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IDAHO PUBLIC  
UTILITIES COMMISSION



October 9, 2003

State of Idaho  
Idaho Public Utilities Commission  
Statehouse  
Boise, ID 83720

Attention: Ms. Jean D. Jewell, Commission Secretary

RE: Case No. AVU-E-02-08

Enclosed for informational purposes in this Case is a copy of the Generation Interconnection (Interconnection) Agreement between Avista and Potlatch Corporation. This Interconnection Agreement is referenced in the Power Purchase and Sale Agreement, which was filed with the Commission as part of the joint petition dated August 22, 2003.

If you have any questions regarding this filing, please call Kelly Norwood at 509-495-4267 or Brian Hirschhorn at 509-495-4723.

Sincerely,

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

Kelly Norwood  
Vice-President, State and Federal Regulation

Enc.

**GENERATION INTERCONNECTION AGREEMENT**

**Between**

**AVISTA CORPORATION**

**And**

**POTLATCH CORPORATION**

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## GENERATION INTERCONNECTION AGREEMENT

This Generation Interconnection Agreement ("Agreement") is entered into as of this 22 day of September, 2003, by and between Avista Corporation ("Avista"), a Washington corporation with its principal corporate offices located at 1411 East Mission, Spokane, Washington and Potlatch Corporation ("Potlatch" or "Generating Company"), a Delaware corporation with its principal corporate offices located at 601 West Riverside Ave., Suite 1100 Spokane, WA 99201. Avista and Generating Company may be individually referred to herein as a "Party" and collectively as "Parties."

**WHEREAS**, Avista is a public utility engaged in, among other activities, the business of owning and operating an electric system consisting of generation, transmission and distribution facilities; and

**WHEREAS**, Generating Company owns, operates and controls an electric generation facility, which is described in Exhibit J ("Generation Facility"), located at its manufacturing plant in Lewiston, Idaho (the "Lewiston Plant") that Generating Company desires to remain interconnected with Avista's Electric System in a manner such that Parallel Operation at 34.5 kV with Avista's Electric System and Potlatch's Lewiston Plant electric load will continue; and

**WHEREAS**, Avista and Generating Company have entered into a Power Purchase and Sale Agreement dated July 22, 2003 ("Power Agreement"); and

**WHEREAS**, both Parties understand that this Agreement does not impose any obligation or extend any right for the sale or purchase of electric power or provide any transmission service, distribution service, Ancillary Services or Interconnected Operations Services; as such transactions or services, if desired, will be provided under separate agreements; and

**WHEREAS**, the Parties have agreed to execute this mutually acceptable Generation Interconnection Agreement in order to maintain Interconnection Service to

Generating Company and to define the continuing rights, responsibilities, and obligations of the Parties with respect to such interconnection.

**NOW, THEREFORE**, in consideration of their respective commitments set forth herein, and intending to be legally bound hereby, the Parties covenant and agree as follows:

1. **DEFINITIONS.**

Wherever used in this Agreement, terms with initial capitalization shall have the meanings specified or as defined in Exhibit A.

2. **TERM OF AGREEMENT.**

2.1 **Effective Date.** This Agreement shall be effective on the date provided in the introductory paragraph of this Agreement (“Effective Date”).

2.2 **Term and Termination.**

2.2.1 This Agreement shall become effective on the Effective Date and, unless earlier terminated pursuant to the provisions hereof, shall be for a term concurrent with the term of the Power Agreement. Unless earlier terminated pursuant to the provisions hereof, this Agreement shall terminate simultaneously with the expiration, termination or cancellation of the Power Agreement.

2.2.2 Avista shall file for all necessary regulatory approvals within thirty (30) days of execution of the Agreement. In the event that any regulatory body of competent jurisdiction does not approve this Agreement or approves it upon conditions that are unacceptable to either Party, this Agreement shall terminate upon the date of such order.

2.2.3 In the event that the Power Agreement terminates, expires or is cancelled for any reason, this Agreement shall terminate upon the date of such termination, expiration or cancellation.

2.2.4 In the event that Potlatch sells or disposes of any of the electric power output from the Lewiston Plant to any third party (*i.e.*, a disposition that is neither a sale to Avista nor used to serve Potlatch's load at the Lewiston Plant), this Agreement shall terminate upon the commencement of such a sale or disposition.

2.3 **Survival of Obligations.** The applicable provisions of this Agreement shall continue in effect after cancellation or termination hereof to the extent necessary to provide for final billings, billing adjustments and payments pertaining to liability and indemnification obligations arising from acts or events that occurred while this Agreement was in effect.

### 3. **INTERCONNECTION SERVICE AND SERVICE STANDARDS.**

3.1 **Interconnection Service.** Subject to the terms and conditions of this Agreement and upon submitting a completed application for interconnection (Exhibit M), Avista shall continue to provide Generating Company Interconnection Service for the Generation Facilities at the Interconnection Point from the Effective Date of this Agreement. The existing Interconnection Point is the line of demarcation between Avista and Generating Company as far as the responsibility for ownership, construction, operation and maintenance of the Interconnection Facilities.

3.2 **Generation and Load Evaluation.** Without limitation to the effectiveness of any provision of this Agreement, Generating Company agrees that it shall operate its generation and load at the Lewiston Plant as provided in the Power Agreement; *provided, however*, any conflict between the terms of this Agreement and the Power Agreement shall be governed by the Power Agreement.

3.3 **Description of Interconnection Facilities.** The Interconnection Facilities linking the Generation Facility to Avista's Electric System are described in Exhibit B. These Interconnection Facilities include all required equipment on either side of the Interconnection Point, including at remote locations. Ownership of the Interconnection Facilities, which includes maintenance responsibilities, is also indicated on Exhibit B. The Parties shall amend Exhibit B as necessary to reflect future additions or modifications to any Interconnection Facilities.

**3.4 Service Standards.** The Interconnection Facilities will be maintained and operated in accordance with applicable NERC, State, NESC, ANSI/IEEE and WECC standards, codes and policies in effect on the Effective Date of this Agreement (or in the case of future construction of Interconnection Facilities, the standards, codes and policies in effect on the date of commencement of construction of such facilities) and in accordance with Good Industry Practice.

**3.5 Service Voltages and Frequency.** Avista shall continue to furnish only standard 60 Hertz voltages for interconnection of the Generation Facility to Avista's Electric System. The interconnection voltage is presently unregulated 34.5 kV three-phase. Voltage levels under normal operating conditions can range plus or minus 5% from nominal values on Avista's 115 kV Clearwater bus. Potlatch is responsible for its own voltage regulation on the 34.5 kV and 12 kV busses.

**3.6 Interconnection Point Disconnects.** Avista will continue to supply 34.5 kV power circuit breakers including associated disconnect switches at the Interconnection Point between the Generation Facilities and the Interconnection Facilities, that can be operated and safety tagged by Avista's personnel. This switching equipment, capable of isolating the Generation Facility from Avista's Electric System, will continue to only be accessible to Avista personnel.

**3.7 General Interconnection Requirements for Generation Facilities.**

**3.7.1** The Generation Facility will continue to be operated in accordance with applicable federal, state, and local laws and regulations and Good Industry Practice.

**3.7.2** The two existing electrical interconnection points are located at the existing Clearwater Substation. These points are between Potlatch's 34.5 kV ring bus, and the 34.5 kV load side disconnect switch associated with the 34.5 kV power circuit breaker, each located on the load side of each of the two (2) 115-34.5 kV power transformers, where Potlatch's 34.5 kV cables connect to Avista's 34.5 kV Utility Tie No 1 and Utility Tie No 2 aluminum pipe bus. For the purposes of this Agreement, these two electrical interconnection points will continue to be considered as the Interconnection Point.

**3.7.3** The interconnection of the Generation Facility with Avista's Electric System shall not cause abnormal voltage magnitudes, frequencies, excessive

interruptions, or excessive harmonics as described below. This will include not injecting communications signals of any type into Avista's Electric System.

**3.7.4** The Generating Company will use its best efforts not to restrict Avista's ability to range its nominal voltage operation levels plus or minus 5% (usually in the plus 5% range) at the 115 kV Clearwater bus. In addition, the Generating Company will use its best efforts for three-phase generators, to prevent unbalanced phase operation that could cause a greater than 1% voltage unbalance at the Interconnection Point. Potlatch is responsible for their own voltage regulation on the 34.5 kV and 12 kV busses.

**3.7.5** Any voltage flicker at the Clearwater 115 kV bus originating from operation of the Generation Facility shall not exceed a curve defined by the following points:

25 fluctuations per second	1.4% maximum voltage sag
20 fluctuations per second	1.0% maximum voltage sag
14 fluctuations per second	0.7% maximum voltage sag
8 fluctuations per second	0.4% maximum voltage sag
5 fluctuations per second	0.4% maximum voltage sag
1 fluctuation per second	0.4% maximum voltage sag
1 fluctuation per minute	0.8% maximum voltage sag
3 fluctuations per minute	1.5% maximum voltage sag
1 fluctuation per hour	1.5% maximum voltage sag
1 fluctuation per hour or less	2.0% maximum voltage sag

**3.7.6** Faults or disturbances from the Generation Facility shall not create a sustained loss of service or excessive temporary losses of service (to customers other than the Generating Company) on Avista's Electric System. A sustained loss is defined as a loss of service to Avista's Electric System due to lockout of Avista's protective equipment. A temporary loss is defined as a loss of service momentarily (less than 5 seconds) due to a trip and automatic reclose of Avista's protective equipment. "Excessive" is defined as five (5) losses of service in any 12-month period directly attributable to the Generation Facility. Generation Facility's insulation systems and surge protection systems are presently coordinated, and will continue to be coordinated properly

with Avista's Electric System so as not to cause a direct fault on Avista's Electric System due to transient surges within the Generation Facility.

3.7.7 Generator harmonics shall not exceed the limits as outlined for telephone influence factor (TIF) in C50.13-1977, or C50.14-1977. For all generators, voltage distortion limits and current harmonic limits shall be as specified in IEEE 519-1992, Section 10 and 11, or latest revision.

