

**Avista Corp.**  
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2011 DEC 15 AM 10:36  
STATE OF WASHINGTON  
UTIL. AND TRANSPORTATION  
COMMISSION  
RECEIVED  
REGULATORY MANAGEMENT

December 13, 2011

Mr. David Danner, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, WA 98504-7250

Re: Docket No. UE-011595, Monthly Power Cost Deferral Report, November 2011

Dear Mr. Danner:

Enclosed are an original and five copies of Avista Corporation's Power Cost Deferral Report for the month of November 2011. The report includes the monthly energy recovery mechanism (ERM) accounting journal together with backup workpapers. In November actual net power costs were lower than authorized costs by \$2,312,225. The year-to-date difference is \$16,603,554 in the rebate direction. A deferral of \$2,081,003 was recorded in the rebate direction. The year-to-date deferral balance, excluding interest, is \$10,443,199 in the rebate direction.

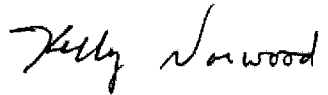
Actual power supply expense was lower than the authorized level due primarily to high hydro generation. Hydro generation was 110 aMW above the authorized level. Wholesale power and natural gas prices were also lower than expected with the actual wholesale power purchase price at \$35.79/MWh compared to an authorized rate of \$51.10/MWh, and actual natural gas price at \$3.54/dth compared to an authorized price of \$5.41/dth.

Colstrip and Kettle Falls generation was 3 aMW above and 5 aMW below the authorized levels, respectively. Gas-fired generation was within 1 aMW of the authorized level. The net transmission expense (transmission expense less transmission revenue) was above the authorized level. Washington retail sales were 3 aMW above the authorized level.

Interest 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 weighted 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 12 of the July 2011 report shows the calculation of the weighted cost of debt at June 30, 2011, which will be used for the July-December 2011 period.

Attachment A consists of a non-confidential, forward long-term contract of one year or longer entered into in the month of November 2011. If you have any questions, please contact Bill Johnson at (509) 495-4046 or Ron McKenzie at (509) 495-4320.

Sincerely,

A handwritten signature in black ink that reads "Kelly Norwood". The signature is written in a cursive, flowing style.

Kelly Norwood  
Vice President State and Federal Regulation  
RM  
Enclosure  
C: Mary Kimball, S. Bradley Van Cleve

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

MONTH OF NOVEMBER 2011

**Avista Corporation Journal Entry**

Effective Date: 201111

Journal: 481-WA ERM

Team: Resource Accounting

Type: C

Category: DJ

Currency: USD

Last Saved by: Cameron Dunlop

Last Saved: 12/07/2011 10:15 AM

Submitted by: Cameron Dunlop

Approval Requested: 12/07/2011 10:15 AM

Approved by:

Seq	Co.	FERC	Debit	Credit	Comment
10	001	186280 - REGULATORY ASSET ERM DEFERRED CURRENT YEAR		2,081,003.00	WA ERM Entry
20	001	557280 - DEFERRED POWER SUPPLY EXPENSE	2,081,003.00		WA ERM Entry
30	001	431600 - INTEREST EXPENSE ENERGY DEFERRALS	28,718.00		Interest on ERM
40	001	186280 - REGULATORY ASSET ERM DEFERRED CURRENT YEAR		28,718.00	Interest on ERM
<b>Totals:</b>			<b>2,109,721.00</b>	<b>2,109,721.00</b>	

**Explanation:**

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

Prepared by Cameron Dunlop  
 Reviewed by [Signature]

12/7/11  
 Date  
 12/7/11  
 Date

Approved for Entry  
 Corporate Accounting use Only

Detail Balances (AWISTA CORP) - 001.186280.ED.WA.DL

Balance Type: **Actual**      Currency Type: **Total**

Period	Currency	PTD	PTD Converted	YTD	YTD Converted
201013	USD	0.00		0.00	
201101	USD	0.00		0.00	
201102	USD	-1,227,123.00		-1,227,123.00	
201103	USD	-1,479,769.00		2,706,892.00	
201104	USD	-1,330,616.00		4,037,508.00	
201105	USD	1,067,676.00		2,969,832.00	
201106	USD	788,206.00		2,181,626.00	
201107	USD	-350,312.00		2,531,938.00	
201108	USD	-3,101,474.00		5,633,412.00	
201109	USD	542,004.00		6,175,416.00	
201110	USD	-2,282,679.00		8,458,095.00	
201111	USD	2,109,721.00		-10,567,816.00	

Journal Details      Summary Balances

**ERM Deferral Balance (Current Year - 2011)**

**Account 186280.ED.WA**

	Amount	Journal ID
Balance 10/31/11	-\$8,458,095.00	
Deferral	-2,081,003.00	481 - WA ERM
Interest	-28,718.00	481 - WA ERM
Balance 11/30/11	<u>-\$10,567,816.00</u>	

Year to date deferrals	-\$10,443,199.00
Year to date interest	-124,617.00
Balance in account	<u>-\$10,567,816.00</u>

	Total	Absorbed	Deferred
First \$4,000,000 at 100%	-\$4,000,000.00	-\$4,000,000.00	\$0.00
\$4,000,000 to \$10,000,000 at 75%	-6,000,000.00	-1,500,000.00	-4,500,000.00
Over \$10,000,000 at 10%	-6,603,554.00	-660,355.00	-5,943,199.00
Total	<u>-\$16,603,554.00</u>	<u>-\$6,160,355.00</u>	<u>-\$10,443,199.00</u>

Detail Balances (AVISTA CORP) - 001.186290.ED.WA.DL

Balance Type **Actual**      Currency Type **Total**

Period	Currency	PTD	PTD Converted	YTD	YTD Converted
<del>201103</del>	USD	0.00		0.00	
201101	USD	0.00		0.00	
201102	USD	0.00		0.00	
201103	USD	0.00		0.00	
201104	USD	0.00		0.00	
201105	USD	0.00		0.00	
201106	USD	0.00		0.00	
201107	USD	0.00		0.00	
201108	USD	0.00		0.00	
201109	USD	0.00		0.00	
201110	USD	0.00		0.00	
201111	USD	0.00		0.00	

Journal Details      Summary Balances

**ERM Deferral Balance (Prior year - 2010)**

**Account 186290.ED.WA**

Balance 10/31/11

Interest

Balance 11/30/11

Amount

Journal ID

\$0.00

0.00

481 - WA ERM

\$0.00

Detail Balances (AVISTA CORP) - 001.182350.ED.WA.DL

Balance Type **Actual**      Currency Type **Total**

Period	Currency	PTD	PTD Converted	YTD	YTD Converted
201013	USD	0.00		0.00	
201101	USD	0.00		0.00	
201102	USD	0.00		0.00	
201103	USD	0.00		0.00	
201104	USD	0.00		0.00	
201105	USD	0.00		0.00	
201106	USD	0.00		0.00	
201107	USD	0.00		0.00	
201108	USD	0.00		0.00	
201109	USD	0.00		0.00	
201110	USD	0.00		0.00	
201111	USD	0.00		0.00	

Journal Details      Summary Balances

**Recoverable Deferral Balance**

**Account 182350.ED.WA**

Balance 10/31/11  
 Interest  
 Balance 11/30/11

Amount

\$0.00  
 0.00  
\$0.00

Journal ID

481 - WA ERM

Detail Balances (AVISTA CORP) - 001.283280.ED.WA.DL					
Balance Type			Currency Type		
Actual			Total		
Period	Currency	PTD	PTD Converted	YTD	YTD Converted
201013	USD	0.00		0.88	
201101	USD	0.00		0.88	
201102	USD	429,493.05		429,493.93	
201103	USD	517,919.15		947,413.08	
201104	USD	465,715.60		1,413,128.68	
201105	USD	373,686.60		1,039,442.08	
201106	USD	-275,872.10		763,569.98	
201107	USD	122,609.20		886,179.18	
201108	USD	1,085,515.90		1,971,695.08	
201109	USD	189,701.40		2,161,396.48	
201110	USD	798,937.65		2,960,334.13	
201111	USD	738,402.35		3,698,736.48	

Journal Details      Summary Balances

**DFIT Associated with ERM Deferrals**  
**Account 283280.ED.WA**

Account 186280.ED.WA balance	-\$10,567,816.00
Account 186290.ED.WA balance	0.00
Account 182350.ED.WA balance	0.00
Total	<u>-\$10,567,816.00</u>
Federal income tax rate	-35%
Deferred FIT related to deferrals	<u>\$3,698,736</u>
Rounding	0
Balance in account	<u><u>\$3,698,736</u></u>



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 12/31/10 is		5.614%		Actual cost of debt at 06/30/11 is		5.617%
The monthly rate is:		0.00468	Before Tax	The monthly rate is:		0.00468
		0.0030409	After Tax			0.0030425
		0.35	Tax rate			0.35
<b>Account 186280</b>						
						0
				<b>January</b>		<b>DFIT Expense</b>
						<b>ADFIT</b>
January	ERM Deferral	0		Deferral	0	Operating 0
January	Interest		0	Interest	0	Nonoperating 0
1/31/2011	Balance before interest	0			0	Total 0
				<b>February</b>		<b>DFIT Expense</b>
						<b>ADFIT</b>
February	ERM Deferral	(1,226,791)		Deferral	(429,377)	Operating 429,377
February	Interest		(1,865)	Interest	(653)	Nonoperating 653
2/28/2011	Balance before interest	(1,226,791)			(430,030)	Total 430,030
				<b>March</b>		<b>DFIT Expense</b>
						<b>ADFIT</b>
March	ERM Deferral	(1,472,267)		Deferral	(515,293)	Operating 515,293
March	Interest		(5,969)	Interest	(2,089)	Nonoperating 2,089
3/31/2011	Balance before interest	(2,699,058)			(517,382)	Total 517,382
				<b>April</b>		<b>DFIT Expense</b>
						<b>ADFIT</b>
April	ERM Deferral	(1,320,401)		Deferral	(462,140)	Operating 462,140
April	Interest		(10,215)	Interest	(3,575)	Nonoperating 3,575
4/30/2011	Balance before interest	(4,019,459)			(465,715)	Total 465,715
				<b>May</b>		<b>DFIT Expense</b>
						<b>ADFIT</b>
May	ERM Deferral	1,078,259		Deferral	377,391	Operating (377,391)
May	Interest		(10,583)	Interest	(3,704)	Nonoperating 3,704
5/31/2011	Balance before interest	(2,941,200)			373,687	Total (373,687)
				<b>June</b>		<b>DFIT Expense</b>
						<b>ADFIT</b>
June	ERM Deferral	795,940		Deferral	278,579	Operating (278,579)
June	Interest		(7,734)	Interest	(2,707)	Nonoperating 2,707
6/30/2011	Balance before interest	(2,145,260)			275,872	Total (275,872)
				<b>July</b>		<b>DFIT Expense</b>
						<b>ADFIT</b>
July	ERM Deferral	(343,152)		Deferral	(120,103)	Operating 120,103
July	Interest		(7,160)	Interest	(2,506)	Nonoperating 2,506
7/31/2011	Balance before interest	(2,524,778)			(122,609)	Total 122,609
				<b>August</b>		<b>DFIT Expense</b>
						<b>ADFIT</b>
August	ERM Deferral	(3,089,093)		Deferral	(1,081,183)	Operating 1,081,183
August	Interest		(12,381)	Interest	(4,333)	Nonoperating 4,333
8/31/2011	Balance before interest	(5,613,871)			(1,085,516)	Total 1,085,516
				<b>September</b>		<b>DFIT Expense</b>
						<b>ADFIT</b>
September	ERM Deferral	(524,126)		Deferral	(183,444)	Operating 183,444
September	Interest		(17,878)	Interest	(6,257)	Nonoperating 6,257
9/30/2011	Balance before interest	(6,137,997)			(189,701)	Total 189,701
				<b>October</b>		<b>DFIT Expense</b>
						<b>ADFIT</b>
October	ERM Deferral	(2,260,565)		Deferral	(791,198)	Operating 791,198
October	Interest		(22,114)	Interest	(7,740)	Nonoperating 7,740
10/31/2011	Balance before interest	(8,398,562)			(798,938)	Total 798,938
				<b>November</b>		<b>DFIT Expense</b>
						<b>ADFIT</b>
November	ERM Deferral	(2,081,003)		Deferral	(728,351)	Operating 728,351
November	Interest		(28,718)	Interest	(10,051)	Nonoperating 10,051
11/30/2011	Balance before interest	(10,479,565)			(738,402)	Total 738,402

