

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 63
NET METERING OPTION SCHEDULE
WASHINGTON

DEFINITIONS:

“**Customer Generator**” means a user of a Net Metering System.

“**Generating Facility**” A source of electricity owned, or whose output is owned, by the Interconnection Customer that is located on the Interconnection Customer's side of the Point of Common Coupling, and all ancillary and appurtenant facilities, including Interconnection Facilities, which the Interconnection Customer requests to interconnect to the Electrical Company's Electric System.

“**Meter Aggregation**” means the administrative combination of readings from and billing for all meters, regardless of the rate class, on premises owned or leased by a customer-generator located within the service territory of a single electric utility.

“**Net Metering**” means measuring the difference between the electricity supplied by an electric utility and the electricity generated by a generating facility that is fed back to the electrical company over the applicable billing period.

“**Net Metering System**” means a fuel cell, a facility that produces electricity and used and useful thermal energy for a common fuel source, or facility for the production of electrical energy that generates renewable energy, and that:

- (A) Uses as its fuel either water, wind, solar energy, or biogas from animal waste;
- (B) Has an electrical generating capacity of not more than 100 kilowatts;
- (C) Is located on the customer-generator's premises;
- (C) Operates in parallel with the electric utility's transmission and distribution facilities; and
- (E) Is intended primarily to offset part or all of the customer-generator's requirements for electricity.

“**Premises**” means any residential property, commercial real estate, or lands, owned or leased by a Customer generator within the service area of a single utility.

“**Third-party owner**” means an entity that owns a generating facility located on the premises of a Customer and has entered into a contract with the Customer for provision of power from the Generating Facility. When a third-party owns a net-metered generating facility, the Customer maintains the net metering relationship with the electrical company. A third-party owner does not resell electricity produced from a net-metered Generating Facility

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(K) Material has been transferred to Sheet 63A.

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V.P., State & Federal Regulation

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AVAILABLE:

Net Metering shall be available to eligible Customer generators who are customers of Avista Utilities on a first-come, first-served basis until the cumulative generating capacity of net metering systems equals 7.6 MW which is 0.5% (one-half of one percent) of the Company's retail peak demand during 1996. Not less than one-half of the utility's 1996 peak demand available for net metering systems shall be reserved for the cumulative generating capacity attributable to net metering systems that generate renewable energy. Customers electing this option shall be subject to the following terms and conditions.

- (1) Customer eligibility - To be eligible for the net metering option, a customer-generator must use a net metering system as defined above.
- (2) Cost to customer-generator of metering and interconnection— Customers electing the net metering option shall be interconnected using a standard kilowatt-hour meter capable of registering the flow of electricity in two directions. The costs to the customer-generator include:
 - (A) The Company's basic charge billed under the customer's applicable standard service Schedules 1, 11, 21, or 25.
 - (B) The Company shall not be liable directly or indirectly for permitting or continuing to allow the attachment of a net metering system, or the acts or omissions of a customer-generator, that causes loss or injury, including death, to a third party.
- (3) Standards —The net metering system used by a customer-generator must include, at the customer's own expense, all equipment necessary to meet applicable safety, power quality, and interconnection requirements established by the National Electrical Code, National Electrical Safety Code, the Institute of Electrical and Electronics Engineers, and Underwriters Laboratories. The Company will measure the net electricity produced or consumed during the billing period, in accordance with normal metering practices. The Company's written approval of the Customer's protection-isolation method to ensure generator disconnection in case of a power interruption from the Company is required before service is provided under this schedule.
- (4) Balances of generation and usage by the customer-generator:
 - (A) If electricity supplied by the Company exceeds the electricity generated by the customer-generator and fed back to the Company during the billing period, the customer-generator shall be billed for the net electricity supplied by the Company at the customer's standard schedule retail rate, in accordance with normal metering practices.

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- (B) If electricity generated by the customer-generator exceeds the electricity supplied by the Company, the customer-generator:
 - (i) Shall be billed for the appropriate customer charges for that billing period, in accordance with section (2)(A), and
 - (ii) Shall be credited for the excess kilowatt-hours generated during the billing period, with this kilowatt-hour credit appearing on the bill for the following billing periods and used to reduce the bill for the following period from the Company.
- (5) Remaining unused kWh credits – On April 30th of each year, any remaining unused kilowatt-hour credit accumulated during the previous year shall be granted to the Company, without any compensation to the customer-generator.
- (6) Reversion to previous service - The customer-generator, upon selecting the net metering option, may not revert to the customer-generator's previous metering system without written agreement by the Company.