3.7.8 Generating Company is responsible for the protection of all Generation Facility and Generator-Owned Interconnection Facilities equipment from any type of system voltage or frequency excursion (including fault conditions) originating from disturbances within or outside of Avista's Electric System.

3.7.9 Generating Company is responsible for the protection of all Generation Facility equipment from any type of switching, lightning, or other transient surge, independent of the source.

3.7.10 Subject to the provisions of the Power Agreement, Generating Company may generate power to serve its own load, including both Facility Station Service and power needed for its industrial processes. However, due to this requirement, the Generation Facility must be a synchronous generator.

3.7.11 While interconnected to Avista's Electric System, the Generation Facility shall not provide service to, nor interconnect with, any other party, unless allowed by Federal and Idaho law.

### 3.8 Equipment Requirements.

3.8.1 Generating Company shall supply, install, own, operate and maintain all equipment on Generating Company's side of the Interconnection Point in accordance with all applicable electric standards and codes and Good Industry Practice. The Interconnection Point protective and equipment requirements, ownership, operation and maintenance will remain the same as presently exists. Generating Company will continue to own, operate and maintain all electrical and protective equipment on the Generating Company's side of the Interconnection Point, and Avista shall continue to own, operate and maintain all electrical and protective equipment on its side of the Interconnection Point. Generating Company will continue to own metering and Avista will continue to maintain interconnection facility metering on Generating Company's side

of the Interconnection Point. Avista will continue to own and maintain metering on its side of the Interconnection Point.

**3.8.2** Generating Company shall maintain its equipment in good working order and keep adequate maintenance records. Avista shall have the right, upon request, to review designs, control systems, maintenance records, and operating records of only Interconnection Facilities and Generation Facilities owned and maintained by Generating Company that could have an adverse effect on Avista's Electric System or Avista's customers. These rights shall include the right to have Avista personnel present during any testing or modification of such facilities. Avista shall maintain its equipment in good working order and keep adequate maintenance records. Generating Company shall have the right, upon request, to review designs, control systems, maintenance records, and operating records of only Interconnection Facilities owned and maintained by Avista that could have an adverse effect on the Generating Company. These rights shall include the right to have a limited number of qualified Generating Company personnel present during any testing or modification of such facilities.

**3.8.3** The generator's governor control system and voltage regulators are described in Exhibit G.

### **3.9 Protection Requirements.**

**3.9.1** Notwithstanding the provisions of Sections 9 and 10 of this Agreement, under no circumstances shall the Generating Company's execution of this Agreement be interpreted as relieving the Generating Company from any responsibilities to protect its Interconnection or Generation Facilities or as imposing any responsibility or liability on Avista for damage to any of Generating Company's facilities or to any person or property. In the event that the Generating Company fails to adequately plan, install and maintain equipment to protect its Generation Facilities, Avista shall not be liable for any damages, to include liability for damages under Section 10, nor have a duty to indemnify Generating Company pursuant to Section 9. Notwithstanding the provisions of Sections 9 and 10 of this Agreement, under no circumstances shall Avista's execution of this Agreement be interpreted as relieving Avista from any responsibilities to protect its Interconnection or Generation Facilities or as imposing any responsibility or liability on Generating Company for damage to any of Avista's facilities or to any person or property.

In the event that the Avista fails to adequately plan, install and maintain equipment to protect its Facilities, Generating Company shall not be liable for any damages, to include liability for damages under Section 10, nor have a duty to indemnify Avista pursuant to Section 9.

**3.9.2** Generating Company shall continue to furnish, install, operate, and maintain in good order and repair, and without cost to Avista such relays, locks and seals, breakers, automatic synchronizers, and other control and protection apparatus. The Generating Company will continue to operate the Generation Facility in parallel with Avista's Electric System. A brief description of installed protection equipment is described in Exhibit B. As of the date that this Agreement is executed it is agreed by both Parties that existing protection equipment is adequate.

**3.9.3** The Interconnection Facilities will continue to include the following protective relay requirements, owned, installed and maintained by either Avista or the Generating Company:

**3.9.3.1** Avista presently provides under/over voltage and under/over frequency relays and will continue to do so in the future.

**3.9.3.2** The Generating Facility and Avista presently provide means or devices that will prevent generators from being closed into or energizing a de-energized Avista Electric System, and will continue to do so in the future.

**3.9.3.3** For loss of Avista's Electric System, Generating Facility shall not continue to generate into Avista's Electric System and Avista has provided, at Generating Company's expense, protection equipment to prevent such action, and will continue to provide this equipment in the future.

**3.9.3.4** The Generation Facility may be manually or automatically started and connected to Avista's Electric System any time Avista's Electric System is in a normal condition. A "normal" condition exists when Avista's Electric System at the Interconnection Point is energized and no local conditions exist on Avista's Electric System such as abnormal voltages, frequencies, single phasing, or the like, that would prevent acceptable synchronization or connection to Avista's Electric System. Generating Company shall provide adequate means for synchronizing to Avista's Electric System.

4. **CONSTRUCTION OF INTERCONNECTION FACILITIES.**

4.1 **Easements and Access.** Generating Company has acquired at Generating Company's expense and conveyed or assigned to Avista all necessary easements and rights-of-way, for the purpose of installing, operating, inspecting, maintaining, replacing and removing any Interconnection Facilities or for access to Generator-Owned Interconnection Facilities in accordance with this Agreement (attached at Exhibit I). Generating Company will convey easements and/or permanent rights of way to the property utilized for any additional facilities needed for interconnection. Also, if construction of additional facilities is necessary, Avista's construction access should not be restricted in any way. Generating Company shall provide to Avista a right of access to all facilities necessary to provide the services contemplated under this Agreement, including the generation metering and communications systems, to install, inspect, maintain or replace such equipment and facilities upon reasonable notice and at a mutually agreed upon time.

4.2 **Required System Upgrades.** Avista shall perform, and Generating Company shall bear (as jointly agreed by the Generating Company and Avista) the reasonable cost of, any Required System Upgrades set forth in Exhibit H.

4.3 **Cost.** If future (after the date of this Agreement is executed) upgrades become necessary to the Interconnection Facilities, (as jointly agreed by the Generating Company and Avista) the Generating Company shall reimburse Avista for the actual cost for upgrading all Interconnection Facilities by Avista and replacement thereof including the cost of installation. Avista shall use its best efforts to minimize the cost of the Interconnection Facilities upgrades and the costs of the maintenance of the Interconnection Facilities consistent with Good Industry Practices. Generating Company shall pay Avista the following:

4.3.1 Fifty percent (50%) of the estimated upgrade cost of the Interconnection Facilities, which Avista is designated to install, before any significant equipment will be ordered; an additional twenty five percent (25%) (For a total of 75%) of the estimated cost of the Interconnection Facilities before Avista will begin construction/installation of the Facilities. Upon satisfactory completion of installation the Generating Company will pay the remaining costs for a total of 100% compensation of

actual costs. If the actual cost of construction is less than 75% of the estimated cost Avista will rebate the Generating Company the difference between 75% of the estimated cost and actual upgrade cost with interest at the Interest Rate.

**5. OPERATION AND MAINTENANCE.**

**5.1 Responsibility.** Subject to the provisions of Sections 9 and 10, Generating Company shall construct, operate and maintain Generator-Owned Interconnection Facilities and equipment at its own risk and expense in accordance with Good Industry Practices. If Avista is retained by Generating Company to perform any of Generating Company's obligations under this Section 5.1, a separate agreement will be executed by the Parties with respect to such construction, operation or maintenance of Generator-Owned Interconnection Facilities.

**5.2 Interruption.** In addition to any curtailments pursuant to Section 5.6, Avista may require Generating Company to disconnect, curtail, interrupt or reduce operation of the Generation Facility if Avista determines that curtailment, interruption or reduction is necessary because of Force Majeure, or to protect persons and property from injury or damage, or because of an Emergency, necessary system maintenance or system modification. Avista shall use its best efforts to keep any period of curtailment, interruption, or reduction to a minimum. In order not to interfere unreasonably with Generating Company's operations, where practical and possible, Avista shall give Generating Company reasonable prior notice of any curtailment, interruption, or reduction, the reason for its occurrence and its probable duration. Avista shall promptly notify Generating Company of the reasons for any such disconnection, interruption, suspension or curtailment. Avista shall use its best efforts to mitigate and limit the duration of any such disconnection, interruption, supervision or curtailment.

**5.3 Emergency.** In the event of an Emergency requiring a curtailment, interruption or reduction in deliveries, the curtailing, interrupting or reducing Party shall use its best efforts to promptly notify the other Party of the action taken or to be taken, the reason for such action and its probable duration.

**5.4 Precautions.** The Parties shall take all precautions which are necessary to prevent bodily harm to persons and damage to Interconnection Facilities in connection

with construction activities or the interconnection of the Generation Facility with Avista's Electric System.

**5.5 Contact Information.** Any contact or communications between Avista and Generating Company required under this Section 5 or required for operation of the Generation Facility shall take place in accordance with Exhibit E.

**5.6 Reliability Criteria.** In carrying out the requirements of this Agreement, neither Party shall be required to take actions that would violate any provision of the reliability criteria, standards, guidelines and operating procedures of NERC or WECC, its FERC licenses (if any), or applicable governmental laws or regulations. In addition the Generating Company will be required to meet all required applicable NERC and WECC reliability requirements. As of the Effective Date of this Agreement, Avista is not a signatory to the WECC Reliability Management System Agreement ("RMS Agreement"). However, if at any time during the term of this Agreement, Avista, either voluntarily or otherwise, becomes subject to the provisions of the RMS Agreement, the Generating Company shall undertake all necessary actions to comply with the RMS Agreement as may be requested by Avista.

**5.7 Maintenance Schedule.** Avista shall notify Generating Company before finalizing any proposed schedule for performing maintenance of Avista's Electric System that involves a Maintenance Outage that will impact the Generation Facility and shall consult with and make reasonable efforts to accommodate the needs of Generating Company in scheduling a Maintenance Outage of Avista's Electric System in accordance with Good Industry Practice. Generating company shall notify Avista before finalizing any proposed schedule for performing maintenance of Generating Company's Electric System that involves a Maintenance Outage that will impact Avista's Electrical System and shall consult with and make reasonable efforts to accommodate the needs of Avista in scheduling a Maintenance Outage of Generating Company's Electric System in accordance with Good Industry Practice.

