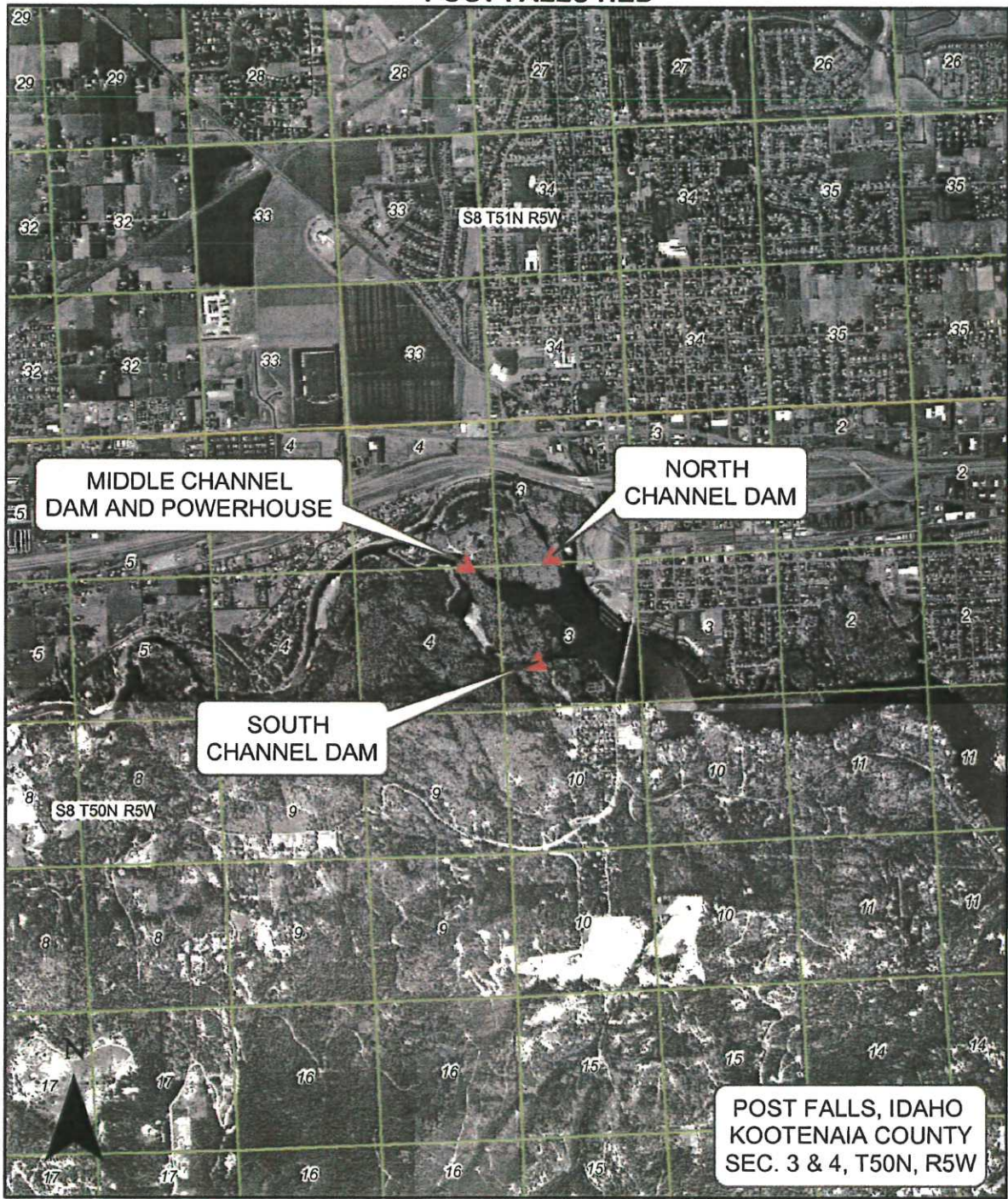


MAP OF PROJECT POST FALLS HED



0 0.5 1 Miles

1 inch equals 0.5 miles

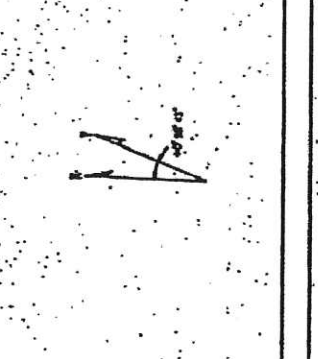
NAME AVISTA IDENTIFICATION NO. _____



EXHIBIT 6
 PROJECT NO. 2545
 SPONGE RIVER PROJECT
 POST RILLS RE DEVELOPMENT
 PROJECT MAP
 THE WASHINGTON WATER POWER CO.
 SHEET 1 OF 17 SCALE 6"=100' GEORGETOWN, VIRGINIA, 19

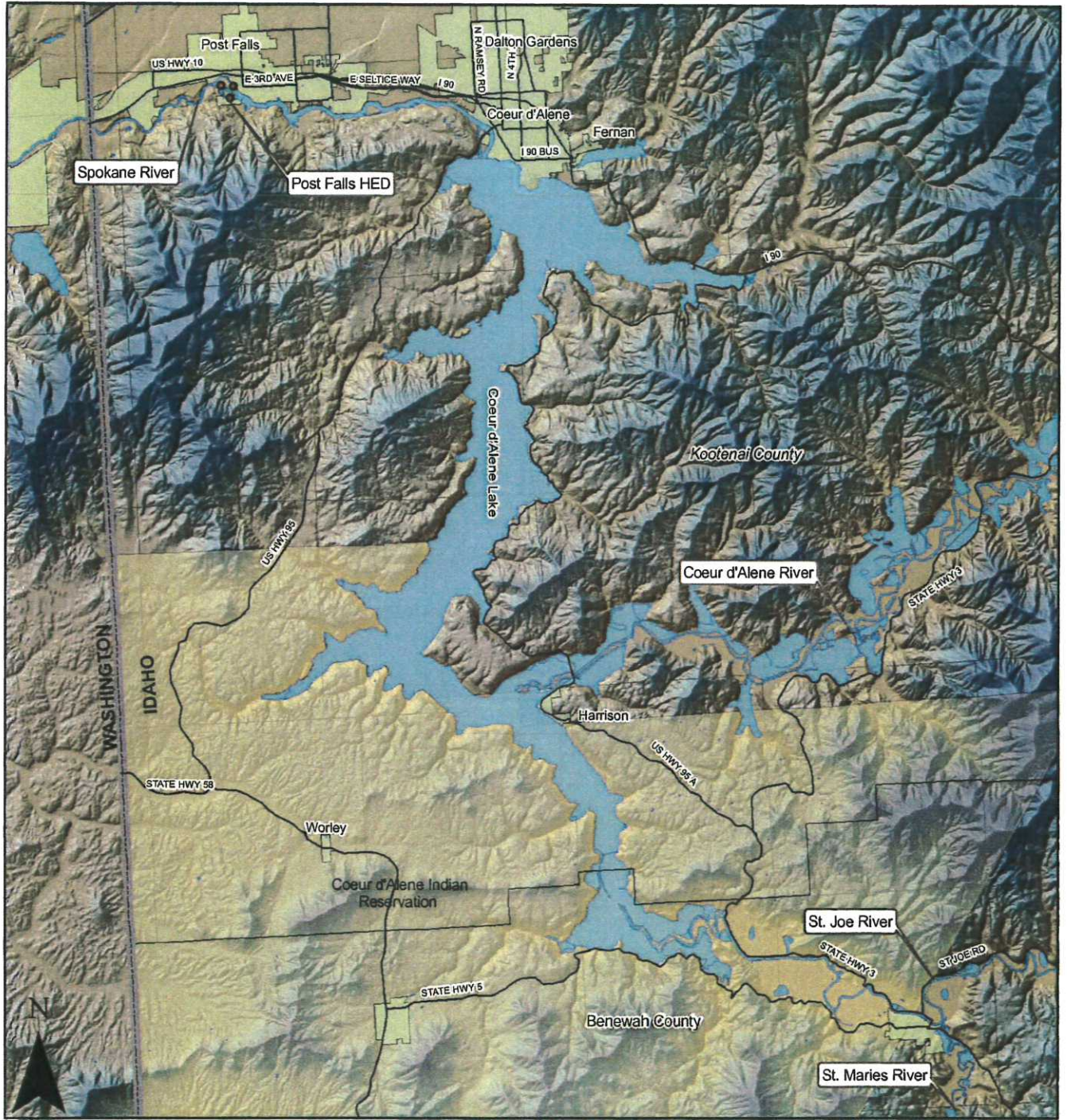
T. 30 N. R. 33 E. S. 34 N.
 ROUTE 111, CO. 18, IND.

THIS MAP IS A REVISION OF A MAP OF THE SAME TITLE AND SCALE, DATED 1911, AND IS A PART OF THE RECORD MAP OF THE WASHINGTON WATER POWER CO., GEORGETOWN, VIRGINIA, 1911.



1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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MAP OF RESERVOIR COEUR D'ALENE LAKE



1 inch equals 4 miles

NAME AVISTA IDENTIFICATION NO. _____

ATTACHMENT A

5. Description of existing diversion works (Dams, Reservoirs, Ditches, Wells, Pumps, Pipelines, Headgates, Etc), including the dates of any changes or enlargements in use, the dimensions of the diversion works as constructed and as enlarged and the depth of each well.

In 1894, Frederick Post constructed the original dams in the three (3) channels of the Spokane River in Post Falls, Idaho. Avista, then known as The Washington Water Power Company, later purchased the Post Falls site. After the purchase, Avista, in 1906, completed construction of new dams in the North and South Channels and a powerhouse in the Middle Channel. (See, **Exhibits A-1 and A-2** showing aerial photos of the site). These structures are the diversion works that allow for the storage of water and the generation of electrical power. Avista's Post Falls Hydroelectric Development is licensed under the Federal Power Act as Project No. 2545. **Exhibit A-3**, a copy of Sheet 1 of 77 of the "Exhibit G" drawings for Project No. 2545, depicts the diversion works consisting of the dams and powerhouse in the three (3) channels. **Exhibit A-4**, a map of Coeur d'Alene Lake area, depicts the location of the diversion works and the area in which Avista stores water in a reservoir composed of St. Joe, St. Maries, Coeur d'Alene and Spokane Rivers, and Coeur d'Alene Lake and all connected and tributary waters ("Reservoir").

EXHIBIT 2 TO STIPULATED MOTION, CASE NO. CV-08-526

**MASTER SETTLEMENT AGREEMENT
COEUR D'ALENE TRIBE AND AVISTA CORPORATION**

This Master Settlement Agreement (which includes all attachments hereto) is entered into as of December 16, 2008, between the Coeur d'Alene Tribe ("Tribe") and Avista Corporation ("Avista") (hereinafter individually referenced to as a "Party" or collectively as the "Parties") and is intended to resolve comprehensively a number of issues between the Parties, including but not limited to, Avista's obligations under federal law arising out of or relating to its use, occupancy, and enjoyment of the submerged lands of Coeur d'Alene Lake, Hepton Lake, and the St. Joe and Coeur d'Alene Rivers ("Submerged Lands") within the current boundaries of the Coeur d'Alene Indian Reservation ("Reservation") and other lands held in trust for the Tribe by the United States within the Reservation.

RECITALS

1. The Tribe is a federally-recognized Indian tribe which occupies the Reservation in northern Idaho. The Tribe has a governing Tribal Constitution and Tribal Council duly recognized by the Secretary of the Interior.

2. Avista, whose corporate name prior to January 1, 1999, was The Washington Water Power Company, was organized under the laws of the Territory of Washington in March of 1889. Avista is now organized under the laws of the State of Washington.

3. Coeur d'Alene Lake ("Lake") is located in Idaho approximately 13 miles from the Washington state line. Its major tributaries are the St. Joe, St. Maries, and Coeur d'Alene Rivers.

4. The Spokane River originates at the natural outlet of the Lake and flows westerly approximately 111 miles to the confluence with the Columbia River in eastern Washington.

5. Since 1902, Avista has constructed and maintained utility poles, lines, equipment, and facilities on, over and under a portion of the Submerged Lands and other lands held in trust for the Tribe by the United States within the Reservation.

6. In 1907, Avista began to store water on the Lake and affected tributaries during part of the year.

7. Such water storage occurs on a portion of the Reservation, including the approximate southern one-third of the Lake and certain tributary waters.

8. With the exception of the Submerged Lands in Hepton Lake within the Reservation that the Tribe has owned since 2004 in fee simple, the United States holds title, in trust for the Tribe, and the Tribe holds title as the beneficially interested party of the trusteeship, to the Submerged Lands within the current Reservation boundaries, as defined in the agreement

concluded between the United States and the Tribe on September 9, 1889, and ratified by Congress in the Act of March 3, 1891, 26 Stat. 1027. *United States v. Idaho*, 95 F.Supp.2d 1094, 1117 (D. Idaho 1998), *aff'd*, *Idaho v. United States*, 533 U.S. 262 (2001).

9. In that Act of March 3, 1891, Congress ratified a prior conveyance by the Tribe ("Seltice Conveyance") to Frederick Post of submerged lands and uplands at Post Falls, Idaho, on the Spokane River within the original 1873 boundaries of the Reservation. Avista later acquired Post's interests in such lands and constructed thereon in 1906 its Post Falls Hydroelectric Development ("HED"). The Parties dispute whether and to what extent, if any, the Seltice Conveyance granted to Frederick Post, and hence Avista, the right to store water on the Submerged Lands within the current boundaries of the Reservation.

10. In 1909, Avista applied for and received a permit ("1909 Permit") from the United States Department of the Interior ("DOI"), without the consent of the Tribe, to store water on a designated portion of the lands within the current boundaries of the Reservation. The Parties dispute whether and to what extent, if any, the 1909 Permit granted to Avista the right to store water on the Submerged Lands within the current boundaries of the Reservation.

11. From 1907 to 1941, Avista generally operated the Post Falls HED to hold the Lake and its affected tributaries as close to an elevation of 2,126.5 feet as practicable during part of each year, including water storage on Submerged Lands within the Reservation.

12. Since 1941, Avista generally has operated the Post Falls HED to hold the Lake and its affected tributaries as close to an elevation of 2,128 feet as practicable during part of each year, including water storage on Submerged Lands within the Reservation.

13. Pursuant to the provisions of Part I of the Federal Power Act ("FPA"), 16 U.S.C. §§ 791 *et seq.*, Avista is the existing Federal Energy Regulatory Commission ("FERC") licensee of the Spokane River Project No. 2545 ("SRP"), which currently includes within its licensed boundaries: the Post Falls HED in Idaho first licensed by FERC effective July 1, 1981, which includes within its licensed boundaries the Submerged Lands within the Reservation upon which water is stored; and the downstream Upper Falls, Monroe Street, Nine Mile and Long Lake HEDs ("downstream HEDs") in Washington first licensed by FERC in 1972 (retroactive to 1965).

14. The current license for the SRP expired on July 31, 2007, and the SRP is being operated under an annual license issued by FERC.

15. On July 28, 2005, Avista filed with FERC two applications for new license to provide for the continued operation of the HEDs currently licensed as part of the SRP: one application for new license covering the Post Falls HED which, if granted, would result in continued use of the Submerged Lands within the Reservation for water storage and other purposes; and one application for a new license covering the four downstream HEDs.

16. The Tribe and Avista recently have entered into a Settlement in Principle comprehensively resolving a number of disputes between them. The Settlement in Principle

provides that the Parties shall execute a master agreement that identifies all of the separate agreements between the Tribe and Avista, and that all of the separate agreements need to be executed before a settlement agreement is effective.

NOW, THEREFORE, in consideration of the terms of this Agreement, the separate agreements and permits identified in Section A below, and the Settlement in Principle, the Parties agree as follows:

A. Separate Agreements

The separate agreements and Tribal permits which need to be executed prior to this Master Agreement becoming effective, and which along with this Master Agreement shall be jointly filed by the Parties as part of a proposed Consent Judgment to be entered in the United States District Court for the District of Idaho, are identified below:

1. Trespass Claim (1907 – June 30, 1981) Agreement

Attachment A, which is incorporated by reference herein, is the Trespass Claim (1907 – June 30, 1981) Agreement resolving the Tribe's trespass claim for Avista's use, occupancy, and enjoyment of the Submerged Lands within the current boundaries of the Reservation during the period from 1907 to June 30, 1981, the day before the point in time (July 1, 1981) when FERC first assumed jurisdiction over such lands;

2. Section 10(e) Payments (July 1, 1981 – End of Current License) Agreement

Attachment B, which is incorporated by reference herein, is the Agreement with respect to Section 10(e) Payments (July 1, 1981 – End of Current License) resolving Avista's obligations for any payment of annual charges pursuant to FPA Section 10(e), 16 U.S.C. § 803(e), and headwater benefits pursuant to FPA Section 10(f), 16 U.S.C. § 803(f), for Avista's use, occupancy, and enjoyment of the Submerged Lands within the current boundaries of the Reservation for the period from July 1, 1981, to the day before the effective date of any new FPA license issued by FERC to Avista in pending relicensing proceedings involving the use of such Submerged Lands;

3. Section 10(e) Payments (For the Term of Avista's New License) Agreement

Attachment C, which is incorporated by reference herein, is the Agreement with respect to Section 10(e) Payments (For the Term of Avista's New License) resolving Avista's obligations for any payment of annual charges pursuant to FPA § 10(e) and headwater benefits pursuant to FPA § 10(f) for Avista's use, occupancy, and enjoyment of the Submerged Lands within the current boundaries of the Reservation for the term of any new FPA license issued by FERC to Avista

in pending relicensing proceedings involving the use of such Submerged Lands and any subsequent annual licenses;

4. Tribal Taxation Agreement

Attachment D, which is incorporated by reference herein, is the Tribal Taxation Agreement addressing future taxation by the Tribe of Avista's use, occupancy, and enjoyment of (a) the Submerged Lands within the current boundaries of the Reservation for water storage and other purposes during the term of any new FPA license issued by FERC to Avista in pending relicensing proceedings involving use of such Submerged Lands and any subsequent annual licenses, and (b) those Submerged Lands and other Tribal trust lands within the current boundaries of the Reservation relating to rights-of-way to be granted by DOI's Bureau of Indian Affairs ("BIA"), consistent with the Rights-of-Way Agreement and Consent between Avista and the Tribe (Attachment E), for Avista's existing utility lines, poles, equipment, and facilities on, over and under all such affected lands for the term of fifty (50) years from the date of execution of that Rights-of-Way Agreement and Consent;

5. Rights-of-Way Agreement and Consent

Attachment E, which is incorporated by reference herein and which includes as Attachment No. 7 thereto the Coeur d'Alene Tribe Permit For Avista Corporation's Existing Utility Facilities Located On, Over And Under Submerged Lands Within the Coeur d'Alene Indian Reservation, is the Rights-of-Way Agreement and Consent executed by the Parties, consistent with the Grant of Easements for Rights-of-Way to be granted by BIA on, over and under certain Submerged Lands and other Tribal trust lands within the current boundaries of the Reservation relating to Avista's existing utility poles, lines, equipment, and facilities on, over and under all such affected lands for the term of fifty (50) years from the date of execution of that Rights-of-Way Agreement and Consent by the Tribe and Avista;

6. Tribal Water Storage/Use Permit

Attachment F, which is incorporated by reference herein, is the Water Storage/Use Permit ("Water Permit") issued by the Tribe pursuant to Tribal Code for the term of any new FPA license issued by FERC to Avista in pending relicensing proceedings involving the use of the Submerged Lands within the current boundaries of the Reservation and any subsequent annual licenses;

7. Federal Power Act Section 4(e) Agreement

Attachment G, which is incorporated by reference herein, is the Agreement among DOI, the Tribe and Avista concerning FPA § 4(e), 16 U.S.C. § 797(e), Mandatory Conditions for the Spokane River Project, FERC No. 2545, including

Appendix A thereto, which is the Final Section 4(e) Conditions, and Attachment B thereto, which is the Tribe's waiver of certain future claims against the United States, for the term of any new FPA license issued by FERC to Avista in pending relicensing proceedings that includes within the licensed boundaries the Submerged Lands within the current boundaries of the Reservation and any subsequent annual licenses ("4(e) Agreement").