Avista Corp. - resource Accounting  
 WASHINGTON POWER COST DEFERRALS

Line No.	WASHINGTON ACTUALS	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
1	555 Purchased Power	\$23,001,732	\$21,199,193	\$19,083,388	\$14,030,492	\$11,251,310	\$9,853,399	\$16,733,775	\$16,287,090	\$17,785,701	\$20,740,203	\$19,696,948	\$0
2	447 Sale for Resale	(\$11,503,112)	(\$8,726,578)	(\$6,558,192)	(\$9,106,868)	(\$6,407,122)	(\$4,879,494)	(\$10,857,205)	(\$9,846,953)	(\$11,774,472)	(\$11,260,466)	(\$13,298,558)	\$0
3	501 Thermal Fuel	\$2,393,545	\$1,297,553	\$2,199,437	\$1,737,261	\$1,825,461	\$2,552,063	\$2,352,576	\$2,990,040	\$3,059,824	\$4,022,050	\$2,324,207	\$0
4	547 CT Fuel	\$5,189,184	\$3,527,911	\$1,360,752	\$3,733,340	\$1,732,616	\$1,274,849	\$3,282,448	\$6,133,245	\$7,338,197	\$3,157,243	\$8,902,645	\$0
5	456 Transmission Revenue	(\$740,040)	(\$728,798)	(\$838,596)	(\$786,223)	(\$808,629)	(\$1,402,418)	(\$1,876,464)	(\$1,556,228)	(\$1,318,465)	(\$1,522,659)	(\$989,301)	\$0
6	565 Transmission Expense	\$1,492,452	\$1,437,473	\$1,480,830	\$1,415,624	\$1,389,451	\$1,359,908	\$1,404,644	(\$1,551,913)	\$1,453,330	\$1,492,761	\$1,568,999	\$0
7	557 Broker Fees	\$42,656	\$64,015	\$129,860	\$97,390	\$52,577	\$70,281	\$65,808	\$76,848	\$86,944	\$43,966	\$52,699	\$0
8	Less Cleanwater, directly assigned to ID	(\$1,697,271)	(\$1,416,274)	(\$1,198,155)	(\$1,576,194)	(\$1,655,253)	(\$1,557,266)	(\$1,665,897)	(\$1,680,007)	(\$1,533,746)	(\$1,650,145)	(\$1,669,545)	\$0
9	Adjusted Actual Net Expense	\$18,179,146	\$16,554,495	\$15,659,324	\$9,544,622	\$7,380,411	\$7,290,322	\$9,439,685	\$13,855,948	\$15,099,313	\$15,022,953	\$16,578,091	\$0
<b>AUTHORIZED NET EXPENSE-SYSTEM</b>													
10	555 Purchased Power	\$11,944,984	\$9,846,565	\$10,853,067	\$6,732,714	\$4,712,966	\$4,927,815	\$7,041,743	\$7,484,908	\$6,620,235	\$6,005,442	\$8,349,912	\$9,537,086
11	447 Sale for Resale	(\$3,563,619)	(\$4,040,473)	(\$3,415,529)	(\$4,350,662)	(\$5,618,561)	(\$5,671,884)	(\$10,007,193)	(\$7,148,106)	(\$6,784,137)	(\$2,871,260)	(\$4,145,606)	(\$4,289,456)
12	501 Thermal Fuel	\$3,348,316	\$3,062,689	\$3,327,639	\$1,902,982	\$1,556,472	\$1,454,724	\$3,034,374	\$3,367,673	\$3,234,240	\$3,355,439	\$3,270,601	\$3,355,029
13	547 CT Fuel	\$10,313,555	\$9,965,514	\$8,687,285	\$3,518,933	\$2,875,756	\$3,294,621	\$11,094,720	\$13,127,806	\$12,566,735	\$11,569,604	\$13,114,461	\$14,645,319
14	456 Transmission Revenue	(\$901,304)	(\$825,004)	(\$1,002,240)	(\$898,432)	(\$1,029,104)	(\$1,371,347)	(\$1,379,878)	(\$1,150,203)	(\$1,025,629)	(\$1,027,312)	(\$925,342)	(\$810,690)
15	565 Transmission Expense	\$1,583,916	\$1,428,384	\$1,489,847	\$1,545,721	\$1,353,126	\$1,434,184	\$1,446,414	\$1,475,811	\$1,441,885	\$1,464,318	\$1,464,565	\$1,517,909
16	557 Broker Fees	\$10,359	\$10,359	\$10,359	\$10,359	\$10,359	\$10,359	\$10,359	\$10,359	\$10,359	\$10,359	\$10,359	\$10,359
17	Authorized Net Expense	\$22,736,207	\$19,448,034	\$19,950,428	\$8,461,615	\$3,661,014	\$4,078,472	\$11,240,539	\$17,168,148	\$16,063,688	\$18,506,590	\$21,138,950	\$23,965,556
18	Actual - Authorized Net Expense	(\$4,557,061)	(\$2,793,539)	(\$4,291,104)	\$1,083,207	\$3,719,397	\$3,211,850	(\$1,800,854)	(\$3,312,200)	(\$964,375)	(\$3,483,637)	(\$4,589,859)	
19	Resource Optimization	\$931,933	\$592,287	\$1,299,211	(\$1,252,358)	(\$845,527)	(\$418,554)	\$1,071,692	\$822,688	\$1,516,215	\$1,972,011	\$1,153,895	
20	Adjusted Net Expense	(\$3,625,128)	(\$2,201,252)	(\$2,991,893)	(\$169,151)	\$2,873,870	\$2,793,296	(\$729,162)	(\$2,489,512)	\$551,940	(\$1,511,626)	(\$3,406,964)	\$0
21	Washington Allocation	64.87%	64.87%	64.87%	64.87%	64.87%	64.87%	64.87%	64.87%	64.87%	64.87%	64.87%	
22	Washington Share	(\$2,351,621)	(\$1,427,952)	(\$1,940,841)	(\$109,728)	\$1,864,279	\$1,812,011	(\$473,007)	(\$1,614,946)	\$357,979	(\$980,592)	(\$2,210,098)	\$0
23	WA Retail Revenue Adjustment (+) Surcharge (-) Rebate	\$154,343	(\$2,010,491)	(\$22,182)	(\$1,650,807)	(\$426,600)	(\$750,757)	\$15,470	(\$2,264,399)	(\$940,341)	(\$1,531,147)	(\$102,127)	\$0
24	Net Power Cost (+) Surcharge (-) Rebate	(\$2,197,278)	(\$3,438,443)	(\$1,963,023)	(\$1,760,535)	\$1,437,679	\$1,061,254	(\$457,537)	(\$3,879,345)	(\$582,362)	(\$2,511,759)	(\$2,312,225)	
25	Cumulative Balance	(\$2,197,278)	(\$5,635,721)	(\$7,598,744)	(\$9,359,279)	(\$7,921,600)	(\$6,860,346)	(\$7,317,883)	(\$11,197,228)	(\$11,779,590)	(\$14,291,329)	(\$16,603,554)	
	Deferral Amount, Cumulative (Customer)	\$0	(\$1,226,791)	(\$2,699,058)	(\$4,019,459)	(\$2,941,200)	(\$2,145,260)	(\$2,488,412)	(\$5,577,505)	(\$6,101,631)	(\$8,362,196)	(\$10,443,199)	
	Deferral Amount, Monthly	\$0	(\$1,226,791)	(\$1,472,267)	(\$1,320,401)	\$1,078,259	\$795,940	(\$343,152)	(\$3,089,093)	(\$524,126)	(\$2,260,565)	(\$2,081,003)	
	Acct 557280 Entry; (+) Rebate, (-) Surcharge	\$0	\$1,226,791	\$1,472,267	\$1,320,401	(\$1,078,259)	(\$795,940)	\$343,152	\$3,089,093	\$524,126	\$2,260,565	\$2,081,003	
	Company Band Gross Margin Impact, Cumulative	(\$2,197,278)	(\$4,408,930)	(\$4,899,886)	(\$5,339,820)	(\$4,980,400)	(\$4,715,086)	(\$4,829,471)	(\$5,619,723)	(\$5,677,959)	(\$5,929,133)	(\$6,160,355)	

