

Avista Corp.
1411 East Mission P.O. Box 3727
Spokane, Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170



RECEIVED

2013 APR 15 AM 9:27

IDAHO PUBLIC
UTILITIES COMMISSION

April 12, 2013

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
P O Box 83720
Boise, ID 83720-0074

AVU-E-13-02

RE: In the Matter of the Joint Petition of Avista Corporation and Clearwater Paper Corporation for Approval of an Electric Service Agreement.

Dear Ms. Jewell:

Enclosed for filing with the Commission is the original and seven (7) copies of Avista Corporation and Clearwater Paper Corporation's Joint Petition and Request for Modified Procedure. Avista has also included a CD with the files for your convenience.

Should you have any questions regarding this filing, please do not hesitate to call me at (509) 495-8620. Thank you in advance for your assistance.

Sincerely,

A handwritten signature in black ink that reads "Patrick Ehrbar". The signature is written in a cursive, slightly slanted style.

Patrick Ehrbar
Manager, Rates & Tariffs

Enclosures

cc: Certificate of Service

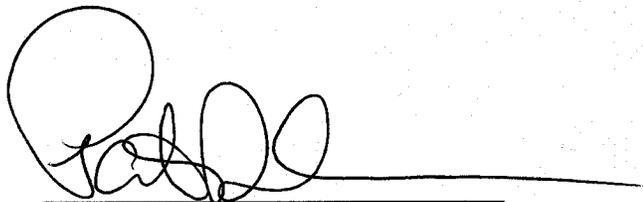
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this 12th day of April, 2013, served the foregoing Petition upon the following parties, by mailing a copy thereof, properly addressed with postage prepaid to:

Jean D Jewell, Secretary
Idaho Public Utilities Commission
Statehouse
Boise, ID 83720-5983
Jean.jewell@puc.idaho.gov

Peter J. Richardson
Richardson & O'Leary PLLC
515 N. 27th Street
PO Box 7218
Boise, ID 83702
peter@richardsonandoleary.com

Marv Lewallen
Clearwater Paper
601 W. Riverside Avenue
Suite 1100
Spokane, WA 99201
marv.lewallen@clearwaterpaper.com

A handwritten signature in black ink, appearing to read 'Patrick Ehrbar', is written over a horizontal line. The signature is stylized and cursive.

Patrick Ehrbar
Manager, Rates & Tariffs

David J. Meyer, Esq.
Vice President and Chief Counsel for
Regulatory and Governmental Affairs
Avista Corporation
1411 E. Mission Avenue
P.O. Box 3727
Spokane, Washington 99220
Phone: (509) 495-4316

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Attorney for Avista Corporation

Michael S. Gadd
Senior Vice President & General Counsel
Clearwater Paper Corporation
601 W. Riverside Ave., Suite 1100
Spokane, Washington 99201
Phone: (509) 344.5900

Peter Richardson
Richardson & O'Leary, PLLC
505 N. 27th Street
P. O. Box 7218
Boise, Idaho 83702
Phone: (208) 938-7901

Attorneys for Clearwater Paper Corporation

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE JOINT
PETITION OF AVISTA CORPORATION
AND CLEARWATER PAPER
CORPORATION FOR APPROVAL OF
AN ELECTRIC SERVICE AGREEMENT

CASE No. AVU-E-13-02
JOINT PETITION AND
REQUEST FOR MODIFIED
PROCEDURE

Avista Corporation ("Avista") and Clearwater Paper Corporation ("Clearwater") (Avista and Clearwater are referred to collectively as the "Parties") hereby petition the Idaho Public Utilities Commission ("Commission" or "IPUC") for an order approving the "Electric Service Agreement" between Avista Corporation and Clearwater Paper Corporation. The Electric Service Agreement ("Agreement") is dated April 11, 2013 and is attached as Exhibit 1. The Agreement also includes as "Exhibit A" a new Large Generator Interconnection Agreement ("LGIA"). Petitioners request that this Petition be processed under Modified Procedure (IDAPA 31.01.01.201 through .204).

In support of this Petition, the Parties state as follows:

1. Avista is a corporation created and organized under the laws of the State of Washington with its principal office in Spokane, Washington. Avista is an investor-owned utility principally engaged in the business of providing electric and natural gas service in the states of Idaho and Washington, as well as natural gas service in the state of Oregon.

2. Clearwater is a corporation that, among other things, operates a paper manufacturing facility located in Nez Perce County, Idaho (hereinafter referred to as the "Facility").

3. Clearwater owns and operates a generation system at the Facility that is capable of generating approximately 132.2 megawatts of energy (the "Generation"). These generators are Qualifying Facilities ("QF") pursuant to the Public Utility Regulatory Policies Act of 1978 and 18 C.F.R. Part 292.

CURRENT AGREEMENT BETWEEN CLEARWATER AND AVISTA

4. Avista has provided electric service to the Facility for many years. Beginning on January 1, 1992, Avista purchased the Generation output from the Facility, while providing electric service to the Facility, pursuant to an Electric Service and Purchase Agreement. The Commission approved the 1992 Agreement in IPUC Case No. WWP-E-91-5, Order No. 23858 on August 16, 1991.

5. Beginning on July 1, 2003, through a new 10-year agreement, Avista purchases the Generation output, and provides electric service to the Facility, pursuant to a Power Purchase and Sale Agreement ("2003 Agreement"). The Commission approved the 2003 Agreement in IPUC Case No. AVU-E-03-07, Order No. 29418, on January 15, 2004.

6. Under the terms of the 2003 Agreement, which is still in effect, Avista sells to Clearwater all of its required energy and capacity at Schedule 25P rates. Those rates change from time to time as approved by the Commission. Avista is the sole purchaser of Clearwater's Generation at a price of \$42.92 per MWh up to a maximum base generation amount of 543,120 MWhs.

7. All power purchase costs paid by Avista to Clearwater under the 2003 Agreement are directly assigned to Avista's Idaho operations.

8. Differences between the Clearwater power purchase expense, and a certain amount of Clearwater retail revenue based on kWh sales equivalent to the level of Clearwater generation, versus that included in authorized level of power supply expense, are tracked at 100% through the Power Cost Adjustment mechanism ("PCA") per Order No. 29418.

9. The 2003 Agreement has an expiration date of June 30, 2013 and contains no provisions regarding rates, terms or conditions for service after this expiration date.

2013 AGREEMENT BETWEEN CLEARWATER AND AVISTA

10. The Parties have met on a number of occasions to negotiate a successor agreement. Through the give-and-take of negotiation, the Parties have reached agreement on a new Agreement that produces an "end result" that the Parties believe is just and reasonable, and in the public interest. The Agreement provides for the sale of energy to serve Clearwater's load at the Facility, and addresses Clearwater's generation. In summary, the essential terms of the Agreement are as follows:

(a) The Agreement is for a five-year term, beginning July 1, 2013 and ending on June 30, 2018. The Agreement will continue after the initial term from year to

year unless either Party elects to terminate it with 90 day's prior written notice to the other Party.

(b) The Agreement is conditioned upon approval by this Commission of the Agreement as a settlement of all known existing disputes between the Parties, without precedential value and without prejudice to the Parties' positions on similar issues in the future.

(c) Clearwater's Generation shall be metered, consistent with Paragraphs 4(B)(ii) and 5 of Schedule 63 of Avista's Idaho Tariff, such that Clearwater shall use the Generation to serve its load at the Facility.

(d) Clearwater shall purchase and receive from Avista all of the electric power requirements at the Facility that exceeds the electric power generated by Clearwater's Generation. Avista will continue to serve Clearwater's additional power requirements under Avista's "Extra Large General Service To Clearwater Paper's Facility" Schedule 25P rates, including all applicable rate adjustments, unless the Commission issues an order in the future authorizing different billing rates.

(e) The Parties agree that, starting on the Effective Date of the Agreement, all energy (kWh) consumption under the terms of this Agreement will be billed at Schedule 25P rates. Through negotiation, the Parties have agreed that, for purposes of capacity/demand ("kVA"), all kVA billed above 55,000 kVA ("2nd Demand Block") will be billed at an initial rate of \$2.00 per kVA. The first 3,000 kVA will continue to be covered under a monthly flat rate (currently \$12,500 per month), and the next 52,000 kVA ("1st Demand Block") will be billed at the current volumetric demand rate (currently \$4.50 per kVA). Clearwater understands that demand and energy rates may change from time to time during the term of

the Agreement as approved by the Commission. Exhibit B to the Agreement is the draft form of Schedule 25P that would be filed with the Commission prior to the Effective Date of the Agreement.

(f) To the extent that Clearwater generates electric power in excess of the electric power requirements of the Facility, Clearwater will be credited for the excess kWhs generated during the billing period in a manner consistent with Paragraphs 4(B)(ii) and 5 of Schedule 63 of Avista's Idaho Tariff.

(g) If, during the Term of this Agreement, Clearwater desires to sell the output of the Generation to any third party, Clearwater shall terminate the Agreement by providing Avista written notice of termination at least 90 days prior to such termination. The sale to a third party would not commence until the date on which the Agreement is terminated. Further, the Clearwater would be responsible for making all necessary arrangements to facilitate the sale of the output of the Generation to any third party. Finally, the 2nd Demand Block would no longer be applicable, and all kVA above 3,000 would be billed at the 1st Demand Block rate.