## **6. METERING, COMMUNICATION AND DATA.**

**6.1 Metering Requirements.** Generating Company will continue to own interconnection facility metering and Avista will continue to maintain such metering on

Generating Company's side of the Interconnection Point. Avista will continue to own and maintain metering on its side of the Interconnection Point. Meters are located as specified in Exhibit D. Exhibit D shall also specify any necessary adjustment factors if the location of the metering system is not at the Interconnection Point, or requires loss compensation. All such meters will be installed, tested and inspected in accordance with Avista's meter testing program as filed with the Idaho Public Utilities Commission, with the exception that testing will not occur any less frequently than once every two years for solid-state electronic meters. If required by Generating Company, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit a representative of Generating Company to be present at all times the meters are being tested. In addition, Avista will test any or all of such meters as may reasonably be requested by Generating Company. Reasonable costs for such requested test shall be paid by Generating Company unless any of the meters is found to be inaccurate in which case Avista shall pay for such test.

**6.2 Metering Location.** Existing metering locations will be maintained. As provided in the Power Agreement, metering will be compensated to account for Facility Station Service and losses.

**6.3 Communications.** Communications equipment specifications are set out in Exhibits B and C. The existing communications system provides real-time power and energy data.

**6.4 Modifications to Metering or Communications.** In the event that modifications to existing metering or communications facilities become necessary, Avista shall determine the necessary modifications in consultation with Potlatch. Potlatch shall pay the costs of any such modifications.

## **7. BILLINGS AND PAYMENT FOR REIMBURSABLE SERVICES.**

**7.1 Invoices.** Any invoices for reimbursable services provided to the other Party under this Agreement during the preceding month shall be prepared within a reasonable time after the first day of each month. Each invoice shall delineate the month in which services were provided, shall fully describe the services rendered and shall be itemized to reflect the services performed or provided. The invoice shall be paid within

twenty (20) days of the invoice date. All payments shall be made in immediately available funds payable to the other Party, or by wire transfer to a bank named by the Party being paid, provided that payments expressly required by this Agreement to be mailed shall be mailed in accordance with Section 7.2.

**7.2 Address.** Any payments required to be made by Generating Company under this Agreement shall be made to Avista at the following address:

For Wire Transfers:

US Bank  
ABA #125000105  
For credit to: Avista Corporation  
Account No. 1 535 9223 4162

For Other Payments:

Avista Corporation  
Attn: Director, Transmission Operations  
1411 East Mission  
Spokane, WA 99252-0001

Any payments required to be made by Avista under this Agreement shall be made to Generating Company at the following address:

For Wire Transfers:

Wachovia Corp  
ABA #061000227  
For credit to: Potlatch Corporation  
Account No. 2000127703660

For Other Payments:

Potlatch Corporation  
Idaho Pulp & Paperboard  
Attn: Craig Crowel  
P.O. Box 1126  
Lewiston, ID 83501-1126

**7.3 Interest.** The rate of interest on any amount not paid when due shall be equal to the Interest Rate in effect at the time such amount became due. Interest on delinquent amounts shall be calculated from the due date of the bill to the date of the payment. When payments are made by mail, bills shall be considered as having been paid on the date of receipt by the other Party. Nothing contained in this Section 7 is intended to limit either Party's remedies under Section 13 of this Agreement.

**7.4 Effect of Payment.** Payment of an invoice shall not relieve the paying Party from any responsibilities or obligations it has under this Agreement, nor shall such payment constitute a waiver of any claims arising hereunder.

**7.5 Billing Dispute.** If all or part of any bill is disputed by a Party, that Party shall promptly pay the amount that is not disputed and provide the other Party a

reasonably detailed written explanation of the basis for the Dispute pursuant to Section 15. The disputed amount shall be paid into an independent escrow account pending resolution of the Dispute, at which time the prevailing Party shall be entitled to receive the disputed amount, as finally determined to be payable, along with interest accrued at the Interest Rate through the date on which payment is made, within ten (10) business days of such resolution.

**7.6 Audit.** Subject to the confidentiality provisions of Section 12, within two (2) years following a calendar year, during normal business hours, Generating Company and Avista shall have the right to audit each other's accounts and records pertaining to transactions under this Agreement that occurred during such calendar year at the offices where such accounts and records are maintained; *provided, however*, that the audit shall be limited to those portions of such accounts and records that reasonably relate to the services provided to the other Party under this Agreement for said calendar year. The Party being audited shall be entitled to review the audit report and any supporting materials.

**7.7 No Right to Collection Costs.** Neither Party shall be responsible for the other Party's costs of collecting amounts due under this Agreement, including attorney fees and expenses and the expenses of arbitration.

## **8. FORCE MAJEURE.**

**8.1 Events.** 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"):

**8.1.1** Any cause or condition beyond such Party's reasonable control that 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, terrorism, sabotage or war; Governmental Rules; 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

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

**8.2** Delay. 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 as soon as practicable 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.

**8.3** Change of Ownership. 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.

**8.4 Payments.** Force Majeure does not excuse any Party from making payments of money due under this Agreement for services rendered prior to the Force Majeure event.

**9. INDEMNITY.**

**9.1 Generating Company's Duty to Indemnify.** Potlatch 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, Potlatch's employees, or any other third parties, to the extent caused wholly or in part by any act or omission, negligent or otherwise, by Potlatch or its officers, directors, employees, agents, contractors, subcontractors and invitees arising out of or connected with Potlatch's performance or breach of this Agreement, or the exercise by Potlatch 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 sole negligence or intentional wrongdoing of Avista, its agents or employees. The foregoing indemnification obligation shall not be limited in any way by workers' compensation laws or by any limitation on the amount or type of damages, compensation or benefits payable by Potlatch under applicable workers' compensation laws.

**9.2 Avista's Duty to Indemnify.** Avista shall indemnify, hold harmless and defend Potlatch, 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 Potlatch's 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 sole negligence or intentional wrongdoing of Potlatch, its agents or employees. The foregoing indemnification obligation shall not be limited in any way by workers' compensation laws or by any limitation on the amount or type of damages, compensation or benefits payable by Avista under applicable workers' compensation laws.

**9.3 Notice.** A Party seeking indemnification under this Agreement ("First Party") shall give the other Party ("Second Party") notice of the claim or action giving rise to a right of indemnification as soon as practicable, but in any event on or before the thirtieth (30<sup>th</sup>) day after the First Party's actual knowledge of such claim or action. The notice shall describe the claim or action in reasonable detail, and shall indicate the amount (estimated if necessary) of the claim or action. Any failure of the First Party to provide the notice required by this Section shall not affect the First Party's rights to indemnification except to the extent the Second Party is actually and materially prejudiced as a result of such failure. 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 shall survive expiration, cancellation or early termination of this Agreement.

**9.4 Acknowledgment to Negotiation.** POTLATCH 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.**

**10. LIMITATION OF LIABILITY.**

**10.1 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 not apply to any claims for indemnification under Section 9 of this Agreement. The provisions of this Section shall survive the termination or expiration of this Agreement.

**10.2 Limitation of Liability for WIS Parties.** Notwithstanding the provisions of Subsection 10.1 above, if both Avista and Potlatch 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.

**11. INSURANCE.**

**11.1 General Liability.** The Parties agree to maintain, at their own cost and expense, general liability, workers' 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.

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

11.1.2 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. The Generating Company's policy shall include Avista as an additional insured.

11.1.3 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 11; *provided, however,* the self-insuring Party agrees that all other provisions of this Section 11, 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 11. 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.

11.2 **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:

11.2.1 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;

11.2.2 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

11.2.3 A statement identifying and indicating that additional insureds have been named as required by this Agreement.

11.3 **“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.

11.4 **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 11, except for the coverage required under Section 11.1.1. 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.

## 12. **CONFIDENTIALITY.**

12.1 **Definition.** "Confidential Information" shall mean any confidential, proprietary or trade secret information or 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.

### 12.2 **General Obligations.**

12.2.1 Each Party shall hold in confidence any and all Confidential Information unless: (i) compelled to disclose such information by Governmental Rules or as otherwise provided for in this Agreement; or (ii) to meet obligations imposed by Governmental Authority 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 Potlatch 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.

**12.2.2** 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 12, each Party shall hold in confidence and shall not disclose to any person Confidential Information.

**12.2.3** 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.

**12.3 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 Subsection 12.4 of this Agreement, to be disclosed by any Governmental Authority 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.

**12.4 Subpoena.** If a Governmental Authority 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 shall use reasonable efforts to obtain reliable assurance that confidential treatment will be accorded any Confidential Information so furnished.

**12.5 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.

**12.6 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 29. 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 12.

### **13. DEFAULT.**

**13.1 Occurrence.** A breach of this Agreement ("Breach") shall occur upon the failure by a Party to perform or observe any material term or condition of this Agreement. A default of this Agreement ("Default") shall occur upon the failure of a Party in Breach of this Agreement to cure such Breach in accordance with Section 13.2.

**13.2 Specific Event.** A Breach of this Agreement shall include:

**13.2.1** The failure to pay any amount when due;

**13.2.2** The failure to comply with any material term or condition of this Agreement, including but not limited to any material Breach of a representation, warranty or covenant made in this Agreement;

13.2.3 A Party's abandonment of its work or the facilities contemplated in this Agreement;

13.2.4 If a Party: (1) becomes insolvent; (2) files a voluntary petition in bankruptcy under any provision of any federal or state bankruptcy law or shall consent to the filing of any bankruptcy or reorganization petition against it under any similar law; (3) makes a general assignment for the benefit of its creditors; or (4) consents to the appointment of a receiver, trustee or liquidator;

13.2.5 Assignment of this Agreement in a manner inconsistent with the terms of this Agreement;

13.2.6 Failure of either Party to provide such access rights, or a Party's attempt to revoke or terminate such access rights, as provided under this Agreement; or

13.2.7 Failure of either Party to provide information or data to the other Party as required under this Agreement, provided the Party entitled to the information or data under this Agreement requires such information or data to satisfy its obligations under this Agreement.

