



**Avista Corp.**

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Spokane, Washington 99220-0500  
Telephone 509-489-0500  
Toll Free 800-727-9170

April 15, 2015

Steven V. King  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, WA 98504-7250

RECEIVED  
REGULATORY MANAGEMENT  
2015 APR 16 AM 9:34  
STATE OF WASH  
UTIL. AND TRANSP  
COMMISSION

Re: Docket No. UE-011595, Monthly Power Cost Deferral Report, March 2015  
Docket No. UE-140188, Monthly REC Report, March 2015

Dear Mr. King:

Enclosed are an original and five copies of Avista Corporation's Power Cost Deferral Report for the month of March 2015.

The report includes the monthly energy recovery mechanism (ERM) accounting journal together with backup workpapers (Attachment A-D). In March, actual net power costs were less than authorized costs by \$5,978,112 and a deferral entry was recorded for \$4,660,509 in the rebate direction. Year-to-date actual net power costs were less than authorized costs by \$12,079,502 and total deferral entries for \$6,371,522 have been made in the rebate direction. The ERM deferral at March 2015 is \$6,402,407 in the rebate direction.

In Order 05, Docket UE-140188, the Company was authorized to return a portion of the accumulated ERM deferral balance to customers effective January 1, 2015. Total rebate revenue amounted to \$710,400 for the month of March 2015. After adjusting for revenue-sensitive expenses, \$678,424 of amortization of the deferral balance was recorded.

Actual net power costs for March 2015 were lower than the authorized level due primarily to higher hydro generation. Hydro generation was 282 aMW above the authorized level. Colstrip generation was 27 aMW below the authorized level. Kettle Falls generation was 4 aMW above the authorized level. Natural gas-fired generation was 116 aMW below the authorized level.

The average power purchase price was \$14.75/MWh compared to an authorized price of \$29.23/MWh. The average natural gas price was \$3.54/dth compared to an authorized price of \$4.02/dth. The net transmission expense (transmission expense less transmission revenue) was below the authorized level. Washington retail sales were 31 aMW below the authorized level

The report also includes the monthly renewable energy credits (REC) accounting journal together with backup work papers (Attachment B). Per Order 05, Docket UE-140188 the Company defers 100% of the net monthly renewable energy credits (REC) not associated with compliance for the Washington Energy Independence Act. The amount of net revenues for March 2015 is \$167,220. The Company also is authorized to return to customers an amortization amount based on actual and projected net REC revenues from 2012 through June 2016. The rebate revenue amounted to \$521,424 for the month of March 2015. After adjusting for revenue-sensitive expenses, \$497,954 of amortization of the deferral balance was recorded.

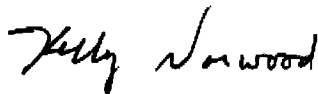
Interest for the ERM is calculated pursuant to the Settlement Stipulation approved by the Commission's Fifth Supplemental Order in Docket No. UE-011595, dated June 18, 2002. Interest is applied to the average of the beginning and ending month deferral balances net of associated deferred federal income tax. The Company's actual cost of debt is used as the interest rate. The interest rate is updated semi-annually and interest is compounded semi-annually. The January and July reports contain the supporting workpapers for the semi-annual updates of the weighted cost of debt used in the interest calculations. Page 40 of the report for January 2015 shows the calculation of the cost of debt at December 31, 2014, which is used for the January through June 2015 period.

Interest for RECs is calculated per footnote 3 of the Settlement Stipulation in Order No. 5, Docket UE-140188 dated November 25, 2014 where parties agreed to the use of an after-tax cost of capital interest rate (6.34%) on the rebate balance. This interest rate will be updated at the next General Rate Case.

Enclosed is a forward long-term power contract that contains confidential, market-sensitive information. Avista and the counter-party to the agreement might be directly affected by disclosure of the confidential information. The first page of each contract and the pages containing confidential information have been marked with the designation "confidential per WAC 480-07-160." The unredacted versions are being filed under seal. Six copies of the unredacted versions are being submitted in sealed envelopes, copied on yellow paper and identified as "Confidential Attachment E". Six copies of the redacted version are also being submitted.

If you have any questions, please contact Bill Johnson at (509) 495-4046 or Annette Brandon at (509) 495-4324.

Sincerely,



Kelly Norwood  
Vice President, State and Federal Regulation

AB

Enclosure

C: Mary Kimball, S. Bradley Van Cleve



AVISTA CORPORATION  
STATE OF WASHINGTON  
DOCKET NO. UE-011595  
POWER COST DEFERRAL REPORT  
MONTH OF MARCH 2015

RECEIVED  
PROGRAMS MANAGEMENT  
2015 APR 16 AM 9:34  
STATE OF WASH.  
UTIL. AND TRANSP.  
COMMISSION

**STATE OF WASHINGTON**  
**186280 ERM DEFERRAL (CURRENT YEAR)**

Accounting Period	Beginning Balance	Monthly Activity	Ending Balance
201401	\$1,256,447.00	(\$1,247,407.00)	\$ 9,040.00
201402	\$ 9,040.00	(\$9,040.00)	\$ -
201403	\$ -	\$0.00	\$ -
201404	\$ -	\$0.00	\$ -
201405	\$ -	(\$1,748,236.00)	\$ (1,748,236.00)
201406	\$ (1,748,236.00)	(\$914,303.00)	\$ (2,662,539.00)
201407	\$ (2,662,539.00)	(\$1,955,345.00)	\$ (4,617,884.00)
201408	\$ (4,617,884.00)	(\$42,368.00)	\$ (4,660,252.00)
201409	\$ (4,660,252.00)	\$812,584.00	\$ (3,847,668.00)
201410	\$ (3,847,668.00)	(\$91,107.00)	\$ (3,938,775.00)
201411	\$ (3,938,775.00)	\$72,210.00	\$ (3,866,565.00)
201412	\$ (3,866,565.00)	(\$357,446.00)	\$ (4,224,011.00)
201501	\$ (4,224,011.00)	\$13,034.00	\$ (4,210,977.00)
201502	\$ (4,210,977.00)	\$2,485,369.00	\$ (1,725,608.00)
201503	\$ (1,725,608.00)	(\$4,676,799.32)	\$ (6,402,407.32)

**201503**

(\$6,402,407.32)

<u>Current Month</u>	<u>GL Account</u>	<u>Amount</u>	<u>Journal ID</u>
<b>Balance 2/28/2015</b>		\$ (1,725,608)	
Deferral Current Month		\$ (2,223,227)	481 - ERM
Interest		\$ (8,114)	481 - ERM
Spokane Energy Transfer		\$ (2,437,282)	NSJ018 Spokane Energy
Interest Spokane Energy		\$ (8,176)	NSJ018 Spokane Energy
<b>Balance 03/31/2015</b>		\$ (6,402,407)	
<u>YTD</u>		<u>Amount</u>	<u>Journal ID</u>
<b>Balance 12/31/2014</b>		\$ (4,224,011)	
Deferral Year to Date		\$ (3,934,270)	481 - ERM
Spokane Energy Transfer		\$ (2,437,282)	NSJ018 Spokane Energy
Transfer BPA Parallel Capacity		\$ 25,213	481 - ERM/NSJ015
Transfer to Account 186290		\$ 4,198,798	481 - ERM
Interest		\$ (30,855)	481 - ERM
<b>Balance 03/31/2015</b>		\$ (6,402,407)	
	<u>Total</u>	<u>Absorbed</u>	<u>Deferred</u>
First \$4M at 100%	\$ (4,000,000)	\$ (4,000,000)	\$ -
\$4M to \$10M at 25% (rebate)	\$ (6,000,000)	\$ (1,500,000)	\$ (4,500,000)
\$4M to \$10M at 50% (surcharge)	\$ (2,079,502)	\$ (207,950)	\$ (1,871,552)
Over \$10M at 10%	\$ -	\$ -	\$ -
	\$ (12,079,502)	\$ (5,707,950)	\$ (6,371,552)

**GL Wand Interest Check**

**STATE OF WASHINGTON**  
**186290 ERM AMORTIZATION BALANCE**

Accounting Period	Beginning Balance	Monthly Activity	Ending Balance
201401	(\$9,280,641.14)	\$1,235,876.00	\$ (8,044,765.14)
201402	\$ (8,044,765.14)	\$9,319,254.14	\$ 1,274,489.00
201403	\$ 1,274,489.00	\$3,827.00	\$ 1,278,316.00
201404	\$ 1,278,316.00	(\$14,785.71)	\$ 1,263,530.29
201405	\$ 1,263,530.29	\$3,692.00	\$ 1,267,222.29
201406	\$ 1,267,222.29	\$3,692.00	\$ 1,270,914.29
201407	\$ 1,270,914.29	(\$1,270,914.00)	\$ 0.29
201408	\$ 0.29	(\$0.29)	\$ 0.00
201409	\$ 0.00	\$0.00	\$ 0.00
201410	\$ 0.00	\$0.00	\$ 0.00
201411	\$ 0.00	\$0.00	\$ 0.00
201412	\$ 0.00	\$0.00	\$ 0.00
201501	\$ 0.00	\$0.00	\$ 0.00
201502	\$ 0.00	(\$4,210,868.00)	\$ (4,210,868.00)
201503	\$ (4,210,868.00)	(\$12,070.00)	\$ (4,222,938.00)
<b>201503</b>			<b>(\$4,222,938.00)</b>

<u>Current Month</u>	<u>Amount</u>	<u>Journal ID</u>
<b>Balance 2/28/2015</b>	\$ (4,210,868.00)	
Transfer from 186280	\$ -	481 - ERM
interest	\$ (12,070.00)	481 - ERM
<b>Balance 03/31/2015</b>	\$ (4,222,938.00)	

**STATE OF WASHINGTON**  
**182350 RECOVERABLE DEFERRAL BALANCE (CURRENT YEAR - 2015)**

Accounting Period	Beginning Balance	Monthly Activity	Ending Balance
201401	(\$9,879,394.00)	\$546,382.00	\$ (9,333,012.00)
201402	\$ (9,333,012.00)	(\$8,518,899.14)	\$ (17,851,911.14)
201403	\$ (17,851,911.14)	\$737,656.00	\$ (17,114,255.14)
201404	\$ (17,114,255.14)	\$599,294.22	\$ (16,514,960.92)
201405	\$ (16,514,960.92)	\$610,932.00	\$ (15,904,028.92)
201406	\$ (15,904,028.92)	\$580,003.00	\$ (15,324,025.92)
201407	\$ (15,324,025.92)	\$1,888,322.00	\$ (13,435,703.92)
201408	\$ (13,435,703.92)	\$711,638.21	\$ (12,724,065.71)
201409	\$ (12,724,065.71)	\$722,250.00	\$ (12,001,815.71)
201410	\$ (12,001,815.71)	\$612,676.00	\$ (11,389,139.71)
201411	\$ (11,389,139.71)	\$628,745.00	\$ (10,760,394.71)
201412	\$ (10,760,394.71)	\$798,304.00	\$ (9,962,090.71)
201501	\$ (9,962,090.71)	\$798,997.00	\$ (9,163,093.71)
201502	\$ (9,163,093.71)	\$789,342.00	\$ (8,373,751.71)
201503	\$ (8,373,751.71)	\$655,479.00	\$ (7,718,272.71)

**201503**

**(\$7,718,272.71)**

<u>Current Month</u>	<u>Amount</u>	<u>Journal ID</u>
<b>Balance 2/28/2015</b>	\$ <b>(8,373,751.71)</b>	
Surcharge Amortization	\$678,424.00	481 - ERM
Interest	\$ (22,945.00)	481 - ERM
<b>Balance 03/31/2015</b>	\$ <b>(7,718,272.71)</b>	

**STATE OF WASHINGTON**  
**232380 DFIT ASSOCIATED WITH ERM DEFERRALS**

**DFIT Associated with ERM Deferrals**

**Account 283280.ED.WA**

Account 186280.ED.WA balance	\$	(6,402,407.32)
Account 186290.ED.WA balance	\$	(4,222,938.00)
Account 182350.ED.WA balance	\$	(7,718,272.71)
Total	\$	(18,343,618.03)
Federal income tax rate		-35%
Deferred FIT related to deferrals	\$	6,420,266.31
Rounding	\$	1.00
Balance that should be in account - January 31, 2015	\$	6,420,267.31

GL Check

\$6,420,267.19
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**STATE OF WASHINGTON**  
**186322 REC AMORTIZATION**

FERC Account	Accounting Period	Beginning Balance	Monthly Activity	Ending Balance
186322	201401	(\$1,606,947.81)	\$82,083.00	\$ (1,524,864.81)
ED.WA	201402	\$ (1,524,864.81)	(\$79,905.00)	\$ (1,604,769.81)
	201403	\$ (1,604,769.81)	(\$221,015.00)	\$ (1,825,784.81)
	201404	\$ (1,825,784.81)	(\$361,430.83)	\$ (2,187,215.64)
	201405	\$ (2,187,215.64)	\$84,889.00	\$ (2,102,326.64)
	201406	\$ (2,102,326.64)	(\$21,300.25)	\$ (2,123,626.89)
	201407	\$ (2,123,626.89)	(\$140,262.00)	\$ (2,263,888.89)
	201408	\$ (2,263,888.89)	(\$180,438.00)	\$ (2,444,326.89)
	201409	\$ (2,444,326.89)	(\$271,407.00)	\$ (2,715,733.89)
	201410	\$ (2,715,733.89)	(\$458,544.00)	\$ (3,174,277.89)
	201411	\$ (3,174,277.89)	(\$42,690.00)	\$ (3,216,967.89)
	201412	\$ (3,216,967.89)	(\$60,222.00)	\$ (3,277,189.89)
	201501	\$ (3,277,189.89)	\$153,618.00	\$ (3,123,571.89)
	201502	\$ (3,123,571.89)	\$568,226.00	\$ (2,555,345.89)
	201503	\$ (2,555,345.89)	\$485,435.00	\$ (2,069,910.89)

GL YTD Check

201503

(\$2,069,910.89)

<u>Current Month</u>		<u>Amount</u>	<u>Journal ID</u>
<b>Account 186322</b>	<b>Begin Balance</b>	<b>\$ (2,555,345.89)</b>	
Amortization		\$497,954.00	475 - WA REC Journal
Interest - 6.340%		\$(12,020.00)	475 - WA REC Journal
Interest Correction Jan & Feb		\$(499.00)	475 - WA REC Journal
<b>Balance 03/31/2015</b>	<b>Ending Balance</b>	<b>\$ (2,069,910.89)</b>	



**STATE OF WASHINGTON**  
**186323 REC DEFERRAL**

FERC Account	Accounting Period	Beginning Balance	Monthly Activity	Ending Balance
186323	201501	\$0.00	(\$120,324.00)	\$ (120,324.00)
ED.WA	201502	\$ (120,324.00)	(\$105,384.00)	\$ (225,708.00)
	201503	\$ (225,708.00)	(\$168,848.00)	\$ (394,556.00)

GL YTD Check      201503      (\$394,556.00)

<u>Current Month</u>		<u>Amount</u>	<u>Journal ID</u>
<b>Account 186322</b>	<b>Beginning</b>	<b>\$ (225,708.00)</b>	
Deferral		(\$167,220.00)	475 - WA REC
Interest		\$ (1,628.00)	475 - WA REC
<b>Balance</b>	<b>Ending Balance</b>	<b>\$ (394,556.00)</b>	

**STATE OF WASHINGTON**  
**232305 DFIT ASSOCIATED WITH REC DEFERRALS**

**DFIT Associated with ERM Deferrals**

**Account 283305.ED.WA**

Account 186322.ED.WA balance	\$ (2,069,910.89)
Account 186323.ED.WA balance	\$ (394,556.00)
Total	\$ (2,464,466.89)
Federal income tax rate	-35%
Deferred FIT related to deferrals	\$ 862,563.41
Rounding	\$ 1.00
Balance that should be in account - March 31, 2015	\$ 862,564.41

**GL Check**

**201503** \$862,563.41

\*currently DFIT is recorded in account 283305 and 283310. Amount will be combined into 283305 in April 2015.

**Attachment A**

**Avista Corporation  
Monthly Power Cost Deferral Report  
Month of March 2015**


**ERM Deferral Journal**

**Avista Corporation Journal Entry**

**Journal:** 481-WA ERM  
**Team:** Resource Accounting  
**Type:** C  
**Category:** DJ  
**Currency:** USD

**Effective Date:** 201503  
**Last Saved by:** Cheryl Kettner  
**Last Saved:** 04/07/2015 5:04 PM  
**Submitted by:** Cheryl Kettner  
**Approval Requested:** 04/07/2015 5:04 PM  
**Approved by:**

Seq	Co	FERC	Ser.	Jur.	S.L.	Debit	Credit	Comment
10	001		ED	WA	DL	678,424.00		Current Amortization
20	001	182350 - REGULATORY ASSET ERM APPROVED FOR RECOVERY	ED	WA	DL		678,424.00	Current Amortization Expense
30	001	557290 - WA ERM AMORTIZATION	ED	WA	DL		22,945.00	Interest Accrual for Amortization Balance
40	001	182350 - REGULATORY ASSET ERM APPROVED FOR RECOVERY	ED	WA	DL	22,945.00		Interest Expense on Amortization Balance
50	001	431600 - INTEREST EXPENSE ENERGY DEFERRALS	ED	WA	DL		2,223,227.00	Current Year ERM (2015)
60	001	186280 - REGULATORY ASSET ERM DEFERRED	ED	WA	DL			Current Year ERM Deferral Expense (2015)
70	001	CURRENT YEAR	ED	WA	DL	2,223,227.00		Current Year ERM Interest Accrual (2015)
80	001	557280 - DEFERRED POWER SUPPLY EXPENSE	ED	WA	DL			Current Year ERM Interest Expense (2015)
90	001	186280 - REGULATORY ASSET ERM DEFERRED	ED	WA	DL		8,114.00	Interest Expense on 2014 Pending Balance
100	001	CURRENT YEAR	ED	WA	DL		12,070.00	Interest Accrual for 2014 Pending Balance
							<b>Totals:</b>	
							2,944,780.00	

  
 Prepared by Cheryl Kettner  
 Date: 4/7/2015

Reviewed by \_\_\_\_\_  
 Date \_\_\_\_\_

Approved for Entry \_\_\_\_\_  
 Corporate Accounting use Only

**Explanation:**  
 Record current month deferred power supply costs, and interest per WA accounting order.

**Avista Corp. - Resource Account  
 Washington Energy Recovery Mechanism (ERM)**

**Changes Semiannually on January 1 and July 1**

The rate is based on Avista's actual cost of debt, updated semiannually.

The actual cost of debt calculated at 6/30 will be used for the interest calculation from .

The actual cost of debt calculated at 12/31 will be used for the interest calculation from .

Interest will be accrued monthly and compounded semi-annually.

Interest is calculated using the prior month ending balance plus 1/2 month of current month cha

Actual cost of debt at 12/31/14 is	5.307%
The monthly rate is:	0.00442 Before Tax
	0.0028746 After Tax
	35.00% Tax rate

**Account 186280**

12-31-2014 GL Balance including interest		(4,224,011)	
January	ERM Deferral		
January	BPA Settlement Bal Trsf	25,213	
January	Interest		(12,106)
01-31-2015 Balance before interest		(4,198,798)	
February	Transfer Balance to 186290	4,198,798	
February	ERM Deferral	(1,711,043)	
February	Interest		(2,459)
02-28-2015 Balance before interest		(1,711,043)	
March	ERM Deferral	(2,223,227)	
March	Interest		(8,114)
03-31-2015 Balance before interest		(3,934,270)	

Avista Corp. - Resource Accounting  
**WASHINGTON POWER COST DEFERRALS**

Line No.	WASHINGTON ACTUALS	TOTAL	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
1	555 Purchased Power	\$53,584,937	\$18,506,249	\$18,369,404	\$16,707,284	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	447 Sale for Resale	(\$35,702,872)	(\$1,643,072)	(\$10,923,988)	(\$13,235,802)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	Less SMUD RECs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	501 Thermal Fuel	\$6,273,212	\$3,024,714	\$719,974	\$2,528,524	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	547 CT Fuel	\$17,944,816	\$7,034,057	\$4,806,393	\$6,304,366	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	456 Transmission Revenue	(\$4,112,008)	(\$1,313,993)	(\$1,397,772)	(\$1,400,243)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7	565 Transmission Expense	\$4,347,101	\$1,469,091	\$1,407,165	\$1,470,845	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	557 Broker Fees	\$108,472	\$31,393	\$40,529	\$36,550	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9	Less Cleanwater directly assigned to ID	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	Adjusted Actual Net Expense	\$42,443,658	\$17,110,439	\$12,921,695	\$12,411,524	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total through March														
11	555 Purchased Power	\$39,741,626	\$14,241,308	\$12,916,216	\$12,684,102	\$10,157,992	\$9,801,839	\$8,966,511	\$9,032,312	\$10,449,135	\$8,227,612	\$8,950,494	\$12,731,418	\$12,617,776
12	447 Sale for Resale	(\$20,579,613)	(\$5,395,864)	(\$7,026,454)	(\$8,167,295)	(\$8,655,099)	(\$9,111,902)	(\$8,389,009)	(\$5,130,621)	(\$3,284,320)	(\$4,661,364)	(\$4,875,558)	(\$6,000,154)	(\$4,742,812)
13	Less SMUD RECs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	501 Thermal Fuel	\$7,726,910	\$2,663,532	\$2,484,671	\$2,578,707	\$2,068,252	\$1,665,745	\$1,511,381	\$2,254,578	\$2,621,357	\$2,672,936	\$2,757,933	\$2,649,850	\$2,700,185
15	547 CT Fuel	\$28,858,437	\$10,133,311	\$9,419,650	\$9,305,476	\$5,867,735	\$3,112,735	\$2,595,918	\$5,623,100	\$7,743,935	\$6,219,145	\$8,834,779	\$9,035,104	\$9,873,776
16	456 Transmission Revenue	(\$3,534,227)	(\$1,304,329)	(\$1,105,921)	(\$1,123,977)	(\$1,154,782)	(\$1,377,232)	(\$1,552,357)	(\$1,659,835)	(\$1,502,892)	(\$1,306,364)	(\$1,460,291)	(\$1,241,936)	(\$1,225,427)
17	565 Transmission Expense	\$4,292,370	\$1,447,542	\$1,429,504	\$1,405,324	\$1,394,208	\$1,365,074	\$1,353,383	\$1,377,511	\$1,429,273	\$1,414,185	\$1,374,889	\$1,403,813	\$1,423,031
18	557 Broker Fees	\$269,000	\$89,667	\$89,667	\$89,666	\$89,667	\$89,667	\$89,666	\$89,667	\$89,667	\$89,666	\$89,667	\$89,667	\$89,666
19	Authorized Net Expense	\$56,764,503	\$21,885,187	\$18,107,333	\$16,772,003	\$9,767,973	\$4,545,926	\$4,575,493	\$11,586,712	\$17,546,155	\$14,655,816	\$15,871,913	\$18,667,782	\$20,736,195
20	Actual - Authorized Net Expense	(\$14,320,845)	(\$4,774,728)	(\$5,185,639)	(\$4,360,479)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21	Resource Optimization - Subtotal	(\$2,352,346)	(\$706,789)	(\$739,146)	(\$906,411)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22	Spokane Energy Net Capacity Sale <sup>1</sup>	(\$4,347,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23	Adjusted Net Expense	(\$21,020,191)	(\$5,481,517)	(\$5,924,784)	(\$5,613,890)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
24	Washington Allocation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25	Washington Share	(\$13,703,063)	(\$5,573,401)	(\$3,862,367)	(\$6,267,295)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26	Washington 100% Activity (EIA 837)	\$0	\$22,707	\$3,828	\$3,828	(\$181,250)	\$0	\$0	(\$181,250)	\$0	\$0	(\$181,250)	\$0	\$0
27	WA Retail Revenue Adjustment	\$1,638,612	\$262,948	\$910,309	\$465,355	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	(+) Surcharge (-) Rebate	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
28	Net Power Cost (+) Surcharge (-) Rebate	(\$12,079,502)	(\$3,333,160)	(\$2,948,230)	(\$5,798,112)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
30	Cumulative Balance	(\$3,333,160)	(\$6,281,390)	(\$9,229,620)	(\$12,079,502)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Deferral Amount, Cumulative (Customer)	\$0	\$0	(\$1,711,043)	(\$6,371,552)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Deferral Amount, Monthly Entry	\$0	(\$1,711,043)	(\$4,660,509)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Account 557260 Entry: (+) Rebate, (-) Surcharge	\$6,371,552	\$0	\$1,711,043	\$4,660,509	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Company Band Gross Margin Impact, Cumulative	(\$3,333,160)	(\$4,370,347)	(\$5,707,950)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

<sup>1</sup>The Spokane Net Capacity Sale represents January - March 2015 Capacity payments from PGE. This amount was recorded as a reduction in expense until such time as the contract is officially transferred from Spokane Energy to Avista. Once the assignment of the contract has been completed, capacity payments will flow through account 447 Sales for Resale similar to any other wholesale revenue. Information related to Spokane Energy was filed in March with the Commission in Docket No. UE-150409, Avista Corporation Affiliated Interest Filing (Spokane Energy).

Avista Corp - r - Accounting  
**WASHINGTON DEFERRED POWER COST CALCULATION - ACTUAL SYSTEM POWER SUPPLY EXPENSES**

Line No.		Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
<b>555 PURCHASED POWER</b>													
1	Short-Term Purchases	\$26,635,756	\$9,144,844	\$8,407,240	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	Chelan County PUD (Rocky Reach Slice)	\$3,411,654	\$1,137,218	\$1,137,218	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	Douglas County PUD (Wells Settlement)	\$447,408	\$167,368	\$179,310	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	Douglas County PUD (Wells)	\$461,556	\$153,852	\$153,852	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	Grant County PUD (Priest Rapids/Wanapum)	\$1,855,002	\$618,334	\$618,334	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	Bonneville Power Admin. (WNP-3)	\$6,616,134	\$2,493,784	\$1,362,534	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7	Inland Power & Light - Deer Lake	\$1,947	\$517	\$925	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	Small Power	\$445,916	\$132,037	\$185,432	\$128,447	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9	Slimson Lumber	\$339,739	\$133,876	\$104,002	\$101,861	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	City of Spokane-Upriver	\$1,308,405	\$483,338	\$368,892	\$456,175	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	City of Spokane - Waste-to-Energy	\$1,253,715	\$407,336	\$454,551	\$391,828	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
12	Place Holder	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	Rathdrum Power, LLC (Lancaster PPA)	\$6,121,859	\$2,085,311	\$1,964,556	\$2,071,992	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	Palouse Wind	\$4,193,203	\$1,241,479	\$1,373,528	\$1,578,196	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	Cleanwater (PFI)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16	WPM Ancillary Services	\$434,399	\$137,599	\$148,814	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17	Non-Mon. Accruals	\$58,244	\$22,759	\$64,927	(\$29,442)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>18</b>	<b>Total 555 Purchased Power</b>	<b>\$53,584,937</b>	<b>\$18,508,249</b>	<b>\$18,369,404</b>	<b>\$16,707,284</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
(1) Effective November, 2008, WNP-3 purchase expense has been adjusted to reflect the mid-point price, per Settlement Agreement, Cause No. U-98-99 Error (Segment2)													
<b>447 SALES FOR RESALE</b>													
19	Short-Term Sales	(\$30,128,929)	(\$10,076,763)	(\$8,945,881)	(\$11,106,285)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20	Peaker LLC/PGE Cap Sale	(\$438,320)	(\$145,955)	(\$146,345)	(\$146,020)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21	Nichols Pumping Index Sale	(\$181,676)	(\$76,281)	(\$46,957)	(\$58,438)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22	Sovernig/Kaiser Load Following	(\$34,554)	(\$11,963)	(\$10,725)	(\$11,866)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23	Pend Oreille DES	(\$143,391)	(\$48,666)	(\$47,964)	(\$46,761)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
24	SMUD 50 + 25	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25	Merchant Ancillary Services	(\$4,776,002)	(\$1,283,444)	(\$1,626,126)	(\$1,866,432)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>26</b>	<b>Total 447 Sales for Resale</b>	<b>(\$35,702,872)</b>	<b>(\$11,643,072)</b>	<b>(\$10,823,998)</b>	<b>(\$13,235,802)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>501 FUEL-DOLLARS</b>													
27	Kettle Falls Wood-501110	\$1,514,800	\$787,016	\$101,852	\$625,932	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
28	Kettle Falls Gas-501120	\$5,891	(\$159)	\$1,725	\$4,325	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
29	Colstrip Coal-501140	\$4,682,230	\$2,191,973	\$614,689	\$1,875,568	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
30	Colstrip Oil-501160	\$70,281	\$45,884	\$1,708	\$22,689	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>31</b>	<b>Total 501 Fuel Expense</b>	<b>\$6,273,212</b>	<b>\$3,024,714</b>	<b>\$719,974</b>	<b>\$2,528,524</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>501 FUEL-TONS</b>													
32	Kettle Falls	115,214	57,572	9,136	48,506	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
33	Colstrip	239,385	98,812	61,132	79,441	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>501 FUEL-COST PER TON</b>													
34	Kettle Falls	wood	\$13.67	\$11.15	\$12.90	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
35	Colstrip	coal	\$22.18	\$10.06	\$23.61	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>547 FUEL</b>													
36	NE CT Gas/Oil-547213	\$20,852	\$1,933	\$18,530	\$389	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
37	Boulder Park-547216	\$52,391	\$16,613	\$26,723	\$9,055	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
38	Kettle Falls CT-547211	\$3,547	\$1,161	\$2,033	\$353	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
39	Coyote Springs2-547610	\$9,578,864	\$3,756,118	\$2,625,208	\$3,197,538	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
40	Lancaster-547312	\$8,216,175	\$3,234,280	\$1,883,752	\$3,098,143	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
41	Rathdrum CT-547310	\$72,987	\$23,952	\$50,147	(\$1,112)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>42</b>	<b>Total 547 Fuel Expense</b>	<b>\$17,944,816</b>	<b>\$7,034,057</b>	<b>\$4,606,393</b>	<b>\$6,304,366</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>43 TOTAL NET EXPENSE</b>													
		\$42,100,093	\$16,823,948	\$12,871,773	\$12,304,372	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>456 TRANSMISSION REVENUE</b>													
44	456100 ED AN	(\$3,304,554)	(\$1,044,935)	(\$1,131,484)	(\$1,128,135)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
45	456120 ED AN - BPA Settlement	(\$798,000)	(\$266,000)	(\$266,000)	(\$266,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
46	456020 ED AN-Sale of excess BPA Trans	(\$9,454)	(\$3,058)	(\$288)	(\$6,108)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
47	Exclude Prior Year BPA Settlement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
48	456705 ED AN - Do not include Low Voltage	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Avista Corp. - k... rce Accounting  
 WASHINGTON DEFERRED POWER COST CALCULATION - ACTUAL SYSTEM POWER SUPPLY EXPENSES

