

AVISTA CORPORATION  
dba Avista Utilities

SCHEDULE 62  
QUALIFYING FACILITIES  
WASHINGTON

AVAILABLE:

In all the electric territory served by Avista in the State of Washington.

APPLICABILITY:

Except as expressly provided herein, this schedule is only applicable to any individual, partnership, corporation, association, governmental agency, political subdivision, municipality, or other entity (the "Customer") installing, owning and generating electricity for delivery to the Company at a point of delivery on the Company's electrical system in the State of Washington where: a) the facility is a Qualifying Facility ("QF"), meaning either a cogeneration facility or a small power production facility, pursuant to Section 201 of the Public Utility Regulatory Policies Act of 1978 and defined in WAC Chapter 480-106, b) output is offered for sale to Avista pursuant to WAC Chapter 480-106, and c) the facility installed generation capacity is five (5) megawatts alternating current (AC) or less.

Avista's contracting procedures and standard contract provisions filed with the Commission shall be used where applicable.

POWER RATES:

Avista will pay the following avoided cost rates for delivered electricity:

I. Power Rates Available to Qualifying Facilities of Five Megawatts (5 MW) Or Less.

(1) Standard Power Rates - The Standard Power Rate shall apply to customers agreeing to supply all QF output to the Company under one of the fixed-year schedules defined below. The contract rates and terms are fixed for the agreement term, paid in United States dollars based on megawatt-hour (or partial megawatt-hour) production over the term, and in accordance with the following:

- (a) Total payment will be the summation of energy and applicable capacity values (if any).
- (b) The capacity contribution for existing non-wind and non-solar resources, with an operating history of thirty-six (36) or more months, shall be the average on-peak delivery for up to the past five (5) years for the November through February months. Wind and solar resources receive zero (0%) capacity contribution.
- (c) The capacity contribution for new resources, or for resources without a full thirty-six (36)-month operating history, shall be based on the capacity contribution from a similar resource in the Company's latest IRP. 7x24 assumes

(K) Material has been transferred to Original Sheet 62G

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Second Substitute First Revision Sheet 62A

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Substitute Original Sheet 62A

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QUALIFYING FACILITIES

resource provides its maximum delivery rate during the winter on-peak period.  
Wind and solar resources receive zero (0%) capacity contribution.

- (d) Energy shaping factors are applied to all energy delivery payments during the year. Payment in each month will be the product of the annual applicable rate (on-/off-peak) and the shaping factor.
- (e) This schedule does not provide compensation for RECs; they remain the property of the customer.

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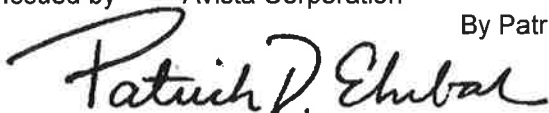
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Second Substitute Original Sheet 62B

AVISTA CORPORATION  
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SCHEDULE 62B  
 QUALIFYING FACILITIES

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80.80.040 Compliant Qualifying Facilities – New Projects  
 Standard Power Rate – First Delivery 2020

Year	Energy Value (\$/MWh)			Cap. Value (\$/MWh)	
	Flat 7X24	On-Peak	Off-Peak	\$/kW/Mo	Flat 7x24
2020	23.99	26.46	19.04	6.740	9.23
2021	19.67	22.28	14.48	6.740	9.23
2022	19.98	22.40	15.14	6.740	9.23
2023	20.44	22.73	15.86	6.740	9.23
2024	21.61	23.74	17.36	6.740	9.23
2025	22.76	24.85	18.60	6.740	9.23
2026	24.27	26.10	20.64	6.740	9.23
2027	23.57	24.97	20.77	6.740	9.23
2028	25.02	26.04	22.97	6.740	9.23
2029	25.92	26.66	24.44	6.740	9.23
2030	26.72	26.92	26.34	6.740	9.23
2031	29.46	29.47	29.46	6.740	9.23
2032	29.78	29.69	29.99	6.740	9.23
2033	31.22	30.78	32.12	6.740	9.23
2034	32.83	32.12	34.27	6.740	9.23

Monthly Energy Shaping Factors (HLH)					
Jan	145%	May	16%	Sep	122%
Feb	120%	Jun	30%	Oct	113%
Mar	95%	Jul	98%	Nov	121%
Apr	53%	Aug	129%	Dec	156%