(h) All other negotiated terms and agreements are contained with the Agreement, including a new LGIA which was executed concurrent with the execution of the Agreement.

11. Under the existing Purchase and Sale Agreement between Avista and Clearwater, any monthly difference between the actual Clearwater power purchase expense and the amount embedded in the development of base retail rates in a general rate case is tracked at 100% through the PCA, per IPUC Order No. 29418. In addition, any change in a

certain amount of Clearwater retail revenue, based on kilowatt-hour sales equivalent to the level of Clearwater generation, is also tracked at 100%.

12. The Parties propose that the change in revenues and expenses associated with the new service agreement with Clearwater, as compared with the revenues and expenses included in the last rate case for Clearwater, be tracked through the PCA at 100%, similar to the accounting treatment for the current Purchase and Sale Agreement.

WHEREFORE, Avista and Clearwater respectfully request that the Commission issue an order approving the Agreement, and its attached LGIA, including the following provisions:

(1) approving the Agreement as a settlement of all known existing disputes between the Parties without precedential value and without prejudice to the Parties' positions on similar issues in the future;

(2) approve accounting treatment similar to that currently being used for the existing Clearwater Agreement, such that any change in revenue and expenses associated with the new service agreement with Clearwater, as compared with the revenues and expenses included in the last rate case for Clearwater, would be tracked through the PCA at 100%;

(3) that Avista is directed to file a revised Schedule 25P, substantially in the form of that included in Exhibit B to the Electric Service Agreement, in compliance with the Commission's order approving this Joint Petition to effectuate the terms of the Electric Service Agreement; and

(4) that this Joint Petition be processed under the rules providing for Modified Procedure.

DATED this 10⁺⁴ day of April 2013.

Clearwater Paper Corporation

Avista Corporation

Signature: Dal Hansen

Signature: [Signature]

Name: Danny Johansen

Name: David Meyer

Date: 4/12/13

Date: 4/10/13

ELECTRIC SERVICE AGREEMENT
Special Agreement Pursuant to Rule 6 and Schedule 25P

This Electric Service Agreement ("Agreement") is entered into effective April 11, 2013 (the "Execution Date") between Avista Corporation ("Avista") and Clearwater Paper Corporation ("Clearwater" or "Customer") (individually, a "Party" and collectively, the "Parties").

RECITALS

WHEREAS, Avista currently provides electric service to a certain paper manufacturing facility (the "Facility") located in Nez Perce County, Idaho, which is owned and operated by Customer;

WHEREAS, Customer also owns four thermal electric generating units located at the Facility with a combined total nameplate capacity of 132.2 MVA (the "Generation");

WHEREAS, as of the Effective Date, Customer is operating two of the four generating units and reserves the right to operate a maximum of all four generating units subject to this Agreement;

WHEREAS, Customer currently sells, and Avista currently purchases, the output of the Generation pursuant to a power purchase agreement ("PURPA PPA") under the Public Utility Regulatory Policy Act of 1978 ("PURPA") originally dated July 22, 2003, as amended, which will expire by its terms on June 30, 2013;

WHEREAS, upon expiration of the PURPA PPA, Customer intends, pursuant to the terms of this Agreement, to use the Generation to generate into its own load at the Facility;

WHEREAS, due to the capacity of the Generation, Schedule 63 of Avista's Idaho Tariff (Net Metering) does not apply in this circumstance, therefore, because of the large volume associated with the Generation, a special agreement pursuant to Rule 6 of Avista's Idaho Tariff is necessary in order to allow Customer to use the Generation to serve its own load at the Facility in a manner consistent with the principles, terms and conditions of Schedule 63 of Avista's Idaho Tariff;

WHEREAS, pursuant to the terms of this Agreement and Schedule 25P of Avista's Idaho Tariff ("Schedule 25P"), the Generation shall be treated in a manner consistent with Schedule 63 of Avista's Idaho Tariff such that Customer will: (i) use the Generation to serve its own load at the Facility, (ii) purchase from Avista any electric power in addition to the output of the Generation that may be necessary for the Facility pursuant to Schedule 25P, and (iii) to the extent the Generation generates electric power in excess of Customer's own load at the Facility, be credited for the excess kilowatt-hours ("kWh") generated by the Generation during a billing period;

WHEREAS, concurrent with the execution of this Agreement, the Parties intend to execute a Large Generator Interconnection Agreement (the "LGIA"); and

WHEREAS, Avista will deliver electric power to the Customer for use at Customer's Facility subject to the terms of this Agreement.

NOW THEREFORE, in exchange for the mutual promises set forth in this Agreement and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the Parties agree as follow:

1. **Sale and Delivery of Electric Power and Energy.** Customer shall use the Generation to serve its load at the Facility. Customer shall purchase and receive from Avista all of the electric power requirements at

Contract No. M-16950

the Facility that exceed the electric power generated by Customer's Generation. To the extent that the Generation generates electric power in excess of the electric power requirements of the Facility ("Excess Energy"), Customer shall be credited for the excess kWhs generated during the billing period in a manner consistent with Paragraphs 4(B)(ii) and 5 of Schedule 63 of Avista's Idaho Tariff. If, during the Term of this Agreement, Customer desires to sell the output of the Generation to any third party, Customer shall terminate this Agreement by providing Avista written notice of termination at least 90 days prior to such termination. The sale to the third party shall not commence until the date on which this Agreement is terminated. In the event that Customer desires to sell the output of the Generation to any third party(ies), Customer shall be responsible for making all necessary arrangements to facilitate the sale of the output of the Generation to such third party(ies).

2. Term of Agreement. This Agreement shall become effective on July 1, 2013 ("Effective Date"), subject to approval by the Idaho Public Utilities Commission ("Commission"), and shall remain in effect for a term of five years (through and including June 30, 2018), unless terminated earlier by Customer for the limited purpose specified in Section 1. Avista shall file this Agreement with the Commission for approval promptly after the Execution Date and shall thereafter seek Commission approval of this Agreement. After the initial term, this Agreement shall continue in effect from year to year unless either Party elects at any time to terminate this Agreement by giving 90 days' prior written notice to the other Party.
3. Delivery Point.
 - 3.1 The "Delivery Point" is the "Point of Change of Ownership" as defined in the LGIA and described in Appendix A of the LGIA.
 - 3.2 The LGIA is attached as Exhibit A.
4. Metering Equipment. Electric power delivered by Avista to the Facility, together with any Excess Energy, shall be measured using metering equipment in accordance with Article 7 (Metering) and Article 8 (Communications) of the LGIA. Customer is responsible for protecting metering equipment from damages including, but not limited to, vandalism, vehicle traffic, water, snow and/or ice, *but excluding* any damages caused by Avista's intentional or negligent act or omission. Each Party shall have the rights provided to it under Article 7 (Metering) of the LGIA.
5. Service.
 - 5.1 Service Characteristics. Electric power delivered to the Delivery Point will be three phase, approximately 60 Hertz alternating current and delivered in an amount not to exceed 110,000 kVa.
 - 5.2 Added Load. Customer must notify Avista in advance of the addition of any electric load that would exceed the rated capacity of any electrical facilities provided by Avista at the Facility to provide electric service under this Agreement. In the event Customer exceeds the nominal demand stated in Section 5.1 above, Customer will be liable for all losses and damage to Avista's equipment and other electrical facilities resulting from Customer's excess usage.
 - 5.3 Changes in Generation. Customer shall notify Avista in advance of any startups or planned shutdowns, including any planned outages for maintenance, of Customer's Generation. To the extent practical, Customer shall notify Avista of any expected changes in Generation on at least a five (5) day-ahead basis.
 - 5.4 Notices. All notices required by this Section 5 must be provided by contacting Avista by telephone at 509.495.4911 or by email at #corpreschedule@avistacorp.com.
6. Applicable Rates, Rules and Regulations.
 - 6.1 Electric power shall be supplied, received and paid for under this Agreement in accordance with and subject to the orders of the Commission and Avista's Rates, Rules and Regulations on file with the Commission and in effect at the time electric power is delivered, including Schedule 25P and all other applicable rate schedules set forth in that Schedule.

6.2 The Demand charges under Schedule 25P, effective July 1, 2013, are as follows

\$12,500.00 for the first 3,000 kVA of demand or less.

1st Demand Block: \$4.50 per kVA for each additional kVA of demand up to 55,000 kVA.

2nd Demand Block: \$2.00 per kVA for each additional kVA of demand above 55,000 kVA.

The Energy charge under Schedule 25P, effective July 1, 2013, shall be that approved by the Commission in Case No. AVU-E-12-08. The Customer understands that such Demand and Energy rates may change from time to time, as approved by the Commission.

6.3 The Parties anticipate that Avista will, prior to the Effective Date of this Agreement, file a revised Schedule 25P with the Commission substantially in the form of Exhibit B. Customer acknowledges that under the proposed revised Schedule 25P, the demand rate for all kVA above 55,000 is based upon the terms and conditions of this Agreement. The Parties agree that Clearwater's load under Schedule 25P will increase during planned outages of the Generation, intermittent outages of the Generation, and variations in Clearwater's Facility load. If, however, Customer desires to sell any of its electric output to any third party, thereby increasing the amount of retail electricity that the Customer's Facility takes from Avista, Customer shall terminate this Agreement pursuant to Section 1 above, and, effective upon such termination, the second demand block described in Section 6.2 shall no longer be applicable, and all demand would be billed at the first block rate (i.e., the rate per kVA charged for each kVA from 3001 kVA to 55,000 kVA). The pricing and other terms and conditions of a succeeding service agreement to become effective upon such termination shall be negotiated in good faith between Avista and Customer, subject to approval of the Commission.