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

Line No.	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
<b>555 PURCHASED POWER</b>												
1	\$13,701,024	\$12,638,899	\$12,254,383	\$6,470,073	\$5,313,403	\$3,923,331	\$10,567,284	\$10,444,249	\$12,363,129	\$15,163,660	\$10,924,811	\$0
2	\$133,680	\$157,761	\$137,408	\$122,726	\$154,936	\$439,222	\$133,514	\$139,134	\$126,766	\$358,474	\$68,458	\$0
3	\$146,954	\$146,954	\$146,954	\$146,954	\$146,954	\$146,954	\$146,954	\$146,954	\$150,203	\$150,203	\$150,203	\$0
4	\$505,464	\$505,464	\$505,464	\$505,464	\$505,466	\$505,461	\$505,465	\$505,464	\$505,457	\$505,463	\$505,463	\$0
5	\$412,606	\$391,159	\$403,468	\$528,128	\$542,862	\$455,032	\$531,306	\$456,005	\$450,035	\$0	\$0	\$0
6	\$45,606	\$76,060	\$91,284	\$119,976	\$128,565	\$110,010	\$148,647	\$107,463	\$38,834	\$56,071	\$43,049	\$0
7	\$3,357,872	\$3,034,183	\$1,657,782	\$1,605,560	\$0	\$0	\$0	\$0	\$0	\$0	\$3,476,468	\$0
8	\$141	\$693	\$637	\$611	\$671	\$487	\$380	\$500	\$573	\$427	\$355	\$0
9	\$136,766	\$135,254	\$128,323	\$134,658	\$135,339	\$129,924	\$133,040	\$90,157	\$66,179	\$68,330	\$64,731	\$0
10	\$179,922	\$165,034	\$145,830	\$88,869	\$135,509	\$141,932	\$202,512	\$223,037	\$204,314	\$183,892	\$201,174	\$0
11	\$321,567	\$362,494	\$295,778	\$245,758	\$195,772	\$191,874	\$294,752	\$24,178	\$21,892	\$69,283	\$165,246	\$0
12	\$45,000	\$0	\$0	\$135,000	\$135,000	\$165,000	\$165,000	\$165,000	\$135,000	\$90,000	\$0	\$0
13	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$118,371	\$0	\$0
14	\$355,193	\$308,730	\$341,013	\$414,376	\$336,762	\$397,582	\$265,251	\$331,417	\$167,181	\$261,800	\$305,489	\$0
15	\$1,860,812	\$1,826,509	\$1,748,975	\$1,843,020	\$1,778,756	\$1,764,403	\$1,846,745	\$1,937,334	\$2,031,823	\$1,886,290	\$2,094,500	\$0
16	\$1,697,271	\$1,416,274	\$1,198,155	\$1,576,194	\$1,655,253	\$1,557,266	\$1,666,897	\$1,680,007	\$1,533,746	\$1,650,145	\$1,669,545	\$0
17	\$66,508	\$68,104	\$55,981	\$49,536	\$47,783	\$45,634	\$49,929	\$49,929	\$46,652	\$50,239	\$55,826	\$0
18	\$35,346	(\$34,378)	(\$28,044)	\$43,583	\$38,279	(\$120,713)	\$77,704	(\$13,738)	(\$56,083)	\$107,555	(\$28,370)	\$0
19	\$23,001,732	\$21,199,193	\$19,083,388	\$14,030,492	\$11,251,310	\$9,853,399	\$16,733,775	\$16,287,090	\$17,785,701	\$20,740,203	\$19,696,948	\$0

(1) Effective November, 2008, WNP-3 purchase expense has been adjusted to reflect the mid-point price, per Settlement Agreement, Cause No. U-86-99

Line No.	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
<b>447 SALES FOR RESALE</b>												
20	(\$6,752,558)	(\$5,256,186)	(\$3,552,583)	(\$5,968,758)	(\$3,356,251)	(\$2,256,774)	(\$7,432,823)	(\$6,243,461)	(\$7,854,304)	(\$7,309,235)	(\$9,382,581)	\$0
21	(\$146,020)	(\$146,345)	(\$144,955)	(\$146,150)	(\$146,085)	(\$146,085)	(\$146,150)	(\$146,150)	(\$146,215)	(\$146,020)	(\$146,085)	\$0
22	(\$97,088)	(\$73,975)	(\$68,628)	(\$76,190)	(\$75,562)	(\$68,521)	(\$101,653)	(\$134,691)	(\$145,276)	(\$120,554)	(\$141,429)	\$0
23	(\$6,386)	(\$5,871)	(\$6,667)	(\$6,264)	(\$6,771)	(\$6,512)	(\$6,669)	(\$6,665)	(\$6,541)	(\$6,715)	(\$6,653)	\$0
24	(\$41,841)	(\$38,713)	(\$41,440)	(\$40,290)	(\$32,075)	(\$21,475)	(\$29,485)	(\$36,195)	(\$34,190)	(\$39,891)	(\$37,861)	\$0
25	(\$250,968)	(\$32,256)	(\$35,742)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26	(\$117,683)	(\$99,520)	(\$97,452)	(\$131,600)	(\$19,218)	(\$18,760)	(\$11,000)	\$0	\$0	\$0	\$0	\$0
27	(\$2,127,448)	(\$1,747,094)	(\$1,439,282)	(\$1,584,172)	(\$1,536,965)	(\$1,465,030)	(\$1,944,173)	(\$2,221,982)	(\$2,111,216)	(\$1,990,461)	(\$2,056,854)	\$0
28	(\$1,963,120)	(\$1,326,618)	(\$1,171,443)	(\$1,153,444)	(\$1,234,195)	(\$896,337)	(\$1,185,452)	(\$1,057,829)	(\$1,476,730)	(\$1,647,590)	(\$1,527,095)	\$0
29	(\$11,503,112)	(\$8,726,578)	(\$6,558,192)	(\$9,106,868)	(\$6,407,122)	(\$4,879,494)	(\$10,857,205)	(\$9,846,953)	(\$11,774,472)	(\$11,260,466)	(\$13,298,556)	\$0

Line No.	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
<b>501 FUEL-DOLLARS</b>												
30	\$720,927	(\$7,551)	\$381,831	\$610,231	\$987,105	\$2,066,726	\$850,189	\$1,089,712	\$1,175,290	\$1,910,256	\$986,921	\$0
31	(\$896)	\$1,293	\$6,213	\$1,903	\$326	\$9,418	\$6,488	\$169	(\$6,707)	\$395	\$1,406	\$0
32	\$1,650,366	\$1,277,058	\$1,798,049	\$1,124,528	\$836,089	\$491,565	\$1,431,535	\$1,859,569	\$1,856,086	\$2,063,071	\$1,354,940	\$0
33	\$22,948	\$26,753	\$13,344	\$599	\$1,941	\$3,354	\$64,364	\$40,590	\$35,155	\$48,328	\$940	\$0
34	\$2,393,545	\$1,297,553	\$2,199,437	\$1,737,261	\$1,825,461	\$2,571,063	\$2,352,576	\$2,990,040	\$3,059,824	\$4,022,050	\$2,324,207	\$0

Line No.	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
<b>501 FUEL-TONS</b>												
35	30,205	-	16,111	26,412	42,815	34,163	36,345	47,116	51,147	51,937	45,032	-
36	84,543	75,306	87,235	38,332	39,752	37,393	66,441	89,647	86,976	101,685	94,379	-

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

Line No.	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
<b>501 FUEL-COST PER TON</b>												
37												
	wood	\$23.87	\$23.70	\$23.10	\$23.06	\$60.50	\$23.39	\$23.13	\$22.98	\$36.78	\$21.47	
38	coal	\$19.52	\$20.61	\$29.34	\$21.03	\$13.15	\$21.55	\$20.74	\$21.34	\$20.29	\$14.36	
<b>547 FUEL</b>												
39	NE CT Gas/Oil-547213	(\$14,185)	\$18,860	\$2,804	\$489	\$510	\$11	(\$2,964)	\$10,916	\$6,264	(\$98)	\$0
40	Boulder Park-547216	\$19,111	\$35,131	\$13,543	\$55,608	\$59,000	\$49,815	\$67,530	\$153	\$620	\$25,197	\$0
41	Kettle Falls CT-547211	\$13,997	(\$9,423)	(\$88)	\$819	\$6,929	\$19,217	\$16,011	\$7,313	(\$86)	\$3,754	\$0
42	Coyote Springs2-547610	\$2,460,195	\$1,645,369	\$701,752	\$1,576,025	\$498,965	\$1,454,826	\$2,951,795	\$3,648,845	\$1,126,400	\$4,413,542	\$0
43	Lancaster-547312	\$2,612,390	\$1,877,030	\$628,078	\$2,067,700	\$641,539	\$1,688,103	\$3,042,551	\$3,671,092	\$2,023,986	\$4,460,172	\$0
44	Rathdrum CT-547310	\$97,676	(\$39,056)	\$14,663	\$56,957	\$37,600	\$70,476	\$59,342	(\$122)	\$59	\$78	\$0
46	Total 547 Fuel Expense	\$5,189,184	\$3,527,911	\$1,360,752	\$3,733,340	\$1,274,949	\$3,282,448	\$6,133,245	\$7,338,197	\$3,157,243	\$8,902,645	\$0
<b>47 TOTAL NET EXPENSE</b>												
		\$19,081,349	\$17,298,079	\$16,085,385	\$10,394,225	\$8,819,817	\$11,511,594	\$15,563,422	\$16,409,250	\$16,659,030	\$17,625,242	\$0
<b>455 TRANSMISSION REVENUE</b>												
56	456100 ED AN	(\$661,335)	(\$650,093)	(\$759,891)	(\$707,518)	(\$1,323,713)	(\$1,797,759)	(\$1,477,523)	(\$1,241,053)	(\$1,445,247)	(\$921,889)	\$0
57	456705 ED AN	(\$78,705)	(\$78,705)	(\$78,705)	(\$78,705)	(\$78,705)	(\$78,705)	(\$78,705)	(\$77,412)	(\$77,412)	(\$77,412)	\$0
58	Total 456 Transmission Revenue	(\$740,040)	(\$728,798)	(\$838,596)	(\$786,223)	(\$1,402,418)	(\$1,876,464)	(\$1,556,228)	(\$1,318,465)	(\$1,522,659)	(\$999,301)	\$0
<b>565 TRANSMISSION EXPENSE</b>												
59	565000 ED AN	\$1,490,422	\$1,435,443	\$1,478,800	\$1,413,594	\$1,357,878	\$1,402,614	\$1,449,883	\$1,453,300	\$1,490,731	\$1,566,969	\$0
60	565312 ED AN	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
61	565710 ED AN	\$2,030	\$2,030	\$2,030	\$2,030	\$2,030	\$2,030	\$2,030	\$2,030	\$2,030	\$2,030	\$0
62	Total 565 Transmission Expense	\$1,492,452	\$1,437,473	\$1,480,830	\$1,415,624	\$1,359,908	\$1,404,644	\$1,451,913	\$1,455,330	\$1,492,761	\$1,568,999	\$0
63	Total 557170 ED AN Broker Fees	\$42,656	\$64,015	\$129,860	\$97,390	\$70,281	\$65,808	\$76,848	\$86,944	\$43,966	\$52,696	\$0
<b>RESOURCE OPTIMIZATION</b>												
64	Econ Dispatch-557010	(\$360,411)	(\$324,471)	(\$1,380,406)	(\$1,275,206)	(\$1,430,475)	(\$2,285,010)	(\$263,849)	(\$3,413,742)	(\$1,682,417)	(\$1,045,601)	\$0
65	Econ Dispatch-557150	\$17,663,373	\$10,561,938	\$14,303,388	\$14,119,616	\$10,063,432	\$16,982,010	\$19,402,776	\$10,901,531	\$14,421,398	\$5,586,765	\$0
66	Gas Bookouts-557700	\$2,518,750	\$672,420	\$672,008	\$2,612,105	\$3,402,209	\$3,688,515	\$1,314,642	\$2,686,608	\$4,790,992	\$527,885	\$0
67	Gas Bookouts-557711	\$2,518,750	(\$672,420)	(\$672,008)	(\$2,612,105)	(\$3,402,209)	(\$3,688,515)	(\$1,314,642)	(\$2,686,608)	(\$4,790,992)	(\$527,885)	\$0
68	Intraco Thermal Gas-557730	\$1,754,217	\$3,870,301	\$4,967,612	\$6,352,977	\$2,325,512	\$2,362,111	\$6,069,327	\$7,712,868	\$4,359,141	\$2,693,399	\$0
69	Fuel DispatchFin-456010	(\$210,538)	(\$76,553)	\$794,021	\$1,155,230	\$472,308	\$2,074,275	(\$42,958)	\$2,671,365	\$1,811,015	\$1,213,160	\$0
70	Fuel Dispatch-456015	(\$13,412,414)	(\$12,135,362)	(\$16,750,335)	(\$19,712,485)	(\$7,581,626)	(\$13,254,524)	(\$14,897,490)	(\$15,883,085)	(\$11,265,992)	(\$5,526,705)	\$0
71	Intraco Thermal Gas-456730	(\$4,491,266)	(\$1,319,624)	(\$633,340)	(\$1,072,189)	(\$5,099,373)	(\$4,822,715)	(\$9,452,939)	(\$448,278)	(\$5,660,511)	(\$1,367,951)	\$0
72	Fuel Bookouts-456711	\$2,317,935	\$947,575	\$945,268	\$1,916,400	\$1,930,913	\$1,965,013	\$1,431,252	\$9,175,715	\$1,879,369	\$17,363	\$0
73	Fuel Bookouts-456720	(\$2,317,935)	(\$947,575)	(\$945,268)	(\$1,916,400)	(\$1,930,913)	(\$1,965,013)	(\$1,431,252)	(\$9,175,715)	(\$1,879,369)	(\$17,363)	\$0
74	Resource Optimizaton Subtotal	\$942,961	\$596,229	\$1,300,940	(\$432,057)	(\$360,528)	\$1,056,147	\$814,867	\$1,540,659	\$1,982,634	\$1,555,067	\$0
75	Misc Rev's 456016 ED AN	(\$9,448)	\$0	\$0	(\$815,613)	(\$55,151)	\$0	\$0	(\$26,756)	(\$9,000)	(\$400,000)	\$0