13.3 **Continued Operation.** Except as specifically provided in the Agreement, in the event of a Breach or Default by either Party, the Parties shall continue to operate and maintain, as applicable, facilities and appurtenances that are reasonably necessary for Avista to operate and maintain Avista's Electric System, or for the Generating Company to operate and maintain the Generation Facility, in a safe and reliable manner.

13.4 **Notice.** Upon the occurrence of an event of Breach, the non-Breaching Party, when it becomes aware of the Breach, shall give written notice of the Breach to the Breaching Party and to any other person a Party to this Agreement identifies in writing to the other Party in advance. Such notice shall set forth, in reasonable detail, the nature of the Breach, and where known and applicable, the steps necessary to cure such Breach. Upon receiving written notice of the Breach hereunder, the Breaching Party shall have thirty (30) days, to cure such Breach. If the Breach is such that it cannot be cured within thirty (30) days, the Breaching Party will commence in good faith all steps as are reasonable and appropriate to cure the Breach within such thirty (30) day time period and thereafter diligently pursue such action to completion. In the event the Breaching Party fails to cure the Breach, or to commence reasonable and appropriate steps to cure the

Breach, within thirty (30) days of becoming aware of the Breach, the Breaching Party will be in Default of the Agreement. In the event of a Default, the non-Defaulting Party has the right to seek to terminate the Agreement or take whatever action at law or equity as may be permitted under this Agreement. Any termination under this Agreement shall not take effect until the Idaho Public Utilities Commission either authorizes the termination of this Agreement or accepts written notice of its termination.

**13.5 Action to Remedy.** Notwithstanding the foregoing, upon the occurrence of an event of Default, the non-Defaulting Party shall be entitled to commence an action to require the Defaulting Party to remedy such Default and specifically perform its duties and obligations hereunder in accordance with the terms and conditions hereof, and exercise such other rights and remedies as it may have in equity or at law.

#### **14. ASSIGNMENT.**

**14.1 Generator Required Consent.** Avista shall not, without the prior written consent of the Generating Company, assign, pledge or transfer all or any part of, or any right, interest, or obligation under, this Agreement, whether voluntarily or by operation of law; *provided, however*, Avista may, without the consent of the Generating Company, assign its rights and obligations under this Agreement to any person or entity: (i) with which Avista is merged or consolidated, or (ii) to which Avista sells, transfers, or assigns all or substantially all of its transmission and distribution system, so long as the survivor in any such merger or consolidation, or the purchaser, transferee or assignee provides to the Generating Company a valid and binding written agreement expressly assuming and agreeing to be bound by all obligations of Avista under this Agreement.

**14.2 Avista Required Consent.** Generating Company may not assign this Agreement or any of its rights, interests or obligations hereunder without the prior written consent of Avista, which consent shall not be unreasonably withheld; *provided however*, that Generating Company may, without the consent of Avista, and by providing prior reasonable notice under the circumstances to Avista, assign, transfer, pledge or otherwise dispose of its rights and interests under this Agreement to: (i) any person in connection with an assignment of the Agreement for financing or refinancing purposes; (ii) any entity created to operate the Facilities; (iii) any affiliate of Generating Company; or (iv) any

purchaser of the Facilities. Avista agrees to execute and deliver such documents as may be reasonably necessary to accomplish any such assignment, transfer, pledge or disposition of rights, so long as Avista's rights under the Agreement are not altered, amended, diminished or otherwise impaired, and Generating Company agrees to reimburse Avista for all reasonable costs incurred in connection with the execution or delivery of such documents.

**14.3 Continuing Obligations.** Any assignments authorized as provided for in this Section 14 will not operate to relieve the Party assigning this Agreement or any of its rights, interests or obligations hereunder of the responsibility of full compliance with the requirements of this Agreement unless: (i) the other Party consents, such consent not to be unreasonably withheld; and (ii) the assignee agrees in writing to be bound by all of the obligations and duties of the assigning Party provided for in this Agreement.

**14.4 Binding Agreement.** This Agreement and all of the provisions hereof are binding upon, and inure to the benefit of, the Parties and their respective successors and permitted assigns.

**15. DISPUTE RESOLUTION.**

Any claim or dispute which either Party may have against the other arising out of or relating to this Agreement or the breach, termination or validity thereof (any such claim or dispute, a "Dispute") shall be submitted in writing to the other Party. Upon such notice, the Parties shall follow the applicable Dispute Resolution procedures in Exhibit K.

**16. 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.

**17. 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.

**18. 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.

**19. AMENDMENT.**

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

**20. NOTICES.**

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

to Avista: Avista Corporation  
Attn: Director, Transmission Operations  
P.O. Box 3727  
Spokane, Washington 99220-3727

to Generating Company: Vice President, Pulp & Paperboard Division  
Potlatch Corporation  
805 Mill Road  
P.O. Box 1016  
Lewiston, ID 83501

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

this Section 20. 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.

**21. INTEGRATION.**

This Agreement and all exhibits, appendices and attachments thereto shall constitute the entire agreement of the Parties with respect to the interconnection of the Generation Facility and supercede all earlier discussions or understandings with respect to the subject matter hereof.

**22. NON-WAIVER.**

No failure or delay on the part of Avista or Generating Company in exercising any of its rights under this Agreement, no partial exercise by either Party of any of its rights under this Agreement, and no course of dealing between the Parties shall constitute a waiver of the rights of either Party under this Agreement. Any waiver shall be effective only by a written instrument signed by the Party granting such waiver, and such shall not operate as a waiver of, or estoppel with respect to, any subsequent failure to comply therewith.

**23. NO THIRD-PARTY BENEFICIARIES.**

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

**24. DUTY TO COOPERATE.**

The Parties hereto agree to execute and deliver promptly, at the expense of the Party requesting such action, any and all other and further instruments, documents and information which may be reasonably requested in order to effectuate the transactions

contemplated hereby. The Parties agree to cooperate and assist each other in acquiring any regulatory approval necessary to effectuate this Agreement.

**25. HEADINGS FOR CONVENIENCE ONLY.**

The section headings herein are inserted for convenience only and are not to be construed as part of the terms hereof or used in the interpretation of this Agreement.

**26. CONSTRUCTION OF AGREEMENT.**

In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" in this Agreement shall mean including without limitation.

**27. COUNTERPARTS.**

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original.

**28. RELATIONSHIP OF THE PARTIES.**

Each Party shall act as an independent contractor with respect to the provision of services hereunder.

**29. VENUE, ATTORNEYS FEES AND CHOICE OF LAWS.**

Venue of any action filed to enforce or interpret the provisions of this Agreement shall be exclusively in the United States District Court for the District of Idaho or the District Court of the State of Idaho encompassing Nez Perce County and the Parties irrevocably submit to the jurisdiction of any such court. In the event of litigation to enforce the provisions of this Agreement, the prevailing Party shall be entitled to

reasonable costs and attorney's fees in addition to any other relief allowed. This Agreement shall be construed and interpreted in accordance with the laws of the State of Idaho, without regard to choice of law provisions, and federal law to the extent it is applicable.

**30. COMPLIANCE WITH LAWS.**

Both Parties shall comply with all applicable laws and regulations of governmental agencies having jurisdiction over the subject matter of this Agreement and the operations of the Parties.

**31. INVALID PROVISION.**

The invalidity or unenforceability of any provision of this Agreement shall not effect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

**32. REPRESENTATION OF AUTHORITY.**

Each of the undersigned signatories represents and warrants that such signatory has all necessary and proper authorization to execute and deliver this Agreement on behalf of the Party on behalf of which such signatory is signing.

**33. EXHIBITS.**

This Agreement includes the following exhibits that are attached and incorporated by reference herein:

- Exhibit A - Definitions
- Exhibit B - Description of Interconnection Facilities, Ownership and Costs
- Exhibit C - Specific Interconnection Requirements
- Exhibit D - Metering Specifications, Points and Locations
- Exhibit E - Contact Information
- Exhibit F - Remedial Action Schemes
- Exhibit G - Governor Control Systems and Terminal Voltage Regulators
- Exhibit H - Required System Upgrades

- Exhibit I - Easements
- Exhibit J - Description of Generation Facility
- Exhibit K - Dispute Resolution Procedures
- Exhibit L - Insurance Requirements
- Exhibit M - Application for Electric Generation Interconnection

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

POTLATCH CORPORATION

By: Randall O Cloward

By: Frank Radle

Randall O. Cloward  
(Type Name)

FRANK RADLE  
(Type Name)

Title: Director Transmission Operations

Title: Plant Manager IPP

Date: September 19, 2003

Date: Sept. 22, 2003

**Exhibit A**  
**Definitions**

1. **“Agreement”** means this GENERATION INTERCONNECTION AGREEMENT including all exhibits, attachments and modifications thereof.

2. **“Ancillary Services”** means energy imbalance service, spinning reserve service, non-spinning reserve service, reactive supply and voltage support service, regulation and frequency support service, and scheduling, system control and dispatch service provided over Avista’s Electric System, together with such other interconnected operation services as Avista may offer to support the use of its Electric System, and which shall include all ancillary services a transmission provider is required by FERC to provide, while maintaining reliable operation of Avista’s Electric System in accordance with Good Industry Practice.

3. **“Avista”** shall mean Avista Corporation and its successors and assigns.

4. **“Avista-Owned Interconnection Facilities”** shall mean those Interconnection Facilities shown on Exhibit B as owned by Avista.

5. **“Confidential Information”** shall have the meaning set forth in Section 12 hereof.

6. **“Control Area”** shall mean an electric system, bounded by interconnection metering and telemetry, capable of controlling generation to maintain its interchange schedule with other control areas and contributing to frequency regulation and which has received certification by NERC or a regional reliability council of NERC.

7. **“Dispute”** shall have the meaning set forth under Section 15 hereof.

8. **“Easements”** shall have the meaning set forth under Section 4 hereof.