Line No.	TOTAL	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
49	Total 456 Transmission Revenue	(\$4,112,008)	(\$1,313,993)	(\$1,397,772)	(\$1,400,243)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>565 TRANSMISSION EXPENSE</b>													
50	565000 ED AN	\$4,341,011	\$1,467,061	\$1,405,135	\$1,468,815	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
51	565312 ED AN	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
52	565710 ED AN	\$6,090	\$2,030	\$2,030	\$2,030	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
53	Total 565 Transmission Expense	\$4,347,101	\$1,469,091	\$1,407,165	\$1,470,845	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>557 Broker &amp; Related Fees</b>													
54	557170 ED AN	\$105,544	\$31,018	\$39,248	\$36,278	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
55	557172 ED AN	\$2,928	\$375	\$1,281	\$1,272	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
56	Total 557 ED AN Broker & Related Fees	\$108,472	\$31,393	\$40,529	\$36,550	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>RESOURCE OPTIMIZATION</b>													
57	Econ Dispatch-557010	\$12,088,527	\$2,591,889	\$4,538,335	\$4,958,303	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
58	Econ Dispatch-557150	\$1,951,778	\$814,972	\$1,095,205	\$41,601	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
59	Gas Bookouts-557700	\$173,218	\$0	\$0	\$173,218	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
60	Gas Bookouts-557711	(\$173,218)	\$0	\$0	(\$173,218)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
61	Intraco Thermal Gas-557730	\$7,126,908	\$2,862,530	\$1,424,635	\$2,838,743	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
62	Fuel DispatchFin -456010	(\$6,990,866)	(\$2,013,173)	(\$3,448,826)	(\$3,528,867)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
63	Fuel Dispatch-456015	(\$3,859,967)	(\$1,010,407)	(\$970,092)	(\$1,879,468)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
64	Intraco Thermal Gas-456730	(\$10,667,806)	(\$3,952,616)	(\$3,378,430)	(\$3,336,760)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
65	Fuel Bookouts-456711	\$259,824	\$63,150	\$7,360	\$189,314	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
66	Fuel Bookouts-456720	(\$259,824)	(\$63,150)	(\$7,360)	(\$189,314)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
67	Resource Optimization Subtotal	(\$2,352,426)	(\$706,805)	(\$739,173)	(\$906,448)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
68	Misc. Power Exp. Authorized	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
69	Misc. Power Exp. Actual-557160 ED AN	\$632	\$0	\$0	\$0	\$832	\$0	\$0	\$0	\$0	\$0	\$0	\$0
70	KFWF Contract Buyout	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
71	Misc. Power Exp. Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
72	Wind REC Exp. Authorized	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
73	Wind REC Exp. Actual 557395	\$80	\$16	\$27	\$37	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
74	Wind REC Subtotal	\$80	\$16	\$27	\$37	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
75	WA EIA937 Requirement (EWEB) - Expense	\$154,715	\$154,715	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
76	WA EIA REC Purchase - Authorized	\$181,250	\$181,250	\$0	\$181,250	\$0	\$0	\$181,250	\$0	\$0	\$181,250	\$0	\$0
76	WA EIA937 Requirement (EWEB) - Broker Fee Exp	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
77	WA EIA 937 Requirement (EWEB) - Broker Fee Exp	\$11,484	\$3,828	\$3,828	\$3,828	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
78	EWEB REC WA EIA 937 Compliance	(\$22,707)	(\$22,707)	\$3,828	\$3,828	(\$181,260)	\$0	(\$181,260)	\$0	\$0	(\$181,260)	\$0	\$0
79	Net Resource Optimization	(\$2,352,346)	(\$706,789)	(\$739,146)	(\$906,411)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
80	Adjusted Actual Net Expense	\$40,076,261	\$16,380,943	\$12,186,377	\$11,508,941	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0



Avista Corp. - Resource Accounting  
**Washington Electric Jurisdiction**  
**Energy Recovery Mechanism (ERM) Retail Revenue Credit Calculation - 2015**

Retail Sales - MWh	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	YTD
Total Billed Sales	548,342	594,181	501,376										1,643,899
Deduct Prior Month Unbilled	(388,674)	(372,468)	(231,077)	-	-	-	-	-	-	-	-	-	(992,219)
Add Current Month Unbilled	372,468	231,077	194,123										797,668
<b>Total Retail Sales</b>	<b>532,136</b>	<b>452,790</b>	<b>464,422</b>										<b>1,449,348</b>
<b>Test Year Retail Sales</b>	<b>545,205</b>	<b>498,034</b>	<b>487,551</b>	<b>422,246</b>	<b>421,982</b>	<b>420,901</b>	<b>464,392</b>	<b>489,763</b>	<b>426,967</b>	<b>452,424</b>	<b>490,319</b>	<b>570,023</b>	<b>545,205</b>
<b>Difference from Test Year</b>	<b>(13,069)</b>	<b>(45,244)</b>	<b>(23,129)</b>										<b>(81,442)</b>
<b>Production Rate - \$/MWh</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>
<b>Total Revenue Credit - \$</b>	<b>(\$262,948)</b>	<b>(\$910,309)</b>	<b>(\$465,355)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$1,638,612)</b>

Avista Corp. - Resource Accounting  
 Washington Electric Jurisdiction  
**Energy Recovery Mechanism (ERM) Retail Revenue Credit Calculation - 2015**

Retail Sales - MWh	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	YTD
Total Billed Sales	548,342	594,181	501,376										1,643,899
Deduct Prior Month Unbilled	(388,674)	(372,488)	(231,077)										(992,219)
Add Current Month Unbilled	372,488	231,077	194,123										797,688
<b>Total Retail Sales</b>	<b>532,156</b>	<b>452,790</b>	<b>464,422</b>										<b>1,449,348</b>
<b>Test Year Retail Sales</b>	<b>545,205</b>	<b>498,034</b>	<b>487,551</b>	<b>422,246</b>	<b>421,982</b>	<b>420,901</b>	<b>484,392</b>	<b>489,763</b>	<b>426,967</b>	<b>452,424</b>	<b>490,319</b>	<b>570,023</b>	<b>545,205</b>
Difference from Test Year	(13,069)	(45,244)	(23,129)										(81,442)
<b>Production Rate - \$/MWh</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>	<b>\$20.12</b>
<b>Total Revenue Credit - \$</b>	<b>(\$262,948)</b>	<b>(\$910,309)</b>	<b>(\$465,355)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$1,638,612)</b>

ACCOUNT DESCRIPTION		TOWN	REVENUE CLASS CODE	RATE SCD	Current Gross Unbilled \$/KWH	Current Gross Unbilled REVENUE	Prior Month Revenue \$/KWH	Prior Month Revenue REVENUE	Net Change \$/KWH	Net Change REVENUE
<b>WASHINGTON</b>										
Residential Service	2800		01	001	\$ 9,351,526	\$ 9,351,526	(100,068,772.84)	\$ (8,534,720)	(3,763,600)	\$ (483,190)
Residential Farm Gen	2800		01	012	\$ 383,377	\$ 383,377	(2,760,223.86)	\$ (377,286)	(108,058)	\$ (13,919)
Residential Farm Lg	2800		01	022	\$ 1,900,350	\$ 1,900,350	(1,915,928.90)	\$ (146,841)	(414,578)	\$ (31,528)
Residential Farm Pump	2800		01	032	\$ 117,722	\$ 110,481,680.00	\$ 9,489,370	\$ (116,082.68)	\$ (10,379,258)	\$ (247)
Commercial General	2800		21	011	\$ 22,867,412	\$ 2,651,829	(22,173,688.21)	\$ (2,690,932)	663,714	\$ 70,897
Commercial Lg General	2800		21	021	\$ 53,845,903	\$ 4,328,353	(49,442,834.88)	\$ (3,964,484)	5,303,078	\$ 363,899
Commercial Extra Lg	2800		21	025	\$ 1,383,228	\$ 78,198,543.00	\$ 7,101,482	\$ 0.00	(300,116)	\$ (25,916)
Commercial Pump	2800		21	031	\$ 121,488	\$ 121,488	(1,693,343.58)	\$ (147,368)	(8,982,814)	\$ (25,916)
Industrial General	2800		31	011	\$ 294,304	\$ 32,979	(261,321.65)	\$ (32,463)	4,072	\$ 516
Industrial Lg General	2800		31	021	\$ 1,147,765	\$ 383,071	(4,875,681.75)	\$ (378,487)	(137,568)	\$ (13,418)
Industrial Extra Lg	2800		31	025	\$ 4,738,293	\$ 383,071	(38,217,988.00)	\$ (1,984,486)	(98,217,988)	\$ (1,984,486)
Industrial Pump	2800		31	031	\$ 412,025	\$ 39,048	(432,079)	\$ (38,539)	5,701	\$ 519
<b>WASHINGTON TOTAL</b>					\$ 184,122,845.00	\$ 17,386,931	(231,076,918.74)	\$ (19,904,917)	(26,954,075)	\$ (2,117,065)
<b>IDAHO</b>										
Residential Service	3800		01	001	\$ 82,416,622	\$ 4,832,464	(60,268,122.13)	\$ (4,846,203)	2,147,400	\$ 167,261
Residential Farm Gen	3800		01	012	\$ 1,147,765	\$ 131,741	(1,160,326.61)	\$ (133,498)	(13,142)	\$ (1,869)
Residential Farm Lg	3800		01	022	\$ 342,686	\$ 27,162	(340,277.96)	\$ (24,762)	34,317	\$ 2,380
Residential Farm Pump	3800		01	032	\$ 89,291	\$ 10,119	(87,688.50)	\$ (16,160)	1,222	\$ (21)
Commercial General	3800		21	011	\$ 14,508,182	\$ 1,438,326	(14,386,466.77)	\$ (1,427,990)	142,715	\$ 11,738
Commercial Lg General	3800		21	021	\$ 24,898,918	\$ 1,780,672	(23,305,601.66)	\$ (1,705,721)	1,504,218	\$ 84,851
Commercial Extra Lg	3800		21	025	\$ 892,812	\$ 63,110	(812,648.63)	\$ (78,948)	70,283	\$ 6,182
Commercial Pump	3800		21	031	\$ 3,313,008	\$ 3,313,008	(3,310,259)	\$ (3,210,259)		\$
Industrial General	3800		31	011	\$ 235,443	\$ 22,836	(208,182.18)	\$ (19,758)	32,281	\$ 3,077
Industrial Lg General	3800		31	021	\$ 5,003,168	\$ 336,526	(4,607,782.26)	\$ (408,365)	(1,004,829)	\$ (67,459)
Industrial Extra Lg	3800		31	025	\$ 2,878,287	\$ 141,886	(3,087,386.06)	\$ (164,801)	(331,078)	\$ (24,718)
Industrial Pump	3800		31	031	\$ 795,329	\$ 85,770	(812,648.63)	\$ (78,779)	(108,320)	\$ (10,000)
<b>IDAHO TOTAL</b>					\$ 102,637,330.00	\$ 8,653,919	(100,380,083.27)	\$ (8,712,807)	2,477,244	\$ 171,453
<b>WASHINGTON &amp; IDAHO TOTAL</b>					\$ 296,980,175	\$ 26,270,841	(331,457,004)	\$ 0.0851	\$ (28,216,524)	\$ (1,946,663)

Electric Revenue Report by Revenue Class Current Month and Year-to-Date for Accounting Period : 201503 , State Code : WA

Accounting Period:201503		State Code: WA				
Rate Schedule Desc	Meters	Usage	Revenue Amt	YTD Average Meters	Ytd Usage	Ytd Revenue Amt
0001 - RESIDENTIAL	211,292	200,332,698	\$ 17,635,448	149,186	458,198,425	\$ 40,383,190
001 RESIDENTIAL SERVICE	-4,870	-36,839	\$ (3,202)	65,974	275,642,339	\$ 24,061,336
0011 - GENERAL SERVICE	21,963	43,876,420	\$ 5,309,110	15,564	96,709,686	\$ 11,614,885
0012 - RESID&FARM-GEN SERV	8,967	5,057,288	\$ 723,835	6,249	11,581,875	\$ 1,622,504
0021 - LARGE GENERAL SERV	1,993	111,335,985	\$ 10,350,733	1,394	237,443,105	\$ 22,027,122
0022 - RESID&FRM-LGE GEN SE	54	2,853,780	\$ 252,198	41	7,350,480	\$ 642,643
0025 - EXTRA LGE GEN SERV	22	132,229,991	\$ 7,663,867	21	316,608,066	\$ 16,266,806
0030 - PUMPING SERV-SPECIAL	32	78,520	\$ 6,086	21	84,640	\$ 7,055
0031 - PUMPING SERVICE	1,211	3,397,899	\$ 310,831	853	8,324,604	\$ 757,572
0032 - PUMPING SVC RES&FRM	1,227	222,426	\$ 41,153	849	516,378	\$ 89,772
0041 - CO OWNED ST LIGHTS	11	8,271	\$ 2,028	10	24,640	\$ 5,914
0042 - CO OWND ST LITS SO VA	304	1,130,044	\$ 407,187	266	2,674,845	\$ 919,702
0044 - CST OWND ST LT SO VA	14	25,097	\$ 3,748	12	71,215	\$ 9,984
0045 - CUST OWND ST LT ENGY	11	84,618	\$ 6,361	8	186,402	\$ 12,845
0046 - CUST OWND ST LT S V	53	102,025	\$ 10,675	42	266,340	\$ 27,072
0047 - AREA LIGHT-COM&INDUS	0	464,001	\$ 114,186	0	1,055,847	\$ 250,571
0048 - AREA LGHT-FARM&RESID	0	255,415	\$ 67,590	0	571,001	\$ 143,455
0058 - TAX ADJUSTMENT	0	0	\$ 1,486,302	0	0	\$ 3,377,627
0058A - TAX ADJUSTMENT TRIBAL	0	0	\$ (6,780)	0	0	\$ (14,331)
0095 - WIND POWER	0	0	\$ 15,877	0	0	\$ 34,987
0099 - MISC ELECT REVENUE	0	0	\$ 27,611	0	0	\$ 73,689
0101 - FIRM AND GENERAL SER	0	0	\$ 0	0	-29	\$ (33)
011 GENERAL SERVICE	-204	-26,647	\$ (4,602)	7,135	49,038,825	\$ 5,679,826
012 RESIDENTIAL AND FARM GENERAL SERVICE	-64	-1,033	\$ (216)	2,911	6,583,773	\$ 862,361
021 LARGE GENERAL SERVICE	-13	-7,680	\$ (1,335)	639	116,145,997	\$ 10,366,515
022 RESIDENTIAL AND FARM LARGE GENERAL SERVICE	0	0	\$ 0	18	3,775,280	\$ 318,083
025 EXTRA LARGE GENERAL SERVICE	0	0	\$ 0	7	46,337,135	\$ 5,323,598
025B - PVD	0	0	\$ (166,703)	0	0	\$ (254,000)
028 EXTRA LARGE SERVICE-SPECIAL CONTRACT	0	0	\$ 0	0	0	\$ (1)
030 PUMPING SERVICE-SPECIAL	0	-5,212	\$ (419)	11	-1,822	\$ 346
031 PUMPING SERVICE	-7	-1,252	\$ (106)	368	2,537,345	\$ 226,345
032 PUMPING SERVICE RESIDENTIAL AND FARM	-19	0	\$ 0	385	280,832	\$ 42,378
041 COMPANY OWNED STREET LIGHTS	0	0	\$ 0	4	8,560	\$ 1,977
042 COMPANY OWNED STREET LIGHTS-HI PRESS SOD VP	-1	0	\$ 0	96	1,115,098	\$ 359,175
044 CUST OWNED ST LIGHTS-HI PRESS ENGY & MAINT	0	0	\$ 0	4	26,015	\$ 3,323
044A FAIRCHILD ST LIGHTS	0	0	\$ 0	0	0	\$ 336
045 CUSTOMER OWNED STREET LIGHT ENERGY SERVICE	0	0	\$ 0	3	29,307	\$ 1,832
046 CUSTOMER OWNED STREET LIGHT ENERGY SOD VAP	0	0	\$ 0	17	103,824	\$ 10,093
047 AREA LIGHTING COMMERCIAL-INDUSTRIAL	0	0	\$ 0	0	429,561	\$ 101,473
048 AREA LIGHTING FARM AND RESIDENTIAL	0	0	\$ 0	0	253,436	\$ 64,162
058 TAX ADJUSTMENT	0	0	\$ (225)	0	0	\$ 1,690,101
058A TAX ADJUSTMENT - INDIAN RESERVATION	0	0	\$ 0	0	0	\$ (9,130)
090 FUEL EFFICIENCY	0	0	\$ 0	0	0	\$ 0
095 WIND POWER	0	0	\$ (48)	0	0	\$ 15,254
099 REPORTING SCHED NUMBER FOR MISC ELEC REV	0	0	\$ 0	0	0	\$ 45,390
Total WA	241,976	* 501,375,816	\$ 44,251,203	252,087	1,643,973,026	\$ 147,163,801
Total WA	241,976	* 501,375,816	\$ 44,251,203	252,087	1,643,973,026	\$ 147,163,801

## Washington Energy Recovery Mechanism (ER

### Changes Semiannually on January 1 and July 1

The rate is based on Avista's actual cost of debt, updated semiannually.

The actual cost of debt calculated at 6/30 will be used for the interest calcul

The actual cost of debt calculated at 12/31 will be used for the interest calcul

Interest will be accrued monthly and compounded semi-annually.

Interest is calculated using the prior month ending balance plus 1/2 month of curre

Actual cost of debt at 12/31/14 is		5.307%	
The monthly rate is:		0.00442 Before Tax	
		0.0028746 After Tax	
		35.00% Tax rate	
January	Surcharge Amortization	826,446	
January	Interest		(27,449)
01-31-2015 Balance before interest		(9,135,645)	
February	Surcharge Amortization	814,433	
February	Interest		(25,091)
02-28-2015 Balance before interest		(8,321,212)	
March	Surcharge Amortization	678,424	
March	Interest		(22,945)
03-31-2015 Balance before interest		(7,642,788)	

AVISTA CORPORATION  
 MARCH 2015 WASHINGTON ENERGY RECOVERY MECHANISM REBATE REVENUE & DEFERRAL AMORTIZATION

Schedule	Proration Percentages		Rebate Rates		Current Month		Total
	Before	On/After	Before	On/After	Rebate Revenue	Rate	
(a)	01-01-2015*	01-Jan-15	01-Jan-15	01-Jan-15	01-Jan-15	(h)	(i)
(b)	(c)	(d)	(e)	(f)	(g)	(b)*(d)*(f)	(g)+(h)
1	200,295,860	0.00%	100.00%	(0.149¢)	\$	(298,441)	\$ (298,441)
11	43,849,773	0.00%	100.00%	(0.200¢)	\$	(87,700)	\$ (87,700)
12	5,056,255	0.00%	100.00%	(0.200¢)	\$	(10,113)	\$ (10,113)
21	111,328,305	0.00%	100.00%	(0.169¢)	\$	(166,992)	\$ (166,992)
22	2,853,780	0.00%	100.00%	(0.169¢)	\$	(4,281)	\$ (4,281)
25	132,229,991	0.00%	100.00%	(0.108¢)	\$	(128,263)	\$ (128,263)
30	73,308	0.00%	100.00%	(0.150¢)	\$	(102)	\$ (102)
31	3,396,647	0.00%	100.00%	(0.150¢)	\$	(4,721)	\$ (4,721)
32	222,426	0.00%	100.00%	(0.139¢)	\$	(309)	\$ (309)
41-46	1,350,055	0.00%	100.00%	(0.458¢)	\$	(6,183)	\$ (6,183)
47	464,001	0.00%	100.00%	(0.503¢)	\$	(2,125)	\$ (2,125)
48	255,415	0.00%	100.00%	(0.503¢)	\$	(1,170)	\$ (1,170)
Schedule Totals	501,375,816				\$0	-\$710,400	-\$710,400

Conversion factor	0.954989
Amortization	<del>5678,424</del>
FIT rate	-35%
DFIT expense	\$237,448

kWh not subject to surcharge  
 Sch 62 0  
 Total kWh 501,375,816

**Avista Corp. - Resource  
 Washington Energy Recovery Mechanism (ERM)**

**Changes Semiannually on January 1 and July 1**

The rate is based on Avista's actual cost of debt, updated semiannually.

The actual cost of debt calculated at 6/30 will be used for the interest calculation from July through

The actual cost of debt calculated at 12/31 will be used for the interest calculation from January through

Interest will be accrued monthly and compounded semi-annually.

Interest is calculated using the prior month ending balance plus 1/2 month of current month change

Actual cost of debt at 12/31/14 is	5.307%
The monthly rate is:	0.00442 Before Tax
	0.0028746 After Tax
	35.00% Tax rate

<b>Account 186290</b>	
12-31-2014 GL Balance including interest	0

January	0	
January Interest		0
01-31-2015 Balance before interest	0	

February Transfer in from 186280	(4,198,798)	
February Interest		(12,070)
02-28-2015 Balance before interest	(4,198,798)	0

March	0	
March Interest		(12,070)
03-31-2015 Balance before interest	(4,198,798)	

**Attachment B**

**Avista Corporation  
Monthly Power Cost Deferral Report  
Month of March 2015**

**Spokane Energy Capacity Payments from PGE Journal  
NSJ 013**



**Avista Corporation Journal Entry**

Effective Date: 201503

Journal: NSJ013 - Spokane Energy Capacity Payments from PGE

Team: Corporate Accounting Last Saved by: Tara Moses

Type: C Submitted by: Tara Moses


Category: NSJ Approved by:

Currency: USD

Last Saved: 04/08/2015 11:05 AM

Approval Requested: 04/08/2015 11:05 AM

Seq	Co	FERC	DEFERRED	Set.	Jur.	Debit	Credit	Comment
10	001	186280 - REGULATORY ASSET ERM CURRENT YEAR	ED	WA	DL		2,437,282.32	Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa impact to ERM
20	001	182387 - REGULATORY ASSET ID PCA DEFERRAL 3	ED	ID	DL		1,359,915.48	Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa impact to PCA
30	001	557160 - OTHER RESOURCE COSTS	ED	WA	DL		396,526.98	Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa Company Benefit WA
40	001	557160 - OTHER RESOURCE COSTS	ED	ID	DL		151,101.72	Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa Company Benefit ID
50	001	234390 - INTEREST INC PAYABLE-SPOKANE ENERGY	ZZ	ZZ	DL	4,344,826.50		Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa Payable to Corp
60	001	431600 - INTEREST EXPENSE ENERGY DEFERRALS	ED	WA	DL	8,176.00		Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa ERM Int Exp
70	001	186280 - REGULATORY ASSET ERM DEFERRED CURRENT YEAR	ED	WA	DL		8,176.00	Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa ERM Int Exp
80	001	419600 - INTEREST ON ENERGY DEFERRALS	ED	ID	DL	1,133.00		Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa PCA reduce Int Inc
90	001	182387 - REGULATORY ASSET ID PCA DEFERRAL 3	ED	ID	DL		1,133.00	Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa PCA reduce Int Inc
<b>Totals:</b>						<b>4,354,135.50</b>	<b>4,354,135.50</b>	

  
 Prepared by Tara Moses 4.8.15 Date  
 Reviewed by \_\_\_\_\_ Date  
 Approved for Entry \_\_\_\_\_ Date  
 Corporate Accounting use Only

Explanation:  
 January - March 2015 Spokane Energy Capacity Payments from PGE, rebate to customers directly through ERM & PCA current deferral buckets.

**Spokane Energy Capacity Payments from PGE**

January	1,599,000.00
February	1,599,000.00
March	<u>1,599,000.00</u>
Total	<u>4,797,000.00</u>

**Capacity Purchase/Service Fee at Avista Corp.**

January	150,000.00
February	150,000.00
March	<u>150,000.00</u>
Total	<u>450,000.00</u>

**Difference (net capacity payments) 4,347,000.00**

**PT Ratio Allocation**

Washington	65.19%
Idaho	34.76%

**Allocation of net capacity payments**

		10,000,000.00	
Washington	2,833,809.30	9,245,693.00	Actual 3.31.15 ERM Cumulative Balance
Idaho	1,511,017.20	754,307.00	Remaining 75/25 band

10% share of Washington payments	188,576.75
10% share of Washington payments	207,950.23
10% share of Idaho payments	<u>151,101.72</u>
	<u>547,628.70</u>

Washington payments deferred to ERM	2,437,282.32
Idaho payments deferred to PCA	1,359,915.48

**Journal entry DR CR**

186280 Current year ERM ED WA		2,437,282.32 ✓
182387 Current year PCA ED ID		1,359,915.48
557 <del>100</del> ED WA		396,526.98
557 <del>100</del> ED ID		151,101.72
234390 Payable Spokane Energy ZZ ZZ	4,344,826.50	

Avista Corp. - Nurse Accounting  
WASHINGTON F - COST DEFERRALS

Line No	WASHINGTON ACTUALS	TOTAL	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
1	555 Purchased Power	\$53,584,937	\$18,508,249	\$18,369,404	\$16,707,284	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	447 Sale for Resale	(\$35,702,872)	(\$11,643,072)	(\$13,235,802)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)
3	Less SMUD RECs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	501 Thermal Fuel	\$6,273,212	\$3,024,714	\$719,974	\$2,528,524	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	547 CT Fuel	\$17,944,816	\$7,034,057	\$4,606,393	\$6,304,366	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	456 Transmission Revenue	(\$4,112,008)	(\$1,313,993)	(\$1,397,772)	(\$1,400,243)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7	565 Transmission Expense	\$4,347,101	\$1,489,081	\$1,407,165	\$1,470,845	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	557 Broker Fees	\$108,472	\$31,393	\$40,529	\$36,550	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9	Less Cleverwater directly assigned to ID	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	Adjusted Actual Net Expense	\$42,443,658	\$17,110,439	\$12,921,895	\$12,411,524	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Line No	AUTHORIZED NET EXPENSE-SYSTEM	Total through March	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
11	555 Purchased Power	\$39,741,626	\$14,241,308	\$12,816,216	\$12,684,102	\$10,157,992	\$8,801,839	\$8,966,511	\$9,032,312	\$10,449,135	\$8,227,612	\$8,950,494	\$12,731,418	\$12,617,776
12	447 Sale for Resale	(\$20,579,613)	(\$5,385,884)	(\$7,026,454)	(\$8,167,255)	(\$8,655,059)	(\$9,111,902)	(\$8,388,008)	(\$5,130,621)	(\$3,284,320)	(\$4,661,364)	(\$4,875,558)	(\$6,000,154)	(\$4,742,812)
13	Less SMUD RECs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	501 Thermal Fuel	\$7,726,910	\$2,663,532	\$2,484,671	\$2,578,707	\$2,068,252	\$1,665,745	\$1,511,381	\$2,254,578	\$2,621,357	\$2,672,936	\$2,757,933	\$2,649,850	\$2,700,185
15	547 CT Fuel	\$28,858,437	\$10,133,311	\$9,419,650	\$9,305,476	\$5,867,735	\$3,112,735	\$2,585,918	\$5,623,100	\$7,745,935	\$8,219,145	\$8,834,779	\$8,035,104	\$8,873,776
16	456 Transmission Revenue	(\$3,534,227)	(\$1,304,329)	(\$1,105,921)	(\$1,123,977)	(\$1,154,782)	(\$1,377,232)	(\$1,552,357)	(\$1,659,835)	(\$1,502,892)	(\$1,306,384)	(\$1,460,291)	(\$1,241,936)	(\$1,225,427)
17	565 Transmission Expense	\$4,282,370	\$1,447,542	\$1,429,504	\$1,405,324	\$1,394,208	\$1,365,074	\$1,353,383	\$1,377,511	\$1,429,273	\$1,414,185	\$1,374,889	\$1,403,813	\$1,423,031
18	557 Broker Fees	\$269,000	\$89,667	\$89,667	\$89,666	\$89,667	\$89,667	\$89,666	\$89,667	\$89,667	\$89,666	\$89,667	\$89,667	\$89,666
19	Authorized Net Expense	\$58,764,603	\$21,885,167	\$18,107,333	\$18,772,063	\$9,787,873	\$4,546,938	\$4,876,493	\$11,686,712	\$17,646,185	\$14,655,216	\$15,871,913	\$18,667,782	\$20,736,106
20	Actual - Authorized Net Expense	(\$14,320,846)	(\$4,774,728)	(\$5,181,638)	(\$4,360,478)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

21	Recovery Optimization - Subtotal	(\$8,999,346)	(\$2,855,286)	(\$2,188,146)	(\$2,355,413)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22	Adjusted Net Expense	(\$21,020,191)	(\$6,930,517)	(\$7,373,784)	(\$6,715,890)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23	Washington Allocation		65.19%	65.19%	65.19%	65.19%	65.19%	65.19%	65.19%	65.19%	65.19%	65.19%	65.19%	65.19%
24	Washington Share	(\$13,703,063)	(\$4,518,004)	(\$4,806,970)	(\$4,376,089)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25	Washington 100% Activity (EIA 937)		(\$22,707)	\$3,828	\$3,828	(\$181,250)	\$0	\$0	(\$181,250)	\$0	\$0	(\$181,250)	\$0	\$0
26	WA Retail Revenue Adjustment (+) Surcharges (-) Rebate	\$1,638,612	\$262,948	\$910,309	\$465,355	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
27	Net Power Cost (+) Surcharges (-) Rebate	(\$12,079,502)	(\$4,277,763)	(\$3,892,833)	(\$3,908,906)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
29	Cumulative Balance	(\$4,277,763)	(\$8,170,586)	(\$12,079,502)	(\$12,079,502)	(\$12,079,502)	(\$12,079,502)	(\$12,079,502)	(\$12,079,502)	(\$12,079,502)	(\$12,079,502)	(\$12,079,502)	(\$12,079,502)	(\$12,079,502)
	Deferral Amount, Cumulative (Customer)	(\$208,322)	(\$3,127,947)	(\$6,371,562)	(\$6,371,562)	(\$6,371,562)	(\$6,371,562)	(\$6,371,562)	(\$6,371,562)	(\$6,371,562)	(\$6,371,562)	(\$6,371,562)	(\$6,371,562)	(\$6,371,562)
	Deferral Amount, Monthly Entry	(\$208,322)	(\$2,919,625)	(\$2,919,625)	(\$3,243,605)	(\$3,243,605)	(\$3,243,605)	(\$3,243,605)	(\$3,243,605)	(\$3,243,605)	(\$3,243,605)	(\$3,243,605)	(\$3,243,605)	(\$3,243,605)
	Acc'd \$87,289 Entry; (+) Rebate, (-) Surcharges	\$8,371,562	\$288,322	\$2,919,625	\$3,243,605	\$3,243,605	\$3,243,605	\$3,243,605	\$3,243,605	\$3,243,605	\$3,243,605	\$3,243,605	\$3,243,605	\$3,243,605
	Company Band Gross Margin Impact, Cumulative	(\$4,069,441)	(\$5,042,649)	(\$5,707,960)	(\$5,707,960)	(\$5,707,960)	(\$5,707,960)	(\$5,707,960)	(\$5,707,960)	(\$5,707,960)	(\$5,707,960)	(\$5,707,960)	(\$5,707,960)	(\$5,707,960)

Original ERM Deferral  
ERM Deferral w/ Spokane Energy  
Interest  
UR 234290  
Cr. 186280  
Dr. 431600  
Cr. 186280  
Expense

**Avista Corp. - Resource Accounting  
 Washington Energy Recovery Mechanism (ERM) Current Year Deferral**

Changes Semiannually on January 1 and July 1

The rate is based on Avista's actual cost of debt, updated semiannually.