7. Rate Schedule Changes. In the event Avista has in effect other filed rate schedule(s) in the State of Idaho applicable to the same class of service and for the same terms expressed in this Agreement, Customer may elect to have such rate schedule substituted for the rate schedule applicable under this Agreement; *provided, however,* that any such rate schedule change may not be made more often than once in any consecutive 12-month period.

8. Payments.

8.1 Monthly Payments. Each month, Avista will bill Customer for electric power delivered to the Facility during the preceding month as measured by Avista's meter(s). In the event that the Generation generates electric power in excess of the electric power requirements of the Facility and such excess electric power is delivered to Avista's electrical system, Customer's monthly bill shall, consistent with Paragraphs 4(B)(ii) and 5 of Schedule 63 of Avista's Idaho Tariff, include a credit for the excess kWhs generated by the Generation. Customer's monthly bills will be: (i) computed using the applicable rates described above in Section 6, and (ii) mailed to the address set forth below in Section 13.2.

8.2 Late Charges. Customer shall pay to Avista the sum billed within 30 days following the mailing date of such bill (the "Due Date"). If Customer fails to pay the entire amount of any undisputed bill by the Due Date, Avista will have the right to assess a late charge on the unpaid balance from the Due Date until paid in full, at a rate of one percent per month.

8.3 Reactive and Voltage Support. Payment to Customer for reactive power or voltage support shall be governed by Section 9.6.3 of the LGIA.

9. Easements and Access to Customer's Property.

9.1 Customer authorizes Avista (or its agent) to do all work necessary on Customer's property to accomplish the installation, operation, and maintenance of Avista's electrical facilities required to provide electric service under this Agreement. Customer has granted, without cost to Avista, good and sufficient recordable easements over, on, across and/or under Customer's property covering rights-of-way for such installation, operation and maintenance.

- 9.2 Customer shall ensure that a minimum clearance of not less than 10 feet (or greater if required by any applicable rules or regulations) is maintained around all Avista electrical facilities on Customer's property to allow access for Avista's equipment, to enable Avista to perform any necessary maintenance and repair, and to avoid any potential damage to such equipment.

10. Environmental Attributes.

10.1 For purposes of this Agreement, "Environmental Attribute" means any and all certificates, credits, benefits, emissions reductions, environmental air quality credits and emissions reduction credits, offsets, allowances and liabilities, howsoever entitled, resulting from the emission, or the avoidance of any emission of, any gas, chemical, or other substance attributable to the Generation or the generation of energy by the Generation, and the delivery of such energy, and include without limitation, any of the same arising out of any current or future legislation or regulation concerned with oxides of nitrogen, sulfur, or carbon, with particulate matter, soot, or mercury, or implementing the United Nations Framework Convention on Climate Change ("UNFCCC") or the Kyoto Protocol to the UNFCCC or crediting "early action" with a view thereto, or laws or regulations involving or administered by the Clean Air Markets Division of the Environmental Protection Agency or successor administrator (collectively with any state or federal entity given jurisdiction over a program involving transferability of Environmental Attributes, the "CAMD"), but specifically excluding investment tax credits, production tax credits, and cash grants associated with the construction or operation of the Generation. Environmental Attributes also include the reporting rights or Renewable Energy Certificates ("RECs") associated with these Environmental Attributes. Environmental Attributes do not include any energy, capacity, reliability or other power attributes from the Generation.

10.2 For the Term of this Agreement, all Environmental Attributes generated by or associated with Customer's Generation are retained by Customer.

10.3 Nothing herein allocates from Customer to Avista any of Customer's obligations to comply with any present or future law or regulation respecting the reporting or other compliance concerning emissions and/or Environmental Attributes generated by or associated with the Generation or its generation. Customer shall be solely responsible for its own management, use, or other disposition of any and all Environmental Attributes, including but not limited to establishment and maintenance of a Western Renewable Energy Generation Information System ("WREGIS") account or such other mechanism as may be necessary for the transfer of RECs. At Customer's request and direction and at no additional cost to Customer, Avista may from time to time assist Customer in transferring RECs to third parties by, for example, (a) uploading RECs to Customer's WREGIS account and transferring RECs from Customer's WREGIS account to third parties and (b) providing to Customer any qualified reporting entity (QRE) services required by WREGIS; *provided, however,* that Customer shall remain solely responsible for the marketing and disposition of its Environmental Attributes and Customer shall release, defend, indemnify and hold harmless Avista and Avista's directors, officers, agents, and representatives from and against any and all third party claims, demands, causes of actions, judgments, liabilities and any associated costs and expenses (including reasonable attorney's fees) arising out of or in any way connected with Avista's assistance of Customer under this Section, except to the extent caused by Avista's gross negligence or intentional malfeasance.

11. Indemnification.

11.1 To the fullest extent permitted by applicable law, Customer shall defend, indemnify and save harmless Avista from any claim (whether valid or invalid), liability, loss, expense (including reasonable attorney fees) or damage (collectively, a "Loss") arising from or growing out of injury to persons, including death or damage to property, which may occur on Customer's electric system on its side of the Delivery Point. Where such claim or loss is caused by the concurrent negligence of Customer, its agents or employees, and Avista, its agents or employees, Customer shall indemnify, defend and save Avista harmless from all such Loss to the extent that such Loss was caused by the

MARVIN LEWALLEN

Kelly Norwood

Revised Section 11.2 on April 29, 2013

Approved by Clearwater MAL

Approved by Avista Ken

negligence of Customer, its agents or employees and in such amounts as attributable to damage caused by Customer, its agents or employees.

11.2 To the fullest extent permitted by applicable law, Avista shall defend, indemnify and save harmless Customer from any Loss arising from or growing out of injury to persons, including death, or damage to property, which may occur on Avista's electric system on its side of the Delivery Point. Where such claim or loss is caused by the concurrent negligence of Avista, its agents or employees, and Customer, its agents or employees, Avista shall indemnify, defend and save harmless Customer from all such Loss to the extent that such Loss was caused by the negligence of Avista, its agents or employees and in such amounts as attributable to damage caused by Avista, its agents or employees.

11.3 Except (i) for claims or losses arising from a Party's gross negligence, willful misconduct, intentional misconduct or fraud, (ii) to the extent covered by insurance required to be carried by a Party under this Agreement, or (iii) to the extent that such damages are suffered by a third party and included in a Loss for which one Party is required to indemnify the other under this Agreement, neither Party shall be liable for any special, indirect, punitive or consequential damages arising from the construction, installation, repair, maintenance or operation of the electrical facilities including, without limitation, the other Party's loss of actual or anticipated profits (other than loss of actual or anticipated profits included as an element of direct damages), loss because of shutdown, non-operation, increased expense of its facilities or operations, or cost of capital.

11.4 This Section shall not (i) negate, abridge, or otherwise reduce any right or obligation of indemnity that otherwise exists, (ii) limit the amount or type of damages, compensation or benefits payable by or for Avista or any of its subcontractors or suppliers under workers' compensation acts, disability benefit acts, or other employee benefit acts, or (iii) limit the amount or type of insurance coverage required by this Agreement.

11.5 Each Party's obligations under this Section 11 shall survive the termination of this Agreement.

12. **Assignment.** This Agreement may be assigned by either Party only with the written consent of the other; provided that either Party may assign this Agreement without the consent of the other Party to any Affiliate of the assigning Party to a purchaser of substantially all the assets of the assigning Party. Any attempted assignment that violates this Section 12 is void and ineffective. A Party's consent to assignment shall not be unreasonably withheld, conditioned or delayed. If this Agreement is assigned in compliance with this Section 12 and the assignee expressly assumes and agrees to be bound by this Agreement, the assigning Party shall, effective upon such assignment, be released from this Agreement.

13. **Notices.** Except as provided for in Section 5, all notices, demands, requests and other communications under this Agreement must be in writing and sent by mail (postage prepaid), or delivered to the other Party either electronically or by a recognized commercial courier, addressed as set forth below. Such notices, demands, requests and other communications will be deemed given as of the date delivered, or if sent electronically or by mail, upon receipt.

