

REQUEST FOR PROPOSALS

Evaluation of Resources from Electric Energy Efficiency and/or Power Supply Resources

Avista Corporation

Introduction

Based on its 2003 Integrated Resource Plan (“2003 IRP”), **Avista has identified a power need of zero megawatts (MW) for this Request for Proposals (“RFP”)**. Because Avista does not presently have a need for new resources, the express goal of this RFP is to meet the Company’s bi-annual regulatory obligation under Washington Administrative Code section 480-107. This process is intended to support the Washington State Commission’s ongoing assessment of the cost and availability of resources to Avista. Avista will evaluate all resources offered under this bidding rule. Bidders wanting more details regarding the timing of Avista’s resource needs may view the 2003 IRP at www.avistautilities.com.

This RFP is an all-source process and bidders are encouraged to make proposals for energy efficiency resources or power supply resources. Avista encourages bidders with competitive renewable resource projects to consider bidding as a power supply resource. Proposals from energy efficiency measures will be competing against each other and power supply resources will be competing against other power supply resources. The most favorable resources bid to the Company will also be compared with Avista’s own potential or existing resource acquisition programs for either energy efficiency or power supply resources respectively.

Size of Resource Block

The Company presently tracks its loads and resources through 2023. Based on these tabulations, Avista has adequate resources to meet its requirements, even under adverse hydroelectric and load conditions, through 2007. Exhibit D provides summaries of the Company's energy and capacity requirements through 2013. For energy, Avista begins with a surplus of 72 aMW in 2004, rising to 80 aMW in 2005. The last surplus year, 2007, shows a surplus of 12 aMW. The first deficit year for energy is 2008, with a deficiency of 24 aMW. By 2013 the deficit rises to 396 aMW. On the capacity side, Avista is surplus through 2009. Surpluses begin in 2004 at 400 MW, and fall to 66 MW in 2009. The first deficit year, 2010, shows a value of 41 MW. By 2013 the deficit increases to 374 MW.

Given that Avista requires neither energy resources prior to 2008, nor capacity resources prior to 2010, the resource block size for this IRP is zero megawatts.

Avoided Cost

Appendix E provides a schedule of long-term avoided costs as determined in the 2003 IRP. The figures shown generally are representative of the costs that the Company might expect associated with the construction and operation of a combined-cycle combustion turbine. However, it is important to recognize that a number of variables might change, such as where the project ultimately is constructed.

Another important consideration is environmental compliance. Permitting processes and requirements for air quality, water and mitigation of other environmental impacts will also vary depending on the specific project location.

While the avoided cost figures shown in Exhibit E meet the requirements of WAC 480-170-050, the Company expects the RFP results to provide a better measure of avoided costs going forward. As such, a given proposal that provides a cost stream below the costs shown might not

be selected. Similarly, where the RFP shows that general market conditions are higher than the avoided cost schedule, Avista may select a project with costs above the avoided cost schedule.

General Considerations

The Company states certain resource preferences that would fit well into its resource portfolio. However, bidders may submit proposals for projects of varying types or sizes, or at alternative sites. Timing of resources may vary from what is suggested as well. Each variation may have distinct pricing characteristics.

Potential resources will be considered for acquisition as part of the Company's long-term resource portfolio for meeting retail customer needs. The Company will consider all relevant factors (including but not limited to price, dispatchability, transmission impacts, other bids, Company-sponsored options, business and operating history of the project developer, and financial and rate impacts) in the bid resource evaluation. Resource proposals will be evaluated on the basis of the most current information available. Evaluation is discussed in more detail under both the energy efficiency and power supply sections.

Avista retains the right to reject any and all project proposals, at any time before execution of a written contract. Executed contracts might be submitted to the IPUC or WUTC for approval, as appropriate in Avista's judgement.

The bid term, or the length of time the electrical savings or electrical generation is being bid, shall be set forth in each proposal. Aspects of the sponsor's proposal may be subject to negotiation to specifically define the operation of the proposed project, to insure adequate credit support for the prospective seller, and to insure that the delivered services will be consistent with Avista's needs. These negotiations will be important in shaping the quality of the bid services to ensure that they add value for the Company. Negotiation with a given sponsor does not necessarily imply that such sponsor's proposal will be selected.

To review each proposal fairly and to determine which projects are likely to provide the best value to Avista's customers, Avista requires specific information regarding each proposed project.

Proposal Preparation and Evaluation

Project sponsors interested in responding to Avista's RFP must provide the requested information and submit it according to the RFP schedule. Avista will commence its evaluation of the RFP submittal at the time of the bidding deadline. To assure full consideration of the bid, as well as to expedite the review process, please adhere to the RFP instructions and response format. It is important that all information requested in the RFP be complete and submitted by the bidding deadline. In the initial review of the bid proposals, if deficiencies are not material, Avista may, at its option, grant a limited extension to cure such deficiencies. Late or incomplete forms or proposals will result in the proposed project being eliminated from further consideration. All bids will be retained by Avista and will not be returned to project sponsors.

After completion of its initial evaluation process, Avista will notify those on a short list of bidders that their projects have been selected for further review and potential negotiation. Short-listed bidders shall be prepared to meet with Avista at its corporate headquarters in Spokane, WA to discuss bid details. Bidders of those projects that are not selected will be so notified.

Avista may elect to negotiate certain aspects of the bidder's proposal. During these negotiations, the bidder will be expected to remain prepared to deliver the services indicated in the proposal, subject to any changes mutually agreed to. Failure to adhere to the original bid will be justification for Avista to cease negotiations and to reject the proposal. Contracts might be subject to the approval of the IPUC and the WUTC, as appropriate.

Another key consideration is operating flexibility. Operating flexibility is represented by the project's compatibility with Avista's electric system and power supply. Timing of energy deliveries on a seasonal and daily basis is a measure of this criterion. Avista's ability to control project output levels is also important. These evaluation elements are further discussed in the

Evaluation and Ranking sections under the Request for Energy Efficiency Resource Proposals and the Request for Power Supply Resources respectively

Avista retains sole discretion to determine which proposal best meets Avista's system requirements, and which will be selected for negotiation and further review. Avista will evaluate all proposals in the context of meeting overall least-cost objectives, which may take into account many factors, including but not limited to cost, risk, operating flexibility, diversity of supply, and any other relevant factors. Environmentally sound resources must meet all local, state, and federal agency requirements and, in the case of dedicated plant construction, the ability to handle local impact issues. Avista will also be comparing bid proposals against its own programs and other proposed generation and energy efficiency resources.

Avista reserves the right to modify the RFP process to comply with any WUTC or IPUC orders, rules, regulations or guidelines. If, upon review of the RFP there are questions regarding completion of the a bid, please contact Mr. Doug Young at 509.495.4521.

Schedule and Procedure

A. Milestone Schedule

December 1, 2003	RFP available to potential bidders
January 12, 2004	Submittal to Avista of resource proposals
January 23, 2004	Initial review completed by Avista
January 30, 2004	Determination of preliminary short list
	Notify project sponsors
February 13, 2004	Complete meetings with project sponsors
February 20, 2004	Selection of short list for negotiation
March 15, 2004	Final selection (RFP decision)

B. Submittal of Proposals. All project proposals must contain the information requested in this RFP and ten (10) copies must be submitted so as to be received by Avista no later than noon on January 12, 2004 at the following address:

Avista Corp.
E. 1411 Mission Avenue
Spokane, WA 99202

ATTN: 2003 Request for Proposals
c/o Doug Young
MSC-7

In accordance with WAC 480-107-070 (4), project proposals shall remain sealed until expiration of the solicitation period.

The preparation and submission of a project proposal will be at the expense of the project sponsor.

C. Modification or Withdrawal of Project Proposals

A sponsor of a project proposal may modify its project proposal by written request, so long as Avista prior to January 12, 2004 receives the request.

D. Initial Review of Project Proposals

Avista will perform an initial review of project proposals to determine if all required information has been provided. Avista expects to complete this initial review by January 23, 2003. Project sponsors who are not selected because of deficiencies in the response to the RFP will be so notified. Where such deficiencies are not material, Avista may, at its option, grant an extension of seven (7) days to cure such deficiencies. Material deficiencies will disqualify a proposal from further consideration.

E. Confidentiality of Information

Avista may agree to keep confidential any document so designated by the participants in the bidding process. Inasmuch as project proposals are subject to examination by the WUTC pursuant to the WAC 480-107-070 (4), and by the IPUC, refusal to release confidential information to the WUTC or IPUC may adversely affect consideration of the project proposal.

Avista will take reasonable precautions and use reasonable efforts to protect confidential information, which is clearly identified as such on the page on which confidential material appears.

LIMITATIONS

THERE SHALL BE NO BINDING CONTRACT UNTIL AVISTA AND THE PROJECT DEVELOPER HAVE EXECUTED A FINAL WRITTEN PURCHASE AND SALE AGREEMENT. THIS RFP DOES NOT CONSTITUTE AN OFFER BY AVISTA, AND SUBMITTAL OF A PROJECT PROPOSAL SHALL NOT BE DEEMED AN ACCEPTANCE. AVISTA RETAINS THE RIGHT IN ITS SOLE DISCRETION TO REJECT ANY AND ALL PROJECT PROPOSALS AT ANY TIME BEFORE EXECUTION OF A FINAL WRITTEN PURCHASE AND SALE AGREEMENT AND TO REVISE THE MILESTONE SCHEDULE SET FORTH HEREIN. AGREEMENTS MAY BE SUBMITTED TO THE IPUC AND/OR WUTC FOR APPROVAL, AS APPROPRIATE.

Request for Energy Efficiency Resource Proposals

General Overview

Avista currently provides a variety of energy efficiency services to the Company's retail electric customers in all market segments. These services are currently funded through a special Tariff Rider approved by both the Washington and Idaho State Commissions.

Avista's interest is in the acquisition of cost-effective energy efficiency and system capacity resources that positively contribute to our existing portfolio attributes. As such, the Company is seeking programs that incur the least amount of utility and total resource cost to acquire a desired level of electric efficiency or system capacity resources.