9. **“Electric System”** means all of Avista’s electric distribution facilities, generating facilities, and transmission facilities and includes electric power lines, poles, structures, transmission lines, distribution lines, substations, switching stations, switch gear, generating plants and all associated equipment for generating, transmitting, distributing or controlling flow of power. The term “Electric System” shall include any devices or equipment by which information is originated on an electric system or by the person operating such system, by which such information is transmitted, and by which

such information is received either for information or for operation of the system, whether by the originating system or by another system.

10. **“Emergency”** means a condition or situation that in the reasonable good faith determination of the affected Party based on Good Industry Practice contributes to an existing or imminent physical threat of danger to life or a significant threat to health, property or the environment.

11. **“Facility Station Service”** shall mean all electric service requirements used in connection with the operation and maintenance of the Generation Facilities, including, but not limited to parasitic losses, auxiliary, stand-by, supplemental, back-up, maintenance and interruptible power.

12. **“FERC”** shall mean the Federal Energy Regulatory Commission or its successor federal agency.

13. **“Forced Outage”** shall mean taking the Electric System, in whole or in part, Out of Service by reason of an Emergency, that is unanticipated and beyond the reasonable control of Avista. A Forced Outage of Avista’s Electric System is not scheduled in accordance with Section 5.7.

14. **“Force Majeure”** shall have the meaning set forth under Section 8 hereof.

15. **“Generating Company”** shall mean the Party executing this Agreement as “Generating Company” and its successor and assigns.

16. **“Generation Facility”** or **“Generation Facilities”** means any facility used for the generation of electricity for internal use or for sale at wholesale as specified in Exhibit J and includes all equipment necessary or related to generate electricity.

17. **“Generator-Owned Interconnection Facilities”** means those Interconnection Facilities shown on Exhibit B as owned by the Generating Company.

18. **“Good Industry Practice”** shall mean the practices, methods and acts engaged in or approved by a significant portion of the electric industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Industry Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all

others, but rather includes all acceptable practices, methods, or acts generally accepted in the region, including all applicable and generally followed standards, guidelines, criteria, practices and methods established by NERC, the WECC and the NWPP, and including design methods, equipment specification methods, manufacturer quality assurance screening and ordering practices, maintenance practices and the like. When the term "Good Industry Practice" is used in reference to Avista or to the Interconnection Facilities, the relevant industry is the electric utility industry.

19. **"Governmental Authority"** shall mean 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.

20. **"Governmental Rule(s)"** shall mean any law, rule, regulation, ordinance, order, code, permit, judgment, or similar form of decision of any Governmental Authority having the effect of law or regulation.

21. **"Incremental Cost"** shall mean the average of all hourly purchases and sales of energy made by Avista during the applicable hour or, if Avista made no purchases or sales in that hour, the average Dow Jones Mid-Columbia Non-firm Index price for either Heavy-Load Hour or Light-Load Hour, as appropriate.

22. **"Independent Power Producer"** or **"IPP"** means any entity that owns or operates an electricity generating facility that is not included in an electric utility's rate base. This term includes, but is not limited to, all other non-utility electricity producers, such as exempt wholesale generators who sell electricity but does not include Qualifying Facilities under PURPA.

23. **"Interconnected Operations Services"** or **"IOS"** means the resources and control capabilities (excluding generation capacity/energy and transmission capacity), and integration activities required to ensure the operability, reliability, open access, and competitive market structure of the bulk electrical systems. Interconnected Operations Services include, but are not limited to, energy imbalance service, spinning reserve service, non-spinning reserve service, reactive supply and voltage support service, regulation and frequency support service, and scheduling, system control and dispatch,

together with such other Interconnected Operations Services offered to support the use of the Interconnection Facilities and Electric System.

24. **“Interconnection Cost”** shall mean the costs necessary to connect new or modified Facilities to the Electric System, including such reasonable costs imposed on, or incurred by, third parties already interconnected with the Electric System, to the extent that such party can establish the reasonableness of such costs in accordance with State policy. Such costs shall be adjusted to reflect the tax effects to Avista, if any, of Generating Company’s payment of Interconnection Costs.

25. **“Interconnection Facilities”** shall mean all the equipment identified in Exhibit B necessary for the interconnection of the Generation Facility to Avista’s Electric System.

26. **“Interconnection Point(s)”** shall mean the point or points at which Avista-Owned Interconnection Facilities are connected to the Generation Facilities of Generator-owned Interconnection Facilities as described in Section 3.7.2 of the Agreement.

27. **“Interconnection Service”** shall mean the services provided by Avista to interconnect the Generation Facilities with Avista’s Electric System in order to permit synchronized operation of the Generation Facilities on Avista’s Electric System pursuant to this Agreement. Interconnection Service does not include any rights to transfer electric energy onto Avista’s Electric System or any right to transmission service on Avista’s Transmission System, which service shall be obtained in accordance with the provisions of Avista’s OATT.

28. **“Interest Rate”** shall mean the interest rate calculated in accordance with the methodology specified for interest on refunds in the FERC regulations at 18 C.F.R. §35.19a(a)(2)(iii).

29. **“Jurisdictional Authority”** shall mean the sole authority of the Avista System Operations Office to direct and control all electric lines and equipment, including Generator-Owned Interconnection Facilities necessary to isolate the Generation Facility from Avista’s Electric System, and their means of disconnection as described in chapter 296-45-335 Washington Administrative Code or its successor.

30. **“Maintenance Outage”** shall mean in the case of the Generation Facilities, taking the Generation Facilities, in whole or in part, Out of Service to perform work on specific components that can be deferred beyond the end of the next weekend, but that requires the Generation Facilities, in whole or in part, be removed from service before the next Planned Outage. In the case of Avista’s Electric System, Maintenance Outage means taking the Electric System, in whole or in part, Out of Service, to perform work on specific components that can be deferred beyond the end of the next weekend, but that requires the Electric System, in whole or in part, be removed from service before the next Planned Outage. For both the Generation Facilities and the Electric System, a Maintenance Outage typically has a flexible start date, and may or may not have a predetermined duration. A Maintenance Outage shall be coordinated by the Parties pursuant to Section 5.7.

31. **“NERC”** shall mean the North American Electric Reliability Council or its successor.

32. **“Nominal Voltage”** shall mean a specified accepted standard voltage level offered by Avista.

33. **“NWPP”** means the Northwest Power Pool or its successor.

34. **“Open Access Transmission Tariff”** or **“OATT”** shall mean Avista’s open access transmission tariff on file with the FERC.

35. **“Out of Service”** shall mean, with respect to the Generation Facilities, removing from service any non-operational or degraded Generation Facility or component of a Generation Facility that has a materially adverse effect on the Electric System. With respect to the Electric System, Out of Service means removing from service any non-operational or degraded component of the Electric System that has a materially adverse effect on the Facilities.

36. **“Parallel Operation”** means operation of the Generation Facility in a manner such that the Generation Facility is connected to the Generating Company's electric load simultaneously with connection of the load to Avista's Electric System.

37. **“Party”** or **“Parties”** shall have the meaning set forth in the introductory paragraph of this Agreement.

38. **"Person"** shall mean any individual, partnership, limited liability company, joint venture, corporation, trust, unincorporated organization, or governmental entity or any department or agency thereof.

39. **"Planned Outage"** shall mean, in the case of the Generation Facilities, taking the Generation Facilities, in whole or in part, Out of Service to perform work or maintenance that is scheduled in advance and has a predetermined start date and duration. In the case of the Electric System, Planned Outage means taking the Electric System, in whole or in part, Out of Service to perform work or maintenance that is scheduled in advance and has a predetermined start date and duration.

40. **"Qualified Personnel"** shall mean individuals trained for their positions pursuant to Good Industry Practice.

41. **"Qualifying Cogeneration Facility"** or **"QF"** means a facility used to generate electrical energy and thermal energy such as heat or steam, which is used for industrial, commercial, heating or cooling purposes through the sequential use of energy, as defined by the Public Utility Regulatory Policies Act of 1978 and applicable Federal Energy Regulatory Commission regulations, in effect as of the date of this Agreement.

42. **"Qualifying Facility Status"** shall mean the recognition and acknowledgement received from the Federal Energy Regulatory Commission that a cogeneration or small power production facility is a Qualifying Cogeneration Facility or a Qualifying Small Power Production Facility under the Public Utility Regulatory Policies Act of 1978 and applicable Federal Energy Regulatory Commission regulations, and that the operation of the cogeneration or small power production facility is such that compliance with the terms and conditions of the Qualifying Facility Status is maintained throughout the facility's operating life.

43. **"Qualifying Small Power Production Facility"** means a facility used to generate electric power using biomass, waste, or renewable resources, including wind, solar, or water, as defined by the Public Utility Regulatory Policies Act of 1978 and applicable Federal Energy Regulatory Commission regulations, in effect as of the date of this Agreement.

44. **"Remedial Action Scheme"** means protective systems that typically utilize a combination of conventional protective relays, computer-based processors, and

telecommunications to detect and take automated corrective action for wide-area disturbances other than normal isolation of faulted elements of the Electric System.

45. **“Required System Upgrades”** shall mean upgrades to the Electric System that are necessary to accomplish the interconnection between the Generation Facilities and the Electric System so as to provide Interconnection Service, such as those resulting from short circuit analyses, power flow analyses and transient stability analyses.

46. **“System Operations” or “System Operations Office”** shall mean the personnel and department that operates Avista’s Control Area.

47. **“Term”** of this Agreement shall have the meaning set forth in Section 2 hereof.

48. **“Transmission System”** shall mean all of Avista’s facilities that are classified as part of the transmission function in Avista’s OATT or its successor and the Interconnection Facilities owned by Avista.

49. **“WIS Agreement”** means the Agreement Limiting Liability Among Western Interconnected Systems.

50. **“WECC”** means the Western Electricity Coordinating Council or its successor organization.

51. **“WECC Regional Security Plan”** means a plan adopted and approved by the WECC to meet NERC requirements for a security process for Control Area operations within the WECC.

