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April 19, 2007

Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

CP07-179-000

RE: Avista Energy, Inc. Abbreviated Application for a Limited Jurisdiction Certificate of Public Convenience and Necessity Authorizing Temporary Assignment of Storage Capacity at the Jackson Prairie Storage Project

Dear Ms. Bose:

Pursuant to section 7(c) of the Natural Gas Act ("NGA"), 15 U.S.C. § 717f(c) (2000), and section 157.7, of the regulations of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. § 157.7, Avista Energy, Inc. ("Avista Energy") submits an application requesting a limited jurisdiction certificate of public convenience and necessity authorizing the temporary assignment of the rights to use capacity in the Jackson Prairie Storage Project ("Jackson Prairie") to Coral Energy Resources L.P. ("Coral Resources"), an unaffiliated company providing wholesale natural gas marketing services. Avista Corporation ("Avista Corp") is exiting the energy marketing business currently carried out through its subsidiary Avista Energy in a transaction in which Coral Resources and its affiliates will purchase substantially all of the operating assets of Avista Energy, except for its interest in Jackson Prairie.

Under the requested authorization, Avista Energy will temporarily assign its rights to use Jackson Prairie storage capacity to Coral Resources, and Coral Resources will use that storage capacity to support its wholesale natural gas marketing business. The authorization requested in this application is necessary to the purchase and sale transaction involving Avista Energy's operating assets. Granting the authorization will facilitate Avista Corp's departure from the wholesale marketing business currently conducted through Avista Energy, but permit continuation of those marketing services by Coral Resources without interfering with the parties' reliance on current contractual arrangements. Avista Energy also requests pregranted abandonment at the conclusion of the limited term assignment.

Request for Shortened Notice Procedures

As explained in the Application, on April 18, 2007, Coral Power, L.L.C. and Avista Energy filed a joint application, pursuant to section 203 of the Federal Power Act, requesting authorization for the disposition of jurisdictional electric power assets that will be sold as a result of the purchase and sale transaction. That application requests Commission action by May 25, 2007. Avista Energy similarly requests that the Commission facilitate the processing of this Application by prompt publication of notice in the *Federal Register*, and that the time for filing protests, motions to intervene, and notices of intervention be fixed at the earliest possible date after issuance of the notice in order to permit action by May 25, 2007.

Contents of Filing

Avista Energy is submitting an original and 7 copies of the Application. The Application does not contain any Privileged or non-public information or any critical energy infrastructure information. Avista Energy also is submitting a diskette containing a copy of the Notice suitable for publication in the *Federal Register*.

All communications to regarding this application should be directed to Kelly Norwood, Avista Corp, 1411 East Mission Avenue, Spokane, WA 99220-3727, (509) 495-4267, kelly.norwood@avistacorp.com.

Sincerely,

/s/ Susan A. Moore

Susan A. Moore

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Avista Energy, Inc.) Docket No. CP07-

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**ABBREVIATED APPLICATION FOR
LIMITED JURISDICTION CERTIFICATE
AUTHORIZING TEMPORARY ASSIGNMENT OF STORAGE CAPACITY**

Pursuant to section 7(c) of the Natural Gas Act ("NGA"), 15 U.S.C. § 717f(c) (2000), and section 157.7, of the regulations of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. §157.7, Avista Energy, Inc. ("Avista Energy") requests a limited jurisdiction certificate of public convenience and necessity authorizing the assignment of the rights to use a portion of its storage capacity in the Jackson Prairie Storage Project ("Jackson Prairie" or "Project"), for a limited term, to Coral Energy Resources L.P. ("Coral Resources") an unaffiliated company providing wholesale natural gas marketing services. As explained below, Avista Corporation ("Avista Corp") is exiting the energy marketing business currently carried out through its subsidiary Avista Energy in a transaction in which Coral Resources and its affiliates will purchase substantially all of the operating assets of Avista Energy, except for its interest in Jackson Prairie. Under the requested authorization, Avista Energy will temporarily assign the rights to use its Jackson Prairie storage capacity to Coral Resources, and Coral Resources will use that storage capacity as Avista Energy does now, to support Coral Resources' wholesale natural gas marketing business. Granting the authorization requested in this application will facilitate Avista Corp's departure from the wholesale marketing business currently conducted through Avista Energy, but permit continuation of those marketing services without interfering with the parties' reliance on current contractual arrangements. Avista Energy also requests pregranted abandonment at the conclusion of the limited term assignment.

I. Introduction

Jackson Prairie is owned jointly in equal undivided shares by Avista Corp, Puget Sound Energy ("Puget"), and Northwest Pipeline Corporation ("Northwest"). Avista Corp and Puget are state-regulated local distribution companies; Northwest is a Commission-regulated interstate natural gas company. The Project is owned and operated pursuant to a Commission-approved Gas Storage Project Agreement ("Project Agreement") that, among other things, designates Puget as Project operator and describes the storage service rights and obligations of the owners.¹ The Commission has found that neither Avista Corp nor Puget is a "natural gas company" under the NGA as a result of their ownership in, or Puget's operation of, Jackson Prairie.²

Avista Corp and Puget use their respective one-third ownership interests in Jackson Prairie to support local distribution operations. Since the early 1980's, some of Avista Corp's capacity has been used by third parties pursuant to individual limited-jurisdiction certificates issued by the Commission under the NGA. These certificates expressly preserve Avista Corp's non-jurisdictional status under that statute.³

In 1998, the Commission authorized the expansion of Jackson Prairie and approved an amended Project Agreement that, among other things, permits the transfer of ownership interests to affiliates.⁴ Avista Corp and Avista Energy subsequently entered into an agreement ("Conveyance Agreement") under which Avista Corp conveyed its ownership interest in the

¹ The Commission approved an amended Project Agreement in 1998, along with an expansion of the Project. *Puget Sound Energy, Inc.*, 84 FERC ¶ 61,347 (1998). The Project Agreement serves as Puget's FERC Gas Tariff for the Project. Since 1998, the Commission has approved minor Project Agreement changes reflecting operational modifications at the Project.

² *El Paso Natural Gas Co.*, 47 F.P.C. 1527, 1533 (1972).

³ *Northwest Pipeline Corp.*, 23 FERC ¶ 61,361, 61,777 (1983); *Washington Water Power Co.*, 53 FERC ¶ 61,238, 61,984 & nn.11-12 (1990).

⁴ *Puget Sound*, 84 FERC ¶ 61,347 at 62,516.

Project's expansion capacity, including withdrawal and injection capability, to Avista Energy. In exchange, Avista Energy agreed to pay Avista Corp's portion of the capital costs and ongoing expenses associated with the expansion.⁵ Avista Energy uses the expansion capacity as part of its asset portfolio to support its marketing activities. The Conveyance Agreement between Avista Corp and Avista Energy, which currently expires on October 31, 2009, incorporates and is subject to the Project Agreement.