Monthly Energy Shaping Factors (LLH)					
Jan	141%	May	-19%	Sep	141%
Feb	130%	Jun	-14%	Oct	128%
Mar	127%	Jul	86%	Nov	121%
Apr	72%	Aug	137%	Dec	151%

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Second Substitute Original Sheet 62C

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SCHEDULE 62C  
 QUALIFYING FACILITIES

(N)

80.80.040 Compliant Qualifying Facilities – New Projects  
 Standard Power Rate – First Delivery 2021

Year	Energy Value (\$/MWh)			Cap. Value (\$/MWh)	
	Flat 7x24	On-Peak	Off-Peak	\$/kW/Mo	Flat 7x24
2021	19.67	22.28	14.48	7.486	10.25
2022	19.98	22.40	15.14	7.486	10.25
2023	20.44	22.73	15.86	7.486	10.25
2024	21.61	23.74	17.36	7.486	10.25
2025	22.76	24.85	18.60	7.486	10.25
2026	24.27	26.10	20.64	7.486	10.25
2027	23.57	24.97	20.77	7.486	10.25
2028	25.02	26.04	22.97	7.486	10.25
2029	25.92	26.66	24.44	7.486	10.25
2030	26.72	26.92	26.34	7.486	10.25
2031	29.46	29.47	29.46	7.486	10.25
2032	29.78	29.69	29.99	7.486	10.25
2033	31.22	30.78	32.12	7.486	10.25
2034	32.83	32.12	34.27	7.486	10.25

Monthly Energy Shaping Factors (HLH)					
Jan	145%	May	16%	Sep	122%
Feb	120%	Jun	30%	Oct	113%
Mar	95%	Jul	98%	Nov	121%
Apr	53%	Aug	129%	Dec	156%

Monthly Energy Shaping Factors (LLH)					
Jan	141%	May	-19%	Sep	141%
Feb	130%	Jun	-14%	Oct	128%
Mar	127%	Jul	86%	Nov	121%
Apr	72%	Aug	137%	Dec	151%

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Original Sheet 62D

AVISTA CORPORATION  
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QUALIFYING FACILITIES80.80.040 Compliant Qualifying Facilities – New Projects  
Standard Power Rate – First Delivery 2022

Year	Energy Value (\$/MWh)			Cap. Value (\$/MWh)	
	Flat 7X24	On-Peak	Off-Peak	\$/kW/Mo	Flat 7X24
2022	19.98	22.40	15.14	8.355	11.44
2023	20.44	22.73	15.86	8.355	11.44
2024	21.61	23.74	17.36	8.355	11.44
2025	22.76	24.85	18.60	8.355	11.44
2026	24.27	26.10	20.64	8.355	11.44
2027	23.57	24.97	20.77	8.355	11.44
2028	25.02	26.04	22.97	8.355	11.44
2029	25.92	26.66	24.44	8.355	11.44
2030	26.72	26.92	26.34	8.355	11.44
2031	29.46	29.47	29.46	8.355	11.44
2032	29.78	29.69	29.99	8.355	11.44
2033	31.22	30.78	32.12	8.355	11.44
2034	32.83	32.12	34.27	8.355	11.44

Monthly Energy Shaping Factors (HLH)					
<b>Jan</b>	145%	<b>May</b>	16%	<b>Sep</b>	122%
<b>Feb</b>	120%	<b>Jun</b>	30%	<b>Oct</b>	113%
<b>Mar</b>	95%	<b>Jul</b>	98%	<b>Nov</b>	121%
<b>Apr</b>	53%	<b>Aug</b>	129%	<b>Dec</b>	156%

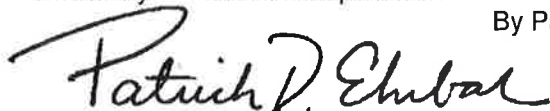
Monthly Energy Shaping Factors (LLH)					
<b>Jan</b>	141%	<b>May</b>	-19%	<b>Sep</b>	141%
<b>Feb</b>	130%	<b>Jun</b>	-14%	<b>Oct</b>	128%
<b>Mar</b>	127%	<b>Jul</b>	86%	<b>Nov</b>	121%
<b>Apr</b>	72%	<b>Aug</b>	137%	<b>Dec</b>	151%

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Original Sheet 62E

AVISTA CORPORATION  
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SCHEDULE 62E  
 QUALIFYING FACILITIES

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80.80.040 Non-Compliant Qualifying Facilities – New Projects  
 Standard Power Rate – First Delivery 2020