## Exhibit B

### Description of Interconnection Facilities, Ownership and Costs

Existing Avista-Owned and Maintained Interconnection Facilities, and installation work previously accomplished. Facilities are owned and maintained at Avista's expense.

#### Clearwater 115 kV/34.5 kV Substation Facilities

<u>Quantity</u>	<u>Description</u>
2	115 kV 50/67/83 MVA Transformer w/Arresters & 4 sets of CT's
2	Installed 115 kV, 50 MVA Transformer w/Oil Containment.
220	Ft. Station Fencing – Plain
1	Walk Gate, 4' – Plain
40	Cubic Yd. Concrete w / Forming & Rebar Material
8800	Ft. of Control Cable
300	Ft. of 18" Trench for Control Cable – Large Station (Labor)
400	Ft. of 3 Inch Aluminum Pipe
12	15 kV Cap & Pin Insulators
4	SMD – 20 Power fuses w/ Fuses – Station Service
4	34.5 kV 2000 A Air Switch
2	34.5 kV 2000 A, 40 kA, Interrupting Power Circuit Breaker w / 4 sets CT's
2	100 kVA Station Service Transformer
6	34.5 kV 300:1 Potential Transformer
2	34.5 kV Tie Interchange Metering Package
2	Transformer Differential Relaying Package
2	Utility Tie Differential Relaying Package
2	34.5 kV Breaker Failure Relaying Package
4	115 kV WWP Single Side Switchboard w/o Relays
2	Standard Circuit Switcher Relay Package
2	34.5 kV Tie PCB Relay Package
2	Neutral Grounding Transformers
2	Neutral Grounding Resistors
6	34.5 kV Steel Structures (SW, PT, STA, SVC)
1	115 kV Steel Dead-end Transmission Pole (Lolo #2 Line)

Supervisory and Communications Facilities

<u>Quantity</u>	<u>Description</u>
1	Metering Translation System Microwave Channel to Spokane
1	SCADA Microwave channel to Spokane
1	SCADA Remote Terminal Unit

Existing Potlatch-Owned and Maintained Interconnection Facilities, and installation work previously accomplished. Facilities are owned and maintained at Potlatch's expense.

<u>Quantity</u>	<u>AB Part No.</u>	<u>Description</u>
2	1771-AF1	Fiber Optic Converter
est. 600'	**	Fiber Optic Cable
1	1771-ASB	I/O Adapter
1	1785LT2	PLC5/25
1	1785-MS	8k Memory Module
1	1771-A3B	I/O Chassis (rack mount) 12 slot
1	1771-A2B	I/O Chassis (rack Mount) 8 slot
1	6203-PLC5	PTS/PDS Software 3.5" Media
3	1771-IFE	Analog Input Module (non-iso)
6	1771-OFE2	Analog Output module (4-20mA)
3	1771-IBD	Discrete Input Module (10-30V DC)
1	1771-OZL	Discrete Output Module (0-24V DC)
1	1771PZ	Power Supply 16A 5V DC (enclosure)
1	1771-P7	Power Supply 16A 5VDC (chassis side)
2	1771-CP2	Power Supply Cable - 5'
10'	1770-CD	Twin axial Cable
6	1770-XT	Resistor 150 Ohm 0.5W
1	1770-XY	Lithium Battery
1	1784-T35	Plant Floor Terminal (PC/AT 386)
1	1785-KE	Peer communications Link Interface
1	1784-CP5	Cable
1	-----	Control View PC Color Graphics System
1	-----	Control View PC Data Logger
1	1784-T50	AT Compatible Keyboard
1	-----	Potlatch Standard 19" Cabinet
2	**	RS- 232 Converter
2	1771-DB	Basic Module

\*\* ( Required for configuration as specified by Avista)

## Exhibit C

### Specific Interconnection Requirements

#### 1. General Interconnection.

- 1.1 Generation Facility will continue to be interconnected at 34.5 kV.
- 1.2 Generating in parallel with Generating Company's load will continue.
- 1.3 Existing transformers as connected will continue to provide interconnection transformation.
- 1.4 Generator sizes as installed are satisfactory.
- 1.5 All existing generators are synchronous machines.
- 1.6 Real-time status of all of the existing elements of the Generation Facility, as well as direct voice communications with the operations personnel at the Generation Facility will continue.

#### 2. Metering, Communications and Data.

- 2.1 Existing energy meters that measure kWh and kVARh including communications links will be maintained.
- 2.2 Telemetry of real and reactive power, as well as kWh and kVARh will continue to be transmitted to Avista's System Operations Office.
- 2.3 Verbal communications will continue between Generation Facility's operator and Avista's System Operations Office.

#### 3. Protection.

- 3.1 Depending on size and location, Generation Facility may be required to participate in any Remedial Action Schemes designated by Avista, NERC, WECC, NWPP, or any other regional operation authority (Exhibit F).
- 3.2 All generator protective relaying as installed will be maintained. If remedial action modifications are warranted by Avista, NERC, WECC, NWPP or any other regional operation authority they will be implemented at Potlatch's expense.

#### 4. Voltage and Frequency.

- 4.1 Steady state and transient voltage and frequency support will continue to be required from all generators.
- 4.2 The Generation Facility will comply with NERC, WECC, NWPP policies and standards as they apply specifically to steam/turbine cogeneration units running

primarily under pressure control. Existing excitation systems will stay as they presently exist. Pursuant to current NERC policies and standards, both parties agree that all of the generating unit's excitation systems were installed prior to November 18, 1993 (See Exhibit G) and do not require power system stabilizers. For any future modification in excitation systems, specific response characteristics, regulation abilities, and operating ranges will be subject to testing per NERC, WECC, NWPP policies and standards as they apply specifically to steam/turbine cogeneration units running primarily under pressure control. Results of any testing will be supplied to Avista. Generating Units No.'s 1 and 2 are presently out of service. Any testing required by this provision, will take place if and when the units are put back into service.

4.3 All generators will comply with NERC, WECC and ANSI/IEEE standards for speed/load control if operated in speed/load control mode as they apply specifically to steam/turbine cogeneration units running primarily under pressure control.

4.4 Generation Facility and/or associated loads (Potlatch Lewiston Plant Load) will continue to have the capability of operating at a power factor of 95% or better (leading or lagging). Avista's System Operations Office will have the right (during abnormal system conditions) to request generator operation outside of 95% power factor as long as the machine's capabilities are not exceeded.

4.5 It is recognized that generators will be expected to operate temporarily outside of normal voltage and frequency ranges in order to support area or regional disturbances and prevent widespread outages. The Generating Company will work closely with Avista's operating staff to minimize or prevent widespread outages.

**Exhibit D**

**Metering Specifications, Points and Locations**

Metering specifications, locations and points shall be as specified in the Power Agreement.

**Exhibit E**  
**Contact Information**

1. **Verbal Communications.** All communications between Generating Company and Avista shall be done verbally by notifying the following parties:

- (a) Pre-Schedule (5:30 a.m. to approximately 1:30 p.m. on normal business days):

Avista                      Pre-Scheduler (509) 495-4911  
                                    Alternate Phone Number: (509) 495-4073

Potlatch                     Utility Supervisor (208) 799-1923  
                                    Alternate Phone Number: (208) 799-1298

- (b) Real-Time Schedule (available 24 hours per day):

Avista                      Real-Time Scheduler (509) 495-8534

Potlatch                     Utility Supervisor (208) 799-1923  
                                    Alternate Phone Number: (208) 799-1298

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

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

Potlatch                     Utility Operator (208) 799-1923  
                                    Alternate Phone Number: (208) 799-1298

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

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

Potlatch                     Utility Operator (208) 799-1298  
                                    Alternate Phone Number (208) 799-1258

Either Party may provide written notice to the other Party setting forth different contact numbers.

**Exhibit F**

**Remedial Actions Schemes**

Presently no changes are required from what is existing.

## Exhibit G

### Governor Control Systems and Terminal Voltage Regulators

#### No. 1 Turbine Generator (1950)

Turbine No. 83530; Generator No. 678 4689

GE SCR Excitation System (1984)

Exciter Model # 3S7931SA520, Cat. No. 0503X0700Z01, IC 7931

ML Number M5030700

Equipment Inst. Book: GEK-8381

Turbine Governor Information

Ball Bearing Type, Position Cut-Off – Fluid Damping

GE Company Instructions GEI-29500

Pilot Valve and Drive (1953) GEI-46103

#### No. 2 Turbine Generator (1977)

Turbine No. 197741; Generator # 316X188

GE Static Exciter (ED-43969), SCT / PPT

3S7931EA520G7 Elem. 44C309642

Pressure Governor GEI-87044D

Speed Governor GEK-27005A

#### No. 3 Turbine Generator (1981)

GE Turbine #197836; Generator # 316X374

Excitation: Shaft Driven Commutation GE-M-134 Excitation System – SCT / PPT

3S7931EA533G4 Diag. 206B4889

Governor – Electrohydraulic Control (EHC)

GEK-81497 (1979) Mark IIB

#### No. 4 Turbine Generator (1990)

ABB Order-NR: 1-411 868

Turbine ID#: MB275-226, DEEK S25-S100/L144-200

Generator Type WY 16L-054LLT No. HM 300 516

Brushless Exciter ABB Type WBT 74/508/30, Serial No. HM 300 603

Pilot Exciter Type: WPE35-9-4R20, Serial No. HM300 604

Governor: Pro Control P13 Order No. 1-411868 Dwg. HTDC 307 794

**Exhibit H**  
**Required System Upgrades**

No system upgrades are required.

**Exhibit I**  
**Easements**

~~X-ARDEX~~  
ALPHA  
MICRO  
~~INDEXED~~  
FILMED

INDEXED  
FILMED  
DELIVERED  
MAILED

MICROFILM NO.  
538274

EASEMENTS:  
Others to WWPCo  
Rv 964

44060

GRANT OF EASEMENT

THIS INDENTURE is made and entered into this 22 day of May, 1995, by and between **POTLATCH CORPORATION**, a Delaware corporation, hereinafter called "Grantor", and **WASHINGTON WATER POWER COMPANY**, hereinafter called "Grantee", whose address is PO Box 3727 Spokane, WA. 99220

WITNESSETH:

Grantor, for a good and valuable consideration, the receipt whereof is hereby acknowledged, does hereby grant unto Grantee, and its successors and assigns, a permanent easement on the following described real property in Nez Perce County, State of Idaho, more particularly described on Exhibit "A" and shown on the attached map marked Exhibit "B" attached hereto and by this reference made a part hereof.

