

Subject: Allocation of Jackson Prairie Storage Project O&M and capital costs between Washington/Idaho and Oregon.

To: Kevin Christie  
Don Falkner  
Yvonne Cook  
Rich Stevens  
Craig Bertholf  
Theresa Melvin  
Annette Brandon  
Cameron Dunlop

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With the assignment of a portion of Jackson Prairie capacity and deliverability to Oregon it is necessary to allocate some of the ongoing O&M and capital costs from Washington/Idaho to Oregon.

On October 31<sup>st</sup>, 2009 Avista completed its one third participation in the injection of gas for the Capacity Expansion that has been ongoing since August of 2002. This expansion leaves Avista with an increase of 1,456,000 Dth of cushion gas and 2,184,000 Dth of working gas.

The capacity expansion that has been allocated to Oregon customers since July 1, 2007 results in 174,964 Dth of cushion gas and 262,446 Dth of working gas capacity.

The remainder of the capacity expansion 1,281,036 Dth of cushion gas and 1,921,554 Dth of working gas is held by Avista Energy (AE). AE also holds 1,109,111 Dth of working gas and 104,000 Dth of deliverability from an earlier expansion.

There will be ongoing water lifting costs, which will be assigned to AE, while the other two partners finish their portion of the expansion because the contract requires equal sharing throughout the project.

On November 1st the Deliverability expansion which included ten new wells, a new Solar Taurus compressor and other station enhancements went into service. This expansion increased Avista's daily deliverability by 104,000 Dth per day. Twenty-five percent of this expansion is being allocated to Oregon customers with the balance allocated to WA/ID customers. This gives Avista a total daily withdrawal of 398,670 Dth/d less the 104,000 held by AE, or 294,670 Dth/d net withdrawals.

The allocation of costs will occur in two phases. O&M costs will be allocated to Washington/Idaho, Oregon and AE based on the capacity held by each of the participants using Avista's one third share of available capacity. Capital costs will be allocated to Washington/Idaho & Oregon based on the capacity held after the 5/01/2011 transfer of capacity from AE because none of the ongoing. The allocation percentages are as follows.

<b>1/1/2009 through 4/30/2011 O&amp;M</b>	Dth (thousands)	Allocation %
JP WA & ID (AN)	5,234.666	61.38%
JP OR	262.446	3.08%
AE Capacity leased to Shell	3,030.901	35.54%
	8,528.013	100.00%

<b>1/1/2009 through 4/30/2011 Capital</b>	<b>Dth (thousands)</b>	<b>Allocation %</b>
JP WA & ID (AN)	7,704.676	90.35%
JP OR	823.337	9.65%
AE Capacity leased to Shell. Capital is directly assigned.	-	0.00%
	8,528.013	100.00%

<b>Post 4/30/2011 O&amp;M &amp; Capital</b>	<b>Dth (thousands)</b>	<b>Allocation %</b>
JP WA & ID (AN)	7,704.676	90.35%
JP OR	823.337	9.65%
AE Capacity leased to Shell	-	0.00%
	8,528.013	100.00%

Please use these allocation percentages as appropriate for property tax, insurance, and any other costs that should be split between the various jurisdictions.