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

Line No.	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
76	Cleanwater REC Exp Authorized	\$29,760	\$26,880	\$29,720	\$28,800	\$28,800	\$29,760	\$29,760	\$28,800	\$29,760	\$28,840	\$29,760
77	Cleanwater REC Actuals - 557160	\$29,760	\$26,880	\$27,916	\$28,800	\$28,800	\$45,462	\$39,760	\$28,800	\$29,760	\$28,840	\$0
78	Cleanwater REC Subtotal	\$0	\$0	(\$1,804)	\$0	\$0	\$15,702	\$10,000	\$0	\$0	\$0	\$0
79	Wind REC Exp Authorized	\$13,456	\$8,894	\$14,254	\$12,537	\$13,656	\$10,872	\$11,601	\$9,090	\$9,262	\$11,530	\$9,340
80	Wind REC Exp Actual 557395	(\$15,036)	(\$12,836)	(\$14,179)	(\$17,225)	(\$16,531)	(\$11,029)	(\$13,780)	(\$6,778)	(\$10,885)	(\$12,702)	\$0
81	Wind REC Subtotal	(\$1,580)	(\$3,942)	\$75	(\$4,688)	(\$2,875)	(\$157)	(\$2,179)	\$2,312	(\$1,623)	(\$1,172)	\$0
82	Net Resource Optimization	\$931,933	\$592,287	\$1,299,211	(\$1,252,358)	(\$418,554)	\$1,071,692	\$822,688	\$1,516,215	\$1,972,011	\$1,153,895	
83	Adjusted Actual Net Expense	\$20,808,350	\$18,663,056	\$18,156,690	\$9,868,658	\$8,190,137	\$12,177,274	\$16,358,643	\$18,149,274	\$18,645,109	\$19,401,531	

Avista Corp. - Resource Accounting  
 Washington Electric Jurisdiction  
**Energy Recovery Mechanism (ERM) Retail Revenue Credit Calculation - 2011**

Retail Sales - MWh	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	YTD
Total Billed Sales	550,386	515,941	497,287	462,109	446,055	427,740	410,586	440,057	461,192	440,483	442,065	442,065	5,093,902
Deduct Prior Month Unbilled	(420,723)	(394,368)	(407,182)	(391,621)	(357,344)	(330,664)	(323,643)	(331,350)	(381,647)	(345,695)	(351,118)	-	(4,035,354)
Add Current Month Unbilled	394,368	407,182	391,621	357,344	330,664	323,643	331,350	381,647	345,695	351,118	384,537	-	3,999,168
<b>Total Retail Sales</b>	<b>524,030</b>	<b>528,755</b>	<b>481,727</b>	<b>427,832</b>	<b>419,375</b>	<b>420,720</b>	<b>418,293</b>	<b>490,355</b>	<b>425,240</b>	<b>445,906</b>	<b>475,484</b>	<b>-</b>	<b>5,057,716</b>
<b>Test Year Retail Sales</b>	<b>527,098</b>	<b>488,793</b>	<b>481,286</b>	<b>395,019</b>	<b>410,896</b>	<b>405,797</b>	<b>418,600</b>	<b>445,346</b>	<b>406,549</b>	<b>415,472</b>	<b>473,454</b>	<b>539,219</b>	<b>5,407,529</b>
Difference from Test Year	(3,068)	39,962	441	32,813	8,479	14,923	(308)	45,009	18,691	30,434	2,030	-	189,406
Production Rate - \$/MWh	\$50.31	\$50.31	\$50.31	\$50.31	\$50.31	\$50.31	\$50.31	\$50.31	\$50.31	\$50.31	\$50.31	\$50.31	\$50.31
<b>Total Revenue Credit - \$</b>	<b>(\$154,343)</b>	<b>\$2,010,491</b>	<b>\$22,182</b>	<b>\$1,650,807</b>	<b>\$426,600</b>	<b>\$750,757</b>	<b>(\$15,470)</b>	<b>\$2,264,399</b>	<b>\$940,341</b>	<b>\$1,531,147</b>	<b>\$102,127</b>	<b>\$102,127</b>	<b>\$9,529,039</b>

“Non-Confidential Attachment A”

Avista Corporation  
Monthly Power Cost Deferral Report  
Month of November 2011

Long-term Power Transaction  
(See attached)

**POWER PURCHASE AGREEMENT**

**BETWEEN**

**STIMSON LUMBER COMPANY**

**AND**

**AVISTA CORPORATION**

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Exhibit A	Communication and Reporting
Exhibit B	Form of Engineer's Certification of Operations and Maintenance Policy
Exhibit C	Interconnection Agreement
Exhibit D	Description of the Facility
Exhibit E	Purchase Price

*11-16-11*

This Agreement with an Effective Date as provided in Section 5.1 below is made by and between Avista Corporation, a Washington corporation ("Avista"), and Stimson Lumber Company ("Project Developer"). Avista and Project Developer are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

**WITNESSETH:**

**WHEREAS**, Project Developer plans to continue to operate a 6.5 MW electric generating unit(s) ("Facility") at Plummer, Idaho; and

**WHEREAS**, Project Developer has obtained all necessary rights and authorities to own and operate the Facility, including all necessary rights and authorities from the Coeur d'Alene Tribe of Indians; and

**WHEREAS**, the Facility may produce power from time to time which is in excess to Project Developer's needs and which Project Developer desires to sell to Avista; and

**WHEREAS**, Project Developer and Avista are parties to an agreement pursuant to which Avista purchases the output of the Facility, which agreement expires by its own terms on September 30, 2011; and

**WHEREAS**, the Facility is connected in a manner such that parallel operation with Avista's electrical system occurs; and

**WHEREAS**, Avista and Project Developer are parties to the Interconnection Agreement, which is set forth at Exhibit C, herein, and incorporated as a part of this Agreement; and

**WHEREAS**, Project Developer desires to sell and Avista desires to purchase power from the Facility subject to approval of the Idaho Public Utilities Commission; and

**WHEREAS**, Project Developer is or shall be a Qualifying Facility within the meaning of the Public Utility Regulatory Policies Act of 1978 and the rules and regulations thereunder; and

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements hereinafter set forth, the Parties agree as follows.

**1. DEFINITIONS**

Whenever used in this Agreement and exhibits hereto, the following terms shall have the following meanings:

- 1.1 "**Agreement**" means this Power Purchase Agreement, including all exhibits, and any written amendments.
- 1.2 "**aMW**" means average MW.
- 1.3 "**Avista**", "**Project Developer**", "**Party**" and "**Parties**" shall have their respective meanings set forth above.
- 1.4 "**Effective Date**" shall have the meaning provided in Section 5.1.
- 1.5 "**Environmental Attributes**" means all certificates, credits, benefits, emissions reductions, environmental air quality credits and emissions reduction credits, offsets and allowances, howsoever entitled, resulting from the avoidance of the emission of any gas, chemical, or other substance attributable to the Facility or the generation of energy by the Facility, and the delivery of such energy to the electricity grid, and include without limitation, any of the same arising out of any current or future legislation or regulation concerned with oxides of nitrogen, sulfur, or carbon, with particulate matter, soot, or mercury, or implementing the United Nations Framework Convention on Climate Change ("UNFCCC") or the Kyoto Protocol to the UNFCCC or crediting "early action" with a view to the UNFCCC, or laws or regulations involving or administered by the Clean Air Markets Division of the Environmental Protection Agency or successor administrator (collectively with any state or federal entity given jurisdiction over a program involving transferability of Environmental Attributes, the "CAMD"), but specifically excluding investment tax credits, production tax credits, and cash grants associated with the construction or operation of the Facility and other financial incentives in the form of credits, reductions, or allowances associated with ownership of the Facility that are applicable to a state or federal income tax obligation, if any. Environmental Attributes also include the reporting rights or Renewable Energy Certificates ("RECs") associated with these Environmental Attributes. RECS are accumulated on a MWh basis and one REC represents the Environmental Attributes associated with one MWh of energy. Environmental Attributes do not include (i) any energy, capacity, reliability or other power attributes from the Facility.
- 1.6 "**Facility**" means the electric generating facilities, including all equipment and structures necessary to generate and supply power, more particularly described at Exhibit D (Description of the Facility).
- 1.7 "**Facility Service Power**" means the electric power used by the Facility during its operation, including, but not necessarily limited to pumping, generator excitation, cooling or otherwise related to the production of electricity by the Facility.
- 1.8 "**FERC**" means the Federal Energy Regulatory Commission.
- 1.9 "**Independent Engineering Certification**" means certifications provided by a professional engineer registered in Washington or Idaho, who has no direct or indirect, legal or equitable, ownership interest in the Facility.