General Bidding Guidelines

All energy efficiency proposals shall, at a minimum, satisfy the requirements of WAC 480-107-030. A bidder must either be an Avista retail electric customer or a contractor proposing one or more projects at the site of an Avista retail electric customer. Project proposals must yield annual electricity savings of at least 2,190,000 kWh (250 aKW). The energy saving measures must be installed over a period of not more than three years. Savings from installed measures must persist for a period of at least five years. Project proposals selected under this RFP are not eligible for grants, loans, or other payments under any other Avista sponsored energy efficiency program during the life of the proposed project.

Bids may include electric efficiency projects or fuel conversion projects involving the replacement of electric end-use equipment with equipment using natural gas (natural gas equipment must be at least 45 percent efficient). Bids may not include the substitution of alternative supplies of electricity or provide savings through the curtailment or cessation of end-uses. Electric energy savings must not result in significant reduction to the quality of end-use processes or products.

Avista will view some measures more favorably than others in the selection process. Unfavorable reviews would result from questionable assurance of savings, lack of savings persistence, degradation of savings, or concentration of measures at a single or small number of host facilities.

It is also required that all emissions credits accrued through electric energy savings resulting from the implementation of proposed energy efficiency measures become the sole property of Avista Corporation unless other arrangements are explicitly included in the final contract.

Proposal Contents

Following is a list of general topics that each proposal should address. Within each area are specific requests for information about each proposal. A written response to each specific request should be provided. If a request does not apply to a proposal, a written response is required which sets forth which requests are not applicable and a brief explanation as to why.

A. Description of Proposal

1. Describe the proposed energy efficiency measure(s) and the specific customer or customer type(s) and building type(s) where the measures will be located.
2. Provide an estimate of the projected annual electric energy savings and system capacity savings of the project when completed. Provide a detail of unit savings used to derive the total savings estimates, and the basis for those estimates. Provide a monthly distribution of those savings. If system capacity savings are proposed, provide a description of what hour those savings are available or alternatively an hourly shape of savings. Provide an estimate of the monthly and annual load factors of savings for all measures.
3. Provide a description of dispatch ability (or similar utility control), if any, of the project savings. This will probably apply only to measures incorporating system capacity savings.

4. Provide an estimate of the physical life and useful life each measure in the project proposal. Describe any maintenance and replacement requirements or savings of the measure(s).
5. Provide a timeline for project completion, with an estimate of savings achieved for each month until project completion.
6. Describe who is to own and operate the energy efficiency or system capacity efficiency measure(s) after they are installed.
7. List and describe who is to install the measure(s), including any installation subcontractors.
8. To the extent possible, describe and support any reasons that the bid proposal may better benefit Avista and its customers than the Company's existing energy efficiency programs if that proposal is partially or entirely mutually exclusive with an existing program.

B. Price and Payment Structure. The price bid, the requested pricing configuration, and terms of the proposed services are subject to negotiation.

1. Provide a detailed description of the price of the proposal, including amount per unit and timing of payments. Bid price can be based upon annual payments, or initial payment per kWh or kW saved, or initial payment per measure installed.
2. Detail any portion of the payment to be based on measured performance. Detail any portion of the payment to be based on other criteria. Performance-based pricing structures are preferred but not rigidly required.
3. Describe the proposed payment plan, including when payment for savings will be made, the conditions that must be met before payment is made, and how payments may be adjusted following any verification of savings procedures.
4. Provide an estimate and description of fees, shared savings arrangements, or any other contribution the customer or third party will be obligated to pay for the installation of any portion of the proposed measure(s).
5. Provide a calculation showing the utility costs of the proposal.

C. Savings Verification Plan.

1. Describe the procedures that will be used to estimate and measure savings from the installed measures. For estimates that are to be made, describe how they are derived and the assumptions and sources used to develop the estimates. For savings that are to be measured, describe the proposed measurement procedures. Provide sufficient detail on the measurement procedures, including the type of measurement (i.e., billing analysis or end-use metering) and the participants included in the measurement. The savings verification plan should address both first year annual savings and savings persistent over the proposed life of the measure. Describe any plans to verify estimated savings. Describe any procedures that will be in place to measure the persistence of the energy savings.
2. Describe Avista's role in the proposed verification plans. Describe any information, data, or support that Avista will need to provide to the verification plan.
3. Describe the timeline for savings verification. Specifically describe the links between measure installation, verification of savings and payment.
4. Provide a proposal for assessing the level of free-ridership resulting from the proposal. Free riders are generally defined as program participants who would have adopted the measure(s) in the absence of the proposed program.

D. Marketing and Customer Service Plan.

1. Provide a description of the marketing plan that will be used to recruit participants, if appropriate. Describe how customers will be contacted and how eligibility for participation will be determined.
2. Describe how your proposal is designed to minimize the level of free-ridership. This may include a description of how participants will be recruited and the expected simple payback for participants with and without financial incentives. (Simple payback is to be calculated as the participant's cost divided by the annual energy bill savings.)
3. Describe how participant complaints will be addressed.

4. Describe any general marketing assistance the bidder expects Avista to provide. This may include customer lists, customer billing records, letters of introduction, or support by the Company's customer service representatives.
5. Describe written or implied warranties that will be provided to customers regarding quality of materials and installation.
6. Any bidders currently operating programs will be required to provide Avista with information on participants, measures installed, estimated energy savings, system capacity impact, and participant costs. Describe the intention to track and provide that information to Avista.
7. List complaints received from participants regarding the conduct of past energy or capacity efficiency programs by the bidder and the disposition of each complaint.

E. Financial Capability

1. Provide a description of plans for financing the energy efficiency project(s).
2. If your proposal requires liquidated damages, describe the proposed security arrangements (i.e., bank letter of credit, payment bond, corporate guarantee, or other security).
3. Be prepared to provide, if the proposal is selected for negotiation, a demonstration of the ability to obtain a level of insurance, such as general business and liability insurance, sufficient to cover major project contingencies.

F. General Qualifications

1. Please be prepared to provide three or more references from the last five jobs where the bidder has performed similar services to those proposed to Avista if the proposal is selected for negotiation. These references can be a contact person at another utility to whom the bidder has provided services, or electric customers for whom the bidder has provided energy efficiency services, preferably similar to those included in the bidder's proposal. Provide telephone numbers for these references.
2. Provide a general description of the your organizations background and experience in projects similar to your proposal.

3. Be prepared to list and describe, if the proposal is selected for negotiation, any licenses that you or your subcontractors have or will be required to obtain to perform the type of work described in your proposal.
4. Be prepared to describe, if the proposal is selected for negotiation, how your proposal complies with all applicable codes, permits and licenses legally required for the measure installations proposed. A list of the necessary permits will also be required during negotiation.
5. Provide form of business classification (i.e., sole proprietorship, partnership, or corporation).
6. Be prepared to list, if the proposal is selected for negotiation, all affiliated companies, including holding companies, subsidiaries, and predecessor companies presently or in the past engaged in delivering the types of services included in the proposal.
7. Provide a list of prior organizations for which key management team members have worked if such organizations have provided services similar to those in the proposal.
8. Be prepared to list all lawsuits, regulatory proceedings, or arbitration in which the bidder or its affiliates or predecessors have been engaged related to the types of services proposed if the proposal is selected for negotiation. Identify the parties involved in such lawsuits, proceedings, or arbitration, and the final resolution or present status of such matters.
9. Detail the disposal of waste to be removed from customer facilities as part of energy efficiency projects, including the disposal of toxic and contaminated waste. Describe any recycling strategies to be incorporated into disposing of removed materials from the project.
10. Detail specific environmental aspects of the project, including any planned utilization of recycled materials in equipment supplied to the project.

Evaluation and Ranking of Energy Efficiency Proposals

All energy efficiency and system capacity proposals will be evaluated and ranked against the other proposals submitted. The review and possible selection of projects will be based on which proposal(s) provide the optimum value to Avista's customers. Proposals will first be screened to ensure that they meet required criteria as stated in this RFP and have completed the "Checklist For Energy Efficiency and System Capacity Resources".

A preliminary evaluation will follow the initial screening to narrow the list. The evaluation will be based upon both price and non-price criteria. The pricing evaluation will consider measure persistence, timing and flexibility of capacity delivery, degradation of savings, program free-ridership and market transformation. Evaluation of non-price factors will include, but will not be limited to, the economic value to participating customers and the compatibility of the program with Avista's overall energy efficiency portfolio.

Next, a detailed evaluation of selected proposals will take place and could include meetings with bidders. Following the detailed evaluation will be the selection of proposals for negotiation. Negotiation does not guarantee an award of a written contract.

Due to the individual and unique nature of each bid, evaluation and ranking will include the balancing the various impacts of the criteria bid. The six categories that will be used in the proposal ranking will be the description of proposal, price and payment structure, savings verification plan, marketing and customer service plan, financial capability, and general qualifications and references.

If any proposal receives an unacceptable rating in any category, Avista may, at its sole discretion, eliminate that proposal from further review. However Avista, at the discretion of reviewers, may request a bidder to correct minor deficiencies in order for the bid to receive an overall acceptable rating.

CHECK LIST FOR ENERGY EFFICIENCY AND SYSTEM CAPACITY RESOURCES

To be completed for all bid proposals. Please check in the space provided if the applicable exhibit is attached.