Said easement shall be for the purpose of the construction, reconstruction, operation and maintenance of existing electrical substation/switching station and associated fixtures, and a gas regulator station and associated fixtures (collectively "stations") together with associated peripheral underground grounding grid, poles and anchors, and electric transmission lines into and out of said electric substation/switching station, and together with access to Gates A, B, and C, all as more particularly shown on said Exhibit "B", together with ingress and egress, to be coordinated with Grantor, across existing roads and roadways and across adjoining property of the Grantor to said access gates, transmission lines, anchors and "stations" for the purposes herein mentioned. The Grantor shall have the right to locate and install an underground gas transmission pipeline

GRANT OF EASEMENT

Pg. 1 of 6

RETURN TO:  
RIGHTS OF WAY DEPARTMENT  
WASHINGTON WATER POWER COMPANY  
P.O. BOX 3727  
SPOKANE, WASHINGTON 99220

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1260.03167.25.P04.847

13

at a location to be determined by Grantor subject to Grantee's reasonable approval and so as not to interfere with Grantee's rights herein conveyed.

This easement grant supersedes and replaces in its entirety that certain easement granted to Grantee by Grantor on June 21, 1972 and recorded as Instrument 360261 on July 7, 1972.

The Grantor covenants with Grantee that it is lawfully seized and possessed of the real property above described and has a good and lawful right to convey it or any part thereof, and that it will forever warrant and defend the grant hereby made against the lawful claims of all persons whomsoever.

All of the rights granted hereunder to Grantee shall cease and terminate in the event the "stations" are not used for a period of one year. In the event of the termination of this easement, Grantee agrees to remove its personal property within sixty (60) days of said termination. In the event of termination of this easement, Grantee shall execute and deliver within fifteen (15) days of said termination a Termination of Easement document, sufficient for recording with the Nez Perce County Clerk, stating that all right, title and interest of Grantee in and to this easement is terminated.

Grantor reserves the right to use and enjoy said property except for the purposes herein granted, but such use shall not hinder, conflict or interfere with Grantee's rights hereunder.

The Grantee in accepting this easement covenants with the Grantor to at all times hold the Grantor harmless from all claims for personal injury or property damage arising

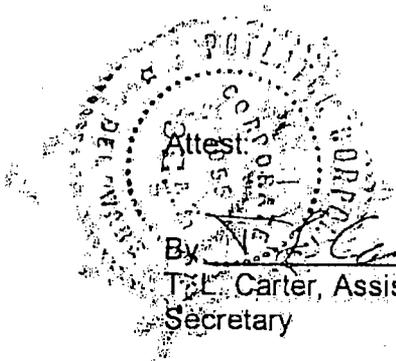
**GRANT OF EASEMENT**

Page 2 of 6

out of the Grantee's use of said easement and exercise of the grant herein contained.

IN WITNESS WHEREOF the parties have caused this instrument to be executed the day and year hereinabove first written.

Attest:



By T. L. Carter  
T. L. Carter, Assistant Secretary

POTLATCH CORPORATION

By G. William Morton  
G. William Morton, Vice-President  
Idaho Pulp and Paper

WASHINGTON WATER POWER COMPANY

By Donald J. Malisoni

Attest:

By J. L. Dymal  
Corporate Secretary



INST. NO. 598274  
FILED FOR RECORD  
FEE 18.74 REG. BY WWP  
195 JUN -5 A 9:51  
PO Box 896  
Spokane, WA  
99200 - 3727  
BETTY J. WILSEY  
RECORDER, NEZ PERCE CO., ID.  
BY Julie Knight DEPUTY

GRANT OF EASEMENT

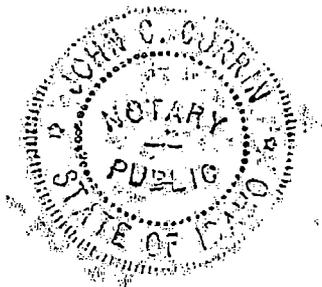
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STATE OF IDAHO )  
 ) ss.  
County of Nez Perce )

On this 22 day of May, 1995, before me, the undersigned, a Notary Public in and for said state, personally appeared G. WILLIAM MORTON and T. L. CARTER, known to me to be the Vice President and Assistant Secretary of Pottlatch Corporation, the corporation that executed the within instrument, and acknowledged to me that they executed the same for the and on behalf of said corporation.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



John C. Currin  
John C. Currin  
Notary Public for the State of Idaho  
Residing at Lewiston therein.  
My Commission expires March 15, 1999.

STATE OF Washington )  
 ) ss.  
County of Spokane )

On this 26 day of May, 1995, before me, the undersigned, a Notary Public in and for said state, personally appeared Donald J. Malisani and T.L. Syms, known to me to be the Supervisor of Real Estate and Corporate Secretary of Washington Water Power Company, the corporation that executed the within instrument, and acknowledged to me that they executed the same for the and on behalf of said corporation.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



Patricia A. Fuher  
Notary Public for the State of Washington  
Residing at Spokane therein.  
My Commission expires December 9, 1997

GRANT OF EASEMENT

Page 4 of 6

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EXHIBIT "A"

Three parcels of land, hereinafter identified as Parcels "A", "B", and "C", located in the Southwest Quarter of Section 28, Township 36 North, Range 5 West of the Boise Meridian, Nez Perce County, Idaho, as shown on Exhibit "B" (Washington Water Power Company drawing L-34524) and as further described below. Said Exhibit "B" is by this reference made a part hereof.

The following descriptions are based on the Potlatch Corporation Grid System and brass cap survey monuments "Dike", with coordinates Northing=21161.416 and Easting=4117.666, and "Dike 2", with coordinates Northing=21384.678 and Easting=3653.446.

Parcel "A" is a 50-foot wide transmission corridor, located 25 feet on each side of the following described centerline:

BEGINNING at a point which is at coordinates Northing=419,872.71 and Easting=2,888.183.57 on the Washington South Lambert Grid System, which point is hereinafter identified as "Point P3" and which point is further identified as such on said Exhibit "B";

Said Washington South Lambert Grid System coordinates for Point "P3" are hereby defined as being equivalent to Potlatch Grid System coordinates Northing=21411.09 and Easting=2675.89.

Thence South 72°49'09" East, 342.06 feet along the centerline of the Lolo #2 transmission line to an existing power pole, said pole being further identified as "Pole P1" on said Exhibit "B";

Thence from said pole North 13°43'35" East 10.3 feet along said centerline to the Washington Water Power substation described as said Parcel B;

And including two downguys and anchors supporting said Pole P1, said downguys and anchors being further identified on said Exhibit "B" as "Guy Anchor A7" and "Guy Anchor A8".

Parcel "B" is a fenced substation site, as built, including the land enclosed by the following description, and including right of way strips for the existing Lolo #1 and North Lewiston transmission lines. Said right of way strips extend from said substation site to the southerly bank of the Clearwater River, as shown on said Exhibit "B".

Parcel B is described as follows:

BEGINNING at the northwest corner of the substation as fenced, which point is at coordinates of Northing=21451.38 and Easting=3010.42, and continuing around the substation fence on the following courses:

From the point of beginning, South 12°55'06" West, 109.3 feet;

Thence South 75°51'53" East, 257.7 feet;

Thence North 72°33'10" East, 33.8 feet;

Thence North 64°03'38" East, 6.3 feet;

Thence North 14°06'57" East, 64.6 feet;

Thence North 78°06'01" West, 73.7 feet;

Thence North 10°19'51" East, 7.1 feet to a point on the centerline of said Lolo #1 transmission line corridor, said point being the origin point of said Lolo #1 transmission line corridor;

Thence continuing North 10°19'51" East, 28.4 feet;

Thence North 78°23'40" West, 84.9 feet to a point on the centerline of said North Lewiston transmission line corridor, said point being the origin point of said North Lewiston transmission line corridor;

Thence continuing North 78°23'40" West, 132.9 feet to the northwest corner of the substation and the point of beginning.

Including a total of six downguys and anchors supporting poles located within said Parcel B, said downguys and anchors being further identified on said Exhibit "B" as "Guy Anchor A1", "Guy Anchor A2", "Guy Anchor A3", "Guy Anchor A4", "Guy Anchor A5", and "Guy Anchor A6".

Parcel "C" is a natural gas regulator site as built, including the land enclosed by the following description:

BEGINNING at the northeast guard post of said regulator site, said post having the coordinates of Northing=21435.88 and Easting=2815.78;

Thence South 1°30'00" East, 12.5 feet;

Thence South 88°30'00" West, 40.5 feet;

Thence North 1°30'00" West, 12.5 feet;

Thence North 88°30'00" East, 40.5 feet to the point of beginning.



**Exhibit J**  
**Description of Generation Facility**

Potlatch Corporation owns and operates four (4) Qualified Facilities at its Lewiston, Idaho facility. For the purposes of this agreement all four (4) facilities are considered as one collective entity.

J-1. Unit Number One Description - QF83-144-000

- (a) The unit number one turbine, General Electric serial number 83530, is a nine stage 3600 RPM, 600 PSIG steam turbine.
- (b) The unit number one generator, General electric serial number 6784689, is nameplate rated at 12,500 kVA

J-2. Unit Number Two Description - QF83-142-000

- (a) The unit number two turbine, General Electric serial number 197741, is a six stage, 3600 RPM, 600 PSIG steam turbine.
- (b) The unit number two generator, General Electric serial number 316X188, is nameplate rated at 11,188 kVA.

J-3. Unit Number Three Description – QF83-143-000

- (a) The unit number three turbine, General Electric serial number 197836, is a twelve stage, 3600 RPM 1250 PSIG steam turbine.
- (b) The unit number three generator, General Electric serial number 316X374, is nameplate rated at 41,600 kVA @ 30 PSIG H2.