8. Supplemental Agreement to Federal Power Act Section 4(e) Agreement

Attachment H, which is incorporated by reference herein, is the Agreement between Avista and the Tribe that establishes the process the Parties will follow to resolve certain specified disputes, establishes the process the Parties will follow with respect to legal actions brought by either Party against the other for breach and/or enforcement of any of the 4(e) Agreement's terms and any contract entered into between Avista and the Tribe pursuant to Section 4.4 of the 4(e) Agreement, specifies the courts that will have jurisdiction over such legal actions and the law that will apply in such legal actions, provides for the Tribe's waiver of sovereign immunity to allow Avista to initiate and pursue such legal actions against the Tribe, and provides for the Tribe's release of Avista from certain specified claims ("Supplemental Agreement").

B. FERC License and Protection of Reservation Resources

1. As specified in Section 2.1 of the 4(e) Agreement, within 45 days of the Effective Date of the 4(e) Agreement, Avista shall file with FERC a Joint Explanatory Statement that will include Avista's request that FERC: (a) consider Avista's July 28, 2005 dual license applications for the SRP as an application for a single new license; and (b) issue a single new 50-year license covering all five of the SRP HEDs, including the Post Falls HED.

2. The Tribe agrees that FERC's issuance of a single new license as requested in the Joint Explanatory Statement referenced in Section B 1 hereof shall not constitute a material change in facts or circumstances under Section 3.3 of the 4(e) Agreement attached hereto as Attachment G.

3. Notwithstanding the request included in the Joint Explanatory Statement referenced in Section B.1 hereof, each Party shall have the right to make any legal, factual, or policy argument, assertion, and claim it may choose to make, and to take any action it may choose to take, with respect to whether FERC in any subsequent license proceeding should issue a single new license covering all five of the SRP HEDs or issue separate new licenses for (a) the Post Falls HED and (b) the four downstream HEDs of the SRP. Further, neither Avista's filing of the Joint Explanatory Statement referenced in Section B.1 hereof nor FERC's action in response thereto (1) shall in any way prejudice either Party's right (a) to make any argument, assertion, and claim it may choose to make during subsequent license proceedings that FERC should issue a single new license or separate new licenses for (i) the Post Falls HED and (ii) the four downstream HEDs of the SRP or (b) to take any action it may choose to take with respect to FERC's action in response to such arguments, assertions, and claims or (2) shall be cited as precedent against any such argument, assertion, claim or action.

C. Conditions Precedent

This Master Agreement and the separate agreements and permits identified in Section A hereof and incorporated by reference herein, shall be collectively and separately effective only upon each of the following conditions in this Section C being met; *provided, however*, that the 4(e) Agreement and Supplemental Agreement shall be effective as specified in those agreements. The subsequent termination of any of such separate agreements or permits, including the 4(e) Agreement and the Supplemental Agreement, shall not affect the validity of the Master Agreement and such other separate agreements and permits.

1. The Tribe's duly authorized governing body, complying with applicable law, lawfully authorizes its representative to execute, and such representative so executes, this Master Agreement and all of the separate agreements and permits identified in Section A hereof on behalf of the Tribe;

2. Avista's duly authorized governing body, complying with applicable law, lawfully authorizes its representative to execute, and such representative so executes, this Master Agreement and all of the separate agreements identified in Section A hereof on behalf of Avista;

3. The Tribe, or the Tribe and Avista, as appropriate, through their respective legal counsel, and after lawful authorization by their respective governing bodies, file in the United States District Court for the District of Idaho (a) the Tribe's Complaint for Declaratory Judgment and Trespass Damages pursuant to 28 U.S.C. 2201, (b) their Stipulated Motion to Incorporate Agreements in a Judgment, and (c) their proposed form of a Judgment, *provided, however*, that the declination of that District Court to enter the Consent Judgment with respect to and including this Master Agreement or any other agreement identified and incorporated by reference herein, in whole or in part, shall not affect the collective or separate effectiveness of this or any other such agreement; and

4. The Department of the Interior executes the 4(e) Agreement.

5. BIA executes the Grant of Easements for Rights-of-Way identified in Section A 5 hereof.

D. Reservation of Claims and Defenses

This Master Agreement, and the separate agreements and permits identified in Section A hereof and incorporated by reference herein, are not intended and shall not be construed to apply to, address or resolve, or submit to the jurisdiction of FERC or any court, any claims the Tribe may have with respect to the submerged lands of the Lake that are located outside the current boundaries of the Reservation or that lie within the boundaries of Heyburn State Park within the current Reservation boundaries. The Tribe reserves all of its rights and claims as to the above-described submerged lands and Avista retains all of its defenses. In addition, except to the extent set forth in Appendix B to the 4(e) Agreement, nothing in this Master Agreement, and the separate agreements and permits identified in Section A hereof and incorporated by reference

herein, is intended or shall be construed to apply to, address or resolve any claims the Tribe may have against the United States, or any governmental department, agency or officer thereof, arising out of, or related to or in any way connected with, the use, occupancy, and/or enjoyment by Avista of the Submerged Lands within the current boundaries of the Reservation, and the Tribe reserves all of such rights and claims against the United States.

E. Consideration

1. All of the obligations each Party agreed to incur under this Master Agreement and the separate agreements and permits identified in Section A hereof and incorporated by reference herein served as consideration for the other Party's agreement to incur all of its obligations under this Master Agreement and such separate agreements and permits. In recognition of this and to preserve the comprehensive resolution of issues reflected in this Master Agreement and such separate agreements and permits, the Parties further agree as follows:

- a. To the extent that FERC or any federal court enters a final order not subject to further judicial review or appeal that reduces, or indicates that Avista does not have to pay, the full amount of the payments specified in Section A.1 of the Section 10(e) Payments (July 1, 1981 – End of Current License) Agreement or in Section A.2 of the Section 10(e) Payments (For the Term of Avista's New License) Agreement, Avista agrees that it shall pay to the Tribe as consideration for all of the obligations incurred by the Tribe identified above, such additional amounts as are necessary to ensure that the Tribe receives the full amount of the payments specified in Section A.1 of the Section 10(e) Payments (July 1, 1981 – End of Current License) Agreement and in Section A.1 of the Section 10(e) Payments (For the Term of Avista's New License) Agreement.
- b. To the extent that FERC or any federal court enters a final order not subject to further judicial review or appeal that increases the amount of payments to be made by Avista over the amounts specified in Section A.1 of the Section 10(e) Payments (July 1, 1981 – End of Current License) Agreement or in Section A.2 of the Section 10(e) Payments (For the Term of Avista's New License) Agreement, the Tribe agrees that it shall repay to Avista the amount of any such increase in payments within 30 days of the date that Avista makes any such increased payments to the Tribe.

2. Any final order entered by FERC or any federal court described in Sections E.1. a. or b. hereof shall not diminish or expand in any way Avista's obligations to make payments as specified in Section A.1 of the Section 10(e) Payments (July 1, 1981 – End of Current License) Agreement or in Section A.2 of the Section 10(e) Payments (For the Term of Avista's New License) Agreement, and the Parties acknowledge and affirm that Avista's obligations to make such payments, as specified in Section E.1.a. hereof, and the Tribe's repayment obligation pursuant to Section E.1.b. hereof may be enforced if necessary in the United States District Court for the District of Idaho consistent with Section H.2 hereof.

F. Compromise Settlement

This Master Agreement and attachments thereto is a compromise settlement of disputed claims. Avista does not admit liability and reserves its defenses. The Tribe reserves all of its rights and claims as stated in Section D hereof.

G. Fiber Optics

The Parties agree to discuss in good faith a future agreement for the Tribe's access to Avista's fiber optics.

H. Dispute Resolution

1. Should the Parties' best efforts in resolving issues regarding the interpretation or enforcement of the terms of this Master Agreement, or the separate agreements and permits identified in Section A hereof and incorporated by reference herein, fail, the dispute shall be submitted to an informal, non-binding mediation process that shall not exceed 90 days in length unless agreed otherwise by the Parties facilitated by a trained mediator; *provided, however*, that any dispute regarding the 4(e) Agreement or the Final Section 4(e) Conditions shall be governed by the Dispute Resolution Section (Section 7) set forth in the 4(e) Agreement; *provided further, however*, that disputes regarding Avista's compliance with the obligation set forth in the first sentence of Section 4.4 of the 4(e) Agreement shall be governed by Section H.2 hereof without mediation. The cost of any mediation shall be shared equally.

2. If a good faith effort to resolve disputes through mediation fails, or in the case of disputes regarding Avista's compliance with the obligation set forth in the first sentence of Section 4.4 of the 4(e) Agreement, each Party shall have the ability to employ legal process against the other Party solely to enforce the terms of this Master Agreement, and the separate agreements and permits identified in Section A hereof and incorporated by reference herein, and to secure legal relief against the other Party, including compensatory damages, but not punitive, exemplary, or similar damages, and equitable remedies, for breach of contract, to the extent set forth in this Section H hereof; *provided, however*, that only equitable relief shall be available to enforce the Tribal Taxation Agreement identified in Section A.4 hereof, and that the ability to employ legal process to enforce the terms of the 4(e) Agreement identified in Section A.7 hereof and any contract entered into between Avista and the Tribe pursuant to Section 4.4 thereof, and to secure legal relief, including compensatory damages and equitable remedies, for breach of contract as to the 4(e) Agreement and such Section 4.4 contracts, shall be as specified in the Supplemental Agreement:

- a. At the time this Master Agreement is signed, the Tribal Council of the Coeur d'Alene Tribe, as the duly authorized governing body of the Tribe, shall execute an express waiver of sovereign immunity, allowing prosecution of a legal action by Avista against the Tribe for breach and/or enforcement of any of the terms of the Master Agreement, and the separate agreements and permits identified in Section A hereof and

incorporated by reference herein, to the extent set forth in that executed waiver which is Attachment I hereto. The Parties agree that the Tribe shall have the right to pursue the same enforcement remedies made available to Avista by virtue of the attached waiver.

- b. Subject to the Parties' use of binding arbitration as set forth in Section H.2 c hereof with respect to actions for monetary relief or damages, and subject to exhaustion of the Tribal judicial and administrative remedies referenced in Section H.2 d hereof if such remedies are available and adequate, the Parties agree that any such legal actions between them shall be prosecuted in the United States District Court for the District of Idaho. Except for provisions of this Master Agreement or the separate agreements and permits identified in Section A hereof and incorporated by reference herein that are governed by the FPA or other applicable federal law, and except to the extent that Tribal law is applicable pursuant to Section H.2.c(3) and d hereof, this Master Agreement and the separate agreements identified in Section A.1 through 4 and A.8 hereof and incorporated by reference herein shall be construed and interpreted in accordance with the contract law and applicable statute of limitations of the State of Idaho, without regard to Idaho's conflict of law principles; *provided, however*, that except as set forth in this Section H.2.b or in Section H.2 c(3) hereof, nothing in this Agreement, or in the separate agreements and permits identified in Section A hereof and incorporated by reference herein, is intended or shall be construed to recognize the applicability of the law of the State of Idaho, or the jurisdiction of the Idaho State Courts, to determine in any way the nature and extent of any rights reserved by the Tribe, or held in trust for the Tribe by the United States, pursuant to federal law.
- c. If the United States District Court for the District of Idaho declines for any reason to exercise jurisdiction over any legal action for monetary relief or damages brought by either Party against the other Party pursuant to Section H.2 b hereof, or if the Parties otherwise mutually agree to use binding arbitration according to this Section H.2 c hereof, the Parties agree that any claim by either Party against the other Party for monetary relief or damages for breach of this Master Agreement and the separate agreements and permits identified in Section A hereof and incorporated by reference herein, excluding, however, the Tribal Taxation Agreement identified in Section A.4 hereof as to which only equitable relief shall be available, shall be subject to binding arbitration according to the following procedures, unless the Parties mutually agree to use alternative binding arbitration procedures:
- (1) Such arbitration shall be administered by the American Arbitration Association ("AAA") in accordance with the Commercial Arbitration Rules of the AAA in effect at the time the claim arises, except as otherwise provided in Section H.2 c(2) hereof. The

demand for arbitration shall be made within a reasonable time after the claim has arisen or after the United States District Court for the District of Idaho has declined to exercise jurisdiction over the claim, but in no event shall it be made after the date when institution of legal proceedings based on such claims would be barred by the applicable statute of limitations except in the case where that Court declines to exercise jurisdiction over the claim.

- (2) In any such arbitration, the arbitrator(s) shall not be empowered to award damages or monetary relief in excess of compensatory damages, and each Party expressly waives and foregoes any right to punitive, exemplary, or similar damages. Each Party shall bear the costs of its own attorney fees, and unless otherwise agreed between the Parties, such arbitration shall occur in Coeur d'Alene, Idaho.
- (3) Any award rendered by the arbitrator(s) shall be final and binding without the right of either Party to appeal to any court. Any action to seek an entry of judgment upon such award shall be brought in the United States District Court for the District of Idaho in accordance with applicable law. In the event said Court declines to accept jurisdiction to enter a judgment with respect to such award, or if that Court has declined to exercise jurisdiction over the claim in dispute prior to any award rendered in binding arbitration, then the Parties agree that any arbitration award: (a) in favor of the Tribe shall be enforced without alteration thereof in the Tribal Court and Avista hereby waives any objection to the jurisdiction of the Tribal Court to enter and enforce a judgment upon such award; and (b) in favor of Avista shall be enforced without alteration thereof in the Idaho State Court and the Tribe's waiver of sovereign immunity set forth in Attachment I hereto shall waive any objection to the jurisdiction of the Idaho State Court to enter and enforce a judgment upon such award. The Parties agree that the exercise of jurisdiction by the Tribal and Idaho State Courts, as well as the application of Tribal law and Idaho State law, pursuant to this Section H.2 c(3) hereof, shall be solely and exclusively limited to enforcement of the award rendered in binding arbitration and shall be otherwise consistent with the provisions of this Master Agreement. Either Party may bring an action in the United States District Court for the District of Idaho challenging a decision by the Tribal or Idaho State Courts pursuant to this Section H.2 c(3) hereof if that Party deems such decision to be inconsistent with this Master Agreement or contrary to applicable federal law.

- d. The Parties agree that neither Party shall file any action in any State Court or Tribal Court seeking relief in any way related to this Master Agreement

or any of the separate agreements and permits identified in Section A hereof and incorporated by reference herein, nor shall either Party be required to exhaust any State or Tribal judicial or administrative remedies prior or subsequent to the commencement and full adjudication of a judicial action in the United States District Court for the District of Idaho, except as otherwise provided (1) in Section H.2 c(3)(a) and (b) hereof, (2) in the Rights-of-Way Agreement identified in Section A.5 hereof, (3) in the Tribal Water Permit identified in Section A.6 hereof, or (4) in Section 2.3 of the Supplemental Agreement identified in Section A.8 hereof; *provided, however*, that Avista may bring an action in the United States District Court for the District of Idaho challenging any final action taken by the Tribe pursuant to the judicial or administrative remedies referenced in this Section H.2 d(2), (3), and (4) hereof if Avista deems such decision to be inconsistent with this Master Agreement or contrary to applicable federal law.

I. Executive Committee

There is hereby established an Executive Committee consisting of the Chairman of the Tribal Council and the Chief Executive Officer of Avista (and/or their designees). The Executive Committee will meet annually unless otherwise agreed. The Executive Committee will review the status of implementing this Agreement and discuss projects or activities of mutual interest and benefit to the Parties.

J. Successors and Assigns

This Master Agreement, and the separate agreements and permits identified in Section A hereof and incorporated by reference herein, shall bind and inure to the benefit of the respective successors and assigns of the Parties.

K. Mediation Costs and Fees

Avista waives reimbursement of the \$173,695.46 it advanced to the Tribe for mediation-related costs and expenses.

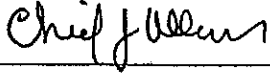
L. Parties and Authorities

1. The Chairman of the Coeur d'Alene Tribal Council warrants that he has authority to execute this Agreement on behalf of the Tribe pursuant to the Tribal Council's Resolution and applicable law.
2. The Chief Executive Officer of Avista Corporation warrants that he has authority to execute this Agreement pursuant to the Avista's Board of Directors' Resolution and applicable law.

Executed this 16th day of December, 2008.

Coeur d'Alene Tribe

By:



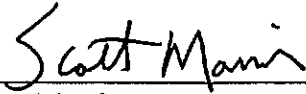
Chief Allan

Chairman, Coeur d'Alene Tribal Council

Executed this 16th day of December, 2008.

Avista Corporation

By:

A handwritten signature in cursive script that reads "Scott Morris". The signature is written in black ink and is positioned above a horizontal line.