The actual cost of debt calculated at 6/30 will be used for the interest calculation from July through December.

The actual cost of debt calculated at 12/31 will be used for the interest calculation from January through June.

Interest will be accrued monthly and compounded semi-annually.

Interest is calculated using the prior month ending balance plus 1/2 month of current month charges times the current after tax interest rate

Actual cost of debt at 12/31/14 is	5.307%	Actual cost of debt at 06/30/14 is	5.343%
The monthly rate is:	0.00442 Before Tax	The monthly rate is:	0.00445 Before Tax
	0.0028746 After Tax		0.0028941 After Tax
	35.00% Tax rate		35.00% Tax rate

Account 186280 0  
 12-31-2014 GL Balance including interest (4,224,011)

				<u>January</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
January	ERM Deferral			Deferral	0 Operating	0
January	BPA Settlement Bal Trsf	25,213				
January	Spokane Energy	(208,322)				
January	Interest		(12,406)	Interest	(4,342) Nonoperating	4,342
	01-31-2015 Balance before interest	(4,407,120)			(4,342) Total	4,342
				<u>February</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
February	Transfer Balance to 186290	4,198,798		Deferral	1,469,579 Operating	(1,469,579)
February	ERM Deferral	(1,711,043)				
February	Spokane Energy	(1,208,582)				
February	Interest		(4,795)	Interest	(1,678) Nonoperating	1,678
	02-28-2015 Balance before interest	(3,127,947)			1,467,901 Total	(1,467,901)
				<u>March</u>	<u>DFIT Expense</u>	<u>ADFIT</u>
March	ERM Deferral	(2,223,227)		Deferral	(778,129) Operating	778,129
March	Spokane Energy	(1,020,378)				
March	Interest		(13,654)	Interest	(4,779) Nonoperating	4,779
	03-31-2015 Balance before interest	(6,371,552)			(782,908) Total	782,908

<b>GL Balance</b>	<b>(6,371,552)</b>	<b>(30,855)</b>	<b>ADFIT Balance</b>	<b>4,342</b>
Update ERM balance to include Interest		(6,402,407)		2,240,842
			<b>Check</b>	<b>(2,236,500)</b>

GL Wand (3,956,949.00)

Difference (2,445,458.00)

2,127,252  
 6,730  
 2,445,458  
 Cr. 186280

Avista Corp. - Resource Accounting  
**IDAHO POWER COST DEFERRALS**

Line No	IDAHO ACTUALS	TOTAL	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
1	555 Purchased Power	\$53,552,706	\$18,484,805	\$18,357,266	\$16,700,647	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	447 Sale for Resale	(\$35,702,872)	(\$11,643,072)	(\$10,823,988)	(\$13,235,802)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	501 Thermal Fuel	\$6,273,212	\$3,024,714	\$7,119,974	\$2,528,524	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	547 CT Fuel	\$17,944,816	\$7,034,057	\$4,606,393	\$6,304,366	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	456 Transmission Rev	(\$1,400,857)	(\$1,400,857)	(\$1,484,436)	(\$1,486,907)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	555 Transmission Exp	\$4,347,101	\$1,469,081	\$1,407,165	\$1,470,845	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7	<b>Adjusted Actual Net Expense</b>	<b>\$42,042,965</b>	<b>\$16,878,838</b>	<b>\$12,782,344</b>	<b>\$12,281,873</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
	Total through March													
8	<b>AUTHORIZED NET EXPENSE - SYSTEM</b>													
8	555 Purchased Power	\$28,623,804	\$10,717,432	\$9,359,487	\$8,546,885	\$5,337,699	\$5,287,042	\$5,648,618	\$7,939,502	\$5,511,282	\$5,789,904	\$8,437,276	\$8,726,282	
9	447 Sale for Resale	(\$13,820,457)	(\$4,641,568)	(\$4,386,361)	(\$4,792,538)	(\$5,022,215)	(\$3,271,701)	(\$6,033,100)	(\$3,116,032)	(\$4,649,875)	(\$4,672,288)	(\$5,573,841)	(\$6,089,913)	
10	501 Thermal Fuel	\$8,207,189	\$2,789,917	\$2,632,215	\$2,785,057	\$1,718,372	\$1,405,767	\$2,715,972	\$2,948,383	\$2,925,528	\$3,051,784	\$2,909,636	\$3,002,771	
11	547 CT Fuel	\$23,177,955	\$8,264,229	\$7,537,533	\$7,376,233	\$2,851,218	\$2,207,285	\$6,893,837	\$8,303,984	\$8,561,441	\$9,066,171	\$9,713,701	\$10,600,577	
12	456 Transmission Revenue	(\$3,673,924)	(\$1,324,260)	(\$1,118,308)	(\$1,231,356)	(\$1,159,556)	(\$1,408,821)	(\$1,563,830)	(\$1,439,516)	(\$1,381,658)	(\$1,498,286)	(\$1,294,553)	(\$1,278,524)	
13	555 Transmission Expense	\$4,506,889	\$1,495,284	\$1,530,877	\$1,480,538	\$1,427,248	\$1,420,882	\$1,432,251	\$1,480,124	\$1,483,239	\$1,547,809	\$1,665,262	\$1,635,447	
14	<b>Authorized Net Expense</b>	<b>\$47,021,296</b>	<b>\$17,301,034</b>	<b>\$16,666,443</b>	<b>\$14,164,819</b>	<b>\$8,686,220</b>	<b>\$6,633,464</b>	<b>\$9,093,848</b>	<b>\$16,117,446</b>	<b>\$12,609,977</b>	<b>\$13,318,094</b>	<b>\$16,867,481</b>	<b>\$16,896,640</b>	
15	<b>Actual - Authorized Net Expense</b>	<b>(\$4,978,331)</b>	<b>(\$322,086)</b>	<b>(\$3,773,088)</b>	<b>(\$1,883,148)</b>									
16	Resource Optimization	(\$7,297,413)	(\$2,342,883)	(\$2,343,069)	(\$2,011,471)									
17	<b>Adjusted Actual - Authorized Net Expense</b>	<b>(\$12,275,744)</b>	<b>(\$2,684,949)</b>	<b>(\$5,116,178)</b>	<b>(\$4,494,617)</b>									
18	Idaho Allocation	34.76%	34.76%	34.76%	34.76%	34.76%	34.76%	34.76%	34.76%	34.76%	34.76%	34.76%	34.76%	
19	Idaho Share	(\$4,267,048)	(\$926,336)	(\$1,778,383)	(\$1,582,329)									
20	ID Load Change Adjustment (+) Surcharge (-)	\$423,213	\$150,034	\$427,259	(\$154,080)									
21	2013 REC Authorized Adjustment	\$0	\$0	\$0	\$0									
22	<b>Net Power Cost Increase (+) Surcharge (-)</b>	<b>(\$3,843,835)</b>	<b>(\$776,302)</b>	<b>(\$1,351,124)</b>	<b>(\$1,716,409)</b>									
23	Rebate	(\$3,469,462)	(\$698,672)	(\$1,216,012)	(\$1,644,768)									
24	90% of Net Power Cost Change	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
25	Clearwater Purchase @ 100% actuals	\$4,365,350	\$1,684,910	\$1,538,596	\$1,141,844	\$1,659,201	\$1,652,935	\$1,440,266	\$1,665,897	\$1,673,537	\$1,533,746	\$1,650,145	\$1,669,545	
26	Clearwater Purchase Actual - Authorized	(\$4,306,356)	(\$1,684,910)	(\$1,638,596)	(\$1,141,844)									
27	Clearwater Revenue 100% actual	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
28	Clearwater Revenue 100% authorized	(\$4,929,032)	(\$1,895,882)	(\$1,746,450)	(\$1,285,700)	(\$1,875,387)	(\$1,860,881)	(\$1,627,925)	(\$1,875,474)	(\$1,884,078)	(\$1,733,585)	(\$1,886,753)	(\$1,992,699)	
29	Clearwater Revenue Actual - Authorized	\$1,699,682	\$1,746,450	\$1,285,700	\$1,286,700									
30	<b>Total Clearwater Differences at 100%</b>	<b>\$663,882</b>	<b>\$211,972</b>	<b>\$207,864</b>	<b>\$143,656</b>									
31	<b>Total Power Cost Deferral</b>	<b>(\$2,686,770)</b>	<b>(\$486,700)</b>	<b>(\$1,008,168)</b>	<b>(\$1,400,912)</b>									
32	Surcharge (-) Rebate	\$486,700	\$486,700	\$1,008,168	\$1,400,912									
	Account 557380 Entry (+) Rebate, (-) Surcharge													
	Original PCA Deferral													
	PCA Deferral w/ Spokane Energy													

Dr. 231590  
 CC. 182287  
 Dr. 419000  
 CC. 537871  
 Dr. 53187 67597  
 CC. 1141147  
 Dr. 53187 67597  
 CC. 1141147

**Idaho Power Cost Adjustment (PCA) Deferral Balance & ADFIT Calculation**

Tax rate 35.00%

**Deferral 182387**

**ADFIT/DFIT Calculation**

**Interest Calculation**

2015 Rate 1%  
 2014 Rate 1%

Period	Net Deferral Balance	0	ADFIT Balance	0	Desc
<b>Dec-14</b>			<b>Dec-14</b>	<b>DFIT Expense</b>	
182387 ED ID	Interest (419600EDID)	1,347	410200 ZZ ZZ	471	NonOperating
182387 ED ID	Deferral/(Rebate)	458,543	410100 ED ID	180,490	Operating
182387 ED ID		0	410100 ED ID	0	Operating
	Total	459,890	Total	180,961	
	Net Deferral Balance	2,078,991.00	ADFIT Balance	960,323.00	283380 ED ID
<b>Jan-15</b>			<b>Jan-15</b>	<b>DFIT Expense</b>	
182387 ED ID	Interest (419600EDID)	1,730	410200 ZZ ZZ	606	NonOperating
182387 ED ID	Deferral/(Rebate)	(33,395)	410100 ED ID	(11,688)	Operating
182387 ED ID	Spokane Energy	(453,306)			
182387 ED ID	BPA Settlement Bal Trsf	(382,725)	410100 ED ID	(133,954)	Operating
	Total	(867,895)	Total	(145,036)	
	Net Deferral Balance	1,211,296.00	ADFIT Balance	815,287.00	283380 ED ID
<b>Feb-15</b>			<b>Feb-15</b>	<b>DFIT Expense</b>	
182387 ED ID	Interest (419600EDID)	1,005	410200 ZZ ZZ	352	NonOperating
182387 ED ID	Deferral/(Rebate)	(554,853)	410100 ED ID	(194,199)	Operating
182387 ED ID	Spokane Energy	(453,306)			
182387 ED ID	Surcharge Amortization	0	410100 ED ID	0	Operating
	Total	(1,007,153)	Total	(193,847)	
	Net Deferral Balance	204,143.00	ADFIT Balance	621,440.00	283380 ED ID
<b>Mar-15</b>			<b>Mar-15</b>	<b>DFIT Expense</b>	
182387 ED ID	Interest (431600EDID)	165	410200 ZZ ZZ	58	NonOperating
182387 ED ID	Deferral/(Rebate)	(947,606)	410100 ED ID	(331,862)	Operating
182387 ED ID	Spokane Energy	(453,306)			
182387 ED ID	Surcharge Amortization	0	410100 ED ID	0	Operating
	Total	(1,400,747)	Total	(331,804)	
	Net Deferral Balance	(1,196,604.00)	ADFIT Balance	289,836.00	283380 ED ID

Dec-14	
Interest	1,347
Deferral/(Rebate)	458,543
<b>Balance</b>	<b>2,078,991</b>

Jan-15	
Interest	1,730
Deferral/(Rebate)	(33,395)
Spokane Energy	(453,305)
BPA Settlement Bal Trsf	(382,725)
<b>Balance</b>	<b>1,211,296</b>

Feb-15	
Interest	1,005
Deferral/(Rebate)	(554,853)
Spokane Energy	(453,305)
<b>Balance</b>	<b>204,143</b>

Mar-15	
Interest	165
Deferral/(Rebate)	(947,606)
Spokane Energy	(453,306)
<b>Balance</b>	<b>(1,196,604)</b>

**Transfer Balance to 182385**

GL Wand 164,445.12  
 Difference (1,361,049.12)

**Transfer Balance to 182385**

*182387 1,359,910*  
*1,133*  
*1,361,049*

Attachment C

Avista Corporation  
Monthly Power Cost Deferral Report  
Month of March 2015

Spokane Energy Capacity Payments from PGE Journal - Revised  
NSJ 018

**Avista Corporation Journal Entry**

Journal: NSJ018 - Spokane Energy Capacity Payments from PGE  
 Team: Corporate Accounting  
 Type: C  
 Category: NSJ  
 Currency: USD

Effective Date: 201503  
 Last Saved by: Tara Moses  
 Submitted by: Tara Moses  
 Approved by:

Last Saved: 04/09/2015 12:43 PM  
 Approval Requested: 04/09/2015 12:43 PM

Seq	Co	FERC	Debit	Credit	Comment
10	001	557380 - IDAHO PCA-DEF	1,359,915.48		Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa to PCA
20	001	557160 - OTHER RESOURCE COSTS		1,359,915.48	Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa to PCA
30	001	557280 - DEFERRED POWER SUPPLY EXPENSE	2,437,282.32		Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa to ERM
40	001	557160 - OTHER RESOURCE COSTS		2,437,282.32	Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa to ERM
<b>Totals:</b>			<b>3,797,197.80</b>	<b>3,797,197.80</b>	

Explanation:  
 Recognize deferral expenses on IS for ERM & PCA, related to NSJ 013 (201503) recognizing the deferral on the BS.

Prepared by Tara Moses Date 4.9.15  
 Reviewed by \_\_\_\_\_ Date \_\_\_\_\_  
 Approved for Entry \_\_\_\_\_ Date \_\_\_\_\_  
 Corporate Accounting use Only



**Avista Corporation Journal Entry**

Journal: NSJ013 - Spokane Energy Capacity Payments from PGE  
 Team: Corporate Accounting  
 Type: C  
 Category: NSJ  
 Currency: USD

Effective Date: 201503  
 Last Saved by: Tara Moses  
 Submitted by: Tara Moses  
 Approved by:

Last Saved: 04/08/2015 11:05 AM  
 Approval Requested: 04/08/2015 11:05 AM

Seq	Co	FERC	Regulatory Asset	Deferral	Ser.	Jur.	S.I.	Debit	Credit	Comment
10	001	186280	- REGULATORY ASSET ERM DEFERRED CURRENT YEAR	ED	WA	DL				Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa impact to ERM
20	001	182387	- REGULATORY ASSET ID PCA DEFERRAL 3	ED	ID	DL		1,359,915.48		Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa impact to PCA
30	001	557160	- OTHER RESOURCE COSTS	ED	WA	DL		396,526.98		Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa Company Benefit WA
40	001	557160	- OTHER RESOURCE COSTS	ED	ID	DL		151,101.72		Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa Company Benefit ID
50	001	234390	- INTEREST INC PAYABLE-SPOKANE ENERGY	ZZ	ZZ	DL		4,344,826.50		Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa Payable to Corp
60	001	431600	- INTEREST EXPENSE ENERGY DEFERRALS	ED	WA	DL		8,176.00		Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa ERM Int Exp
70	001	186280	- REGULATORY ASSET ERM DEFERRED CURRENT YEAR	ED	WA	DL		8,176.00		Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa ERM Int Exp
80	001	419600	- INTEREST ON ENERGY DEFERRALS	ED	ID	DL		1,133.00		Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa PCA reduce Int Inc
90	001	182387	- REGULATORY ASSET ID PCA DEFERRAL 3	ED	ID	DL		1,133.00		Jan-Mar 2015 Spokane Energy Capacity Purchase/Sa PCA reduce Int Inc
								<b>Totals:</b>	<b>4,354,135.50</b>	<b>4,354,135.50</b>

Explanation:  
 January - March 2015 Spokane Energy Capacity Payments from PGE, rebate to customers directly through ERM & PCA current deferral buckets.

*Tara Moses*  
 Prepared by Tara Moses

Reviewed by \_\_\_\_\_ Date 4.8.15

Approved for Entry \_\_\_\_\_ Date \_\_\_\_\_  
 Corporate Accounting use Only

**Attachment D**

**Avista Corporation  
Monthly Power Cost Deferral Report  
Month of March 2015**

**REC Deferral Journal**

**Avista Corporation Journal Entry**

Effective Date: 201503

Journal: 475-WASHINGTON REC DEFERRAL

Team: Resource Accounting

Last Saved by: Keri Meister

Last Saved: 04/07/2015 1:25 PM

Type: C

Submitted by: Keri Meister

Approval Requested: 04/07/2015 1:26 PM

Category: DJ

Approved by:

Currency: USD

Seq	Co.	FERC	Exp	Debit	Credit	Comment
10	001	557322 - DEF POWER SUPPLY EXP-RECS	ED WA DL	167,220.00		Current Year 2015 WA REC Deferral Expense
20	001	186323 - MISC DEF DEBIT-WA REC 2	ED WA DL		167,220.00	Current Year 2015 WA REC Deferred Liability
30	001	431016 - INTEREST EXPENSE ON REC DEFERRAL	ED WA DL	1,628.00		Current Year 2015 WA REC Interest Expense Accru
40	001	186323 - MISC DEF DEBIT-WA REC 2	ED WA DL		1,628.00	Current Year 2015 WA REC Interest Liability Accru
50	001	557324 - DEF POWER SUPPLY EXP-REC AMORT	ED WA DL	497,954.00		Prior Year (2012-2014) WA REC Deferral Amortization
60	001	186322 - MISC DEF DEBIT - WA REC 1	ED WA DL	497,954.00		Prior Year (2012-2014) WA REC Deferral Amortization
70	001	431016 - INTEREST EXPENSE ON REC DEFERRAL	ED WA DL	12,020.00		Prior Year (2012-2014) WA REC Deferral Interest Expense Accru
80	001	186322 - MISC DEF DEBIT - WA REC 1	ED WA DL		12,020.00	Prior Year (2012-2014) WA REC Deferral Interest Liability Accru
90	001	431016 - INTEREST EXPENSE ON REC DEFERRAL	ED WA DL	250.00		Correct January Interest Exp Compounded Interest
100	001	186322 - MISC DEF DEBIT - WA REC 1	ED WA DL		250.00	Correct January Interest Exp Compounded Interest
110	001	431016 - INTEREST EXPENSE ON REC DEFERRAL	ED WA DL	249.00		Correct February Interest Exp Compounded Interest
120	001	186322 - MISC DEF DEBIT - WA REC 1	ED WA DL		249.00	Correct February Interest Exp Compounded Interest
<b>Totals:</b>				<b>679,321.00</b>	<b>679,321.00</b>	

Explanation:

To account for the Washington REC Deferral per Washington UE-120436 and UE-120437.

Prepared by Keri Meister

*Keri Meister* 4/7/15

Date

Reviewed by

Date

Approved for Entry

Date

Corporate Accounting use Only

Avista Corp. - Resource Accounting  
 DJ475 - Washington REC (Current "2015" Deferral)

charges Semiannually on January 1 and July 1  
 The rate is based on WA Rate Order for REC deferral effective 1.1.15  
 Interest will be accrued monthly and compounded semi-annually.  
 Interest is calculated using the prior month ending balance plus 1/2 month of current month charges times the current after tax interest rate

Per rate order, REC rate is after tax cost of capital	6.340%	1.1.15	Per rate order, REC rate is after tax cost of capital
The monthly rate is:	0.0052833		The monthly rate is:
			0.000000 Before Tax
			0.00000000 After Tax
	35.00% Tax rate		35.00% Tax rate

Account 186323-ED-WA Current (2015) Deferral

Beginning Balance Including Interest Interest		0
January	REC Deferral	(121,042)
January	Interest	(320)
01-31-2015 Balance before interest		(121,042)
February	REC Deferral	(103,433)
February	Interest	(913)
02-28-2015 Balance before interest		(224,475)
March	REC Deferral	(167,220)
March	Interest	(1,628)
03-31-2015 Balance before interest		(391,695)

*Dr. Exp  
 Cr. Liab  
 > Rebate*

GL Balance	(391,695)	(2,861)
Update REC balance to include Interest		(394,556)

GL Wand	(225,708)
Difference	(168,848)

**Avista Corp. - Resource Accounting  
 Washington REC Deferral Summary - DJ475**

<b>REC REVENUE &amp; EXPENSE</b>	<b>Debit</b>	<b>Credit</b>	<b>Entry</b>
<b>March Revenue</b>			
186322		\$168,278	
557322	\$168,278		
<b>March Expense</b>			
186322	\$1,058		
557322		\$1,058	
<b>March Total</b>			
186322	\$1,058	\$168,278	\$167,220 Credit
557322	\$168,278	\$1,058	-\$167,220 Debit

Avista Corp. - Resource Accounting  
 DJ 475 - Washington REC Deferral  
 2015 REC Revenue Deferral Calculation  
 Per UE-120436 and UG-120437 Order 14

Actual	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Total
Non WA EIA - Voluntary REC Revenue	(\$188,804)	(\$160,040)	(\$258,135)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$606,979)
WA EIA937 Requirement (EWEB) - PGE Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sacramento Municipal Utility District (SMUD) - REC Revenue From Nucleus	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>(\$188,804)</b>	<b>(\$160,040)</b>	<b>(\$258,135)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$606,979)</b>
<b>Authorized - System</b>													
Non WA EIA - Voluntary REC Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
WA EIA937 Requirement (EWEB) - PGE Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sacramento Municipal Utility District (SMUD) - REC Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Authorized</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Difference</b>													
Non WA EIA - Voluntary REC Revenue	(\$188,804)	(\$160,040)	(\$258,135)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$606,979)
WA EIA937 Requirement (EWEB) - PGE Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sacramento Municipal Utility District (SMUD) - REC Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total (+) = Surcharge</b>	<b>(\$188,804)</b>	<b>(\$160,040)</b>	<b>(\$258,135)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$606,979)</b>
<b>WA Share of Difference</b>													
Non WA EIA - Voluntary (65.19%)	(\$123,081)	(\$104,330)	(\$168,278)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$395,690)
WA EIA937 Requirement (EWEB) - PGE Revenue (100%)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SMUD (65.19%)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total - 100% Surcharge (+) or Rebate (-)</b>	<b>(\$123,081)</b>	<b>(\$104,330)</b>	<b>(\$168,278)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$395,690)</b>

Accounting Entries  
 186322-ED-WA  
 567322-ED-WA

Credit Debit Credit Debit

Credit Debit

Arista Corp. - Resource Accounting  
 DJ 475 - Washington REC Deferral  
 2015 REC Expense Deferral Calculation  
 Per UE-120436 and UG-120437 Order 14

Actual	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Total
Source													
Other Non WA EIA - Voluntary REC Expense	\$0	\$477	\$335	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$812
Other Non WA EIA - Voluntary REC Broker Fee Expense	\$3,127	\$1,377	\$1,288	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,792
Total Other Non WA EIA REC Expenses	\$3,127	\$1,854	\$1,623	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,604
<b>Authorized - System</b>													
Other Non WA EIA - Voluntary REC Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Authorized	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Difference</b>													
Other Non WA EIA - Voluntary REC Expense	\$3,127	\$1,854	\$1,623	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,604
Total	\$3,127	\$1,854	\$1,623	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,604
<b>WA Share of Difference</b>													
Non WA EIA - Voluntary (65.19%)	\$2,039	\$1,208	\$1,058	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,305
Total - 100% Surcharge (+) or Rebate (-)	\$2,039	\$1,208	\$1,058	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,305
<b>Accounting Entries</b>													
186322-ED-WA		Debit	Debit	Credit	Credit	Credit	Credit	Credit	Credit	Credit	Credit	Credit	Debit
567322-ED-WA		Credit	Credit	Credit	Credit	Credit	Credit	Credit	Credit	Credit	Credit	Credit	Credit

**Avista Corp. - Resource Accounting  
 DJ475 - Washington REC Deferral (Current Amortization)**

Charges Semiannually on January 1 and July 1  
 Rate is based on WA Rate Order for REC deferral effective 1.1.15  
 Interest will be accrued monthly and compounded semi-annually.

Interest is calculated using the prior month ending balance plus 1/2 month of current month charges times the current after tax interest rate

Per rate order, REC rate is after tax cost of capital	6.340%	1.1.15	Per rate order, REC rate is after tax cost of capital	0.00000	Before Tax
The monthly rate is:	0.0052833		The monthly rate is:	0.0000000	After Tax
				35.00%	Tax rate

**Account 186322-ED-WA** Currently Amortization of 2012-2014 activity, Amortized over 18 months (Jan '15-June '16)

December	REC Deferral	(50,948)			
December	Interest		(9,274)		
12-31-2014	Balance before interest	(3,229,771)			
	<b>GL Balance including interest</b>	(3,277,188)			
January	REC Amortization	162,668		semi annual interest compounded	9,050.00
January	Interest		(16,885)		16,634.00
01-31-2015	Balance before interest	(3,114,520)		January Adjust	7,584.00 Interest Rate
February	REC Amortization	590,455			
February	Interest		(14,895)		
02-28-2015	Balance before interest	(2,524,065)		Should have compounded interest at 12.31.14. Adjust and correct for March entry	
March	REC Amortization	① 497,954		Interest Was	Correction
March	Interest		(12,020)	January Adjust	16,634 ② (250)
03-31-2015	Balance before interest	(2,026,111)		February Adjust	14,645 ③ (249)
					<u>(499)</u>

<b>GL Balance</b>	(2,026,111)	(43,800)
Update REC balance to include Interest		(2,069,911)

GL Wand (2,555,346)  
 Difference 485,435

*Handwritten notes:*  
 ① 497,954  
 ② 16,634  
 ③ 14,645



AVISTA CORPORATION  
MARCH 2015 WASHINGTON REC REVENUE & DEFERRAL AMORTIZATION

Schedule	Proration Percentages		Rebate Rates		Rate		Current Month		
	Before	On/After	Before	On/After	Before	On/After	Rebate Revenue		
	01-Jan-15	01-Jan-15	01-Jan-15	01-Jan-15	01-Jan-15	01-Jan-15	(h)	(i)	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(b)*(d)*(f)	(g)+(h)	
1	200,295,860	0.00%	100.00%	0.000¢	(0.104¢)	\$ -	(208,308)	\$ (208,308)	(208,308)
11	43,849,773	0.00%	100.00%	0.000¢	(0.104¢)	\$ -	(45,604)	\$ (45,604)	(45,604)
12	5,056,255	0.00%	100.00%	0.000¢	(0.104¢)	\$ -	(5,259)	\$ (5,259)	(5,259)
21	111,328,305	0.00%	100.00%	0.000¢	(0.106¢)	\$ -	(118,008)	\$ (118,008)	(118,008)
22	2,853,780	0.00%	100.00%	0.000¢	(0.106¢)	\$ -	(3,025)	\$ (3,025)	(3,025)
25	132,229,991	0.00%	100.00%	0.000¢	(0.102¢)	\$ -	(134,875)	\$ (134,875)	(134,875)
30	73,308	0.00%	100.00%	0.000¢	(0.113¢)	\$ -	(83)	\$ (83)	(83)
31	3,396,647	0.00%	100.00%	0.000¢	(0.113¢)	\$ -	(3,838)	\$ (3,838)	(3,838)
32	222,426	0.00%	100.00%	0.000¢	(0.113¢)	\$ -	(251)	\$ (251)	(251)
41-46	1,350,055	0.00%	100.00%	0.000¢	(0.105¢)	\$ -	(1,418)	\$ (1,418)	(1,418)
47	464,001	0.00%	100.00%	0.000¢	(0.105¢)	\$ -	(487)	\$ (487)	(487)
48	255,415	0.00%	100.00%	0.000¢	(0.105¢)	\$ -	(268)	\$ (268)	(268)
Schedule Totals	501,375,816					\$0	-\$521,424	-\$521,424	-\$521,424

kWh not subject to surcharge	Conversion factor	0.954989
Sch 62	Amortization	-\$497,954
Total kWh	FIT rate	-35%
	DFIT expense	\$174,284

Source: Avista Corporation  
4/2/15

Confidential per WAC 480-07-160

**CONTRACT  
FOR  
SALE OF OUTPUT FROM THE ROCKY REACH  
PROJECT AND ROCK ISLAND PROJECT**

**Slice Products 20, 21 and 22**

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**CONTRACT  
FOR  
SALE OF OUTPUT FROM THE ROCKY REACH PROJECT AND ROCK ISLAND  
PROJECT**

Executed by  
**PUBLIC UTILITY DISTRICT NO. 1  
OF CHELAN COUNTY, WASHINGTON**  
And

**AVISTA CORPORATION**

This contract is entered into as of March 17th, 2015 (“Effective Date”) between Public Utility District No. 1 of Chelan County, Washington (the “District”), a municipal corporation of the State of Washington, and Avista Corporation (the “Purchaser”), a corporation organized and existing under the laws of Washington. The District and the Purchaser are referred to as a “Party” and collectively as “Parties.”