1.10 "**Interconnection Agreement**" The Generation Interconnection Agreement by which Net Delivered Output may be delivered into the transmission system of Avista at the Point of Delivery during the term of this Agreement. The Interconnection Agreement is set forth in full at Exhibit C.

1.11- "**Interconnection Facilities**" means all facilities required to interconnect the Facility for delivery of Net Delivered Output to the Avista transmission system including connection, transformation, switching, relaying and safety equipment. Interconnection Facilities shall also include all telemetry, metering, cellular telephone, and/or communication equipment required under this Agreement regardless of location.

1.12 "**IPUC**" means the Idaho Public Utilities Commission or its successor.

1.13 "**MW**" means megawatt. One thousand kilowatts equals one megawatt.

1.14 "**Market Energy Cost**" means eighty-five percent (85%) of the weighted average of the daily Intercontinental Exchange ("ICE") daily On- and Off-Peak Firm Index prices for electricity at the Mid-Columbia hub ("Mid-C"), or its successor, or as agreed to by the parties where no successor exists.

1.15 "**Net Delivered Output**" means all electric energy generated by the Facility, net of Facility Service Power.

1.16 "**Net Delivered Output Cost**" means the rate in dollars per megawatt-hour, to be paid by Avista for all Net Delivered Output, subject to any limitations under this Agreement. The Net Delivered Output Cost is specified in Section 11.1.

1.17 "**Off-Peak**" means all hours other than On-Peak hours.

1.18 "**On-Peak**" means the hours ending 0700 through 2200 Pacific Prevailing time, Monday through Sunday, including NERC holidays.

1.19 "**Operating Year**" means each 12-month period from January 1 through December 31.

1.20 "**Point of Delivery**" means the location where the Facility is electrically interconnected with Avista's transmission system.

1.21 "**Prudent Utility Practices**" means the practices, methods, and acts, including but not limited to practices, methods, and acts engaged in or approved by a significant portion of the electric power generation and transmission industry, in the exercise of reasonable judgment in the light of the facts known or that should have been known at the time a decision was made, that would have been expected to accomplish the desired result in a manner consistent with law, regulation, reliability, safety, environmental protection, economy, and expedition.

1.22 "**Scheduled Outage**" means any outage which is scheduled by the Project Developer to remove electrical or mechanical equipment from service for repair, replacement, maintenance, safety or any other reason, and which thereby limits the generating capability of the Facility to less than its full tested capability.

1.23 "**Surplus Energy**" means: (1) Net Delivered Output produced by the Project Developer's Facility and delivered to the Avista electrical system during the month which exceeds 110% of the monthly Net Delivered Output estimate for the corresponding month specified in Section 6.3; or (2) if the Net Delivered Output produced by the Project Developer's Facility and delivered to the Avista electrical system during the month is less than 90% of the monthly Net Delivered Output estimate for the corresponding month specified in Section 6.3, then all Net Delivered Output delivered by the Facility to the Avista electrical system for that given month. For clarification, Net Delivered Output that is Surplus Energy pursuant to this definition shall be sold to Avista at the price set forth in Section 11.2.

1.24 "**Surplus Energy Cost**" means the rate in dollars per megawatt-hour, to be paid by Avista for all Surplus Energy, subject to any limitations under this Agreement. The Surplus Energy Cost is specified in Section 11.2.

## 2. NO RELIANCE ON AVISTA

2.1 Project Developer Independent Investigation. Project Developer warrants and represents to Avista that in entering into this Agreement and the undertaking by Project Developer of the obligations set forth herein, Project Developer has investigated and determined that it is capable of performing hereunder and has not relied upon the advice, experience or expertise of Avista in connection with the transactions contemplated by this Agreement.

2.2 Project Developer Experts. All professionals or experts including, but not limited to, engineers, attorneys or accountants, that Project Developer may have consulted or relied on in undertaking the transactions contemplated by this Agreement have been solely those of Project Developer.

## 3. WARRANTIES

3.1 No Warranty by Avista. Any review, acceptance or failure to review Project Developer's design, specifications, equipment or facilities shall not be an endorsement or a confirmation by Avista, and Avista makes no warranties, expressed or implied, regarding any aspect of Project Developer's design, specifications, equipment or facilities, including, but not limited to, safety, durability, reliability, strength, capacity, adequacy or economic feasibility.

3.2 Qualifying Facility Status. Project Developer warrants that the Facility is a "Qualifying Facility", as that term is used and defined in 18 C.F.R. §§ 292.101, 292.207. After initial qualification, Project Developer shall take such steps as may be required to adequately maintain the Facility's Qualifying Facility status during the term of this Agreement and Project

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Developer's failure to adequately maintain Qualifying Facility status will be a material breach of this Agreement. Avista reserves the right to review the Project Developer's Qualifying Facility status and associated support and compliance documents at any time during the term of this Agreement.

**4. CONDITIONS PRIOR TO EFFECTIVE DATE**

Prior to the Effective Date, the following actions must have occurred:

**4.1 Licenses, Permits and Approvals.** Pursuant to applicable federal, state, tribal or local regulations, Project Developer shall maintain in good standing and effect all licenses, permits or approvals necessary for Project Developer's operations including, but not limited to, compliance with Subpart B, 18 C.F.R. § 292.207. Licenses, permits and approvals shall include but shall not be limited to tribal, state and local business licenses, environmental permits approvals for fuel storage, water rights, and other necessary easements and leases.

**4.3 Insurance.** Project Developer shall have complied with Section 7, Insurance.

**4.5 Initial Year Monthly Net Delivered Output Amounts.** Project Developer shall have provided to Avista the Initial Year Monthly Net Delivered Output Estimates in accordance with Section 6.3.1.

**5. TERM OF AGREEMENT**

**5.1** Subject to the provisions of this Section 5, this Agreement shall be effective at 0000 hours on December 1, 2011, or such other date as ordered by the IPUC, ("Effective Date"); provided the Agreement is executed by the Parties on or prior to the December 1, 2011. In the event this Agreement is executed by the Parties subsequent to December 1, 2011, the Effective Date will be deemed to be the date upon which the Agreement will have been executed by both Parties. Power purchases pursuant to this Agreement shall commence upon the Effective Date.

**5.2** Project Developer and Avista shall jointly petition the IPUC for an order approving the Agreement. This Agreement is conditioned upon the approval and determination by the IPUC that the prices to be paid for electric power are just and reasonable, in the public interest, and that the costs incurred by Avista for purchases of electric power from Seller are legitimate expenses.

**5.3** In the event that the IPUC fails to issue a final order approving this Agreement by January 30, 2012, neither Party shall have any further obligations to purchase or sell electric power hereunder, and this Agreement shall terminate on January 30, 2012.

**5.4** In the event that this Agreement is terminated pursuant to Sections 5.2 or 5.3, except as otherwise provided, the Project Developer shall refund amounts to Avista. The refund amount for each month shall be equal to the amount previously paid by Avista for electric power received by Avista during such month, less the arithmetic product that is obtained by multiplying the number of megawatt-hours during such month for which Avista has paid, by the lesser of: (i) the Net Delivered Output Cost set forth in Section 11.1 for such month, or (ii) the Market Energy Cost for such month. In the event that Avista has not paid for electric power delivered by Project Developer before this Agreement is terminated pursuant to Sections 5.2 or 5.3, Avista shall pay for such power at the lesser of: (i) the Net Delivered Output Cost set forth in Section 11.1 for such month, or (ii) the Market Energy Cost for such month.

**5.5** The term of the Agreement shall be for 5 years following the Effective Date, unless terminated earlier by terms and conditions contained herein.

**5.6** Unless excused by Force Majeure, Avista may terminate this Agreement on thirty (30) days prior written notice if, in any two (2) consecutive Operating Years, Project Developer fails to deliver Net Delivered Output equal to 42,048 megawatt-hours.

## **6. PURCHASE AND SALE OF POWER**

**6.1** Project Developer shall sell and deliver to the Point of Delivery and Avista shall purchase all Net Delivered Output.

**6.2** The Facility is designed, and the Project Developer shall operate the Facility in a manner such that the hourly scheduled amount of Net Delivered Output does not exceed 6.5 MW in any hour. Avista shall have the right, but not the obligation, to purchase any Net Delivered Output from the Facility in excess of 6.5 MW in any hour. The maximum annual amount of electric power that Avista is obligated to purchase hereunder shall be 56,940 megawatt-hours in any Operating Year which is a non-Leap Year, or 57,096 megawatt-hours in any Operating Year which is a Leap Year.

### **6.3 Net Delivered Output Amounts.**

**6.3.1 Initial Net Delivered Output Estimates.** Project Developer shall provide to Avista Net Delivered Output estimates for each of the twelve consecutive months that begin with the month containing the Effective Date, counting the month during which the Effective Date occurs as month one (Initial Year Monthly Net Delivered Output Estimates). Project Developer shall provide to Avista such Initial Year Monthly Net Delivered Output Estimates by written notice in accordance with Section 29 no later than five (5) calendar days prior to the Effective Date.

**6.3.2 Subsequent Monthly Net Delivered Output Estimates.** At the end of month nine following the Effective Date, and at the end of every third month thereafter, Project Developer shall provide to Avista Net Delivered Output estimates pertaining to each of the additional consecutive three months for which Project Developer has not yet

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delivered to Avista Net Delivered Output estimates, so that Project Developer shall have provided in advance on a rolling basis to Avista six months of Net Delivered Output estimates. Project Developer shall provide such Net Delivered Output estimates to Avista by written notice in accordance with Section 29, no later than 5:00 p.m. of the last business day of the month during which they are required to be provided.