Scott Morris

CEO and Chairman of the Board of Directors

**APPENDIX 1 TO ATTACHMENT F, WATER STORAGE/USE PERMIT,
CASE NO. CV-08-526**

Coeur d'Alene Tribe
Department of Lake Management

APPLICATION FOR TRIBAL WATER STORAGE/ USE PERMIT

Under the provisions of Chapter 42 and Section 44-25.01 of the Tribal Code, any person seeking to acquire the right to use waters within the Coeur d'Alene Indian Reservation shall file an application with the Department of Lake Management for a Tribal Water Use Permit to use such waters. **The filing of this application does not confirm the water use requested.** Water rights previously granted by the State of Idaho prior to April 15, 1999, for the use of waters on the Reservation, are recognized as Tribal water use permits subject to Tribal law but are not exempt from this requirement. Uses of water for domestic purposes are exempt. A filing or processing fee must be submitted with this application. For filing an application for a permit to appropriate the use of Tribal waters on the Reservation, and subject to Section 44-25.01(B) of the Tribal Code, the filing or processing fee shall be \$500.00 payable upon submission of the application.

Notice is hereby given that:

Avista Corporation (formally known as The Washington Water Power Company)
(Name of Applicant)

P.O. Box 3727 Spokane, Washington 99220-3727 509-489-0500
(Mailing Address) (Zip Code) (Telephone No.)

requests a permit for the diversion/storage and beneficial use of surface or ground water within the Coeur d'Alene Indian Reservation. The extent and nature of said permit is as follows:

1. Date the water was first applied to beneficial use:

July 1, 1907 (storage to elevation 2126.5 feet above mean sea level (MSL) (USGS/Avista datum))

May 1, 1941 (storage between 2126.5 feet and 2128 feet above MSL (USGS/Avista datum))

On January 16, 2002 Avista Corporation filed with the State of Idaho, two separate "Claim to Water Right" for water storage in Coeur d'Alene Lake and tributaries for power use at the Post Falls Hydroelectric Development (HED) and downstream HEDs- FERC No. 2545. Claim No. 95-9115 is for 164,400 af of storage with a priority date of July 1, 1907. Claim 95-9119 is for 60,600 af with a priority date of May 1, 1941. The priority dates represent the date the water was applied to beneficial use. These claims are on file with the Idaho Department of Water Resources.

2. Describe the source of water: (Name of stream, lake, spring, etc., or ground water)
* _____ which are tributary to

Additional points of diversion, if any:

This application is for the right to store waters on submerged lands within the Reservation including Coeur d'Alene Lake, St. Joe River, St. Maries River, Coeur d'Alene River, Hepton Lake and the connected and tributary waters for use in the generation of hydroelectric power at the Post Falls HED and downstream HEDs. The waters are stored with the use of three dams (including the powerhouse) located in Post Falls, Idaho. These dams have heights of 25 feet, 31 feet and 64 feet.

B) Describe means of diversion of water: (pump and pipeline, well, diversion dam, reservoir, length of ditch etc.). Give sizes and capacities. Be specific.

No diversion occurs within the Reservation. The waters to be stored under this application are utilized for the generation of hydroelectric power at the Post Falls HED located on the Spokane River in Idaho and at each of Avista's four downstream HEDs (Upper Falls, Monroe Street, Nine Mile, and Long Lake) located on the Spokane River in Washington. These five HEDs are licensed by the Federal Energy Regulatory Commission ("FERC") as the Spokane River Project, FERC No. 2545. Coeur d'Alene Lake and the connected and tributary waters within the Reservation constitute the reservoir and place of storage of water. From 1907 to 1941, the Post Falls HED was operated with a full pool reservoir elevation of 2126.5 feet above MSL as measured by the USGS gaging station located at the City of Coeur d'Alene, Idaho. (See Idaho claim Nos. 95-9115 and 95-9119 for more detail.) From 1941 to present, the Post Falls HED was operated with a full pool reservoir elevation of 2128.0 feet above MSL as measured by the USGS gaging station in Coeur d'Alene, Idaho.

Following is a summary of operations of the Post Falls HED. This description of current and proposed operations is offered as a reference point only and is not intended to be construed or interpreted to establish or determine any facts regarding Avista's current or proposed operations of the five HEDs comprising the Spokane River Project, FERC No. 2545.

Four decisions drive annual operations at Post Falls HED. These include: (1) when to exercise control over spring flows and, therefore, lake levels; (2) what lake level (and what minimum flow) to maintain and for how long during the summer; (3) when to initiate the fall draft of Coeur d'Alene Lake and at what rate; and (4) when to turn the lake level and river flows over to nature in the winter. Each of these decisions is discussed below.

The hydraulic capacity at Post Falls HED is 5,400 cfs. Streamflows above this level are discharged through the north and/or south channel spill gates. The specific operational requirements reflected in the current FERC license for Post Falls indicate a minimum release of 300 cfs (or inflow, whichever is less) and a full-pool operating limit of elevation 2,128 feet. Operational decisions have evolved over the past 100 years to incorporate concerns for recreation and fishery conditions with the goal of optimizing energy production, all in a setting with wide natural variability in precipitation and streamflows.

Spring. Spring runoff in the Spokane/Coeur d'Alene basin reflects snowpack conditions, active precipitation, and temperatures. At this time of year, the Post Falls Project is not controlling Coeur d'Alene Lake levels or Spokane River flows. Both lake levels and downstream river flows are controlled by the natural channel restriction below the outlet of Coeur d'Alene Lake. Avista initiates control at Post Falls HED once spring runoff flows recede to a practical level, Coeur d'Alene Lake is below elevation 2,128 ft., and diminished streamflows into Coeur d'Alene Lake are forecasted. There are no specific guidelines for determining the date of this control, because it is dynamic and varies widely on an annual basis depending on natural conditions. Typically, this control occurs in late June or early July. This initial control of the discharge at Post Falls HED reduces the outflow and begins filling the nine-mile stretch of the Spokane River between Coeur d'Alene Lake and Post Falls HED.

During this time, consideration is also given to exercising control to preserve Spokane River flows downstream of Post Falls HED in order to protect rainbow trout spawning and accomplish successful emergence of rainbow trout fry. This has been accomplished in recent years through voluntary monitoring and consultation with fisheries agencies in Idaho and Washington. The gradual control of flows and lake levels continues until lake elevations are established at or near 2,128 feet and forecasts indicate that the remaining snowpack will not advance the lake above this level. In most years, as mentioned above, this equalization occurs in late June or early July, and lake levels naturally exceed the summer pool elevation during spring runoff. During some years, especially those with below-average snowpack, Avista exercises control of Coeur d'Alene Lake levels and flows earlier, and the lake can be at or below 2,128 feet leading into the summer season.

Summer. Avista continues to adjust the flow rate at the Post Falls Project throughout the summer recreation season to hold Coeur d'Alene Lake at or near elevation 2,128 feet. This elevation had been established as the summer full-pool elevation prior to Post Falls HED's inclusion in the Spokane River Project, reflecting preferences of the lakeshore community and recreation interests. This operating level also provides storage to enhance generation in the fall. The Project boundary reflects this operating level.

The summer pool elevation is subject to the minimum flow requirement mentioned above. Because calculated inflows can be less than zero, Avista has typically maintained discharges nearer the 300-cfs level. In dry years, to sustain these minimum flows, the lake may be drafted to a small degree during the summer. Subject to this minimum flow, the summer pool elevation is maintained through the majority of the popular recreation season through Labor Day. Proposed changes to this minimum flow are discussed below.

Fall. Normally, the initial release of stored water from Coeur d'Alene Lake begins after Labor Day and prior to mid-September. As a general guideline, the rate of releasing stored water in Coeur d'Alene Lake is 1.5 feet per month through January to a maximum of 7.5 feet below summer elevation (or a lake elevation of 2,120.5 feet). While there are no strict rules or requirements for a drawdown, this approximate drafting schedule has long been established as a matter of practice to balance several interests. These include attempting to optimize generation with the water stored in Coeur d'Alene Lake (by avoiding spilling at the lower-capacity developments downstream), maintaining lake water levels for general navigation, and creating

storage capacity in the lake for fall and winter precipitation, which decreases the potential for upstream flooding.

Avista gradually increases the initial releases from Post Falls HED toward but typically not above the Upper Falls HED's hydraulic capacity of 2,500 cfs during September. By the end of September, forecasted streamflows are used to determine when to increase releases from Coeur d'Alene Lake, although it is not uncommon to maintain the September flow rate through late October, which can be a very dry time of year. Typically, however, by the first of November, flow rates are near the capacity of Monroe Street HED (2,850 cfs), which is the second smallest plant (by hydraulic capacity) on the Spokane River.

Streamflow forecasts are increasingly important to operations in late October and early November. As shown in the historical record, flooding due to precipitation and inflow can occur any month between November and July. During the late fall, weather patterns can change dramatically, causing streamflows into Coeur d'Alene Lake to vary from as low as 500 cfs to more than 10,000 cfs. Because inflows to Coeur d'Alene Lake can exceed the lake's natural outlet capacity, Coeur d'Alene Lake elevations can fluctuate greatly. As a result, the potential for upstream flooding must be taken into account when drafting the lake in the fall. While lake levels can and do frequently exceed the summer pool elevation due to inflows, Avista operates to avoid increasing the impact of any such events (and to operate within the upper elevation of the license requirement). To this end, flows are typically adjusted and maintained to ensure that Coeur d'Alene Lake continues to draft during the fall. In most years, the river flow at Post Falls is held to Nine Mile HED hydraulic capacity or lower (approximately 6,500 cfs). This approach continues to optimize energy generation while attending to the potential for flooding upstream of Coeur d'Alene Lake. If Coeur d'Alene Lake is at least four feet below the summer pool elevation and forecasted streamflows indicate a short duration of increased streamflows, some short-term flow reduction at Post Falls HED may occur to avoid the need to remove flashboards at Nine Mile HED.

Winter. During December, inflows to Coeur d'Alene Lake continue to vary widely due to fluctuating weather patterns. The highest recorded elevations at Coeur d'Alene Lake have occurred in the months of December, January, and February. Rain-on-snow events or extended heavy rain events can occur at any time during this period, causing quick and significant changes in streamflows entering the lake and therefore lake elevations. Decisions for the operation of Post Falls HED are focused on reducing the likelihood of upstream flooding, derived from streamflow forecasts. Near the end of December or first part of January, Post Falls HED is operated to freely pass the flow that is capable of passing through Coeur d'Alene Lake's natural outlet restriction, allowing Coeur d'Alene Lake to seek and achieve its natural level with no influence by the HED. Several terms are used for this operation, including "free flow" or "on channel," which simply mean operating according to the natural channel restriction curve (elevation stage vs. flow) at the outlet of Coeur d'Alene Lake.

Proposed Operations. Proposed future operations described in Avista's FERC license application, as modified by the conditions included in Idaho's June 5, 2009 Final Water Quality Certification, are consistent with current operations. The most significant Post Falls HED change is to increase the minimum flow below the HED to 600 cfs, which would be modified to

500 cfs in dry conditions, as manifested by a decline in the Coeur d'Alene Lake level of more than three inches between July 1 and the Tuesday after Labor Day. The certification also formalizes the aforementioned rainbow trout spawning and fry emergence flow management approach developed in cooperation with fisheries management agencies, and limits the discharge downramping rate at Post Falls HED. Coeur d'Alene Lake's summer elevation will be maintained at or near 2,128 feet, subject to proposed minimum flows or emergency conditions, until the Tuesday after Labor Day on an annual basis.

- C) Height of storage dam See 5 above feet
 Active reservoir capacity: **(TBD) af within the Reservation**
 Total reservoir capacity: **(TBD) af within the Reservation**

6. A) Describe the proposed place of use within each 40-acre tract in the appropriate box using the symbols listed below. If the use is for irrigation describe the location by listing the number of irrigated acres within each 40-acre tract.
 D - domestic, S - stockwater, M - municipal, C - Commercial, I - Industrial,
 H - hydropower, X - other

Twp	Rge	Sec	NE 1/4				NW 1/4				SW 1/4				SE 1/4				TOTAL ACRES		
			NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE			

- B) Describe the proposed uses.

See description in 5 above.

7. Remarks:

State of Idaho)
)ss.
County of Benewah)

Be it known that the undersigned, being duly sworn, deposes and says that he, she, they subscribed the forgoing application for water use, together with all attached information, and that the matters and facts therein are true to the best of the affiant's knowledge.

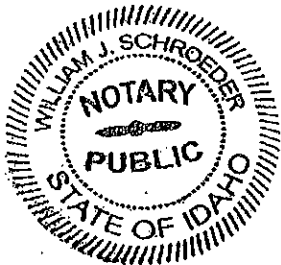
Pin S. Stewart DIRECTOR, ENV. AFFAIRS
Applicant's Signature and Title

Sworn to before me this 16 day of December

Pin S. Stewart

Residing at: Spokane, WA

My commission expires: 4/10/09



COEUR D'ALENE TRIBE
DEPARTMENT OF LAKE MANAGEMENT

WATER STORAGE/USE PERMIT

WATER PERMIT NO. 2008-01

THIS IS TO CERTIFY THAT:

Avista Corporation
P.O. Box 3727
Spokane, WA 99220

FILED AN APPLICATION FOR WATER STORAGE/USE PERMIT DATED DECEMBER 16, 2008, which is attached to and made part hereof as Appendix 1, and on that date paid to the Coeur d'Alene Tribe ("Tribe") the \$500.00 filing and processing fee required by Tribal law.

This application requests permission from the Tribe to store water upstream of the Avista Corporation's ("Avista") hydroelectric dams located on the Spokane River at Post Falls, Idaho, upon the submerged lands of Coeur d'Alene Lake, Hepton Lake, the St. Joe River, and the Coeur d'Alene River, as well as affected tributaries ("Submerged Lands"); located within the current boundaries of the Coeur d'Alene Indian Reservation ("Reservation") for use in the generation of hydroelectric power for the term of any new license issued pursuant to Part I of the Federal Power Act ("FPA"), 16 U.S.C. §§ 791 *et seq.*, by the Federal Energy Regulatory Commission ("FERC") to Avista in pending relicensing proceedings involving Avista's use, occupancy, and enjoyment for water storage and other purposes of the Submerged Lands within the current boundaries of the Reservation and any subsequent annual licenses.

Upon consideration of the application, A WATER STORAGE/USE PERMIT ("PERMIT") IS ISSUED AS FOLLOWS:

BENEFICIAL USE: Storage of water for use in hydropower generation at the Post Falls HED located on the Spokane River in Idaho and at each of Avista's four downstream HEDs (Upper Falls, Monroe Street, Nine Mile, and Long Lake) located on the Spokane River in Washington. These five HEDs are now licensed by FERC as the Spokane River Project, FERC No. 2545.

ANNUAL PERIOD OF USE AND RATE OF DIVERSION OR STORAGE:

Consistent with Avista's Current Operations between 1/01 and 12/31, Storage Up to 2,128 Feet Above Mean Sea Level ("MSL"), Drawdown commencing between the Tuesday after Labor Day and 9/15 of each year.

WATER STORAGE/USE PERMIT

WATER PERMIT NO. 2008-01

The above provisions are subject to, and Avista shall be entitled to store water consistent with, the lawful requirements of the new license referenced above and any lawful requirements imposed by FERC by order or otherwise in relation to the operation of the hydroelectric dams under such new license; *provided, however*, that the provisions of this Permit do not authorize any material alteration in Avista's Current Operations or Storage on the Submerged Lands in excess of 2,128 Feet above MSL ordered or required by FERC if such material alteration in Current Operations or excess Storage results from requests made to FERC by Avista, and nothing in this Permit is intended or shall be construed to impair or limit in any way the right of the Tribe to challenge the legality of any requirement imposed by FERC that increases the Storage authorized by this Permit in excess of 2,128 Feet above MSL, or that materially alters Avista's Current Operations with respect to such stored water, or that authorizes the use of such stored water for purposes other than hydropower generation, or in a manner or to the extent inconsistent with this Permit or rights reserved or held by the Tribe pursuant to federal and Tribal law. The description of current and proposed operations set forth in Avista's Application for Tribal Water Storage/Use Permit submitted on December 16, 2008, is offered as and hereby deemed to be a reference point only and shall not be construed or interpreted to establish or determine any facts in any proceeding or forum regarding Avista's current or proposed operations of the five hydroelectric developments (Post Falls, Upper Falls, Monroe Street, Nine Mile, and Long Lake) now comprising the Spokane River Project, FERC No. 2545.

LOCATION OF POINT(S) OF DIVERSION/STORAGE: Submerged Lands within the Reservation

PLACE OF USE: Submerged Lands within the Reservation

PRIORITY: August 1907 for storage up to 2,126.5 feet above MSL
June 1941 for storage up to 2,128 feet above MSL

CONDITIONS OF APPROVAL AND REMARKS

1. The Tribe and Avista are entering into a Master Settlement Agreement, contemporaneously with the Tribe's issuance of this Permit, comprehensively resolving a number of issues, including the storage of water on Submerged Lands within the Reservation. This Permit is issued pursuant to the provisions of Section 44-25.01 of the Coeur d'Alene Tribal Code and the Tribe's retained sovereignty, as well as its reserved rights of dominion and control, over the Submerged Lands and Waters covered by this Permit, including its authority to regulate the use of such lands and waters, as well as activities and resources thereon, to protect the public health, safety or welfare. This Permit shall be construed in a manner that is consistent with that Master Settlement Agreement and with applicable federal and Tribal law.

2. This water use shall be appurtenant to the described place of use (storage).

WATER STORAGE/USE PERMIT

WATER PERMIT NO. 2008-01

3. This Permit is subordinate and junior to the Tribe's proprietary right of exclusive use and occupancy of all surface and groundwaters (collectively "Waters") within the Reservation with a priority date of time immemorial.
4. The right to the use of water under this Permit shall be non-consumptive.
5. As of 2005, the Tribe estimates that Avista's storage of water above the dams at its Post Falls HED at 2,128 feet above MSL creates a total storage capacity upon submerged lands within the Reservation and upon submerged lands of Coeur d'Alene Lake outside the Reservation ("Total Submerged Lands") of approximately 284,471 acre feet of water. As of 2006, Avista estimates that its storage of water above its Post Falls HED at 2,128 feet above MSL creates a total storage capacity upon such Total Submerged Lands of approximately 266,692 acre feet of water. Pursuant to the Tribe's retained sovereignty over submerged lands and waters within the Reservation and consistent with Section 4 of Avista's Application for this Water Storage/Use Permit, dated December 16, 2008: (a) Avista and the Tribe shall work cooperatively during the term of this Permit to apply best scientific approaches mutually agreed upon by Avista and the Tribe to make reasonable calculations of the total volume of water stored above Avista's Post Falls dams at 2,126.5 and 2,128 feet above MSL, respectively, as well as the total volume of water stored on submerged lands within the current Reservation boundaries at those elevations; (b) Avista and the Tribe shall each pay their respective costs of these cooperative efforts; (c) pending further cooperative measurement efforts, Avista and the Tribe shall use the mean between their respective existing estimates, or 275,581.5 acre feet, as the best available measurement of storage volume above Avista's Post Falls dams upon the Total Submerged Lands at 2,128 feet above MSL; and (d) these cooperative efforts shall include the preparation of a map or maps clearly identifying, by section, township, and range, the location of water being stored on submerged lands within the Reservation.
6. This Permit is issued for the term of any new FPA license issued by FERC to Avista in pending relicensing proceedings involving Avista's use, occupancy, and enjoyment for water storage and other purpose of the Submerged Lands within the current boundaries of the Reservation and any subsequent annual licenses.
7. Upon issuance of this Permit, Avista is deemed to be in full compliance with Tribal Code Section 44-25.01. The payment of a processing or filing fee in the amount of \$500.00 at the time of Avista's filing of the Application for this Permit shall satisfy any and all payment obligations by Avista over the term of the Permit.