**SECTION 1. TERM OF CONTRACT**

Except as otherwise provided herein, this Contract shall be in full force and effect from and after it has been executed by the District and the Purchaser. Unless sooner terminated pursuant to other provisions, this Contract shall remain in effect through HE 2400 (midnight) Pacific Prevailing Time “PPT” December 31, 2020. Except as otherwise provided herein, all obligations accruing under this Contract are preserved until satisfied.

**SECTION 2. DEFINITIONS**

As used in this Contract, the following definitions shall apply throughout this Contract and Appendices. Other terms are defined in the text of the Contract, the Appendices and the Collateral Annex.

“Agreement for the Hourly Coordination of Projects on the Mid Columbia River” (MCHC) shall have the meaning as in Appendix A.

“Business Day” means any day other than a Saturday or Sunday or a national holiday (United States of America or Canadian). United States holidays shall be holidays observed by Federal Reserve member banks in New York, New York. If the Purchaser has its principal place of business in the United States, Canadian holidays shall not apply. If the Purchaser has its principal place of business in Canada, both United States and Canadian holidays shall apply. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. Pacific prevailing time (PPT).

“Capacity” means the generation potential of the Rocky Reach Project and the Rock Island Project as adjusted for limitations and obligations in accordance with Appendix A.

“Collateral Annex” means the agreement entered into between the Parties entitled Collateral Annex.

“Contract” shall mean this CONTRACT FOR SALE OF OUTPUT FROM THE ROCKY REACH PROJECT AND ROCK ISLAND PROJECT SLICE PRODUCTS 20, 21 and 22 in its entirety.

“Defaulting Party” shall mean the Party who is responsible for or suffers an “Event of Default” as defined in Section 15.

“District Business Practices” shall mean those policies, procedures, and business practices of the District that are in effect and amended from time to time.

“District Slice Operating Instructions” shall mean those instructions and details pertaining to the Rocky Reach Project and the Rock Island Project Output and provisions contained in this Contract adopted by the District from time to time.

“District System Emergency” means a condition or situation that, in the judgment of the District or in conformance with guidelines of FERC, NERC, the WECC, the PEAK RC or other entities with regulatory jurisdiction (whether by contract or operation of law) over the District concerning system emergencies, adversely affects or is likely to adversely affect or is necessary to protect: (i) public health, life or property; (ii) District’s employees, agents or property; (iii) District’s ability to maintain safe and reliable electric service to its customers; (iv) preserve, maintain or reestablish the safety, reliability, integrity or operability of the Western Interconnection and the District’s electric system and the hydroelectric projects owned and operated by the District; or (v) environmental and water quality standards and requirements.

“Dynamic Transfer Agreement” means a dynamic scheduling, pseudo tie or other agreement entered into by the Purchaser and the District.

“Energy” means the energy production, expressed in megawatt hours, of the Rocky Reach Project and the Rock Island Project as measured in megawatts integrated over an hour and adjusted for limitations and obligations in accordance with Appendix A.

“Environmental Attributes” means the fuel, emissions, and all other environmental characteristics, credits, allowances, claims, reductions, offsets, and benefits associated with the generation of electricity from a renewable resource of the Rocky Reach Project and the Rock Island Project, except any energy, capacity, reliability or other power attributes used to provide electricity service as defined in this Contract. Environmental Attributes, also known as non-power attributes, include but are not limited to: (1) facility’s fuel type, geographic location, vintage; (2) any avoided emissions of pollutants to the air, soil or water such as (subject to the foregoing) sulfur oxides (SO<sub>x</sub>), nitrogen oxides (NO<sub>x</sub>), carbon monoxide (CO) and other pollutants; and (3) any avoided emissions of carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and other greenhouse gases (GHGs) that have been determined by the United Nations Intergovernmental Panel on Climate Change, or otherwise by law, to absorb infra-red radiation in the atmosphere and contribute to the actual or potential altering of the Earth’s climate by trapping heat in the atmosphere. The owner of the Environmental Attributes shall without limitation retain all reporting rights and use of these avoided emissions

and/or renewable resources in any present or future federal or state compliance or voluntary program(s)

“FERC” shall mean the Federal Energy Regulatory Commission or its successor.

“FERC License” shall mean the respective license for the Rocky Reach and Rock Island Hydroelectric Project issued by FERC, as applicable.

“Government Authority” means any federal, state, local, territorial or municipal government and any department, commission, board, bureau, agency, instrumentality, judicial or administrative body thereof.

“Guarantor” means the entity providing a guarantee pursuant to a guarantee agreement, if applicable.

“Incremental Efficiency Gains” means the incremental Energy derived from any improvements or efficiency upgrades at Rocky Reach Project and the Rock Island Project completed after January 1, 1994, including but not limited to the installation or modification of equipment and structures or operating protocols, which the District determines result in improved or increased efficiency or capacity and/or produces incremental electricity.

“MW” means a megawatt, or one thousand (1,000) kilowatts.

“MWh” means a megawatt hour or one thousand (1,000) kilowatt hours.

“NERC” means the North American Electric Reliability Corporation or its successor responsible for ensuring a reliable, adequate and secure bulk electric system.

“Operating Agreements” shall mean any agreements to which the District is or may become a party, which relate to the operation of the Rocky Reach Project and the Rock Island Project, including but not limited to, the Pacific Northwest Coordination Agreement, the MCHC, the Western Systems Coordinating Council Agreement, and the Northwest Power Pool Agreement, as such agreements currently exist or hereafter may be superseded or amended.

“Output” means an amount of Energy, Capacity, and certain related rights available from the Rocky Reach Project and the Rock Island Project, as applicable, in each case to the extent described in and determined pursuant to Appendix A hereof. The Purchaser’s Output will be made available by the District pursuant to this Contract from that portion of the Rocky Reach Project and the Rock Island Project that does not include Incremental Efficiency Gains. Output includes Environmental Attributes.

“Pacific Northwest Coordination Agreement” or “PNCA” shall mean the Agreement amongst northwest parties executed in 1997 for the coordinated operation of the Columbia River System which became effective August 1, 2003, as such Agreement may be amended or succeeded from time to time.

“Pre-Schedule Day” shall mean days so designated by the District pursuant to the Western Electricity Coordinating Council Interchange Scheduling and Accounting Subcommittee daily scheduling calendar.

“Project(s)” means the Rocky Reach Hydroelectric Project and the Rock Island Hydroelectric Project, as applicable.

“Prudent Utility Practice” means any of the practices, methods and acts engaged in, or approved by, a significant portion of the electric utility industry in the Western Interconnection for operating facilities of a size and technology similar to the Project during the relevant time period or any of the practices, methods and acts, which, in the exercise of reasonable judgment in light of the facts known, at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with applicable laws, longevity, reliability, safety and expedition. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of commonly used practices, methods and acts.

“Purchaser’s Output” and “Purchaser’s Output Percentage” have the meanings set forth in Section 3 of this Contract.

“Purchase Price” has the meaning set forth in Section 5.

“Reliability Coordinator” means the organization that is registered for and fulfills the duties of the Reliability Coordinator and, if applicable, the Interchange Authority, as defined by NERC, for the Western Interconnection.

“Rock Island” means the District’s Rock Island Hydroelectric Project as currently licensed by FERC under license number 943, and any successor license, including any efficiency improvements and upgrades that increase generating capacity, in each case made by the District from time to time during the term of this Contract. The improvements and upgrades are included in this definition only as related to the equivalent amount of Output to be delivered pursuant to the definitions in Section 3 of this Contract.

“Rocky Reach” means the District’s Rocky Reach Hydroelectric Project as currently licensed by FERC under license number 2145, and any successor license, including any efficiency improvements and upgrades that increase generating capacity, in each case, made by the District from time to time during the term of this Contract. The improvements and upgrades are included in this definition only as related to the equivalent amount of Output to be delivered pursuant to the definitions in Section 3 of this Contract.

“Rocky Reach Large Unit(s)” means collectively the large generating Units C8, C9, C10 and C11 at Rocky Reach and individually Units C8, C9, C10 or C11 at Rocky Reach.

“Slice Contract” means any Contract(s) for Sale of Output from the Rocky Reach Project and the Chelan Power System, Contract(s) for Sale of Output from the Rocky Reach Project and Rock Island Project and/or Contract(s) for Sale of Output from the Chelan Power System executed by the Parties.

“Slice Termination Payment” means the sum of the amounts due as described in Section 16.

“Uncontrollable Forces” shall mean any cause reasonably beyond the control of the Party and which the Party subject thereto has made reasonable efforts to avoid, remove or mitigate, including but not limited to acts of God, fire, flood, storm, explosion, strike, sabotage, acts of terrorism, act of the public enemy, civil or military authority, including court orders, injunctions, and orders of government agencies (other than those of the District) with proper jurisdiction, insurrection or riot, an act of the elements, failure of equipment or contractors, or inability to obtain or ship materials or equipment because of the affect of similar causes on suppliers or carriers; provided, however, that in no event shall an Uncontrollable Force excuse the Purchaser from the obligation to pay any amount when due and owing under this contract. Uncontrollable Forces shall not be based on (i) the loss of Purchaser’s markets; (ii) Purchaser’s inability economically to use or resell the Output purchased hereunder; or (iii) the District’s ability to sell the Output at a price greater than the Purchase Price agreed upon in this Contract. Purchaser shall not be entitled to and may not raise a claim of Uncontrollable Forces based in whole or in part on the curtailment by a third-party transmission provider.

“Unit” means each generating unit or collectively the generating units at the Projects, as applicable.

“Unit Availability” means that a generating Unit is mechanically available to operate as determined by the District in its sole discretion.

“WECC” means the Western Electricity Coordinating Council or its successor, or such other entity or entities responsible for regional reliability as determined by the District.

“Western Interconnection” means the synchronously operated electric transmission grid located in the western part of North America, including parts of Montana, Nebraska, New Mexico, South Dakota, Texas and Mexico and all of Arizona, California, Colorado, Idaho, Nevada, Oregon, Utah, Washington, Wyoming and the Canadian provinces of British Columbia and Alberta.

### **SECTION 3. PURCHASE AND SALE OF OUTPUT**

District shall sell and deliver, or cause to be delivered, and Purchaser shall purchase and receive, or cause to be received, Purchaser’s Output Percentage at the Point of Delivery and Purchaser shall pay the District the Purchase Price. The District shall be responsible for any costs or charges imposed on or associated with the generation of the Purchaser’s Output Percentage or the transmission of the Purchaser’s Output Percentage to the Point of Delivery. Purchaser shall be responsible for any costs or charges imposed on or associated with the transmission of the Purchaser’s Output Percentage from the Point of Delivery.

- (a) Purchaser’s Output. The District shall make available to the Purchaser and the Purchaser shall take and purchase an amount of Output measured by and equivalent to the total



applicable Output multiplied by the corresponding Purchaser's Output Percentage which amount is herein referred to as "Purchaser's Output."

- (b) Purchaser's Output Percentage and Delivery Periods for Slice Product. The Purchaser's Output Percentage shall be measured by and equivalent to the following percentages of the Output from Rocky Reach and Rock Island:

**SLICE PRODUCT 20:**

Initial as appropriate for product agreed upon

- (i) Delivery Period 1: For the period starting at 00:00 hours on January 1, 2016 and ending at hour 2400 on December 31, 2016, two and one half percent (2.5%) of Rocky Reach and two and one half percent (2.5%) of Rock Island Output;
- (ii) Delivery Period 2: For the period starting at 00:00 hours on January 1, 2017 and ending at hour 2400 on December 31, 2017, two and one half percent (2.5%) of Rocky Reach and two and one half percent (2.5%) of Rock Island Output;
- (iii) Delivery Period 3: For the period starting at 00:00 hours on January 1, 2018 and ending at hour 2400 on December 31, 2018, two and one half percent (2.5%) of Rocky Reach and two and one half percent (2.5%) of Rock Island Output;
- (iv) Delivery Period 4: For the period starting at 00:00 hours on January 1, 2019 and ending at hour 2400 on December 31, 2019, two and one half percent (2.5%) of Rocky Reach and two and one half percent (2.5%) of Rock Island Output; and
- (v) Delivery Period 5: For the period starting at 00:00 hours on January 1, 2020 and ending at hour 2400 on December 31, 2020, two and one half percent (2.5%) of Rocky Reach and two and one half percent (2.5%) of Rock Island Output.

**SLICE PRODUCT 21:**

Initial as appropriate for product agreed upon

- (i) Delivery Period 1: For the period starting at 00:00 hours on January 1, 2016 and ending at hour 2400 on December 31, 2016, two and one half percent (2.5%) of Rocky Reach and two and one half percent (2.5%) of Rock Island Output;
- (ii) Delivery Period 2: For the period starting at 00:00 hours on January 1, 2017 and ending at hour 2400 on December 31, 2017, two and one half percent (2.5%) of Rocky Reach and two and one half percent (2.5%) of Rock Island Output;
- (iii) Delivery Period 3: For the period starting at 00:00 hours on January 1, 2018 and ending at hour 2400 on December 31, 2018, two and one half percent (2.5%) of Rocky Reach and two and one half percent (2.5%) of Rock Island Output;
- (iv) Delivery Period 4: For the period starting at 00:00 hours on January 1, 2019 and ending at hour 2400 on December 31, 2019, two and one half percent (2.5%) of Rocky Reach and two and one half percent (2.5%) of Rock Island Output; and
- (v) Delivery Period 5: For the period starting at 00:00 hours on January 1, 2020 and ending at hour 2400 on December 31, 2020, two and one half percent (2.5%) of Rocky Reach and two and one half percent (2.5%) of Rock Island Output.

**SLICE PRODUCT 22 (combination of Slice Products 20 and 21):**

x  
Initial as appropriate for product agreed upon

- (i) Delivery Period 1: For the period starting at 00:00 hours on January 1, 2016 and ending at hour 2400 on December 31, 2016, five percent (5.0%) of Rocky Reach and five percent (5.0%) of Rock Island Output;
- (ii) Delivery Period 2: For the period starting at 00:00 hours on January 1, 2017 and ending at hour 2400 on December 31, 2017, five percent (5.0%) of Rocky Reach and five percent (5.0%) of Rock Island Output;
- (iii) Delivery Period 3: For the period starting at 00:00 hours on January 1, 2018 and ending at hour 2400 on December 31, 2018, five percent (5.0%) of Rocky Reach and five percent (5.0%) of Rock Island Output;
- (iv) Delivery Period 4: For the period starting at 00:00 hours on January 1, 2019 and ending at hour 2400 on December 31, 2019, five percent (5.0%) of Rocky Reach and five percent (5.0%) of Rock Island Output; and
- (v) Delivery Period 5: For the period starting at 00:00 hours on January 1, 2020 and ending at hour 2400 on December 31, 2020, five percent (5.0%) of Rocky Reach and five percent (5.0%) of Rock Island Output.

#### **SECTION 4. OUTPUT AVAILABILITY**

- (a) It is expressly acknowledged and agreed by the Parties that Output is dynamic and variable and is dependent upon a variety of factors including, without limitation, availability of water and operable Units of the Project(s), electric system reliability requirements, Operating Agreements, federal and state laws, rules, regulations and orders affecting river flows and operation of the Project regarding endangered species and other environmental matters, matters giving rise to curtailment and other restrictions on Output described in Appendix A, the terms of which Appendix are incorporated by reference. Output can and will vary substantially from hour-to-hour, season-to-season and year-to-year.
- (b) The District shall have the right, in its sole discretion, to temporarily interrupt, reduce or suspend generation and delivery (through manual operation, automatic operation or otherwise) of Output from the Project(s) during any one or more of the following circumstances: (i) to prevent damage to the District's system or to maintain the reliable and safe operation of the District's system; (ii) a District System Emergency; (iii) if suspension is required for relocation, repair or maintenance of facilities or to facilitate restoration of line outages; (iv) Uncontrollable Forces; (v) any Operational Constraints as described in Appendix A; (vi) negligent acts or intentional misconduct of Purchaser which are reasonably expected to present imminent threat of damage to property or personal injury; (vii) a default by the Purchaser as set forth in Section 15(a); or (viii) any other reason consistent with Prudent Utility Practice.

Any available Output during each such interruption, reduction or suspension shall be allocated pro-rata among the District, the Purchaser and the other purchasers of Output, as applicable, except and to the extent the District determines (or had determined at any time prior to such interruption, reduction or suspension) in its sole discretion that due to a District System Emergency such pro-rata allocation of remaining Output due to such interruption, reduction or suspension is impracticable or infeasible and except if the Purchaser is in default. The District shall give advance notice, as circumstances permit, of the need for such suspension, reduction or interruption to employees of the Purchaser designated from time to time by the Purchaser to receive such notice. The District shall not be responsible for payment of any penalty or costs incurred by the Purchaser during or as a result of such interruption, reduction or suspension.

- (c) Notwithstanding any other provision of this Contract, the District shall have the right to operate the Project(s) in such manner as it deems to be in its best interests consistent with the FERC License, applicable laws and regulations and Prudent Utility Practice.
- (d) Notwithstanding any other provision of this Contract, the District shall have the unilateral right to restrict deliveries of Output as may be necessary to fulfill any non-power regulatory or other legal requirements and shall have the unilateral right to determine the amounts of spill required at the Project(s). Any such restrictions in delivery shall be made pro-rata with all purchasers of Output and with the District's share of Output.
- (e) Purchaser acknowledges that, notwithstanding any other provision of this contract to the contrary, the District's obligation to sell and deliver Output is expressly limited to Purchaser's percentage of any Output actually produced by Rocky Reach and Rock Island and available for delivery to the Point of Delivery and that the District will not be liable to the Purchaser for the failure to deliver any Output that is not otherwise available from the applicable Project, regardless of the reason for such unavailability.

## **SECTION 5. PURCHASE PRICE AND PAYMENTS BY PURCHASER**

- (a) Purchase Price for the Purchaser's Output shall be the total dollar amounts submitted by Purchaser on its bid form, attached hereto as Appendix B and incorporated herein. The Purchase Price shall not include any deduction or withholding for or on account of any tax imposed upon Purchaser.
- (b) The Purchase Price for each Delivery Period will be determined by multiplying the Purchase Price by the Annual Percentage in Appendix B for each Delivery Period. The equal monthly payments will be determined by dividing the Purchase Price for each Delivery Period by the number of calendar months in the Delivery Period (the "Monthly Payment"). Monthly Payments shall not include any deduction or withholding for or on account of any tax imposed upon Purchaser. Each Monthly Payment shall be due and payable on the 20th (twentieth) calendar day of the month following the end of the month in which delivery was made. If the 20th calendar day of the month is not a Business Day, the payment will be due on the next following Business Day. The Monthly Payment due in January 2017 and each January thereafter shall be reduced by the amount of any credit owing for reduced Unit Availability as calculated pursuant to Appendix C attached hereto and incorporated herein by

this reference. The Parties expressly acknowledge and agree that the credit calculated, if any, pursuant to Appendix C shall be the Purchaser's sole and exclusive remedy for any and all claims of any nature whatsoever related to or arising out of Unit Availability or Output Availability. The Parties further expressly acknowledge and agree that the District's calculations of the credit, if any, calculated pursuant to Appendix C shall be conclusive.

- (c) The payments set forth above shall be due and payable by electronic funds transfer to the District's account, designated in writing by the District.
- (d) If payment in full of any Monthly Payment amount set forth on a statement or revised statement is not received by the District on or before the close of business on the 20th calendar day of the month, amounts not paid shall be payable with interest calculated daily, at a rate equal to 200 basis points above the per annum Prime Rate reported daily in the Wall Street Journal for the period beginning on the day after the due date and ending on the day of payment, provided that such interest shall not exceed the amount permitted by law. Additionally, if payment due to the District remains unpaid three (3) Business Days after the due date, the District may thereafter suspend delivery of the Purchaser's Output until payment in full of all amounts due and owing (including any interest) is received by the District.
- (e) The payments required under this Section 5 shall be due and owing notwithstanding the fact that the actual amount of power from the Output Percentage made available to the Purchaser is less or more than that which was anticipated by either Party at the time of execution of this Contract. The District makes no warranties of any type as to the Output that will actually be produced, available and delivered, other than, that the percentage of Output made available to the Purchaser will at all times be in accordance with Section 3(a), and Purchaser assumes all risks associated therewith. The Purchase Price submitted by the Purchaser as set forth above in subsection (a) is the price for the Purchaser's Output and delivery of that Output to the Point of Delivery. Except as otherwise provided in Sections 6 and 16, the Purchaser shall not be obligated to pay any other amounts relating to ownership or operation of Rocky Reach and Rock Island, as applicable. Purchaser is responsible for all costs of transmission from the Point of Delivery.
- (f) A Party may, in good faith, dispute the correctness of any invoice or any adjustment to an invoice rendered under this Contract. The District may in good faith adjust and the Purchaser may in good faith request adjustment of any invoice for any arithmetic or computational error within 12 months of the date of the invoice or adjustment. In the event an invoice is disputed, the entire invoice shall be paid with notice of the objection given to the other Party. Any invoice dispute or invoice adjustment shall be submitted to the other Party in writing within twelve (12) months of the receipt of such invoice or adjustment and shall state the basis for the dispute or adjustment. Any invoice or adjustment shall be conclusively deemed correct unless a dispute is duly submitted within said twelve (12) months period and all subsequent disputes with respect thereto shall be waived. This provision does not apply to the calculation of the Slice Termination Payment, if any.
- (g) The Parties hereby agree that all payment obligations due and owing to each other pursuant to this Contract and other Slice Contracts during the monthly billing period shall be netted with

and set off so that only the excess amount remaining due shall be paid by the Party owing the same. Except for the amount of the net termination payment, the determination of the net amounts due under this Contract and other Slice Contracts shall not be offset by, or take into account or include any Performance Assurance that may then be posted and in effect pursuant to the Collateral Annex between the Parties.

## **SECTION 6. DELIVERY OF OUTPUT**

This Section 6 shall apply to the delivery of the Purchaser's Output. Subject to the provisions of this Contract, the District shall make the Purchaser's Output available to the Purchaser.

- (a) The District and/or MCHC shall make all determinations concerning Rocky Reach's and Rock Island's Capacity and minimum generation requirement, and the District shall have the unilateral right to determine the maximum allowable amount of change in Output during any time period. Purchaser's schedules shall be based on Purchaser's Output in accordance with Rocky Reach's and Rock Island's operational parameters, District Slice Operating Instructions and the District Business Practices established by the District from time to time.
- (b) Purchaser's schedules shall not be less than Purchaser's Output Percentage of the sum of the minimum generation limits of Rocky Reach and Rock Island as determined by the District or MCHC, nor shall the sum of all export schedules be greater than Purchaser's Output Percentage of the sum of the maximum generation limits of Rocky Reach and Rock Island as determined by the District or MCHC. The Purchaser's residual reserves equals the Purchaser's maximum generation limit minus the Purchaser's aggregated schedules minus the Purchaser's Output Percentage of the Canadian Entitlement Obligation and any additional reserve obligations required by standards, District Business Practices and District Slice Operating Instructions. The Purchaser's residual reserves must be greater than or equal to zero at all times. The Purchaser shall be responsible for keeping its schedules within all Energy production limits applicable, including all limits imposed by the District consistent with the terms of the MCHC. Purchaser's schedules are also subject to immediate curtailment in the event of an unplanned outage or other sudden reduction in the Capacity of Rocky Reach and/or Rock Island as a result of Operational Constraints or otherwise. Purchaser's net schedules are also subject to immediate increase in the event of a sudden increase in the minimum generation limits of Rocky Reach and/or Rock Island as a result of Operational Constraints or otherwise.
- (c) If the Purchaser's actual schedules after curtailments and adjustments do not comply with this Section (either above the maximum generation limit or below the minimum generation limit), for any hour or portion thereof, the District, at its sole discretion may charge to the Purchaser non-compliance fees. The amount of the non-compliance fees shall be calculated by the District for each hour using the following methodology: multiply the absolute value of the maximum 10 minute deviation in the hour (MW), either over the maximum generation limit or under the minimum generation limit, by \$50/MW. If the Purchaser's actual hourly integrated schedules do not comply with this Section, there will also be an Energy charge for the hourly deviation. The District will enter a transaction with the Purchaser so that the Purchaser's actual integrated schedule complies with this Section. The price for the Energy (MWh) that the

District provides to the Purchaser pursuant to this subsection will be the Mid-Columbia Powerdex hourly index plus \$50/MWh. The price for the Energy that the District receives from the Purchaser pursuant to this subsection will be the Mid-Columbia Powerdex hourly index minus \$50/MWh. If the Powerdex hourly Mid Columbia index is no longer published or utilized by the industry, the District will select another industry recognized hourly index and notify Purchaser of the index to be used for all hours. The amounts owing by the Purchaser to the District pursuant to this provision shall be due and payable per Section 5(c) and subject to the provisions of Sections 5(d)(f) and (g) of this Contract. All commercial efforts must be taken to comply with Section 6. Persistent or repeated non-compliance with Section 6(b) shall also be an Event of Default by the Purchaser as further defined in Section 15 hereof. If Purchaser fails to comply with Section 6(b) for more than 20 hours, or portions thereof in any month, the District may at its sole discretion collect additional penalties including tripling the amount of any applicable non-compliance fee for the remainder of the month. Non-compliance due to unexpected reductions in Capacity or increases in minimum generation limit at Rocky Reach or Rock Island may be excused. If Purchaser fails to comply with Section 6(b) for more than 60 cumulative hours, or portions thereof, in any three consecutive months of any twelve month period, the District may at its sole discretion consider this to be persistent non-compliance and be considered an Event of Default by the Purchaser as further defined in Section 15 hereof.

(d) Pond/Storage Account.

- (1) Purchaser shall be entitled to utilize the Purchaser's Output Percentage of the Pond/Storage available at Rocky Reach and Rock Island. The portion of the Purchaser's Output Percentage of Pond/Storage available shall be determined by the District or MCHC. In no case shall the Purchaser exceed or go below their Output Percentage of Pond/Storage.
- (2) If Purchaser is utilizing Pond/Storage above or below the Purchaser's Output Percentage of the Pond/Storage available in any hour it will be subject to a non-compliance fee for each hour the Purchaser exceeds or goes below its Output Percentage of Pond/Storage. The amount charged to the Purchaser shall be calculated by the District and will be \$10 per MWh that the Pond is above or below the Purchaser's Output Percentage of the Pond/Storage available. Purchaser will not be subject to such fees if they are directed by the District or MCHC to be outside Pond/Storage Output Percentage limits.
- (3) MCHC or the District will establish and maintain for Purchaser a Pond/Storage account that will reflect the use of Pond/Storage by the Purchaser associated with the Purchaser's Output Percentage of Rocky Reach and Rock Island during the relevant Delivery Periods. The District will transfer 30 MWh of Pond/Storage from its Pond/Storage account to the Purchaser's Pond/Storage account in order to establish a starting balance.
- (4) The Purchaser must have a minimum Pond/Storage balance of 30 MWh on the last hour of the term of this Contract which will then be transferred to the District's Pond/Storage account. If the Purchaser's Pond/Storage balance is less than 30 MWh, then the District will invoice the Purchaser for the shortage quantity (MWh) at an hourly price equal to the Powerdex hourly Mid Columbia index (\$/MWh) or other recognized hourly index for the

last hour of the Contract term. If the Powerdex hourly Mid Columbia index is no longer published or utilized by the industry, the District will select another industry recognized hourly index and notify Purchaser of the index to be used for all hours. The Purchaser shall make payment pursuant to Sections 5(c)(d) (f) and (g) above. The Purchaser may schedule more than its share of Rocky Reach and Rock Island hourly inflows, determined in accordance with Section 6(b), if the Purchaser has sufficient amount of Energy in its Pond/Storage account. The amount of the Energy scheduled from the Pond/Storage account shall not exceed the Purchaser's Output Percentage of the sum of the maximum Capacity of Rocky Reach and Rock Island.

- (5) As may be permitted by MCHC, the Purchaser may buy and/or sell pond in order to manage their pond balance. If permitted by the MCHC, the pond transaction/transfer may be made between any two MCHC participants. If permitted by MCHC, MCHC will make transfers from one account to another as directed by the Purchaser. The Purchaser will be solely responsible to make all commercial arrangements for these transactions.
- (e) During any hour that spill occurred at any non-federal Mid-C Project due to any reason, the spill will be allocated in accordance with MCHC or by the District.
- (f) The District may establish new or additional District Business Practices and District Slice Operating Instructions that the District considers necessary. Changes may also be made to conform to mandatory reliability standards and any applicable business practices, criteria and procedures of NERC, WECC, Reliability Coordinator, NWPP and transmission service providers.
- (g) In the event the Purchaser determines or has reason to believe that an error has occurred in the after-the-fact accounting, the Purchaser shall notify the District immediately. The District will assist the Purchaser in determining if an error did occur and if so, correct that error. Any adjustment as a result of such errors shall not include or give rise to any monetary compensation or other adjustments to the payments by the Purchaser.
- (h) Purchaser shall provide to the District or to MCHC, as directed, on a real time basis, an estimate of Purchaser's projected hourly generation requests for Energy from Rocky Reach and Rock Island at xx:20 PPT for the future 96 hours. The accuracy of these hourly generation estimates shall meet MCHC's or the District's suggested targets.
- (i) During all Delivery Periods for Slice Products 20 and 21, the District will allow up to four tags sourced at its Balancing Authority during the Pre-Schedule Day time frame and up to three additional tags sourced at its Balancing Authority per hour during real-time. During all Delivery Periods for Slice Product 22, the District will allow up to eight tags sourced at its Balancing Authority during the Pre-Schedule Day time frame and up to three additional tags sourced at its Balancing Authority per hour during real-time.
- (j) Tags that sink in the District's Balancing Authority will only be allowed for the purpose of pond account management during real-time. One tag per hour is the limit for real-time tags. No preschedule tags that sink in the District's Balancing Authority are allowed. Pond account or pond management purposes are defined by the District's Business Practices.