GENERAL INFORMATION

Project Sponsor's Name:
Address:
Phone Number:

PROJECT INFORMATION

Project Location:
Annual Energy Capability (MWh):
Term of Sale:
Date of First Installation:

DESCRIPTION OF PROPOSAL

Description of Measures	A.1.	_____
Estimated Savings	A.2.	_____
Physical & Useful Life	A.3.	_____
Dispatchability	A.4.	_____
Timeline	A.5.	_____
Owner & Operator	A.6.	_____
Subcontractors	A.7.	_____
Why Use Your Proposal	A.8.	_____

PRICE AND PAYMENT STRUCTURE

Description of Price	B.1.	_____
Measured Performance	B.2.	_____
Payment Plan	B.3.	_____
Fee or Shared Savings	B.4.	_____
Utility Cost	B.5.	_____

SAVINGS VERIFICATION PLAN

Description of Plan	C.1.	_____
Avista's Role	C.2.	_____
Timeline	C.3.	_____
Free-ridership	C.4.	_____

MARKETING AND CUSTOMER SERVICE PLAN

Description of Marketing Plan	D.1.	_____
Free Riders	D.2.	_____
Complaints Procedure	D.3.	_____
Avista's Role	D.4.	_____
Warranties	D.5.	_____
Data Gathering	D.6.	_____
List of Complaints	D.7.	_____

FINANCIAL CAPABILITY

Description of Plan	E.1.	_____
Liquidated Damages	E.2.	_____
Insurance	E.3.	_____

GENERAL QUALIFICATIONS

References	F.1.	_____
Experience	F.2.	_____
Licenses	F.3.	_____

Codes and Permits	F.4.	_____
Business Classification	F.5.	_____
Affiliated Companies	F.6.	_____
Key Individuals	F.7.	_____
Lawsuits	F.8.	_____
Waste Disposal	F.9.	_____
Environmental Aspects	F.10.	_____

Request for Power Supply Resources

General Discussion

Each proposal shall set forth a term. Avista desires to acquire operating flexibility in its power supply. Therefore, additional value will be placed on power supplies with the following attributes:

- Firm delivery backed by a generating resource or a composite of resources preferably within the Northwest Region.
- Price capped to emulate the cost from a generating resource.
- Curtailment capability to allow Avista an opportunity to stop deliveries. If deliveries from a project may be curtailed at Avista's option, Avista would have the opportunity to purchase power from the wholesale electric market when the market price is less expensive than the firm purchased power supply.
- The ability to quickly make changes in delivery (ramp-up and ramp-down) in order to follow variable load obligations.

All bids will be evaluated based on their cost, flexibility service provided and overall usefulness to Avista. Avista invites proposals on the various options described under "Bids Requested". Avista has listed a separate option under "Bids Requested" in order encourage bids for cost-effective renewable resource proposals. Avista also welcomes your ideas that you may feel better meet the objective of this RFP.

Point of Delivery

Specify the point of delivery for each product offered. If the point of delivery is at a point other than Avista's system, Avista will add transmission costs to deliver the product to its system. If Avista is not the holder of the contract for third party transmission, Avista will place additional value on options to move the delivery point within the Northwest Region on a non-firm or as available firm basis. However, Avista prefers to hold the contract for third party transmission, if required to deliver the power. Direct delivery to Avista's system can be made at the following points:

1. Wanapum – interconnection with multiple parties at mid-Columbia
2. Westside - BPA interconnection
3. Bell – BPA interconnection
4. Hatwai – BPA interconnection
5. Hot Springs – BPA and Montana interconnection
6. Lolo – Idaho interconnection
7. Other points will be considered

For purposes of responding to this RFP, assume that adequate transmission capacity exists at Avista's points of delivery listed above. Transmission limitations (if any) will be considered in subsequent steps of the selection process.

General Qualifications List

- A. Please provide three or more references from the last five projects where the bidder, or its affiliates, if appropriate, has implemented a power supply proposal similar to those proposed to Avista. These references can be a contact person with whom the bidder has transacted business. Provide telephone numbers for these references.
- B. Provide a general description of the bidder's background and experience in power supply proposals similar to its proposal.

- C. Provide form of business classification (i.e., sole proprietorship, partnership, or corporation).
- D. List all affiliated companies, including holding companies, subsidiaries, and predecessor companies presently or in the past engaged in developing and/or implementing power supply proposals.
- E. Provide a list of prior organizations for which key management team members have worked if such organizations have developed and/or implemented power supply proposals.
- F. List all lawsuits, regulatory proceedings, or arbitration in which the bidder or its affiliates or predecessors have been engaged related to the types of power supply proposals proposed. Identify the parties involved in such lawsuits, proceedings, or arbitration, and the final resolution or present status of such matters.
- G. Detail specific environmental aspects of the power supply proposal.
- H. Provide a statement of responding companies financial status and ability to obtain financing.
- I. Provide a list of any current credit issues raised by rating agencies, banks, or accounting firms. Provide credit rating if available.

Evaluation and Ranking of Power Supply Proposals

All power supply proposals will be evaluated and ranked against the other power supply proposals submitted. The review and possible selection of power supply will be based on which proposals can provide optimum value to Avista's customers.

Proposals will first be screened to ensure they meet required criteria as stated in this RFP and have completed the applicable sections of the "Checklist For Power Supply Resources". General Qualifications must be provided as outlined above plus the project specific information requested for each proposal submitted under the respective section of "Bids Requested". A preliminary evaluation will follow the initial screening to narrow the list. Evaluation will be based upon both price and non-price criteria. Renewable Energy projects will receive a 10% credit on price to account for reduced air quality impact and other environmental impacts. The evaluation will be

split into the following three principle areas for evaluation: Electric Power Characteristics including size, dispatch ability, fuel supply, timeline and other characteristics described in this RFP and in its 2003 IRP and the ability of the operator to meet construction and operational commitments; Financial/ Price Characteristics including demonstrated adequacy of financial capability to construct and maintain projects; Social/Environmental Characteristics including using reasonably current available environmental mitigation technology and ability to meet local, state, and federal agency requirements and, in the case of dedicated plant construction, the ability to handle local impact issues. Next, a detailed evaluation of selected proposals will take place. Following the detailed evaluation will be the selection of proposals for negotiation. Negotiation does not guarantee an award of a written contract.

Due to the individual and unique nature of each bid, the evaluation and ranking will include balancing the various impacts of the criteria bid including but not limited to price and payment structure, financial capability, and general qualifications and references. An evaluation matrix discussion is included in Appendix F.

If any proposal receives an unacceptable rating in any category Avista may, at its sole discretion, eliminate that proposal from further review. However Avista, at the discretion of reviewers, may request a bidder to correct minor deficiencies in order for the bid to receive an overall acceptable rating.

Bids

Avista will consider all power supply proposals, including but not limited to, the types described below:

I. Capacity & Energy Purchase.

Avista will evaluate a purchase of a firm capacity and energy product. A power sale to Avista should be a firm product with interruption rights only for force-majeure conditions.

Items to include in bid relating to “Capacity & Energy Purchase”:

1. The source of the energy supply, for example, a generating plant dedicated solely to this sale, a composite or system of generating plants, the market.
2. Supplier curtailment rights.
3. Avista’s curtailment rights, for example; right to purchase lower cost alternatives, to follow load reductions.
4. Flexibility that allows Avista to make quick changes in delivery to follow variable load obligations.
5. Control area of origin.

II. *Qualifying Facilities with a generating capacity of less than one megawatt.* Sponsors of Qualifying Facilities under the Public Utilities Regulatory Policies Act of 1978 (PURPA) with a generating capacity of less than one (1) MW of installed capacity are eligible to enter into long-run or short-run (energy only) contracts without submitting a bid pursuant to the RFP.

III. *Qualifying Facilities with a generating capacity of more than one megawatt.* Sponsors of Qualifying Facilities under PURPA with a generating capacity of more than one megawatt are eligible to enter into short-run contracts (energy only) without submitting a bid pursuant to the RFP. Sponsors of Qualifying Facilities under PURPA with a generating capacity of more than one megawatt that desire to enter into long-run contracts are invited to submit bids in accordance with this RFP.

IV. *Renewable Power Supplies.*

Renewable project developers are invited to make bids from competitive renewable resource projects. Avista is looking for competitive proven technology based proposals. Avista would evaluate proposals for power delivery from renewable power projects and proposals for Avista ownership of a portion of or all of a renewable power project. Bidders should provide at a minimum, the following information about their project.

A. Description of Proposal

1. Describe the proposed specific renewable resource project. Describe the nature and characteristics of that project including location and power interconnection and transmission arrangements. Provide information regarding project ownership and operation.
2. Provide an estimate of the projected capacity and energy from the project. Provide information regarding when specific amounts of capacity and energy will be available. Provide a monthly distribution of energy production. If capacity will be provided, provide a description of what hours that capacity will be available firm or alternatively an hourly shape of available firm capacity. Provide an estimate of the monthly and annual plant factors.
3. Provide a description of dispatch ability (or similar utility control), if any, of the project energy output. This will probably apply only to projects with capacity.
4. Describe when project power will be made available including any project timelines that may be applicable. Describe any variables that could affect those timelines.

V. *Power Plant*

A. Combined Cycle Combustion Turbine

Avista would evaluate the construction of a natural gas-fired combined cycle combustion turbine power plant. Construction sites offered should include all electric transmission necessary to connect the plant with the main power grid and all natural gas transmission necessary to interconnect the plant with interstate natural gas transmission facilities. In addition, information regarding each of the following must be included in the proposal:

1. Water supply characteristics, including: source; quality; and quantity.
2. Waste disposal characteristics, including: requirements; and treatment facility.
3. Work force characteristics, including:

- a) where it originates from to support construction;
 - b) where it originates from to support operation;
 - c) community infrastructure;
 - d) what the surrounding community offers to support construction; and operation.
4. Community support, including political environment.
 5. Transportation infrastructure, including, highways, railroads and airports.
 6. Permits in General. The proposed site should have a complete description and listing of all permits acquired, pending and permits that must be acquired before the turbine can be built.
 7. Air Permit. The air permit should be included with the RFP or described in detail. An itemized listing of the conditions under which the project is subject to operate must be attached. The list must include but not be limited to the maximum each pollutant can emit by hour, year, etc.
 8. A legal description of the proposed site.
 9. Documentation of support for the project from local residents, state, local and federal agencies, and local political groups.
 10. Documentation describing all opposition to the proposed development whether it is formal or informal.
 11. Land and resource use considerations including, existing land use, cultural resources, earth resources and critical habitat.
 12. All other attributes your site possesses that would make siting a combined cycle combustion turbine a positive decision.
 13. Demonstration that the combined cycle combustion turbine project is licensable and operational under applicable site constraints.