WATER STORAGE/USE PERMIT

WATER PERMIT NO. 2008-01


8. The Tribe expressly reserves its rights of dominion and control over the Submerged Lands and Waters covered by this Permit, including its sovereign authority to regulate the use of such lands and waters, as well as activities and resources thereon, to protect the public health, safety or welfare.

Nothing in this Permit is intended, or shall be interpreted, to limit or impair in any way the Tribe's sovereign power or authority over Reservation Submerged Lands or Waters, including the Tribe's legislative, regulatory, and adjudicative power and authority over such lands and waters. All of the Tribe's property and sovereign interests therein of any kind, including its rights to use and regulate such lands and waters in any manner, are retained subject to the nonexclusive use of such lands and waters by Avista for water storage for hydropower purposes pursuant to this Permit.

9. Avista will be deemed to be in compliance with this Permit if, during the term of this Permit, Avista's storage of water is consistent with its current operations, subject to the requirements of any new license referenced above and any requirements imposed by FERC by order or otherwise in relation to the operation of the hydroelectric dams under any new license, as limited by the proviso set forth in the introductory portion of this Permit entitled "ANNUAL PERIOD OF USE AND RATE OF DIVERSION OR STORAGE."

10. If a dispute arises concerning this Permit, Avista and the Tribe agree to exhaust Tribal judicial and administrative remedies, if available and adequate, consistent with Section H.2d of the Master Settlement Agreement between Avista and the Tribe before seeking relief in the United States District Court for the District of Idaho.

This Permit is issued pursuant to the provisions of Section 44-25.01 of the Coeur d'Alene Tribal Code. Witness the seal and signature of the Director, affixed at the Coeur d'Alene Indian Reservation, this 16th day of December, 2008.


Phillip Cernera, Lake Manager
Coeur d'Alene Tribe
Department of Lake Management

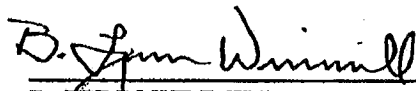
IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF IDAHO

COEUR d'ALENE TRIBE,)	
)	Case No. CV-08-526-N-BLW
Plaintiff,)	
)	JUDGMENT
v.)	
)	
AVISTA CORPORATION,)	
)	
Defendant.)	
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Pursuant to the settlement of this action and the Stipulated Motion to Incorporate Agreements Into a Judgment (Docket No. 6) filed by the Parties in this action on December 17, 2008, IT IS HEREBY ORDERED AND ADJUDGED THAT pursuant to the terms of the settlement reached by the Parties, Plaintiff's Complaint is dismissed with prejudice and all of the Agreements and Tribal Permits attached to the Parties' Stipulated Motion as Exhibit 2 are incorporated into this Judgment and made a part of this Judgment. This Court will retain continuing jurisdiction to enforce the terms of the Agreements and Tribal Permits consistent therewith. The Court will, however, administratively close the file subject to reopening at the request of either Party.

DATED: December 18, 2008




 B. LYNN WINMILL
 Chief Judge
 United States District Court

ATTACHMENT B

7. Total quantity claimed

In 2001, the United States Supreme Court ruled that the lands underlying Coeur d'Alene Lake and its tributaries within the current boundaries of the Coeur d'Alene Indian Reservation ("Reservation") are owned by the United States as Trustee for the Coeur d'Alene Tribe ("Tribe") (*See, Idaho v. United States, et al.*, 533 U.S. 262 (2001)). As a result of that decision, Avista Corporation ("Avista") entered into negotiations with the Tribe for, among other things, permission to store water on the submerged lands within the Reservation for electrical power generation purposes. Settlement was reached on December 16, 2008 and a Master Settlement Agreement was signed (*See, Exhibit B-1*). As part of that Agreement, Avista submitted to the Tribe an Application for Tribal Water Storage/Use Permit (*See, Exhibit B-2*). The Tribe issued Avista a **Water Storage/Use Permit** (*See, Exhibit B-3*). Paragraph 5 of the Water Storage/Use Permit states:

5. As of 2005, the Tribe estimates that Avista's storage of water above the dams at its Post Falls HED at 2,128 feet above MSL creates a total storage capacity upon submerged lands within the Reservation and upon submerged lands of Coeur d'Alene Lake outside the Reservation ("Total Submerged Lands") of approximately 284,471 acre feet of water. As of 2006, Avista estimates that its storage of water above its Post Falls HED at 2,128 above MSL creates a total storage capacity upon such Total Submerged Lands of approximately 266,692 acre feet of water. Pursuant to the Tribe's retained sovereignty over submerged lands and waters within the Reservation and consistent with Section 4 of Avista's Application for this Water Storage/Use Permit, dated December 16, 2008: (a) Avista and the Tribe shall work cooperatively during the term of this Permit to apply best scientific approaches mutually agreed upon by Avista and the Tribe to make reasonable calculations of the total volume of water stored above Avista's Post Falls dams at 2,126.5 and 2,128 feet above MSL, respectively, as well as the total volume of water stored on submerged lands within the current Reservation boundaries at those elevations; (b) Avista and the Tribe shall each pay their respective costs of these cooperative efforts; (c) pending further cooperative measurement efforts, Avista and the Tribe shall use the mean between their respective existing estimates, or 275,581.5 acre feet, as the best available measurement of storage volume above Avista's Post Falls dams upon the Total Submerged Lands at 2,128 feet above MSL; and (d) these cooperative efforts shall include the preparation of a map or maps clearly identifying, by section, township, and range, the location of water being stored on submerged lands within the Reservation.

On December 18, 2008, the United States District Court for the District of Idaho incorporated the Master Settlement Agreement, **Water Storage/Use Permit** and other agreements into a Federal Court Judgment (*See, Exhibit B-4*). The scope, nature and

extent of Avista's Federal water right claim is as set forth in the **Water Storage/Use Permit (Exhibit B-3)** issued by the Tribe.

IN THE DISTRICT COURT OF THE FIFTH JUDICIAL DISTRICT OF THE STATE OF IDAHO, IN AND FOR THE COUNTY OF TWIN FALLS

IN RE THE GENERAL ADJUDICATION OF RIGHTS TO THE USE OF WATER FROM THE COEUR D'ALENE-SPOKANE RIVER BASIN WATER SYSTEM

CIVIL CASE NUMBER: 49576

Ident. Number 95-1666.3

Date Received: 1-29-2014

Receipt No: C098250

Received By: CF

Claim amount: \$50.00

NOTICE OF CLAIM TO A WATER RIGHT ACQUIRED UNDER FEDERAL LAW

Please type or print clearly

1. Name of Claimant (s) Avista Corporation (f/k/a The Washington Water Power Company) Phone (509) 489-0500

Mailing Address 1411 East Mission, Spokane Washington ZIP 99220-3727
Street or Box City State

2. Date of Priority (Only one (1) per claim) August 1, 1907 See, Exhibit B-3
Month Day Year (YYYY)

3. Source of water supply (Check one) Ground Water () or Other (X) (Coeur d'Alene Lake and its tributaries located within the current boundaries of the Coeur d'Alene Reservation ("Reservation"))

4. a. Location of Point of Diversion is: Township 50 N, Range 5W, Section 4,
SE, 1/4 of NE, 1/4 Govt. Lot _____, BM., County of Kootenai
Parcel (PIN) no. 50N05W-04230

Additional points of diversion if any: _____

If available, GPS Coordinates _____

b. If instream flow, beginning point of claimed instream flow is:

Township _____, Range _____, Section _____, _____, 1/4 of _____, 1/4 Govt. Lot _____, BM., County of _____

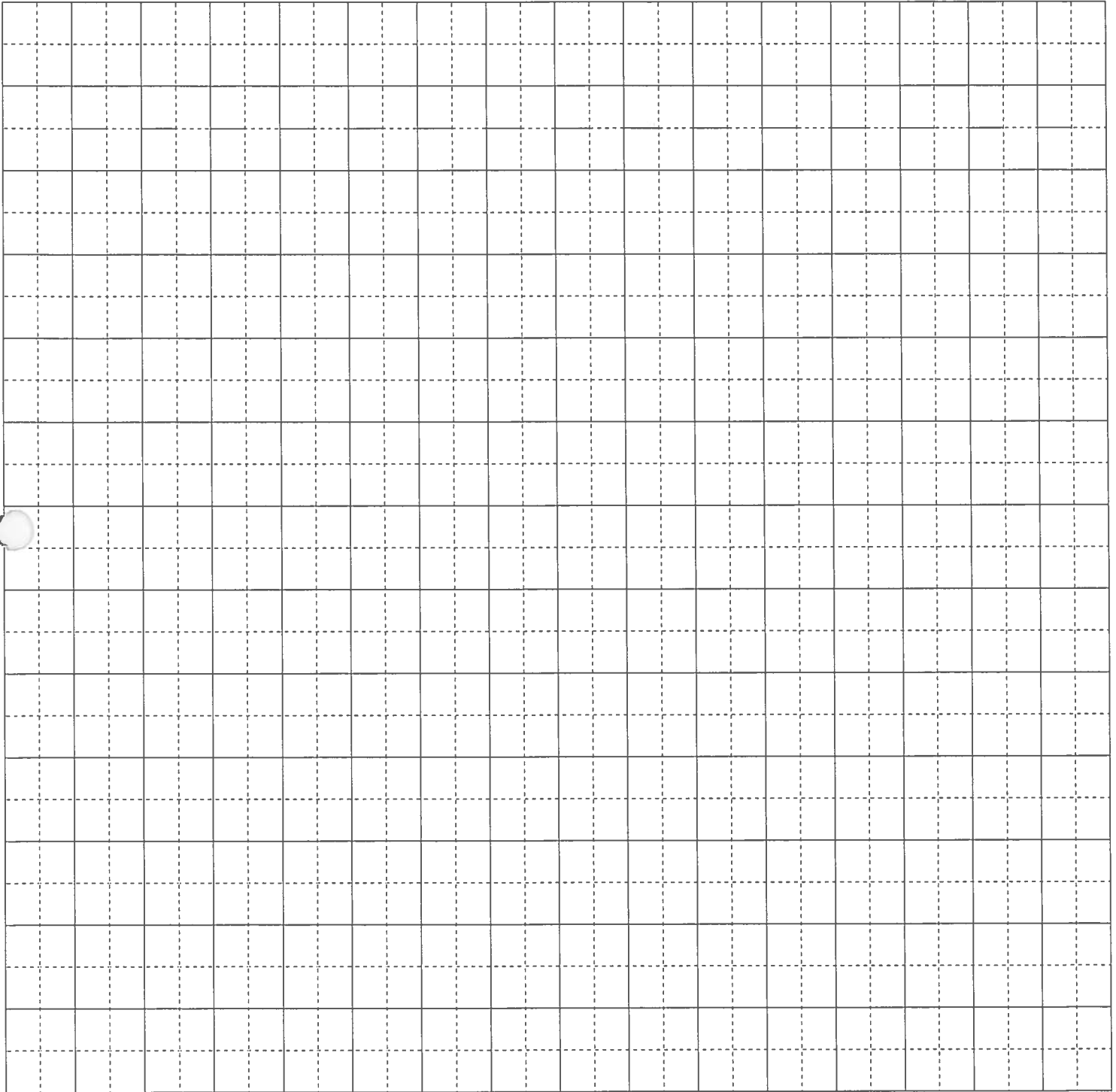
ending point is: Township _____, Range _____, Section _____, _____, 1/4 of _____, 1/4 Govt. Lot _____, BM., County of _____

5. Description of existing diversion works (Dams, Reservoirs, Ditches, Wells, Pumps, Pipelines, Headgates, Etc), including the dates of any changes or enlargements in use, the dimensions of the diversion works as constructed and as enlarged and the depth of each well. See Attachment A and all Exhibits thereto

Map of Project: Attach aerial photograph or topographic map showing clearly the point of diversion, place of use, section number, township, and range number, unless unavailable. Otherwise sketch the elements above on the grid below.

See Attachment A and all Exhibits thereto

Scale: 2 Inches equals 1 mile



Last Name Avista Corporation Identification No. _____

14. Basis of Claim (Check One) Beneficial Use () Posted Notice () License () Permit ()¹ Decree ()

Court _____ Decree Date _____ Plaintiff v. Defendant _____

If applicable provide IDWR Water Right Number _____

15. Signature(s)

(a.) By signing below, I/We acknowledge that I/We have received, read and understand the form entitled "How you will receive notices in the Coeur d'Alene-Spokane River Basin Adjudication." (b.) I/We do () do not () wish to receive and pay a small annual fee for monthly copies of the docket sheet.

Number of attachments: Attachment A and Exhibits A-1 through A-4; and Attachment B and Exhibits B-1 through B-4

For Individuals: I/We do solemnly swear or affirm under penalty of perjury that the statements contained in the foregoing document are true and correct.

Signature of Claimant (s) _____ Date: _____
_____ Date: _____

For Organizations: I do solemnly swear or affirm under penalty of perjury that I am

Sr. Vice President of Avista Corporation,
Title Organization

that I have signed the foregoing document in the space below as

Sr. Vice President of Avista Corporation,
Title Organization

I do that the statements contained in the foregoing document are true and correct.

Signature of Authorized Agent [Signature] Date 1/27/14

Title and Organization Sr. Vice President of Avista Corporation and President of Avista Utilities

16. Notice of Appearance:

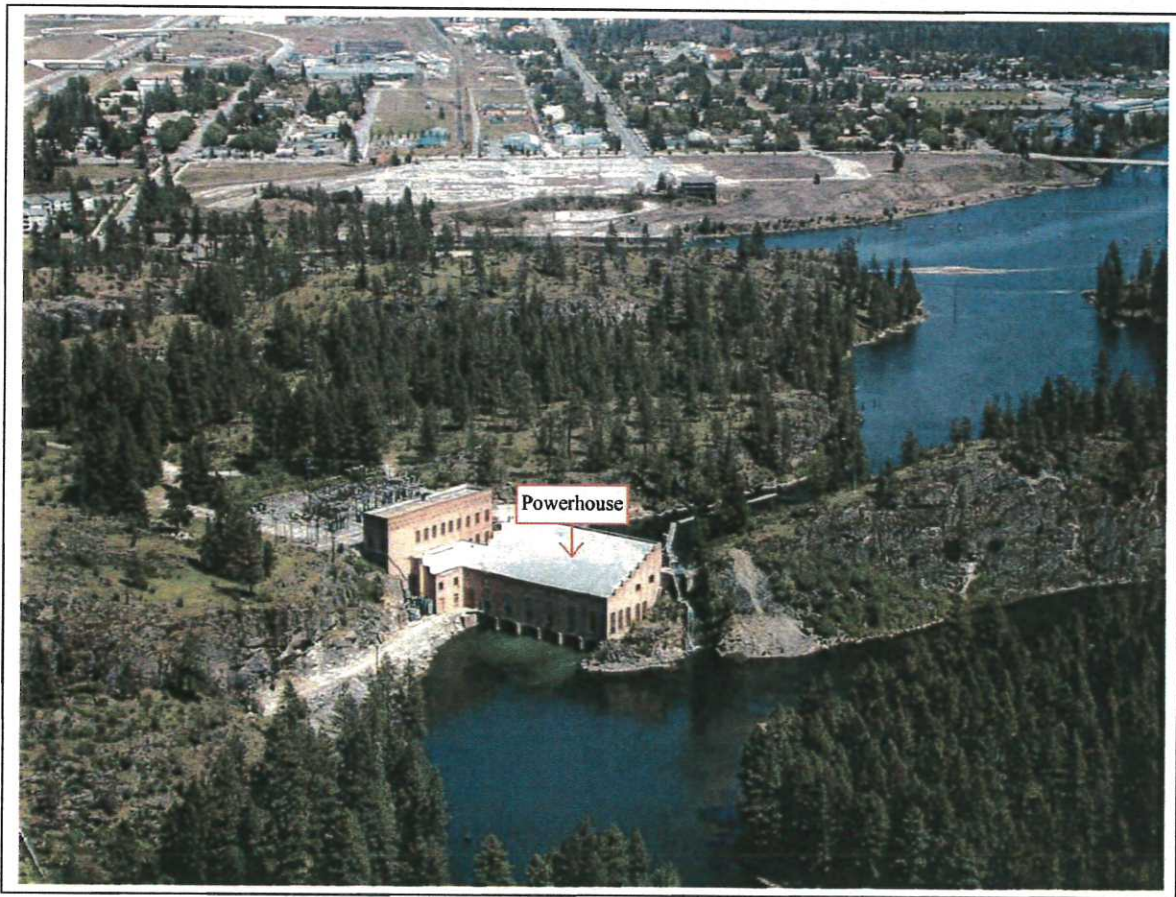
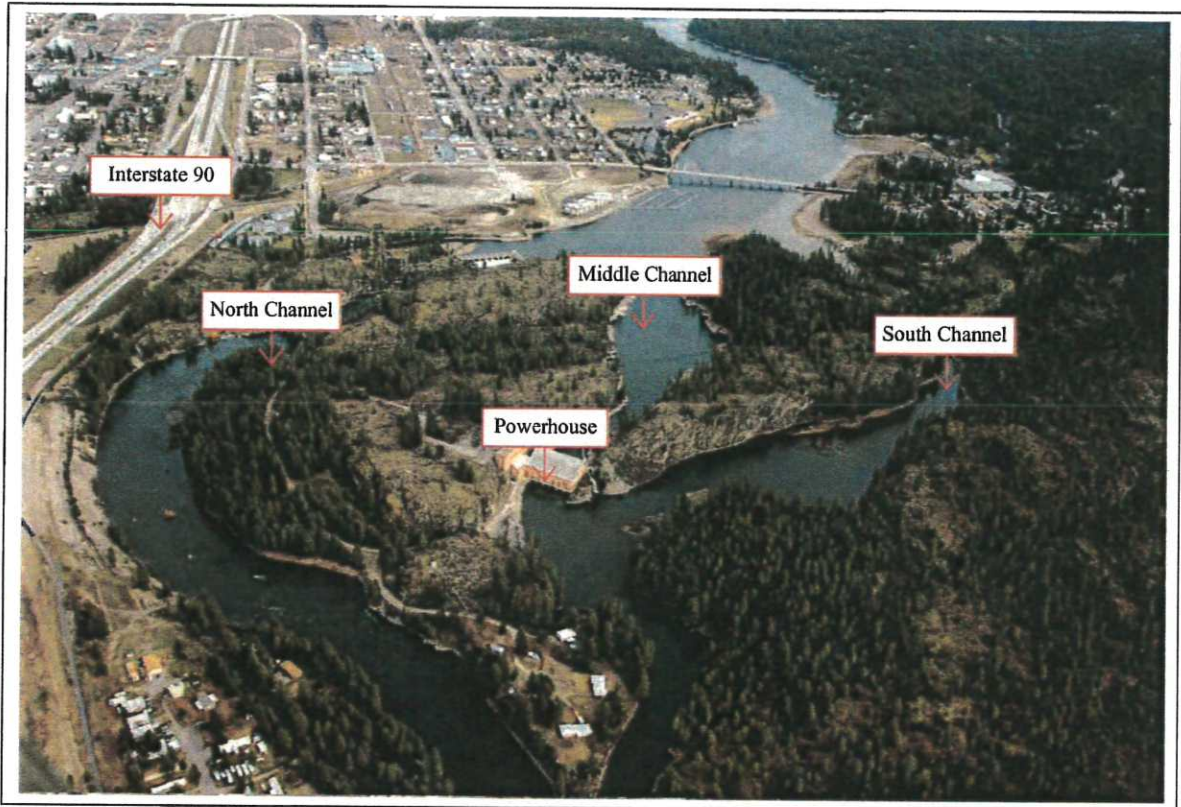
Notice is hereby given that I, William J. Schroeder, will be acting as attorney at law of behalf of the claimant signing above, and that all notices required by law to be mailed by the director to the claimant signing above should be mailed to me at the address listed below.