- (k) It is the Purchaser's responsibility to follow all applicable Reliability Coordinator/WECC/NERC standards, guidelines, and criteria for scheduling and tagging. Further, it is Purchaser's responsibility to follow all District Slice Operating Instructions and District Business Practices.
- (l) New real-time schedules and adjustments to existing schedules may be made upon request by the Purchaser but must be communicated and tagged by the Purchaser at least 30 minutes prior to the start of each hour except when specifically allowed by District Business Practices.
- (m) Purchaser must provide sufficient reserves to meet the applicable Reliability Coordinator/WECC/NERC reliability standards. The Purchaser's Output Percentage of the maximum Capacity of Rocky Reach and Rock Island will be reduced by the reserve obligation as described in the District Slice Operating Instructions.
- (n) The hourly Canadian Entitlement Allocation Extension Agreement obligation shall be counted toward meeting the Purchaser's Output Percentage of the minimum generation limits of Rocky Reach and Rock Island.
- (o) Scheduling Purchaser's Output with Hourly Schedules
- (1) Scheduling of Purchaser's Output shall be as requested by the Purchaser, or its designated scheduling agent, and shall be subject to the limitations set forth in this Contract. Purchaser must schedule its Purchaser's Output by the use of hourly schedules unless a Dynamic Transfer Agreement is executed with the District as is described in Section 6(p) and (q).
- (2) The Purchaser, or its designated scheduling agent, shall provide the District each Pre-Schedule Day, in conformance with prevailing scheduling procedures for scheduling generating resources in the WECC region, hourly schedules of desired Purchaser's Output deliveries for the following day or days. The schedules will be completed in a time frame consistent with standard industry practices in the WECC region and this Section 6. Such schedules shall be based on the rights and limits of Capacity and Output and on the probable water supply, based on the US Army Corp of Engineers Chief Joseph discharge estimates and the District's forecasts of side streams, (inflow) of Rocky Reach and Rock Island. The scheduling limits shall be as described in the District Slice Operating Instructions and the District Business Practices, as may be amended by the District from time to time.
- (p) Scheduling Purchaser's Output with Dynamic Signal
- (1) Purchaser may schedule all or a portion of Purchaser's Output via a dynamic schedule. Dynamic schedules require Purchaser to execute a Dynamic Transfer Agreement with the District. Terms and conditions of the Dynamic Transfer Agreement and timeline for implementation shall be at the sole discretion of the District and Purchaser shall reimburse the District for all costs associated with setup and implementation of the



Dynamic Transfer Agreement. The District may at its sole discretion provide host BA services for Purchasers wishing to use a dynamic schedule.

- (2) Purchaser may schedule all or a portion of its Output by dynamic signal in accordance with applicable NERC, WECC and Reliability Coordinator reliability criteria and in accordance with the requirements of this Section 6 and a Dynamic Transfer Agreement.

(q) Delivery of Output via a Pseudo Tie

- (1) Purchaser may elect to take Output via a pseudo tie with a host BA. Terms and conditions for the implementation and operation of such pseudo-tie shall be pursuant to a separate pseudo-tie agreement between Purchaser and the District. Purchaser shall reimburse the District for all costs directly attributable to the setup and implementation of such pseudo-tie.
- (2) The Purchaser shall preschedule and deliver Purchaser's Output Percentage of the Canadian Entitlement Allocation Extension Agreement obligation from the Purchaser's host Balancing Authority to the District's Balancing Authority. This Canadian Entitlement Energy schedule may be supplied by the Purchaser's Output or, if mutually agreed, an alternate firm source.

(r) Expiration of Current MCHC

Purchaser and the District understand that the current MCHC is due to expire by its term on June 30, 2017. In the event that upon the expiration of the current MCHC or implementation of a new or amended MCHC after June 30, 2017, the method for performing calculations and making information available to Purchaser changes materially from what occurs under the current MCHC the District will provide, to the extent practicable, an alternative process for performing the calculations and providing information to Purchaser substantially similar to that provided under the current MCHC to the extent the data and information is within the District's control. The Parties agree that prior to the expiration of the current MCHC, the Parties will meet to discuss the process for the District to provide the calculations and information.

## **SECTION 7. POINTS OF DELIVERY/TRANSMISSION**

- (a) Output power supplied hereunder shall be approximately 230 kV, three-phase, alternating current, at approximately 60 hertz.
- (b) The Energy to be delivered hereunder shall be made available to the Purchaser, at its option subject to transmission limitations as determined by the District, exercisable from time to time, at any one or more of the following Point(s) of Delivery:
  - (1) White River – Rocky Reach 230 kV Transmission Line

Location: The point(s) where the Chelan Transmission System interconnects with Puget's White River – Rocky Reach 230 kV transmission line in the vicinity of the Rocky Reach Switchyard  
Voltage: 230 kV

(2) Maple Valley – Rocky Reach 230/345 kV Transmission Line

Location: The point(s) where the Chelan Transmission System interconnects with BPA's 230/345 kV step-up transformer facilities that in turn feed BPA's Maple Valley – Rocky Reach 230/345 kV transmission line in the vicinity of the Rocky Reach Switchyard  
Voltage: 230 kV

(3) Chelan Rocky Reach – Columbia #2 230 kV Transmission Line (BPA interconnection)

Location: The point(s) where the Chelan Transmission System interconnects with BPA at 230 kV line in the vicinity of BPA's Columbia Substation  
Voltage: 230 kV

(4) Chelan Rocky Reach – Columbia #2 230 kV Transmission Line (Grant interconnection)

Location: The point(s) where the Chelan Transmission System interconnects with Grant County PUD's Columbia – Wanapum 230 kV line in the vicinity of BPA's Columbia Substation  
Voltage: 230 kV

(5) BPA Rocky Reach – Columbia #1 230 kV Transmission Line

Location: The point(s) where the Chelan Transmission System interconnects with BPA's Rocky Reach – Columbia 230 kV line in the vicinity of the Rocky Reach Switchyard  
Voltage: 230 kV

(6) Rocky Reach – Douglas 230 kV Tie Line

Location: The point(s) where the Chelan Transmission System interconnects with Douglas County PUD's 230 kV system in the vicinity of the Rocky Reach Switchyard  
Voltage: 230 kV

(7) BPA Valhalla Substation (Rock Island)

Location: The point(s) where the Chelan Transmission System interconnects with BPA at 115kV in the vicinity of the BPA 115kV Switchyard and McKenzie 115kV Switchyard.  
Voltage: 115 kV

(8) At any other location mutually agreed to by the District and Purchaser.

- (c) Purchaser is responsible for obtaining all necessary transmission capacity, arranging scheduling and paying associated costs to transmit all Energy obtained from its Purchaser's Output Percentage from the Point(s) of Delivery to Purchaser's system or any alternate point of receipt.

- (d) The District warrants that it will deliver to Purchaser the Purchaser's Percentage of Output free and clear of all liens, security interests, claims and encumbrances or any interest therein or thereby to any person arising prior to the Point of Delivery.

#### **SECTION 8. METERING AND TRANSMISSION LOSSES**

- (a) Metering Installation. The District has installed metering devices at each Point of Delivery to record the energy generated by the applicable Project(s). The District may from time to time install additional or replacement metering devices to measure energy from the applicable Project(s). All such metering devices, as so designated by the District from time to time ("Meters"), shall be used to measure Energy for all purposes of this contract and for purposes of any other agreement between the Parties related to the delivery of Energy.
- (b) Measurements. Except as may otherwise be provided in a contract between the Parties governing a specific transaction between them, all power flow and reactive power flow measurements from the Units shall be based on the measurement automatically recorded by the Meters.
- (c) Meter Testing. The District shall inspect, test and adjust the Meters at least once every two years. The District shall provide Purchaser with reasonable advance notice of, and permit a representative of Purchaser to witness and verify, such inspections, tests and adjustments.
- (d) Recalculations. If any of the District's metering devices are found to be defective or inaccurate by more than +/- 0.2%, it shall be adjusted, repaired, replaced and/or re-calibrated to bring the metering device to within the specifications provided for herein. If any of the District's metering devices are not found to be defective or inaccurate by more than the variances stated herein, then such Meters shall not be re-calibrated unless the District determines to do so.
- (e) Adjustment for Inaccurate Metering. If any Meter fails to register, or if the measurement made by such Meter during a test varies by more than +/- 0.2% from the measurement made by the standard meter used in such test, or if an error in meter reading occurs, adjustment shall be made to correct all measurements for the period during which such inaccurate measurements were made, if such period can be determined. If such period cannot be determined, the adjustment shall be made for the period immediately preceding the test of such Meter which is equal to the lesser of (a) one-half the time from the date of the last preceding test of such Meter, or (b) six months. Such corrected measurements shall be used to recompute the amounts of Energy delivered by the District to Purchaser during the period of adjustment. Such adjustment shall not include or give rise to any monetary compensation or other adjustments to the payments by Purchasers.

#### **SECTION 9. INFORMATION TO BE MADE AVAILABLE TO THE PURCHASER**

- (a) The Purchaser, upon at least thirty (30) days advance written notice to the District, shall have the right at its sole cost and expense to examine operating records relating to the Purchaser's Output Percentage during the District's normal business hours. All reasonable costs incurred

by the District associated with such examination of operating records, including, but not limited to, District labor, materials and reproduction services shall be promptly reimbursed to the District by the Purchaser.

- (b) The District shall exercise commercially reasonable efforts to provide to the Purchaser estimates and information reasonably necessary for the Purchaser to exercise its rights under this Contract. Purchaser may from time to time request that the District provide Purchaser with available operating data related to the Project(s), including planned outages, Fish Spill estimates and other anticipated events or circumstances that might affect Output over the ensuing 12 months. The District shall use commercially reasonable efforts to comply with such requests, to the extent such information is in the District's possession; provided, however, that the District shall not be liable to the Purchaser for any inaccuracies in such information or the failure of the District to deliver it in a timely manner. The Parties anticipate that the technology for the transfer of such information and the information required to operate Purchaser's Output Percentage will change over time. The Parties agree to transfer operating information reasonably needed by Purchaser to operate its Purchaser's Output by means of a technology that is both cost-effective and timely.

#### **SECTION 10. ENVIRONMENTAL ATTRIBUTES**

The Purchaser receives for its own use and benefit the Environmental Attributes associated with or related to the Purchaser's Output Percentage of Rocky Reach and Rock Island as provided herein.

The District does not represent or provide any warranty whatsoever regarding the eligibility or use of the Environmental Attributes in any program or market. The District, upon the reasonable request of the Purchaser, will perform any further acts and execute and deliver such documents that may be necessary to carry out the intent and purpose hereof. If the Purchaser requests reasonable actions that require the District to expend substantial time or retain outside expertise, in the District's sole discretion, the Purchaser shall be required to pay those costs in advance of the work being started.

#### **SECTION 11. LIABILITY OF PARTIES/DISCLAIMER OF WARRANTIES**

- (a) The Purchaser is purchasing Output from or attributable to Rocky Reach and Rock Island as available and scheduled by the Purchaser. The Purchaser acquires no interest in or rights to any facilities.
- (b) Except as expressly provided for herein, the District shall not be liable to Purchaser for any damages or losses sustained by Purchaser or its customers or third parties as a result of the curtailment, reduction or interruption of Output.
- (c) The District disclaims any and all warranties beyond the express terms hereof, including any implied warranties of merchantability or fitness for a particular purpose, and all other warranties with regard to all Energy and Capacity and other Output made available to

Purchaser pursuant to this Contract are hereby expressly disclaimed.

**THE FOREGOING IS IN LIEU OF ALL OTHER WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, IN FACT OR BY LAW WITH RESPECT TO THE OUTPUT PROVIDED HEREUNDER. DISTRICT HEREBY DISCLAIMS ANY AND ALL OTHER WARRANTIES WHATSOEVER.**

- (d) The Parties confirm that the express remedies and the express limitations as to remedies and damages provided in this Contract satisfy the essential purposes hereof. For breach of any provision hereof for which an express remedy or measure of damages is provided, such express remedy or measure of damages shall be the sole and exclusive remedy, the obligor's liability shall be limited as set forth in such provision and all other remedies or damages at law or in equity are waived.
- (e) Neither Party nor any Affiliate thereof may make application to FERC, or any other Government Authority having jurisdiction over this Contract, seeking any change in this Contract pursuant to the provisions of Sections 205 or 206 of the Federal Power Act or under any other statute, regulation or other provision promulgated by a Government Authority, nor support any such application by a third party. Absent the agreement of the Parties to any proposed change, the standard of review for changes to any section of this Agreement (to the extent that the waiver above is unenforceable or ineffective), whether proposed by a Party, a nonparty or FERC acting sua sponte shall be the "public interest" standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956). The Parties, for themselves and their successors and assigns, (i) agree that this "public interest" standard shall apply to any proposed changes in any other documents, instruments or other agreements executed or entered into by the Parties in connection with this Contract and (ii) hereby expressly and irrevocably waive any rights they can or may have to the application of any other standard of review, including the "just and reasonable" standard.
- (f) The protections afforded and the provisions of this section shall survive the termination, expiration or cancellation of this Contract, and shall apply to the fullest extent permitted by law.

NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, CONNECTED WITH OR ARISING OR RESULTING FROM THE PERFORMANCE OR NON-PERFORMANCE OF THIS CONTRACT OR ANYTHING DONE IN CONNECTION THEREWITH. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS OF DAMAGES CONTAINED IN THIS CONTRACT AND THE MEASURE OF DAMAGES DESCRIBED HEREIN ARE MATERIAL TERMS OF THIS CONTRACT.

## SECTION 12. NOTICES AND COMPUTATION OF TIME

- (a) Any notice, demand or request provided for in this Contract shall be, unless otherwise specified herein, in writing and may be delivered by hand delivery, United States mail, overnight courier or facsimile. Notice by courier, facsimile or hand delivery shall be effective at the close of business on the day actually received, if received during business hours on a regular Business Day, and otherwise shall be effective on the close of business on the next regular Business Day. All notices by United States mail shall be sent certified, return receipt requested and shall be effective three (3) Business Days after mailing as determined by subsection (b) hereof.

All notices, demands or requests made by mail shall be mailed postage prepaid and addressed to:

To District: Public Utility District No. 1 of Chelan County  
Attn: General Manager  
P.O. Box 1231  
327 N. Wenatchee Avenue  
Wenatchee, Washington 98807  
Fax: 509-661-8115

Public Utility District No. 1 of Chelan County  
Attn: General Counsel  
P. O. Box 1231  
327 N. Wenatchee Avenue  
Wenatchee, WA 98807  
Fax: 509-661-8115

To Purchaser: Avista Corporation  
Attn: Vice President Energy Resources  
1411 E Mission  
P.O. Box 3727  
Spokane, WA 99220-3727

- (b) In computing any period of time from a mailed notice, such period shall commence at HE 2400 (midnight) PPT on the date mailed.
- (c) The designations of the name and address to which any such notice or demand is directed may be changed at any time by either Party giving written notice as provided above.

## SECTION 13. DISTRICT'S LICENSES

It is recognized by the Parties that the District, in its operation of the Rocky Reach Project and Rock Island Project, must comply with the requirements the FERC License together with amendments thereof from time to time made, and the Purchaser acknowledges that compliance

with such requirements in a manner determined necessary and appropriate by the District may adversely affect the Output of the Project(s). If such actions will affect the Output of the Project(s), the District will provide written notice to the Purchaser as soon as is practicable under the circumstances.

#### **SECTION 14. ASSIGNMENT OF CONTRACT**

Neither the Purchaser nor the District shall by contract, operation of law or otherwise, assign this Contract or any right or interest in this Contract without the prior written consent of the other Party; provided, however, that the District may without the consent of the Purchaser (and without relieving itself from any obligations hereunder) pledge or encumber this Contract or the accounts, revenues or proceeds hereof in connection with any financings or other financial arrangements.

#### **SECTION 15. DEFAULT; REMEDIES ON DEFAULT**

(a) An "Event of Default" shall mean with respect to a Party ("Defaulting Party"):

- (1) the failure by the Defaulting Party to make, when due, any payment required pursuant to this Contract if such failure is not cured within two (2) Business Days after written notice of such failure is given to the Defaulting Party by the other Party ("the Non-Defaulting Party"); or
- (2) the District's willful or intentional failure to deliver Output to the Purchaser as provided in this Contract and such failure is not cured within three (3) Business Days after written notice thereof from the Purchaser to the District; or
- (3) the failure of the Purchaser to perform its obligations to take the Energy under Section 3 of this Contract and such failure is not cured within three (3) Business Days after written notice thereof to the Purchaser;
- (4) the failure of the Purchaser to perform its obligations under Section 6 of this Contract or failure to comply with a Dynamic Transfer Agreement without regard to whether the Purchaser has paid penalties for such violations as provided in this Contract or a Dynamic Transfer Agreement.
- (5) the failure by the Defaulting Party to have made accurate representations and warranties as required in Section 23 of this Contract and such failure is not cured within three (3) Business Days after written notice thereof to the Defaulting Party; or
- (6) the institution, with respect to the Defaulting Party, by the Defaulting Party or by another person or entity of a bankruptcy, reorganization, moratorium, liquidation, receivership or similar insolvency proceeding or other relief under any bankruptcy or insolvency law affecting creditor's rights or a petition is presented or instituted for its winding-up or liquidation; or

- (7) the occurrence of any default, Event of Default, or Letter of Credit Default (however defined) under any Collateral Annex; or
- (8) the occurrence of an event of default, however defined, in respect to any Slice Contracts between the Parties.
- (9) With respect to Purchaser's Guarantor, if any, an Event of Default shall mean:
- (i) if a material representation or warranty made by a Guarantor in connection with this Contract, or any transaction entered into hereunder, is false or misleading in any material respect when made or when deemed made or repeated; or
  - (ii) the failure of a Guarantor to make any payment required or to perform any other material covenant or obligation in any guarantee made in connection with this Contract, including any transaction entered into hereunder, and such failure shall not be remedied within three (3) Business Days after written notice; or
  - (iii) the institution, with respect to the Guarantor, by the Guarantor or by another person or entity of a bankruptcy, reorganization, moratorium, liquidation, receivership or similar insolvency proceeding or other relief under any bankruptcy or insolvency law affecting creditor's rights or a petition is presented or instituted for its winding-up or liquidation; or
  - (iv) the failure, without written consent of the other Party, of a Guarantor's guarantee to be in full force and effect for purposes of this Contract (other than in accordance with its terms) prior to the satisfaction of all obligations of such Party under each transaction to which such guarantee shall relate; or
  - (v) a Guarantor shall repudiate, disaffirm, disclaim, or reject, in whole or in part, or challenge the validity of, any guarantee.
- (10) With respect to Purchaser's LC Issuer, a Letter of Credit Default as defined in the Collateral Annex will necessitate a Replacement Letter of Credit be provided in accordance with Section 6 of the Collateral Annex.
- (b) District's Remedies. The District may, upon default of the Purchaser, immediately suspend deliveries of Output to Purchaser and sell such Output to third parties and permanently retain funds received from such sales for the suspension period until the default is cured, or becomes an Event of Default. If the price received for the Output is less than the Contract Price as defined in Appendix A to the Collateral Annex, the Purchaser shall pay the District the difference. If an Event of Default by the Purchaser occurs, the District may elect to: (i) terminate all transactions between the Parties, including this Contract and other Slice Contracts, and calculate a Slice Termination Payment as set forth in Section 16 below and any termination payment and other payments due upon termination as described in this Contract and other terminated agreements or transactions; or (ii) seek specific performance or maintain



successive proceedings for payment of amounts due. If the District chooses to terminate this Contract, the District must terminate all transactions between the Parties and payments due and owing or accrued shall be netted and set off. If the District terminates this Contract and (a) uses the Quotation Methodology in Section 16(b) to calculate the Slice Termination Payment, the District shall calculate and include in the net termination payment any gain or loss incurred for the period between the Event of Default and the first delivery date stated in the Replacement Slice Contract; or (b) uses the Alternative Determination Methodology in Section 16(c) to calculate the Slice Termination Payment, the District shall calculate and include any gain or loss incurred for the period between the Event of Default and the calculation date in the net termination payment. In either event (as described in (a) and (b) above, the gains or losses, will be calculated by comparing the Delivery Period Contract Price as defined in the Collateral Annex, to the Intercontinental Exchange (ICE) Day Ahead Mid-C Peak and Off-Peak Index price for the respective hours. If the ICE Day Ahead Mid-C Peak and Off-Peak Index is no longer published or utilized by the industry, the District will select another industry recognized index and notify Purchaser of the index to be used for this calculation. Payment of these amounts by Purchaser shall be subject to the provisions of subsections 5(c) and (g) and 16(h).

- (c) Purchaser's Remedies. If an Event of Default by the District occurs, the Purchaser may elect to: (i) terminate all transactions between the Parties, including this Contract and other Slice Contracts, and calculate a Slice Termination Payment as set forth in Section 16 below and any termination payment or other payments due upon termination as described in this Contract and other terminated agreements or transactions; or (ii) seek specific performance or maintain successive proceedings for enforcement of the District's obligations. If the Purchaser chooses to terminate this Contract, Purchaser must terminate all transactions between the Parties and the payments due and owing or accrued shall be netted and set off. The Purchaser, as calculation agent, shall use the Alternative Determination Methodology in Section 16(c) to calculate the Slice Termination Payment and calculate and include any gain or loss incurred for the period between the Event of Default and the calculation date in the net termination payment. The gains or losses will be calculated by comparing the Delivery Period Contract Price as defined in the Collateral Annex, to the Intercontinental Exchange (ICE) Day Ahead Mid-C Peak and Off-Peak Index price for the respective hours. If the ICE Day Ahead Mid-C Peak and Off-Peak Index is no longer published or utilized by the industry, the Purchaser will select another industry recognized index and notify the District of the index to be used for this calculation. If the Purchaser chooses to continue the Contract and obtains an order requiring the District to perform or the District agrees to continue the Contract, the Purchaser shall be entitled to receive from the District a payment reflecting the market price of the Purchaser's Percentage of Output for the period of time that deliveries did not occur. The market price of that Output shall be calculated at a rate equal to the Intercontinental Exchange (ICE) Day Ahead Mid-C Peak and Off-Peak Index price for the respective hours. If the ICE Day Ahead Mid-C Peak and Off-Peak Index is no longer published or utilized by the industry, the Purchaser will select another industry recognized index and notify the District of the index to be used for this calculation. Payment by the District shall be subject to the provisions of subsections 5(c) and (g) and 16(h).

- (d) Failure of either Party to insist at any time on the strict observance or performance by the other Party of any of the provisions of this Contract shall not impair any right or remedy nor be construed as a waiver or relinquishment thereof in the future.

#### SECTION 16. TERMINATION PAYMENT.

A Slice Termination Payment as referenced in this Contract shall be calculated in accordance with the protocol set forth in this section. For purposes of this Contract, the "*Slice Termination Payment*" shall mean the sum of (i) the amount calculated pursuant to clauses (b) or (c) below, as the case may be, plus (ii) all amounts then due and owing by the Defaulting Party under this Contract as of the date of termination, whether or not billed or demanded as of that date, plus (iii) the Non-Defaulting Party's Costs. "*Costs*" for purposes of this Contract means all reasonable fees, costs and expenses incurred by a Non-Defaulting Party as a direct result of the other Party's non-performance or breach of its obligations hereunder, including, without limitation, administrative and overhead costs, brokerage fees, commissions and other third party transaction costs and expenses, other fees, charges, costs and expenses including court costs and reasonable fees of attorneys (external and internal), consultants and other professionals, incurred in connection with calculating the Slice Termination Payment, obtaining quotations, and in enforcing the Non-Defaulting Party's rights hereunder. "*Costs*" shall not include indirect incidental, consequential or punitive damages arising from the Defaulting Party's breach.

- (a) Calculation Agent. The calculation of the Slice Termination Payment will be performed by the District; provided, however, that in the event there is an Event of Default by the District, then Purchaser shall be the Calculation Agent. Purchaser shall use the Alternative Determination Methodology described in Subsection (c) below in determining the Slice Termination Payment. The determination of the Slice Termination Payment pursuant to the criteria set forth below shall be binding on the Parties and conclusive, absent manifest error.
- (b) Quotation Methodology. As soon as reasonably practical after termination, the District shall determine whether to calculate the Slice Termination Payment by obtaining quotations (either firm or indicative) for a Replacement Slice Contract or to use the Alternative Determination Methodology. If the District determines obtaining quotations is appropriate, then the District will endeavor to obtain quotations from three or more third parties selected by the District who, in the District's reasonable discretion, are creditworthy, are qualified to enter into a Replacement Slice Contract and are parties to a WSPP Agreement (each a "*Qualified Bidder*"). Bids or quotations for less than the full remaining term or containing material conditions or deviations from this contract shall not be considered. If more than three quotations are received, the high and low quotation shall be disregarded and the Slice Termination Payment shall be calculated using the average of the remaining quotations, as compared to the total Purchase Price for all remaining Delivery Periods. If three or fewer quotations are received, the Slice Termination Payment shall be calculated using the average of the quotations received. It is expressly agreed that the District shall not be required to enter into a Replacement Slice Contract or any replacement transactions in order to determine the value of Purchaser's Output for the purposes of calculating the Slice Termination Payment under this section.

*"Replacement Slice Contract"* means a slice contract containing substantially the same terms and conditions as this contract, for the same Purchaser's Output Percentage, and for a contemplated term commencing with the first delivery of Output as determined by the District in its sole discretion pursuant to the Replacement Slice Contract and continuing for the remaining nominal term hereof.

- (c) Alternative Determination Methodology. If the District does not elect to obtain or does not receive any bids or indicative quotations pursuant to the procedures set forth in clause (b) above, the Slice Termination Payment shall be determined by the District or the Purchaser, if Purchaser is the Calculation Agent pursuant to subsection (a) above, using commercially reasonable procedures in order to produce a commercially reasonable result utilizing the base methodology outlined in Appendix A to the Collateral Annex.
- (d) Present Value. The Slice Termination Payment calculated pursuant to clause (b) or (c) above shall be discounted to present value using the Present Value Rate as of the time of termination. The *"Present Value Rate"* shall mean the sum of 0.50% plus the yield reported on page "UISD" of the Bloomberg Financial Markets Services Screen (or if not available, any other nationally recognized trading screen reporting on-line intraday trading in United States government securities at 8:00 a.m. (Pacific Prevailing Time) for the United States government securities having a maturity that matches the average remaining term of this Contract.
- (e) Payment of Termination Amount. The Calculation Agent shall provide the other Party with written notification of the Slice Termination Payment, as calculated pursuant to this Section 16 as soon as practical after such amounts have been determined and shall provide the other Party with supporting documentation showing in reasonable detail the bids, quotations and other factors used in making such calculations. The amount owed after netting and setoff pursuant to Subsection (g) below shall be due within three (3) Business Days of delivery of such notice and payment shall bear interest at the Present Value Rate from the effective date of the notice of termination until the amount is paid in full. Payment shall be made in conformance with subsections 5(c) and (g) of this Contract.
- (f) Additional Payment to District if Purchaser Defaults. If in the Event of Default by Purchaser, the District terminates the Contract and obtains quotations or requests bids for a Replacement Slice Contract, the Purchaser shall pay to the District the agreed upon sum of \$100,000 to cover the expenses of the District. The Parties specifically agree that the District shall not be required to track the specific costs associated with the tasks that are taken in order to obtain those quotations of bids and that the amount agreed upon is a reasonable estimate of the costs to be incurred by the District.
- (g) Setoff and Netting. The Calculation Agent shall aggregate or set off any or all other amounts owing between the Parties under all other Slice Contracts, any Dynamic Transfer Agreement and this Contract so that all such amounts are aggregated and/or netted into a single liquidated termination payment.
- (h) Election to Pay Over Time. If the District is the Defaulting Party and the Purchaser owes monies after set offs and netting of all Agreements (as defined in the Collateral Annex), then

notwithstanding the three (3) Business Day payment requirement detailed above, the Purchaser may elect to pay the District the monies owed under this Section 16 over a period of time up to three (3) years with the first payment being due on the Slice Termination Payment due date as provided in Section (16)(e). Payments shall be made in equal monthly installments. The Purchaser shall give written notice to the District of this election within two (2) Business Days of the notice provided in Section 16(e). The written notice will include a payment schedule. If the Purchaser is the Defaulting Party and the Purchaser owes the District monies after set offs and netting, payment by Purchaser shall be due within the three (3) Business Day payment requirement.

If the District is the Non-Defaulting Party and it owes the Purchaser monies after set offs and netting of all Agreements (as defined in the Collateral Annex), then notwithstanding the three (3) Business Day payment requirement detailed above, the District may elect to make payments to the Purchaser the monies owed under this Section 16 after set offs and netting of all Agreements over a period of time up to three (3) years with the first payment being due on the Slice Termination Payment due date as provided in Section (16)(e). Payments shall be made in equal monthly installments. The District shall give written notice to the Purchaser of this election with two (2) Business Days of the notice provided in Section 16(e). The written notice will include a payment schedule. If the District is the Defaulting Party and the District owes the Purchaser monies after set offs and netting, payment by District shall be due within the three (3) Business Day payment requirement.

If the Party elects to make payments over time, the Present Value Rate referenced in Section 16(d) in this or another Slice Contract shall not be reflected in determining the amounts to be paid.

This provision and the rights and obligations under it shall survive termination of any applicable transactions or agreements.

If the Party owing money ("Owing Party") to the other Party ("Receiving Party") fails to make a payment under this subsection 16(h), then the Receiving Party shall have the right, by providing written notice to the Owing Party at any time after the Owing Party fails to pay, to require payment of all monies owed under all of the contracts subject to this Section within three (3) Business Days of receipt of the written notice. The monies to be paid under this accelerated payment provision shall be the remaining amounts to be paid under the contracts or agreements reflecting a discount using the Present Value Rate from the date of the written notice.

## **SECTION 17. COLLATERAL REQUIREMENTS**

The obligations and rights of the Parties under this Contract to call for and post collateral are set forth in the Collateral Annex and Cover Sheet Elections executed by the Parties.

## **SECTION 18. GOVERNING LAW, VENUE AND ATTORNEY FEES**

The Parties agree that the laws of the State of Washington shall govern this Contract. Venue of any action filed to enforce or interpret the provisions of this Contract shall be exclusively in the United States District Court for the Eastern District of Washington or the Superior Court of the State of Washington for Chelan County and the Parties irrevocably submit to the exclusive jurisdiction of any such court. In the event of litigation to enforce the provisions of this Contract, the prevailing Party shall be entitled to reasonable attorney's fees in addition to any other relief allowed. Each party waives its respective right to any jury trial with respect to any litigation arising under or in connection with this Contract.

## **SECTION 19. COMPLIANCE WITH LAW**

- (a) The Parties understand and acknowledge that operation of the Project(s) must conform to and comply with all applicable laws, rules, regulations, license conditions or restrictions promulgated by the FERC, the State of Washington or any other governmental agency or entity having jurisdiction over the Project(s). The Purchaser shall take whatever actions are reasonably necessary to cooperate fully with the District in meeting such requirements. Obligations of the District contained in this Contract are hereby expressly made subordinate and subject to such compliance.
- (b) RCW 54.16.040 contains provisions relating to the District's sale of electric energy. The Parties understand and acknowledge that the District must comply with RCW 54.16.040 to the extent applicable to this Contract and the District's obligations and performance of this Contract are hereby expressly made subordinate and subject to such compliance.