Avista Corp is refocusing its business activities to emphasize its retail utility operations, and is exiting the wholesale marketing business carried out through its marketing affiliate, Avista Energy. As a part of the transaction under which Coral Resources and its affiliates will purchase substantially all of Avista Energy's operating assets,⁶ Avista Corp and Avista Energy will extend the term of the Conveyance Agreement by 18 months, so that it expires on April 30, 2011. To fulfill the original expectations under the Conveyance Agreement that Jackson Prairie expansion capacity be available to support Avista Energy's marketing services, Avista Energy proposes to temporarily assign the right to use approximately 2,976,252 Dth of Jackson Prairie expansion capacity,⁷ along with 104,000 Dth of deliverability, to Coral Resources until April 30, 2011 ("Assignment Agreement"). As part of the negotiation of the overall transaction, Avista Energy, will receive a negotiated monthly payment for Coral Resources' use of the assigned Project

⁵ Avista Corp and Avista Energy amended the Conveyance Agreement in 2002 to permit Avista Corp to convey additional expansion capacity to Avista Energy.

⁶ Specifically, Avista Energy, Avista Energy Canada, Ltd, Coral Energy Holding, L.P., Coral Energy Resources, L.P., Coral Power, L.L.C., and Coral Energy Canada Inc. (the "Coral Entities") entered into a Purchase and Sale Agreement, under which Avista Energy will sell substantially all of its operating assets, including its trade book and related agreements, to the Coral Entities, including Coral Resources. On April 18, 2007, Coral Power, L.L.C. and Avista Energy filed a joint application, pursuant to section 203 of the Federal Power Act, requesting authorization for the disposition of jurisdictional assets that will result from the Purchase and Sale Agreement.

⁷ The precise amount of capacity to be assigned will be determined when the parties close

capacity. After April 30, 2011, the Conveyance Agreement and Assignment Agreement will expire, and the assigned capacity will revert from Coral Resources to Avista Corp for use in serving its retail customers.

In this application, Avista Energy seeks a limited-jurisdiction certificate under section 7 of the NGA authorizing the assignment of the right to use a portion of Jackson Prairie expansion capacity to Coral Resources, for a limited term, until April 30, 2011, with pregranted authority to abandon the assignment at that time. Avista Energy also requests that, in granting the requested authorization, the Commission find, consistent with its prior precedent regarding Jackson Prairie, that Avista Energy is not a "natural gas company" under the NGA by virtue of its ownership interest in the Project or the assignment of the use of Jackson Prairie capacity. Avista Energy submits that the requested authorization is consistent with the present and future public convenience and necessity, because it will facilitate Avista Corp's exit from the marketing business conducted through Avista Energy while enabling Avista Energy and Coral Resources to retain the benefits under the Conveyance Agreement. Maintaining and reaffirming Avista Corp's non-jurisdictional status remains in the public interest, because its local distribution functions, including use of its Project capacity, are subject to state jurisdiction. Similarly, extending that same non-jurisdictional status to Avista Energy also is in the public interest and recognizes that use of the Jackson Prairie capacity for the benefit of Avista Corp's retail business will continue unchanged. Any change in the jurisdictional status of these entities could result in a termination of the existing Jackson Prairie Project Agreement.

In support thereof, Avista Energy states as follows:

the underlying Purchase and Sale Agreement.

II. Applicant

Avista Energy's exact legal name is Avista Energy, Inc. Avista Energy is a natural gas and wholesale power marketer, organized and existing under the laws of the State of Washington. Avista Energy is a subsidiary of Avista Capital, Inc., which, in turn, is wholly owned by Avista Corp, an investor-owned natural gas and electric utility operating in Washington, Idaho, Oregon, and Montana.⁸

The names, titles and mailing addresses of the persons to whom all correspondence and communications concerning this Application are:

Kelly Norwood
David Meyer
Avista Energy, Inc.
1411 East Mission Avenue
P.O. Box 3727
Spokane, WA 99220-3727
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⁸ Avista Corp operates its regulated utility business unit under the trade name "Avista Utilities," which, among other things, is engaged in the businesses 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.

Each of these persons is designated to receive service in accordance with 18 C.F.R. § 385.203(b)(3), and Avista Energy requests that the Commission place these persons on the official service list for this proceeding pursuant to 18 C.F.R. § 385.2010.

III. The Jackson Prairie Storage Project

Jackson Prairie is an aquifer-type natural gas storage facility located in Washington, and is owned jointly, in three equal shares, by Avista Corp, Puget, and Northwest. The three Project owners are parties to a Project Agreement that, among other things, (1) provides for overall management of the Project by a "Management Committee" comprised of owner representatives; (2) designates Puget as the Project's Operator; and (3) details the owners' storage service rights and obligations. Jackson Prairie's total certificated capacity level is 39.4 Bcf, and its Firm Withdrawal Rate is 850 MMcf/d.⁹

The NGA defines a "natural gas company" as "a person engaged in the transportation of natural gas in interstate commerce, or the sale in interstate commerce of gas for resale."¹⁰ A natural gas company requires federal authorization to construct or operate facilities that will be used for the interstate transportation, or storage, or sale of natural gas. In 1972, the Federal Power Commission held that Avista Corp (formerly named Washington Water Power Company) and Puget (successor to Washington Natural Gas Company), which are state-regulated local distribution companies, are not "natural gas companies" under the NGA by virtue of their ownership interests in the Project. Instead, the Commission found that the Project Agreement created a *de facto* "corporation" that operates the Project, and that this "corporation" is the

⁹ On February 5, 2007, the Commission issued an order authorizing Puget to construct and operate new and upgraded facilities necessary to increase the Project's total certificated capacity to 47.8 Bcf, and its maximum firm withdrawal deliverability to 1,150 MMcf/d. *Puget Sound Energy, Inc.*, 118 FERC ¶ 61,076 (2007).

¹⁰ 15 U.S.C. § 717a(6) (2000).

regulated "natural gas company" under the NGA.¹¹ The Commission found further that, as Project operator, Puget acts as agent of the *de facto* corporation.¹² As operator, Puget files and maintains the Project Agreement with the Commission as the FERC Gas tariff governing Project operations.

Avista Corp and Puget use their one-third ownership interests in Jackson Prairie's capacity to support local distribution operations. Northwest uses its one-third ownership share to provide Commission-regulated open-access interstate storage service. Under the original Project Agreement, Avista Corp and Puget granted to Northwest the sole and exclusive right to use the Project for the injection, storage, and withdrawal of working gas, in exchange for Northwest's agreement to provide them firm storage service from their respective ownership portions under Northwest's Rate Schedule SGS-1. Under this arrangement, Northwest held title to the working gas until it was withdrawn and delivered to Avista Corp and Puget, who did not own the gas in storage or have direct access to their storage capacity, except through their storage agreements with Northwest.¹³

During the 1980's, Avista Corp did not need its full one-third portion of Jackson Prairie capacity for its local distribution operations, and in 1983, filed an application at the Commission seeking authorization, if necessary, to allow a portion of its storage capacity and daily deliverability to be used by British Columbia Hydro and Power Authority ("B.C. Hydro"), a non-affiliate. The Commission found that the transaction was a jurisdictional activity requiring

¹¹ *El Paso*, 47 F.P.C. at 1532-33.