B. Simple Cycle Combustion Turbine

Avista would evaluate the construction of a of natural gas-fired simple cycle combustion turbine power plants. A site offer should include all electric transmission necessary to connect the plant with the main power grid and all natural gas transmission necessary to interconnect the plant

with interstate natural gas transmission facilities. In addition, information regarding each of the following must be included in the proposal:

1. Water supply characteristics, including: source; quality; and quantity.
2. Waste disposal characteristics, including: requirements; and treatment facility.
3. Work force characteristics, including:
 - a) where it originates from to support construction;
 - b) where it originates from to support operation;
 - c) community infrastructure;
 - d) what the surrounding community offers to support construction; and operation.
4. Community support, including political environment.
5. Transportation infrastructure, including, highways, railroads and airports.
6. Permits in General. The proposed site should have a complete description and listing of all permits acquired or pending and permits that must be acquired before the turbines can be built.
7. Air Permits. The air permit should be included with the RFP or described in detail. An itemized listing of the conditions under which the project is subject to operate must be attached. The list must include but not be limited to the maximum each pollutant can emit by hour, year, etc.
8. A legal description of the proposed site.
9. Documentation of support for the project from local residents, state, local and federal agencies, and local political groups.
10. Documentation describing all opposition to the proposed development.
11. Land and resource use considerations including, existing land use, cultural resources, earth resources and critical habitat.
12. All other attributes your site possesses that would make siting a combustion turbine a positive decision.
13. Demonstration that the turbine project is licensable and operational under applicable site constraints.

CHECK LIST FOR POWER SUPPLY RESOURCES

To be completed for all bid proposals. Please check in the space provided if the applicable exhibit is attached.

GENERAL INFORMATION

Project Sponsor's Name:

Address:

Phone Number:

PROJECT INFORMATION

Project Location:

Nameplate Rating (MW):

Annual Energy Capability (MWh):

Term of Sale:

Date of First Delivery (Commercial Operation):

Major Fuel Type:

Ownership:

DESCRIPTION OF PROPOSAL

I. Capacity & Energy Purchase

A.1. _____

A.2. _____

A.3. _____

A.4. _____

A.5. _____

B.1. _____

B.2. _____

B.3. _____

B.4. _____

B.5. _____

II. Qualifying Facilities with a generating capacity of less than one megawatt

III. Qualifying Facilities with a generating capacity of more than one megawatt

IV. Renewable Power Supplies

A.1. _____

A.2. _____

A.3. _____

A.4. _____

V. Power Plant Including Site

A. Combined Cycle Combustion Turbine

A.1. _____

A.2. _____

A.3. _____

A.4. _____

A.5. _____

A.6. _____

A.7. _____

A.8. _____

A.9. _____

A.10. _____

A.11. _____

A.12. _____

A.13. _____

B. Simple Cycle Combustion Turbine

B.1. _____

- B.2. _____
- B.3. _____
- B.4. _____
- B.5. _____
- B.6. _____
- B.7. _____
- B.8. _____
- B.9. _____
- B.10. _____
- B.11. _____
- B.12. _____
- B.13. _____

APPENDIX A

WUTC BIDDING RULE

Bidders participating in Avista's 2003 RFP that would like a copy of the WUTC bidding rule WAC 480-107 can receive a copy by contacting Doug Young at (509) 495-4521 at Avista's general office in Spokane, Washington.

APPENDIX B

MODEL CONTRACTS

The following model contracts are included in this appendix:

1. PROTOTYPE ENERGY EFFICIENCY AGREEMENT
2. PROTOTYPE POWER SUPPLY CONTRACT

These model contracts provide a basis for negotiation of a purchase agreement with Avista Corporation. Bidders should expect that a final agreement would have many changes in terms and conditions through the negotiation process.

Bidders participating in Avista's 2003 RFP that would like a copy of these model contracts can receive a copy by contacting Doug Young at (509) 495-4521 at Avista's general office in Spokane, Washington.

PROTOTYPE ENERGY EFFICIENCY AGREEMENT

Proposal Date _____ **Name** _____
Account No. _____ **Address** _____
Rate Schedule Tariff _90 __ 190 **City State Zip** _____
Contract No. _____ **Project** _____
Application No. _____ **CAR#** _____

AVISTA Corporation dba AVISTA Utilities

ENERGY EFFICIENCY AGREEMENT

THIS AGREEMENT, dated as of _____, 2003, is entered into by and between AVISTA Corporation doing business as AVISTA Utilities, a corporation, organized and existing under the laws of the State of Washington (hereinafter referred to as "AVISTA"), and **XXX**, an AVISTA customer located at **XXX** in the City of **XXX**, **XXX** County, Washington (hereinafter referred to as "Customer").

WITNESSETH:

WHEREAS, Customer is the owner and/or operator of a facility served by AVISTA with electric and/or natural gas service, and desires to replace and/or upgrade existing equipment in use at Customer's facility located at **XXX**, in the City of **XXX**(hereafter referred to as "Facility"); and

WHEREAS, AVISTA has initiated an "Energy Efficiency Program", approved by the Washington Utilities and Transportation Commission and the Idaho Public Utilities Commission (hereinafter referred to as "State Commissions") under tariff Schedule 90 and tariff Schedule 190, for the acquisition of electric and natural gas energy resource savings through investments in improvements in the efficiency of electric and natural gas equipment and processes owned and operated by customers of AVISTA; and

WHEREAS, Customer and AVISTA desire to enter into an agreement for the implementation of energy efficiency measure(s) in the Facility(s) as set forth herein.

NOW, THEREFORE, in consideration of the covenants and agreements herein contained, it is agreed:

1. Term of Agreement. This Agreement shall become effective on the date first written above and shall remain in effect for a term of five (5) years commencing on the date that the installation of the energy efficiency improvement measures ("Measures") described in Section 3 herein have been completed and verified by AVISTA, as set forth in Section 4 herein; provided, however, if Customer fails to complete installation of such Measures by **XXX, 20XX** this Agreement shall be terminated and all obligations of AVISTA set forth herein shall be waived.
2. Term of Offer. The Energy Efficiency Payment offered to Customer, as outlined in Section 5 below, is valid for acceptance by Customer for a period of thirty (30) days from the Proposal Date indicated above, with such acceptance acknowledged by Customer's signature below. Failure of

Customer to return the signed original of this Agreement by such deadline shall result in the Energy Efficiency Payment offer to be considered null and void.

3. Installation of Energy Efficiency Improvement Measures. Customer shall install and maintain the Measures (hereinafter referred to as “Equipment”) at the Facility(s) as described in “Schedule A”, attached hereto and incorporated herein. All existing equipment removed and replaced hereunder shall, at the Customer’s expense, be permanently disabled, sold for scrap, and/or removed from the Facility(s). Customer assumes all responsibility to dispose of all equipment and material removed hereunder in accordance with applicable law.
4. Equipment Selection, Operation and Maintenance. The selection, purchase, and installation of the Equipment described in Section 3 herein shall be the sole responsibility of the Customer, provided that the Equipment selected and installed hereunder complies with the electric and/or natural gas energy resource savings recommendations in the analysis prepared by AVISTA, or its representative. It is understood and agreed that any AVISTA evaluation and/or analysis of the Equipment is for the sole purpose of determining Customer's eligibility for AVISTA's Energy Efficiency program. AVISTA MAKES NO, AND HEREBY DISCLAIMS ANY AND ALL, IMPLIED OR EXPRESS WARRANTIES (INCLUDING, BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE), AND SHALL NOT BE RESPONSIBLE FOR ANY REPRESENTATION OR PROMISE WITH RESPECT TO THE EQUIPMENT, MATERIALS, OR LABOR REQUIRED FOR THE INSTALLATION OF THE EQUIPMENT, OR THE COST OF SUCH EQUIPMENT, MATERIALS, AND LABOR, OR ANY ENERGY SAVINGS THAT MAY ACCRUE FROM THE INSTALLATION OF SUCH EQUIPMENT. Any required maintenance, repair or replacement of the Equipment installed hereunder shall be the sole responsibility of and at the expense of the Customer. In the event that any of the Equipment installed hereunder becomes defective or fails to operate properly, and such defect or failure to operate cannot be repaired, Customer agrees to replace such Equipment with Replacement Equipment that provides equal or higher electric and/or natural gas energy resource savings, and performs in a manner consistent with recommendations in the analysis by AVISTA as set forth in Section 3 herein.
5. Energy Efficiency Payment.
 - A. The Estimated Energy Efficiency Payment analysis described in Schedule A, shall be performed by AVISTA. The Estimated Energy Efficiency Payment shall be calculated by dividing the estimated Equipment installation costs for the project by the estimated energy cost savings. However, the Estimated Energy Efficiency Payment calculated herein shall be subject to adjustment, either upward or downward, as described below in Section 5.B, to determine the actual Energy Efficiency Payment owed to Customer under this Agreement.
 - B. Upon completion of the installation of the Equipment contemplated herein, Customer shall provide documentation, acceptable to AVISTA, detailing: 1) the actual Equipment installed to enable AVISTA to verify and/or recalculate the energy (kWh/therm) savings hereunder, and 2) the purchase and installation cost of such Equipment. In the event AVISTA determines that the actual installed cost of the Equipment, as submitted by Customer, is unacceptable, AVISTA shall have the right to establish the acceptable installation costs to calculate the actual Energy Efficiency Payment applicable hereunder. Upon AVISTA's receipt, approval and acceptance of Customer’s documentation, AVISTA shall calculate the Energy Efficiency Payment in conformance with AVISTA’s Schedule 90 and 190 tariffs, by dividing the actual installed costs of the project by the actual energy cost savings per year to determine the simple pay-back period and resulting Incentive Level reflected on Schedule