## **SECTION 20. HEADINGS**

The headings of sections and paragraphs of this Contract are for convenience of reference only and are not intended to restrict, affect or be of any weight in the interpretation or construction of the provisions of such sections and paragraphs.

## **SECTION 21. ENTIRE AGREEMENT; MODIFICATION; CONFLICT IN PRECEDENCE**

This Contract constitutes the entire agreement between the Parties with respect to the subject matter of this Contract, and supersedes all previous communications between the Parties, either verbal or written, with respect to such subject matter. No modifications of this Contract shall be binding upon the Parties unless such modifications are in writing signed by each Party.

## **SECTION 22. NO PARTNERSHIP OR THIRD PARTY RIGHTS**

- (a) This Contract shall not be interpreted or construed to create an association, joint venture or partnership between the Parties, or to impose any partnership obligations or liability upon any Party.

- (b) This Contract shall not be construed to create rights in or grant remedies to any third party as a beneficiary of this Contract.
- (c) This Contract is for the sale of Output only. Nothing in this Contract is intended to grant Purchaser any rights or interest in any specific District project, facility or resource.

### **SECTION 23. REPRESENTATIONS AND WARRANTIES**

At the time of the Effective Date of this Contract, each Party represents and warrants to the other Party that:

- (a) It is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation.
- (b) It has full legal right, power and authority to execute, deliver and perform its obligations under this Contract; it has taken all appropriate and necessary action to authorize the execution, delivery and performance of this Contract including, without limitation, the approval by its Board of Commissioners or Board of Directors, as the case may be; and this Contract has been duly and validly executed and delivered by it; and this Contract does not violate any of the terms or conditions in its governing documents or any contract to which it is a party or any law, rule, regulation, order, writ, judgment, decree or other legal or regulatory determination applicable to it.
- (c) This Contract constitutes a legally valid and binding obligation enforceable against it in accordance with its terms, subject to equitable defenses and applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally.
- (d) There are no bankruptcy, insolvency, reorganization, receivership or other arrangements or proceedings pending or being contemplated by it, or to its knowledge threatened against it.
- (e) Each Party is acting for its own account, and has made its own independent decision to enter this Contract and this Contract is appropriate or proper for it based upon its own judgment. Neither Party is relying upon the advice or recommendations of the other Party in so doing, and each Party is capable of assessing the merits of and understanding, and understands and accepts, the terms, conditions and risks of the Contract.
- (f) Each Party has entered into this Contract in connection with the conduct of its business and it has the capacity or ability to make or take delivery of the Output referred to in this Contract.
- (g) Each Party acknowledges and agrees that this Contract is a "forward contract" and that each Party is a "forward contract merchant" in each case as those terms are used in the United States Bankruptcy Code.
- (h) Notwithstanding anything contained to the contrary in the laws of the State of Washington, the District irrevocably agrees that it will not claim immunity on the grounds of sovereignty in any proceeding. The District represents that it is subject to the filing of claims, service of

process and suit for damages pursuant to and in accordance with the laws of the State of Washington.

**SECTION 24. SEVERABILITY**

If any term or provision of this Contract or the application thereof to any Party, or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Contract, or the application of such term or provision to the Parties or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Contract shall be valid and enforceable to the fullest extent permitted by law. If any clause or provision of this Contract shall be deemed invalid or unenforceable, the Parties will promptly engage in good faith negotiations to modify such clause or provision to each Party's commercially reasonable satisfaction to alleviate the grounds for invalidity or enforceability and to preserve the respective rights and obligations of the Parties intended to be conferred by this Contract to the greatest extent reasonably practicable.

**SECTION 25. AUTHORITY TO SIGN**

Each of the individuals executing this Agreement warrant that they are the authorized signatory of the entity for which they are signing and have sufficient corporate authority to execute this Agreement.

PUBLIC UTILITY DISTRICT NO. 1  
OF CHELAN COUNTY, WASHINGTON

By: Kate W. Carlson, Acting GM for  
Title: General Manager  
Date: 3/20/15

AVISTA CORPORATION

By: J R Thackston  
Title: Jason R. Thackston  
Date: Senior VP, Energy Resources 3/19/15

## APPENDIX A

### OUTPUT, SCHEDULING, PLANNING AND TRANSMISSION

This Appendix A shall govern the determination of the Output to be made available to Purchaser under this Contract.

#### Definitions

In addition to the terms elsewhere defined in this Contract, the following terms used in this Appendix A shall have the meanings ascribed to them below.

**Biological Opinion** - means any opinion issued by a Government Authority authorized to do so under the Endangered Species Act (ESA) that reviews and assesses whether the operating plan submitted by BPA, the U.S. Army Corps of Engineers and the Bureau of Reclamation will jeopardize the survival of any creature or creatures that have been determined to be threatened or endangered pursuant to the ESA.

**Black Start Capability** – The ability of generators to self-start without any source of off-site electric power and maintain adequate voltage and frequency while energizing isolated transmission facilities and auxiliary loads of other generators.

**Bonneville Power Administration (BPA)** - The Federal power marketing agency responsible for the selling of the output of all Columbia River Federal project generation, and ownership, operation and maintenance of a major share of the northwest high-voltage transmission system.

**Canadian Entitlement** – The amount of energy and capacity that the Rocky Reach and Rock Island is obligated to return to BPA in its capacity as the US Entity for the account of the Canadian government to fulfill obligations under the US-Canadian Columbia River Treaty of 1964.

**Fish Spill** – The required spill of water for the passage of fish past the Projects as required by FERC order, the District's HCP, spill for studies, or other Regulatory Authorities.

**Habitat Conservation Plans (HCP)** - The plans approved as part of the Projects licenses to protect anadromous fish passing upstream and downstream at the Projects.

**Hanford Reach Fall Chinook Protection Program (Vernita Bar)** - The agreement which defines the Mid-Columbia projects' (Grand Coulee, Chief Joseph, Wells, Rocky Reach, Rock Island, Wanapum, and Priest Rapids) operational obligations for the fresh water life cycle protection of the Hanford Reach Fall Chinook which has been signed by the District, National Oceanic and Atmospheric Administration's Department of Fisheries (NOAA Fisheries), Washington Department of Fish and Wildlife, PUD No. 2 of Grant County, and PUD No. 1 of Douglas County.

**Immediate Spill Replacement** – The energy received from the Federal government for the purpose of moving spill from the Federal system to reduce total dissolved gas levels downstream



from Federal reservoirs.

**Load Following/Regulation** - The ability to adjust generation within an hour (or pursuant to dynamic scheduling) to follow variations in load. Load Following/Regulation is limited and constrained by the number of Units available, any limitations on the Units, Ramp Rate, and any other power or non-power restrictions.

**Mid-Columbia Hourly Coordination (MCHC)** - The 1997 Agreement For The Hourly Coordination Of Projects On The Mid-Columbia River (or a successor agreement) is an agreement among the principal parties that own or have rights to generation relating to the seven mid-Columbia hydro projects (Grand Coulee, Chief Joseph, Wells, Rocky Reach, Rock Island, Wanapum, and Priest Rapids). This Contract coordinates the hydraulic operation (generation, flows, and storage) among these projects. The current MCHC terminates on June 30, 2017. The owners of the hydro projects are negotiating an agreement that is intended to succeed the current MCHC agreement. MCHC means the administration of the agreement in addition to the agreement itself.

**Non-Spinning Operating Reserves** – Those reserves that may be available at any time from all Units of Rocky Reach and Rock Island not then connected to the system but capable of being connected and serving demand within a specified time.

**Operational Constraints** - Constraints on the operation of the Units or a Project that are needed to meet any requirement due to the HCP, regulations, Laws, court orders, authority, safety, Operating Agreements or to minimize equipment wear, maintain equipment, or repair/replace equipment, or that are due to any other event or circumstance described in this Appendix A or in the Contract.

**Pacific Northwest Coordination Agreement (PNCA)** – Shall mean the agreement among Northwest parties for the coordinated operation of the Columbia River system on a seasonal and monthly basis. The PNCA defines the firm energy output of Rocky Reach and Rock Island as well as other rights and obligations, including provisional energy, interchange energy, in-lieu energy, and others defined in the contract. The PNCA does not allow resources above the head works of Bonneville Dam to be removed from coordination, and currently all Capacity and Energy of Rocky Reach and Rock Island are included in PNCA planning. PNCA serves as a settlement of the Federal Power Act Section 10(f) obligation to reimburse upstream Federal projects for energy gains as a result of the storage provided, as well as a FERC approved settlement among all Non-Federal parties for upstream benefit payments.

**Pond/Storage** – The volume of water, expressed in MWh, that can be stored behind a Project between its minimum and maximum headwater elevations.

**Ramp Rate** – means the rate of change in the level of generation for a specified period within all applicable Operational Constraints. The maximum Ramp Rate is a variable quantity based upon these limitations.

**Remedial Action Schemes (RAS)** - Any action implemented by the District utilizing the Rocky

Reach Project and Rock Island Project, as applicable, to maintain the transfer capabilities and stability of the Western Interconnection.

**Rocky Reach and Rock Island Output** includes adjustments for the following:

1. Canadian Entitlement
2. MCHC
3. PNCA
4. HCP
5. Biological Opinion
6. Hanford Reach Fall Chinook Protection Program
7. Immediate Spill Replacement

**Spinning Operating Reserves** – The difference at any time between total available Capacity of all Units of Rocky Reach and Rock Island then on-line and the sum of the then current generation level of those on-line Units.

**Spill** – Water that passes over a spillway without going through turbines to produce energy.

**Spill Past Unloaded Units** - Spill that occurs while Units are not all fully loaded.

**Unit** - Each generating unit or collectively, the generating units at the Project. The Units currently consist of the eleven generating Units at Rocky Reach and eighteen generating Units at Rock Island plus the house unit. Unit may also include any other generating Units installed in the Rocky Reach and Rock Island Projects (for example attraction water turbines).

**Voltage Support / MegaVars (MVARs)** – Shall mean reactive power supplied or absorbed by Rocky Reach and Rock Island as required to maintain voltage at adjacent switchyards. Under certain operating conditions, the MVARs output from the Units may cause a reduction in the Capacity of Rocky Reach and Rock Island.

## **OUTPUT**

### **Section 1. Rocky Reach and Rock Island Output**

(A) **Capacity and Energy Component.** Output (and Purchaser's Output Percentage as defined in Article 3 of this Contract) includes the amount of deliverable electric Capacity and Energy from Rocky Reach and Rock Island net of the following adjustments with respect thereto:

- (i) adjustments for receipt and delivery of all upstream and downstream encroachments, adjustment for station service and losses to the Point(s) of Delivery;
- (ii) adjustments for Energy delivery or consumption obligations that are a Project responsibility under applicable Laws or agreements (including, but not limited to, fish hatcheries);

- (iii) adjustments for Capacity and Energy receipt obligations with the Federal system associated with Immediate Spill Replacement;
  - (iv) Capacity and Energy delivery obligations under the Canadian Entitlement Allocation Extension Agreement signed by the District and the Bonneville Power Administration, acting as the U.S. Entity under the U.S. Canada Treaty of 1964;
  - (v) Purchaser adjustments for Energy delivery rights that are a Project right under applicable laws or agreements (including, but not limited to, PNCA); and
  - (vi) Adjustments due to limitations imposed by and rights under the FERC licenses, MCHC, HCP, Biological Opinion, Hanford Reach Fall Chinook Protection Program and Immediate Spill Replacement.
- (B) **Pond/Storage.** Output includes access to and the ability to use 100% of the Purchaser's Output Percentage of Pond/Storage of Rocky Reach and Rock Island, as applicable.
- (C) **Load Following and Regulation.** Output includes Load Following/Regulation services only if Purchaser provides scheduling information via a dynamic electronic signal per Section 6(c) of the Contract.
- (D) **Rocky Reach and Rock Island Rights and Obligations.** Output includes the rights and obligations from Canadian Entitlement, MCHC, PNCA, HCP, Biological Opinion, Hanford Reach Fall Chinook Protection Program and Immediate Spill Replacement.
- (E) **Output Limitations.** Output is subject to limitation or adjustments due to:
- i. planned or unplanned outages for maintenance or repair;
  - ii. any reductions due to fishery programs, including but not limited to, spill for fish bypass and capability reductions for a bypass system;
  - iii. any reductions or limitations due to the Hanford Reach Fall Chinook Protection Program and the Biological Opinion or any other limitations imposed by Government Authorities;
  - iv. any reductions or limitations due to the HCP;
  - v. reductions or interruptions reasonably necessary to promote and support national, regional and local electric system stability and reliability (including, but not limited to, MVAR support of the transmission system);
  - vi. minimum generation limitations due to minimum flow requirements;
  - vii. other operational limitations lawfully imposed;
  - viii. Uncontrollable Forces;
  - ix. Reserve obligations associated with the generation in the District's Balancing Authority. Sufficient reserves must be provided to meet the applicable PEAK RC/WECC/NERC

reliability standards, District Business Practices and District Slice Operating Instructions;  
and

- x. Any other Operational Constraints.

**(F) Excluded Products and Services.** Output does not include the following:

- i. Black Start Capability;
- ii. RAS;
- iii. Voltage Support/MegaVars (MVARs);
- iv. All other items not specifically included in Clauses (A) through (E) of this Section 1, except as otherwise described in Clause (G) below. It is Purchaser's responsibility to provide any additional ancillary services required to comply with safety and reliability standards in connection with Purchaser's receipt and use of Output; and
- v. Any Environmental Attributes, except as provided in Section 10 of this Contract.

**(G) Spinning Operating Reserves and Non-Spinning Operating Reserves.** The Purchaser's ability to utilize Output for purposes of Spinning Operating Reserves and Non-Spinning Operating Reserves shall be limited to and as provided in MCHC and its related operating protocols. The District reserves the right to refuse to place unloaded Units on-line for the sole purpose of meeting Purchaser's Spinning Operating Reserve obligations. This provision and Purchaser's ability to utilize Output for purposes of Spinning Operating Reserves and Non-Spinning Operating Reserves only applies if Purchaser has a pseudo-tie agreement to dynamically transfer the Output into another BA. The attaining BA of the pseudo-tie dynamic transfer could then utilize Spinning Operating Reserves and Non-spinning Operating Reserves and would also have the associated WECC/NERC compliance responsibility.

**(H) Implementation.** The reduction of Rocky Reach and/or Rock Island Capacity deliveries to Purchaser will be imposed pro-rata such that reductions of Capacity for Purchaser at any time will equal Purchaser's Output Percentage of the total reductions of Capacity at such time. Energy reductions of Rocky Reach and/or Rock Island shall be allocated according to procedures in the MCHC. The Purchaser shall have the ability to utilize its full Purchaser's Output Percentage at any point in time, subject to the availability of Units, the amount of water available, FERC limitations, maximum Ramp Rates, and any other Operational Constraints.

## **MEASUREMENT OF ENERGY**

**Section 2. Measurement of Energy Made Available.** The amount of electric Energy made available hereunder from time to time shall be deemed to be the amount of Energy delivered in accordance with this Appendix, as measured in accordance with Section 8 of the Contract, that was not interrupted or curtailed due to conditions set forth herein or in the Contract.

## MANAGEMENT

**Section 3. Management of Rocky Reach and Rock Island** . Purchaser shall have access to and the ability to use its Purchaser's Output Percentage, inflow, and 100% of the Purchaser's Output Percentage of Pond/Storage components of Output as it sees fit, subject to all limitations set forth in this Contract, including this Appendix A, the District's Business Practices and District Slice Operating Instructions and the MCHC in effect at the time. Rocky Reach and Rock Island have a limited amount of Pond/Storage available each day for daily shaping use. All Pond/Storage at Rocky Reach and Rock Island shall be accounted for and controlled pursuant to the terms of the MCHC and this Contract.

(A) Prior to the first delivery of Output, the Purchaser shall become a signatory of the current MCHC. The Purchaser shall also be obligated to comply with and be bound by all applicable provisions and operating procedures of an agreement that succeeds the MCHC agreement. The Purchaser may or may not be a signatory to a successor agreement. The District or MCHC will provide information which is available to the District for authorized release and is reasonably necessary to manage this Contract.

The Purchaser shall be responsible for monitoring storage levels and adjusting Energy requests as required to stay within this Contract and MCHC limits. All expenses associated with acquisition, operation and maintenance of hardware and software on the Purchaser's system necessary to meet Purchaser's obligations under this Contract and the MCHC shall be Purchaser's responsibility. In the event the District must intervene to correct an MCHC problem or contractual deficiency on behalf of Purchaser, Purchaser shall reimburse the District for all resulting costs and penalties incurred by the District as a result thereof on a monthly basis as a line item on billings.

(B) The Purchaser shall manage its Energy requests, subject to the terms of this Contract and the MCHC, so as not to exceed its total Capacity entitlement at the Projects. All rights and duties under the MCHC as applicable to Purchaser's Output Percentage shall be discharged solely by Purchaser, except as otherwise provided in this Section 3. Purchaser shall not make any request for Energy that would cause its MCHC Pond/Storage account for the Project to go outside its contractual Pond/Storage limits. An account shall be kept pursuant to the MCHC for the Purchaser, based on the information provided to the District pursuant to the MCHC. Purchaser's account will reflect Purchaser's Output Percentage of allocated inflow being added each hour and Purchaser's previous hour's energy subtracted. Purchaser shall not violate any MCHC limitation. In the event Purchaser's Pond/Storage account for Rocky Reach and Rock Island goes outside its contractual Pond/Storage and MCHC limits, expressed in MWh, the District may implement penalties per Section 6 of this Contract and may immediately reduce Capacity associated with Purchaser's Output Percentage available from Rocky Reach and Rock Island to an amount approximating Purchaser's Output Percentage of allocated inflow until the Purchaser's Pond/Storage account balance has returned to within Purchaser's contractual Pond/Storage and MCHC limits.

## PLANNING DATA

**Section 4. Planning Data.** The District shall from time to time supply, as soon as practicable after it is available to the District, estimates of planned outages and planned Fish Spill to enable Purchaser to estimate future Output.

APPENDIX B

Attached completed Bid Form.

## Bid Form for Sale of Slice Products 20, 21 and 22

Public Utility District No. 1 of Chelan County, WA (District) is selling a slice of the Output from the Rocky Reach Hydroelectric Project (RR) and the Rock Island Hydro Electric Project (RI) starting HE 0100, P.P.T. January 1, 2016, and ending on HE 2400 (midnight) P.P.T., December 31, 2020, as more fully specified in the CONTRACT FOR SALE OF OUTPUT FROM THE ROCKY REACH PROJECT AND ROCK ISLAND PROJECT (referred to as "Contract" herein).

Bidder, whose true and correct legal name is Avista Corporation, acknowledges that it has carefully and fully reviewed the Contract and all other necessary legal documents and hereby submits the following bid price:

The District will evaluate the bids based upon the amount of the bids, variation in Contract provisions, operational issues, counterparty concentration risk and other factors as deemed appropriate in the discretion of the District.

**Table 1. (Slice Product 22 is a combination of Products 20 and 21)**

Delivery Period	Slice Product 20 Output Percentage	Slice Product 21 Output Percentage	Slice Product 22 Output Percentage
1. Jan. 1,– Dec. 31, 2016	2.5%	2.5%	5.0%
2. Jan. 1,– Dec. 31, 2017	2.5%	2.5%	5.0%
3. Jan. 1,– Dec. 31, 2018	2.5%	2.5%	5.0%
4. Jan. 1,– Dec. 31, 2019	2.5%	2.5%	5.0%
5. Jan. 1,– Dec. 31, 2020	2.5%	2.5%	5.0%

Bidder hereby offers to purchase the Output with the percentage shares of the Rocky Reach and Rock Island Projects in the Delivery Periods shown in Table 1 in accordance with the terms and conditions contained in the Contract.



BIDDER HEREBY SUBMITS BID FOR THE PURCHASE OF OUTPUT (US DOLLARS) IN TABLE 2.

**Table 2.**

<b>Delivery Period</b>	<b>Percent of Total Purchase Price to Be Paid Each Delivery Period ("Annual Percentage")</b>	<b>Percent of Total Purchase Price to Be Paid Each Delivery Period ("Annual Percentage")</b>
1. Jan. 1 – Dec. 31, 2016	17 %	17%
2. Jan. 1 – Dec. 31, 2017	19%	19%
3. Jan. 1 – Dec. 31, 2018	20%	20%
4. Jan 1 – Dec 31, 2019	21%	21%
5. Jan 1 – Dec 31, 2020	23%	23%
	<b>Purchase Price (\$US) for Slice Products 20 or 21</b>	<b>Purchase Price (\$US) for Slice Product 22</b>
<b>Total Purchase Price for Rocky Reach Project and Rock Island Project Output (with Environmental Attributes)</b>	[REDACTED]	

This bid shall constitute an offer to the District and shall be irrevocable from the time submitted until 4:00 p.m. P.P.T. on March 17, 2015. In the event the District accepts the bid, the District will notify the Bidder of such acceptance. Applicant shall within two (2) business days of such notice post the Independent Amount as required under the Cover Sheet Elections and properly execute and return to the District a signed copy of the Contract, Collateral Annex and Cover Sheet Elections, the WSPP Amendment and other necessary documents.

Should Bidder fail to provide the executed documents as provided above, Bidder shall pay liquidated damages to the District of five percent (5%) of the amount of its bid.

Bidder's submittal of a bid and its execution, delivery and performance of the Contract are and will be within its powers, and Bidder has been duly authorized by all necessary action to enter into such Contract, and by doing so does and will not violate any of the terms and conditions of its governing documents, any contracts to which it is a party or any law, rule, regulation, or order applicable to it. Bidder shall provide a true and correct copy of a duly adopted corporate resolution or other satisfactory evidence of corporate and signature authority at the time a bid is submitted.

~~copy of a duly adopted corporate resolution or other satisfactory evidence of corporate and signature authority at the time a bid is submitted.~~

The Bidder fully understands that the District's request for bid is not an offer to sell Output to any bidder, and in no event will the District be obligated to enter into a contract or sell Output to anyone responding to this application. Any sale of Output will be subject to the District's determination, made in its sole discretion, that the transaction will be in the best interests of the District's customers.

The Bidder understands and agrees that the District shall have the right, but not the obligation, to waive any errors or irregularities in any bid. **The bid amounts are entirely the responsibility of the Bidder. The District does not review nor make any determination as to the appropriateness of any bid.**

The person signing this document has the authority to sign this bid and bind the named entity to the bid and terms of the Contract.

BIDDER: Avista Corp ADDRESS: 1911 E Mission  
BY: JASON THACKSTON Spokane, WA 99220  
(Type or Print Name)  
TITLE: SR VICE PRESIDENT, ENERGY RESOURCES  
SIGNED: J. J. Phone (509) 495-8550  
DATE: 3-17-15

BIDDER PRIMARY CONTACT NAME: Bill Johnson  
BIDDER CONTACT PHONE NUMBER: 509 495-4046

APPENDIX C  
ROCKY REACH CREDIT PROVISION

In the event that the actual Rocky Reach Unit Availability rate for the Rocky Reach Large Units, expressed as a percentage ("Actual Availability Rate"), is less than the base Rocky Reach Unit Availability rate for the Rocky Reach Large Units, expressed as a percentage ("Base Availability Rate") set out in Table 1 for each calendar year, the District will provide an annual credit to the Purchaser for that calendar year. If the Actual Availability Rate is less than the Base Availability Rate for that calendar year, the District will subtract the Actual Availability Rate from the Base Availability Rate provided in Table 1, rounded to two decimal places to determine the difference ("Availability Difference"). The District will then multiply the Availability Difference by 100 and by the applicable credit amount for the applicable year from Table 2 to determine the total credit ("Credit Amount").



No credit will be provided to the Purchaser in any year that the Actual Availability Rate is greater than the Base Availability Rate. No credit shall be provided to Purchaser in any year in an amount greater than the Maximum Annual Credit.

The Maximum Annual Credit available in any year shall be, for each year, the amount set forth in Table 2. Examples of the annual credit calculation are set out in Table 3.

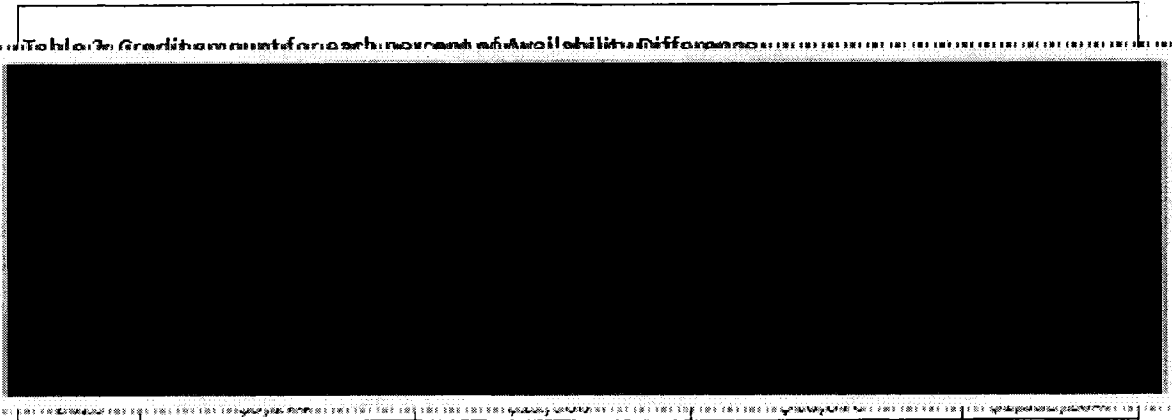


Table	[Redacted]
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The Actual Availability Rate is determined by taking the number of Rocky Reach Large Units available for each hour over a calendar year divided by the total number of Rocky Reach Large Units multiplied by the number of hours in a calendar year. An example of this calculation is shown in Table 4.

Table	[Redacted]	
Rocky Reach Large Units Available	[Redacted]	available
Base Load	[Redacted]	available
Actual Availability Rate	[Redacted]	available

The Credit Amount will be calculated annually beginning in January 2017, for the previous calendar year. If there is a credit, the Credit Amount due to Purchaser will be netted with the Monthly Payment due to the District in January of each year following the period of annual calculation.

**COLLATERAL ANNEX**  
to the  
**CONTRACT(S) FOR SALE OF OUTPUT FROM**  
**THE ROCKY REACH PROJECT AND ROCK ISLAND PROJECT AND THE**  
**CONTRACT FOR SALE OF OUTPUT FROM THE ROCKY REACH PROJECT AND**  
**CHELAN POWER SYSTEM**

This Collateral Annex together with the Cover Sheet Elections (collectively, the "Collateral Annex"), between Public Utility District No. 1 of Chelan County, Washington ("Party A") and Avista Corporation ("Party B") (each a "Party" and, collectively, the "Parties"), is given to provide credit assurances to secure each Party's Obligations under the Agreements, as each term is defined below.

This Collateral Annex shall be effective as of March 17, 2015, ("the Effective Date") and supersedes the Collateral Annex between the Parties signed October 2, 2014.

The Obligations of each Party to the other Party under the Agreements shall be secured in accordance with the provisions of this Collateral Annex, which sets forth the conditions under which a Party will be required to deliver Performance Assurance and the conditions under which a Party will be required to release and return Performance Assurance. To the extent there are any inconsistencies between the terms and conditions of the Agreements and this Collateral Annex, this Collateral Annex shall prevail. To the extent there are any inconsistencies between the terms and conditions of this Collateral Annex, excluding the Cover Sheet Elections, and the Cover Sheet Elections, the Cover Sheet Elections shall prevail.

**1. Definitions.**

For purposes of this Collateral Annex, the following terms have the meanings set forth below or in the provisions referred to below:

"Agreements" means, collectively, all Slice Contracts between the Parties. The term "Slice Contracts" is defined in the Contract for Sale of Output from the Rocky Reach Project and the Rock Island Project.

"Beneficiary Party" means, at any time, the Party entitled to receive, or that has received and is the beneficiary of, Performance Assurance provided by, or on behalf of, the Posting Party.

"Business Day" means any day other than a Saturday or Sunday or a national (United States or Canadian, whichever is applicable) holiday. United States holidays shall be holidays observed by Federal Reserve member banks in New York City. Where both Party A and Party B have their principal place of business in the United States, Canadian holidays shall not apply. In situations where one Party has its principal place of business within the United States and the other Party's principal place of business is within Canada, both United States and Canadian holidays shall apply. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. Pacific prevailing time ("PPT").

“Cash” means U.S. dollars held by, or on behalf of, a Party as Performance Assurance and which shall be, for purposes of obtaining and perfecting a security interest hereunder, treated as “money” as defined in the UCC.

“Collateral Requirement” has the meaning stated in Section 4(c) of this Collateral Annex.

“Collateral Threshold” means, with respect to a Party, the collateral threshold, if any, set forth in Part I of the Cover Sheet Elections for that Party, or if no amount is set for such Party, such amount shall be zero (0).

“Contract for Sale of Output from the Rocky Reach Project and the Rock Island Project” means any Contract for Sale of Output from the Rocky Reach Project and the Rock Island Project between Party A and Party B, including all amendments and annexes thereto agreed to between the parties.

“Credit Rating” means, with respect to an entity but including, as applicable, a Party or its Guarantor, as the case may be, on any date of determination: (a) the rating then assigned to such entity’s (i) unsecured debt (such debt not supported by third-party credit enhancement) or (ii) if such rating in clause (i) is unavailable, its corporate credit rating, in each case as issued by Standard & Poor’s (“S&P”), Moody’s Investors Service (“Moody’s”), or Fitch, Inc. (“Fitch”) or other rating agency or agencies to which the Parties may agree in writing, or (b) other such rating to which the Parties may agree in writing, and as further defined or described by the Parties in the Cover Sheet Elections.

“Dealer” means any entity that would qualify as a “Dealer” under Section 4 of the WSPP Agreement, and any leading broker or dealer engaged on a national level in the purchase, sale or exchange of energy, capacity or related rights on NYMEX or related exchanges, including forward purchase agreements, futures agreements and derivative products related thereto, except that no Party or any parent, subsidiary, or other affiliate of a Party shall be a Dealer for purposes of this Collateral Annex.

“Deliver” or “Delivered” or related terms means with respect to any Letter of Credit, the physical delivery thereof by the issuing bank to the Beneficiary Party. Any Delivery required to be made on a day that is not a Business Day shall instead be required to be made on the first following Business Day.