13.1 To Avista:

Avista Corporation
1411 E. Mission Ave; PO Box 3727
Spokane, WA 99220-3727
Attn: Director, Energy Solutions

13.2 To Customer:

Clearwater Paper Corporation
601 W. Riverside Avenue, Suite 1100
Spokane, WA 99201
Attn: Senior Vice President and General Counsel

13.3 Either Party may change its address by providing written notice to the other as set forth above.

14. Governing Law and Venue. This Agreement will be interpreted in accordance with the laws of the State of Idaho, excluding any choice of law rules which direct the application of laws of another jurisdiction. Any litigation relating to this Agreement not within the jurisdiction of the Commission shall be brought in the United States District Court for the District of Idaho.
15. Entire Agreement; Amendment and Waiver. Attached Exhibits A and B are incorporated into this Agreement by this reference. This Agreement, as well as applicable sections of Avista's Idaho Tariff on file with the Commission, as may be amended from time to time, represents the entire understanding and agreement between the Parties with respect to the subject matter of this Agreement. The Parties may amend or modify this Agreement only by a written instrument executed by the Parties. If at any time the terms of this Agreement are not strictly adhered to or enforced, such requirements shall not be deemed waived or modified but shall, at all subsequent times and dates, be deemed in full force and effect.
16. Survival. Any provisions of this Agreement that may be reasonably interpreted as surviving the completion, termination or cancellation of this Agreement shall survive such completion, termination or cancellation.
17. Headings. Section headings in this Agreement are for convenience only and will not be considered part of, or used in the interpretation of this Agreement.
18. Confidentiality. While this Agreement is in effect and for a period of three (3) years after this Agreement expires or is terminated, information identified as confidential and exchanged by the Parties under this Agreement shall be subject to and governed by Article 22 (Confidentiality) of the LGIA.
19. Remedies. If a Party defaults in its performance of this Agreement, the non-defaulting Party may so notify the defaulting Party. If the defaulting Party does not cure the default within thirty (30) days (ten (10) days in the case of a payment default), the non-defaulting Party shall have the right to pursue all available remedies at law or in equity against the defaulting Party, subject to the limits set forth in Section 11.3. Before the thirty (30) day cure period expires, the non-defaulting Party shall also have the right to seek injunctive or other relief reasonably required to preserve the status quo or avoid irreparable harm.

This Agreement has been executed by each Party's authorized representative on the date(s) set forth below, effective as of the Effective Date.

Avista Corporation



 (Signature)

DENNIS VERMILLION

 (Printed Name)

PRESIDENT, AVISTA UTILITIES

 (Title)

4/11/13

 (Date Signed)

Clearwater Paper Corporation



 (Signature)

Danny Johansen

 (Printed Name)

Snr. VP, President PPD

 (Title)

4/12/13

 (Date Signed)

Exhibit A

**LARGE GENERATOR
INTERCONNECTION AGREEMENT
BETWEEN
CLEARWATER PAPER CORPORATION
AND
AVISTA CORPORATION**

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- 5.2 This Section Intentionally Left Blank
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- 5.8 This Section Intentionally Left Blank
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- 5.14 Permits
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LARGE GENERATOR INTERCONNECTION AGREEMENT

THIS LARGE GENERATOR INTERCONNECTION AGREEMENT ("Agreement") is made and entered into by and between Clearwater Paper Corporation, ("Interconnection Customer" and/or "Clearwater"), and Avista Corporation, a Washington corporation with its principal offices located at 1411 East Mission, Spokane, Washington, ("Transmission Provider" and/or "Transmission Owner" and/or "Avista"). Interconnection Customer and Transmission Provider each may be referred to as a "Party" or collectively as the "Parties."

RECITALS

WHEREAS, Transmission Provider operates the Transmission System; and

WHEREAS, Interconnection Customer owns, leases and/or controls and operates a paper products manufacturing plant in Nez Perce County, Idaho, herein collectively referred to as the "Lewiston Plant"; and

WHEREAS, Interconnection Customer owns four and operates, as of the Effect Date, two thermal electric generating units located at the Lewiston Plant identified as a Large Generating Facility and described further in Appendix C; and

WHEREAS, Interconnection Customer reserves the right to operate and deliver energy from a maximum of all four units subject to this Agreement; and

WHEREAS, Transmission Provider and Interconnection Customer are parties to the Generation Interconnection Agreement by and between Avista Corporation and Potlatch Corporation dated September 22, 2003 ("GIA") which provides for, among other things, the interconnection of the Large Generating Facility with the Transmission System; and

WHEREAS, the GIA terminates simultaneously with the expiration, termination and/or cancellation of the Power Purchase and Sale Agreement by and between Avista Corporation and Potlatch Corporation dated July 22, 2003 ("Power Agreement"); and

WHEREAS, Interconnection Customer and Transmission Provider are entering into this Agreement to provide for the ongoing interconnection of the Large Generating Facility with the Transmission System.

NOW, THEREFORE, in consideration of and subject to the mutual covenants contained herein, it is agreed:

When used in this Large Generator Interconnection Agreement, terms with initial capitalization that are not defined in Article 1 shall have the meanings specified in the Article in

which they are used or in Transmission Provider's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 ("Tariff").

Article 1. Definitions

Affiliate shall mean, with respect to a corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.

Ancillary Services shall mean those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the Transmission Provider's Transmission System in accordance with Good Utility Practice.

Applicable Laws and Regulations shall mean all duly promulgated applicable federal, state and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized actions of any Governmental Authority.

Applicable Reliability Council shall mean the Western Electric Coordinating Council or such other reliability organization applicable to the Transmission System to which the Generating Facility is directly interconnected.

Applicable Reliability Standards shall mean the requirements and guidelines of NERC, the Applicable Reliability Council, and the Control Area of the Transmission System to which the Generating Facility is directly interconnected.

Breach shall mean the failure of a Party to perform or observe any material term or condition of this Agreement.

Breaching Party shall mean a Party that is in Breach of this Agreement.

Business Day shall mean Monday through Friday, excluding Federal Holidays.

Calendar Day shall mean any day including Saturday, Sunday or a Federal Holiday.

Commercial Operation shall mean the status of a Generating Facility that has commenced generating electricity for sale, excluding electricity generated during Trial Operation.

Commercial Operation Date of a unit shall mean the date on which the Generating Facility commences Commercial Operation as agreed to by the Parties pursuant to Appendix E to this Agreement.

Confidential Information shall mean any confidential, proprietary or trade secret information of a plan, specification, pattern, procedure, design, device, list, concept, policy or compilation relating to the present or planned business of a Party, which is designated as confidential by the Party supplying the information, whether conveyed orally, electronically, in writing, through inspection, or otherwise.

Control Area shall mean an electrical system or systems bounded by interconnection metering and telemetry, capable of controlling generation to maintain its interchange schedule with other Control Areas and contributing to frequency regulation of the interconnection. A Control Area must be certified by the Applicable Reliability Council.

Default shall mean the failure of a Breaching Party to cure its Breach in accordance with Article 17 of this Agreement.

Dispute Resolution shall mean the procedure for resolution of a dispute between the Parties in which they will first attempt to resolve the dispute on an informal basis.

Distribution System shall mean the Transmission Provider's facilities and equipment used to transmit electricity to ultimate usage points such as homes and industries directly from nearby generators or from interchanges with higher voltage transmission networks which transport bulk power over longer distances. The voltage levels at which distribution systems operate differ among areas.

Effective Date shall mean the date on which this Agreement becomes effective upon execution by the Parties subject to acceptance by the applicable Governmental Authority, or if filed unexecuted, upon the date specified by such Governmental Authority.

Emergency Condition shall mean a condition or situation: (1) that in the judgment of the Party making the claim is imminently likely to endanger life or property; or (2) that, in the case of a Transmission Provider, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to Transmission Provider's Transmission System, Transmission Provider's Interconnection Facilities or the electric systems of others to which the Transmission Provider's Transmission System is directly connected; or (3) that, in the case of Interconnection Customer, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Generating Facility or Interconnection Customer's Interconnection Facilities. System restoration and black start shall be considered Emergency Conditions; provided, that Interconnection Customer is not obligated by this Agreement to possess black start capability.

Energy Resource Interconnection Service shall mean an Interconnection Service that allows the Interconnection Customer to connect its Generating Facility to the Transmission Provider's Transmission System to be eligible to deliver the Generating Facility's electric output using the existing firm or nonfirm capacity of the Transmission Provider's Transmission System on an as available basis. Energy Resource Interconnection Service in and of itself does not convey transmission service.

Environmental Law shall mean Applicable Laws or Regulations relating to pollution or protection of the environment or natural resources.

Federal Power Act shall mean the Federal Power Act, as amended, 16 U.S.C. §§ 791a et seq.

FERC shall mean the Federal Energy Regulatory Commission ("Commission") or its successor.

Force Majeure shall mean any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, any order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities, or any other cause beyond a Party's control. A Force Majeure event does not include acts of negligence or intentional wrongdoing by the Party claiming Force Majeure.

Generating Facility shall mean Interconnection Customer's four thermal electric generating units located at the Lewiston Plant with a combined total nameplate capacity of 132.2 MVA. Generating Facility shall not include the Interconnection Customer's Interconnection Facilities.

Generating Facility Capacity shall mean the net capacity of the Generating Facility and the aggregate net capacity of the Generating Facility where it includes multiple energy production devices.

Good Utility Practice shall mean any of 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 Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

Governmental Authority shall mean any federal, state, local or other governmental regulatory or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, or other governmental authority having jurisdiction over the Parties, their respective facilities, or the respective services they provide, and exercising or entitled to exercise any administrative, executive, police, or taxing authority or power; provided, however, that such term does not include Interconnection Customer, Transmission Provider, or any Affiliate thereof.

Hazardous Substances shall mean any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "hazardous constituents," "restricted hazardous materials," "extremely hazardous substances," "toxic substances," "radioactive substances," "contaminants," "pollutants," "toxic pollutants" or words of similar meaning and regulatory effect under any applicable Environmental Law, or any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any applicable Environmental Law.

In-Service Date shall mean the date upon which the Interconnection Customer reasonably expects it will be ready to begin use of the Transmission Provider's Interconnection Facilities to obtain back feed power.