- 90/190. The Incentive Level resulting from this calculation shall be applied to the Customer's first-year kWh savings to determine the actual Energy Efficiency Payment applicable hereunder. Such Energy Efficiency Payment shall be the **LESSER OF** the calculation described herein, or fifty percent (50%) of the actual AVISTA-approved installation costs. In no event will the actual Energy Efficiency Payment owed to Customer under this Agreement exceed fifty percent (50%) of the actual AVISTA-approved project costs.
- C. The method of disbursement of the Energy Efficiency Payment calculated hereunder shall be at AVISTA's sole discretion, which may include, but not be limited to, cash payments or offsets to Customer's energy bills. Such disbursements by AVISTA shall commence no earlier than **XXX, 2005**.
 - D. Customer shall be responsible for payment of any applicable federal, state or local income and corporate tax liability associated with such AVISTA payment, and shall indemnify, defend and hold AVISTA harmless with respect thereto.
 - E. The calculation of the actual Energy Efficiency Payment applicable hereunder is based on the simple payback of the project prior to the application of the incentive level, in accordance with Rate Schedule 90, and shall be attached hereto and incorporated into the Agreement by this reference as "Schedule C".
 - F. The Energy Efficiency Payments calculated herein shall be determined solely by AVISTA, and such determinations are considered to be final.
 - G. AVISTA may, at its option, during reasonable hours, inspect the Equipment following installation to verify Equipment installation.
6. Energy Efficiency Payment Refund. In the event that, during the term of this Agreement, Customer: (1) closes and/or sells its Facility(s); (2) discontinues purchasing electric and/or natural gas service from AVISTA such that Customer forfeits its eligibility under the provisions of AVISTA's Schedule 90 and 190 tariffs; or (3) fails to properly operate, maintain or replace the Equipment as set forth herein, Customer agrees to refund to AVISTA the portion of the Energy Efficiency Payment, calculated on a pro-rata basis, for the period of time during the term hereof that Customer fails to provide the anticipated energy savings, unless Customer's obligations have been assigned, as specified in Section 10 hereto, with the prior written approval of AVISTA
7. Inspection of Facilities. AVISTA shall be permitted to inspect the Facilities and Equipment on reasonable notice and at reasonable hours for the sole purpose of verifying Customer's compliance with its performance obligations under this Agreement, including continued operation of the Equipment contemplated herein. AVISTA shall also have the right to install and maintain sub-metering equipment and shall be furnished reasonable access to sub-metering devices for meter reading purposes. This provision shall not impose upon AVISTA any obligation to perform any inspection, and is not intended to substitute for or relieve Customer of any responsibility or duty relating to the purchase, design, installation, operation or maintenance of the Equipment.
8. Compliance with Laws. Customer represents and warrants that Customer, its agents and employees, and any subcontractor it may retain to install or maintain the Equipment, are familiar with, and at all times will comply with all applicable federal, state and local laws, codes,

ordinances, rules and regulations pertaining to the installation, maintenance, operation and use of the Equipment.

9. Disclaimer and Indemnity. Customer acknowledges and agrees that it is voluntarily participating in this Energy Efficiency Program; that AVISTA is providing funding and analysis, only; and that AVISTA assumes no liability for Customer's decision to enter into this Agreement, for the Measures selected by Customer, any third parties selected by Customer to install those Measures, or any disputes arising out of repair or replacement of the Equipment installed hereunder. Furthermore, as part of the consideration for this Agreement, Customer hereby releases and shall indemnify, hold harmless and defend AVISTA from any and all claims, losses, harm, costs, liabilities, damages and expenses (including attorneys' fees) of any nature whatsoever, or allegations thereof, arising directly or indirectly out of or in anyway pertaining this Agreement, except to the extent any claims, losses, etc., arise as a result of AVISTA's sole negligence.
10. Assignment. This Agreement will inure to the benefit of and be binding upon the successors and assigns of the respective parties hereto. No assignment or transfer by either party hereunder shall be made without the prior written approval of the other party, except for a transfer to a parent, subsidiary, or affiliate of such party, or, with respect to AVISTA, to a successor in interest which acquires all or substantially all of the assets of AVISTA, and such approval shall not be unreasonably withheld.
11. Continued Availability. It is understood that the Energy Efficiency Payment described in Section 5 above is contingent upon continued funding availability through AVISTA's Schedule 90 and 190 tariffs applicable to the Equipment contemplated hereunder.
12. Venue. Any action at law or in equity to enforce the terms and conditions of this Agreement shall be brought in a court of competent jurisdiction where Customer's Facility(s) is located.
13. Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the States of Washington or Idaho, depending on the location of Customer's Facility(s), excluding any choice of law rules that may direct the application of laws of another jurisdiction.
14. Amendment and Waiver. This Agreement contains all of the terms and conditions bearing upon the subject matter and shall not be modified or varied except by written agreement executed by each of the parties hereto through authorized representatives. If at any time the terms hereto are not strictly adhered to or enforced, such requirements shall not thereby be deemed waived or modified, but shall at all subsequent times and date be deemed in full force and effect.
15. 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.
16. Attorney Fees. If any action is brought to enforce this Agreement, or in the event of any dispute arising hereunder, the prevailing party in such action shall be entitled, in addition to any other relief, an award of reasonable attorney's fees and costs incurred in such action.
17. Order of Precedence. This Agreement consists of the following documents which are listed in descending order of precedence and are attached and incorporated by reference: the Energy Efficiency Agreement, Supplement(s), Schedules and Exhibits.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in duplicate by the respective officers hereto, duly authorized as of the date first above written.

AVISTA Corporation dba _____

AVISTA Utilities XXXXXXXXXXXXXXXX

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

Federal Taxpayer ID Number

PROTOTYPE POWER SUPPLY CONTRACT

**POWER PURCHASE AGREEMENT
BETWEEN
AVISTA CORPORATION
AND**

INDEX TO SECTIONS

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This Power Purchase Agreement is entered into as of this ____ day of _____, _____, by and between _____ ("_____"), a corporation organized and existing under the laws of the State of _____, and AVISTA CORPORATION ("Avista") of Spokane, Washington, a corporation organized and existing under the laws of the State of Washington, hereinafter sometimes referred to collectively as "Parties" and individually as "Party."

WITNESSETH:

WHEREAS _____ plans to operate a ____ MW electric generating unit(s) ("Facility") at _____; and

WHEREAS, _____ has obtained from the _____ the right and authority to operate the Facility: and

WHEREAS, the Facility may produce power from time to time which is in excess to _____ needs and which _____ desires to sell to Avista, and

WHEREAS, the Facility will be connected in a manner such that parallel operation with Avista's electrical system will occur;

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

1. DEFINITIONS. In addition to words defined elsewhere in this Agreement as signified by initial capitalization, whenever used in this Agreement and exhibits and attachments hereto, the terms below shall have the following meanings:

(a) "Agreement": This POWER PURCHASE AGREEMENT including all exhibits, attachments and modifications thereof.

(b) "Bankrupt": With respect to either Party, such Party (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it and such petition is not dismissed within sixty (60) days after it is filed, (ii) makes an assignment or any general arrangement for the benefit of creditors, (iii) otherwise becomes bankrupt or insolvent (however evidenced), (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets, or (v) is generally unable to pay its debts as they fall due.

(c) **"Effective Date"**: The date this Agreement becomes effective pursuant to Section 3(a) of this Agreement.

(d) **"Facility"**: The electric generating facility, including all equipment and structures necessary to generate and supply power, as more specifically described in Section 4.

(e) **"Forced Outage"**: Any outage that either fully or partially curtails the electrical output of the Facility caused by mechanical or electrical equipment failure, plant related structural failure, or unscheduled maintenance required to be performed to prevent equipment failure.

(f) **"Governmental Authority"**: Any federal, state or local government, political subdivision thereof or other governmental, regulatory, quasi-governmental, judicial, public or statutory instrumentality, authority, body, agency, department, bureau, or entity or any arbitrator with authority to bind a Party at law.

(g) **"Governmental Rule"**: Any law, rule, regulation, ordinance, order, code, permit, interpretation, judgment, decree, directive, guideline, policy or similar form of decision of any Governmental Authority having the effect of law or regulation.

(h) **"Good Industry Practice"**: Good industry practice as defined in the Interconnection Agreement, which definition is adopted by reference for purposes of this Agreement as though set forth in full herein.

(i) **"Interconnection Agreement"**: The Generation Interconnection Agreement entered as of the effective date of the XX^h day of XXXX, 200X, by and between Avista and _____.

(j) **"Point of Delivery"**: The location where the Facility is electrically interconnected with Avista's electrical system

(k) **"Power Sales"**: Power transactions in which _____ sells to Avista electric power from the Facility.

(l) **"Premises"**: The site owned or operated by _____ at which the Facility is located.

2. **REPRESENTATIONS**

(a) _____ represents and warrants that it is the sole operator of the Facility, that it has obtained from the _____ the right and authority to operate the Facility through the term of this Agreement, that all licenses or permits required for the operation thereof have been or will be obtained in the name of or assigned to _____ prior to the Operation Date and that the undersigned is authorized to execute this Agreement in _____ behalf. Upon request by Avista, _____ shall deliver to Avista

certified copies of _____ articles of incorporation and by-laws or articles of partnership as applicable. _____ also represents that the Facility is or will be before it commences operation a Qualifying Facility pursuant to law and the rules of the Federal Energy Regulatory Commission.

(b) Each Party represents and warrants to the other:

1) it has all authorizations from Governmental Authority necessary for it to legally perform its obligations under this Agreement or will obtain such authorizations in a timely manner prior to the time at which any performance by it requiring such authorizations becomes due;

2) the execution, delivery and performance of this Agreement are within its statutory and corporate or partnership powers, have been duly authorized by all necessary action and do not violate any of the terms or conditions in its governing documents, any contract to which it is a party or by which it or any of its properties may be affected or bound, or any Governmental Rule applicable to it;

3) this Agreement constitutes a legal, valid and binding obligation of the Party enforceable against it in accordance with its terms, and the Party has all rights such that it can and will perform its obligations to the other Party in conformance with the terms and conditions of this Agreement, subject to bankruptcy, insolvency, reorganization and other laws affecting creditor's rights generally and general principles of equity;

4) no Bankruptcy is pending against it, being contemplated by it, or to its knowledge threatened against it; and

5) there are no suits, proceedings, judgments, rulings or orders by or before any Governmental Authority that could reasonably be expected to have a material adverse effect on its ability to perform this Agreement.

3. TERM OF AGREEMENT.

(a) This Agreement shall terminate at 2400 hours on _____, unless terminated earlier by terms and conditions contained herein, and shall be effective on the latest of the following; the date of execution of the Agreement by both Parties or the date of approval from the Idaho Public Utilities Commission and/or acceptance by the Washington Utilities and Transportation Commission ("Effective Date"). The obligations to purchase and sell power pursuant to this Agreement shall commence _____ and shall terminate at 2400 hours on _____.

