washington.
5. 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.

6. Entire Agreement. This Agreement supersedes any prior written or oral agreement between the parties respecting the subject matter of this Agreement.
7. Amendment. This Agreement cannot be modified or amended except by a writing signed by the parties.
8. Cumulative Remedies. No right or remedy conferred on or reserved by either party under this Agreement is intended to be exclusive of any other remedy or rights, and each and every right or remedy shall be cumulative and in addition of any right or remedy given hereunder or now of hereafter existing at law or in equity or by statute.
9. Successors. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.
10. Expenses. Each party shall pay its own expenses incurred in connection with the transactions specified by this Agreement, including without limitation, transfer fees, permit fees, and fees and expenses of each party's legal counsel, accountants, and other advisors.
11. Notices. All notices, requests, demands, and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been provided if delivered personally, or mailed first-class, postage prepaid, registered or certified mail as follows:

If to Avista Corp:

Avista Corporation
Attention: Marian M. Durkin
Senior Vice President, General Counsel
and Chief Compliance Officer
1411 East Mission Avenue
Spokane, Washington 99202

If to Avista Energy:

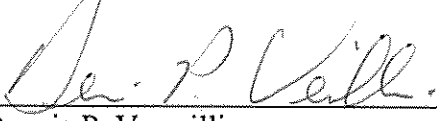
Avista Energy
c/o Avista Corporation
Attention: Marian M. Durkin
Senior Vice President, General Counsel
and Chief Compliance Officer
1411 East Mission Avenue
Spokane, Washington 99202

Any such notice, request, demand or other communication sent by mail shall be deemed to be given to and received by the addressee on the fifth (5th) business day after the mailing.

Either party may, from time to time, advise the other by notice in writing of any change of address of the party giving the notice.

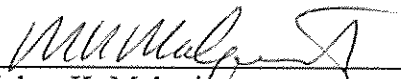
This Agreement shall not be in force, or bind either Party until executed by the Parties. Each Party has caused this Agreement to be executed by a duly authorized representative.

AVISTA ENERGY, INC.



Dennis P. Vermillion
President & Chief Operating Officer

AVISTA CORPORATION



Malyn K. Malquist
Executive Vice President & Chief
Financial Officer