**6.3.3 Content of Net Delivered Output Estimates.** All Net Delivered Output estimates shall be expressed in kilowatt-hours by month.

**6.3.4 Failure to Provide Net Delivered Output Estimates.** If the Project Developer fails to provide to Avista Net Delivered Output estimates when required herein pertaining to any month or months, Avista shall determine the Net Delivered Output estimates pertaining to such month or months, and the Net Delivered Output estimates shall be binding for purposes of the Agreement as though they were prepared by Project Developer and provided to Avista as required by the Agreement.

**6.3.5 Project Developer's Revisions of Net Delivered Output Estimates.** At the end of month three following the Effective Date, and at the end of every third month thereafter, counting the month during which the Effective Date occurs as month one, Project Developer may provide Avista with revisions to Net Delivered Output estimates previously provided to Avista, except Project Developer may not revise Net Delivered Output estimates that pertain to the three consecutive months that immediately follow the month during which Project Developer provides Avista notice of the revisions. If Project Developer elects to revise Net Delivered Output estimates previously provided to Avista, then Project Developer must provide to Avista the revised Net Delivered Output estimates by written notice in accordance with Section 29, no later than 5:00 p.m. of the last business day of the month during which they are required to be provided.

**6.3.6 Avista Adjustment of Net Delivered Output Estimate.** If Avista is excused from accepting the Project Developer's Net Delivered Output as specified in Section 9.2 or if the Project Developer declares a Suspension of Energy Deliveries as specified in Section 9.3 and the Project Developer declared Suspension of Energy Deliveries is accepted by Avista, the Net Delivered Output estimate as specified in Section 6.3.1 for the specific month in which the reduction or suspension under Section 9.2 or 9.3 occurs will be reduced in accordance with the following:

Where:

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NDO = Current Month's Net Delivered Output estimate

SGU = (a) If Avista is excused from accepting the Project Developer's Net Delivered Output as specified in Section 9.2 this value will be equal to the percentage of curtailment as specified by Avista multiplied by the TGU as defined below.



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- (b) If the Project Developer declares a Suspension of Net Delivered Output as specified in Section 9.3 this value will be the generation unit size rating of 6.5 MW,.

TGU = Generation unit size rating of 6.5 MW,

RSH = Actual hours the Facility's Net Delivered Output was either reduced or suspended under Sections 9.2 or 9.3.

TH = Actual total hours in the current month

Resulting formula being:

$$\text{Adjusted Net Delivered Output} = \text{NDO} - \left( \left( \frac{\text{SGU}}{\text{TGU}} \times \text{NDO} \right) \times \left( \frac{\text{RSH}}{\text{TH}} \right) \right)$$

This Adjusted Net Delivered Output estimate will be used in applicable Surplus Energy calculations for only the specific month in which Avista was excused from accepting the Net Delivered Output or the Project Developer declared a Suspension of Energy.

6.4 Environmental Attributes. Ownership of Environmental Attributes shall be determined consistent with applicable State and Federal law.

7. **INSURANCE**

7.1 **Business Insurance.** Prior to operating the Facility, Project Developer, at his own cost, shall obtain and maintain the following insurance in force over the Term of this Agreement and shall provide certificates of all insurance policies. Avista's acceptance of the certificate of insurance is not intended to, and will not reduce, limit, affect, or modify the primary obligations and liabilities of Project Developer under the provisions of this Agreement. Project Developer must provide notice of cancellation or notice of change in policy terms at least 60 days prior to any change or termination of the policies.

7.1.1 **General Liability.** Project Developer shall carry and maintain comprehensive general liability insurance in a form acceptable to Avista with coverage of not less than \$2,000,000 per occurrence, including coverage of bodily injury, property damage liability, and contractual liability specifically related to the indemnity provisions of this Agreement. The deductible will not exceed the Project Developer's financial ability to cover claims and will not be greater than prevailing practices for similar operations in the State of Idaho.

7.1.2 **Property Insurance.** Project Developer shall carry and maintain property insurance for the full replacement value of the Facility in a form acceptable to Avista, a deductible not to exceed the Project Developer's financial ability, and will not be greater than prevailing practices for similar operations in the State of Idaho.

**7.1.3 Qualifying Insurance.** The insurance coverage required by this Section 7.1.1 must be obtained from an insurance carrier licensed to conduct business in the state in which the Services are to be performed, must be acceptable to Avista, such acceptance not to be unreasonably withheld, but in no event have less than an A.M. Best Rating of A-, Class VIII. The policies required under this Agreement must include (i) provisions or endorsements naming Avista and its directors, officers and employees as additional insureds, (ii) Avista as a loss payee as applicable, (iii) a cross-liability and severability of interest clause, and (iv) provisions such that the policy is primary insurance with respect to the interests of Avista and that any other insurance maintained by Avista is excess and not contributory.

**7.2 Engineering Certifications.** Project Developer shall maintain current and effective Independent Engineering Certifications as to the adequacy of the Operations and Maintenance Policy substantially in the form as shown in Exhibit B and shall, at Avista's reasonable written request, provide to Avista copies of said Certifications within sixty (60) days after such request.. Failure to provide such documentation shall be deemed to be a default under Section 16.1.

## **8. CURTAILMENT, INTERRUPTION OR REDUCTION OF DELIVERY**

Avista may require Project Developer to curtail, interrupt or reduce delivery of Net Delivered Output if, in accordance with Section 9.2, Avista determines that curtailment, interruption or reduction is necessary because of force majeure or to protect persons and property from injury or damage, or because of emergencies, necessary system maintenance, system modification or special operating circumstances. Avista shall use its reasonable efforts to keep any period of curtailment, interruption, or reduction to a minimum. In order not to interfere unreasonably with Project Developer operations, Avista shall give Project Developer reasonable prior notice of any curtailment, interruption, or reduction, the reason for its occurrence and its probable duration.

## **9. OPERATION**

**9.1 Communications and Reporting.** Avista and the Project Developer shall maintain appropriate operating communications through Avista's Designated Dispatch Facility in accordance with Exhibit A of this Agreement.

### **9.2 Excuse From Acceptance of Delivery of Power.**

**9.2.1** Avista may interrupt, suspend or curtail delivery, receipt or acceptance of delivery of power if Avista reasonably determines consistent with Prudent Utility Practice that the failure to do so:

**9.2.1.1** May endanger any person or property, or Avista's electric system, or any electric system with which Avista's system is interconnected;

**9.2.1.2** May cause, or contribute to, an imminent significant disruption of electric service to Avista's or another utility's customers;

**9.2.1.3** May interfere with any construction, installation, inspection, testing, repair, replacement, improvement, alteration, modification, operation, use or maintenance of, or addition to, Avista's electric system or other property of Avista.

**9.2.2** Avista shall promptly notify Project Developer of the reasons for any such interruption, suspension or curtailment provided for in Section 9.2.1, above. Avista shall use reasonable efforts to limit the duration of any such disconnection, interruption, suspension or curtailment.

**9.3** Project Developer Declared Suspension of Energy Deliveries.

**9.3.1** If the Project Developer's Facility experiences a forced outage due to equipment failure which is not caused by an event of force majeure or by neglect, disrepair or lack of adequate preventative maintenance of the Project Developer's Facility, Project Developer may, after giving notice as provided in Section 9.3.2 below, temporarily suspend all deliveries of Net Delivered Energy to Avista from the Facility for from individual generation unit(s) within the Facility impacted by the forced outage for a period of not less than 48 hours to correct the forced outage condition ("Declared Suspension of Energy Deliveries"). The Project Developer's Declared Suspension of Energy Deliveries will begin at the start of the next full hour following the Project Developer's telephone notification as specified in Section 9.3.2 and will continue for the time as specified (not less than 48 hours) in the written notification provided by the Project Developer. In the month(s) in which the Declared Suspension of Energy occurred, the Net Delivered Energy Amount will be adjusted as specified in Section 6.3.5.

**9.3.2** If the Project Developer desires to initiate a Declared Suspension of Energy Deliveries as provided in Section 9.3.1, the Project Developer shall notify the Designated Dispatch Facility by telephone. The beginning hour of the Declared Suspension of Energy Deliveries will be at the earliest the next full hour after making telephone contact with Avista. The Project Developer shall, within 24 hours after the telephone contact, provide Avista a written notice in accordance with Section 29 that will contain the beginning hour and duration of the Declared Suspension of Energy Deliveries and a description of the conditions that caused the Project Developer to initiate a Declared Suspension of Energy Deliveries. Avista shall review the documentation provided by the Project Developer to determine Avista's acceptance of the described forced outage as qualifying for a Declared Suspension of Energy Deliveries as specified in Section 9.3.1. Avista's acceptance of the Project Developer's forced outage as an acceptable forced outage will be based upon the clear documentation provided by the Project Developer that the forced outage is not due to an event of Force Majeure or by neglect, disrepair or lack of adequate preventative maintenance of the Project Developer's Facility.

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**9.4 Scheduled Maintenance.** On or before January 31 of each calendar year, Project Developer shall submit a written proposed maintenance schedule of significant Facility maintenance for that calendar year and Avista and Project Developer shall mutually agree as to the acceptability of the proposed schedule. The Parties determination as to the acceptability of the Project Developer's timetable for scheduled maintenance shall take into consideration Prudent Utility Practices, Avista system requirements and the Project Developer's preferred schedule. Neither Party shall unreasonably withhold acceptance of the proposed maintenance schedule. The Parties shall cooperate in determining mutually acceptable Facility down times or maintenance shutdowns.

**9.5 Compliance with Permits, Licenses, Authorizations and Other Rights.** Project Developer shall obtain and comply with all permits, licenses, authorizations and other rights required to own, operate, use and maintain the Facility, as they may change from time to time. Project Developer shall furnish to Avista on request, copies of all documents granting, evidencing or otherwise related to such permits, licenses, authorizations and rights.

**9.6 Project Developer's Risk.** Project Developer shall own, operate, use and maintain the Facility at its own risk and expense in compliance with all applicable laws, ordinances, rules, regulations, orders and other requirements, now or hereafter in effect, of any governmental authority.

**9.7 Avista Right to Inspect.** Project Developer shall permit Avista to inspect the Facility or the operation, use or maintenance of the Facility. Project Developer shall provide Avista reasonable advance notice of any such test or inspection by or at the direction of Project Developer.

**9.8 Project Developer Obligations in Accordance with Prudent Utility Practices.** Project Developer shall own, operate and maintain the Facility and any Project Developer-owned Interconnection Facilities so as to allow reliable generation and delivery of electric energy to Avista for the full term of the Agreement, in accordance with Prudent Utility Practices.

## **10. METERING**

**10.1** A power meter currently located at the Point of Delivery at Project Developer's expense will register the Net Delivered Output generated and delivered to Avista on an hourly basis.