Signature [Signature] Date 1/28/14

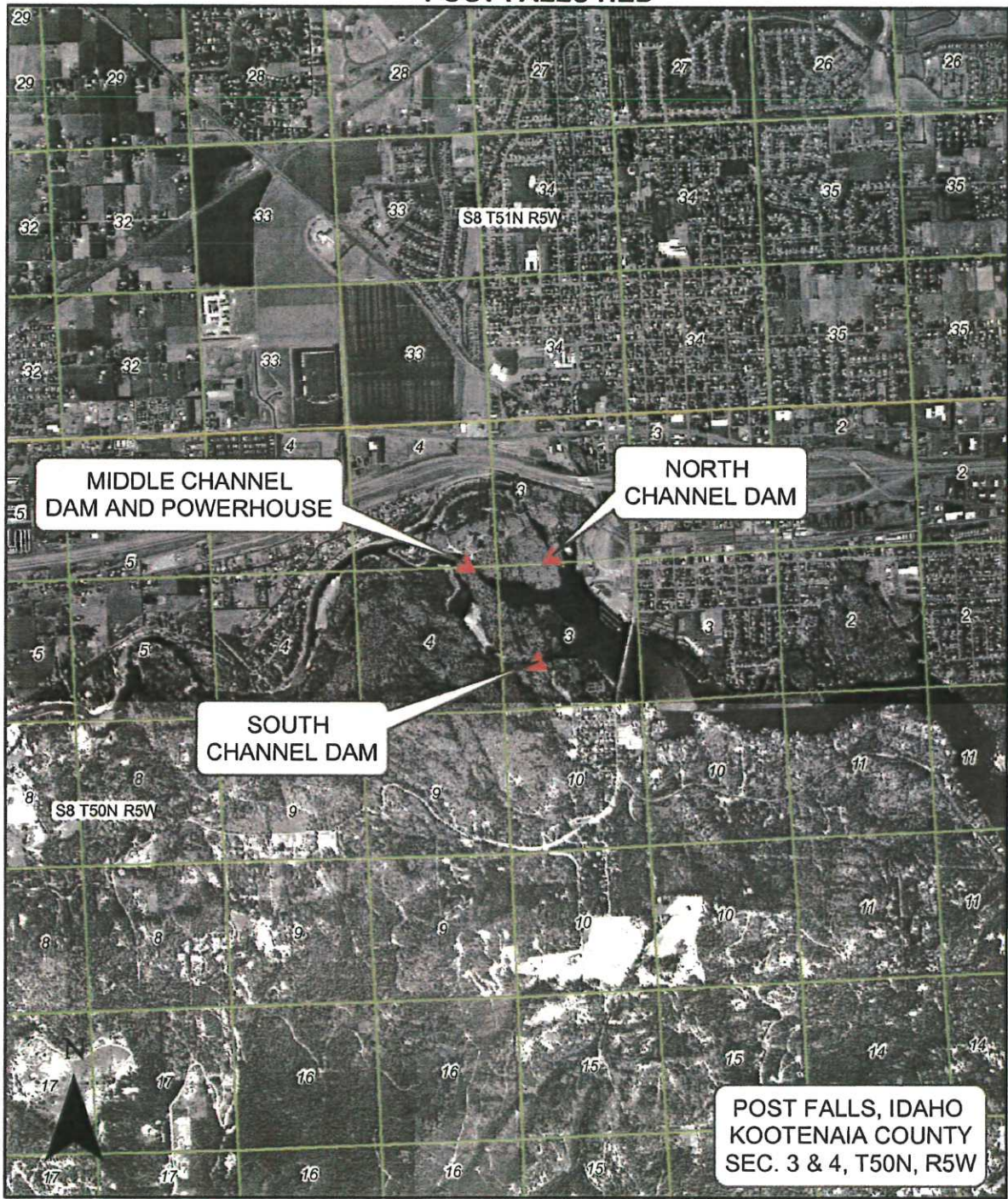
Address Paine Hamblen LLP
717 West Sprague Avenue, Suite 1200
Spokane, Washington 99201-3505

Last Name Avista Corporation Identification No. _____

¹ See Exhibits B-3 (Permit) and Exhibit B-4 (Judgment).



MAP OF PROJECT POST FALLS HED



0 0.5 1
Miles

1 inch equals 0.5 miles

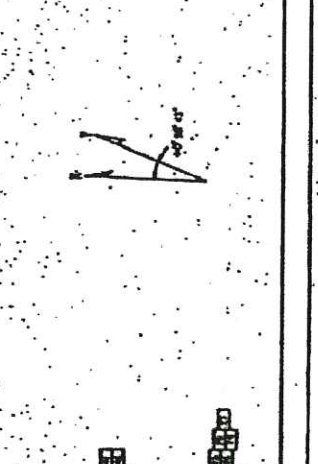
NAME AVISTA IDENTIFICATION NO. _____



EXHIBIT 6
 PROJECT NO. 2545
 SPokane River Project
 Post Falls, NE Development
 Project Map
 THE WASHINGTON WATER POWER CO.
 SHEET 1 OF 17 SCALE 6"=100' GEORGETOWN, IDAHO, 19

T. 50N R. 10E S. 10W
 ROOTECHAI CO., IDAHO

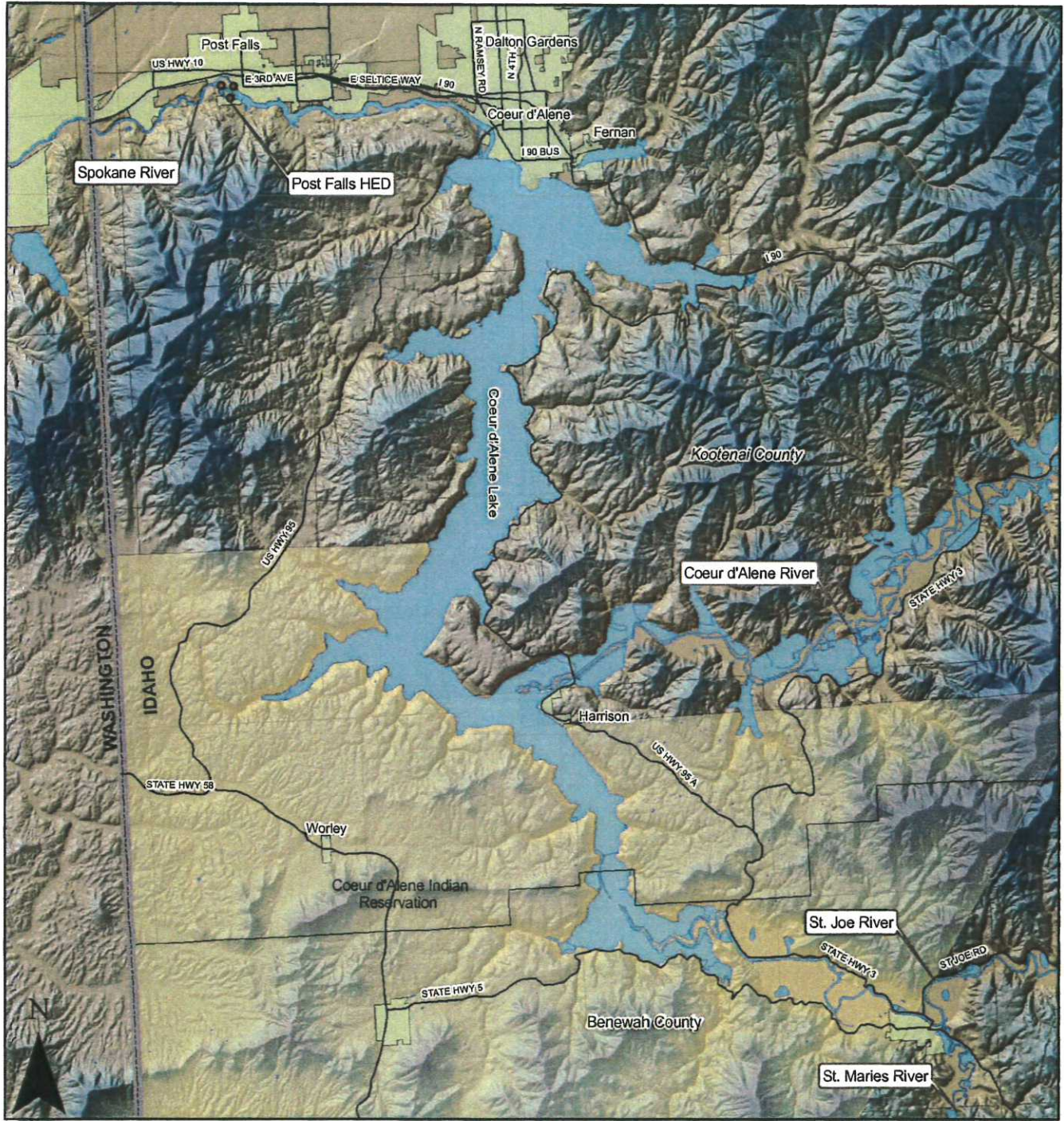
THIS MAP WAS MADE BY A FIELD PARTY UNDER THE SUPERVISION OF THE ENGINEER IN CHARGE OF THE PROJECT, AND IS NOT TO BE USED FOR ANY OTHER PURPOSE WITHOUT THE WRITTEN CONSENT OF THE ENGINEER IN CHARGE.



20' 0" 45'

North Arrow

MAP OF RESERVOIR COEUR D'ALENE LAKE



0 1.25 2.5 5 7.5 10 Miles

1 inch equals 4 miles

NAME AVISTA IDENTIFICATION NO. _____

ATTACHMENT A

5. Description of existing diversion works (Dams, Reservoirs, Ditches, Wells, Pumps, Pipelines, Headgates, Etc), including the dates of any changes or enlargements in use, the dimensions of the diversion works as constructed and as enlarged and the depth of each well.

In 1894, Frederick Post constructed the original dams in the three (3) channels of the Spokane River in Post Falls, Idaho. Avista, then known as The Washington Water Power Company, later purchased the Post Falls site. After the purchase, Avista, in 1906, completed construction of new dams in the North and South Channels and a powerhouse in the Middle Channel. (See, **Exhibits A-1 and A-2** showing aerial photos of the site). These structures are the diversion works that allow for the storage of water and the generation of electrical power. Avista's Post Falls Hydroelectric Development is licensed under the Federal Power Act as Project No. 2545. **Exhibit A-3**, a copy of Sheet 1 of 77 of the "Exhibit G" drawings for Project No. 2545, depicts the diversion works consisting of the dams and powerhouse in the three (3) channels. **Exhibit A-4**, a map of Coeur d'Alene Lake area, depicts the location of the diversion works and the area in which Avista stores water in a reservoir composed of St. Joe, St. Maries, Coeur d'Alene and Spokane Rivers, and Coeur d'Alene Lake and all connected and tributary waters ("Reservoir").

EXHIBIT 2 TO STIPULATED MOTION, CASE NO. CV-08-526

**MASTER SETTLEMENT AGREEMENT
COEUR D'ALENE TRIBE AND AVISTA CORPORATION**

This Master Settlement Agreement (which includes all attachments hereto) is entered into as of December 16, 2008, between the Coeur d'Alene Tribe ("Tribe") and Avista Corporation ("Avista") (hereinafter individually referenced to as a "Party" or collectively as the "Parties") and is intended to resolve comprehensively a number of issues between the Parties, including but not limited to, Avista's obligations under federal law arising out of or relating to its use, occupancy, and enjoyment of the submerged lands of Coeur d'Alene Lake, Hepton Lake, and the St. Joe and Coeur d'Alene Rivers ("Submerged Lands") within the current boundaries of the Coeur d'Alene Indian Reservation ("Reservation") and other lands held in trust for the Tribe by the United States within the Reservation.

RECITALS

1. The Tribe is a federally-recognized Indian tribe which occupies the Reservation in northern Idaho. The Tribe has a governing Tribal Constitution and Tribal Council duly recognized by the Secretary of the Interior.

2. Avista, whose corporate name prior to January 1, 1999, was The Washington Water Power Company, was organized under the laws of the Territory of Washington in March of 1889. Avista is now organized under the laws of the State of Washington.

3. Coeur d'Alene Lake ("Lake") is located in Idaho approximately 13 miles from the Washington state line. Its major tributaries are the St. Joe, St. Maries, and Coeur d'Alene Rivers.

4. The Spokane River originates at the natural outlet of the Lake and flows westerly approximately 111 miles to the confluence with the Columbia River in eastern Washington.

5. Since 1902, Avista has constructed and maintained utility poles, lines, equipment, and facilities on, over and under a portion of the Submerged Lands and other lands held in trust for the Tribe by the United States within the Reservation.

6. In 1907, Avista began to store water on the Lake and affected tributaries during part of the year.

7. Such water storage occurs on a portion of the Reservation, including the approximate southern one-third of the Lake and certain tributary waters.

8. With the exception of the Submerged Lands in Hepton Lake within the Reservation that the Tribe has owned since 2004 in fee simple, the United States holds title, in trust for the Tribe, and the Tribe holds title as the beneficially interested party of the trusteeship, to the Submerged Lands within the current Reservation boundaries, as defined in the agreement

concluded between the United States and the Tribe on September 9, 1889, and ratified by Congress in the Act of March 3, 1891, 26 Stat. 1027. *United States v. Idaho*, 95 F.Supp.2d 1094, 1117 (D. Idaho 1998), *aff'd*, *Idaho v. United States*, 533 U.S. 262 (2001).

9. In that Act of March 3, 1891, Congress ratified a prior conveyance by the Tribe ("Seltice Conveyance") to Frederick Post of submerged lands and uplands at Post Falls, Idaho, on the Spokane River within the original 1873 boundaries of the Reservation. Avista later acquired Post's interests in such lands and constructed thereon in 1906 its Post Falls Hydroelectric Development ("HED"). The Parties dispute whether and to what extent, if any, the Seltice Conveyance granted to Frederick Post, and hence Avista, the right to store water on the Submerged Lands within the current boundaries of the Reservation.

10. In 1909, Avista applied for and received a permit ("1909 Permit") from the United States Department of the Interior ("DOI"), without the consent of the Tribe, to store water on a designated portion of the lands within the current boundaries of the Reservation. The Parties dispute whether and to what extent, if any, the 1909 Permit granted to Avista the right to store water on the Submerged Lands within the current boundaries of the Reservation.

11. From 1907 to 1941, Avista generally operated the Post Falls HED to hold the Lake and its affected tributaries as close to an elevation of 2,126.5 feet as practicable during part of each year, including water storage on Submerged Lands within the Reservation.

12. Since 1941, Avista generally has operated the Post Falls HED to hold the Lake and its affected tributaries as close to an elevation of 2,128 feet as practicable during part of each year, including water storage on Submerged Lands within the Reservation.

13. Pursuant to the provisions of Part I of the Federal Power Act ("FPA"), 16 U.S.C. §§ 791 *et seq.*, Avista is the existing Federal Energy Regulatory Commission ("FERC") licensee of the Spokane River Project No. 2545 ("SRP"), which currently includes within its licensed boundaries: the Post Falls HED in Idaho first licensed by FERC effective July 1, 1981, which includes within its licensed boundaries the Submerged Lands within the Reservation upon which water is stored; and the downstream Upper Falls, Monroe Street, Nine Mile and Long Lake HEDs ("downstream HEDs") in Washington first licensed by FERC in 1972 (retroactive to 1965).

14. The current license for the SRP expired on July 31, 2007, and the SRP is being operated under an annual license issued by FERC.

15. On July 28, 2005, Avista filed with FERC two applications for new license to provide for the continued operation of the HEDs currently licensed as part of the SRP: one application for new license covering the Post Falls HED which, if granted, would result in continued use of the Submerged Lands within the Reservation for water storage and other purposes; and one application for a new license covering the four downstream HEDs.

16. The Tribe and Avista recently have entered into a Settlement in Principle comprehensively resolving a number of disputes between them. The Settlement in Principle

provides that the Parties shall execute a master agreement that identifies all of the separate agreements between the Tribe and Avista, and that all of the separate agreements need to be executed before a settlement agreement is effective.