Year	Energy Value (\$/MWh)			Cap. Value (\$/MWh)	
	Flat 7X24	On-Peak	Off-Peak	\$/kW/Mo	Flat 7x24
2020	23.99	26.46	19.04	0.000	0.00
2021	19.67	22.28	14.48	0.000	0.00
2022	19.98	22.40	15.14	0.000	0.00
2023	20.44	22.73	15.86	0.000	0.00
2024	21.61	23.74	17.36	0.000	0.00

Monthly Energy Shaping Factors (HLH)					
Jan	134%	May	32%	Sep	123%
Feb	111%	Jun	48%	Oct	109%
Mar	88%	Jul	116%	Nov	110%
Apr	58%	Aug	132%	Dec	138%

Monthly Energy Shaping Factors (LLH)					
Jan	148%	May	-13%	Sep	139%
Feb	130%	Jun	-9%	Oct	128%
Mar	111%	Jul	89%	Nov	125%
Apr	63%	Aug	133%	Dec	156%

80.80.040 Non-Compliant Qualifying Facilities – New Projects  
 Standard Power Rate – First Delivery 2021

Year	Energy Value (\$/MWh)			Cap. Value (\$/MWh)	
	Flat 7X24	On-Peak	Off-Peak	\$/kW/Mo	Flat 7x24
2021	19.67	22.28	14.48	0.000	0.00
2022	19.98	22.40	15.14	0.000	0.00
2023	20.44	22.73	15.86	0.000	0.00
2024	21.61	23.74	17.36	0.000	0.00
2025	22.76	24.85	18.60	0.000	0.00

Monthly Energy Shaping Factors (HLH)					
Jan	138%	May	25%	Sep	124%
Feb	112%	Jun	44%	Oct	109%
Mar	86%	Jul	117%	Nov	109%
Apr	55%	Aug	136%	Dec	144%

Monthly Energy Shaping Factors (LLH)					
Jan	152%	May	-24%	Sep	143%
Feb	131%	Jun	-21%	Oct	131%
Mar	114%	Jul	84%	Nov	124%
Apr	65%	Aug	136%	Dec	164%

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Original Sheet 62F

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SCHEDULE 62F  
 QUALIFYING FACILITIES

80.80.040 Non-Compliant Qualifying Facilities – New Projects  
 Standard Power Rate – First Delivery 2022

Year	Energy Value (\$/MWh)			Cap. Value (\$/MWh)	
	Flat 7x24	On-Peak	Off-Peak	\$/kW/Mo	Flat 7x24
2022	19.98	22.40	15.14	0.000	0.00
2023	20.44	22.73	15.86	0.000	0.00
2024	21.61	23.74	17.36	0.000	0.00
2025	22.76	24.85	18.60	0.000	0.00
2026	24.27	26.10	20.64	0.000	0.00

Monthly Energy Shaping Factors (HLH)					
Jan	138%	May	23%	Sep	125%
Feb	112%	Jun	42%	Oct	111%
Mar	87%	Jul	116%	Nov	110%
Apr	54%	Aug	136%	Dec	145%

Monthly Energy Shaping Factors (LLH)					
Jan	149%	May	-22%	Sep	143%
Feb	129%	Jun	-19%	Oct	131%
Mar	115%	Jul	85%	Nov	123%
Apr	67%	Aug	136%	Dec	161%

80.80.040 Compliant Qualifying Facilities – Renewal Projects  
 Standard Power Rate – First Delivery 2020

Year	Energy Value (\$/MWh)			Cap. Value (\$/MWh)	
	Flat 7x24	On-Peak	Off-Peak	\$/kW/Mo	Flat 7x24
2020	23.99	26.46	19.04	3.666	5.02
2021	19.67	22.28	14.48	3.666	5.02
2022	19.98	22.40	15.14	3.666	5.02
2023	20.44	22.73	15.86	3.666	5.02
2024	21.61	23.74	17.36	3.666	5.02
2025	22.76	24.85	18.60	3.666	5.02
2026	24.27	26.10	20.64	3.666	5.02
2027	23.57	24.97	20.77	3.666	5.02
2028	25.02	26.04	22.97	3.666	5.02
2029	25.92	26.66	24.44	3.666	5.02

Monthly Energy Shaping Factors (HLH)					
Jan	140%	May	21%	Sep	124%
Feb	115%	Jun	39%	Oct	112%
Mar	89%	Jul	111%	Nov	115%
Apr	53%	Aug	134%	Dec	147%