¹² *Id.* at 1533; *Puget Sound Energy*, 80 FERC ¶ 61,106 (1997) (granting Puget a limited jurisdiction certificate to succeed Washington Natural Gas Company as the Project operator).

¹³ Following the issuance of Order No. 636 in 1992, Northwest began providing open access storage service from its one-third ownership share of the Project's storage capacity. Northwest continued to provide non-open access service to Avista Corp and Puget from their ownership shares of Jackson Prairie capacity pursuant to Northwest's Rate Schedule SGS-1.

certificate authorization under section 7 of the NGA, and that the transaction was required by the public convenience and necessity because it would enable Avista Corp to reduce its storage costs.¹⁴ The Commission emphasized, however, that Avista Corp is not a natural gas company “as to its activities apart from the instant storage capacity transaction,” and issued Avista Corp a limited-jurisdiction certificate authorizing the arrangement and preserving Avista Corp’s non-jurisdictional status.¹⁵ The Commission waived all reporting requirements with respect to the certificated activity, and required Avista Corp only to file its agreement with B.C. Hydro as a special rate schedule.¹⁶ In 1990, the Commission issued Avista Corp another limited jurisdiction certificate authorizing Cascade Natural Gas Corporation (“Cascade”) to use additional excess storage capacity and firm deliverability at the Project and again reaffirmed that Avista Corp is not a natural gas company under the NGA.¹⁷

In 1998, Avista Corp, Puget, and Northwest agreed to expand Jackson Prairie and to amend the Project Agreement in several respects.¹⁸ Under the amended Project Agreement, each owner can transfer ownership interests in Jackson Prairie capacity to affiliates, subject to certain

¹⁴ *Northwest Pipeline*, 23 FERC ¶ 61,361 at 61,776. As part of the transaction, Northwest was authorized to abandon a corresponding amount of storage and sales service provided to Avista Corp under Rate Schedule SGS-1, and to provide service to the third party receiving service in Avista Corp’s place. Since 1983, the transaction with B.C. Hydro has been expanded and modified several times. In 1996, the Commission authorized the transaction to continue for BC Gas Utility Ltd. (“BC Gas”) as successor in interest. *Northwest Pipeline Corp.*, 76 FERC ¶ 62,096 (1996). On April 25, 2003, BC Gas changed its name to Terasen Gas. On April 28, 2006, Avista Corp notified Terasen Gas of its intent to terminate, effective April 30, 2008.

¹⁵ *Northwest Pipeline*, 23 FERC ¶ 61,361 at 61,777.

¹⁶ *Id.*

¹⁷ *Washington Water*, 53 FERC ¶ 61,238 at 61,984 & nn.11-12 (1990). In a 1995 order, the Commission again acknowledged that Avista was not a natural gas company. *Washington Water Power Co.*, 73 FERC ¶ 61,080, 61,200 (1995). The transaction was extended again in 1998. *Washington Water Power Co.*, 82 FERC ¶ 61,041 (1998). On March 23, 2006, Avista Corp notified Cascade of its intent to terminate the arrangement, effective April 30, 2007.

¹⁸ The expansion approved in 1998 resulted in increasing the Project’s firm withdrawal deliverability from 550 MMcf/day to 850 MMcf/d, and the firm storage working gas capacity

conditions. If an owner makes such a transfer to an affiliate, the owner and its affiliate are treated as a single owner. Ownership transfers to affiliates do not affect the original owner's performance obligations under the Project Agreement unless released from those obligations by the other owners. In addition, transferring ownership to an affiliate does not affect the original owner's voting and management rights under the Project Agreement. An owner transferring an ownership interest also has the right to recall the capacity. By contrast, transfers of ownership in Jackson Prairie to non-affiliates are subject to the approval of and right of first refusal by other Project owners.¹⁹

In 1998, the Commission authorized the expansion of the Project and approved the amended Project Agreement, including the affiliate transfer provision.²⁰ The Commission also reaffirmed its 1972 holding that Avista Corp and Puget are not "natural gas companies" under the NGA, and thus are exempt from regulation under that statute.²¹

In accord with the amended Project Agreement, Avista Corp and Avista Energy executed a Conveyance Agreement under which Avista Corp transferred its ownership interest in the Project's new expansion capacity, along with associated withdrawal and injection capacity, to Avista Energy. In exchange, Avista Energy paid the approximately \$8 million in capital costs associated with the expansion's construction, and pays ongoing operating costs associated with the expansion capacity. The initial term of the Conveyance Agreement expires on October 31, 2009, and it incorporates the amended Project Agreement. The transaction was structured to ensure that Avista Corp retained its voting and management rights over the Project's operations

from 15.1 to 18.3 Bcf. *Puget Sound Energy, Inc.*, 84 FERC ¶ 61,347 (1998).

¹⁹ The proposed assignment of the right to use Jackson Prairie expansion capacity will not constitute a transfer of ownership, and thus, will not trigger these rights of the other owners.

²⁰ *Puget Sound*, 84 FERC ¶ 61,347.

²¹ *Id.* at 62,514-15.

and has the right to terminate the Conveyance Agreement and recall ownership of the expansion capacity. In 2002, the Project owners agreed to expand the Project's certificated capacity by up to 10.5 Bcf by implementing a phased water withdrawal/gas injection program.²² Avista Corp and Avista Energy amended the Conveyance Agreement so as to transfer the additional expansion capacity to Avista Energy. Avista Energy uses the Jackson Prairie capacity to support its natural gas marketing services.

IV. Requested Authorization

Avista Corp is exiting the wholesale marketing business carried out through its subsidiary Avista Energy. Avista Energy will sell substantially all of its operating assets to the Coral Entities, including Coral Resources, which will continue the marketing activities previously conducted by Avista Energy.

Immediately prior to the transaction, Avista Corp and Avista Energy will extend the term of the Conveyance Agreement until April 30, 2011. Pursuant to the limited jurisdiction certificate requested herein, Avista Energy then will assign its rights to use a volume equivalent to its ownership interest in the expansion capacity at closing to Coral Resources for a limited term, until April 30, 2011.²³ When the Assignment Agreement and Conveyance Agreement expire, Avista Energy's interest will revert to Avista Corp. Avista Corp anticipates needing all of its capacity at the Project to serve retail customers in the future and has commenced the process of terminating the contractual arrangements under which certain capacity is currently used by

²² The phased expansion was authorized under Puget's blanket certificate pursuant to the Commission's prior notice procedures. *See Puget Sound Energy, Inc.*, Request for Approval Pursuant to Blanket Certificate Authority, FERC Docket No. CP02-384-000, filed June 10, 2002.

²³ Future expansion of the Jackson Prairie storage capacity will be owned by Avista Corp.

Terasen Gas and Cascade.²⁴ Avista Corp does not want to convey an ownership interest in the capacity to Coral Resources. Moreover, transferring Jackson Prairie capacity to a non-affiliate would be subject to the approval and right of first refusal rights of Puget and Northwest.

Under the Assignment Agreement executed by Avista Energy and Coral Resources, Coral Resources will continue to use a portion of Jackson Prairie storage capacity to support natural gas marketing functions previously provided by Avista Energy for a limited term through April 30, 2011, 18 months longer than the original expiration date of the Conveyance Agreement.