(b) Avista shall timely file this Agreement for approval by the Idaho Public Utilities Commission ("IPUC"), and if required to do so with the Washington Utilities and Transportation Commission ("WUTC"). In the event that either the IPUC or the WUTC disapproves the Agreement or approves it upon conditions, which are unacceptable to Avista or _____, the Agreement will terminate upon the date of such disapproval or conditional approval.

(c) All obligations required to be performed by the Parties are preserved regardless of the termination or expiration of this Agreement where so required by terms and conditions of this Agreement.

4. DESCRIPTION OF FACILITY AND PREMISES.

The Facility and Premises are specifically described as follows:

5. POWER SALES.

(a) _____ shall sell and deliver and Avista shall purchase and receive at the Point of Delivery the Power Sales. Power Sales shall be deemed to be the total amount of power generated and delivered to Avista up to ___ MW. A power meter currently located at the Point of Delivery at _____ expense shall register the total Power generated on an hourly basis. _____ shall deliver to Avista at all times all the power output from the Facility less the amount _____ needs for its operation of its own facilities.

(b) The power meter will record power, which flows from the Facility to Avista. Avista and _____ both shall have the right to read and receive readings from the power meter. 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 energy deliveries 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 _____, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit a representative of _____ 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 _____. Reasonable costs for such requested test shall be paid by _____ unless any of the meters is found to be inaccurate in which case Avista shall pay for such test.

(c) 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 permit representatives of _____ to inspect all of Avista's records relating to the delivery of electrical energy to and purchase of electrical energy by Avista hereunder.

6. OPERATION OF FACILITY

(a) _____ shall construct, operate and maintain the facility in compliance with Qualifying Facility status and all equipment needed to generate and deliver electric power in accordance with applicable laws and regulations and in accordance with Good Industry Practice. _____ shall construct, operate and maintain said Facility and equipment at its own risk and expense. Avista shall construct, operate and maintain its interconnection facilities, and that portion of its system that is interconnected to the Facility, and all equipment needed to receive and transmit electric power in accordance with applicable laws and regulations and in accordance with Good Industry Practice. Avista shall construct, operate and maintain said interconnection facilities and system and associated equipment at its own risk and expense.

(b) Interconnection of electrical systems under this Agreement shall be governed by Section 3 of the Interconnection Agreement (Interconnection Service and Service Standards), Section 4. of the Interconnection Agreement (Construction of Interconnection Facilities), and Section 5 of the Interconnection Agreement (Operation and Maintenance) which sections are adopted by reference for purposes of this Agreement as though set forth in full herein. Nothing herein is intended to amend or alter the Interconnection Agreement as it may be amended or superceded.

(c) Exhibit A, herein, shall govern communications between _____ and Avista for purposes of this Agreement.

7. PAYMENTS.

(a) For each month during the term of this Agreement, so long as there are Power Sales made and/or payments due hereunder, Avista shall prepare, as adjusted as required herein, an itemized explanation of the payment due including the losses returned, if any, the amounts of Power Sales to Avista for which payment is due, the appropriate rates, and any adjustments to the payment due to the provisions herein. Avista may offset against such payments any amounts owed to Avista by _____ under section 7(b). Avista shall pay _____ on or before the 15th day after the date of the delivery of the bill for power delivered during the previous calendar month. Where such 15th day falls on a Saturday, Sunday or holiday, the payment shall be due on the next following business day.

(b) If _____ is obligated to make any payment to Avista under the terms of this Agreement, Avista shall bill _____ for such payments. _____ shall pay Avista on or before the 15th day after the date of the delivery of the bill. Where such 15th day falls on a Saturday, Sunday, or

holiday, the payment shall be due on the next following business day. _____ may offset against such payments any amounts owed to _____ by Avista.

- (c) Any payments by Avista to _____ or by _____ to Avista, if not paid in full within the limitations set forth in Section 7(a) and 7(b) shall be late. Notwithstanding the remedies for such an event of default pursuant to Section 15, the late-paying Party shall be assessed a charge for late payment equal to the lesser of one and one-half percent (1.5%) per whole or partial month, or the maximum rate allowed by the laws of the State of Idaho per whole or partial month multiplied by the overdue amount. Each Party shall have the right to offset any amounts due it against any present or future payments due by the other Party.
- (d) Avista shall pay _____ monthly for Power Sales at the rates set forth in Exhibit B. Avista shall not accept Power Sales from the Facility if it has not received Qualifying Facility status from the Federal Energy Regulatory Commission or is not in compliance with such status.

8. METERING.

- (a) Avista shall be responsible for any meter readings required by the Agreement of Power Sales.
- (b) Adjustments shall be made in meter readings and billings for errors in a meter reading billing discovered within twelve (12) months of the error. Power Sales in any year shall be assumed to equal the Power Sales meter reading taken in that year, net of the reading from the previous year and there will be no prorations or date adjustments made to the Power Sales meter readings.

9. FORCED OUTAGE AND FORCE MAJEURE.

- (a) 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, which event or circumstance was not anticipated as of the Effective Date ("Force Majeure"):

- (1) Any cause or condition beyond such Party's reasonable control which is not the result of such Party's negligence and 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; federal, state, or other governmental laws, orders, decrees, restraints, or regulations; Forced Outage; 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; any interruption of transmission service required for the performance of this

Agreement that is excused by reason of Force Majeure or uncontrollable forces under a Party's contract with a transmission service provider; and, any 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

(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.

(b) 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. Nothing contained in this paragraph 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 seven (7) 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. The nonperforming Party shall remedy the Force Majeure occurrence with all reasonable dispatch. The performing Party shall not be required to perform or resume performance of its obligations to the nonperforming Party corresponding to the obligations of the performing Party excused by the Force Majeure occurrence.

(c) Force Majeure does not include changes in the ownership, occupancy, or operation of the Facility or Avista if such changes occur because of normal business occurrences which include but are not limited to: changes in business economic cycles; recessions; bankruptcies; tax law changes; sales of businesses; closure of businesses; changes in production levels; and, changes in system operations.

(d) Force Majeure does not excuse any Party from making payments of money due under this Agreement.

10. INDEMNITY.

(a) _____ **Duty to Indemnify.** Subject to the provisions of Section 11, _____ shall indemnify, hold harmless and defend Avista, and its officers, directors, employees, affiliates, managers, members, trustees, shareholders, agents, contractors, subcontractors, affiliates' employees, invitees and successors, from and against any and all third party claims, demands, suits, obligations, payments, liabilities, costs,

losses, judgments, damages and expenses (including the reasonable costs and expenses of any and all actions, suits, proceedings, assessments, judgments, settlements, and compromises relating thereto, reasonable attorneys' and expert fees and reasonable disbursements in connection therewith) for damage to property, injury to any person or entity, or death of any individual, including Avista's employees and affiliates' employees, _____ employees, or any other third parties, to the extent caused wholly or in part by any act or omission, negligent or otherwise, by _____ or its officers, directors, employees, agents, contractors, subcontractors and invitees arising out of or connected with _____ performance or breach of this Agreement, or the exercise by _____ of its rights hereunder; *provided, however*, that the provisions of this Section shall not apply if any such injury, death or damage is held to have been caused by the negligence or intentional wrongdoing of Avista, its agents or employees. In furtherance of the foregoing indemnification and not by way of limitation thereof, _____ hereby waives any defense it otherwise might have under applicable workers' compensation laws.

(b) Avista's Duty to Indemnify. Subject to the provisions of Section 11, Avista shall indemnify, hold harmless and defend _____, its parent and its officers, directors, employees, affiliates, managers, members, trustees, shareholders, agents, contractors, subcontractors, invitees and successors, from and against any and all third party claims, demands, suits, obligations, payments, liabilities, costs, losses, judgments, damages and expenses (including the reasonable costs and expenses of any and all actions, suits, proceedings, assessments, judgments, settlements, and compromises relating thereto, reasonable attorneys' and expert fees and reasonable disbursements in connection therewith) for damage to property, injury to any entity or person, or death of any individual, including _____ employees and affiliates' employees, Avista's employees, or any other third parties, to the extent caused wholly or in part by any act or omission, negligent or otherwise, by Avista or its officers, directors, employees, agents, contractors, subcontractors and invitees arising out of or connected with Avista's performance or breach of this Agreement, or the exercise by Avista of its rights hereunder; *provided, however*, that the provisions of this Section shall not apply if any such injury, death or damage is held to have been caused by the negligence or intentional wrongdoing of _____, its agents or employees. In furtherance of the foregoing indemnification and not by way of limitation thereof, Avista hereby waives any defense it otherwise might have under applicable workers' compensation laws.

(c) Notice. Any Party seeking indemnification under this Agreement shall give the other Party notice of such claim as soon as practicable but in any event on or before the thirtieth (30th) day after the

Party's actual knowledge of such claim or action. Such notice shall describe the claim in reasonable detail, and shall indicate the amount (estimated if necessary) of the claim that has been, or may be sustained by, said Party. To the extent that the other Party will have been actually and materially prejudiced as a result of the failure to provide such notice, such notice will be a condition precedent to any liability of the other Party under the provisions for indemnification contained in this Agreement. Neither Party may settle or compromise any claim for which indemnification is sought under this Agreement without the prior consent of the other Party; *provided, however*, said consent shall not be unreasonably withheld or delayed. Each Party's indemnification obligation will survive expiration, cancellation or early termination of this Agreement.

(d) Workers Compensation. TO THE EXTENT PERMITTED BY APPLICABLE LAW, _____ AND AVISTA EACH WAIVE ANY IMMUNITY UNDER EXISTING WORKER'S COMPENSATION LAW APPLICABLE TO THE JURISDICTION WHERE THE FACILITY IS LOCATED AS NECESSARY TO INDEMNIFY AND HOLD HARMLESS THE OTHER FROM SUCH LOSS, TO THE EXTENT SET FORTH IN SECTIONS (a) AND (b), ABOVE.

(e) Acknowledgment to Negotiation. _____ 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.

