

AGREEMENT TO TEMPORARILY ASSIGN RIGHTS TO USE JACKSON PRAIRIE EXPANSION CAPACITY

This Agreement to Temporarily Assign Rights to Use Jackson Prairie Expansion Capacity is dated June 30, 2007, and entered into by AVISTA ENERGY, INC. ("Avista Energy"), a Washington corporation, and CORAL ENERGY RESOURCES, L.P. ("Coral Resources"), a Delaware limited partnership.

RECITALS

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 Corporation ("Avista Corp"). Avista Energy has its principal office and place of business at Suite 610, 201 W. North River Drive, Spokane, WA 99201.

Coral Resources provides wholesale natural gas and electric power marketing and energy resource management services in interstate commerce. Coral Resources has its principal office and place of business at 909 Fannin, Houston, Texas 77010.

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 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 and subject to the right to receive a reassignment at the end of such 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 original Conveyance Agreement expires on October 31, 2009. Avista Corp and Avista Energy have entered an agreement to extend the term of the Conveyance Agreement until April 30, 2011.

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 and Avista Energy Canada, Ltd, as sellers, Coral Energy Holding, L.P., Coral Resources, Coral Power, L.L.C., and Coral Energy Canada Inc., as purchasers, entered into a Purchase and Sale Agreement ("PSA"), under which Avista Energy will sell certain of its operating assets, including its trade book and related agreements, to Coral Resources. Avista Energy is not selling its ownership interest in Jackson Prairie.

As a condition to entering into the PSA, Avista Energy agreed to assign its right to use approximately 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, subject to the provisions of Article VII. Coral Resources will use the Jackson Prairie Expansion Capacity and Deliverability to support its natural gas and electric wholesale marketing services.

Avista Energy and Coral Resources therefore agree as follows:

ARTICLE I DEFINITIONS

Cushion Gas means the quantity of natural gas that must be maintained in the Storage Reservoir to maintain Deliverability at any given rate during the withdrawal cycle.

Deliverability means the right to receive Working Gas, on a daily firm basis, from the Storage Field.

Dth means 1,000,000 British thermal units.

FERC means the Federal Energy Regulatory Commission or a successor agency.

Jackson Prairie has the meaning set forth in the Recitals, and includes the Storage Field, and all equipment, plant, leases, rights, properties, and facilities installed or to be installed at or within the Storage Field or its appurtenances.

Jackson Prairie Expansion Capacity has the meaning set forth in the Recitals.

Northwest has the meaning set forth in the Recitals. Northwest is a natural gas company defined by the Natural Gas Act. Northwest is the only interstate pipeline connected to Jackson Prairie and, pursuant to the Project Agreement (1) acts as Puget's agent for the purpose of operating and maintaining Jackson Prairie's meter stations situated at the Storage Project Delivery Points; (2) acts as Puget's agent for the purpose of receiving, recording, monitoring,

coordinating, and confirming daily nominations for the use of storage rights in Jackson Prairie; and (3) provides system balancing services at Jackson Prairie.

Project Agreement has the meaning set forth in the Recitals.

Puget has the meaning set forth in the Recitals. Puget is a local distribution company operating in the state of Washington and is regulated by the WUTC. Pursuant to the Project Agreement, Puget is the Project Operator of Jackson Prairie.

Seasonal Capacity means the maximum quantity of Working Gas that the Storage Reservoir has the capability of holding in storage.

Storage Field means the area or areas certificated by FERC and utilized for underground natural gas storage and activities associated therewith located in the vicinity of Jackson Prairie in Lewis County, Washington.

Storage Reservoir means those portions of the Storage Field having a defined limit of porosity and permeability that can effectively accept, retain, and redeliver gas.

Working Gas means the quantity of natural gas in the Storage Reservoir in excess of Cushion Gas.