In this application, Avista Energy requests authorization to assign the rights to use approximately 2,976,252 Dth of Jackson Prairie expansion capacity,²⁵ along with 104,000 Dth of deliverability. The Assignment Agreement between Avista Energy and Coral Resources is modeled after the current arrangement between Avista Corp and Avista Energy, permits Avista Energy and Coral Resources to realize benefits currently accruing to Avista Energy under the Conveyance Agreement, and avoids disrupting business transactions made in reliance on the continued availability of the expansion capacity.

The Assignment Agreement also permits, subject to Commission approval, Coral Resources to assign the Assignment Agreement to its parent, Coral Energy Holding, L.P., or other of its corporate affiliates, if necessary. The Assignment Agreement provides that such an assignment is permitted only in the event of an internal corporate restructuring that results in the transfer of the function for which the expansion capacity was obtained to another company within the same corporate family.

²⁴ See *supra* notes 14 and 17.

²⁵ The amount of the assignment will be finally determined at the closing of the Purchase and Sale Agreement.

Pursuant to the Assignment Agreement, Coral Resources will remit a monthly payment of \$83,333.33 to Avista Energy for use of the Jackson Prairie capacity. This monthly payment, and the extension of the Conveyance Agreement, was negotiated as a part of the overall transaction. During the term of the assignment, Avista Energy will bear the risk of any underrecovery of costs associated with the storage capacity. The retail customers of Avista Corp will not be at risk for any underrecovery of those costs. When the Assignment Agreement and Conveyance Agreement expire, control over the expansion capacity will revert to Avista Corp, which will use it to support its retail utility services.

Avista Energy requests that the Commission issue a limited jurisdiction certificate under section 7 of the NGA authorizing Avista Energy to temporarily assign the rights to use Jackson Prairie expansion capacity to Coral Resources. Avista Energy further requests pre-granted abandonment authority of the Assignment Agreement, effective April 30, 2011, the date the Conveyance Agreement and Assignment Agreement will expire. Avista Energy also requests that the Commission reaffirm its longstanding determination that Avista Corp is not a natural gas company under the NGA and also find that Avista Energy will not be a natural gas company as a result of the requested authorization. Avista Energy also requests that, consistent with prior decisions, it be exempt from Commission regulation and reporting requirements. Avista Energy is submitting as Exhibit P to this Application an unexecuted copy of the Assignment Agreement with Coral Resources as a special rate schedule. This Assignment Agreement is modeled on prior agreements executed by Avista Corp with Terasen Gas and Cascade and approved by the Commission.²⁶ Avista and Coral Resources will execute the Assignment Agreement after the Commission issues the requested limited jurisdiction certificate, allowing the parties to close the

²⁶ See *supra*, notes 14-17.

transaction. Avista then will file an executed copy of the Assignment Agreement reflecting the precise amount of volumes to be assigned.

V. Public Convenience and Necessity

Granting Avista Energy a limited jurisdiction certificate authorizing the temporary assignment of the rights to use Jackson Prairie expansion capacity and finding that Avista Energy is not a “natural gas company” under the NGA is consistent with the public convenience and necessity. Granting the requested authorization will facilitate Avista Corp’s departure from the wholesale marketing business through Avista Energy, but permit Coral Resources to continue to use the Project’s expansion capacity to support marketing services previously provided by Avista Energy. The requested authorization will preserve the existing benefits of the Conveyance Agreement, by avoiding the disruption of an ongoing arrangement and transactions entered into by Avista Energy in reliance on its rights to use the Project’s expansion capacity. Granting Avista Energy a limited jurisdiction certificate also is consistent with prior Commission decisions granting Avista Corp similar authorizations with respect to Project capacity,²⁷ and with limited jurisdiction certificates issued to other companies.²⁸ Similarly, authorizing Coral Resources to assign the Assignment Agreement to its parent, Coral Energy Holding, L.P., or

²⁷ *Northwest Pipeline*, 23 FERC ¶ 61,361 (1983); *Northwest Pipeline*, 76 FERC ¶ 62,096 (1996). *Washington Water Power*, 53 FERC ¶ 61,238 (1990); *Washington Water Power*, 73 FERC ¶ 61,080 (1995); *Washington Water Power*, 82 FERC ¶ 61,041 (1998).

²⁸ *Sonat Marketing Co. and United Cities Gas Co.*, 68 FERC ¶ 61,334 (1994) (issuing a limited jurisdiction certificate to an intrastate storage provider in order accommodate the use of the storage facility by a marketing company for the purpose of storing gas flowing in interstate commerce).

other corporate affiliates as the result of a corporate reorganization is consistent with Commission decisions approving such provisions.²⁹

The negotiated monthly payment that Avista Energy will receive as consideration for assigning the rights to use a portion of Jackson Prairie capacity is integral to the Purchase and Sale Agreement. Throughout the term of the Assignment Agreement, Avista Energy will bear the risk that the monthly payment will not recover the costs related to the assigned capacity. Avista Corp will not seek to recover such costs from its retail customers. Consequently, Avista Corp's retail customers will not subsidize the costs of the assigned storage capacity, and will not be adversely affected. After April 30, 2011, if Avista Corp begins to use the capacity to support its retail services, Avista Corp will request approval from appropriate state regulators to recover such costs from retail customers.

A finding that Avista Energy is not a "natural gas company" under the NGA also is essential to the transaction and would ensure that Avista Corp's portion of Jackson Prairie remains subject to state regulation. Such a finding will not create a regulatory gap. The wholesale natural gas marketing activities of Coral Resources will continue to be subject to the requirements of a blanket marketing certificate, the Commission's code of conduct requirements,³⁰ and anti-market manipulation regulations.³¹ The public interest will not be adversely affected.

Finally, Avista Energy's request for a limited jurisdiction certificate satisfies the criteria set forth in the Commission's Certificate Policy Statement, because the public benefits of the

²⁹ *Alliance Pipeline L.P.*, Docket No. RP07-175-000 (unpublished letter order issued Mar. 21, 2007); *CenterPoint Energy-Mississippi River Transmission Corp.*, 115 FERC ¶ 61,013 P 5 (2006); *Gulfstream Natural Gas System, L.L.C.*, 111 FERC ¶ 61,330 (2005).

³⁰ 18 C.F.R. § 284.403 (2006).

³¹ 18 C.F.R. § 1c.1 (2006).

proposed assignment outweigh any potential adverse consequences.³² First, Avista Corp's existing customers will not subsidize the cost of the temporary assignment of the rights to use a portion of Jackson Prairie capacity. Avista Energy will bear the risk that the monthly payment may not fully recover costs associated with the expansion capacity. When the assignment terminates on April 30, 2011, and Avista Corp begins using the assigned storage capacity to support retail services, Avista Corp's state regulators will address such cost recovery issues. The proposed assignment also will have no adverse effect on existing pipelines in the market and their captive customers, or landowners and communities. The purpose of the proposed assignment is to permit an existing arrangement to continue so that Avista Energy and Coral Resources can realize the benefits of the Conveyance Agreement and to prevent disruptions in any of Avista Energy's current transactions entered into in reliance on the continued availability of Jackson Prairie expansion capacity. The proposed assignment arrangement and requested limited jurisdiction certificate do not involve the construction of any new facilities and thus, will have no impact on other pipelines, their captive customers, or landowners and communities.