11. LIMITATION OF LIABILITY.

(a) Limitation of Liability. With respect to claims by and between the Parties under this Agreement, the measure of damages at law or in equity in any action or proceeding shall be limited to direct actual damages only. Such direct actual damages shall be the sole and exclusive remedy and all other remedies or damages at law or in equity are waived and neither Party shall be liable in statute, contract, in tort (including negligence), strict liability, warranty or under any other legal theory or otherwise to the other Party, its agents, representatives, and/or assigns, for any special, incidental, punitive, exemplary or consequential loss or damage whatsoever, including, but not limited to, loss of

profits or revenue for work not performed, for loss of use of or under-utilization of the other Party's facilities, loss of use of revenues, attorneys' fees, litigation costs, or loss of anticipated profits, resulting from either Party's performance or non-performance of an obligation imposed on it by this Agreement, without regard to the cause or causes related thereto, including the negligence of any Party. The Parties expressly acknowledge and agree that this limitation shall apply to any claims for indemnification under Section 10 of this Agreement. The provisions of this section shall survive the termination or expiration of this Agreement.

(b) Limitation of Liability for WIS Parties. Notwithstanding the provisions of Section 10, if both Avista and _____ are parties to the Western Interconnected Systems Limitation of Liability (WIS) Agreement, then the WIS Agreement shall control their liabilities with respect to damages to the Facility, the Interconnection Facilities, or Avista's Electric System.

12. INSURANCE.

(a) General Liability. The Parties agree to maintain, at their own cost and expense, general liability, worker's compensation, and other forms of insurance relating to their operations for the life of this Agreement in the manner, and amounts, at a minimum, as set forth below.

(1) Workers' Compensation Insurance in accordance with all applicable state, federal and maritime law, including Employer's Liability Insurance in the amount of \$2,000,000 per occurrence;

(2) For Facilities with a capacity of greater than 5 MW, Commercial General Liability Insurance, including Contractual Liability Coverage for liabilities assumed under this Agreement, and Personal Injury Coverage in the minimum amount of \$5,000,000 per occurrence for bodily injury and property damage; or \$500,000 per each megawatt of capacity of the Generation

Facility, whichever is greater; *provided, however*, that the maximum amount shall not exceed \$50,000,000 per occurrence for bodily injury and property damage. _____ policy shall include Avista as an additional insured. Where the Parties agree that it is mutually advantageous, Avista may include _____ as an additional insured;

(3) Where a Party has more than \$100 million in assets it may, at its option, self-insure all or part of the insurance required in this Section 12; *provided, however*, the self-insuring Party agrees that all other provisions of this Section 12, including, but not limited to, waiver of subrogation, waiver of rights

of recourse, and additional insured status, which provide or are intended to provide protection for the other Party and its affiliated and associated companies under this Agreement, shall remain enforceable. A Party's election to self-insure shall not impair, limit, or in any manner result in a reduction of rights and/or benefits otherwise available to the other Party and its affiliated and associated companies through formal insurance policies and endorsements as specified in the above parts of this Section 12. The self-insuring Party agrees that all amounts of self-insurance, retentions and/or deductibles are the responsibility of and shall be borne by the self-insuring Party.

(b) Certificates. Within fifteen (15) days of the Effective Date, and each anniversary of the Effective Date, during the term of this Agreement, (including any extensions), each Party shall provide to the other Party, properly executed and current certificates of insurance with respect to all insurance policies required to be maintained by such Party under this Agreement. Certificates of insurance shall provide the following information:

(1) Name of insurance company, policy number and expiration date;

The coverage required and the limits on each, including the amount of deductibles or self-insured retentions, which shall be for the account of the Party maintaining such policy;

(2) A statement indicating that the other Party shall receive at least thirty (30) days prior written notice of cancellation or expiration of a policy, or reduction of liability limits with respect to a policy; and

(3) A statement identifying and indicating that additional insured have been named as required by this Agreement.

(c) Policy Request. At a Party's request, in addition to the foregoing certifications, the other Party shall deliver to the first Party a copy of applicable sections of each insurance policy.

(d) Inspection. Each Party shall have the right to inspect the original policies of insurance applicable to this Agreement at the other Party's place of business during regular business hours.

(e) "Claims Made" Insurance. If any insurance is written on a "claims made" basis, the respective Party shall maintain the coverage for a minimum of seven years after the termination of this Agreement.

(f) Waiver of Subrogation. To the extent permitted by the insurer and commercially reasonable, each Party shall obtain waivers of subrogation in favor of the other Party from any insurer providing coverage that is required to be maintained under this Section 12, except for the coverage required under Section 12(a) A Party shall not be required to obtain a waiver of subrogation if the other Party is not able to obtain a waiver of subrogation from its insurance carrier.

(g) **Minimum Limits Update.** At the end of every fifth year following the Effective Date of the Agreement, the minimum coverage limits for the liability insurance may be adjusted by Avista at its sole option. Avista shall give at least thirty (30) days notice of its election to increase the minimum coverage limits.

13. ARBITRATION

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 Idaho Public Utility Commission (or WUTC). The Idaho Public Utilities Commission (or WUTC) shall have jurisdiction to address any dispute that arises under or in regard to this Agreement. The arbitration shall be conducted pursuant to the Uniform Arbitration Act, Title 7, Chapter 9 of the Idaho Code (or Washington code), as the same may have been or may be amended.

14. ASSIGNMENT.

Neither Party shall not voluntarily assign its rights or delegate its duties under this Agreement, or any part of such rights or duties, except as security for initial construction of the Facility, without the written consent of the other Party. Such consent shall not unreasonably be withheld. Further, no assignment by either Party shall relieve or release it to the extent of any of its obligations hereunder. Subject to the 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.

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 12.

16. NO TRANSMISSION RIGHTS.

Nothing in this Agreement shall be construed as granting _____ any right of access, or any other rights, to Avista's transmission system.

17. DEFAULT.

(a) An "Event of Default" shall mean, with respect to a Party (a "Defaulting Party"), the occurrence of any of the following:

- (1)** the failure to make, when due, any payment required pursuant to this Agreement if such failure is not remedied within three (3) business days after delivery of written notice;
- (2)** any representation or warranty made by such Party herein is false or misleading in any material respects when made or when deemed made or repeated;
- (3)** the failure to perform any material covenant or obligation set forth in this Agreement (except to the extent constituting a separate Event of Default) if such failure is not remedied within three (3) business days after delivery of written notice;
- (4)** such Party becomes Bankrupt; or
- (5)** such Party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all of its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee entity fails to assume all the obligations of such Party under this Agreement to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other Party.

(b) In the Event of Default, the following shall apply:

- (1)** The non-defaulting Party shall give written notice to the Defaulting Party of the Event of Default in accordance with this Agreement.
- (2)** Except for an Event of Default that arises from failure to make money payments or from a Party becoming bankrupt, if, after 30 days following receipt of such notice, the Defaulting Party has not taken the steps necessary to cure the event of default, the non-defaulting Party may, at its option, terminate this Agreement; *provided, however*, that except for the failure to pay sums which are due and payable, if the defaulting Party, within such 30-day period, commences and thereafter proceeds with all due diligence to cure such default, such 30-day period shall be extended up to six (6) months after written notice to the defaulting Party, as may be necessary to cure the event of default with all due diligence. For an Event of Default that arises from the failure to make money payments, the non-defaulting Party may, at its option, terminate this Agreement if the Defaulting Party shall have failed to cure the failure to pay within three (3) business days following receipt of notice of such failure. For an Event of Default that arises from

a Party becoming bankrupt, the non-defaulting Party may, at its option, immediately terminate this Agreement upon notice to the Defaulting Party.

(3) Upon the Event of Default and an expiration of any period to cure granted herein, the non-defaulting Party may, but has no obligation, to terminate this Agreement effective upon notice to the Defaulting Party and may exercise all other rights and remedies available to the non-defaulting Party under applicable law. Whether or not the non-defaulting Party elects to terminate this Agreement, it may, in addition to other remedies provided for herein, pursue such remedies as are available at law or in equity including suspension of its performance so long as the Event of Default is continuing and has not been cured.

(c) Any right or remedy afforded to either Party under any provision of this Agreement on account of the breach or default 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.

18. RELEASE BY AVISTA

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

- (a) Delay described in Section 9;
- (c) Disconnection, interruption, suspension or curtailment by _____ pursuant to terms of this Agreement.

19. RELEASE BY _____.

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

- (a) Delay described in Section 9;
- (b) Disconnection, interruption, suspension or curtailment by Avista pursuant to terms of this Agreement.

20. 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.

21. SEVERAL OBLIGATIONS.

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 take such action (including, but not limited to, the execution, acknowledgement and delivery of documents) as may reasonably be 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. ENTIRE AGREEMENT and AMENDMENT.

This Agreement together with its exhibits constitutes the entire agreement of the Parties hereto and supersedes and replaces any prior agreements or understandings between said Parties, entered into

for the same or similar purposes, with the exception of interconnection and/or transmission service agreements that _____ may have entered into with Avista respecting the providing of transmission services. 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 AND VENUE.

This Agreement shall be construed and interpreted in accordance with the laws of the State of Idaho/Washington. Any action at law or in equity to enforce the terms and conditions of this Agreement shall be brought in Idaho/Washington.

26. COMPLIANCE WITH LAWS.

Both Parties shall comply with all applicable laws and regulations of governmental agencies having jurisdiction over the Facility and the operations of the Parties. _____ shall obtain all required approvals or authorization from governmental agencies having jurisdiction over the sale of electric power from the Facility.

27. CONFIDENTIALITY.

(a) Definition. “Confidential Information” shall mean any confidential, proprietary or trade secret information of a plan, specification, pattern, procedure, design, device, list concept, policy or compilation relating to the present or planned business of a Party, which is designated in good faith as confidential by the Party supplying the information, whether conveyed orally, electronically, in writing, through inspection or otherwise, except that the real-time in-plant data, shall be considered Confidential Information without the need for designation. Confidential Information shall include, without limitation, all information relating to a Party’s technology, research and development, business affairs, and pricing, and any information supplied by either of the Parties to the other prior to the execution of this Agreement.