**10.2** The power meter will record power, which flows from the Facility to Avista. Avista and Project Developer both shall have the right to read and receive readings from the power meter. Avista shall read the meter at least once a month to determine the amount of Net Delivered Output in each calendar month. Power deliveries in any month shall be calculated based on information from meter readings with the date adjustment made by prorating metered amounts to the number of days in such month. Actual monthly Net Delivered Output shall be determined from the record developed. Avista shall own and maintain all meters used to determine the billing hereunder and the meter(s) shall be located as specified in the Interconnection Agreement. Such meter(s) shall be tested and inspected in accordance with

Avista's meter testing program as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Project Developer, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit a representative of Project Developer to be present at all times the meters are being tested. Additionally, Avista shall test any or all of such meters as may be reasonably be required by Project Developer. Project Developer shall pay reasonable costs for such requested test unless any of the meters is found to be inaccurate in which case Avista shall pay for such test.

**10.3** Adjustments shall be made in meter readings and billings for errors in a meter reading or billing discovered within twelve (12) months of the error. Avista shall notify Project Developer of any errors arising from meter calibration, reading or billing. Avista shall permit representatives of Project Developer to inspect all of Avista's records relating to the delivery of electrical energy to and purchase of electrical energy by Avista hereunder.

## **11. PURCHASE PRICES AND METHOD OF PAYMENT**

### **11.1 Net Delivered Output Cost.**

**11.1.1 Avoided Cost Rates For Non-Fueled Projects Smaller Than Ten Megawatts - Non-Levelized.** For all Net Delivered Output received by Avista for each hour that is not Surplus Energy Avista shall pay the applicable rate based upon the following On-Peak or Off-Peak Avoided Cost Rates For Non-Fueled Projects Smaller Than Ten Average Megawatts per month - Non-Levelized as shown in Exhibit E.

**11.2 Surplus Energy Cost.** For all Surplus Energy, Avista shall pay to the Project Developer the current month's Market Energy Cost per megawatt-hour or the Net Delivered Output Cost specified in Section 11.1, whichever is lower.

**11.3 Payments to Project Developer.** For each month during the term of this Agreement, so long as there are energy deliveries made and/or payments due hereunder, Avista shall prepare a statement based upon Net Delivered Output and Surplus Energy delivered to Avista. Payments by Avista for amounts billed shall be paid no later than the 15<sup>th</sup> day of the month following the prior calendar month billing period. If the Due Date falls on a non-business day of either Party, then the payment shall be due on the next following business day.

**11.4 Payments to Avista.** If Project Developer is obligated to make any payment or refund to Avista, Avista shall bill Project Developer for such payments. Project Developer shall pay Avista on or before the 15th day of the month following the prior calendar month billing period or ten (10) days after receipt of the bill, whichever is later.

**11.5 Interest.** Any payments by Avista to Project Developer or by Project Developer to Avista, if not paid in full within the limitations set forth in Sections 11.3 and 11.4 above, shall be late. In addition to the remedies for such an event of default pursuant to Section 16, the late-paying Party shall be assessed a charge for late payment equal to the lesser of seven and one half

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percent (7.5%) per annum, or the maximum rate allowed by the laws of the State of Idaho, multiplied by the overdue amount.

**11.6 Set-Off.** Project Developer agrees that Avista may set off any and all amounts owed by Project Developer to Avista against any current or future payments due Project Developer under this Agreement.

**11.7 Wire Transfer.** All payments shall be made by ACH or wire transfer in accordance with further agreement of the Parties.

## **12. FORCE MAJEURE**

**12.1** Neither Party shall be liable to the other Party for, or be considered to be in breach of or default under this Agreement, on account of any delay in performance due to any of the following events or any delay or failure to produce Net Delivered Output, or to, receive or accept Net Delivered Output due to any of the following events:

**12.1.1** Any cause or condition beyond such Party's reasonable control which such Party is unable to overcome by the exercise of reasonable diligence (including but not limited to: fire, flood, earthquake, volcanic activity, wind, drought and other acts of the elements; court order and act of civil, military or governmental authority; strike lockout and other labor dispute; riot, insurrection, sabotage or war; breakdown of or damage to facilities or equipment; electrical disturbance originating in or transmitted through such Party's electric system or any electric system with which such Party's system is interconnected; and, act or omission of any person or entity other than such Party, and Party's contractors or suppliers of any tier or anyone acting on behalf of such Party); or

**12.1.2** Any action taken by such Party which is, in the sole judgment of such Party, necessary or prudent to protect the operation, performance, integrity, reliability or stability of such Party's electric system or any electric system with which such Party's electric system is interconnected, whether such actions occur automatically or manually.

**12.2** In the event of any force Majeure occurrence, the time for performance thereby delayed shall be extended by a period of time reasonably necessary to compensate for such delay. Avista shall not be required to pay for Available Output which, as a result of any force majeure event, is not delivered. Nothing contained in this Section shall require any Party to settle any strike, lockout or other labor dispute. In the event of a force majeure occurrence which will affect performance under this Agreement, the nonperforming Party shall provide the other Party written notice within fourteen (14) days after the occurrence of the force majeure event. Such notice shall include the particulars of the occurrence, assurances that suspension of performance is of no greater scope and of no longer duration than is required by the force majeure, and that best efforts are being used to remedy its inability to perform.

**12.3** Force majeure shall include an electrical disturbance that prevents any electric deliveries from occurring at the Point of Delivery.

**13. INDEMNITY**

**13.1** Project Developer shall indemnify, defend and hold harmless Avista, its directors, officers, employees, agents, and representatives, against and from any and all losses, expenses, liabilities, claims or actions (hereafter "Loss"), based upon or arising out of bodily injuries or damages to persons, including without limitation death resulting therefrom, or physical damages to or losses of property caused by, arising out of or sustained in connection with the construction, operation or maintenance of the Facility. Avista shall indemnify, defend and hold harmless Project Developer, its directors, officers, employees, agents, and representatives, against and from any Loss, caused by, arising out of or sustained in connection with the construction, operation or maintenance of its electrical system. In the event that any such Loss is caused by the negligence of both Project Developer and Avista, including their employees, agents, suppliers and subcontractors, the Loss shall be borne by Project Developer and Avista in the proportion that their respective negligence bears to the total negligence causing the Loss.

**13.2** TO THE EXTENT PERMITTED BY APPLICABLE LAW, PROJECT DEVELOPER AND AVISTA EACH WAIVE ANY IMMUNITY UNDER EXISTING WORKER'S COMPENSATION LAW APPLICABLE TO THE JURISDICTION WHERE THE FACILITY IS TO BE LOCATED AS NECESSARY TO INDEMNIFY AND HOLD HARMLESS THE OTHER FROM SUCH LOSS, TO THE EXTENT SET FORTH IN SECTION 13.1, ABOVE.

**13.3** PROJECT DEVELOPER AND AVISTA SPECIFICALLY WARRANT THAT THE TERMS AND CONDITIONS OF THE FOREGOING INDEMNITY PROVISIONS ARE THE SUBJECT OF MUTUAL NEGOTIATION BY THE PARTIES, AND ARE SPECIFICALLY AND EXPRESSLY AGREED TO IN CONSIDERATION OF THE MUTUAL BENEFITS DERIVED UNDER THE TERMS OF THE AGREEMENT.

**13.4** Other than as expressly provided for in this Agreement, neither Party shall be liable under any provision of this Agreement for any losses, damages, costs or expenses for any special, indirect, incidental, consequential, or punitive damages, including but not limited to loss of profit or revenue, loss of the use of equipment, cost of capital, cost of temporary equipment or services, whether based in whole or in part in contract, in tort, including negligence, strict liability, or any other theory of liability; provided, however, that damages for which a Party may be liable to the other Party under another agreement will not be considered to be special, indirect, incidental, or consequential damages hereunder.

**14. ASSIGNMENT**

**14.1** Project Developer shall not voluntarily assign its rights or delegate its duties under this Agreement, or any part of such rights or duties without the written consent of Avista. Such consent shall not unreasonably be withheld. Further, no assignment by Project Developer shall relieve or release it to the extent of any of its obligations hereunder. Subject to the

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foregoing restrictions on assignments, this Agreement shall be fully binding upon, inure to the benefit of and be enforceable by the Parties and their respective successors, heirs and assigns.

**14.2** Project Developer shall have the right, subject to the obligation to provide security hereunder, without the other Party's consent, but with a thirty (30) days prior written notice to the other Party, to make collateral assignments of its rights under this Agreement to satisfy the requirements of any development, construction, or other long term financing. A collateral assignment shall not constitute a delegation of Project Developers' obligations under this Agreement, and this Agreement shall not bind the collateral assignee. Any collateral assignee succeeding to any portion of the ownership interest of Project Developer shall be considered Project Developer's successor in interest and shall thereafter be bound by this Agreement.

**15. NO UNSPECIFIED THIRD PARTY BENEFICIARIES**

Except as specifically provided in this Agreement, there are no third party beneficiaries of this Agreement. Nothing contained in this Agreement is intended to confer any right or interest on anyone other than the Parties, and their respective successors, heirs and assigns permitted under Section 14.

**16. DEFAULT**

**16.1** In the event that either Party fails to perform the terms and conditions set forth in this Agreement (a breach of or default under this Agreement), including without limitation the failure to provide Net Delivered Output, when available and deliverable to Avista, at the times or in the amounts required by this Agreement, the following shall apply:

**16.1.1** The non-defaulting Party shall give written notice to the defaulting Party of the breach of or default under this Agreement.

**16.1.2** Where default is for failure to pay sums which are due and payable under this Agreement, then the defaulting Party shall have 30 days following receipt of written notice to cure the default, after which period the non-defaulting Party may unilaterally terminate this Agreement.

**16.1.3** Except as provided in Sections 16.1.2 and 16.1.4, in all other cases of breach or default, then the defaulting Party must begin to cure the breach or default within 30 days and shall complete such cure within 90 days of receipt of written notice, or else the non-defaulting Party may unilaterally terminate this Agreement.

**16.1.4** If a breach or default occurs under Sections 16.2.1, 16.3.1, 16.3.2, 16.3.3, 16.3.4, then the non-defaulting party may terminate this Agreement after the respective cure period(s) as expressly provided for in such Sections.