For these reasons, Avista Energy's request for a limited jurisdiction certificate is consistent with the public convenience and necessity and should be granted.

VI. Other Applications and Filings

As explained above, the limited-jurisdiction certificate requested in this Application is needed to effectuate a Purchase and Sale Agreement under which Avista Energy will sell substantially all of its operating assets to the Coral Entities, including Coral Resources. On April 18, 2007, Coral Power, L.L.C. and Avista Energy filed a joint application, pursuant to

³² Certification of New Interstate Natural Gas Pipeline Facilities, 88 FERC ¶ 61,227, modified by 89 FERC ¶ 61,040 (1999), Order Clarifying Statement of Policy, 90 FERC ¶ 61,128.

section 203 of the Federal Power Act, requesting authorization for the disposition of jurisdictional electric power assets that will be sold as a result of the transaction. That application requests Commission action by May 25, 2007. Avista Energy is not aware of any other application to supplement or effectuate this application that must be or is to be filed with any other Federal, State, or regulatory body in order for the Commission to grant the requested authorization.

VII. Notices and Request for Shortened Notice Period

Pursuant to 18 C.F.R. §§ 157.6(b)(7) and 157.9 of the Commission's regulations, a form of notice of this application, suitable for publication in the *Federal Register*, is attached.

Pursuant to 18 C.F.R. § 157.10 of the Commission's Regulations, Avista Energy will provide a complete copy of this application to a central public library in each county in the project area within three business days of the filing of this application.

Avista Energy, requests that the Commission facilitate the processing of this Application by prompt publication of notice in the *Federal Register*, and that the time for filing protests, motions to intervene, and notices of intervention be fixed at the earliest possible date after issuance of the notice in order to permit action by May 25, 2007, consistent with the date reflected in the application submitted by Coral Power, L.L.C. and Avista Energy under Section 203 of the Federal Power Act.

VIII. Exhibits

This is an abbreviated application filed pursuant to section 157.7 of the Commission's regulations. Listed are the exhibits required under 18 C.F.R. § 157.14(a):

Order Further Clarifying Statement of Policy, 92 FERC ¶ 61,094 (2000).

- Exhibit A Articles of Incorporation and By-laws
Submitted herewith.
- Exhibit B State Authorization
Submitted herewith.
- Exhibit C Company Officials
Submitted herewith.
- Exhibit D Subsidiaries and Affiliation
Submitted herewith.
- Exhibit E Other Pending Applications and Filings
On April 18, 2007, Coral Power, L.L.C. and Avista Energy filed a joint application pursuant to section 203 of the Federal Power Act requesting authorization for the disposition of jurisdictional assets that will result from the transaction.
- Exhibit F Location of Facilities
Omitted.
- Exhibit F-I Environmental Report
Omitted.
- Exhibit G, G-I Flow Diagram Showing Daily Design Capacity and Reflecting Operation with Proposed Facilities Added and Reflecting Maximum Capabilities
Omitted.
- Exhibit G-II Flow Diagram Data
Omitted.
- Exhibit H Total Gas Supply Data
Omitted.
- Exhibit I Market Data
Omitted.
- Exhibit K Cost of Facilities
Omitted. This application involves no construction of new facilities.
- Exhibit L Financing
Omitted.
- Exhibit M Construction, Operation and Management
Omitted. This application involves no construction of new facilities.

Exhibit O Depreciation and Depletion
Omitted.

Exhibit P Tariff
Submitted herewith. An unexecuted copy of Avista Energy's Assignment Agreement with Coral Resources is attached hereto.

IX. Waiver of Initial Decision

Pursuant to Rule 710 of the Commission's Rules of Practice and Procedure, Avista Energy requests that the intermediate decision be omitted if this Application is heard under the shortened procedures set forth Rules 801 and 802 of the Commission's regulations. If the foregoing request is granted, Avista Energy waives its rights to a hearing and the opportunity for filing exceptions to the decision of the Commission, but reserves its right to apply to the Commission for rehearing and to petition for judicial review of the Commission's decision.

X. Conclusion

WHEREFORE, Avista Energy requests that the Commission issue a limited jurisdiction certificate of public convenience and necessity authorizing Avista Energy to assign its rights to use the Jackson Prairie expansion capacity to Coral Resources until April 30, 2011, for use in marketing natural gas flowing in interstate commerce. Avista Energy also requests pregranted authority to abandon the assignment arrangement effective April 30, 2011, the date the Assignment Agreement will expire. Avista Energy further requests that Coral Resources be authorized to assign the Assignment Agreement to its parent or other corporate affiliate, if necessary as part of a corporate reorganization that results in Coral Resources' gas marketing business being transferred to another company within the same corporate family. Finally, Avista Energy requests that the Commission issue an order no later than May 25, 2007 to permit the

requested authorization to become effective upon the closing of the Purchase and Sale Agreement.

Respectfully submitted,

AVISTA ENERGY, INC.

/s/ Dennis P. Vermillion

Dennis P. Vermillion
Avista Energy, Inc.
1411 East Mission Avenue
P.O. Box 3727
Spokane, WA 99220-3727
Tel: (509) 495-4267
Fax: (509) 495-8856

Paul Korman
Susan A. Moore
Van Ness Feldman, P.C.
1050 Thomas Jefferson Street, NW
7th Floor
Washington, DC 20007
Tel.: (202) 298-1830
Fax: (202) 338-2416

April 19, 2007

VERIFICATION

State of Washington)
)
County of Spokane) ss:

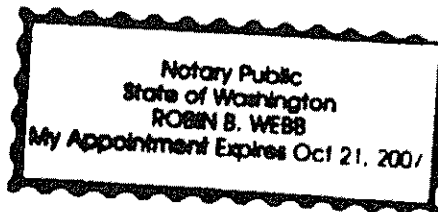
Dennis P. Vermillion, being first duly sworn, deposes and says that he is the President and Chief Operating Officer of Avista Energy, Inc. that, as such he is authorized to sign and verify the foregoing abbreviated application for a limited jurisdiction certificate of public convenience and necessity; that he has read said application and is familiar with the contents thereof; and that the matters set forth therein are true and correct to the best of his information, knowledge, and belief.


Dennis P. Vermillion
President and Chief Operating Officer

SUBSCRIBED AND SWORN TO before me this 17 day of April, 2007.


Notary Public

My Commission expires 10/21/07.