Article II Assignment of Rights to Use Jackson Prairie Expansion Capacity and Deliverability

- 2.1 During each year of this Agreement, Avista Energy shall assign rights to use and Coral Resources shall be entitled to use 3,030,887 Dth of Jackson Prairie Expansion Capacity on a firm basis, subject to the provisions of Article VII.
- 2.2 During each year of this Agreement, the maximum Deliverability that Coral Resources may request and that Avista Energy must make available 104,000 Dth per day, subject to a deliverability decline consistent with the characteristics and capabilities of the Storage Field, described in Appendix C (as periodically revised) to the Project Agreement. Nothing in this Agreement shall prevent Coral Resources from requesting interruptible or overrun service in excess of 104,000 Dth per day, subject to approval by Avista Corp.
- 2.3 Nothing in this Agreement shall be construed as divesting Avista Corp of any portion of its undivided one-third (1/3) ownership interest in Jackson Prairie or its rights and obligations under the Project Agreement. The Project Agreement shall continue in full force and effect and govern, among other matters, the management of Jackson Prairie, storage operations, and apportionment of capital costs and operating expenses. Coral Resources shall have no obligation to provide Cushion Gas.

- 2.4 In assigning rights to use Jackson Prairie Expansion Capacity to Coral Resources, neither Avista Corp nor Avista Energy shall be deemed owner of, possess title to, or be legally accountable for the gas stored therein for the account of Coral Resources. In addition, the assignment of rights to use Jackson Prairie Expansion Capacity shall not be construed as a sale for resale of Working Gas to Coral Resources by Avista Corp or Avista Energy, or the transportation or sale of natural gas by Avista Corp or Avista Energy in interstate commerce.
- 2.5 Coral Resources shall be responsible for arranging and scheduling daily with Avista Corp. or its designee under the Project Agreement for the injection, withdrawal, and transportation of gas for Coral Resource's account with respect to the assigned rights to use Jackson Prairie Expansion Capacity; provided that Avista Energy shall make any arrangements and take any additional actions reasonably necessary for Coral Resources to conduct such activities directly with Avista Corp or its designee. Coral Resources represents and warrants that it is not acquiring an ownership interest in Jackson Prairie.
- 2.6 This Agreement is subject to the general operating conditions applicable to all parties utilizing Jackson Prairie under the Project Agreement, as amended, and the terms for injection and withdrawal set forth in the Project Agreement. Avista Energy represents and warrants that (i) this Agreement is permitted by the Conveyance Agreement and the Project Agreement, (ii) it has sought or will promptly seek and obtain all necessary approvals or notifications required by the FERC and any other applicable regulatory authority and (iii) the assignment of rights to use capacity provided for in this Agreement is not a capacity release governed by the provisions of 18 C.F.R. § 284.8 of the FERC's regulations.

Article III Charges and Payments

3.1 Coral Resources shall pay \$83,333.33 in U.S. funds ("Monthly Payment") to Avista Energy each calendar month during the term of this Agreement. The Monthly Payments shall be due on or before the later of the 25th day of each month following the month in which service is rendered or 10 days after receipt of the invoice from Avista Energy for the immediately preceding month. The payment due for any partial calendar month shall be equal to the Monthly Payment divided by the number of days in the applicable calendar month multiplied by the number of days that this Agreement was in effect for such month. Payment in the event of acceleration of Force Majeure shall be governed by Article VI.

Article IV Term of Agreement

4.1 The term of this Agreement shall end on April 30, 2011.

Article V Indemnification and Limitation of Damages

- 5.1 Avista Energy and Coral Resources shall indemnify and hold each other and their respective officers, agents and employees harmless from all claims, losses, injury, expenses or liability, including court costs and reasonable attorney's fees arising out of any personal injury or property damage or breach of contract received or sustained by any persons, which result from or are in any way connected with the willful default, negligence or omissions of itself or its agents in connection with the use of the Jackson Prairie Expansion Capacity and Deliverability assigned under this Agreement.
- 5.2 NO PARTY NOR ANY OF ITS AFFILIATES OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, SHAREHOLDERS, PARTNERS, EMPLOYEES, AGENTS, OR REPRESENTATIVES SHALL BE LIABLE TO (I) THE OTHER PARTY, OR (II) THE OTHER PARTY'S AFFILIATES, OR (III) THE DIRECTORS, OFFICERS, SHAREHOLDERS, PARTNERS, EMPLOYEES, AGENTS, OR REPRESENTATIVES, OR CONTRACTORS OF SUCH OTHER PARTY OR ITS AFFILIATES, IN RESPECT OF CLAIMS FOR INCIDENTAL, CONSEQUENTIAL, INDIRECT, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES ARISING OUT OF OR RESULTING FROM THIS AGREEMENT.
- 5.3 Each Party's obligations under this Agreement are irrevocably and unconditionally guaranteed as indemnified claims, subject to the terms and conditions thereof, under that certain Indemnification Agreement (the "Indemnification Agreement") made and entered into as of April 16, 2007, by and among Coral Energy Holding, L.P., Coral Resources, Coral Power, L.L.C., and Coral Energy Canada Inc. (collectively all such Coral entities referred to herein as "Coral Parties"), and Avista Energy, Avista Energy Canada, Ltd., and Avista Turbine Power, Inc. (collectively all such Avista entities referred to herein as "Avista Parties").
- 5.4 Default Under Indemnification Agreement. An uncured default by any of the Coral Parties in the performance of their obligations under the Indemnification Agreement shall be treated as an event of default by Coral Resources under this Agreement, and an uncured default by any of the Avista Parties in the performance of their obligations under the Indemnification Agreement shall be treated as an event of default by Avista Energy under of this Agreement.