J-4. Unit Number Four Description – QF92-67-000

- (a) The unit number four turbine, ABB order number MB275226, is a 3600 RPM steam turbine.
- (b) The unit number four generator, ABB serial number HM300516, is nameplate rated at 66,916 kVA.

## Exhibit K

### Dispute Resolution Procedures

1. **Statements of Dispute.** The Dispute Resolution provisions of this Agreement shall be invoked by either Party to resolve any Dispute arising under this Agreement. Within fourteen (14) calendar days of a Party's request that the arbitration process be commenced, each Party shall submit a statement in writing to the other Party, which statement shall set forth in reasonable detail the nature of the Dispute and the issues to be arbitrated.

2. **Selection of an Arbitrator.** Within ten (10) calendar days following the submission of the statements described in Section 1 above, the Parties shall select an arbitrator familiar with and knowledgeable about the technical and regulatory requirements for generation interconnection. If the Parties cannot agree upon an arbitrator, or do not agree on a means of selecting an arbitrator that differs from that set forth herein, the Parties shall apply to the Idaho Public Utilities Commission, for the appointment of an arbitrator. Absent the express written consent of all Parties as to any particular individual, no person shall be eligible for selection as an arbitrator who is a past or present officer, member of the governing body, employee of, or consultant to any of the Parties, or of an entity related to or affiliated with any of the Parties, or whose interests are otherwise affected by the matter to be arbitrated. Any individual designated as an arbitrator shall make known to the Parties any such disqualifying relationship, and a new arbitrator shall be designated in accordance with the provisions of this Section.

3. **Procedural Rules.** The arbitrator shall determine discovery procedures, compliance with intervention requirements, how evidence shall be taken, what written submittals may be made and other such procedural matters, taking into account the complexity of the issues involved, the extent to which factual matters are disputed and the extent to which the credibility of witnesses is relevant to a resolution of the dispute. Intervenors shall have the same procedural rights as parties to the dispute. Each party to the dispute shall produce all evidence determined by the arbitrator to be relevant to the issues presented. To the extent such evidence involves proprietary or confidential information, the arbitrator shall issue an appropriate protective order that shall be

complied with by all parties to the dispute. The arbitrator may elect to resolve the arbitration matter solely on the basis of written evidence and arguments.

**4. Intervention.** The arbitrator shall admit as intervenors in the Dispute Resolution process any party that requests intervention and demonstrates to the arbitrator good cause for intervention. Absent the agreement to the contrary of all parties, no party shall be permitted to intervene unless, as a condition of its intervention, it agrees to be bound by the provisions of this Exhibit K in regard to the arbitration, including the provisions related to deference on appeal to the FERC or state regulatory commission set forth in Section 8.

**5. Evidence.** The arbitrator shall take evidence submitted by the disputing parties in accordance with procedures established by the arbitrator and may request additional information, including the opinion of recognized technical bodies. All disputing parties shall be afforded a reasonable opportunity to rebut any such additional information. Other affected entities may request in writing that the arbitrator consider additional information, and the arbitrator may consider such additional information, subject to a right of the disputing parties to have a reasonable opportunity to rebut such additional information.

**6. Substantive Standards and Decision.** As soon as practicable, but in no event later than one hundred fifteen (115) calendar days after his or her selection as arbitrator, the arbitrator shall render a written decision and reasons therefor. In reaching his or her decision, the arbitrator shall consider the intent of this Agreement; other applicable agreements, laws or regulations; or applicable technical standards and criteria not inconsistent with this Agreement. A written decision, including specific findings of fact, explaining the basis for the award shall be provided by the arbitrator with the written notice to the disputing parties. Awards shall be based only on the evidence on the record before the arbitrators. No award that is not appealed shall be deemed to be precedential in any other arbitration related to a different dispute.

**7. Compliance and Costs.**

**7.1 Compliance with the Arbitrators' Award.** Immediately upon the decision by the arbitrators, except during the period of appeal as provided for in Section 8, the disputing parties shall commence to take, and thereafter diligently prosecute to

completion, whatever action is required to comply with the selected award to the extent the selected award does not require regulatory action. To the extent the award requires approval or regulatory action by a local, tribal, state, federal or provincial body of competent jurisdiction; FERC review of an award involving a federal power marketing agency; or a FERC filing by a transmission provider subject to Sections 205 or 206 of the Federal Power Act, 16 USC §§824d and 824e; the affected disputing party shall promptly submit and support that portion of the award with the appropriate authority except as provided in Section 8. Any and all costs associated with the arbitration (but not including the disputing parties' costs associated with attorney and witness fees) shall be borne by the disputing party or parties whose proposed award was not selected, unless the disputing parties agree to an alternate method of allocating costs, or unless the arbitrator determines it would be appropriate to allocate all or a portion of such costs to one or more intervenors.

**7.2 Effect of Award.** Except for it not being precedential, an award that is not appealed shall be deemed to have the same force and effect as an order entered by the appropriate regulatory agency.

**8. Grounds for Appeal.** Within thirty (30) calendar days of the issuance of any arbitration award, any party to an arbitration may apply to the FERC or to a state regulatory commission to hear an appeal of such award with respect to matters to which a regulatory agency has jurisdiction, but only upon the grounds that the award is contrary to or beyond the scope of this Agreement or is unjust, unreasonable, unduly discriminatory or preferential or otherwise inconsistent with then applicable standards or policies or applicable law. Any appeal shall be based solely upon the record assembled by the arbitrator; provided however, that any order by an arbitrator excluding material from the arbitration record or any ruling that is alleged to violate due process may be explicitly appealed by a party as a part of an appeal under this Section 8. Parties to arbitrations agree that (i) substantial deference shall be afforded to the factual findings of the arbitrator; (ii) the portion, if any, of the award relating to issues not of first impression (i.e., matters previously decided by the FERC, a state regulatory commission, or a court of competent jurisdiction in cases involving comparable facts and circumstances) should be afforded appropriate deference; and (iii) the portion, if any, of the award relating to

issues of first impression should be afforded no deference. Implementation of the award shall be stayed pending an appeal unless and until, at the request of a disputing party, an order shortening or extending the stay.

**9. No Expansion of Factual Record.** No party to an arbitration shall seek to expand the factual record beyond that assembled by the arbitrator, except that any party to an arbitration may submit such additional evidence or argument as may be needed to respond to new evidence or arguments raised by intervenors who were not parties to the arbitration.

**10. Judicial Enforcement.** Subject to the right of any party to appeal, and exhaustion of remedies, any party shall be entitled to seek enforcement of the award in any court of competent jurisdiction.

Exhibit L  
Insurance Requirements

# ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE(MM/DD/YY)  
04/29/03

**PRODUCER**

Aon Risk Services, Inc. of Oregon  
1211 S.W. 5th Avenue  
Suite 600  
Portland OR 97204-3799

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

**COMPANIES AFFORDING COVERAGE**

COMPANY A Continental Casualty Company

COMPANY B Transcontinental Insurance Co

COMPANY C American Alternative Ins Corp

COMPANY D

PHONE - (503) 224-9700

FAX - (503) 295-0923

**INSURED**

Potlatch Corporation  
Attn: John Bell  
P.O. Box 1016  
Lewiston ID 835010000 USA

**COVERAGES**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A	GENERAL LIABILITY	M249216518 Commercial General Liability	04/01/03	04/01/04	GENERAL AGGREGATE	\$3,000,000
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY				PRODUCTS - COMP/OP AGG	\$2,000,000
	<input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR				PERSONAL & ADV INJURY	\$2,000,000
	<input type="checkbox"/> OWNER'S & CONTRACTOR'S PROT				EACH OCCURRENCE	\$2,000,000
					FIRE DAMAGE(Any one fire)	\$1,000,000
					MED EXP (Any one person)	\$5,000
	AUTOMOBILE LIABILITY				COMBINED SINGLE LIMIT	
	<input type="checkbox"/> ANY AUTO				BODILY INJURY ( Per person)	
	<input type="checkbox"/> ALL OWNED AUTOS				BODILY INJURY (Per accident)	
	<input type="checkbox"/> SCHEDULED AUTOS				PROPERTY DAMAGE	
	<input type="checkbox"/> HIRED AUTOS					
	GARAGE LIABILITY				AUTO ONLY - EA ACCIDENT	
	<input type="checkbox"/> ANY AUTO				OTHER THAN AUTO ONLY:	
					EACH ACCIDENT	
					AGGREGAT	
C	EXCESS LIABILITY	01A2UM000052300 COMMERCIAL UMBRELLA COVERAG	04/01/03	04/01/04	EACH OCCURRENCE	\$5,000,000
	<input checked="" type="checkbox"/> UMBRELLA FORM				AGGREGATE	\$5,000,000
	<input type="checkbox"/> OTHER THAN UMBRELLA FORM					
B	WORKER'S COMPENSATION AND EMPLOYERS' LIABILITY	WC249216731 WORKERS COMPENSATION	04/01/03	04/01/04	<input checked="" type="checkbox"/> WC STATU-TORY LIMITS	OTH-ER
	THE PROPRIETOR/ PARTNERS/EXECUTIVE OFFICERS ARE:	<input checked="" type="checkbox"/> INCL <input type="checkbox"/> EXCL			EL EACH ACCIDENT	\$1,000,000
					EL DISEASE-POLICY LIMIT	\$1,000,000
					EL DISEASE-EA EMPLOYEE	\$1,000,000

**DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS**

Avista Corp. is included as Additional Insured under the General Liability Policy but only to the extent covered by the insurance policy.Waiver of Subrogation applies.

**CERTIFICATE HOLDER**

Avista Corp.  
Attn: Warren Clark  
P.O.Box 3727  
Spokane, WA 99220-3727 USA

**CANCELLATION**

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT. BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

*Joyce Hall*

L2

## Exhibit M

### Interconnection Application

Exhibit M is applicable to a new facility that is being interconnected to Avista's electrical system for the first time. Since the Generating Company is an existing facility that has been interconnected to Avista's electrical system for an extended period of time (in excess of ten (10) years) it has been determined that an Interconnection Application is not required.