NOW, THEREFORE, in consideration of the terms of this Agreement, the separate agreements and permits identified in Section A below, and the Settlement in Principle, the Parties agree as follows:

A. Separate Agreements

The separate agreements and Tribal permits which need to be executed prior to this Master Agreement becoming effective, and which along with this Master Agreement shall be jointly filed by the Parties as part of a proposed Consent Judgment to be entered in the United States District Court for the District of Idaho, are identified below:

1. Trespass Claim (1907 – June 30, 1981) Agreement

Attachment A, which is incorporated by reference herein, is the Trespass Claim (1907 – June 30, 1981) Agreement resolving the Tribe's trespass claim for Avista's use, occupancy, and enjoyment of the Submerged Lands within the current boundaries of the Reservation during the period from 1907 to June 30, 1981, the day before the point in time (July 1, 1981) when FERC first assumed jurisdiction over such lands;

2. Section 10(e) Payments (July 1, 1981 – End of Current License) Agreement

Attachment B, which is incorporated by reference herein, is the Agreement with respect to Section 10(e) Payments (July 1, 1981 – End of Current License) resolving Avista's obligations for any payment of annual charges pursuant to FPA Section 10(e), 16 U.S.C. § 803(e), and headwater benefits pursuant to FPA Section 10(f), 16 U.S.C. § 803(f), for Avista's use, occupancy, and enjoyment of the Submerged Lands within the current boundaries of the Reservation for the period from July 1, 1981, to the day before the effective date of any new FPA license issued by FERC to Avista in pending relicensing proceedings involving the use of such Submerged Lands;

3. Section 10(e) Payments (For the Term of Avista's New License) Agreement

Attachment C, which is incorporated by reference herein, is the Agreement with respect to Section 10(e) Payments (For the Term of Avista's New License) resolving Avista's obligations for any payment of annual charges pursuant to FPA § 10(e) and headwater benefits pursuant to FPA § 10(f) for Avista's use, occupancy, and enjoyment of the Submerged Lands within the current boundaries of the Reservation for the term of any new FPA license issued by FERC to Avista

in pending relicensing proceedings involving the use of such Submerged Lands and any subsequent annual licenses;

4. Tribal Taxation Agreement

Attachment D, which is incorporated by reference herein, is the Tribal Taxation Agreement addressing future taxation by the Tribe of Avista's use, occupancy, and enjoyment of (a) the Submerged Lands within the current boundaries of the Reservation for water storage and other purposes during the term of any new FPA license issued by FERC to Avista in pending relicensing proceedings involving use of such Submerged Lands and any subsequent annual licenses, and (b) those Submerged Lands and other Tribal trust lands within the current boundaries of the Reservation relating to rights-of-way to be granted by DOI's Bureau of Indian Affairs ("BIA"), consistent with the Rights-of-Way Agreement and Consent between Avista and the Tribe (Attachment E), for Avista's existing utility lines, poles, equipment, and facilities on, over and under all such affected lands for the term of fifty (50) years from the date of execution of that Rights-of-Way Agreement and Consent;

5. Rights-of-Way Agreement and Consent

Attachment E, which is incorporated by reference herein and which includes as Attachment No. 7 thereto the Coeur d'Alene Tribe Permit For Avista Corporation's Existing Utility Facilities Located On, Over And Under Submerged Lands Within the Coeur d'Alene Indian Reservation, is the Rights-of-Way Agreement and Consent executed by the Parties, consistent with the Grant of Easements for Rights-of-Way to be granted by BIA on, over and under certain Submerged Lands and other Tribal trust lands within the current boundaries of the Reservation relating to Avista's existing utility poles, lines, equipment, and facilities on, over and under all such affected lands for the term of fifty (50) years from the date of execution of that Rights-of-Way Agreement and Consent by the Tribe and Avista;

6. Tribal Water Storage/Use Permit

Attachment F, which is incorporated by reference herein, is the Water Storage/Use Permit ("Water Permit") issued by the Tribe pursuant to Tribal Code for the term of any new FPA license issued by FERC to Avista in pending relicensing proceedings involving the use of the Submerged Lands within the current boundaries of the Reservation and any subsequent annual licenses;

7. Federal Power Act Section 4(e) Agreement

Attachment G, which is incorporated by reference herein, is the Agreement among DOI, the Tribe and Avista concerning FPA § 4(e), 16 U.S.C. § 797(e), Mandatory Conditions for the Spokane River Project, FERC No. 2545, including

Appendix A thereto, which is the Final Section 4(e) Conditions, and Attachment B thereto, which is the Tribe's waiver of certain future claims against the United States, for the term of any new FPA license issued by FERC to Avista in pending relicensing proceedings that includes within the licensed boundaries the Submerged Lands within the current boundaries of the Reservation and any subsequent annual licenses ("4(e) Agreement").

8. Supplemental Agreement to Federal Power Act Section 4(e) Agreement

Attachment H, which is incorporated by reference herein, is the Agreement between Avista and the Tribe that establishes the process the Parties will follow to resolve certain specified disputes, establishes the process the Parties will follow with respect to legal actions brought by either Party against the other for breach and/or enforcement of any of the 4(e) Agreement's terms and any contract entered into between Avista and the Tribe pursuant to Section 4.4 of the 4(e) Agreement, specifies the courts that will have jurisdiction over such legal actions and the law that will apply in such legal actions, provides for the Tribe's waiver of sovereign immunity to allow Avista to initiate and pursue such legal actions against the Tribe, and provides for the Tribe's release of Avista from certain specified claims ("Supplemental Agreement").

B. FERC License and Protection of Reservation Resources

1. As specified in Section 2.1 of the 4(e) Agreement, within 45 days of the Effective Date of the 4(e) Agreement, Avista shall file with FERC a Joint Explanatory Statement that will include Avista's request that FERC: (a) consider Avista's July 28, 2005 dual license applications for the SRP as an application for a single new license; and (b) issue a single new 50-year license covering all five of the SRP HEDs, including the Post Falls HED.

2. The Tribe agrees that FERC's issuance of a single new license as requested in the Joint Explanatory Statement referenced in Section B 1 hereof shall not constitute a material change in facts or circumstances under Section 3.3 of the 4(e) Agreement attached hereto as Attachment G.

3. Notwithstanding the request included in the Joint Explanatory Statement referenced in Section B.1 hereof, each Party shall have the right to make any legal, factual, or policy argument, assertion, and claim it may choose to make, and to take any action it may choose to take, with respect to whether FERC in any subsequent license proceeding should issue a single new license covering all five of the SRP HEDs or issue separate new licenses for (a) the Post Falls HED and (b) the four downstream HEDs of the SRP. Further, neither Avista's filing of the Joint Explanatory Statement referenced in Section B.1 hereof nor FERC's action in response thereto (1) shall in any way prejudice either Party's right (a) to make any argument, assertion, and claim it may choose to make during subsequent license proceedings that FERC should issue a single new license or separate new licenses for (i) the Post Falls HED and (ii) the four downstream HEDs of the SRP or (b) to take any action it may choose to take with respect to FERC's action in response to such arguments, assertions, and claims or (2) shall be cited as precedent against any such argument, assertion, claim or action.

C. Conditions Precedent

This Master Agreement and the separate agreements and permits identified in Section A hereof and incorporated by reference herein, shall be collectively and separately effective only upon each of the following conditions in this Section C being met; *provided, however*, that the 4(e) Agreement and Supplemental Agreement shall be effective as specified in those agreements. The subsequent termination of any of such separate agreements or permits, including the 4(e) Agreement and the Supplemental Agreement, shall not affect the validity of the Master Agreement and such other separate agreements and permits.

1. The Tribe's duly authorized governing body, complying with applicable law, lawfully authorizes its representative to execute, and such representative so executes, this Master Agreement and all of the separate agreements and permits identified in Section A hereof on behalf of the Tribe;

2. Avista's duly authorized governing body, complying with applicable law, lawfully authorizes its representative to execute, and such representative so executes, this Master Agreement and all of the separate agreements identified in Section A hereof on behalf of Avista;

3. The Tribe, or the Tribe and Avista, as appropriate, through their respective legal counsel, and after lawful authorization by their respective governing bodies, file in the United States District Court for the District of Idaho (a) the Tribe's Complaint for Declaratory Judgment and Trespass Damages pursuant to 28 U.S.C. 2201, (b) their Stipulated Motion to Incorporate Agreements in a Judgment, and (c) their proposed form of a Judgment, *provided, however*, that the declination of that District Court to enter the Consent Judgment with respect to and including this Master Agreement or any other agreement identified and incorporated by reference herein, in whole or in part, shall not affect the collective or separate effectiveness of this or any other such agreement; and

4. The Department of the Interior executes the 4(e) Agreement.

5. BIA executes the Grant of Easements for Rights-of-Way identified in Section A 5 hereof.

D. Reservation of Claims and Defenses

This Master Agreement, and the separate agreements and permits identified in Section A hereof and incorporated by reference herein, are not intended and shall not be construed to apply to, address or resolve, or submit to the jurisdiction of FERC or any court, any claims the Tribe may have with respect to the submerged lands of the Lake that are located outside the current boundaries of the Reservation or that lie within the boundaries of Heyburn State Park within the current Reservation boundaries. The Tribe reserves all of its rights and claims as to the above-described submerged lands and Avista retains all of its defenses. In addition, except to the extent set forth in Appendix B to the 4(e) Agreement, nothing in this Master Agreement, and the separate agreements and permits identified in Section A hereof and incorporated by reference

herein, is intended or shall be construed to apply to, address or resolve any claims the Tribe may have against the United States, or any governmental department, agency or officer thereof, arising out of, or related to or in any way connected with, the use, occupancy, and/or enjoyment by Avista of the Submerged Lands within the current boundaries of the Reservation, and the Tribe reserves all of such rights and claims against the United States.

E. Consideration

1. All of the obligations each Party agreed to incur under this Master Agreement and the separate agreements and permits identified in Section A hereof and incorporated by reference herein served as consideration for the other Party's agreement to incur all of its obligations under this Master Agreement and such separate agreements and permits. In recognition of this and to preserve the comprehensive resolution of issues reflected in this Master Agreement and such separate agreements and permits, the Parties further agree as follows:

- a. To the extent that FERC or any federal court enters a final order not subject to further judicial review or appeal that reduces, or indicates that Avista does not have to pay, the full amount of the payments specified in Section A.1 of the Section 10(e) Payments (July 1, 1981 – End of Current License) Agreement or in Section A.2 of the Section 10(e) Payments (For the Term of Avista's New License) Agreement, Avista agrees that it shall pay to the Tribe as consideration for all of the obligations incurred by the Tribe identified above, such additional amounts as are necessary to ensure that the Tribe receives the full amount of the payments specified in Section A.1 of the Section 10(e) Payments (July 1, 1981 – End of Current License) Agreement and in Section A.1 of the Section 10(e) Payments (For the Term of Avista's New License) Agreement.
- b. To the extent that FERC or any federal court enters a final order not subject to further judicial review or appeal that increases the amount of payments to be made by Avista over the amounts specified in Section A.1 of the Section 10(e) Payments (July 1, 1981 – End of Current License) Agreement or in Section A.2 of the Section 10(e) Payments (For the Term of Avista's New License) Agreement, the Tribe agrees that it shall repay to Avista the amount of any such increase in payments within 30 days of the date that Avista makes any such increased payments to the Tribe.

2. Any final order entered by FERC or any federal court described in Sections E.1. a. or b. hereof shall not diminish or expand in any way Avista's obligations to make payments as specified in Section A.1 of the Section 10(e) Payments (July 1, 1981 – End of Current License) Agreement or in Section A.2 of the Section 10(e) Payments (For the Term of Avista's New License) Agreement, and the Parties acknowledge and affirm that Avista's obligations to make such payments, as specified in Section E.1.a. hereof, and the Tribe's repayment obligation pursuant to Section E.1.b. hereof may be enforced if necessary in the United States District Court for the District of Idaho consistent with Section H.2 hereof.

F. Compromise Settlement

This Master Agreement and attachments thereto is a compromise settlement of disputed claims. Avista does not admit liability and reserves its defenses. The Tribe reserves all of its rights and claims as stated in Section D hereof.

G. Fiber Optics

The Parties agree to discuss in good faith a future agreement for the Tribe's access to Avista's fiber optics.

H. Dispute Resolution

1. Should the Parties' best efforts in resolving issues regarding the interpretation or enforcement of the terms of this Master Agreement, or the separate agreements and permits identified in Section A hereof and incorporated by reference herein, fail, the dispute shall be submitted to an informal, non-binding mediation process that shall not exceed 90 days in length unless agreed otherwise by the Parties facilitated by a trained mediator; *provided, however*, that any dispute regarding the 4(e) Agreement or the Final Section 4(e) Conditions shall be governed by the Dispute Resolution Section (Section 7) set forth in the 4(e) Agreement; *provided further, however*, that disputes regarding Avista's compliance with the obligation set forth in the first sentence of Section 4.4 of the 4(e) Agreement shall be governed by Section H.2 hereof without mediation. The cost of any mediation shall be shared equally.

2. If a good faith effort to resolve disputes through mediation fails, or in the case of disputes regarding Avista's compliance with the obligation set forth in the first sentence of Section 4.4 of the 4(e) Agreement, each Party shall have the ability to employ legal process against the other Party solely to enforce the terms of this Master Agreement, and the separate agreements and permits identified in Section A hereof and incorporated by reference herein, and to secure legal relief against the other Party, including compensatory damages, but not punitive, exemplary, or similar damages, and equitable remedies, for breach of contract, to the extent set forth in this Section H hereof; *provided, however*, that only equitable relief shall be available to enforce the Tribal Taxation Agreement identified in Section A.4 hereof, and that the ability to employ legal process to enforce the terms of the 4(e) Agreement identified in Section A.7 hereof and any contract entered into between Avista and the Tribe pursuant to Section 4.4 thereof, and to secure legal relief, including compensatory damages and equitable remedies, for breach of contract as to the 4(e) Agreement and such Section 4.4 contracts, shall be as specified in the Supplemental Agreement:

- a. At the time this Master Agreement is signed, the Tribal Council of the Coeur d'Alene Tribe, as the duly authorized governing body of the Tribe, shall execute an express waiver of sovereign immunity, allowing prosecution of a legal action by Avista against the Tribe for breach and/or enforcement of any of the terms of the Master Agreement, and the separate agreements and permits identified in Section A hereof and

incorporated by reference herein, to the extent set forth in that executed waiver which is Attachment I hereto. The Parties agree that the Tribe shall have the right to pursue the same enforcement remedies made available to Avista by virtue of the attached waiver.

- b. Subject to the Parties' use of binding arbitration as set forth in Section H.2 c hereof with respect to actions for monetary relief or damages, and subject to exhaustion of the Tribal judicial and administrative remedies referenced in Section H.2 d hereof if such remedies are available and adequate, the Parties agree that any such legal actions between them shall be prosecuted in the United States District Court for the District of Idaho. Except for provisions of this Master Agreement or the separate agreements and permits identified in Section A hereof and incorporated by reference herein that are governed by the FPA or other applicable federal law, and except to the extent that Tribal law is applicable pursuant to Section H.2.c(3) and d hereof, this Master Agreement and the separate agreements identified in Section A.1 through 4 and A.8 hereof and incorporated by reference herein shall be construed and interpreted in accordance with the contract law and applicable statute of limitations of the State of Idaho, without regard to Idaho's conflict of law principles; *provided, however*, that except as set forth in this Section H.2.b or in Section H.2 c(3) hereof, nothing in this Agreement, or in the separate agreements and permits identified in Section A hereof and incorporated by reference herein, is intended or shall be construed to recognize the applicability of the law of the State of Idaho, or the jurisdiction of the Idaho State Courts, to determine in any way the nature and extent of any rights reserved by the Tribe, or held in trust for the Tribe by the United States, pursuant to federal law.
- c. If the United States District Court for the District of Idaho declines for any reason to exercise jurisdiction over any legal action for monetary relief or damages brought by either Party against the other Party pursuant to Section H.2 b hereof, or if the Parties otherwise mutually agree to use binding arbitration according to this Section H.2 c hereof, the Parties agree that any claim by either Party against the other Party for monetary relief or damages for breach of this Master Agreement and the separate agreements and permits identified in Section A hereof and incorporated by reference herein, excluding, however, the Tribal Taxation Agreement identified in Section A.4 hereof as to which only equitable relief shall be available, shall be subject to binding arbitration according to the following procedures, unless the Parties mutually agree to use alternative binding arbitration procedures:
- (1) Such arbitration shall be administered by the American Arbitration Association ("AAA") in accordance with the Commercial Arbitration Rules of the AAA in effect at the time the claim arises, except as otherwise provided in Section H.2 c(2) hereof. The

demand for arbitration shall be made within a reasonable time after the claim has arisen or after the United States District Court for the District of Idaho has declined to exercise jurisdiction over the claim, but in no event shall it be made after the date when institution of legal proceedings based on such claims would be barred by the applicable statute of limitations except in the case where that Court declines to exercise jurisdiction over the claim.

- (2) In any such arbitration, the arbitrator(s) shall not be empowered to award damages or monetary relief in excess of compensatory damages, and each Party expressly waives and foregoes any right to punitive, exemplary, or similar damages. Each Party shall bear the costs of its own attorney fees, and unless otherwise agreed between the Parties, such arbitration shall occur in Coeur d'Alene, Idaho.
- (3) Any award rendered by the arbitrator(s) shall be final and binding without the right of either Party to appeal to any court. Any action to seek an entry of judgment upon such award shall be brought in the United States District Court for the District of Idaho in accordance with applicable law. In the event said Court declines to accept jurisdiction to enter a judgment with respect to such award, or if that Court has declined to exercise jurisdiction over the claim in dispute prior to any award rendered in binding arbitration, then the Parties agree that any arbitration award: (a) in favor of the Tribe shall be enforced without alteration thereof in the Tribal Court and Avista hereby waives any objection to the jurisdiction of the Tribal Court to enter and enforce a judgment upon such award; and (b) in favor of Avista shall be enforced without alteration thereof in the Idaho State Court and the Tribe's waiver of sovereign immunity set forth in Attachment I hereto shall waive any objection to the jurisdiction of the Idaho State Court to enter and enforce a judgment upon such award. The Parties agree that the exercise of jurisdiction by the Tribal and Idaho State Courts, as well as the application of Tribal law and Idaho State law, pursuant to this Section H.2 c(3) hereof, shall be solely and exclusively limited to enforcement of the award rendered in binding arbitration and shall be otherwise consistent with the provisions of this Master Agreement. Either Party may bring an action in the United States District Court for the District of Idaho challenging a decision by the Tribal or Idaho State Courts pursuant to this Section H.2 c(3) hereof if that Party deems such decision to be inconsistent with this Master Agreement or contrary to applicable federal law.