**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

Avista Energy, Inc.) Docket No. CP07-____-000

**NOTICE OF ABBREVIATED APPLICATION
FOR A LIMITED JURISDICTION
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY**

(_____, 2007)

On April 19, 2007, Avista Energy, Inc. ("Avista Energy") filed an abbreviated application pursuant to section 7(c) of the Natural Gas Act ("NGA"), and part 157 of the Federal Energy Regulatory Commission's ("Commission") Rules and Regulations, requesting a limited jurisdiction certificate of public convenience and necessity authorizing the temporary assignment of rights to use expansion capacity at the Jackson Prairie Storage Project to Coral Energy Resources, L.P. as part of a Purchase and Sale Agreement that will result in the sale of substantially all of Avista Energy's operating assets to Coral Energy Resources, L.P. and its affiliates. Avista Energy also requests pre-granted abandonment at the conclusion of the limited term assignment. Any questions regarding this application should be directed to Kelly Norwood, Avista Energy, Inc., 1411 East Mission Avenue, Spokane, WA 99220-3727.

Any person desiring to intervene or to protest this filing must file in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211 and 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. Such notices, motions, or protests must be filed on or before the comment date. Anyone filing a motion to intervene or protest must serve a copy of that document on the Applicant. On or before the comment date, it is not necessary to serve motions to intervene or protests on persons other than the Applicant.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the "eFiling" link at <http://www.ferc.gov>. Persons unable to file electronically should submit an original and 14 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426.

This filing is accessible on-line at <http://www.ferc.gov>, using the "eLibrary" link and is available for review in the Commission's Public Reference Room in Washington, D.C. There is an "eSubscription" link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance with any FERC Online

service, please email FERCOnlineSupport@ferc.gov, or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Comment Date: 5:00 pm Eastern Time on (insert date).

Kimberly D. Bose
Secretary

AVISTA ENERGY, INC
DOCKET NO. CP07-__-000

EXHIBIT A
ARTICLES OF INCORPORATION AND BY-LAWS

**RESTATED ARTICLES OF INCORPORATION
OF AVISTA ENERGY, INC.**

Pursuant to the provisions of the Washington Business Corporation Act, RCW 23B.10.070, the following Restated Articles of Incorporation of Avista Energy, Inc. are submitted for filing.

ARTICLE I.

Name

The name of this corporation is Avista Energy, Inc.

ARTICLE II.

Authorized Capital Stock

This corporation is authorized to issue, in the aggregate, one hundred million (100,000,000) shares of a single class of stock.

ARTICLE III.

No Preemptive Rights

Shareholders of this corporation shall have no preemptive rights to acquire additional shares issued by the corporation.

ARTICLE IV.

Director Liability

A director of the corporation shall not be personally liable to the corporation or its shareholders for monetary damages for conduct as a director, except for liability of the director for (i) acts or omissions that involve intentional misconduct or a knowing violation of law by the director, (ii) conduct which violates RCW 23B.08.310 of the Washington Business Corporation Act, pertaining to unpermitted distributions to shareholders or loans to directors, or (iii) any transaction from which the director will personally receive a benefit in money, property or services to which the director is not legally entitled. If the Washington Business Corporation Act is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the Washington Business Corporation Act, as so amended. Any repeal or modification of the foregoing paragraph by the shareholders of the corporation shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

ARTICLE V.

Indemnification

The corporation shall indemnify its directors against all liability, damage, or expense resulting from the fact that such person is or was a director, to the maximum extent and under all circumstances permitted by law; except that the corporation shall not indemnify a director against liability, damage, or expense resulting from the director's gross negligence.

ARTICLE VI.
Amendment

This corporation reserves the right to amend or repeal any provisions contained in these Articles of Incorporation in any manner now or hereafter permitted by statute. All rights of shareholders of the corporation and all powers of directors of the corporation are granted subject to this reservation.

IN WITNESS WHEREOF, the corporation has caused these Restated Articles of Incorporation to be executed on this 22nd day of February 2000.

AVISTA ENERGY, INC.

By: _____
Susan Y. Miner
Assistant Corporate Secretary

OFFICER'S CERTIFICATE

STATE OF WASHINGTON)
)
COUNTY OF SPOKANE)

Susan Y. Miner, Assistant Corporate Secretary of Avista Energy, Inc., being first duly sworn on oath, deposes and says:

- (a) These Restated Articles of Incorporation include Amendments to this corporation's Articles of Incorporation not requiring shareholder approval.
- (b) The Board of Directors adopted these Restated Articles of Incorporation on December 22, 1999.
- (c) These Restated Articles of Incorporation supercede the original Articles of Incorporation and all Amendments thereto.

By: _____
Susan Y. Miner
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME this 22nd day of February 2000.

Notary Public for Washington
Residing at Spokane
My commission expires: _____

**BYLAWS
OF
AVISTA ENERGY, INC.

**ARTICLE I.
Offices**

The principal office of the Corporation shall be in the city of Spokane, state of Washington. The Corporation may have such other offices, either within or without the state of Washington, as the Board of Directors may designate from time to time.

**ARTICLE II.
Shareholders**

Section 1. Annual Meeting. The annual meeting of shareholders shall be held each year at a time and on a date as determined by the Board of Directors for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the Annual Meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day.

Section 2. Special Meetings. Special meetings of the shareholders may be called by the President, the Chairman of the Board, a majority of the Board of Directors or any shareholder or shareholders holding in the aggregate one-fourth (1/4) of the voting power of all shareholders. Only those matters that are specified in the call of or request for a special meeting may be considered or voted at such meeting.

Section 3. Place of Meeting. Meetings of the shareholders, whether they be annual or special, shall be held at the principal office of the Corporation, unless a place, either within or without the state of Washington, is otherwise designated by the Board of Directors in the notice provided to shareholders of such meetings.

Section 4. Notice of Meeting. Written or printed notice of every meeting of shareholders shall be mailed by the Corporate Secretary or any Assistant Corporate Secretary, not less than ten (10) nor more than fifty (50) days before the date of the meeting, to each holder of record of stock entitled to vote at the meeting. The notice shall be delivered either personally, by facsimile, or by mail, or in any other manner approved by law, by or at the direction of the President or the Corporate Secretary, to each shareholder of record at such shareholder's last known post office address, provided, however, that if a shareholder is present at a meeting, or waives notice thereof in writing before or after the meeting, notice of the meeting to such shareholder shall be unnecessary.

Section 5. Voting of Shares. At every meeting of shareholders, each holder of stock entitled to vote thereat shall be entitled to one (1) vote for each share of such stock held in such shareholder's name on the books of the Corporation, subject to the provisions of applicable law and the Articles of Incorporation, and may vote and otherwise act in person or by proxy.

Section 6. Quorum. The holders of a majority of the number of outstanding shares of stock of the Corporation entitled to vote thereat, present in person or by proxy at any meeting, shall constitute a quorum, but less than a quorum shall have power to adjourn any meeting from time to time without notice. No change shall be made in this Section 6 without the affirmative vote of the holders of at least a majority of the outstanding shares of stock entitled to vote.

Section 7. Shareholders' Action Without a Meeting. The shareholders may take any action without a meeting that they could properly take at a meeting, if one or more written consents setting forth the action so taken are signed by all of the shareholders entitled to vote with respect to the subject matter and are delivered to the Corporation for inclusion in the minutes or filing with the corporate records. If required by Washington law, all nonvoting shareholders must be given written notice of the proposed action at least ten (10) days before the action is taken, unless such notice is waived in a manner consistent with these Bylaws. Actions taken under this section are effective when all consents are in the possession of the Corporation, unless otherwise specified in the consent. A shareholder may withdraw consent only by delivering a written notice of withdrawal to the Corporation prior to the time that all consents are in the possession of the Corporation.