(b) General Obligations.

1) Each Party will hold in confidence any and Confidential Information unless: (i) compelled to disclose such information by judicial or administrative process or other provisions of law or

as otherwise provided for in this Agreement; or (ii) to meet obligations imposed by FERC or by a state or other federal entity or by membership in NERC or WECC (including other transmission providers). Information required to be disclosed under (i) or (ii) above, does not, by itself, cause any information provided by Generating Company to Avista to lose its confidentiality. To the extent it is necessary for either Party to release or disclose such information to a third party in order to perform that Party's obligations herein, such Party shall advise said third party of the confidentiality provisions of this Agreement and use its best efforts to require said third party to agree in writing to comply with such provisions. Avista will develop and file with FERC standards of conduct relating to the sharing of market related Confidential Information with and by Avista employees.

2) During the term of this Agreement, and for a period of three (3) years after the expiration or termination of this Agreement, except as otherwise provided in this Section 27, each Party shall hold in confidence and shall not disclose to any person Confidential Information.

3) Each Party shall use at least the same standard of care to protect Confidential Information it receives as it uses to protect its own Confidential Information from unauthorized disclosure, publication or dissemination.

(c) Excluded Information. Confidential Information shall not include information that the receiving Party can demonstrate: (i) is generally available to the public other than as a result of disclosure by the receiving Party; (ii) was in the lawful possession of the receiving Party on a non-confidential basis prior to receiving it from the disclosing Party; (iii) was supplied to the receiving Party without restriction by a third party, who, to the knowledge of the receiving party, after due inquiry was under no obligation to the disclosing party to keep such information confidential; (iv) was independently developed by the receiving party without reference to Confidential Information of the disclosing party; (v) is, or becomes, publicly known, through no wrongful act or omission of the receiving Party or Breach of this Agreement; or (vi) is required, in accordance with Section (d) of this Agreement, to be disclosed by any federal or state government or agency or is otherwise required to be disclosed by law or subpoena, or is necessary in any legal proceeding establishing rights and obligations under this Agreement. Information designated as Confidential Information will no longer be deemed confidential if the Party that designated the information as confidential notifies the other Party that it no longer is confidential.

(d) Subpoena. If a court or a government agency or entity with the right, power, and apparent authority to do so requests or requires either Party, by subpoena, oral deposition, interrogatories, requests for production of documents, administrative order, or otherwise, to disclose Confidential Information, that Party shall provide the other Party with prompt notice of such request(s) or

requirement(s) so that the other Party may seek an appropriate protective order or waive compliance with the terms of this Agreement. The notifying Party shall have no obligation to oppose or object to any attempt to obtain such production except to the extent requested to do so by the disclosing Party and at the disclosing Party's expense. If either Party desires to object or oppose such production, it must do so at its own expense. The disclosing Party may request a protective order to prevent any Confidential Information from being made public. Notwithstanding the absence of a protective order or waiver, the Party may disclose such Confidential Information which, in the opinion of its counsel, the Party is legally compelled to disclose. Each Party will use reasonable effort to obtain reliable assurance that confidential treatment will be accorded any Confidential Information so furnished.

(e) Use in Arbitration. Each Party may utilize information or documentation furnished by the disclosing Party in any dispute resolution proceeding or in an administrative agency or court of competent jurisdiction addressing any dispute arising under this Agreement, subject to a confidentiality agreement with all participants (including, if applicable, any arbitrator) or a protective order.

(f) Breach. The Parties agree that monetary damages by themselves will be inadequate to compensate a Party for the other Party's Breach of its obligations under this Section 27. Each Party accordingly agrees that the other Party is entitled to equitable relief, by way of injunction or otherwise, if it breaches or threatens to breach its obligations under this Section 27.

28. NOTICES. All written notices required by this Agreement shall be mailed or delivered as follows:

To Avista: Vice President, Energy Resources
Avista Corporation
P.O. Box 3727
Spokane, Washington 99220-3727

To _____: _____

Changes in persons or addresses for submittal of written notices by a Party to this Agreement shall be made in writing to the other Party and delivered in accordance with this Section 28. Any verbal

notice required hereby which affects the payments to be made hereunder shall be confirmed in writing as promptly as practicable after the verbal notice is given.

29. EXHIBITS. This Power Purchase Agreement includes the following exhibit, which are attached and incorporated by reference herein:

- Exhibit A - Communications
- Exhibit B - Payment Schedule

30. INDUCEMENT TO THIS AGREEMENT. As an inducement to this Agreement, the undersigned, _____, represents and warrants on his own behalf that neither he nor any Affiliated Entity of his shall seek a contract to sell power to Avista Corporation during the expected term of the Agreement from the Facility at any price higher or upon any terms more onerous to Avista Corporation than what is agreed to in this Agreement. For purposes of this section, an “Affiliated Entity” shall be defined as any corporation, partnership, company or other business arrangement in which _____ or any member of his immediate family directly or indirectly participates or in which he or any member of his immediate family directly or indirectly has an ownership or investment interest.

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:

AVISTA CORPORATION

By: _____

By: _____

(Type Name)

(Type Name)

Title: _____

Title: _____

Exhibit B

Avoided Cost Rates For PURPA (QF) Projects

Non-Levelized

<u>Season:</u>	<u>Jul – Feb</u>	<u>Mar - Jun</u>
Multiplier	1.08	0.84

APPENDIX C

RETAIL TARIFFS

Bidders participating in Avista's 2003 RFP that would like a copy of Avista's retail service tariffs can receive a copy by contacting Doug Young at (509) 495-4521 at Avista's general office in Spokane, Washington.

APPENDIX D

Energy Loads and Resources (aMW)

Last Updated June 11, 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
REQUIREMENTS										
System Load	(985)	(1,014)	(1,051)	(1,083)	(1,120)	(1,165)	(1,207)	(1,248)	(1,285)	(1,326)
Contracts Out	(44)	(7)	(6)	(6)	(6)	(5)	(4)	(4)	(3)	(3)
Total Requirements	(1,028)	(1,021)	(1,057)	(1,089)	(1,126)	(1,171)	(1,211)	(1,251)	(1,288)	(1,329)
RESOURCES										
Hydro	550	545	530	530	529	524	499	496	477	477
Contracts In	163	164	181	183	183	183	182	76	61	61
Base Load Thermals	234	242	234	234	242	242	242	242	242	242
Gas Dispatch Units	164	160	160	164	158	164	164	160	160	164
Total Resources	1,111	1,111	1,106	1,111	1,112	1,113	1,087	974	940	943
Surplus (Deficit)	82	90	49	22	(13)	(58)	(124)	(277)	(347)	(386)

CONTINGENCY PLANNING										
<i>Confidence Interval</i>	(153)	(153)	(153)	(153)	(153)	(153)	(153)	(153)	(153)	(153)
<i>WNP-3 Obligation</i>	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)
<i>Peaking Units</i>	178	178	178	178	178	178	178	178	178	178
Surplus (Deficit) net position	72	80	38	12	(24)	(68)	(135)	(288)	(358)	(396)

Capacity Loads and Resources (MW)

Last Updated June 11, 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
REQUIREMENTS										
System Load	(1,424)	(1,469)	(1,524)	(1,569)	(1,624)	(1,690)	(1,753)	(1,812)	(1,868)	(1,928)
Operating Reserves	(107)	(107)	(105)	(105)	(105)	(104)	(102)	(102)	(100)	(100)
Total Requirements	(1,531)	(1,576)	(1,629)	(1,674)	(1,729)	(1,794)	(1,855)	(1,914)	(1,968)	(2,028)
RESOURCES										
Hydro	1,177	1,177	1,135	1,134	1,133	1,131	1,084	1,083	1,044	1,043
Net Contracts	70	19	43	45	45	45	46	(54)	(73)	(73)
Base Thermal	272	272	272	272	272	272	272	272	272	272
Gas Dispatch	176	176	176	176	176	176	176	176	176	176
Gas Peaking Units	236	236	236	236	236	236	236	236	236	236
Total Resources	1,931	1,880	1,862	1,863	1,862	1,860	1,814	1,713	1,655	1,654
Surplus (Deficit)	400	304	233	189	133	66	(41)	(201)	(313)	(374)

APPENDIX E

AVOIDED COST SCHEDULE

Year	Price (\$/MWh)
2004	33.72
2005	35.06
2006	36.49
2007	38.20
2008	42.44
2009	45.98
2010	50.10
2011	52.97
2012	55.35
2013	57.39
2014	58.28
2015	60.20
2016	62.63
2017	64.87
2018	65.41
2019	67.28
2020	69.19
2021	70.32
2022	71.28
2023	75.71

10-Yr. LC 42.92
20-Yr. LC 49.94

APPENDIX F

POWER SUPPLY EVALUATION MATRIX

Avista's RFP work group will take each bid proposal and rank it against the other proposals. A comparison will be made for both price and non-price factors. The weighting will be split between price (65%) and non-price (35%) factors, with each factor used in the selection process being assigned a weight shown below that represents its contribution toward meeting Avista's least cost planning goals.

The rating of each bid resource will be multiplied by the weighting factor to obtain a total weighted value. The total value will be used to rank the bids. The highest ranked bid proposals will move to the next phase of evaluation as a preliminary short list.

The range of rating will be from one to ten (with ten being the best), broken into the following areas:

- Financial/Price (65%)
 - The economic benefit of the resource to Avista and its customers (35%)
 - The long-term financial and performance capabilities of the bidder/developer (15%)
 - Fuel price risk (15%)
- Electric Power and Social/Environmental Factors (35%)
 - Fuel availability risk (5%)
 - supply risk
 - fuel transportation
 - Electric factors (20%)
 - ramp rates
 - dispatch ability (number of time per month project may be shut down)
 - reactive capability
 - supply source (market, unit, system, etc.)

- system integration (transmission availability, cost, etc.)
- exposure to transmission contingencies
- other characteristics
- Environmental factors (10%)
 - demonstration of permit plans, stage of completion and complexity of obstacles and local impact issues
 - demonstrates an acceptable plan for compliance for all applicable environmental laws and regulations
 - proven technology to meet environmental laws and regulations