“Demand Notice” has the meaning given in Section 4(a) hereof.

“Defaulting Party” means a Party who has experienced an event of default as described in the Slice Contracts.

“Early Termination” means a termination of any Slice Contracts, as the case may be, due to an Event of Default.

“Event of Default” has the meaning stated in Section 15 of any Slice Contract, as modified by Section 3 of this Collateral Annex.

"Guarantor" has the meaning stated in Section 4.7e of the WSPP Agreement and shall also include any entity identified in Part I of the Cover Sheet Elections.

"Independent Amount" means that amount required in Part IV of the Cover Sheet Elections. The Independent Amount is an additional credit support amount, in the form of (i) a Letter of Credit, or (ii) other security in form and subject to terms and conditions that are acceptable to the Beneficiary Party in its sole and absolute discretion, that is required independent of any Collateral Requirement or Excess Performance Assurance calculated under Sections 4 and 5.

"Interest Amount" means with respect to a Party and an Interest Period, the sum of the daily interest amounts for all days in such Interest Period; each daily interest amount to be determined by such Party as follows: (a) the amount of Cash held by such Party on that day; multiplied by (b) the Interest Rate for that day, divided by (c) 360.

"Interest Period" means the period from (and including) the last Business Day on which an Interest Amount was transferred by a Party (or if no Interest Amount has yet been Transferred by such Party, the Business Day on which Cash was transferred to such Party) to (but excluding) the Business Day on which the current Interest Amount is to be transferred.

"Interest Rate" has the meaning given in Part VII of the Cover Sheet Elections

"LC Issuer" means (a) an entity organized under the laws of the United States of America or any state thereof, or a domestic branch of a foreign entity, having capital and surplus of at least one billion dollars (\$1,000,000,000) and having a Credit Rating from any two of the following three rating agencies of at least (i) "AA-" by Standard and Poor's Ratings Group, a division of McGraw-Hill, Inc. ("S&P"), (ii) "Aa3" by Moody's Investors Services, Inc. ("Moody's"), and (iii) "AA-" by Fitch Ratings, or (b) any other entity to which the Parties agree in the Cover Sheet Elections or otherwise in writing, provided, that the Parties may agree to another definition of LC Issuer in Part VIII of the Cover Sheet Elections or otherwise in writing, which other definition shall supersede the foregoing. The Beneficiary Party may reject an LC Issuer that conforms to the requirements in (a) or (b) above if in the Beneficiary Party's sole discretion acceptance of additional credit from the applicable LC Issuer would be an unacceptable credit risk due to other commitments it has accepted from such LC Issuer.

"Letter of Credit" means an irrevocable, non-transferable, standby letter of credit, issued by a LC Issuer in a form consistent with the Parties' agreements stated in Part VIII of the Cover Sheet Elections and which Letter of Credit is otherwise reasonably acceptable to the Beneficiary Party.

"Letter of Credit Default" means with respect to an outstanding Letter of Credit and prior to the time such Letter of Credit is required to be canceled or returned to a Party in accordance with the terms of this Collateral Annex, the occurrence of any of the following events: (a) the issuer of the Letter of Credit has failed to satisfy the criteria of a LC Issuer under this Collateral Annex, the Cover Sheet Elections, or other Agreements of the Parties, as applicable; (b) the LC Issuer has failed to comply with or perform its obligations under such Letter of Credit, including,

but not limited to a failure to comply with a request to draw thereon in accordance with its terms; (c) the LC Issuer has disaffirmed, disclaimed, repudiated or rejected, in whole or in part, or challenged the validity of, such Letter of Credit; (d) such Letter of Credit has expired or terminated, has become unenforceable, or has failed or ceased to be in full force and effect at any time during the term of any transaction under the Agreements for which Performance Assurance is required to be kept in full force and effect hereunder, in any such case without replacement within three (3) Business Days following the date such Letter of Credit expired, terminated, has become unenforceable, or failed or ceased to be in full force and effect; (e) the LC Issuer has initiated or become subject to, or any other party has initiated against LC Issuer (i) a bankruptcy, reorganization, moratorium, liquidation, receivership or similar insolvency proceeding under federal or state law, (ii) a similar proceeding for relief under any federal or state bankruptcy or insolvency law affecting creditor's rights, or (iii) a proceeding to liquidate or wind-up the business or affairs of the LC Issuer; (f) the LC Issuer makes an assignment for the benefit of creditors; or (g) the LC Issuer admits in writing its inability to pay its debts generally as they become due.

“Material Adverse Change” has the meaning stated, for the applicable Party, in Part II of the Cover Sheet Elections.

“Minimum Transfer Amount” means, with respect to a Party, the amount set forth in Part V of the Cover Sheet Elections for such Party, or if no amount is filled in for such Party, such amount shall be zero (0).

“Obligations” means, with respect to a Posting Party (a) all debts, liabilities and amounts due or that may become due from the Posting Party to the Beneficiary Party pursuant to (i) the Agreements, (ii) this Collateral Annex, (iii) any Security Agreement, and (iv) any other documents, instruments or agreements executed in connection therewith; and (b) all amounts owed under any modifications, renewals or extensions of the foregoing.

“Party” and “Parties” have the respective meanings stated in the introductory paragraph of this Collateral Annex.

“Performance Assurance” means collateral in the form of (i) Cash posted directly, excluding any unpaid Interest Amount, with the Beneficiary Party, (ii) a Letter of Credit, or (iii) other security in form and subject to terms and conditions that are acceptable to the Beneficiary Party in its sole and absolute discretion. Performance Assurance shall include any Independent Amount as required in Part IV of the Cover Sheet Elections, except for purposes of calculating the Collateral Requirement in Section 4(c) and the Excess Performance Assurance in Section 5(a).

“Posting Deadline” has the meaning given in Part VII of the Cover Sheet Elections.

“Posting Party” means, at any time, the Party required to post, or that has posted, Performance Assurance to, or for the benefit of, the Beneficiary Party.

“Potential Event of Default” means an event which, (a) with the giving of notice required under the respective Agreement, if any is required, or (b) the failure to remedy or cure under



such Agreements, if remedy or cure is permitted, or both (a) and (b), would be an Event of Default.

“Reduction Deadline” has the meaning given in Part VII of the Cover Sheet Elections.

“Replacement Letter of Credit” has the meaning given in Section 6(a) hereof.

“Rounding Amount” means, with respect to a Party, the amount, set forth in Part VI of the Cover Sheet Elections for such Party, or if no amount is filled in for such Party, such amount shall be zero (0).

“Security Agreement” means a Security Agreement, which may be in the form attached hereto, applicable to Performance Assurance in a form other than Cash or a Letter of Credit.

“Slice Collateral Component” means the amount determined in accordance with the methodology set forth in Appendix A to this Collateral Annex, including amounts due for rendered performance by Party A to Party B under all Slice Contracts, whether or not invoiced or due. As calculated under Appendix A, the Slice Collateral Component as of any calculation date may either be in favor of Party A or Party B.

“Termination Date” means the date thirty (30) days after either Party provides written notice of termination of the Collateral Annex to the other Party. In no case will the Termination Date precede the date on which the Beneficiary Party shall have received full and final payment of all of the Obligations. If the Beneficiary Party has not received full and final payment of all Obligations at the time notice of termination is provided, then the Termination Date will be the date that all Obligations are paid in full.

“Value” on any date means: with respect to any Letter of Credit, the maximum stated amount remaining available to be drawn by the Beneficiary Party thereunder on such date; provided, however, that (x) the Value of a Letter of Credit that is affected by a Letter of Credit Default shall be zero (-0-) and (y) the Value of any Letter of Credit that expires less than twenty (20) Business Days from the date of calculation shall be zero (-0-) unless the conditions described in Section 6(a) hereof have been satisfied.

“UCC” means the Uniform Commercial Code as in effect from time to time in the State of Washington, without regard to the conflicts of laws rules thereof, except to the extent that the perfection, the effect of perfection or nonperfection and the priority of the security interest granted hereunder, or remedies hereunder, are governed by the law of any jurisdiction other than the State of Washington, the term UCC shall mean the Uniform Commercial Code of such other jurisdiction as necessary to give complete effect to this Collateral Annex.

“WSPP Agreement” means the WSPP Agreement, including Service Schedules and Exhibits attached, the Master Confirmation Agreement to the WSPP Agreement executed by the Parties on the same date as the Slice Contract, any amendments and annexes thereto agreed to between the Parties, and all Transactions evidenced by confirmations between the Parties entered into or conducted thereunder. The numbering of sections contained herein correspond to the

WSPP Agreement effective as of October 1, 2009 and any renumbering of the sections shall not effect the terms of this Collateral Annex.

**2. Encumbrance; Grant of Security Interest.**

- (a) As security for the prompt and complete payment of all amounts due or that may now or hereafter become due from a Party to the other Party and the performance by a Party of all covenants and obligations to be performed by it pursuant to this Collateral Annex, the Agreements and all Obligations, each Party hereby pledges, assigns, conveys and transfers to the other Party, and hereby grants to the other Party a present and continuing security interest in and to, and a general first lien upon and right of set off against, all Performance Assurance that has been or may in the future be Delivered to, or received by, the other Party. Each Party agrees to take such action as the other Party reasonably requests in order to perfect the other Party's continuing security interest, and lien on (and right of setoff against), such Performance Assurance.
- (b) The security interest created hereunder shall (i) remain in full force and effect until the security interest granted hereby is terminated in accordance with the second sentence of this Section 2(b), (ii) be binding upon the Posting Party, its successors and assigns and (iii) inure to the benefit of the Beneficiary Party and its successors, transferees and assigns. On the Termination Date with respect to each applicable Posting Party, the security interest granted hereunder shall terminate and all rights to the Performance Assurance that may then remain shall revert to the Posting Party. Upon such termination, the Beneficiary Party shall return all Performance Assurance in its possession or otherwise under its control to the Posting Party pursuant to Section 5(c) of this Collateral Annex and, at the Posting Party's expense, execute and deliver to the Posting Party such documents as the Posting Party shall reasonably request to evidence termination of the security interest.
- (c) The security interest created hereunder is in addition to, and not in lieu of, any and all remedies that may be available under the Agreements.
- (d) In the event a Party claims in any judicial proceeding that the grant set forth in Section 2(a) of this Collateral Annex is ineffective and fails to prevail on the claim, then that Party shall pay the other Party's reasonable attorneys fees incurred in defending against the claim.

**3. Additional Events of Default.**

The following events are added as an additional Event of Default under applicable sections of the Agreements and are incorporated therein for all purposes under this Collateral Annex:

- (a) A Party fails to establish, maintain, transfer or extend Performance Assurance, or return Excess Performance Assurance, in any such case when required pursuant to the Parties' Collateral Annex.
- (b) An event of default, however defined, under any Agreement thereunder shall be an event of default under the other Agreements and under this Collateral Annex.

4. **Collateral Requirement.**

- (a) From time to time, on any Business Day prior to 7:00 a.m. PPT, but no more than once daily, the Beneficiary Party may demand by notice (each a "Demand Notice") that the Posting Party transfer Performance Assurance to or for the benefit of the Beneficiary Party, in an amount no less than the Collateral Requirement, provided that both conditions (i) and (ii) of this Section 4(a) are satisfied.
  - (i) No Event of Default has occurred and is continuing where the Beneficiary Party is the Defaulting Party and no Potential Event of Default exists where the Beneficiary Party is the potentially Defaulting Party;
  - (ii) No Early Termination has occurred or been designated with respect to such Beneficiary Party as the defaulting party.
- (b) After receiving a Demand Notice from the Beneficiary Party pursuant to Section 4(a) of this Collateral Annex, but subject to the netting requirements in Section 5(b) of this Collateral Annex, the Posting Party shall, by the Posting Deadline, Deliver, or cause to be Delivered to the Beneficiary Party, Performance Assurance to, or for the benefit of, the Beneficiary Party, in an amount no less than the Collateral Requirement as defined in Section 4(c) of this Collateral Annex, provided, however, that a Posting Party shall not have an obligation to transfer Performance Assurance until the Collateral Requirement exceeds the Minimum Transfer Amount, at which time the Posting Party shall transfer the entire amount of the Collateral Requirement to the Beneficiary Party.
- (c) The "Collateral Requirement" is the amount calculated, as of the date of the Demand Notice, rounded up to the nearest integral multiple of the Rounding Amount, which is equal to  $(x)$  less  $(y)$ , but no less than zero, where:

$(x)$  is the net of

- (i) any Slice Collateral Component

- (ii) any further and additional amounts due for rendered performance by either Party A or Party B under any Slice Contract whether or not invoiced or due, and

(y) is the sum of

- (i) the Value of Performance Assurance, excluding the Independent Amount previously provided by or otherwise credited to the Posting Party for the benefit of the Beneficiary Party and not released as of the time the Beneficiary Party made the demand plus
  - (ii) the Collateral Threshold then applicable to the Posting Party.
- (d) Any Letter of Credit shall be delivered to such address as the Beneficiary Party shall specify.
- (e) Party A shall serve as calculation agent for purposes of calculating Collateral Requirement, the amount of Performance Assurance to be posted, and the amount of any Excess Performance Assurance. Calculations shall be performed daily and communicated to Party B by 7:00 a.m. PPT. Party A shall specify account information for the account to which Performance Assurance in the form of Cash shall be transferred. All such calculations shall be deemed conclusive, final and binding on the parties absent manifest error.

##### **5. Reduction, Return, and Substitution of Performance Assurance.**

- (a) Reduction of Performance Assurance. From time to time, on any Business Day prior to 8:00 a.m. PPT but no more than once daily, a Posting Party may demand that the Beneficiary Party reduce Performance Assurance in an amount equal to the Excess Performance Assurance as defined in this Section, provided, that the Posting Party shall not have any right to demand such reduction if on or prior to such Business Day, an Event of Default has occurred and is continuing where the Posting Party is the Defaulting Party, a Potential Event of Default exists where the Posting Party is the potentially Defaulting Party, or an Early Termination has occurred or been designated with respect to such Posting Party for which the Posting Party has not satisfied its Obligations. The Beneficiary Party shall comply with the demand by reducing the amount(s) of outstanding Letter(s) of Credit the Posting Party previously posted, provided, however, that a Beneficiary Party shall not have an obligation to transfer or cause the transfer of Excess Performance Assurance until the Excess Performance Assurance exceeds the Minimum Transfer Amount, at which time the Beneficiary Party shall transfer the entire amount of the Excess Performance Assurance to the Posting Party. The Posting Party shall have the right to specify such means of compliance. If Excess Performance Assurance is returned by reducing the face amount of an outstanding

Letter of Credit and the LC Issuer requires that the reduction be implemented through a cancellation of the existing Letter of Credit and the issuance of a new Letter of Credit with a reduced face amount, then (1) the Posting Party shall have delivered a new Letter of Credit to the Beneficiary Party in a form reasonably acceptable to the Beneficiary Party and in an amount not less than the then-current Collateral Requirement, and (2) in the event that an Event of Default occurs, as to which the Posting Party is the defaulting Party, between the Reduction Deadline and the date on which the new Letter of Credit is executed and delivered to the Beneficiary Party, the Beneficiary Party shall be entitled to draw from the existing Letter of Credit only an amount up to but not exceeding the then-current Collateral Requirement. The cost and expense of compliance (including, but not limited to, the reasonable costs, expenses, and attorneys' fees of the Beneficiary Party and, if applicable, the LC Issuer) shall be the sole obligation of, and paid directly by, the Posting Party. If the Beneficiary Party pays any such cost or expense, the Posting Party shall reimburse the Beneficiary Party for each such cost and expense promptly following a demand for reimbursement. The Beneficiary Party shall comply with the demand on or before the Reduction Deadline.

“Excess Performance Assurance” is an amount, calculated as of the date of the demand and rounded down to the nearest integral multiple of the Rounding Amount, which is equal to  $(x)$  less  $(y)$ , but no less than zero, where:

$(x)$  is the sum of

- (i) the Value of Performance Assurance excluding the Independent Amount previously provided by or credited to the Posting Party for the benefit of the Beneficiary Party and not released as of the time the Posting Party made the demand, plus
- (ii) the Collateral Threshold applicable to the Posting Party.

$(y)$  is the net sum of

- (i) any Slice Collateral Component
- (ii) any further and additional amounts due for rendered performance by either Party A or Party B under any Slice Contract, whether or not invoiced or due.

- (b) Netting. The foregoing notwithstanding, Party B's obligations to Deliver Performance Assurance under Section 4 of this Collateral Annex, and Party A's

obligations to release and return Performance Assurance under Section 5, at any time shall be determined on a net basis.

- (c) Return of All Performance Assurance. No later than one (1) Business Day after the last to occur of (i) the Termination Date, and (ii) (A) completion of all outstanding transactions between the Parties under the Agreements or (B) if all such outstanding transactions have not been completed, then payment by the Posting Party of all amounts due to the Beneficiary Party under the Agreements with respect to uncompleted transactions, the Beneficiary Party shall return all outstanding Performance Assurance and the Independent Amount to the Posting Party less any amounts applied to the satisfaction of any of the Posting Party's Obligations.
- (d) Substitution of Performance Assurance. Unless (i) an Event of Default has occurred and is continuing where the Posting Party is the Defaulting Party, (ii) a Potential Event of Default exists where the Posting Party is the potentially Defaulting Party, or (iii) an Early Termination has occurred or been designated with respect to the Posting Party pursuant to which the Posting Party has not satisfied all Obligations, the Posting Party may substitute Performance Assurance for existing Performance Assurance of equal value. The Posting Party must give notice of the substitution to the Beneficiary Party two (2) Business Days before the substitution is intended to occur no later than 2:00 p.m. PPT. The notice must include a draft of the substitute Letter of Credit. The Posting Party may affect the substitution no earlier than two (2), and no later than five (5), Business Days after giving such notice. If the substitute Performance Assurance is not a Letter of Credit (in form consistent with this Collateral Annex), the substitution shall not be made unless the Beneficiary Party consents in writing thereto. No later than one Business Day after the Beneficiary Party receives substitute Performance Assurance in accordance with this Section, the Beneficiary Party shall transfer the Performance Assurance that has been replaced to the Posting Party. Notwithstanding anything herein to the contrary, no such substitution shall be permitted unless after giving effect to such substitution, the value of such substitute Performance Assurance shall equal the greater of the Posting Party's Collateral Requirement or the Posting Party's Minimum Transfer Amount. The substituted Performance Assurance shall be subject to and governed by the terms and conditions of this Collateral Annex.

**6. Administration of Performance Assurance.**

- (a) Letters of Credit. Performance Assurance provided in the form of a Letter of Credit shall be subject to the following provisions, provided, that nothing in this Section 6(a) is intended to modify any terms and conditions contained in any Letter of Credit that apply to draws thereon and it is recognized that the Parties may agree to additional terms and conditions not stated herein.
  - (i) The Posting Party shall maintain for the benefit of the Beneficiary Party any Letter of Credit provided as Performance Assurance in accordance

with Section 4 of this Collateral Annex. The Posting Party shall (a) renew or cause the renewal of each outstanding Letter of Credit not less than forty-five (45) days prior to its expiration in accordance with the terms contained in the applicable Letter of Credit (the "Extension Deadline"), (b) if the LC Issuer has indicated its intent not to renew such Letter of Credit, provide a replacement Letter of Credit issued by a LC Issuer in the same face amount and on substantially the same terms as the outstanding Letter of Credit (each, a "Replacement Letter of Credit"), at least forty-five (45) days prior to the expiration of the applicable Letter of Credit, and (c) if the LC Issuer shall fail to honor the Beneficiary Party's request to draw on an outstanding Letter of Credit in accordance with the terms thereof, provide for the benefit of the Beneficiary Party a Replacement Letter of Credit within one (1) Business Day after such refusal, provided, that, as a result of the Posting Party's failure to perform in accordance with (a), (b), or (c) above, the Posting Party's Collateral Requirement would be greater than zero. The foregoing notwithstanding, the Beneficiary Party may reject a Replacement Letter of Credit that conforms to the requirements of this Section if in the Beneficiary Party's sole discretion acceptance of additional credit from the applicable LC Issuer would be an unacceptable credit risk due to other commitments it had accepted from such LC Issuer, provided, that in the event of such rejection, the Beneficiary Party shall pay any excess costs incurred by the Posting Party in obtaining a Replacement Letter of Credit from a different LC Issuer. Rejection of a Replacement Letter of Credit under the immediately prior sentence shall not relieve a Posting Party of its obligations to maintain adequate Performance Assurance at all times under this Collateral Annex.

- (ii) Upon the occurrence of a Letter of Credit Default, the Posting Party shall deliver to the Beneficiary Party a Replacement Letter of Credit on or before the first Business Day after the occurrence thereof (or the fifth (5th) Business Day after the occurrence thereof if only clause (a) under the definition of Letter of Credit Default applies), in such amounts that on the day such Replacement Letter of Credit is provided the Collateral Requirement is zero.
- (iii) In the specific circumstance where (1) a Letter of Credit Default has occurred and is continuing (e.g. because the issuer thereof is no longer a LC Issuer or such Letter of Credit is scheduled to terminate or expire in less than forty-five (45) days), and (2) the Posting Party has not Delivered additional Performance Assurance or a Replacement Letter of Credit as required hereunder, the Beneficiary Party shall be entitled to draw in whole or part on the related Letter of Credit, and the proceeds of such draw shall be held as Performance Assurance hereunder in accordance with the terms and conditions of this Agreement.

- (iv) Upon or at any time after the occurrence of an Event of Default that is continuing where the Posting Party is the Defaulting Party, or if an Early Termination has occurred or been designated with respect to the Posting Party pursuant to which the Posting Party has not satisfied all of its Obligations, then the Beneficiary Party may draw on the entire, undrawn portion of any outstanding Letter of Credit in accordance with its terms. Notwithstanding the Beneficiary Party's receipt of Cash under the Letter of Credit, the Posting Party shall remain liable for any failure to transfer sufficient Performance Assurance and for any Obligations owing to the Beneficiary Party and remaining unpaid after the application of the amounts so drawn by the Beneficiary Party.
- (v) In all cases, the costs and expenses (including but not limited to the reasonable costs, expenses, and attorneys' fees of the Beneficiary Party) of establishing, renewing, substituting, reissuing, canceling, reducing and increasing the face amount of (as the case may be) a Letter of Credit shall be paid by the Posting Party, or if paid by the Beneficiary Party, promptly reimbursed by the Posting Party following the Beneficiary Party's demand for reimbursement.
- (b) Cash in the Form of Performance Assurance. Posting Party shall be entitled to post Performance Assurance or Replacement Performance Assurance in the form of Cash if, and only so long as, the Parties have agreed in the Cover Sheet Elections that Cash may be used as Performance Assurance and all of the conditions agreed to in the Cover Sheet Elections are satisfied.
- (c) Performance Assurance in Forms Other than Letters of Credit. The Parties may by written agreement agree that a Party may provide Performance Assurance in forms other than Cash or Letters of Credit, and may agree to additional terms and conditions respecting such Performance Assurance.
- (d) Care of Performance Assurance. Except for duties to comply with all requirements concerning Performance Assurance stated herein, the Beneficiary Party shall have no duty as to any Performance Assurance in its possession or control or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto. The Beneficiary Party, shall at all times retain possession or control of Performance Assurance delivered to it. To the extent if any that this Section 6(c) is inconsistent with UCC § 9-207, this Section 6(c) shall control.
- (e) Interest Payments on Cash. So long as no Event of Default or Potential Event of Default with respect to the Posting Party has occurred and is continuing, and no Early Termination Date for which any unsatisfied payment Obligations of the Posting Party exist has occurred or been designated as the result of an Event of Default with respect to the Posting Party, in the event that the Beneficiary Party is holding Cash, the Beneficiary Party will transfer (or cause to be transferred) to the Posting Party, in lieu of any interest or other amounts paid or deemed to have



been paid with respect to such Cash (all of which may be retained by the Beneficiary Party), the Interest Amount. The Posting Party shall invoice the Beneficiary Party monthly setting forth the calculation of the Interest Amount due, and the Beneficiary party shall make payment thereof by the later of (A) the third Business Day of the first month after the last month to which such invoice relates or (B) the third Business Day after the day on which such invoice is received. On or after the occurrence of a Potential Event of Default or an Event of Default with respect to the Posting Party or an Early Termination Date as a result of an Event of Default with respect to the Posting Party, the Beneficiary Party shall retain any such Interest Amount hereunder until the obligations of the Posting Party under the Agreement have been satisfied in the case of an Early Termination Date or for so long a such Event of Default is continuing in the case of an Event of Default.

**7. Beneficiary Party's Exercise of Rights Concerning Performance Assurance.**

- (a) In the event that (x) an Event of Default has occurred and is continuing where the Posting Party is the Defaulting Party or (y) an Early Termination has occurred or been designated under the Agreements or in respect of any transaction thereunder for which the Posting Party has not satisfied all of its Obligations, the Beneficiary Party may exercise any one or more of the rights and remedies provided under the applicable Agreement, under this Collateral Annex or as otherwise may be available under applicable law. Without limiting the foregoing, if at any time (x) or (y) has occurred, then the Beneficiary Party may, in its sole discretion, declare all Obligations immediately due and payable without presentment, demand, notice, protest or other formalities of any kind (all of which are hereby expressly waived by the Posting Party) and exercise any one or more of the following rights and remedies:
- (i) All rights and remedies available to the Beneficiary Party under UCC Article 9 or the uniform commercial code of any jurisdiction in which the Performance Assurance is being held and any other applicable jurisdiction and other applicable laws with respect to the preservation of or foreclosure upon collateral.
  - (ii) The right to set off any Performance Assurance held by or for the benefit of the Beneficiary Party against and in satisfaction of any amount payable by the Posting Party in respect of any of its Obligations.
  - (iii) The right to draw the full undrawn face amount of each outstanding Letter of Credit issued for its benefit to the extent necessary to satisfy the Obligations of the Posting Party.
  - (iv) The right to liquidate any Performance Assurance held by or for the benefit of the Beneficiary Party, free from any claim or right of any nature whatsoever of the Posting Party, and to apply the proceeds received following the exercise of the rights and remedies set forth above as

follows (A) first, to the payment of (1) all costs and expenses relating to the sale of any Performance Assurance and collection of amounts owing hereunder, including reasonable attorneys' fees and disbursements and the just compensation of the Beneficiary Party for services rendered in connection therewith or in connection with any proceeding to sell if a sale is not completed, and (2) all charges, expenses and advances incurred or made by the Beneficiary Party in order to protect the lien provided under this Collateral Annex; (B) second, to the payment in full of all of the Obligations owed to the Beneficiary Party hereunder and under the Agreements in such order as the Beneficiary Party may elect; and (C) third, the balance, if any, shall be paid to the Posting Party.

- (b) The Posting Party hereby irrevocably constitutes and appoints the Beneficiary Party and any officer or agent thereof, with full power of substitution, as the Posting Party's true and lawful attorney-in-fact (which appointment shall be coupled with an interest) with full irrevocable power and authority to act in the name, place and stead of the Posting Party or in the Beneficiary Party's own name, from time to time in the Beneficiary Party's discretion, solely for the purpose of taking any and all action and executing and delivering any and all documents or instruments which may be necessary or desirable to accomplish the purposes of Section 7(a). Notwithstanding the foregoing, the Beneficiary Party shall not be obligated to exercise any right or duty as attorney-in-fact, and shall have no duties to the Posting party in connection therewith.
- (c) The Posting Party shall in all events remain liable to the Beneficiary Party for any amount payable by the Posting Party in respect of any of its Obligations remaining unpaid after any such liquidation, application and set off and the Beneficiary Party shall have the right to proceed against the Posting Party for any such deficiency.

**8. Posting Party's Exercise of Rights Concerning Performance Assurance.**

If at any time (a) an Event of Default has occurred and is continuing where the Beneficiary Party is the Defaulting Party, or (b) an Early Termination has occurred or been designated under the Agreements or with respect to any transactions thereunder for which the Beneficiary Party has not satisfied all of its Obligations, then:

- (i) within three (3) Business Days of occurrence, the Beneficiary Party will be obligated to transfer all Performance Assurance (including any Letter of Credit) in excess of the Posting Party's Obligations to the Beneficiary Party, to the Posting Party;
- (ii) the Posting Party may do any one or more of the following: (a) exercise any of the rights and remedies of a pledgor with respect to the Performance Assurance, including any such rights and remedies under law then in effect; (b) to the extent that Performance Assurance is not transferred to the Posting Party as required in (i) above, setoff amounts payable to the Beneficiary Party against the

Performance Assurance (other than Letters of Credit) held by the Beneficiary Party or to the extent its rights to setoff are not exercised, withhold payment of any remaining amounts payable by the Posting Party, up to the value of any Performance Assurance that has not been so transferred, until the Performance Assurance is transferred to the Posting Party; (c) exercise rights and remedies available to the Posting Party under the terms of any Letter of Credit; and (d) exercise any applicable rights and remedies available to the Posting Party under the Agreements; and

(iii) the Beneficiary Party shall be prohibited from drawing on any Letter of Credit that has been posted by the Posting Party for its benefit in excess of the Posting Party's Obligations to the Beneficiary Party under the Agreements and hereunder.