Section 8. Voting Record. The officer or agent having charge of the stock transfer books for shares of the Corporation shall make, at least ten (10) days before each meeting of shareholders, a complete record of the shareholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which record, for a period of ten (10) days prior to such meeting, shall be kept on file at the registered office of the Corporation. Such record shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes thereof.

Section 9. Conduct of Proceedings. The Chairman of the Board shall preside at all meetings of the shareholders. In the absence of the Chairman, the President shall preside and in the absence of both, a Vice President shall preside. The members of the Board of Directors present at the meeting may appoint any officer of the Corporation or member of the Board to act as Chairman of any meeting in the absence of the Chairman, the President, or Vice President. The Corporate Secretary of the Corporation, or in his/her absence, an Assistant Corporate Secretary, shall act as Secretary at all meetings of the shareholders. In the absence of the Corporate Secretary or Assistant Corporate Secretary at any meeting of the shareholders, the presiding officer may appoint any person to act as Secretary of the meeting.

Section 10. Proxies. At all meetings of shareholders, a shareholder may vote in person or by proxy executed in writing by the shareholder or by such shareholder's duly authorized attorney in fact. Such proxy shall be filed with the Corporate Secretary of the Corporation before or at the time of the meeting.

**ARTICLE III.
Board of Directors**

Section 1. General Powers. The powers of the Corporation shall be exercised by or under the authority of the Board of Directors, except as otherwise provided by the laws of the state of Washington and the Articles of Incorporation.

Section 2. Number and Tenure. The business affairs and property of the Corporation shall be managed under the direction of a Board of Directors, the number of members of which shall be four (4). The Board of Directors may increase or decrease this number by resolution. A decrease in the number of directors shall not shorten the term of an incumbent director. The directors shall be elected by the shareholders at each annual shareholders' meeting or at a special shareholders' meeting called for such purpose. Despite the expiration of a director's term, the director continues to serve until his/her successor is elected and qualified or until there is a decrease in the authorized number of directors.

Section 3. Regular Meetings. Regular meetings of the Board of Directors shall be held at such place, date and time as shall from time to time be fixed by resolution of the Board.

Section 4. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, the President, any Vice President, the Corporate Secretary or the Treasurer or any two (2) or more directors. Notice of any special meeting shall be given to each director at least two (2) days in advance of the meeting.

Section 5. Emergency Meetings. In the event of a catastrophe or a disaster causing the injury or death to members of the Board of Directors and the principal officers of the Corporation, any director or officer may call an emergency meeting of the Board of Directors. Notice of the time and place of the emergency meeting shall be given not less than two (2) days prior to the meeting and may be given by any available means of communication. The director or directors present at the meeting shall constitute a quorum for the purpose of filling vacancies determined to exist. The directors present at the emergency meeting may appoint such officers as necessary to fill any vacancies determined to exist. All appointments under this section shall be temporary until a special meeting of the shareholders and directors is held as provided in these Bylaws.

Section 6. Conference by Telephone. The members of the Board of Directors, or of any committee created by the Board, may participate in a meeting of the Board or of the committee by means of a conference telephone or similar communication equipment by means of which all persons participating in the meeting can hear each other at the same time. Participation in a meeting by such means shall constitute presence in person at a meeting.

Section 7. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. The action of a majority of the directors present at a meeting at which a quorum is present shall be the action of the Board.

Section 8. Action Without a Meeting. Any action required by law to be taken at a meeting of the directors of the Corporation, or any action which may be taken at a meeting of the directors or of a committee, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors, or all of the members of the committee, as the case may be. Such consent shall have the same effect as a unanimous vote.

Section 9. Vacancies. (a) any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors, and any director so elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office and (b) any directorship to be filled by reason of an increase in the number of directors may be filled by the Board of Directors for a term of office continuing only until the next election of directors by the shareholders.

Section 10. Resignation of Director. Any director or member of any committee may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein. If no time is specified, it shall take effect from the time of its receipt by the Corporate Secretary, who shall record such resignation, noting the day, hour and minute of its reception. The acceptance of a resignation shall not be necessary to make it effective.

Section 11. Removal. Any director may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least a majority of the voting power of all of the shares of capital stock of the Corporation entitled generally to vote in the election of directors voting together as a single class, at a meeting of shareholders called expressly for that purpose; provided, however, that if less than the entire Board of Directors is to be removed, no one of the directors may be removed if the votes cast against the removal of such director would be sufficient to elect such director if then cumulatively voted at an election of the class of directors of which such director is a part. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 12. Order of Business. The Chairman of the Board shall preside at all meetings of the directors. In the absence of the Chairman, the officer or member of the Board designated by the Board of Directors shall preside. At meetings of the Board of Directors, business shall be transacted in such order as the Board may determine. Minutes of all proceedings of the Board of Directors, or committees appointed by it, shall be prepared and maintained by the Corporate Secretary or an Assistant Corporate Secretary.

Section 13. Presumption of Assent. A director of the Corporation who is present at a meeting of the Board of Directors, or of a committee thereof, at which action on any corporate matter is taken, shall be presumed to have assented to the action unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Corporate Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

ARTICLE IV. Committees

Section 1. Appointment. The Board of Directors, by resolutions adopted by a majority of the members of the Board, may create from among its members one (1) or more committees and shall appoint the members thereof. Each such committee must have two (2) or more members, who shall be directors and who shall serve at the pleasure of the Board. Each

committee of the Board of Directors may exercise the authority of the Board of Directors to the extent provided in its enabling resolution and any pertinent subsequent resolutions adopted in like manner, provided that the authority of each such committee shall be subject to applicable law. Each committee of the Board of Directors shall keep regular minutes of its proceedings and shall report to the Board of Directors when requested to do so. A majority of the members of any such committee may determine its action and fix the time and place of its meetings unless the Board of Directors shall otherwise provide.

ARTICLE V. Officers

Section 1. Number. The officers of the Corporation shall consist of such officers and assistant officers as may be designated by resolution of the Board of Directors. The officers may include a Chairman of the Board, a President, one or more Vice Presidents, a Corporate Secretary, a Treasurer, and any assistant officers. The officers shall hold office at the pleasure of the Board of Directors. Unless otherwise restricted by the Board of Directors, the President may appoint any assistant officer, the Corporate Secretary may appoint one or more Assistant Corporate Secretaries, and the Treasurer may appoint one or more Assistant Treasurers; provided that any such appointments shall be recorded in writing in the corporate records. None of the officers of the Corporation need be a director. The same person may be appointed to more than one office except the offices of President and Corporate Secretary.

Section 2. Election and Term of Office. The officers of the Corporation shall be elected by the Board of Directors at the annual meeting of the Board. Each officer shall hold office until his/her successor shall have been duly elected and qualified.

Section 3. Removal. Any officer or agent may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. Powers and Duties. The officers shall have such powers and duties as usually pertain to their offices, except as modified by the Board of Directors, and shall have such other powers and duties as may from time to time be conferred upon them by the Board of Directors.