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SPECIAL TERMS AND CONDITIONS FOR METER AGGREGATION

Upon the Customer's request, the Company shall aggregate for billing purposes the meter that is physically attached to the net metering system ("designated meter") with one or more meters located on the Customer's premises ("aggregated meter(s)"). Not more than a total of one hundred kilowatts shall be aggregated among all customer-generators participating in the Generation Facility. Meters so aggregated shall not change rate classes due to meter aggregation, must be and remain on property owned or controlled by the customer-generator, and must remain under the same name or account as the customer-generator.

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For customers participating in meter aggregation, kilowatt-hours credits earned by a net metering system during the billing period first shall be used to offset electricity supplied to the designated meter by the Company. Excess kilowatt-hours credits earned by the net metering system, during the same billing period, shall be credited equally by the Company to the aggregated meter(s) located on all premises of a Customer at the designated rate of each meter. A designated meter cannot be aggregated with another designated meter.

The Customer will be billed an Aggregation Basic Charge which consists of an additional basic charge equal to the basic charge in the schedule under which the aggregated meter(s) is billed for all schedules.

The Company shall not provide wheeling or transmission service for the Customer Generator. The Customer Generator's Generated Energy will be applied to consumption on the Customer-Generator's Premises or aggregated with an Aggregated Meter(s).

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SCHEDULE 63 - NET METERING OPTION - Continued

Avista Utilities
East 1411 Mission Ave.
Spokane, WA 99202



Net Energy Metering Interconnection Agreement

This Net Energy Metering Interconnection Agreement ("Agreement") is entered into by the undersigned customer ("Customer"), and Avista Corporation, dba Avista Utilities, ("Avista"). Customer and Avista, sometimes referred to individually as a "Party" and collectively as the "Parties," agree as follows:

1.0 CUSTOMER GENERATING FACILITY

1.1 Customer has elected to use and operate an electric generating facility, with a generating capacity of not more than 100 kilowatts, in parallel with and interconnected to Avista's electric transmission and distribution facilities. The Customer's Generating Facility ("Generating Facility") is intended to offset either part or all of the Customer's electrical requirements via net metering.

1.2 Customer's Application for Interconnection of Cogeneration or Small Power Production Electric Generating Facilities 500 Kilowatts or Less, including the location of the electrical generating facility and details on the electrical generating unit(s) is hereby incorporated into this agreement as Exhibit A.

1.3 The Generating Facility will be located on the Customer's premises and will include all equipment necessary to meet applicable safety, power quality, and interconnection requirements established by the National Electrical Code (NEC, Articles 690 and 705), National Electrical Safety Code (NESC), the Institute of Electrical and Electronics Engineers (IEEE), the American National Standards Institute (ANSI), Underwriters Laboratories (UL), and any and all of Avista's interconnection standards.

1.4 Customer expressly agrees to comply with all applicable federal, state or local health and safety laws with respect to operation of the Customer Generating Facility. Customer further agrees that compliance with said health and safety provisions, as well as supervision of Generating Facility safety practices, for Customer's and Contractor/Subcontractor employees and the general public, is the Customer's sole responsibility. The Customer agrees to notify Avista immediately of any federal, state, or local agency inspection and notice of non-compliance at the Generating Facility.

2.0 NET METERING - PAYMENT FOR NET ENERGY

2.1 Avista shall measure the net electricity produced or consumed by the Customer during each billing period, in accordance with Avista's normal metering practices.

2.2 If the electricity supplied by Avista exceeds the electricity generated by the Customer and distributed back to Avista during the billing period, or any portion thereof, then the Customer will be billed for the net electricity supplied by Avista together with the appropriate customer charge paid by other customers of Avista in the same rate class.

2.3 If the electricity generated by the Customer and distributed back to Avista during the billing period, or any portion thereof, exceeds the electricity supplied by Avista, then the Customer will be:

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East 1411 Mission Ave.
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- i. billed for the appropriate customer service charge as other customers of Avista in the same rate class; and
- ii. credited for the net excess kilowatt-hours generated during the billing period, with this kilowatt-hour credit appearing on Customer's bill for the following billing period.