**9. Covenants; Representations and Warranties; Miscellaneous.**

- (a) The Posting Party will execute and deliver to the Beneficiary Party (and to the extent permitted by applicable law, the Posting Party hereby authorizes the Beneficiary Party to execute and deliver, in the name of the Posting Party or otherwise) such financing statements, assignments and other documents and do such other things relating to the Performance Assurance and the security interest granted under this Collateral Annex including any action the Beneficiary Party may deem necessary or appropriate to perfect or maintain perfection of its security interest in the Performance Assurance, and the Posting Party shall pay all costs relating to its delivery of Performance Assurance and the maintenance and perfection of the security interest therein.
- (b) On each day on which Performance Assurance is held under this Collateral Annex by the Beneficiary Party, the Posting Party hereby represents and warrants that:
  - (i) the Posting Party has good and marketable title to and is the sole owner of such Performance Assurance, and the execution, delivery and performance of the covenants and agreements of this Collateral Annex, do not result in the creation or imposition of any lien or security interest upon any of its assets or properties, including, without limitation, the Performance Assurance, other than the security interests and liens created under the Agreements and this Collateral Annex;
  - (ii) upon the transfer of Performance Assurance by the Posting Party to the Beneficiary Party for the benefit of the Beneficiary Party, the Beneficiary Party shall have a valid and perfected first priority continuing security interest therein, free of any liens, security interests, claims or encumbrances, except those liens, security interests, claims or encumbrances arising by operation of law that are given priority over a perfected security interest;

- (iii) it is not and will not become a Party to or otherwise be bound by any agreement, other than the Agreements and this Collateral Annex, or amendments thereto, which restricts in any manner the rights of any present or future holder of any of the Performance Assurance with respect hereto; and
  - (iv) No approval or authorization by, and no filing with or consent of, any federal, state, local, municipal or other government agency, department or regulatory authority is required either (A) for the grant by the Posting Party of the liens granted hereby or for the execution, delivery or performance of this Collateral Annex by the Posting Party or (B) for the perfection (except for filing of any financing statements in the jurisdictions identified in writing by the Posting Party) of the liens created hereby or the exercise by the Beneficiary Party of the rights and remedies hereunder.
- (c) This Collateral Annex has been and is made solely for the benefit of the Parties and their permitted successors and assigns, and no other person, partnership, association, corporation, or other entity shall acquire or have any right thereunder or by virtue of this Collateral Annex.
  - (d) Each Party represents and warrants to the other Party that (i) it has all requisite power and authority to execute and deliver this Collateral Annex, to consummate the transactions contemplated hereby and to perform its respective obligations hereunder; (ii) it has taken all necessary action to authorize the execution, delivery and performance of this Collateral Annex and (iii) this Collateral Annex has been duly executed and delivered and, when executed and delivered by the other Party, will constitute the legal, valid and binding obligation of such Party enforceable against it in accordance with its terms except as such enforcement may be limited by bankruptcy, insolvency, moratorium or similar laws affecting the rights of creditors generally or by general equitable principles (regardless of whether enforcement is sought in a proceeding in equity or at law).
  - (e) As of the date a Party executes this Collateral Annex, the Cover Sheet Elections, or Security Agreement, or any amendment thereto, such Party is a member in good standing of the WSPP, Inc. or has signed a WSPP Agreement.
  - (f) In the event litigation is commenced by either Party to enforce this Collateral Annex or collect any amounts required to be paid, provided or transferred hereunder, each Party agrees to pay the other Party for all reasonable attorneys' fees, disbursements, and court costs incurred by the prevailing Party in such litigation.
  - (g) No delay or forbearance by any Party or its agents in exercising any right, power, privilege, or remedy accruing to such Party upon the occurrence of any breach or default by the other Party under this Collateral Annex, and no course of dealing

between the Parties, shall impair any such right, power or remedy of the non-defaulting Party, nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of a Party of any such breach or default under this Collateral Annex, or any waiver on the part of any non-defaulting Party hereto of any provision or condition of this Collateral Annex, must be in writing or electronic mail and shall be effective only to the extent specifically set forth in such communication. This Collateral Annex may be amended only by a document executed by the Parties.

- (h) Each demand, notice, consent, agreement, approval or other communication required or permitted to be given from one Party to the other Party under this Collateral Annex shall be provided in writing (unless expressly provided otherwise) and shall be submitted by recognized overnight courier service or telefacsimile addressed to the recipient Party at its address or telefacsimile number set forth in Part IX of the Cover Sheet Elections or as changed by notice to the other Party. Email communications shall be permitted for all purposes of this Collateral Annex, except as provided below, to the extent and following the protocols, set forth in the Cover Sheet Elections. All such notices, requests, demands, approvals and other communications shall be deemed to have been duly given, received and effective when: (a) received if personally delivered; (b) on the day transmitted (unless transmitted after 2:00 p.m. PPT at the place of receipt or on a day that is not a Business Day, in which case it shall be deemed received on the next Business Day), if transmitted by facsimile transmission and the sender's facsimile machine has received the correct answerback of the addressee and confirmation of uninterrupted transmission by a transmission report or the recipient confirming by telephone to sender that he has received the facsimile message; (c) the day immediately following the day it is sent, if sent for next day delivery to a domestic address by a nationally-recognized overnight courier or delivery service; (d) on the day of receipt, if sent by certified or registered mail, return receipt requested; and (e) on the date actually received, if sent or delivered by any other means; provided, that any notice, demand, request or other communication made or delivered in connection with an alleged breach or default hereunder (including an Event of Default) shall only be delivered personally or by a nationally-recognized overnight courier or delivery service. Whenever this Collateral Annex provides that a demand, notice, consent, agreement, approval or other communication shall be provided in "writing" or shall be provided in "written" form, such demand, notice, consent, agreement, approval or other communication shall only be effective hereunder if provided by a manually signed original, photocopy or telefacsimile copy from the Party or Parties to be bound thereby.
- (i) The headings in this Collateral Annex are for convenience of reference only, and shall not affect the meaning or construction of any provision thereof.

- (j) This Collateral Annex shall be governed by, and construed and interpreted in accordance with, the laws of the State of Washington except to the extent that the perfection, the effect of perfection or nonperfection and the priority of the security interest granted hereunder, or remedies hereunder, are governed by provisions of the UCC, including but not limited to UCC §§ 9-104, 9-301, 9-303, 9-304, 9-305, 9-306 and 9-307, that may call for the application of the laws of jurisdictions other than the State of Washington.
- (k) This Collateral Annex may be executed in one or more counterparts, all of which, when taken together, shall constitute one and the same instrument and each of the Parties hereto may execute this Collateral Annex by signing any such counterpart.

IN WITNESS HEREOF, the Parties have caused this Collateral Annex to be duly executed effective as of the date first written above.

**Party A**

Public Utility District No. 1 of Chelan County

Mark Mullins  
[Sign here]

Mark Mullins  
[Print name]

Director, Enterprise Risk Management  
Title

Date: 3/20/15

**Party B**

Avista Corporation

J R Thackston  
[Sign here]

[Print name]  
Jason R. Thackston  
Senior VP, Energy Resources

Title

Date: 3/19/15

## Appendix A to Collateral Annex

### CALCULATION OF SLICE COLLATERAL COMPONENT Under SECTIONS 4 AND 5 OF COLLATERAL ANNEX

This Appendix sets forth the methodology for calculating the Slice Collateral Component under Sections 4 and 5 of the Collateral Annex in relation to the Slice Contracts. Calculations shall only be made on a Business Day. The District, pursuant to Section 4(e) of the Collateral Annex, shall serve as the Calculation Agent for purposes of the calculations under this Appendix A, and its determinations, as made in good faith, shall be conclusive, final and binding on the parties absent manifest error. The calculations described below have been illustrated in an example attached at the end of this Appendix A to aid in clarity.

The parties have elected this methodology as a rough approximation of payments that might become due under Section 16 of any Slice Contract, were they to terminate on the calculation date.

1. Determine Contract Price and Contract Quantity for each Delivery Period at time of agreement execution.
  - a) Assume median annual energy for the Rocky Reach Project and the Rock Island Project is 1,060aMW (net of CEAs and encroachment) and multiply by purchaser's percentage for each respective Delivery Period, as shown in Section 3 of the Slice Contract, to determine the Purchaser's median annual energy (aMW).
  - b) Determine the Delivery Period Contract Quantity (MWh) by multiplying the number of hours in Delivery Period by the amount in (1a).
  - c) Determine the Purchaser's Delivery Period Payments (\$) as shown on Appendix B to the Slice Contract for each respective Delivery Period.
  - d) Divide each Delivery Period Payment (\$) by that Delivery Period Contract Quantity (MWh) to determine Delivery Period Contract Price (\$/MWh).
  - e) Determine Flat Mid-C Forward Market Price at time of contract execution for each Delivery Period.
  - f) Determine Delivery Period Pricing Shaping Adjustment Factor by dividing the Delivery Period Contract Price (\$/MWh) (1d) for each Delivery Period by the Delivery Period Flat Mid-C Forward Market Price for each Delivery Period at time of contract execution (1e).
2. Determine the Delivery Period Gain/Loss Amount for future Delivery Periods.
  - a) Determine Flat Mid-C Forward Market Price for each future Delivery Period on the date of calculation.
  - b) Multiply the Flat Mid-C Forward Market Price (2a) by the Delivery Period Pricing shaping adjustment factor from (1f) to determine the Delivery Period Replacement Price (\$/MWh).
  - c) For each future Delivery Period, subtract the Delivery Period Contract Price (\$/MWh) (1d) from the Delivery Period Replacement Price (\$/MWh) (2b).

- d) Calculate the Delivery Period Gain/Loss Amount for future Delivery Periods by multiplying the Delivery Period Contract Quantity (1b) by the differential price calculated in (2c).
3. Determine the Delivery Period Gain/Loss Amount for the current Delivery Period.
    - a) The District will determine the generation estimate for the months remaining in the current Delivery Period, commencing with the Prompt Month, using the Northwest River Forecast Center's Forecast and/or the Median Water Forecast for the remainder of the current Delivery Period (the "Remaining Current Delivery Period Output"). The District will then multiply the Remaining Current Delivery Period Output estimate by the Purchaser's Slice Percentage for the current Delivery Period as set forth in Section 3 of the Slice Contract to establish the Current Delivery Period Remaining Replacement Quantity (MWh).
    - b) Sum all future Delivery Period Payment Installments beginning with the installment due in the Prompt Month through the end of the current Delivery Period.
    - c) Determine the Remaining Delivery Period Market Price on the date of calculation for Current Delivery Period Remaining Replacement Quantity (3a) by multiplying the monthly Flat Mid C Forward Market Prices by the respective monthly amounts of the Current Delivery Period Remaining Replacement Quantity (3a) and then divide the sum of those monthly dollar amounts by the total Current Delivery Period Remaining Replacement Quantity from (3a).
    - d) Multiply the Remaining Delivery Period Market Price (3c) by the Delivery Period Pricing Shaping Adjustment Factor from (1f) to determine the Current Delivery Period Replacement Price (\$/MWh).
    - e) Multiply the Current Delivery Period Replacement Price (3d) by the total Current Delivery Period Remaining Replacement Quantity (3a) and then subtract the sum of the future Delivery Period Payment Installments, beginning with the installment owed for the Prompt Month (3b) and net the Delivery Period Payment Installment and amounts due under Section 6 of the Slice Contract, in each case that are due on the 20<sup>th</sup> of the month following the calculation date to determine the Current Delivery Period Gain/Loss Amount for the current year.
  4. Determine the Slice Collateral Component.
    - a) Aggregate or net the future and current Delivery Period Gain/Loss Amounts calculated in (2d) and (3e) into a single gain or loss amount.
    - b) Determine the total amounts unpaid for rendered performance by Party A to Party B under the Slice Contract in all months prior to the date of calculation, whether or not invoiced or due.
    - c) The Slice Collateral Component is the aggregation of the amounts under Paragraphs 4(a) and 4(b).

As used in this Appendix, the following terms shall have the meanings ascribed to them below:

- (1) "Contract Price" means the price in \$/MWh calculated by dividing the Delivery Period Payment (\$) by the Delivery Period Contract Quantity (MWh).



- (2) "Current Delivery Period Remaining Replacement Quantity" means the amount of energy in MWh of Purchaser's Output for the remainder of the current Delivery Period (beginning with the Prompt Month after the calculation date) as calculated by the District pursuant to Paragraph 3(a) of this Appendix A.
- (3) "Current Delivery Period Replacement Price" means the price in \$/MWh determined pursuant to Paragraph 3(d) of this Appendix A.
- (4) "Delivery Period" means, as applicable, one or more of the delivery periods described in Section 3 of the Slice Contract(s).
- (5) "Delivery Period Contract Quantity" means the amount of energy in MWh of Purchaser's Output during the Delivery Period determined pursuant to Paragraph 1(b) of this Appendix A.
- (6) "Delivery Period Contract Price" means the amount per MWh determined pursuant to Paragraph 1(d) of this Appendix A.
- (7) "Delivery Period Payment" means the amount in United States funds to be paid by Purchaser to the District for the purchase of the Purchaser's Output during each Delivery Period as defined in Section 3 of the Slice Contract.
- (8) "Delivery Period Payment Installments" means the amount in United States funds to be paid by Purchaser to the District for the purchase of the Purchaser's Output Percentage during each Delivery Period divided by the number of months in the Delivery Period.
- (9) "Delivery Period Pricing Shaping Adjustment Factor" means the Delivery Period Contract Price (\$/MWh) divided by the Flat Mid-C forward market price at the time of Contract execution.
- (10) "Delivery Period Replacement Price" means the price in \$/MWh determined pursuant to Paragraph 2(b) of this Appendix A.
- (11) "Delivery Period Gain/Loss Amount" means the amount in \$US equal to the economic advantage or disadvantage, if any, (exclusive of Costs) resulting from the termination of this Contract for such Delivery Period, determined by the District pursuant to this Appendix A.
- (12) "Flat Mid C Forward Market Price" means the price (\$/MWh) for 1MWh for every hour of the respective Delivery Period. The District may consider, among other valuations, quotations from dealers in energy contracts, end-users of relevant products, brokers, any of the settlement prices of the NYMEX power futures contract (or NYMEX power options contracts in the case of Physically-Settled Options), ICE (Intercontinental Exchange trading platform for physical and financial contracts) and other bona fide third party offers, all adjusted for the length of the remaining term and differences in transmission.

- (13) "Median Water Forecast" means the median flows based on at least 70 years of re-regulated flows as determined by the District.
- (14) "Northwest River Forecast Center's Forecast" means the most recent long-range forecast of water supply volume forecasts for Grand Coulee Dam on the Columbia River issued by the Northwest River Forecast Center or successor entity. This forecast may also be provided by another recognized regional third party water supply forecaster.
- (15) "Prompt Month" means the month following the date of calculation.
- (16) "Remaining Current Delivery Period Output" means the amount determined pursuant to Paragraph 3(a) of this Appendix A.
- (17) "Remaining Delivery Period Market Price" means the weighted market price determined pursuant to Paragraph 3(c) of this Appendix A.
- (18) "Slice Collateral Component" means the sum of the future and current Delivery Period Gain/Loss Amounts, netted into a single payment as set forth in Paragraph 4(a), and aggregated with the receivables described in Paragraph 4(b) of this Appendix A.

# Example Calculation for Purposes of Determining the Collateral Requirement Related to the Output Contract

(Example to Appendix A to Collateral Annex)

## Appendix A Reference

Delivery Period Dates	Median Annual Energy for Cheilan Power System (MWh)	Purchaser's Percentage	Purchaser's Median Annual Energy (MWh) [1]	Hours in Delivery Period	Delivery Period Contract Quantity (MWh) [2]	Delivery Period Contract Price (\$/MWh) [4]	Flat Mid-C Forward Price on Date of Contract Execution (\$)	Delivery Period Pricing Shipping Adjustment Factor
Slice Product 22 - Delivery Period 1	1060	5.00%	53	8784	465,552	45.11	42.00	107.40%
Slice Product 22 - Delivery Period 2	1060	5.00%	53	8760	464,280	47.39	45.00	105.30%
Slice Product 22 - Delivery Period 3	1060	5.00%	53	8760	464,280	49.54	47.00	105.40%
Slice Product 22 - Delivery Period 4	1060	5.00%	53	8760	464,280	51.69	49.00	105.50%
Slice Product 22 - Delivery Period 5	1060	5.00%	53	8784	465,552	53.70	53.00	101.32%

## Calculation for Future Delivery Periods (assuming calculation date is September 15, 2016)

### Appendix A Reference

Delivery Period Dates	Flat Mid-C Forward Price on Collateral Calculation Date (\$)	Hours in Month	Delivery Period Replacement Price (\$/MWh) [5]	Delivery Period Replacement Price - Delivery Period Contract Gain/Loss Amount (\$) - District	Future Delivery Period Gain/Loss Amount (\$) - District
Slice Product 22 - Delivery Period 2	43.00	744	45.28	(977,777.78)	(977,777.78)
Slice Product 22 - Delivery Period 3	46.00	720	48.49	(483,361.70)	(483,361.70)
Slice Product 22 - Delivery Period 4	50.00	720	52.75	(489,795.92)	(489,795.92)
Slice Product 22 - Delivery Period 5	55.00	888	55.73	(943,396.23)	(943,396.23)
				<u>(3,994,331.63)</u>	<u>(3,994,331.63)</u>

## Calculation for the Current Delivery Period (assuming calculation date is September 15, 2016)

Slice Product 22 - Delivery Period 1 Payment (\$)

### Appendix A Reference

Remaining Months for Current Delivery Period (Delivery Period 1)	Hours in Month	System (MWh)	Remaining Current Delivery Period Output (MWh) [6]	Purchaser's Percentage	Current Delivery Period Remaining Replacement Quantity (MWh) [9]	Future Delivery Period Payment Installments (\$) - Collateral Calculation Date	Monthly Flat Mid-C Forward Prices on (\$/MWh)	Monthly Flat Mid-C Forward Price - Current Delivery Period Remaining Replacement Quantity (\$)	Remaining Delivery Period Market Price (\$/MWh) [11]	Current Delivery Period Replacement Price (\$/MWh) [12]	Current Delivery Period Gain/Loss Amount (\$) - District (Receipts) [13]
Slice Product 22 - Oct 2016	744	895	590,735	5.00%	29,537	1,750,000.00	48.00	1,270,075.84	46.11	49.52	(2,281,724.13)
Slice Product 22 - Nov 2016	720	895	654,363	5.00%	32,718	1,750,000.00	45.00	1,450,000.00			
Slice Product 22 - Dec 2016	744	888	660,223	5.00%	33,016	1,750,000.00	50.00	1,650,000.00			
					<u>95,271</u>	<u>5,250,000.00</u>					

## Total Slice Collateral Component - District (receipts)

Future Delivery Period Gain/Loss Amount	(3,994,331.63)
Current Delivery Period Gain/Loss Amount	(2,281,724.13)
Net Gain/Loss Amount	(6,276,055.76)
Services Rendered in Prior Months	(1,750,000.00)
Total Slice Collateral Component	<u>(8,026,055.76)</u>

Collateral Threshold assigned to Counterparty Value of Performance Assurance previously posted

Collateral Requirement prior to Rounding

Collateral Requirement

### Footnotes:

- Purchaser's Median Annual Energy = Median Annual Energy for Rocky Reach or Cheilan Power System \* Purchaser's Percentage
- Delivery Period Contract Quantity = Purchaser's Median Annual Energy \* Hours in Delivery Period
- Total Units to be paid by Purchaser to District for the purchase of the Purchaser's Output during each Delivery Period
- Delivery Period Contract Price = Delivery Period Payment / Delivery Period Contract Quantity
- Delivery Period Pricing Shipping Adjustment Factor = Delivery Period Contract Price / Flat Mid-C Forward Price on Date of Contract Execution
- Future Delivery Period Gain/Loss Amount = Flat Mid-C Forward Price on Collateral Calculation Date \* Delivery Period Remaining Replacement Quantity - Delivery Period Contract Price
- Remaining Current Delivery Period Output = Remaining Output Estimate \* Hour in Month
- Current Delivery Period Remaining Replacement Quantity = Remaining Current Delivery Output \* Purchaser's Percentage
- Future Delivery Period Payment Installments = Current Delivery Period Payment / # of Months in Delivery Period
- Remaining Delivery Period Market Price = Sum of (Monthly Flat Mid-C Forward Price - Current Delivery Period Remaining Replacement Quantity) / Sum of Current Delivery Period Remaining Replacement Quantity
- Current Delivery Period Replacement Price = Remaining Delivery Period Market Price - Delivery Period Pricing Shipping Adjustment Factor
- Current Delivery Period Gain/Loss Amount = Sum of (Current Delivery Period Remaining Replacement Quantity \* Remaining Delivery Period Market Price) - Sum of Future Delivery Period Payment Installments - Delivery Period Pricing Shipping Adjustment Factor

**COVER SHEET ELECTIONS**  
**applicable to the**  
**COLLATERAL ANNEX**  
**to the**  
**CONTRACT(S) FOR SALE OF OUTPUT**  
**FROM THE ROCKY REACH PROJECT AND ROCK ISLAND PROJECT AND THE**  
**CONTRACT FOR SALE OF OUTPUT FROM THE ROCKY REACH PROJECT AND**  
**CHELAN POWER SYSTEM**

This Cover Sheet Elections applicable to the Collateral Annex to the Contract(s) for Sale of Output from the Rocky Reach Project and Rock Island Project and the Contract for Sale of Output from the Rocky Reach Project and Chelan Power System (“Cover Sheet Elections”) between the Parties is between: Public Utility District No. 1 of Chelan County, Washington (“Party A”) and Avista Corporation (“Party B”).

This Cover Sheet Elections shall be effective as of March 17, 2015 (the “Effective Date”) and supersedes the Cover Sheet Elections between the Parties signed October 2, 2014.

This Cover Sheet Elections sets forth the Parties’ agreements to supplement the Collateral Annex and, as the Parties may determine, vary the terms and conditions of the Collateral Annex. To the extent there are any inconsistencies between the terms and conditions of the Collateral Annex, excluding the Cover Sheet Elections, and these Cover Sheet Elections, the Cover Sheet Elections shall prevail.

Terms that are capitalized for reasons other than grammatical reasons shall have the meanings assigned to them in Section 1 of the Collateral Annex.

The Collateral Threshold, Independent Amount, Minimum Transfer Amount and Rounding Amount, shall each be zero (0) unless a different amount is stated below.

**I. Collateral Threshold.**

**A. Party A Collateral Threshold.**

The Collateral Threshold for Party A shall be (a) the amount set forth in the chart below under the heading “Collateral Threshold” opposite the Credit Rating for Party A on the relevant date of determination, and if such Credit Ratings shall not be equivalent, the lower Credit Rating shall govern, or (b) zero if on the relevant date of determination none of the rating agencies specified below has a Credit Rating in effect with respect to Party A or in the event of a Material Adverse Change as defined in Part II hereof with respect to Party A:

<u>Collateral Threshold</u>	<u>S&amp;P Credit Rating</u>	<u>Moody's Credit Rating</u>	<u>Fitch Credit Rating</u>
\$ Unlimited	AAA (or above)	Aaa (or above)	AAA(or above)
\$ Unlimited	AA+	Aa1	AA+
\$ Unlimited	AA	Aa2	AA
\$ Unlimited	AA-	Aa3	AA-
\$ Unlimited	A+	A1	A+
\$ Unlimited	A	A2	A
\$ Unlimited	A-	A3	A-
\$ Unlimited	BBB-	Baa3	BBB-
\$ Unlimited	Below BBB-	Below Baa3	Below BBB-

**B. Party B Collateral Threshold.**

The Collateral Threshold for Party B, or its Guarantor, shall be (a) the amount set forth in the chart below under the heading "Collateral Threshold" opposite the Credit Rating for Party B on the relevant date of determination, and if such Credit Ratings shall not be equivalent, the lower Credit Rating shall govern, or (b) zero if on the relevant date of determination none of the rating agencies specified below has a Credit Rating in effect with respect to Party B or in the event of a Material Adverse Change as defined in Part II hereof with respect to Party B:

<u>Collateral Threshold</u>	<u>S&amp;P Credit Rating</u>	<u>Moody's Credit Rating</u>	<u>Fitch Credit Rating</u>
\$20,000,000	AAA	Aaa	AAA
\$20,000,000	AA+	Aa1	AA+
\$20,000,000	AA	Aa2	AA
\$20,000,000	AA-	Aa3	AA-
\$15,000,000	A+	A1	A+
\$10,000,000	A	A2	A
\$8,000,000	A-	A3	A-
\$6,000,000	BBB+	Baa1	BBB+
\$4,000,000	BBB	Baa2	BBB
\$2,000,000	BBB-	Baa3	BBB-
\$0	Below BBB-	Below Baa3	Below BBB-

**II. Material Adverse Change.**

**A. Party A**

A Material Adverse Change shall occur with respect to Party A in the following circumstances:

Not applicable.

**B. Party B**

A Material Adverse Change shall occur with respect to Party B in the following circumstances:

An Event of Default shall have occurred and is continuing where Party B is the Defaulting Party, or a Potential Event of Default has occurred where Party B is the potentially Defaulting Party, or an Early Termination has occurred or been designated with respect to Party B for which Party B has not satisfied its Obligations.

**III. Independent Amount.**

- A. Party A Independent Amount: \$ \_\_\_\_\_ N/A \_\_\_\_\_
- B. Party B Independent Amount: \$ \_\_\_\_\_ \$500,000 \_\_\_\_\_

If Party B has entered into multiple Slice Contracts with Party A, the Independent Amount to be posted by Party B will be reviewed by Party A upon execution of a new Slice Contract and upon termination or expiration of any Slice Contract between the Parties.

**IV. Minimum Transfer Amount.**

- A. Party A Minimum Transfer Amount: \$ \_\_\_\_\_ N/A \_\_\_\_\_
- B. Party B Minimum Transfer Amount: \$ \_\_\_\_\_ 100,000 \_\_\_\_\_

**VI. Rounding Amount.**

- A. Party A Rounding Amount: \$ \_\_\_\_\_ N/A \_\_\_\_\_
- B. Party B Rounding Amount: \$ \_\_\_\_\_ 10,000 \_\_\_\_\_

**VII. Administration of Collateral.**

**A. Posting Deadline for Collateral Requirement**

Party B shall be required to provide Performance Assurance to cover an outstanding Collateral Requirement under Section 4 of the Collateral Annex no later than 5:00 pm Pacific prevailing time of the same Business Day after receipt of a Demand Notice (the "Posting Deadline"), provided, that if the Demand Notice is sent/received after such time as specified in the Collateral Annex, then the Posting Deadline shall be 24 hours later. Party B may provide an electronic version of a signed Letter of Credit, or signed Amendment to an existing Letter of Credit, to meet the established deadline so long as Party A receives the executed original by mail the following Business Day.

**B. Reduction Deadline for Transfer of Excess Performance Assurance**

Party A shall be required to transfer Excess Performance Assurance to the Posting Party, or LC Issuer in the case of a Letter of Credit, under Section 5 of the Collateral Annex no later than 5:00 pm Pacific prevailing time of the 2nd [*second*] Business Day after receipt of a demand therefor (the "Reduction Deadline"), provided, that if the demand is sent/received after such time as specified in the Collateral Annex, then the Reduction Deadline shall be 24 hours later. Party A may provide an electronic version of a signed and accepted Amendment to an existing Letter of Credit to meet the established deadline.

**C. Performance Assurance in the Form of Cash**

Performance Assurance shall be accepted in the form of Cash at the District's discretion. The District has the right to request that cash postings be replaced at a later date with a Letter of Credit issue from Wells Fargo, N.A. or MUFG Union Bank, N.A.

**D. Interest Rate**

Federal Funds Effective Rate – the rate for that day opposite the caption "Federal Funds (Effective)" as set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Board of Governors of the Federal Reserve System.

**VIII. Letters of Credit**

**A. Definition of LC Issuer:**

Maximum amount per LC Issuer: \$ 35,000,000

Wells Fargo Bank, N.A. issues between \$10,000,000 and \$35,000,000 are subject to District approval, even if Wells Fargo Bank, N.A. meets the criteria set forth the definition of LC Issuer in the Collateral Annex.

If the Parties agree that a specific entity shall be an LC Issuer even if it may not satisfy the credit rating specified in the definition of LC Issuer set forth in the Collateral Annex, identify such entity here:

MUFG Union Bank, N.A., as long as Senior Unsecured debt ratings of A2/A+/A are maintained by MUFG Union Bank, N.A. Issues from MUFG Union Bank are subject to approval by the District.

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If the Parties agree to a different definition of LC Issuer than the definition specified in the Collateral Annex, state such definition here:

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**B. Definition of Letter of Credit**

“Letter of Credit” means an irrevocable, non-transferable, standby letter of credit, issued by an LC Issuer, or other issuer to which the Parties may agree in writing, in a form consistent with the Parties’ agreements and otherwise reasonably acceptable to Party A , including, without limitation, terms giving Party A the right to draw on the letter of credit upon the occurrence of the earlier of (a) a payment default by Party B; (b) an Event of Default by Party B; and (c) the commencement of a bankruptcy, receivership, or other proceeding under any applicable law relating to insolvency or corporate reorganization with respect to the Party B.

The Parties may specify here additional terms and conditions that a Letter of Credit shall contain:

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**IX. Notice and other Communications Under Section 9(h) of Collateral Annex**

Each calculation, demand, notice, consent, agreement, approval or other communication required or permitted to be given from one Party to the other Party under the Collateral Annex shall be submitted to the recipient Party at the following physical address or fax:

**Party A:**

Attention:	Credit Manager
Entity:	Chelan County PUD
Street:	327 N. Wenatchee Ave
City, State, Zip Code:	Wenatchee, WA 98801
Fax No.:	509-661-8138

**Party B:**

Attention:	Gina Armstrong
Entity:	Avista Corporation
Street:	1411 E Mission, P.O. Box 3727
City, State, Zip Code:	Spokane, WA 99220-3727
Fax No.:	509-495-8856

With a copy to:  
Attn: Troy Irvine



Entity: Avista Corporation  
Street: 1411 E Mission, P.O. Box 3727  
City, State, Zip Code: Spokane, WA 99220-3727  
Fax No.: 509-777-5435

If electronic notification by internet email is the chosen means of communications under the Collateral Annex, the following protocol shall apply:

A. The email shall be addressed to at least two designated employees or agents of the recipient, as listed below or as the same may be changed from time to time by written notice in accordance with the terms hereof and the Collateral Annex.

B. The sender shall have received a reply confirmation of receipt from at least one of the recipients acknowledging receipt of the email within two (2) hours (excluding all non-Business Day hours) of the email delivery (the "Acknowledgement Delivery Time").

C. If an acknowledgment of receipt is not received by the sender by the Acknowledgement Delivery Time, email notification shall not apply to that communication and other means for the delivery of notices as set forth above and in the Collateral Annex shall be followed.

D. Initially, the parties entitled to receive email notifications under the Collateral Annex are as follows:

For Party A: collateral@chelanpud.org  
Sue.wiersma@chelanpud.org  
Jayme.mitchell@chelanpud.org

For Party B: CreditManagement@avistacorp.com  
Gina.armstrong@avistacorp.com  
Troy.irvine@avistacorp.com  
Thomas.jenkins@avistacorp.com

E. Either party may, upon due notice to the other party, terminate this email delivery protocol upon not less than 5 Business Days notice to the other party, in which event the rules for delivery of notices other than email as reflected in the Collateral Annex shall apply.

**Execution of Cover Sheet Elections:**

**Party A**

**Public Utility District No. 1 of Chelan County**

Mark Mullins  
[Sign here]

Mark Mullins  
[Print Name]

Director Enterprise Risk Management  
Title

Date: 3/20/15

**Party B**

**Avista Corporation**

J. Thackston  
[Sign here]

Jason Thackston

Sr. VP Energy Resources  
Title

Date: 3/19/15