Monthly Energy Shaping Factors (LLH)					
Jan	146%	May	-19%	Sep	141%
Feb	130%	Jun	-15%	Oct	130%
Mar	116%	Jul	87%	Nov	123%
Apr	68%	Aug	136%	Dec	156%

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AVISTA CORPORATION  
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SCHEDULE 62G  
 QUALIFYING FACILITIES

80.80.040 Non-Compliant Qualifying Facilities – Renewal Projects  
 Standard Power Rate – First Delivery 2020

Year	Energy Value (\$/MWh)			Cap. Value (\$/MWh)	
	Flat 7x24	On-Peak	Off-Peak	\$/kW/Mo	Flat 7x24
2020	23.99	26.46	19.04	0.000	0.00
2021	19.67	22.28	14.48	0.000	0.00
2022	19.98	22.40	15.14	0.000	0.00
2023	20.44	22.73	15.86	0.000	0.00
2024	21.61	23.74	17.36	0.000	0.00

Monthly Energy Shaping Factors (HLH)					
Jan	140%	May	21%	Sep	124%
Feb	115%	Jun	39%	Oct	112%
Mar	89%	Jul	111%	Nov	115%
Apr	53%	Aug	134%	Dec	147%

Monthly Energy Shaping Factors (LLH)					
Jan	146%	May	-19%	Sep	141%
Feb	130%	Jun	-15%	Oct	130%
Mar	116%	Jul	87%	Nov	123%
Apr	68%	Aug	136%	Dec	156%

(2) Short-Term Power Rates - The Short-Term Power Rate shall apply to customers eligible under this schedule agreeing to supply all QF output to the Company under an agreement with a continuous delivery term of less than one (1) year.

(a) Total payment will be the summation of the energy and applicable capacity payment (if any) on a per-delivered MWh basis. The rate shall be paid in United States dollars based on the megawatt-hour (or partial megawatt-hour) production over the term.

(b) The energy payment shall be the lower of: a) the applicable Standard Power Rate for energy in effect at the time of the delivery, or b) the Powerdex Hourly Mid-Columbia Index (“Mid-C Index”) for electricity in effect at the time of the delivery. Where the Mid-C Index ceases to exist, its successor will be used. Where no successor exists, another index shall be agreed to by the parties. The Standard Power Rate will be calculated as the product of the annual applicable rate (on-/off-peak) and the monthly shaping factor.

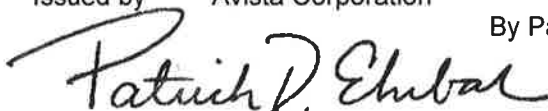
(M) Material has been transferred from Substitute 12<sup>th</sup> Revision Sheet 62

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AVISTA CORPORATION  
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SCHEDULE 62H  
QUALIFYING FACILITIES

(c) The capacity contribution for existing non-wind and non-solar resources, with an operating history of thirty-six (36) or more months, shall be the average on-peak delivery for up to the past five (5) years for the November through February months. Wind and solar resources receive zero (0%) capacity contribution.

(d) The capacity contribution for new resources, or for resources without a full thirty-six (36)-month operating history, shall be based on the capacity contribution from a similar resource in the Company's latest IRP. 7x24 assumes resource provides its maximum delivery rate during the winter on-peak period. Wind and solar resources receive zero (0%) capacity contribution.

(e) This schedule does not provide compensation for RECs; they remain the property of the customer.

(3) As-Available Power Rates – The As-Available Power Rate shall apply to all customers providing QF output to the Company on an as-available basis. For customers electing to reduce deliveries by serving their on-site load, the Company will purchase the net output of their generating facility measured on a near-real time basis. Customer generation may not be netted against or aggregated to any other facility, premise, or meter. It may be netted only against load at the location of the generating facility and when supplied through a single meter.

The As-Available Power Rate shall be the Mid-C Index for electricity, calculated on an hourly or monthly basis as determined by the Company. Where the Mid-C Index ceases to exist, its successor will be used. Where no successor exists, another index shall be agreed to by the parties. The rate shall be paid in United States dollars based on the megawatt-hour (or partial megawatt-hour) production over the term. This schedule does not provide compensation for RECs; they remain the property of the customer.