16.2 Notwithstanding any claim of force majeure, Project Developer shall be in default if:

**16.2.1** Project Developer has abandoned the Facility; or

**16.2.2** There have been no energy deliveries to Avista from the Facility for a period of twelve (12) consecutive months; or

**16.2.3** Net Delivered Output delivered to Avista fails to exceed 42,048 megawatt-hours during any rolling period of twenty-four (24) consecutive calendar months; or

**16.2.4** Facility ceases to be a Qualifying Facility.

**16.3** For purposes of this Agreement, and without limiting the generality of section 16.1, a Party shall also be in default if it:

**16.3.1** Becomes insolvent (e.g., is unable to meet its obligations as they become due or its liabilities exceed its assets); or

**16.3.2** Makes a general assignment of substantially all of its assets for the benefit of its creditors, files a petition for bankruptcy or reorganization or seeks other relief under any applicable insolvency laws; or

**16.3.3** Has filed against it a petition for bankruptcy, reorganization or other relief under any applicable insolvency laws and such petition is not dismissed or stayed within sixty (60) days after it is filed.

**16.3.4** Is in default under any Transmission Agreement, provided that Avista shall have the obligation to notify Project Developer of any default under any Transmission Agreement, and provide Project Developer with seventy-two (72) hours from the receipt of notice of default to cure such default under any Transmission Agreement.

**16.4** Any right or remedy afforded to either Party under any provision of this Agreement on account of the breach of or default under this Agreement by the other Party is in addition to, and not in lieu of, all other rights or remedies afforded to such Party under any other provisions of this Agreement, by law or otherwise on account of the breach or default.

## **17. ARBITRATION**

*11-16-11*

Each Party shall strive to resolve any and all differences during the term of the Agreement. If a dispute cannot be resolved, each Party shall use arbitration before requesting a hearing before the IPUC. The arbitration shall be conducted pursuant to the Dispute Resolution Procedures, Attachment 5, to the Interconnection Agreement. The Parties agree that the IPUC shall have continuing jurisdiction over this Agreement.

**18. RELEASE BY PROJECT DEVELOPER**

Project Developer releases Avista from any and all claims, losses, harm, liabilities, damages, costs and expenses to the extent resulting from any:

**18.1** Electric disturbance or fluctuation that migrates, directly or indirectly, from Avista's electric system to the Facility;

**18.2** Interruption, suspension or curtailment of electric service to the Facility or any other premises owned, possessed, controlled or served by Project Developer, which interruption, suspension or curtailment is caused or contributed to by the Facility or the interconnection of the Facility with any electric system; or

**18.3** Disconnection, interruption, suspension or curtailment by Avista pursuant to terms of this Agreement or the Interconnection Agreement.

**18.4** Disconnection, interruption, suspension or curtailment of transmission service by a transmitting entity or any unforeseen cost or increase in costs to Project Developer imposed by a transmitting entity.

**19. GOVERNMENTAL AUTHORITY**

This Agreement is subject to the rules, regulations, orders and other requirements, now or hereafter in effect, of all governmental authorities having jurisdiction over the Facility, this Agreement, the Parties or either of them. All laws, ordinances, rules, regulations, orders and other requirements, now or hereafter in effect, of governmental authorities that are required to be incorporated in agreements of this character are by this reference incorporated in this Agreement.

**20. EQUAL OPPORTUNITY**

Project Developer shall comply with all applicable equal opportunity laws, ordinances, orders, rules and regulations.

**21. SEVERAL OBLIGATIONS**

*11-16-11*

Except where specifically stated in this Agreement to be otherwise, the duties, obligations and liabilities of the Parties are intended to be several not joint or collective. This Agreement 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 either Party. Each Party shall be individually and severally liable for its own obligations under this Agreement. Further, neither Party shall have any rights, power or authority to enter into any agreement or undertaking for or on behalf of, to act as to be an agent or representative of, or to otherwise bind the other Party.

**22. IMPLEMENTATION**

Each Party shall promptly take such action (including, but not limited to, the execution, acknowledgement and delivery of documents) as may be reasonably requested by the other Party for the implementation or continuing performance of this Agreement.

**23. NON-WAIVER**

The failure of either Party to insist upon or enforce strict performance by the other Party of any provision of this Agreement or to exercise any right under this Agreement shall not be construed as a waiver or relinquishment to any extent of such Party's right to assert or rely upon any such provision or right in that or any other instance; rather, the same shall be and remain in full force and effect.

**24. AMENDMENT**

No change, amendment or modification of any provision of this Agreement shall be valid unless set forth in a written amendment to this Agreement signed by both Parties.

**25. CHOICE OF LAWS**

This Agreement shall be construed and interpreted in accordance with the laws of the State of Idaho.

**26. COMPLIANCE WITH LAWS**

Both Parties shall comply with all applicable laws and regulations of governmental agencies having jurisdiction over the Project and the operations of the Parties.

**27. VENUE**

*11-16-11*

Any action at law or in equity to enforce the terms and conditions of this Agreement shall be brought in Idaho.

**28. HEADINGS**

The section headings in this Agreement are for convenience only and shall not be considered part of or used in the interpretation of this Agreement.

**29. NOTICES**

All written notices required by this Power Purchase Agreement shall be mailed or delivered as follows:

to Avista:	Director, Power Supply Avista Corporation P.O. Box 3727 Spokane, WA 99220
to Project Developer:	President and Chief Executive Officer Stimson Lumber 520 S.W. Yamhill Suite 700 Portland, OR 97204
	and
	Vice President - Manufacturing Stimson Lumber 520 S.W. Yamhill Suite 700 Portland, OR 97204

Either Party may change its address specified above by giving the other Party notice of such change in accordance with this Section. All notices, requests, authorizations, directions or other communications by a Party shall be deemed delivered when mailed as provided in this Section or personally delivered to the other Party. Any verbal notice required hereby which affects the payments to be made hereunder shall be confirmed in writing (certified mail) as promptly as practicable after the verbal notice is given.

**30. EXHIBITS**

11-16-11

This Power Purchase Agreement includes the following exhibits which are attached and incorporated by reference herein:

- Exhibit A Communications and Reporting
- Exhibit B Form of Engineer's Certification of Operations and Maintenance Policy
- Exhibit C Interconnection Agreement
- Exhibit D Description of the Facility
- Exhibit E Purchase Prices

**31. USE OF FACILITIES**

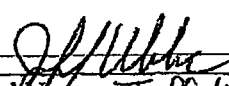
Project Developer is the sole user of certain 13.8 kV facilities installed, owned, operated and maintained by Avista in Avista's Plummer Substation. Project Developer shall pay a monthly use-of-facilities charge for the sole use of such facilities.

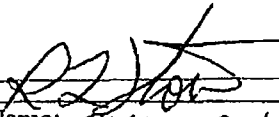
Sole Use Investment: \$60,991  
 Annual Cost Ratio: 15.54%  
 Annual Sole Use Charge:  $\$60,991 \times 0.1554 = \$9,480/\text{year}$   
 Monthly Sole Use Charge: \$790/month

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the first date herein above set forth.

STIMSON LUMBER COMPANY

AVISTA CORPORATION

By:   
 Printed Name: Jeff Webber  
 Title: Vice President - Manufacturing  
 Date: Nov 16, 2011

By:   
 Printed Name: RICHARD L. SIZEMORE  
 Title: VP GENERAL RESOURCES  
 Date: NOV 18, 2011

**Exhibit A**

**Communication and Reporting**

(a) During normal business hours, all verbal communications relating to interruptions and outages:

Avista                      System Operator (509) 495-4105  
                                    Alternate Phone Number: (509) 495-4934

Project Developer      Manager, Stimson Plummer Sawmill (208) 686-9080  
                                    Alternate Phone Number: Regional General Manager  
                                    (208) 667-4304

(b) Outside of normal business hours (nights, weekends, and holidays), all verbal communications relating to interruptions and outages shall take place between the following personnel:

Avista                      System Operator (509) 495-4105  
                                    Alternate Phone Number: (509) 495-4934

Project Developer      Manager, Stimson Plummer Sawmill  
                                    Cell phone: (503) 812-9862  
  
                                    Alternate Phone Number: Regional General Manager  
                                    Cell phone: (406) 544-1649

Exhibit B

Form of Engineer's Certification of Operations and Maintenance Policy

1. I, \_\_\_\_\_ am a Professional Engineer  
 (Name of Engineer)  
 registered to practice in the State of Idaho. I have substantial experience in the design,  
 construction and operation of electric power plants of the same type as \_\_\_\_\_  
 \_\_\_\_\_ (plant),  
 (Title of QF)  
 sited at \_\_\_\_\_  
 (Description of Project Site)  
 in \_\_\_\_\_ County, State of \_\_\_\_\_.

2. I have reviewed and/or supervised the review of the Policy for Operation and Maintenance (O&M Policy) for the plant and it is my professional opinion that, provided said plant has been designed and built to appropriate standards, adherence to said O&M Policy will result in the plant's producing at or near the design electrical output, efficiency, and plant factor for \_\_\_\_\_ years (length of the proposed Power Sales Contract), barring unforeseeable Force Majeure.

3. I have no economic relationship to the Designer of said plant and have made my analysis of the Plans and Specifications independently.

4. I have supplied the owner of the plant with at least one copy of said O&M Policy bearing my Stamp and the words "CERTIFIED FOR IDAHO P.U.C. SECURITY ACCEPTANCE" on each sheet thereof.

5. I hereby CERTIFY that the above statements are complete, true, and accurate to the best of my knowledge and I therefore set my hand and seal below.

Signed and Sealed

DATE: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_

*Execution Counterpart*

*11-16-11*

**Exhibit C**

**Interconnection Agreement**

Insert existing Interconnection Agreement



**Exhibit D**

**Description Of The Facility**

Replacement Exhibit E

Purchase Prices

The pricing information provided herein is based on current avoided cost rates in Idaho (August 30, 2011) and is subject to change.

The pricing applicable to the project will be consistent with the avoided cost rates that are in effect at the time that the parties enter into a definitive agreement.

<u>Period</u>	<u>Heavy Load Hours</u> <u>\$/MWh</u>	<u>Light Load Hours</u> <u>\$/MWh</u>
Oct 2011 - Dec 2011	57.52	52.12
Jan 2012 - Feb 2012	59.55	54.15
Mar 2012 - Jun 2012	46.32	42.12
Jul 2012 - Dec 2012	59.55	54.15
Jan 2013 - Feb 2013	61.40	56.00
Mar 2013 - Jun 2013	47.76	43.56
Jul 2013 - Dec 2013	61.40	56.00
Jan 2014 - Feb 2014	63.22	57.82
Mar 2014 - Jun 2014	49.17	44.97
Jul 2014 - Dec 2014	63.22	57.82
Jan 2015 - Feb 2015	65.17	59.77
Mar 2015 - Jun 2015	50.69	46.49
Jul 2015 - Dec 2015	65.17	59.77
Jan 2016 - Feb 2016	67.26	61.86
Mar 2016 - Jun 2016	52.31	48.11
Jul 2016 - Dec 2016	67.26	61.86