ARTICLE VI. Contracts, Checks and Deposits

Section 1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 2. Checks/Drafts/Notes. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, or agent or agents, of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 3. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors by resolution may select.

ARTICLE VII. Certificates for Shares and Their Transfer

Section 1. Certificates for Shares. Certificates representing shares of the Corporation shall be in such form as shall be determined by the Board of Directors and shall contain such information as prescribed by law. Such certificates shall be signed by the President or a Vice President and by either the Corporate Secretary or an Assistant Corporate Secretary, and sealed with the corporate seal or a facsimile thereof. The signatures of such officers upon a certificate may be facsimiles. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

Section 2. Transfer of Shares. Transfer of shares of the Corporation shall be made only on the stock transfer books of the Corporation by the holder of record thereof or by such shareholder's legal representative, who shall furnish proper evidence of authority to transfer, or by such shareholder's attorney thereunto authorized by power of attorney duly executed and filed with the Corporate Secretary of the Corporation, and on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes. The Board of Directors shall have power to appoint one or more transfer agents and registrars for transfer and registration of certificates of stock.

ARTICLE VIII. Corporate Seal

The seal of the Corporation shall be in such form as the Board of Directors shall prescribe.

ARTICLE IX. Indemnification

Section 1. Indemnification of Directors and Officers. The Corporation shall indemnify and reimburse the expenses of any person who is or was a director, officer, agent or

employee of the Corporation or is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee, or agent of another enterprise or employee benefit plan to the extent permitted by and in accordance with the Company's Articles of Incorporation and as permitted by law.

Section 2. Liability Insurance. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan against any liability asserted against him/her and incurred by him/her in any such capacity or arising out of his/her status as such, whether or not the Corporation would have the power to indemnify him/her against such liability under the laws of the state of Washington.

Section 3. Ratification of Acts of Director, Officer or Shareholder. Any transaction questioned in any shareholders' derivative suit on the ground of lack of authority, defective or irregular execution, adverse interest of director, officer or shareholder, nondisclosure, miscomputation, or the application of improper principles or practices of accounting may be ratified before or after judgment, by the Board of Directors or by the shareholders in case less than a quorum of directors are qualified; and, if so ratified, shall have the same force and effect as if the questioned transaction had been originally duly authorized, and said ratification shall be binding upon the Corporation and its shareholders and shall constitute a bar to any claim or execution of any judgment in respect of such questioned transaction.

**ARTICLE X.
Amendments**

The Board of Directors is expressly authorized to make, alter and repeal the Bylaws of the Corporation, subject to the power of the shareholders of the Corporation to change or repeal the Bylaws.

The undersigned does hereby certify that these Bylaws of Avista Energy, Inc., were adopted by the Board of Directors of the Corporation on June 27, 2001.

AVISTA ENERGY, INC
DOCKET NO. CP07-__-000

EXHIBIT B
STATE AUTHORIZATIONS

Exhibit B

| State Name | Date of Authorization | Date of Expiry | Scope of activity | Limitations, if any |
|-------------------|------------------------------|-----------------------|--|----------------------------|
| Arizona | 12-Jun-97 | 12-Jul-07 | Natural gas & electricity wholesale energy marketing | No specified limitations |
| California | 29-May-97 | 31-May-07 | Natural gas & electricity wholesale energy marketing | No specified limitations |
| Colorado | 12-Jun-97 | 31-Aug-07 | Natural gas & electricity wholesale energy marketing | No specified limitations |
| Idaho | 12-Jun-97 | 30-Jun-07 | Natural gas & electricity wholesale energy marketing | No specified limitations |
| Montana | 12-Jun-97 | 15-Apr-08 | Natural gas & electricity wholesale energy marketing | No specified limitations |
| Nevada | 9-Jul-97 | 31-Jul-07 | Natural gas & electricity wholesale energy marketing | No specified limitations |
| New Mexico | 7-Nov-97 | 15-Mar-08 | Natural gas & electricity wholesale energy marketing | No specified limitations |
| Oregon | 2-Jun-97 | 2-Jun-07 | Natural gas & electricity wholesale energy marketing | No specified limitations |
| Utah | 12-Jun-97 | 12-Jun-07 | Natural gas & electricity wholesale energy marketing | No specified limitations |
| Washington | 27-Feb-96 | 28-Feb-08 | Natural gas & electricity wholesale energy marketing | No specified limitations |
| Wyoming | 12-Jun-97 | 1-Jun-07 | Natural gas & electricity wholesale energy marketing | No specified limitations |

**AVISTA ENERGY, INC.
DOCKET NO. CP07-___-000**

**EXHIBIT C
COMPANY OFFICIALS**

**AVISTA ENERGY, INC.
DOCKET NO. CP07-___-000**

**EXHIBIT C
COMPANY OFFICIALS**

Current as of April 21, 2006

AVISTA ENERGY, INC.

(A Subsidiary of Avista Capital, Inc.)

201 W. North River Dr., Suite 610

Spokane WA 99201

Directors:

Gary G. Ely

Malyn K. Malquist

R. John Taylor

Dennis P. Vermillion

Officers:

Gary G. Ely

Dennis P. Vermillion

Malyn K. Malquist

Michael E. D'Arienzo

David M. Dickson

Derrick Coder

Karen S. Feltes

Tracy Van Orden

Susan Y. Miner

Diane C. Thoren

Chairman of the Board & Chief Executive Officer

President & Chief Operating Officer

Senior Vice President, Chief Financial Officer & Treasurer

Vice President

Vice President

Vice President

Sr. Vice President & Corporate Secretary

Controller

Assistant Corporate Secretary

Assistant Treasurer

The Company was known as WWP Resource Services, Inc., before becoming Avista Energy.

**AVISTA ENERGY, INC.
DOCKET NO. CP07-__-000**

**EXHIBIT D
SUBSIDIARIES AND AFFILIATION**

EXHIBIT D
SUBSIDIARIES AND AFFILIATION

Avista Energy, Inc., a corporation organized and existing under the laws of the State of Washington, is a subsidiary of Avista Capital, Inc., which in turn, is wholly owned by Avista Corp, an investor-owned natural gas and electric utility operating in Washington, Idaho, Oregon, and Montana. Avista Corp operates its regulated utility business unit under the trade name "Avista Utilities," which, among other things, is engaged in the businesses 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 Capital, Inc., holds all of Avista Corp's subsidiary investments, including a 99.82% ownership in Avista Energy.

Neither Avista Energy, nor any of its officers or directors own, control, or hold with power to vote, 10 percent or more of the outstanding voting securities of any other person or organized group of persons engaged in production, transportation, distribution, or sale of natural gas, or of any person or organized group of persons engaged in the construction or financing of such enterprises or operations.

AVISTA ENERGY, INC.
DOCKET NO. CP07-__-000

EXHIBIT P
TARIFF

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 _____, 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 2,976,252 Dth [*volume to be determined at closing*] 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 2,976,252 Dth [*volume to be determined at closing*] 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 be 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.

[insert name/title]

[insert name/title]