

CONTRACTING PROCEDURES

These contracting procedures are provided by Avista pursuant to WAC 480-106-030(2). 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 on the Company's electrical system. These contracting procedures are adjusted periodically and are on file with the Washington Utilities and Transportation Commission.

(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. 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;
 - 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 Company will provide an

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indicative pricing proposal within ten (10) business days of the Company's receipt 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.

- 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 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;
 - 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.

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- 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 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;

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- 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.
- 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 ten (10) 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 ten (10) 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.
- 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.