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Original Sheet 621

AVISTA CORPORATION  
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QUALIFYING FACILITIES

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## II. Power Rates Available to Qualifying Facilities Exceeding Five Megawatts (5 MW)

- (1) IRP-Based Rates –The IRP Methodology for calculating IRP-Based Rates will be filed with the Commission and, once that IRP Methodology is approved by the Commission, such methodology will be used to calculate IRP-Based Rates. In the absence of an approved IRP Methodology, the IRP-Based Rates will be calculated in a manner consistent with its last acknowledged IRP. For illustrative purposes, the present forecast of capacity and energy rates are provided below.

Schedule of Estimated Avoided Costs

Year	Capacity Value	Capacity Value (\$/MWh)			Energy Value (\$/MWh)		
	\$/kW/Mo	Flat 7x24	Solar	Wind	Flat 7X24	On-Peak	Off-Peak
2020	0.000	0.00	0.00	0.00	23.99	26.46	19.04
2021	0.000	0.00	0.00	0.00	19.67	22.28	14.48
2022	0.000	0.00	0.00	0.00	19.98	22.40	15.14
2023	0.000	0.00	0.00	0.00	20.44	22.73	15.86
2024	0.000	0.00	0.00	0.00	21.61	23.74	17.36
2025	0.000	0.00	0.00	0.00	22.76	24.85	18.60
2026	0.000	0.00	0.00	0.00	24.27	26.10	20.64
2027	14.230	19.49	0.00	0.00	23.57	24.97	20.77
2028	14.515	19.88	0.00	0.00	25.02	26.04	22.97
2029	14.805	20.28	0.00	0.00	25.92	26.66	24.44
2030	15.101	20.69	0.00	0.00	26.72	26.92	26.34
2031	15.403	21.10	0.00	0.00	29.46	29.47	29.46
2032	15.711	21.52	0.00	0.00	29.78	29.69	29.99
2033	16.026	21.95	0.00	0.00	31.22	30.78	32.12
2034	16.346	22.39	0.00	0.00	32.83	32.12	34.27
2035	16.673	22.84	0.00	0.00	33.66	32.70	35.62
2036	17.007	23.30	0.00	0.00	35.82	34.79	37.92
2037	17.347	23.76	0.00	0.00	36.12	34.83	38.73
2038	17.694	24.24	0.00	0.00	38.81	37.51	41.45
2039	18.048	24.72	0.00	0.00	38.60	37.42	41.01

- (2) As-Available Power Rates – The As-Available Power Rate will be negotiated on a case-by-case basis reflecting the unique attributes of the QF facility and the Company's avoided costs.
- (3) Non-Binding Term Sheets for QFs exceeding five megawatts (5 MW) AC can be found at: <https://myavista.com/about-us/services-and-resources/interconnection>.

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AVISTA CORPORATION  
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SCHEDULE 62J  
QUALIFYING FACILITIES

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III. Contracting Procedures.

These contracting procedures are provided by Avista pursuant to WAC 480-106-030(2) and apply to Qualifying Facilities that are greater than or less than five megawatts (5MW). The contract procedures set forth herein apply to any Customer that intends to contract to deliver the output from its Qualifying Facility to the Company at a point of delivery on the Company's electrical system in the State of Washington. These contracting procedures may be adjusted periodically.

(1) Procedures

A. To obtain an indicative pricing proposal for a proposed Qualifying Facility, the Customer shall provide the Company information that is reasonably required to develop such a proposal. Indicative pricing for facilities with a nameplate generation capacity less than five megawatts (5 MW) shall be the Power Rates contained in this schedule. Existing Qualifying Facilities that are seeking to renew an expiring contract with Avista are not required to provide information previously provided to Avista, but shall provide Avista any updates to the information previously provided. General information regarding a Qualifying Facility shall include:

- i) Qualifying Facility owner name, organizational structure and chart, and contact information;
- ii) generation and other related technology applicable to the Qualifying Facility;
- iii) design capacity, station service requirements, and the net amount of power, all in kilowatts (kW), to be delivered to the Company's electric system by the Qualifying Facility;
- iv) schedule of estimated Qualifying Facility electric output, in an 8,760-hour electronic spreadsheet format;
- v) ability, if any, of Qualifying Facility to respond to dispatch orders from the Company;
- vi) map of Qualifying Facility location, electrical interconnection point, and point of delivery;

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QUALIFYING FACILITIES

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- vii) anticipated commencement date for delivery of electric output;
- viii) list of acquired and outstanding Qualifying Facility permits, including a description of the status and timeline for acquisition of any outstanding permits;
- ix) demonstration of ability to obtain Qualifying Facility status;
- x) fuel type(s) and source(s);
- xi) plans to obtain, or actual, fuel and transportation agreements, if applicable;
- xii) where Qualifying Facility is or will be interconnected to an electrical system besides the Company's, plans to obtain, or actual, electricity transmission agreements with the interconnected system; *and*
- xiii) interconnection agreement status.