2.4 Meter Aggregation: Upon the Customer's request, the Company shall aggregate for billing purposes the meter that is physically attached to the Generating Facility ("designated meter") with one or more meters located on the Customer's premises that are owned or leased by the Customer within the service territory of the Company ("aggregated meter(s)"), provided that the total load of the net metering system does not exceed one hundred kilowatts. Meters so aggregated shall not change rate classes due to meter aggregation, must be and remain on property owned or controlled by the Customer Generator, and must remain under the same name or account as the Customer Generator. If Customers chooses to participate in meter aggregation, kilowatt-hours credits earned by Generating Facility during the billing period first shall be used to offset electricity supplied to the designated meter by the Company. Excess kilowatt-hours credits earned by the net metering system, during the same billing period, shall be credited equally by the Company to the aggregated meter(s) located on all premises of a Customer at the designated rate of each meter. A designated meter cannot be aggregated with another designated meter. The Customer will be billed an Aggregation Basic Charge which consists of an additional basic charge equal to the basic charge in the schedule under which the aggregated meter is billed for all schedules.

2.5 The Company shall not provide wheeling or transmission service for the Customer Generator. The Customer Generator's Generated Energy will be applied to consumption on the Customer-Generator's Premises or aggregated with an Aggregated Meter(s).

2.6 On April 30th of each calendar year, any remaining unused kilowatt-hour credit accumulated by the Customer during the previous year will be granted to Avista, without any compensation to the Customer.

2.7 Customer shall pay any amount owing for electric service provided by Avista in accordance with applicable rates and policies stated in Avista's current tariffs filed with and approved by the state agency having appropriate jurisdiction.

3.0 INTERRUPTION OR REDUCTION OF DELIVERIES

3.1 Avista may require Customer to interrupt or reduce deliveries as follows:

- i. when necessary in order to construct, install, maintain, repair, replace, remove, investigate, or inspect any of its equipment or part of its system; or
- ii. if it determines that curtailment, interruption, or reduction is necessary because of emergencies, force or compliance with prudent electrical practices.

3.2 Whenever possible, Avista will give Customer reasonable notice of the possibility that interruption or reduction of deliveries may be required.

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Avista Utilities
East 1411 Mission Ave.
Spokane, WA 99202



3.3 Notwithstanding any other provision of this Agreement, if at any time Avista determines that either:

- i. the Generating Facility may endanger Avista's personnel, or
- ii. the continued operation of Customer's Generating Facility may endanger the integrity of Avista's electric system, or
- iii. a hazardous condition exists and such immediate action is necessary to protect persons or property of others from damage or interference caused by Customer's Generating Facilities, or
- iv. Customer's Generating Facilities lack proper operating protective devices or Avista is unable to inspect such protective devices;

Avista shall have the right to disconnect Customer's Generating Facility from Avista's electric system. Customer's Generating Facility will remain disconnected until such time as Avista is satisfied that the condition(s) referenced in this Section 3 have been corrected.

4.0 INTERCONNECTION

4.1 Customer shall deliver energy to Avista at Avista's meter.

4.2 Customer shall be responsible for designing, installing, inspecting, operating, and maintaining the Generating Facility in accordance with all applicable laws and regulations and shall comply with any and all interconnection standards established by Avista.

4.3 Customer shall pay for Avista's standard bidirectional watt-hour meter electrical hook-up, if not already present.

4.4 Customer shall not commence parallel operation of the Generating Facility until written approval of the interconnection facilities has been given by Avista. Such approval will not be unreasonably withheld. Avista shall have the right to have representatives present at the initial testing of Customer's protective apparatus. Customer shall notify Avista with at least a seven day notice when testing is to take place.

4.5 Customer shall be responsible for all costs associated with the replacement of existing service transformer(s) if the transformer's capacity limits generation output.

5.0 MAINTENANCE AND PERMITS

5.1 Customer shall:

- i. maintain the Generating Facility and interconnection facilities in a safe and prudent manner and in conformance with all applicable laws and regulations including, but not limited to, any and all interconnection standards established by Avista, and
- ii. obtain any governmental authorizations and permits required for the construction and operation of the Generating Facility and interconnection facilities, including electrical permit(s), and
- iii. reimburse Avista for any and all losses, damages, claims, penalties, or liability Avista incurs as a result of Customer's failure to obtain or maintain any governmental authorizations and permits required for construction and

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East 1411 Mission Ave.
Spokane, WA 99202



operation of the Generating Facility or failure to maintain Customer's
Generating Facility as required in this Section 5.

6.0 ACCESS TO PREMISES

- 6.1 Avista may enter Customer's premises or property to:
 - i. inspect, with prior notice, during reasonable hours, Customer's Generating Facility's protective devices;
 - ii. read metering equipment; and
 - iii. disconnect at Avista's meter or transformer, without notice, the Generating Facilities pursuant to Section 3.