Article VI Force Majeure

6.1 The term "force majeure" shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, high water, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe and other operating facilities, the necessity for making repairs or alterations to machinery or lines of pipe, freezing of wells, meters, or lines of pipe or unplanned outages on the facilities, acts of civil or military authority (including, but not limited to, courts or

administrative or regulatory agencies), which would interfere with the operation of this Agreement or otherwise restrict the flow of gas to Coral Resources or the movement of gas along the Northwest pipeline system or the injection of gas into or withdrawal of gas from the Project to the extent that this Agreement can no longer be performed either for its remaining term or temporarily, any act or omission (including failure to deliver gas) of Northwest as a transporter of gas to or for Coral Resources which is excused by any event or occurrence of the character herein defined as constituting force majeure, any act or omission by Avista Energy or Coral Resources not controlled by the party having the difficulty and any other similar causes not within the control of the party claiming suspension and which by the exercise of due diligence the party is unable to prevent or overcome.

- 6.2 In the event either Avista Energy or Coral Resources is rendered unable, wholly or in part, by force majeure to perform or comply with any obligation or condition hereof, such party shall give notice and full particulars of such force majeure to other party as soon as possible after the occurrence of the cause relied on, and the obligations of the party giving such notice, other than obligations to make payments of money then due, so far they are affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall as far as possible be remedied with all reasonable dispatch.
- 6.3 In the event of a temporary force majeure occurring, which is not the result of any acts or omissions of Coral Resources, which results in a diminished ability to inject and withdraw, not a complete interruption, the amount owed pursuant to Section 3.1 shall be equal to the greater of 1/2 of the Monthly Payment, or the Monthly Payment multiplied by a factor equivalent to the available daily injection or withdrawal divided by the maximum daily injection or withdrawal. Should a temporary force majeure continue for a period of time greater than 180 days, Coral Resources shall have the option to terminate this Agreement. In the event of a permanent force majeure, which is not the result of any acts or omissions of Coral Resources, the parties agree to facilitate, as expeditiously as possible, the replacement of all gas held for Coral Resources' account in the Jackson Prairie Expansion Capacity, at which point, this Agreement will terminate and Coral Resources' obligation to remit Monthly Payments not yet incurred expires.
- 6.4 The settlement of strikes, lockouts or other labor disputes shall be entirely within the discretion of the party having the difficulty.

Article VII Termination of Agreement

7.1 If, by virtue of this Agreement, any regulatory authority seeks to assert jurisdiction over either Avista Corp or Avista Energy as a "natural gas company" under the Natural Gas Act, 15 U.S.C. §717, et seq., this Agreement may be terminated at the option of Avista Energy and Avista Energy shall remit to Coral Resources an amount equal to the replacement value of the storage for the remaining term of the Agreement.

- 7.2 Notwithstanding anything to the contrary, Avista Energy agrees not to take any action or fail to take any action under the Project Agreement that would in any way restrict Coral Resources' ability to utilize the Jackson Prairie Expansion Capacity or Deliverability. In the event Avista Energy fails to comply with this Section 7.2, Coral Resources shall have the right at its sole option to terminate this Agreement.
- 7.3 If an event of default occurs as described in Section 5.4, the non-defaulting party shall have the right to terminate this Agreement.
- 7.4 If, in accordance with Sections 7.1, 7.2, or 7.3, or for any other reason this Agreement is terminated, the termination shall not relieve the parties from any obligation to adjust accounts due or to become due and for such purpose only, the Agreement shall be deemed to continue in effect until accounts related to this Agreement have been fully settled.
- 7.5 Upon termination of this Agreement for any reason, Avista Energy agrees to purchase any remaining Working Gas held in storage by Coral Resources at the most recently published first of month index price for Sumas as published in *Platt's Inside FERC Gas Markets Report*.