B. Where the Company determines that the Customer has not provided some or all of the information that is required by Section (1)A, the Company shall, within ten (10) business days of the date that Customer provides information to the Company pursuant to Section (1)A, notify the Customer in writing of any deficiencies.

C. Following the Company's receipt of all information required in Section (1)A, the Company shall, within twenty (20) business days of such receipt of information, provide the Customer with an indicative pricing proposal containing terms and conditions tailored to the individual characteristics of the proposed Qualifying Facility; provided, however, that for Qualifying Facilities eligible for Published Rates pursuant to the Washington Utilities and Transportation Commission's eligibility requirements, the indicative pricing proposal shall be the Power Rates contained in this schedule which shall be deemed to be provided to the Customer on the day the Company receives all of the information required in Section (1)A and the proposed non-price terms and conditions shall be as set forth in the Form of Power Purchase Agreement for Small Qualifying Facilities on file with the Washington Utilities and Transportation Commission.

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(N)

D. The indicative pricing proposal provided to the Customer pursuant to Section (1)C will not be final or binding on either party. Prices and other terms and conditions will become final and binding on the parties under only two conditions:

- i) The prices and other terms contained in a power purchase agreement shall become final and binding upon full execution of such power purchase agreement by both parties, or
- ii) If an irreconcilable disagreement arises during the contracting process, the Company or the Customer may petition the Washington Utilities and Transportation Commission to resolve the disagreement, which may include making a determination about whether the Customer is entitled to a legally enforceable obligation in the absence of a fully executed power purchase agreement for the output of such Qualifying Facility and, if so, the date such legally enforceable obligation occurred.

In the event that a Customer or the Company requests that the Washington Utilities and Transportation Commission establish a legally enforceable obligation in the absence of a fully executed power purchase agreement for the output of such Customer's Qualifying Facilities, the Washington Utilities and Transportation Commission will determine whether the Customer or the Company failed to comply with any material requirement of the contracting procedures set forth in this Schedule 62 or otherwise acted unreasonably and, if so, the Washington Utilities and Transportation Commission will determine the date upon which a legally enforceable obligation occurred based on the specific facts and circumstances.

E. If the Customer desires to proceed with contracting its Qualifying Facility with the Company after reviewing the indicative pricing proposal provided in accordance with Section (1)C, it shall provide the Company with any additional information that the Company reasonably determines necessary for the preparation of a draft power purchase agreement, which shall include:

- i) updated information of the categories described in Section (1)A;
- ii) evidence of site control for the entire contracting term;

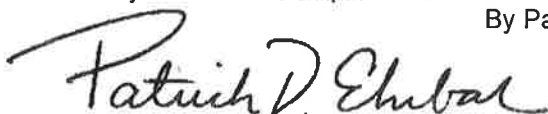
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SCHEDULE 62M  
QUALIFYING FACILITIES

(N)

iii) anticipated timelines for completion of key Qualifying Facility milestones, to include:

- a. licenses, permits, and other necessary approvals;
  - b. funding;
  - c. Qualifying Facility engineering and drawings;
  - d. significant equipment purchases;
  - e. construction agreement(s);
  - f. interconnection agreement(s); and
  - g. signing of third-party transmission agreements, where applicable;
- and,

iv) additional information as explained in the Company's indicative pricing proposal.

F. If the Company determines that the Customer has not provided sufficient information as required by Section (1)E, the Company shall, within ten (10) business days of the date that Customer provides information to the Company pursuant to Section (1)E, notify the Customer in writing of any deficiency.

G. Following satisfactory receipt of all information required in Section (1)E, the Company shall, within fifteen (15) business days of the Company's receipt of the information required in Section (1)E, provide the Customer with a draft power purchase agreement containing a comprehensive set of proposed terms and conditions; provided, however, that for Qualifying Facilities that are eligible for Published Rates pursuant to the Washington Utilities and Transportation Commission's eligibility requirements, the draft power purchase agreement shall be the Form of Power Purchase Agreement for Small Qualifying Facilities on file with the Washington Utilities and Transportation Commission. The draft power purchase agreement provided to the Customer pursuant to this Section (1)G shall serve as the basis for subsequent negotiations between the parties and, unless clearly indicated, shall not be construed as a binding proposal by the Company.