Interconnection Customer shall mean any entity, including the Transmission Provider, Transmission Owner or any of the Affiliates or subsidiaries of either, that proposes to interconnect its Generating Facility with the Transmission Provider's Transmission System.

Interconnection Customer's Interconnection Facilities shall mean all facilities and equipment, as identified in Appendix A of this Agreement, that are located between the Generating Facility and the Point of Change of Ownership, including any modification, addition, or upgrades to such facilities and equipment necessary to physically and electrically interconnect the Generating Facility to the Transmission Provider's Transmission System. Interconnection Customer's Interconnection Facilities are sole use facilities.

Interconnection Facilities shall mean the Transmission Provider's Interconnection Facilities and the Interconnection Customer's Interconnection Facilities. Collectively, Interconnection Facilities include all facilities and equipment between the Generating Facility and the Point of Interconnection, including any modification, additions or upgrades that are necessary to physically and electrically interconnect the Generating Facility to the Transmission Provider's Transmission System. Interconnection Facilities are sole use facilities and shall not include Network Upgrades.

Interconnection Request shall mean an Interconnection Customer's request, in the form of Appendix 1 to the Standard Large Generator Interconnection Procedures, in accordance with the Tariff, to interconnect a new generating facility, or to increase the capacity of, or make a Material Modification to the operating characteristics of, the Generating Facility.

Interconnection Service shall mean the service provided by the Transmission Provider associated with interconnecting the Interconnection Customer's Generating Facility to the Transmission Provider's Transmission System and enabling it to receive electric energy and capacity from the Generating Facility at the Point of Interconnection, pursuant to the terms of this Agreement and, if applicable, the Transmission Provider's Tariff.

IRS shall mean the Internal Revenue Service.

Joint Operating Committee shall be a group made up of representatives from Interconnection Customers and the Transmission Provider to coordinate operating and technical considerations of Interconnection Service.

Large Generating Facility shall mean a Generating Facility having a Generating Facility Capacity of more than 20 MW.

Loss shall mean any and all losses relating to injury to or death of any person or damage to property, demand, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising out of or resulting from the other Party's performance, or non-performance of its obligations under this Agreement on behalf of the indemnifying Party, except in cases of gross negligence or intentional wrongdoing by the indemnifying Party.

Material Modification shall mean those modifications that have a material impact on the cost or timing of any Interconnection Request with a later queue priority date.

Metering Equipment shall mean all metering equipment installed or to be installed at the Generating Facility pursuant to this Agreement at the metering points, including but not limited to instrument transformers, MWh-meters, data acquisition equipment, transducers, remote terminal unit, communications equipment, phone lines, and fiber optics.

NERC shall mean the North American Electric Reliability Corporation or its successor organization.

Network Resource shall mean any designated generating resource owned, purchased, or leased by a Network Customer under the Network Integration Transmission Service Tariff. Network Resources do not include any resource, or any portion thereof, that is committed for sale to third parties or otherwise cannot be called upon to meet the Network Customer's Network Load on a non-interruptible basis.

Network Resource Interconnection Service shall mean an Interconnection Service that allows the Interconnection Customer to integrate its Large Generating Facility with the Transmission Provider's Transmission System (1) in a manner comparable to that in which the Transmission Provider integrates its generating facilities to serve native load customers; or (2) in an RTO or ISO with market based congestion management, in the same manner as Network Resources. Network Resource Interconnection Service in and of itself does not convey transmission service.

Network Upgrades shall mean the additions, modifications, and upgrades to the Transmission Provider's Transmission System required at or beyond the point at which the Interconnection Facilities connect to the Transmission Provider's Transmission System to accommodate the interconnection of the Large Generating Facility to the Transmission Provider's Transmission System.

Notice of Dispute shall mean a written notice of a dispute or claim that arises out of or in connection with this Agreement or its performance.

Party or Parties shall mean Transmission Provider, Transmission Owner, Interconnection Customer or any combination of the above.

Point of Change of Ownership shall mean the point, as set forth in Appendix C to this Agreement, where the Interconnection Customer's Interconnection Facilities connect to the Transmission Provider's Interconnection Facilities.

Point of Delivery shall be the location, designated by the Transmission Provider, on the Interconnection Customer's premises at the Point of Change of Ownership. Service supplied to the same Interconnection Customer at other points of delivery, or premises, or at a different voltage or phase classification shall be separately metered and billed as a separate rate application.

Point of Interconnection shall mean the point, as set forth in Appendix A to this Agreement, where the Interconnection Facilities connect to the Transmission Provider's Transmission System.

Reasonable Efforts shall mean, with respect to an action required to be attempted or taken by a Party under this Agreement, efforts that are timely and consistent with Good Utility Practice and are otherwise substantially equivalent to those a Party would use to protect its own interests.

Small Generating Facility shall mean a Generating Facility that has a Generating Facility Capacity of no more than 20 MW.

System Protection Facilities shall mean the equipment, including necessary protection signal communications equipment, required to protect (1) the Transmission Provider's Transmission System from faults or other electrical disturbances occurring at the Generating Facility and (2) the Generating Facility from faults or other electrical system disturbances occurring on the Transmission Provider's Transmission System or on other delivery systems or other generating systems to which the Transmission Provider's Transmission System is directly connected.

Tariff shall mean the Transmission Provider's Tariff through which open access transmission service and Interconnection Service are offered, as filed with FERC, and as amended or supplemented from time to time, or any successor tariff.

Transmission Owner shall mean an entity that owns, leases or otherwise possesses an interest in the portion of the Transmission System at the Point of Interconnection and may be a Party to this Agreement to the extent necessary.

Transmission Provider shall mean the public utility (or its designated agent) that owns, controls, or operates transmission or distribution facilities used for the transmission of electricity in interstate commerce and provides transmission service under the Tariff. The term Transmission Provider should be read to include the Transmission Owner when the Transmission Owner is separate from the Transmission Provider.

Transmission Provider's Interconnection Facilities shall mean all facilities and equipment owned, controlled or operated by the Transmission Provider from the Point of Change of Ownership to the Point of Interconnection as identified in Appendix A to this Agreement, including any modifications, additions or upgrades to such facilities and equipment. Transmission Provider's Interconnection Facilities are sole use facilities and shall not include Network Upgrades.

Transmission System shall mean the facilities owned, controlled or operated by the Transmission Provider or Transmission Owner that are used to provide transmission service under the Tariff.

Trial Operation shall mean the period during which Interconnection Customer is engaged in on-site test operations and commissioning of the Generating Facility prior to Commercial Operation.

Article 2. Effective Date, Term, and Termination

- 2.1 Effective Date.** This Agreement shall become effective upon July 1, 2013 or such other date as may be specified by order of the Idaho Public Utilities Commission.
- 2.2 Term of Agreement.** Subject to the provisions of Article 2.3, this Agreement shall remain in effect through June 30, 2018 and shall be automatically renewed for each successive one-year period thereafter.
- 2.3 Termination Procedures.**
- 2.3.1 Written Notice.** This Agreement may be terminated by Interconnection Customer after giving Transmission Provider ninety (90) Calendar Days advance written notice, or by either Party upon written notice after the Generating Facility permanently ceases Commercial Operation.
- 2.3.2 Default.** Either Party may terminate this Agreement in accordance with Article 17.
- 2.3.3** Notwithstanding Articles 2.3.1 and 2.3.2, no termination shall become effective until the Parties have complied with all Applicable Laws and Regulations applicable to such termination, including any required filing with an applicable Governmental Authority of a notice of termination of this Agreement, which notice has been accepted for filing by such Governmental Authority.
- 2.4 Termination Costs.** If a Party elects to terminate this Agreement pursuant to Article 2.3 above, each Party shall pay all costs incurred (including any cancellation costs relating to orders or contracts for Interconnection Facilities and equipment) or charges assessed by the other Party, as of the date of the other Party's receipt of such notice of termination, that are the responsibility of the Terminating Party under this Agreement. In the event of termination by a Party, the Parties shall use commercially Reasonable Efforts to mitigate the costs, damages and charges arising as a consequence of termination. Upon termination of this Agreement, unless otherwise ordered or approved by the applicable Governmental Authority:
- 2.4.1** With respect to any portion of Transmission Provider's Interconnection Facilities that have not yet been constructed or installed, Transmission Provider shall to the extent possible and with Interconnection Customer's authorization cancel any pending orders of, or return, any materials or equipment for, or contracts for construction of, such facilities; provided that in the event Interconnection Customer elects not to authorize such cancellation, Interconnection Customer shall assume all payment obligations with respect to such materials, equipment, and contracts, and

Transmission Provider shall deliver such material and equipment, and, if necessary, assign such contracts, to Interconnection Customer as soon as practicable, at Interconnection Customer's expense. To the extent that Interconnection Customer has already paid Transmission Provider for any or all such costs of materials or equipment not taken by Interconnection Customer, Transmission Provider shall promptly refund such amounts to Interconnection Customer, less any costs, including penalties incurred by Transmission Provider to cancel any pending orders of or return such materials, equipment, or contracts. If an Interconnection Customer terminates this Agreement, it shall be responsible for all costs incurred in association with that Interconnection Customer's interconnection, including any cancellation costs relating to orders or contracts for Interconnection Facilities and equipment, and other expenses including any Network Upgrades for which Transmission Provider has incurred expenses and has not been reimbursed by Interconnection Customer.

