

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.

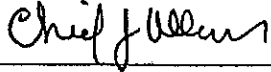
L. Parties and Authorities

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:

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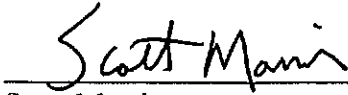
Chief Allan

Chairman, Coeur d'Alene Tribal Council

Executed this 16th day of December, 2008.

Avista Corporation

By:

A handwritten signature in cursive script, appearing to read "Scott Morris", is written over a horizontal line.

Scott Morris

CEO and Chairman of the Board of Directors