H. Within ninety (90) calendar days after its receipt of the draft power purchase agreement from the Company pursuant to Section (1)G, the Customer shall review the draft power purchase agreement and shall: i) notify the Company in writing that it accepts the terms and conditions of the draft power purchase

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QUALIFYING FACILITIES

(N)

agreement and is ready to execute a power purchase agreement with same or similar terms and conditions as the draft contract; or ii) provide the Company with written comments and proposals based on the draft power purchase agreement. The Company shall not be obligated to commence negotiations with a Customer or draft a final power purchase agreement unless or until the Company has timely received an initial set of written comments and proposals from the Customer, or notice from the Customer that it has no such comments or proposals, in accordance with this Section (1)H.

- I. After Customer has satisfied the requirements set forth in Section (1)H above, unless the Customer has notified the Company in writing that it accepts the terms and conditions of the draft power purchase agreement and that it does not have any additional issues to discuss prior to executing a final power purchase agreement, Customer shall contact the Company to schedule a meeting to negotiate or discuss any issues regarding the draft power purchase agreement. The Company may request such a meeting if it has any issues regarding the Qualifying Facility or draft power purchase agreement that it wants to discuss with the Customer prior to executing a final power purchase agreement. All meetings scheduled pursuant to this Section (1)(I) shall be scheduled at such times and places as are mutually agreeable to the parties.
- J. In connection with any contract negotiations between the Company and the Customer, the Company:
  - i) shall not unreasonably delay negotiations and shall respond in good faith to any additions, deletions or modifications to the draft power purchase agreement that are proposed by the Customer;
  - ii) may request to visit the site of the proposed Qualifying Facility if such a visit has not previously occurred;
  - iii) shall update its pricing proposals at appropriate intervals to accommodate any changes to the Company's avoided-cost calculations, the proposed Qualifying Facility or proposed terms of the draft power purchase agreement;
  - iv) may request any additional information from the Customer necessary to finalize the terms of the power purchase agreement and to satisfy the Company's due diligence with respect to the Qualifying Facility.

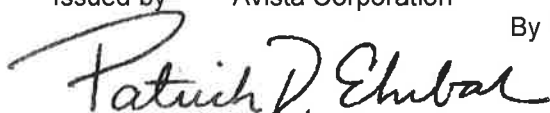
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QUALIFYING FACILITIES

(N)

- K. When both parties are in full agreement as to all terms and conditions of the draft power purchase agreement, including the price to be paid for delivered power pursuant to such draft agreement, and the Customer provides evidence that all relevant interconnection studies are complete, the Company shall prepare and forward to the Customer, within ten (10) business days, a final, executable version of the power purchase agreement.
- L. The Customer shall, within twenty (20) business days of its receipt of a final, executable version of the power purchase agreement, execute and return the final power purchase agreement to the Company.
- M. Where the Customer timely executes and returns the final power purchase agreement to the Company in accordance with Section (1)L, the Company will, within twenty (20) business days of its receipt of the power purchase agreement executed by the Customer, execute such power purchase agreement.
- N. Failure of the Customer to meet any timelines set forth in this Section relieves the Company of any obligation under this tariff until such time as the Customer resubmits its Qualifying Facility and the procedures begin anew. If the Customer does not execute the final power purchase agreement per Section (1)L, such final power purchase agreement shall be deemed withdrawn and the Company shall have no further obligation to the Customer under this tariff unless or until such time the Customer resubmits the Qualifying Facility to the Company in accordance with this Schedule.

(2) Interconnection and Transmission Agreements

- A. The Company's obligation to purchase Qualifying Facility electrical output from the Customer will be conditioned on the existence of a fully executed interconnection agreement. Where the Qualifying Facility will not be physically located within the Company's electrical system, the Customer shall provide Avista a copy of the fully executed interconnection agreement with the third-party electrical system.

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B. Where the Qualifying Facility will be interconnected to a third-party electrical system, the Company's obligation to purchase such electrical output will be conditioned on the Customer obtaining a firm transmission agreement or agreements to deliver electrical output to the Company's system for the term of the power purchase agreement.

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