2.4.2 Transmission Provider may, at its option, retain any portion of such materials, equipment, or facilities that Interconnection Customer chooses not to accept delivery of, in which case Transmission Provider shall be responsible for all costs associated with procuring such materials, equipment, or facilities.

2.4.3 With respect to any portion of the Interconnection Facilities, and any other facilities already installed or constructed pursuant to the terms of this Agreement, Interconnection Customer shall be responsible for all costs associated with the removal, relocation or other disposition or retirement of such materials, equipment, or facilities.

2.5 **Disconnection.** Upon termination of this Agreement, the Parties shall take all appropriate steps to disconnect the Large Generating Facility from the Transmission System. All costs required to effectuate such disconnection shall be borne by the terminating Party, unless such termination resulted from the non-terminating Party's Default of this Agreement or such non-terminating Party otherwise is responsible for these costs under this Agreement.

2.6 **Survival.** This Agreement shall continue in effect after termination to the extent necessary to provide for final billings and payments and for costs incurred hereunder, including billings and payments pursuant to this Agreement; to permit the determination and enforcement of liability and indemnification obligations arising from acts or events that occurred while this Agreement was in effect; and to permit each Party to have access to the lands of the other Party pursuant to this Agreement or other applicable agreements, to disconnect, remove or salvage its own facilities and equipment.

Article 3. Regulatory Filings

- 3.1 Filing.** Transmission Provider shall file this Agreement (and any amendment hereto) with the appropriate Governmental Authority, if required. Interconnection Customer may request that any information so provided be subject to the confidentiality provisions of Article 22. If Interconnection Customer has executed this Agreement or any amendment thereto, Interconnection Customer shall reasonably cooperate with Transmission Provider with respect to such filing and to provide any information reasonably requested by Transmission Provider needed to comply with applicable regulatory requirements. In the event the Transmission Provider determines that this Agreement must be filed with FERC or FERC asserts jurisdiction over this Agreement, Transmission Provider shall file this Agreement with FERC. If FERC issues an order rejecting this Agreement or accepting this Agreement upon conditions that require the modification of this Agreement, the Parties shall meet within thirty (30) days of the date of such order (unless the Parties agree to a longer period) to negotiate in good faith for the purpose of amending or replacing this Agreement to address the issues raised by the FERC order. To the extent practical and consistent with the FERC order, the Parties shall endeavor to amend or replace the Agreement in a manner such that the relative benefits and obligations of the Parties under the Agreement are preserved.

Article 4. Scope of Service

- 4.1 Interconnection Product Options.** The Generating Facility has been connected to and operated in parallel with the Transmission System under prior arrangements. The Generating Facility has been and is interconnected consistent with the provisions for Energy Resource Interconnection Service.

4.1.1 Energy Resource Interconnection Service.

4.1.1.1 The Product. Energy Resource Interconnection Service allows Interconnection Customer to connect the Large Generating Facility to the Transmission System and be eligible to deliver the Large Generating Facility's output using the existing firm or non-firm capacity of the Transmission System on an "as available" basis. No additional facilities need to be constructed for Energy Resource Interconnection Service to be available to Interconnection Customer.

4.1.1.2 Transmission Delivery Service Implications. Under Energy Resource Interconnection Service, Interconnection Customer will be eligible to inject power from the Large Generating Facility into and deliver power across the interconnecting Transmission Provider's Transmission System on an "as available" basis up to the Generating Facility Capacity as of the Effective Date. Where eligible to do so (e.g., PJM, ISO-NE, NYISO), Interconnection Customer may place a bid to sell into the market up to the maximum identified Large Generating

Facility output, subject to any conditions specified in the interconnection service approval, and the Large Generating Facility will be dispatched to the extent Interconnection Customer's bid clears. In all other instances, no transmission delivery service from the Large Generating Facility is assured, but Interconnection Customer may obtain Point-to-Point Transmission Service, Network Integration Transmission Service, or be used for secondary network transmission service, pursuant to Transmission Provider's Tariff, up to the Generating Facility Capacity as of the Effective Date. In those instances, in order for Interconnection Customer to obtain the right to deliver or inject energy beyond the Large Generating Facility Point of Interconnection or to improve its ability to do so, transmission delivery service must be obtained pursuant to the provisions of Transmission Provider's Tariff. The Interconnection Customer's ability to inject its Large Generating Facility output beyond the Point of Interconnection, therefore, will depend on the existing capacity of Transmission Provider's Transmission System at such time as a transmission service request is made that would accommodate such delivery. The provision of firm Point-to-Point Transmission Service or Network Integration Transmission Service may require the construction of additional Network Upgrades.

4.1.2 Network Resource Interconnection Service.

4.1.2.1 The Product. Transmission Provider must conduct the necessary studies and construct the Network Upgrades needed to integrate the Large Generating Facility (1) in a manner comparable to that in which Transmission Provider integrates its generating facilities to serve native load customers; or (2) in an ISO or RTO with market based congestion management, in the same manner as all Network Resources.

4.1.2.2 Transmission Delivery Service Implications. Network Resource Interconnection Service allows Interconnection Customer's Large Generating Facility to be designated by any Network Customer under the Tariff on Transmission Provider's Transmission System as a Network Resource, up to the Large Generating Facility's full output, on the same basis as existing Network Resources interconnected to Transmission Provider's Transmission System, and to be studied as a Network Resource on the assumption that such a designation will occur. Although Network Resource Interconnection Service does not convey a reservation of transmission service, any Network Customer under the Tariff can utilize its network service under the Tariff

to obtain delivery of energy from the interconnected Interconnection Customer's Large Generating Facility in the same manner as it accesses Network Resources. A Large Generating Facility receiving Network Resource Interconnection Service may also be used to provide Ancillary Services after technical studies and/or periodic analyses are performed with respect to the Large Generating Facility's ability to provide any applicable Ancillary Services, provided that such studies and analyses have been or would be required in connection with the provision of such Ancillary Services by any existing Network Resource. However, if an Interconnection Customer's Large Generating Facility has not been designated as a Network Resource by any load, it cannot be required to provide Ancillary Services except to the extent such requirements extend to all generating facilities that are similarly situated. The provision of Network Integration Transmission Service or firm Point-to-Point Transmission Service may require additional studies and the construction of additional upgrades. Because such studies and upgrades would be associated with a request for delivery service under the Tariff, cost responsibility for the studies and upgrades would be in accordance with FERC's policy for pricing transmission delivery services.

Network Resource Interconnection Service does not necessarily provide Interconnection Customer with the capability to physically deliver the output of its Large Generating Facility to any particular load on Transmission Provider's Transmission System without incurring congestion costs. In the event of transmission constraints on Transmission Provider's Transmission System, Interconnection Customer's Large Generating Facility shall be subject to the applicable congestion management procedures in Transmission Provider's Transmission System in the same manner as Network Resources.

There is no requirement either at the time of study or interconnection, or at any point in the future, that Interconnection Customer's Large Generating Facility be designated as a Network Resource by a Network Service Customer under the Tariff or that Interconnection Customer identify a specific buyer (or sink). To the extent a Network Customer does designate the Large Generating Facility as a Network Resource, it must do so pursuant to Transmission Provider's Tariff.

Once an Interconnection Customer satisfies the requirements for obtaining Network Resource Interconnection Service, any future transmission service request for delivery from the Large Generating Facility within Transmission Provider's Transmission System of any amount of capacity and/or energy, up to the Generating Facility Capacity as of the Effective Date, will not require that any additional studies be performed or that any further upgrades associated with such Large Generating Facility be undertaken, regardless of whether or not such Large Generating Facility is ever designated by a Network Customer as a Network Resource and regardless of changes in ownership of the Large Generating Facility. However, the reduction or elimination of congestion or redispatch costs may require additional studies and the construction of additional upgrades.

To the extent Interconnection Customer enters into an arrangement for long term transmission service for deliveries from the Large Generating Facility outside Transmission Provider's Transmission System, such request may require additional studies and upgrades in order for Transmission Provider to grant such request.

- 4.2 Provision of Service.** Transmission Provider shall provide Interconnection Service for the Large Generating Facility at the Point of Interconnection.
- 4.3 Performance Standards.** Each Party shall perform all of its obligations under this Agreement in accordance with Applicable Laws and Regulations, Applicable Reliability Standards, and Good Utility Practice, and to the extent a Party is required or prevented or limited in taking any action by such regulations and standards, such Party shall not be deemed to be in Breach of this Agreement for its compliance therewith. If such Party is a Transmission Provider or Transmission Owner, then that Party shall amend this Agreement and submit the amendment to the appropriate Governmental Authority for approval.
- 4.4 No Transmission Delivery Service.** The execution of this Agreement does not constitute a request for, nor the provision of, any transmission delivery service under Transmission Provider's Tariff, and does not convey any right to deliver electricity to any specific customer or point of delivery.
- 4.5 Interconnection Customer Provided Services.** The services provided by Interconnection Customer under this Agreement are set forth in Article 9.6 and Article 13.5.1. Interconnection Customer shall be paid for such services in accordance with Article 11.3.