- d. The Parties agree that neither Party shall file any action in any State Court or Tribal Court seeking relief in any way related to this Master Agreement

or any of the separate agreements and permits identified in Section A hereof and incorporated by reference herein, nor shall either Party be required to exhaust any State or Tribal judicial or administrative remedies prior or subsequent to the commencement and full adjudication of a judicial action in the United States District Court for the District of Idaho, except as otherwise provided (1) in Section H.2 c(3)(a) and (b) hereof, (2) in the Rights-of-Way Agreement identified in Section A.5 hereof, (3) in the Tribal Water Permit identified in Section A.6 hereof, or (4) in Section 2.3 of the Supplemental Agreement identified in Section A.8 hereof; *provided, however*, that Avista may bring an action in the United States District Court for the District of Idaho challenging any final action taken by the Tribe pursuant to the judicial or administrative remedies referenced in this Section H.2 d(2), (3), and (4) hereof if Avista deems such decision to be inconsistent with this Master Agreement or contrary to applicable federal law.

I. Executive Committee

There is hereby established an Executive Committee consisting of the Chairman of the Tribal Council and the Chief Executive Officer of Avista (and/or their designees). The Executive Committee will meet annually unless otherwise agreed. The Executive Committee will review the status of implementing this Agreement and discuss projects or activities of mutual interest and benefit to the Parties.

J. Successors and Assigns

This Master Agreement, and the separate agreements and permits identified in Section A hereof and incorporated by reference herein, shall bind and inure to the benefit of the respective successors and assigns of the Parties.

K. Mediation Costs and Fees

Avista waives reimbursement of the \$173,695.46 it advanced to the Tribe for mediation-related costs and expenses.

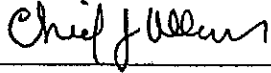
L. Parties and Authorities

1. The Chairman of the Coeur d'Alene Tribal Council warrants that he has authority to execute this Agreement on behalf of the Tribe pursuant to the Tribal Council's Resolution and applicable law.
2. The Chief Executive Officer of Avista Corporation warrants that he has authority to execute this Agreement pursuant to the Avista's Board of Directors' Resolution and applicable law.

Executed this 16th day of December, 2008.

Coeur d'Alene Tribe

By:

A handwritten signature in cursive script, appearing to read "Chief Allan", written over a horizontal line.

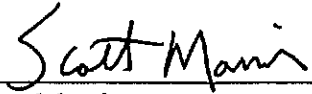
Chief Allan

Chairman, Coeur d'Alene Tribal Council

Executed this 16th day of December, 2008.

Avista Corporation

By:



Scott Morris
CEO and Chairman of the Board of Directors

**APPENDIX 1 TO ATTACHMENT F, WATER STORAGE/USE PERMIT,
CASE NO. CV-08-526**

Coeur d'Alene Tribe
Department of Lake Management

APPLICATION FOR TRIBAL WATER STORAGE/ USE PERMIT

Under the provisions of Chapter 42 and Section 44-25.01 of the Tribal Code, any person seeking to acquire the right to use waters within the Coeur d'Alene Indian Reservation shall file an application with the Department of Lake Management for a Tribal Water Use Permit to use such waters. **The filing of this application does not confirm the water use requested.** Water rights previously granted by the State of Idaho prior to April 15, 1999, for the use of waters on the Reservation, are recognized as Tribal water use permits subject to Tribal law but are not exempt from this requirement. Uses of water for domestic purposes are exempt. A filing or processing fee must be submitted with this application. For filing an application for a permit to appropriate the use of Tribal waters on the Reservation, and subject to Section 44-25.01(B) of the Tribal Code, the filing or processing fee shall be \$500.00 payable upon submission of the application.

Notice is hereby given that:

Avista Corporation (formally known as The Washington Water Power Company)
(Name of Applicant)

P.O. Box 3727 Spokane, Washington 99220-3727 509-489-0500
(Mailing Address) (Zip Code) (Telephone No.)

requests a permit for the diversion/storage and beneficial use of surface or ground water within the Coeur d'Alene Indian Reservation. The extent and nature of said permit is as follows:

1. Date the water was first applied to beneficial use:

July 1, 1907 (storage to elevation 2126.5 feet above mean sea level (MSL)
(USGS/Avista datum))

May 1, 1941 (storage between 2126.5 feet and 2128 feet above MSL (USGS/Avista
datum))

On January 16, 2002 Avista Corporation filed with the State of Idaho, two separate "Claim to Water Right" for water storage in Coeur d'Alene Lake and tributaries for power use at the Post Falls Hydroelectric Development (HED) and downstream HEDs- FERC No. 2545. Claim No. 95-9115 is for 164,400 af of storage with a priority date of July 1, 1907. Claim 95-9119 is for 60,600 af with a priority date of May 1, 1941. The priority dates represent the date the water was applied to beneficial use. These claims are on file with the Idaho Department of Water Resources.

2. Describe the source of water: (Name of stream, lake, spring, etc., or ground water)
* _____ which are tributary to

Additional points of diversion, if any:

This application is for the right to store waters on submerged lands within the Reservation including Coeur d'Alene Lake, St. Joe River, St. Maries River, Coeur d'Alene River, Hepton Lake and the connected and tributary waters for use in the generation of hydroelectric power at the Post Falls HED and downstream HEDs. The waters are stored with the use of three dams (including the powerhouse) located in Post Falls, Idaho. These dams have heights of 25 feet, 31 feet and 64 feet.

B) Describe means of diversion of water: (pump and pipeline, well, diversion dam, reservoir, length of ditch etc.). Give sizes and capacities. Be specific.

No diversion occurs within the Reservation. The waters to be stored under this application are utilized for the generation of hydroelectric power at the Post Falls HED located on the Spokane River in Idaho and at each of Avista's four downstream HEDs (Upper Falls, Monroe Street, Nine Mile, and Long Lake) located on the Spokane River in Washington. These five HEDs are licensed by the Federal Energy Regulatory Commission ("FERC") as the Spokane River Project, FERC No. 2545. Coeur d'Alene Lake and the connected and tributary waters within the Reservation constitute the reservoir and place of storage of water. From 1907 to 1941, the Post Falls HED was operated with a full pool reservoir elevation of 2126.5 feet above MSL as measured by the USGS gaging station located at the City of Coeur d'Alene, Idaho. (See Idaho claim Nos. 95-9115 and 95-9119 for more detail.) From 1941 to present, the Post Falls HED was operated with a full pool reservoir elevation of 2128.0 feet above MSL as measured by the USGS gaging station in Coeur d'Alene, Idaho.

Following is a summary of operations of the Post Falls HED. This description of current and proposed operations is offered as a reference point only and is not intended to be construed or interpreted to establish or determine any facts regarding Avista's current or proposed operations of the five HEDs comprising the Spokane River Project, FERC No. 2545.

Four decisions drive annual operations at Post Falls HED. These include: (1) when to exercise control over spring flows and, therefore, lake levels; (2) what lake level (and what minimum flow) to maintain and for how long during the summer; (3) when to initiate the fall draft of Coeur d'Alene Lake and at what rate; and (4) when to turn the lake level and river flows over to nature in the winter. Each of these decisions is discussed below.

The hydraulic capacity at Post Falls HED is 5,400 cfs. Streamflows above this level are discharged through the north and/or south channel spill gates. The specific operational requirements reflected in the current FERC license for Post Falls indicate a minimum release of 300 cfs (or inflow, whichever is less) and a full-pool operating limit of elevation 2,128 feet. Operational decisions have evolved over the past 100 years to incorporate concerns for recreation and fishery conditions with the goal of optimizing energy production, all in a setting with wide natural variability in precipitation and streamflows.

Spring. Spring runoff in the Spokane/Coeur d'Alene basin reflects snowpack conditions, active precipitation, and temperatures. At this time of year, the Post Falls Project is not controlling Coeur d'Alene Lake levels or Spokane River flows. Both lake levels and downstream river flows are controlled by the natural channel restriction below the outlet of Coeur d'Alene Lake. Avista initiates control at Post Falls HED once spring runoff flows recede to a practical level, Coeur d'Alene Lake is below elevation 2,128 ft., and diminished streamflows into Coeur d'Alene Lake are forecasted. There are no specific guidelines for determining the date of this control, because it is dynamic and varies widely on an annual basis depending on natural conditions. Typically, this control occurs in late June or early July. This initial control of the discharge at Post Falls HED reduces the outflow and begins filling the nine-mile stretch of the Spokane River between Coeur d'Alene Lake and Post Falls HED.

During this time, consideration is also given to exercising control to preserve Spokane River flows downstream of Post Falls HED in order to protect rainbow trout spawning and accomplish successful emergence of rainbow trout fry. This has been accomplished in recent years through voluntary monitoring and consultation with fisheries agencies in Idaho and Washington. The gradual control of flows and lake levels continues until lake elevations are established at or near 2,128 feet and forecasts indicate that the remaining snowpack will not advance the lake above this level. In most years, as mentioned above, this equalization occurs in late June or early July, and lake levels naturally exceed the summer pool elevation during spring runoff. During some years, especially those with below-average snowpack, Avista exercises control of Coeur d'Alene Lake levels and flows earlier, and the lake can be at or below 2,128 feet leading into the summer season.

Summer. Avista continues to adjust the flow rate at the Post Falls Project throughout the summer recreation season to hold Coeur d'Alene Lake at or near elevation 2,128 feet. This elevation had been established as the summer full-pool elevation prior to Post Falls HED's inclusion in the Spokane River Project, reflecting preferences of the lakeshore community and recreation interests. This operating level also provides storage to enhance generation in the fall. The Project boundary reflects this operating level.

The summer pool elevation is subject to the minimum flow requirement mentioned above. Because calculated inflows can be less than zero, Avista has typically maintained discharges nearer the 300-cfs level. In dry years, to sustain these minimum flows, the lake may be drafted to a small degree during the summer. Subject to this minimum flow, the summer pool elevation is maintained through the majority of the popular recreation season through Labor Day. Proposed changes to this minimum flow are discussed below.

Fall. Normally, the initial release of stored water from Coeur d'Alene Lake begins after Labor Day and prior to mid-September. As a general guideline, the rate of releasing stored water in Coeur d'Alene Lake is 1.5 feet per month through January to a maximum of 7.5 feet below summer elevation (or a lake elevation of 2,120.5 feet). While there are no strict rules or requirements for a drawdown, this approximate drafting schedule has long been established as a matter of practice to balance several interests. These include attempting to optimize generation with the water stored in Coeur d'Alene Lake (by avoiding spilling at the lower-capacity developments downstream), maintaining lake water levels for general navigation, and creating

storage capacity in the lake for fall and winter precipitation, which decreases the potential for upstream flooding.

Avista gradually increases the initial releases from Post Falls HED toward but typically not above the Upper Falls HED's hydraulic capacity of 2,500 cfs during September. By the end of September, forecasted streamflows are used to determine when to increase releases from Coeur d'Alene Lake, although it is not uncommon to maintain the September flow rate through late October, which can be a very dry time of year. Typically, however, by the first of November, flow rates are near the capacity of Monroe Street HED (2,850 cfs), which is the second smallest plant (by hydraulic capacity) on the Spokane River.

Streamflow forecasts are increasingly important to operations in late October and early November. As shown in the historical record, flooding due to precipitation and inflow can occur any month between November and July. During the late fall, weather patterns can change dramatically, causing streamflows into Coeur d'Alene Lake to vary from as low as 500 cfs to more than 10,000 cfs. Because inflows to Coeur d'Alene Lake can exceed the lake's natural outlet capacity, Coeur d'Alene Lake elevations can fluctuate greatly. As a result, the potential for upstream flooding must be taken into account when drafting the lake in the fall. While lake levels can and do frequently exceed the summer pool elevation due to inflows, Avista operates to avoid increasing the impact of any such events (and to operate within the upper elevation of the license requirement). To this end, flows are typically adjusted and maintained to ensure that Coeur d'Alene Lake continues to draft during the fall. In most years, the river flow at Post Falls is held to Nine Mile HED hydraulic capacity or lower (approximately 6,500 cfs). This approach continues to optimize energy generation while attending to the potential for flooding upstream of Coeur d'Alene Lake. If Coeur d'Alene Lake is at least four feet below the summer pool elevation and forecasted streamflows indicate a short duration of increased streamflows, some short-term flow reduction at Post Falls HED may occur to avoid the need to remove flashboards at Nine Mile HED.

Winter. During December, inflows to Coeur d'Alene Lake continue to vary widely due to fluctuating weather patterns. The highest recorded elevations at Coeur d'Alene Lake have occurred in the months of December, January, and February. Rain-on-snow events or extended heavy rain events can occur at any time during this period, causing quick and significant changes in streamflows entering the lake and therefore lake elevations. Decisions for the operation of Post Falls HED are focused on reducing the likelihood of upstream flooding, derived from streamflow forecasts. Near the end of December or first part of January, Post Falls HED is operated to freely pass the flow that is capable of passing through Coeur d'Alene Lake's natural outlet restriction, allowing Coeur d'Alene Lake to seek and achieve its natural level with no influence by the HED. Several terms are used for this operation, including "free flow" or "on channel," which simply mean operating according to the natural channel restriction curve (elevation stage vs. flow) at the outlet of Coeur d'Alene Lake.

Proposed Operations. Proposed future operations described in Avista's FERC license application, as modified by the conditions included in Idaho's June 5, 2009 Final Water Quality Certification, are consistent with current operations. The most significant Post Falls HED change is to increase the minimum flow below the HED to 600 cfs, which would be modified to

500 cfs in dry conditions, as manifested by a decline in the Coeur d'Alene Lake level of more than three inches between July 1 and the Tuesday after Labor Day. The certification also formalizes the aforementioned rainbow trout spawning and fry emergence flow management approach developed in cooperation with fisheries management agencies, and limits the discharge downramping rate at Post Falls HED. Coeur d'Alene Lake's summer elevation will be maintained at or near 2,128 feet, subject to proposed minimum flows or emergency conditions, until the Tuesday after Labor Day on an annual basis.

- C) Height of storage dam See 5 above feet
 Active reservoir capacity: **(TBD)** af within the Reservation
 Total reservoir capacity: **(TBD)** af within the Reservation

6. A) Describe the proposed place of use within each 40-acre tract in the appropriate box using the symbols listed below. If the use is for irrigation describe the location by listing the number of irrigated acres within each 40-acre tract.
 D - domestic, S - stockwater, M - municipal, C - Commercial, I - Industrial,
 H - hydropower, X - other

Twp	Rge	Sec	NE 1/4				NW 1/4				SW 1/4				SE 1/4				TOTAL ACRES
			NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	

- B) Describe the proposed uses.

See description in 5 above.

7. Remarks:

State of Idaho)
)ss.
County of Benewah)

Be it known that the undersigned, being duly sworn, deposes and says that he, she, they subscribed the forgoing application for water use, together with all attached information, and that the matters and facts therein are true to the best of the affiant's knowledge.

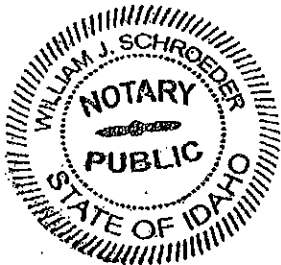
Pin S. Stewart DIRECTOR, ENV. AFFAIRS
Applicant's Signature and Title

Sworn to before me this 16 day of December

Pin S. Stewart

Residing at: Spokane, WA

My commission expires: 4/10/09



COEUR D'ALENE TRIBE
DEPARTMENT OF LAKE MANAGEMENT

WATER STORAGE/USE PERMIT

WATER PERMIT NO. 2008-01

THIS IS TO CERTIFY THAT:

Avista Corporation
P.O. Box 3727
Spokane, WA 99220

FILED AN APPLICATION FOR WATER STORAGE/USE PERMIT DATED DECEMBER 16, 2008, which is attached to and made part hereof as Appendix 1, and on that date paid to the Coeur d'Alene Tribe ("Tribe") the \$500.00 filing and processing fee required by Tribal law.

This application requests permission from the Tribe to store water upstream of the Avista Corporation's ("Avista") hydroelectric dams located on the Spokane River at Post Falls, Idaho, upon the submerged lands of Coeur d'Alene Lake, Hepton Lake, the St. Joe River, and the Coeur d'Alene River, as well as affected tributaries ("Submerged Lands"); located within the current boundaries of the Coeur d'Alene Indian Reservation ("Reservation") for use in the generation of hydroelectric power for the term of any new license issued pursuant to Part I of the Federal Power Act ("FPA"), 16 U.S.C. §§ 791 *et seq.*, by the Federal Energy Regulatory Commission ("FERC") to Avista in pending relicensing proceedings involving Avista's use, occupancy, and enjoyment for water storage and other purposes of the Submerged Lands within the current boundaries of the Reservation and any subsequent annual licenses.

Upon consideration of the application, A WATER STORAGE/USE PERMIT ("PERMIT") IS ISSUED AS FOLLOWS:

BENEFICIAL USE: Storage of water for use in hydropower generation at the Post Falls HED located on the Spokane River in Idaho and at each of Avista's four downstream HEDs (Upper Falls, Monroe Street, Nine Mile, and Long Lake) located on the Spokane River in Washington. These five HEDs are now licensed by FERC as the Spokane River Project, FERC No. 2545.

ANNUAL PERIOD OF USE AND RATE OF DIVERSION OR STORAGE:

Consistent with Avista's Current Operations between 1/01 and 12/31, Storage Up to 2,128 Feet Above Mean Sea Level ("MSL"), Drawdown commencing between the Tuesday after Labor Day and 9/15 of each year.

WATER STORAGE/USE PERMIT

WATER PERMIT NO. 2008-01

The above provisions are subject to, and Avista shall be entitled to store water consistent with, the lawful requirements of the new license referenced above and any lawful requirements imposed by FERC by order or otherwise in relation to the operation of the hydroelectric dams under such new license; *provided, however*, that the provisions of this Permit do not authorize any material alteration in Avista's Current Operations or Storage on the Submerged Lands in excess of 2,128 Feet above MSL ordered or required by FERC if such material alteration in Current Operations or excess Storage results from requests made to FERC by Avista, and nothing in this Permit is intended or shall be construed to impair or limit in any way the right of the Tribe to challenge the legality of any requirement imposed by FERC that increases the Storage authorized by this Permit in excess of 2,128 Feet above MSL, or that materially alters Avista's Current Operations with respect to such stored water, or that authorizes the use of such stored water for purposes other than hydropower generation, or in a manner or to the extent inconsistent with this Permit or rights reserved or held by the Tribe pursuant to federal and Tribal law. The description of current and proposed operations set forth in Avista's Application for Tribal Water Storage/Use Permit submitted on December 16, 2008, is offered as and hereby deemed to be a reference point only and shall not be construed or interpreted to establish or determine any facts in any proceeding or forum regarding Avista's current or proposed operations of the five hydroelectric developments (Post Falls, Upper Falls, Monroe Street, Nine Mile, and Long Lake) now comprising the Spokane River Project, FERC No. 2545.