7.0 LIABILITY AND INDEMNIFICATION

7.1 As provided for in the Continuity of Service provisions of its Electric Service Tariff, Schedule 70, Avista shall have no liability to the Customer or any other persons for any interruption, suspension, curtailment or fluctuation in service or for any loss or damage caused thereby for causes beyond Avista's reasonable control, as defined in the Tariff. Furthermore, Avista shall not be liable for any special, indirect, incidental, punitive, or consequential damages arising from the operation, replacement, maintenance or repair of Avista-owned or Customer-owned electric facilities, including, without limitation, Customer's loss of actual or anticipated profits or revenue, loss by reason of shutdown, non-operation, or increased expense of its facilities or operations, cost of capital, or claims of third parties.

7.2 Customer shall indemnify Avista from any liability, loss, or expense, including attorney's fees, arising from or growing out of injury to persons, including death, or damage to property, which may occur on the electric system of Customer on its side of the electric service interconnection, unless such loss is solely due to the negligence of Avista. Where such claim or loss is caused by the concurrent negligence of Customer, its agents or employees, and Avista, its agents or employees, Customer hereby agrees to indemnify, defend and save Avista harmless from all such claims or losses to the extent that such claim or loss was caused by the negligence of Customer, its agents or employees.

7.3 Avista shall have no liability, ownership interest, control or responsibility for the Generating Facility or its interconnection with Avista's electric system, regardless of what Avista knows or should know about the Generating Facility or its interconnection.

8.0 INDEPENDENT CONTRACTORS

The Parties represent that they are independent contractors and shall not be deemed to be partners, joint ventures, employees, franchisees or franchisers, servants or agents of each other for any purpose whatsoever under or in connection with this Agreement.

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East 1411 Mission Ave.
Spokane, WA 99202



9.0 GOVERNING LAW

This Agreement will be interpreted, governed, and constructed under the laws of the State of Washington, without regard to the conflict of law rules. Venue of any action arising under or related to this agreement will lie in the state courts located in Spokane County, Washington.

10.0 FUTURE MODIFICATION OR EXPANSION

Any future modification or expansion of the Generating Facility shall require engineering review and approval by Avista. Avista reserves the right to require the Customer, at Customer's expense, to provide modifications or additions to existing electrical devices including, but not limited to, protection device and meters in the event of changes to government or industry regulation and/or standards.

11.0 AMENDMENTS, MODIFICATIONS OR WAIVER

Any amendments or modifications to this Agreement will be in writing and agreed to by both Parties. The failure of any Party at any time or times to require performance of any provision of this Agreement will in no manner affect its right at a later time to enforce the same. No waiver by any Party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, will be deemed to be construed as a further or continuing waiver of any such breach or waiver of the breach of any other term or covenant unless such waiver is in writing.

12.0 ASSIGNMENT

The Customer shall not assign its rights under this Agreement without the express written consent of Avista, which will not be unreasonably withheld.

13.0 NOTICES TO THE PARTIES

13.1 Notices to Avista:

Avista Utilities
Distribution Engineering
1411 E. Mission Ave
PO Box 3727
Spokane, WA 99220-3727
Attention: Dan Knutson MSC-24
Or dan.knutson@avistacorp.com

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SCHEDULE 63 - NET METERING OPTION - Continued

Avista Utilities
East 1411 Mission Ave.
Spokane, WA 99202



13.2 Notices to Customer:

Name

Mailing Address

City, State & Zip

Customer notices to Avista, pursuant to this Section 13, shall refer to the Service Address set forth in Exhibit A, Interconnection of Cogeneration or Small Power Production Electric Generating Facilities 500 Kilowatts or Less and to Avista's Contract Number assigned to this Agreement.

14.0 TERM OF AGREEMENT AND TERMINATION

14.1 This Agreement shall become effective on the date when signed by the last of the two Parties below and shall remain in effect thereafter month to month unless terminated by either Party on thirty (30) days prior written notice.

14.2 The termination of this Agreement shall not relieve either Party of its liabilities and obligations owed or continuing at the time of the termination.

15.0 COUNTERPARTS

This Agreement and any amendments thereto may be executed in any number of counterparts, each of which, when executed and delivered, shall be an original, but all such counterparts shall constitute one and the same instrument. As used herein, the term "counterparts" shall include full copies of such instruments signed and delivered by facsimile transmission, as well as photocopies of such facsimile transmissions.

This Agreement has been signed by the Parties' authorized representatives on the date(s) set forth below.

Avista Corporation dba Avista Utilities

Customer

(Signature)

(Signature)

(Printed Name)

(Printed Name)

(Title)

(Title)

(Date)

(Date)

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