Article 5. Interconnection Facilities Engineering, Procurement, and Construction

- 5.1 Construction of Interconnection Facilities.** All Transmission Provider Interconnection Facilities and Interconnection Customer Interconnection Facilities necessary to connect the Large Generating Facility to the Transmission System are completed and in-service as of the Effective Date.
- 5.2 This Section Intentionally Left Blank.**
- 5.3 This Section Intentionally Left Blank.**
- 5.4 Power System Stabilizers.** The Interconnection Customer shall procure, install, maintain and operate Power System Stabilizers in accordance with the guidelines and procedures established by the Applicable Reliability Council. Transmission Provider reserves the right to reasonably establish minimum acceptable settings for any installed Power System Stabilizers, subject to the design and operating limitations of the Large Generating Facility. If the Large Generating Facility's Power System Stabilizers are removed from service or not capable of automatic operation, Interconnection Customer shall immediately notify Transmission Provider's system operator, or its designated representative.
- 5.5 This Section Intentionally Left Blank.**
- 5.6 This Section Intentionally Left Blank.**
- 5.7 This Section Intentionally Left Blank.**
- 5.8 This Section Intentionally Left Blank.**
- 5.9 This Section Intentionally Left Blank.**
- 5.10 Interconnection Customer's Interconnection Facilities ("ICIF").** Interconnection Customer shall, at its expense, design, procure, construct, own and install the ICIF, as set forth in Appendix A - Interconnection Facilities and Network Upgrades. The ICIF shall be designed, constructed and operated in accordance with Good Utility Practice. Interconnection Customer shall, if requested, deliver to Transmission Provider "as-built" drawings, information and documents for the ICIF, such as: a one-line diagram, a site plan showing the Generating Facility and the ICIF, plan and elevation drawings showing the layout of the ICIF, a relay functional diagram, relaying AC and DC schematic wiring diagrams and relay settings for all facilities associated with Interconnection Customer's step-up transformers, the facilities connecting the Generating Facility to the step-up transformers and the ICIF, and the impedances (determined by factory tests) for the associated step-up transformers and the Generating Facility. The Interconnection Customer shall provide Transmission Provider specifications for the excitation system, automatic voltage regulator, Generating Facility control and protection settings, transformer tap settings, and communications, if applicable.

- 5.11 Transmission Provider's Interconnection Facilities.** Transmission Provider's Interconnection Facilities shall be designed, constructed and operated in accordance with Good Utility Practice. Transmission Provider shall, if requested, deliver to Interconnection Customer the "as-built" drawings, information and documents for Transmission Provider's Interconnection Facilities that are necessary for the reliable operation of the Generating Facility, provided, however, that such drawings do not include critical energy infrastructure information.
- 5.12 Access Rights.** Upon reasonable notice and supervision by a Party, and subject to any required or necessary regulatory approvals, a Party ("Granting Party") shall furnish at no cost to the other Party ("Access Party") any rights of use, licenses, rights of way and easements with respect to lands owned or controlled by the Granting Party, its agents (if allowed under the applicable agency agreement), or any Affiliate, that are necessary to enable the Access Party to obtain ingress and egress to construct, operate, maintain, repair, test (or witness testing), inspect, replace or remove facilities and equipment to: (i) interconnect the Large Generating Facility with the Transmission System; (ii) operate and maintain the Large Generating Facility, the Interconnection Facilities and the Transmission System; and (iii) disconnect or remove the Access Party's facilities and equipment upon termination of this Agreement. In exercising such licenses, rights of way and easements, the Access Party shall not unreasonably disrupt or interfere with normal operation of the Granting Party's business and shall adhere to the safety rules and procedures established in advance, as may be changed from time to time, by the Granting Party and provided to the Access Party.
- 5.13 This Section Intentionally Left Blank.**
- 5.14 Permits.** Transmission Provider or Transmission Owner and Interconnection Customer shall cooperate with each other in good faith in obtaining all permits, licenses and authorizations that are necessary to accomplish and maintain the interconnection in compliance with Applicable Laws and Regulations. With respect to this paragraph, Transmission Provider or Transmission Owner shall provide permitting assistance to Interconnection Customer comparable to that provided to Transmission Provider's own, or an Affiliate's generation.
- 5.15 This Section Intentionally Left Blank.**
- 5.16 This Section Intentionally Left Blank.**
- 5.17 This Section Intentionally Left Blank.**
- 5.18 This Section Intentionally Left Blank.**
- 5.19 Modification.**

5.19.1 General. Either Party may undertake modifications to its facilities. If a Party plans to undertake a modification that reasonably may be expected to affect the other Party's facilities, that Party shall provide to the other Party sufficient information regarding such modification so that the other Party may evaluate the potential impact of such modification prior to commencement of the work. Such information shall be deemed to be confidential hereunder and shall include information concerning the timing of such modifications and whether such modifications are expected to interrupt the flow of electricity from the Large Generating Facility. The Party desiring to perform such work shall provide the relevant drawings, plans, and specifications to the other Party at least ninety (90) Calendar Days in advance of the commencement of the work or such shorter period upon which the Parties may agree, which agreement shall not unreasonably be withheld, conditioned or delayed.

In the case of Large Generating Facility modifications that do not require Interconnection Customer to submit an Interconnection Request, Transmission Provider shall provide, within thirty (30) Calendar Days (or such other time as the Parties may agree), an estimate of any additional modifications to the Transmission System, Transmission Provider's Interconnection Facilities or Network Upgrades necessitated by such Interconnection Customer modification and a good faith estimate of the costs thereof.

5.19.2 Standards. Any additions, modifications, or replacements made to a Party's facilities shall be designed, constructed and operated in accordance with this Agreement and Good Utility Practice.

5.19.3 Modification Costs. Interconnection Customer shall not be directly assigned for the costs of any additions, modifications, or replacements that Transmission Provider makes to Transmission Provider's Interconnection Facilities or the Transmission System to facilitate the interconnection of a third party to Transmission Provider's Interconnection Facilities or the Transmission System, or to provide transmission service to a third party under Transmission Provider's Tariff. Interconnection Customer shall be responsible for the costs of any additions, modifications, or replacements to Interconnection Customer's Interconnection Facilities that may be necessary to maintain or upgrade such Interconnection Customer's Interconnection Facilities consistent with Applicable Laws and Regulations, Applicable Reliability Standards or Good Utility Practice.

Article 6. Testing and Inspection

6.1 This Section Intentionally Left Blank.

- 6.2 Post-Commercial Operation Date Testing and Modifications.** Each Party shall at its own expense perform routine inspection and testing of its facilities and equipment in accordance with Good Utility Practice as may be necessary to ensure the continued interconnection of the Large Generating Facility with the Transmission System in a safe and reliable manner. Each Party shall make any modifications to its facilities that are found to be necessary as a result of such testing. Each Party shall have the right, upon advance written notice, to require reasonable additional testing of the other Party's facilities, at the requesting Party's expense, as may be in accordance with Good Utility Practice.
- 6.3 Right to Observe Testing.** Each Party shall notify the other Party in advance of its performance of tests of its Interconnection Facilities. The other Party has the right, at its own expense, to observe such testing.
- 6.4 Right to Inspect.** Each Party shall have the right, but shall have no obligation to: (i) observe the other Party's tests and/or inspection of any of its System Protection Facilities and other protective equipment, including Power System Stabilizers; (ii) review the settings of the other Party's System Protection Facilities and other protective equipment; and (iii) review the other Party's maintenance records relative to the Interconnection Facilities, the System Protection Facilities and other protective equipment. A Party may exercise these rights from time to time as it deems necessary upon reasonable notice to the other Party. The exercise or non-exercise by a Party of any such rights shall not be construed as an endorsement or confirmation of any element or condition of the Interconnection Facilities or the System Protection Facilities or other protective equipment or the operation thereof, or as a warranty as to the fitness, safety, desirability, or reliability of same. Any information that a Party obtains through the exercise of any of its rights under this Article 6.4 shall be deemed to be Confidential Information and treated pursuant to Article 22 of this Agreement.

Article 7. Metering

- 7.1 General.** Each Party shall comply with the Applicable Reliability Council requirements. Unless otherwise agreed by the Parties, Transmission Provider shall install Metering Equipment at the Point of Interconnection prior to any operation of the Large Generating Facility and shall own, operate, test and maintain such Metering Equipment. Power flows to and from the Large Generating Facility shall be measured at or, at Transmission Provider's option, compensated to, the Point of Interconnection. Transmission Provider shall provide metering quantities, in analog and/or digital form, to Interconnection Customer upon request. Interconnection Customer shall bear all reasonable documented costs associated with the purchase, installation, operation, testing and maintenance of the Metering Equipment. As of the Effective Date the Parties have agreed that Interconnection Customer may own, the Metering Equipment on the Interconnection Customer's Interconnection Facilities. Interconnection

Customer shall continue to own interconnection facility metering and Transmission Provider shall continue to maintain such metering on Interconnection Customer's side of the Point of Interconnection. Transmission Provider shall continue to own and maintain metering on its side of the Point of Interconnection. Meters are located as specified in Appendix A. Appendix A shall also specify any necessary adjustment factors if the location of the metering system is not at the Point of Interconnection or requires loss compensation.