LOCATION OF POINT(S) OF DIVERSION/STORAGE: Submerged Lands within the Reservation

PLACE OF USE: Submerged Lands within the Reservation

PRIORITY: August 1907 for storage up to 2,126.5 feet above MSL
June 1941 for storage up to 2,128 feet above MSL

CONDITIONS OF APPROVAL AND REMARKS

1. The Tribe and Avista are entering into a Master Settlement Agreement, contemporaneously with the Tribe's issuance of this Permit, comprehensively resolving a number of issues, including the storage of water on Submerged Lands within the Reservation. This Permit is issued pursuant to the provisions of Section 44-25.01 of the Coeur d'Alene Tribal Code and the Tribe's retained sovereignty, as well as its reserved rights of dominion and control, over the Submerged Lands and Waters covered by this Permit, including its authority to regulate the use of such lands and waters, as well as activities and resources thereon, to protect the public health, safety or welfare. This Permit shall be construed in a manner that is consistent with that Master Settlement Agreement and with applicable federal and Tribal law.
2. This water use shall be appurtenant to the described place of use (storage).

WATER STORAGE/USE PERMIT

WATER PERMIT NO. 2008-01

3. This Permit is subordinate and junior to the Tribe's proprietary right of exclusive use and occupancy of all surface and groundwaters (collectively "Waters") within the Reservation with a priority date of time immemorial.
4. The right to the use of water under this Permit shall be non-consumptive.
5. As of 2005, the Tribe estimates that Avista's storage of water above the dams at its Post Falls HED at 2,128 feet above MSL creates a total storage capacity upon submerged lands within the Reservation and upon submerged lands of Coeur d'Alene Lake outside the Reservation ("Total Submerged Lands") of approximately 284,471 acre feet of water. As of 2006, Avista estimates that its storage of water above its Post Falls HED at 2,128 feet above MSL creates a total storage capacity upon such Total Submerged Lands of approximately 266,692 acre feet of water. Pursuant to the Tribe's retained sovereignty over submerged lands and waters within the Reservation and consistent with Section 4 of Avista's Application for this Water Storage/Use Permit, dated December 16, 2008: (a) Avista and the Tribe shall work cooperatively during the term of this Permit to apply best scientific approaches mutually agreed upon by Avista and the Tribe to make reasonable calculations of the total volume of water stored above Avista's Post Falls dams at 2,126.5 and 2,128 feet above MSL, respectively, as well as the total volume of water stored on submerged lands within the current Reservation boundaries at those elevations; (b) Avista and the Tribe shall each pay their respective costs of these cooperative efforts; (c) pending further cooperative measurement efforts, Avista and the Tribe shall use the mean between their respective existing estimates, or 275,581.5 acre feet, as the best available measurement of storage volume above Avista's Post Falls dams upon the Total Submerged Lands at 2,128 feet above MSL; and (d) these cooperative efforts shall include the preparation of a map or maps clearly identifying, by section, township, and range, the location of water being stored on submerged lands within the Reservation.
6. This Permit is issued for the term of any new FPA license issued by FERC to Avista in pending relicensing proceedings involving Avista's use, occupancy, and enjoyment for water storage and other purpose of the Submerged Lands within the current boundaries of the Reservation and any subsequent annual licenses.
7. Upon issuance of this Permit, Avista is deemed to be in full compliance with Tribal Code Section 44-25.01. The payment of a processing or filing fee in the amount of \$500.00 at the time of Avista's filing of the Application for this Permit shall satisfy any and all payment obligations by Avista over the term of the Permit.

WATER STORAGE/USE PERMIT

WATER PERMIT NO. 2008-01


8. The Tribe expressly reserves its rights of dominion and control over the Submerged Lands and Waters covered by this Permit, including its sovereign authority to regulate the use of such lands and waters, as well as activities and resources thereon, to protect the public health, safety or welfare.

Nothing in this Permit is intended, or shall be interpreted, to limit or impair in any way the Tribe's sovereign power or authority over Reservation Submerged Lands or Waters, including the Tribe's legislative, regulatory, and adjudicative power and authority over such lands and waters. All of the Tribe's property and sovereign interests therein of any kind, including its rights to use and regulate such lands and waters in any manner, are retained subject to the nonexclusive use of such lands and waters by Avista for water storage for hydropower purposes pursuant to this Permit.

9. Avista will be deemed to be in compliance with this Permit if, during the term of this Permit, Avista's storage of water is consistent with its current operations, subject to the requirements of any new license referenced above and any requirements imposed by FERC by order or otherwise in relation to the operation of the hydroelectric dams under any new license, as limited by the proviso set forth in the introductory portion of this Permit entitled "ANNUAL PERIOD OF USE AND RATE OF DIVERSION OR STORAGE."

10. If a dispute arises concerning this Permit, Avista and the Tribe agree to exhaust Tribal judicial and administrative remedies, if available and adequate, consistent with Section H.2d of the Master Settlement Agreement between Avista and the Tribe before seeking relief in the United States District Court for the District of Idaho.

This Permit is issued pursuant to the provisions of Section 44-25.01 of the Coeur d'Alene Tribal Code. Witness the seal and signature of the Director, affixed at the Coeur d'Alene Indian Reservation, this 16th day of December, 2008.


Phillip Cernera, Lake Manager
Coeur d'Alene Tribe
Department of Lake Management

ATTACHMENT B

7. Total quantity claimed

In 2001, the United States Supreme Court ruled that the lands underlying Coeur d'Alene Lake and its tributaries within the current boundaries of the Coeur d'Alene Indian Reservation ("Reservation") are owned by the United States as Trustee for the Coeur d'Alene Tribe ("Tribe") (*See, Idaho v. United States, et al.*, 533 U.S. 262 (2001)). As a result of that decision, Avista Corporation ("Avista") entered into negotiations with the Tribe for, among other things, permission to store water on the submerged lands within the Reservation for electrical power generation purposes. Settlement was reached on December 16, 2008 and a Master Settlement Agreement was signed (*See, Exhibit B-1*). As part of that Agreement, Avista submitted to the Tribe an Application for Tribal Water Storage/Use Permit (*See, Exhibit B-2*). The Tribe issued Avista a **Water Storage/Use Permit** (*See, Exhibit B-3*). Paragraph 5 of the Water Storage/Use Permit states:

5. As of 2005, the Tribe estimates that Avista's storage of water above the dams at its Post Falls HED at 2,128 feet above MSL creates a total storage capacity upon submerged lands within the Reservation and upon submerged lands of Coeur d'Alene Lake outside the Reservation ("Total Submerged Lands") of approximately 284,471 acre feet of water. As of 2006, Avista estimates that its storage of water above its Post Falls HED at 2,128 above MSL creates a total storage capacity upon such Total Submerged Lands of approximately 266,692 acre feet of water. Pursuant to the Tribe's retained sovereignty over submerged lands and waters within the Reservation and consistent with Section 4 of Avista's Application for this Water Storage/Use Permit, dated December 16, 2008: (a) Avista and the Tribe shall work cooperatively during the term of this Permit to apply best scientific approaches mutually agreed upon by Avista and the Tribe to make reasonable calculations of the total volume of water stored above Avista's Post Falls dams at 2,126.5 and 2,128 feet above MSL, respectively, as well as the total volume of water stored on submerged lands within the current Reservation boundaries at those elevations; (b) Avista and the Tribe shall each pay their respective costs of these cooperative efforts; (c) pending further cooperative measurement efforts, Avista and the Tribe shall use the mean between their respective existing estimates, or 275,581.5 acre feet, as the best available measurement of storage volume above Avista's Post Falls dams upon the Total Submerged Lands at 2,128 feet above MSL; and (d) these cooperative efforts shall include the preparation of a map or maps clearly identifying, by section, township, and range, the location of water being stored on submerged lands within the Reservation.

On December 18, 2008, the United States District Court for the District of Idaho incorporated the Master Settlement Agreement, **Water Storage/Use Permit** and other agreements into a Federal Court Judgment (*See, Exhibit B-4*). The scope, nature and

extent of Avista's Federal water right claim is as set forth in the **Water Storage/Use Permit (Exhibit B-3)** issued by the Tribe.

IN THE DISTRICT COURT OF THE FIFTH JUDICIAL DISTRICT OF THE STATE OF IDAHO, IN AND FOR THE COUNTY OF TWIN FALLS

IN RE THE GENERAL ADJUDICATION OF RIGHTS TO THE USE OF WATER FROM THE COEUR D'ALENE-SPOKANE RIVER BASIN WATER SYSTEM

CIVIL CASE NUMBER: 49576

Ident. Number 95-16664

Date Received: 1-29-2014

Receipt No: C098 250

Received By: CA

claim amount: \$50.00

NOTICE OF CLAIM TO A WATER RIGHT ACQUIRED UNDER FEDERAL LAW

Please type or print clearly

1. Name of Claimant (s) Avista Corporation (f/k/a The Washington Water Power Company) Phone (509) 489-0500 Mailing Address 1411 East Mission, Spokane Washington ZIP 99220-3727

2. Date of Priority (Only one (1) per claim) June 1, 1941 See, Exhibit B-3 Month Day Year (YYYY)

3. Source of water supply (Check one) Ground Water () or Other (X) (Coeur d'Alene Lake and its tributaries located within the current boundaries of the Coeur d'Alene Reservation ("Reservation"))

4. a. Location of Point of Diversion is: Township 50 N, Range 5W, Section 4, SE, 1/4 of NE, 1/4 Govt. Lot, BM., County of Kootenai Parcel (PIN) no. 50N05W-04230

Additional points of diversion if any:

If available, GPS Coordinates

b. If instream flow, beginning point of claimed instream flow is:

Township, Range, Section, 1/4 of, 1/4 Govt. Lot, BM., County of

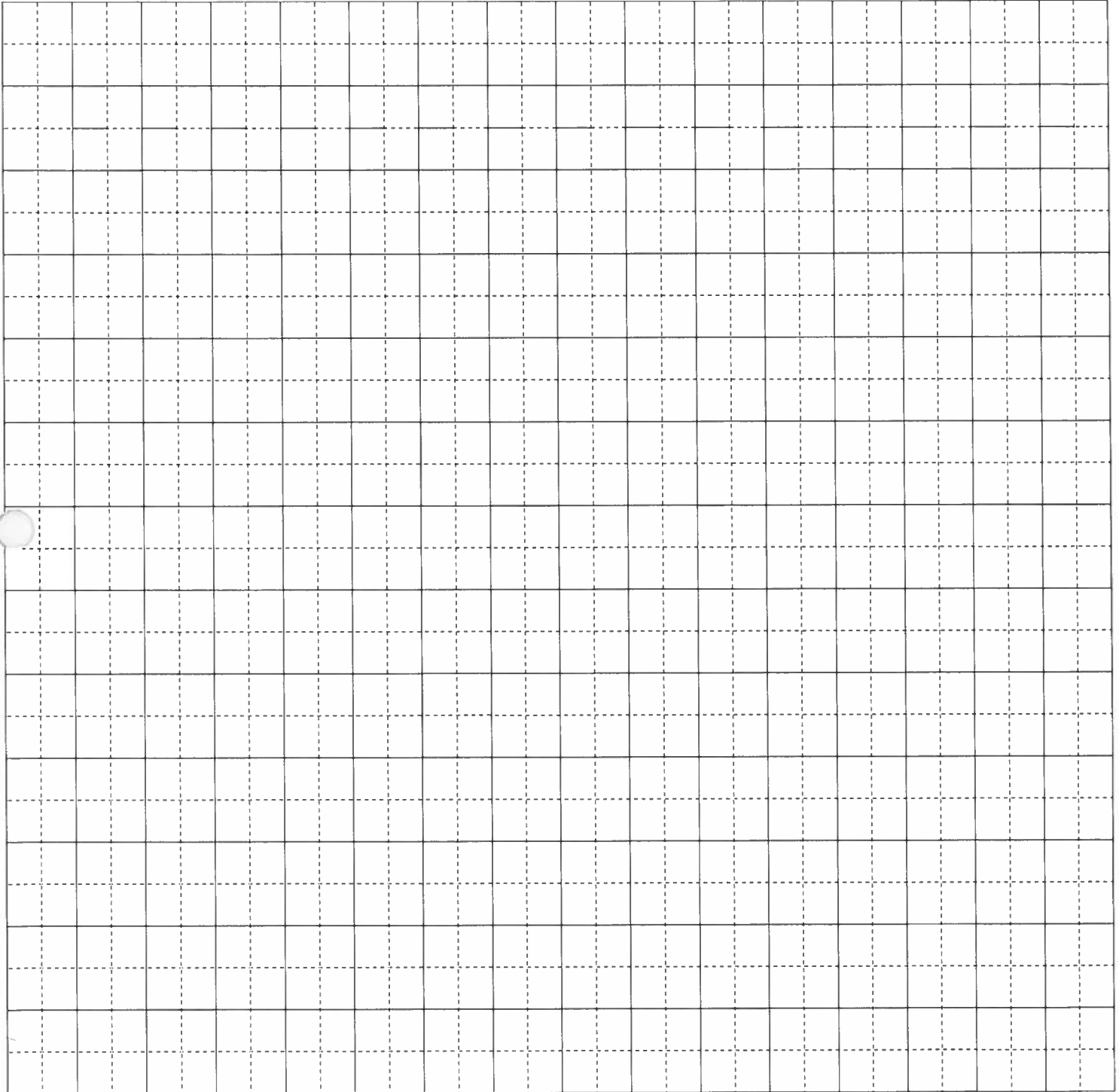
ending point is: Township, Range, Section, 1/4 of, 1/4 Govt. Lot, BM., County of

5. Description of existing diversion works (Dams, Reservoirs, Ditches, Wells, Pumps, Pipelines, Headgates, Etc), including the dates of any changes or enlargements in use, the dimensions of the diversion works as constructed and as enlarged and the depth of each well. See Attachment A and all Exhibits thereto

Map of Project: Attach aerial photograph or topographic map showing clearly the point of diversion, place of use, section number, township, and range number, unless unavailable. Otherwise sketch the elements above on the grid below.

See Attachment A and all Exhibits thereto

Scale: 2 Inches equals 1 mile



Last Name Avista Corporation Identification No. _____

14. Basis of Claim (Check One) Beneficial Use () Posted Notice () License () Permit ()¹ Decree ()

Court _____ Decree Date _____ Plaintiff v. Defendant _____

If applicable provide IDWR Water Right Number _____

15. Signature(s)

(a.) By signing below, I/We acknowledge that I/We have received, read and understand the form entitled "How you will receive notices in the Coeur d'Alene-Spokane River Basin Adjudication." (b.) I/We do () do not () wish to receive and pay a small annual fee for monthly copies of the docket sheet.

Number of attachments: Attachment A and Exhibits A-1 through A-4; and Attachment B and Exhibits B-1 through B-4

For Individuals: I/We do solemnly swear or affirm under penalty of perjury that the statements contained in the foregoing document are true and correct.

Signature of Claimant (s) _____ Date: _____
_____ Date: _____

For Organizations: I do solemnly swear or affirm under penalty of perjury that I am

Sr. Vice President of Avista Corporation,
Title Organization

that I have signed the foregoing document in the space below as

Sr. Vice President of Avista Corporation,
Title Organization

and that the statements contained in the foregoing document are true and correct.

Signature of Authorized Agent [Signature] Date 1/27/14

Title and Organization Sr. Vice President of Avista Corporation and President of Avista Utilities

16. Notice of Appearance:

Notice is hereby given that I, William J. Schroeder, will be acting as attorney at law of behalf of the claimant signing above, and that all notices required by law to be mailed by the director to the claimant signing above should be mailed to me at the address listed below.

Signature [Signature] Date 1/22/14

Address Paine Hamblen LLP

717 West Sprague Avenue, Suite 1200

Spokane, Washington 99201-3505

Last Name Avista Corporation Identification No. _____

¹ See Exhibits B-3 (Permit) and Exhibit B-4 (Judgment).

P A I N E  H A M B L E N ^{LLP}
A T T O R N E Y S

RECEIVED
JAN 29 2014
DEPARTMENT OF
WATER RESOURCES

William J. Schroeder
Partner
(509) 455-6043
william.schroeder@painehamblen.com
Admitted in Washington and Idaho

January 28, 2014

DELIVERED

Idaho Department of Water Resources
322 East Front Street
Boise, Idaho 83720-0098

RE: Avista Corporation's Filing of Six Notices of Claims to Water Rights
Coeur d'Alene-Spokane River Basin Water System General Adjudication

Dear Sir or Madam:

Pursuant to the Court's December 2, 2013 Order extending the deadline to January 31, 2014 for the filing of Avista Corporation's ("Avista") claim to water rights based on state and federal law related to its operation of the Post Falls Hydroelectric Development, enclosed for filing are (1) four Notices of Claims to Water Rights **based on state law**, and supporting documentation thereto; and (2) two Notices of Claims to Water Rights **based on federal law**, and supporting documentation thereto.

Avista's six Notices of Claims to Water Rights, and the supporting documents for each, are contained within three tabbed notebooks labeled:

1. Two Storage Claims Based on State Law – 2126.5' and 2128';
2. Two Dam Site Claims Based on State Law – 1150 cfs and 4250 cfs; and
3. Two Storage Claims Based on Federal Law – 2126.5' and 2128'.

In addition to the hard copies being provided, enclosed is also a disk containing all six of Avista's Notices of Claims to Water Rights and supporting documentation.

A check in the amount of \$51,925.00 is also enclosed for the filing fees associated with Avista's six Notices of Claims to Water Rights, calculated based on \$50 per claim plus variable charge derived from the nameplate capacity of Post Falls Dam (14.75 MW).

Should you have any questions or need additional information, please contact the undersigned or Avista's representative, Bruce Howard. Mr. Howard's contact information is as follows:

Bruce Howard
Avista Corporation. MSC 1
1411 East Mission Avenue
P. O. Box 3727
Spokane, Washington 99220-3727
(509) 495-2941

Thank you for your attention to this matter.

Sincerely


William J. Schroeder

Enclosures

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