Article VIII Arbitration

8.1 Any dispute, difference, or question arising between the parties touching this Agreement or anything here contained, or the construction of this Agreement, or the rights, duties or liabilities of the parties in relation to any matter under this Agreement, such matter shall be submitted to the Chief Executive Officers of the parties for resolution. If, after fifteen days, the Chief Executive Officers of each of the parties fail to resolve the matter, the matter shall be referred to arbitration within fifteen (15) days after written request of either party. Upon such request, each party shall appoint an arbitrator, and the two so appointed shall appoint a third. A majority decision of the arbitrators shall be final and binding upon both parties. In all other respects, the rules of the American Arbitration Association shall apply to each submission. Operations under this Agreement shall continue without prejudice until a final decision has been rendered under the arbitration.

Article IX Miscellaneous

- 9.1 This Agreement and the rights and obligations of the parties hereunder shall be governed by the laws of the State of Washington.
- 9.2 This written instrument is the entire agreement of the parties and supersedes all previous negotiations, communications and other agreements, whether written or oral, relating to its subject matter. There are no terms, obligations, covenants, representations, statements or conditions other than those contained in this Agreement.

- 9.3 If at any time, the parties do not strictly adhere to or enforce the terms of the Agreement, such terms will not thereby deemed waived or modified, but will at all subsequent times and dates be deemed in full force and effect.
- 9.4 Avista Energy and Coral Resources may not assign this Agreement or any of the rights, benefit, and remedies conferred upon each of Avista Energy and Coral Resources to a third person or entity without the prior written consent of the other party, and such consent shall not be unreasonably withheld. Notwithstanding the foregoing, and upon prior written notice to Avista Energy and receipt of any necessary FERC authorization, Coral Resources may assign this Agreement to its parent, Coral Energy Holding, L.P., or any of its affiliates; provided, however, that any such assignment is the result of an internal corporate reorganization under which the function for which rights to use the Jackson Prairie Expansion Capacity was obtained is transferred to another company within the same corporate family; and provided further, that the transfer is to an affiliate that is at least as creditworthy as Coral Resources or is supported by a guarantee from Coral Energy Holding, L.P. or any successor that is an affiliate of, and at least as creditworthy as, Coral Energy Holding, L.P. Any assignment is subject to the provisions of the Project Agreement.
- 9.5. Avista Energy shall not transfer, assign or convey its ownership interest in the Jackson Prairie Expansion Capacity to a third party without first obtaining on behalf of Coral Resources an agreement in writing from such third party to assume unconditionally the rights and obligations under this Agreement. Any such transfer, assignment, or conveyance is subject to the provisions of the Project Agreement.
 - 9.6 This Agreement shall be binding upon the successors and assigns of the parties.
- 9.7 For the purpose of interpreting this Agreement, descriptions in the singular may be construed as in the plural and descriptions in the plural may be construed in the singular.
- 9.8 Descriptive headings are inserted solely for convenience or reference, do not form part of this Agreement, and are not to be used as an aid in interpreting this Agreement.
- 9.9 Any notice, document, statement, report, demand, or payment desired or required to be given or made pursuant to this Agreement will be in writing and may be given or made if delivered personally to the Party to whom it is to be given or made,

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

With a copy to:

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

If to Coral Resources:

Coral Energy Resources, L.P. Attention: Senior Vice President 909 Fannin, Plaza Level 1 Houston, Texas 77010

With a copy to:

Coral Energy Holding, L.P. 909 Fannin, Plaza Level 1 Houston, Texas 77010 Attn: General Counsel

Fax: 713-230-2900

Any such notice, document, statement, report, demand, or payment so mailed shall be deemed to be given to and received by the addressee on the fifth (5th) business day after the mailing of the same. Either party may, from time to time, advise the other by notice in writing of any change of address of the party giving such notice.

9.10 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.

CORAL ENERGY RESOURCES, L.P.

Dennis P. Vermillion

President & Chief Operating Officer

Beth A. Bowman Senior Vice President