- 7.2 Check Meters.** Interconnection Customer, at its option and expense, may install and operate, on its premises and on its side of the Point of Interconnection, one or more check meters to check Transmission Provider's meters. Such check meters shall be for check purposes only and shall not be used for the measurement of power flows for purposes of this Agreement, except as provided in Article 7.4 below. The check meters shall be subject at all reasonable times to inspection and examination by Transmission Provider or its designee. The installation, operation and maintenance thereof shall be performed entirely by Interconnection Customer in accordance with Good Utility Practice.
- 7.3 Standards.** The Parties shall install, calibrate, and test revenue quality Metering Equipment in accordance with applicable ANSI standards.
- 7.4 Testing of Metering Equipment.** Transmission Provider shall inspect and test all Metering Equipment upon installation and at least once every two (2) years thereafter. If requested to do so by Interconnection Customer, Transmission Provider shall, at Interconnection Customer's expense, inspect or test Metering Equipment more frequently than every two (2) years. Transmission Provider shall give reasonable notice of the time when any inspection or test shall take place, and Interconnection Customer may have representatives present at the test or inspection. If at any time Metering Equipment is found to be inaccurate or defective, it shall be adjusted, repaired or replaced at Interconnection Customer's expense, in order to provide accurate metering, unless the inaccuracy or defect is due to Transmission Provider's failure to maintain, then Transmission Provider shall pay. If Metering Equipment fails to register, or if the measurement made by Metering Equipment during a test varies by more than two percent from the measurement made by the standard meter used in the test, Transmission Provider shall adjust the measurements by correcting all measurements for the period during which Metering Equipment was in error by using available check meters, if installed. If no such check meters are installed or if the period cannot be reasonably ascertained, the adjustment shall be for the period immediately preceding the test of the Metering Equipment equal to one-half the time from the date of the last previous test of the Metering Equipment.
- 7.5 Metering Data.** At Interconnection Customer's expense, the metered data shall be telemetered to one or more locations designated by Transmission Provider and one or more locations designated by Interconnection Customer. Such telemetered

data shall be used, under normal operating conditions, as the official measurement.

- 7.6 Modifications to Metering or Communications.** In the event that modifications to existing metering under Article 7 or communications facilities under Article 8 become necessary, Transmission Provider shall determine the necessary modifications in consultation with Interconnection Customer. As of the Effective Date, Interconnection Customer owns the existing metering equipment. Transmission Provider shall, at its expense, design, procure, install and maintain any replacement metering equipment necessary for the continued metering and communication needs under this Agreement, and shall subsequently assume ownership of such equipment. Interconnection Customer shall provide the Transmission Provider the necessary equipment space and access rights for any such new metering and communication equipment. All Transmission Provider equipment shall be properly identified as owned by the Transmission Provider. Metering CT's and PT's shall be provided and maintained by Interconnection Customer pursuant to Transmission Provider's specifications.

Article 8. Communications

- 8.1 Interconnection Customer Obligations.** Interconnection Customer shall maintain satisfactory operating communications with Transmission Provider's Transmission System dispatcher or representative designated by Transmission Provider. Interconnection Customer shall provide standard voice line, dedicated voice line and facsimile communications at its Large Generating Facility control room or central dispatch facility through use of either the public telephone system, or a voice communications system that does not rely on the public telephone system. Interconnection Customer shall also provide the dedicated data circuit(s) necessary to provide Interconnection Customer data to Transmission Provider as set forth in Appendix D, Security Arrangements Details. The data circuit(s) shall extend from the Large Generating Facility to the location(s) specified by Transmission Provider. Any required maintenance of Interconnection Customer owned communications equipment shall be performed by Interconnection Customer at Interconnection Customer's expense. Operational communications shall be activated and maintained under, but not be limited to, the following events: system paralleling or separation, scheduled and unscheduled shutdowns, equipment clearances, and hourly and daily load data.
- 8.2 Remote Terminal Unit.** A Remote Terminal Unit, or equivalent data collection and transfer equipment acceptable to the Parties, has been installed by Interconnection Customer, or by Transmission Provider at Interconnection Customer's expense, to gather accumulated and instantaneous data to be telemetered to the location(s) designated by Transmission Provider through use of a dedicated point-to-point data circuit(s) as indicated in Article 8.1. The communication protocol for the data circuit(s) shall be specified by Transmission

Provider. Instantaneous bi-directional analog real power and reactive power flow information must be telemetered directly to the location(s) specified by Transmission Provider.

Each Party shall promptly advise the other Party if it detects or otherwise learns of any metering, telemetry or communications equipment errors or malfunctions that require the attention and/or correction by the other Party. The Party owning such equipment shall correct such error or malfunction as soon as reasonably feasible.

- 8.3 No Annexation.** Any and all equipment placed on the premises of a Party shall be and remain the property of the Party providing such equipment regardless of the mode and manner of annexation or attachment to real property, unless otherwise mutually agreed by the Parties.

Article 9. Operations

- 9.1 General.** Each Party shall comply with the Applicable Reliability Council requirements. Each Party shall provide to the other Party all information that may reasonably be required by the other Party to comply with Applicable Laws and Regulations and Applicable Reliability Standards.
- 9.2 Control Area Notification.** At least three months prior to any change in Control Area, Interconnection Customer shall notify Transmission Provider in writing of the Control Area in which the Large Generating Facility will be located. If Interconnection Customer elects to locate the Large Generating Facility in a Control Area other than the Control Area in which the Large Generating Facility is physically located, and if permitted to do so by the relevant transmission tariffs, all necessary arrangements, including but not limited to those set forth in Article 7 and Article 8 of this Agreement, and remote Control Area generator interchange agreements, if applicable, and the appropriate measures under such agreements, shall be executed and implemented prior to the placement of the Large Generating Facility in the other Control Area.
- 9.3 Transmission Provider Obligations.** Transmission Provider shall cause the Transmission System and Transmission Provider's Interconnection Facilities to be operated, maintained and controlled in a safe and reliable manner pursuant to Good Utility Practice and in accordance with this Agreement. Transmission Provider may provide operating instructions to Interconnection Customer consistent with this Agreement and Transmission Provider's operating protocols and procedures as they may change from time to time. Transmission Provider will consider changes to its operating protocols and procedures proposed by Interconnection Customer.
- 9.4 Interconnection Customer Obligations.** Interconnection Customer shall at its own expense operate, maintain and control the Large Generating Facility and Interconnection Customer's Interconnection Facilities in a safe and reliable

manner pursuant to Good Utility Practice and in accordance with this Agreement. Interconnection Customer shall operate the Large Generating Facility and Interconnection Customer's Interconnection Facilities in accordance with all applicable requirements of the Control Area of which it is part, as such requirements are set forth in Appendix C, Interconnection Details, of this Agreement. Appendix C, Interconnection Details, will be modified to reflect changes to the requirements as they may change from time to time. Either Party may request that the other Party provide copies of the requirements set forth in Appendix C, Interconnection Details, of this Agreement.

9.5 Start-Up and Synchronization. Consistent with the Parties' mutually acceptable procedures, Interconnection Customer is responsible for the proper synchronization of the Large Generating Facility to Transmission Provider's Transmission System.

9.6 Reactive Power.

9.6.1 Power Factor Design Criteria. Interconnection Customer shall design and operate the Large Generating Facility to maintain a composite power delivery at continuous rated power output at the Point of Interconnection at a power factor within the range of 0.95 leading to 0.95 lagging, unless Transmission Provider has established different requirements that apply to all generators in the Control Area on a comparable basis.

9.6.2 Voltage Schedules. Once Interconnection Customer has synchronized the Large Generating Facility with the Transmission System, Transmission Provider shall require Interconnection Customer to operate the Large Generating Facility to produce or absorb reactive power within the design limitations of the Large Generating Facility set forth in Article 9.6.1 (Power Factor Design Criteria). Transmission Provider's voltage schedules shall treat all sources of reactive power in the Control Area in an equitable and not unduly discriminatory manner. Transmission Provider shall exercise Reasonable Efforts to provide Interconnection Customer with such schedules at least one (1) day in advance, and may make changes to such schedules as necessary to maintain the reliability of the Transmission System. Interconnection Customer shall operate the Large Generating Facility to maintain the specified output voltage or power factor at the Point of Interconnection within the design limitations of the Large Generating Facility set forth in Article 9.6.1 (Power Factor Design Criteria). If Interconnection Customer is unable to maintain the specified voltage or power factor, it shall promptly notify the System Operator.

9.6.2.1 Governors and Regulators. Whenever the Large Generating Facility is operated in parallel with the Transmission System and the speed governors (if installed on the generating unit

pursuant to Good Utility Practice) and voltage regulators are capable of operation, Interconnection Customer shall operate the Large Generating Facility with its speed governors and voltage regulators in automatic operation. If the Large Generating Facility's speed governors and voltage regulators are not capable of such automatic operation, Interconnection Customer shall immediately notify Transmission Provider's system operator, or its designated representative, and ensure that such Large Generating Facility's reactive power production or absorption (measured in MVARs) are within the design capability of the Large Generating Facility's generating unit(s) and steady state stability limits. Interconnection Customer shall not cause its Large Generating Facility to disconnect automatically or instantaneously from the Transmission System or trip any generating unit comprising the Large Generating Facility for an under or over frequency condition unless the abnormal frequency condition persists for a time period beyond the limits set forth in ANSI/IEEE Standard C37.106, or such other standard as applied to other generators in the Control Area on a comparable basis.

9.6.3 Payment for Reactive Power. Transmission Provider is required to pay Interconnection Customer for reactive power that Interconnection Customer provides or absorbs from the Large Generating Facility when Transmission Provider requests Interconnection Customer to operate its Large Generating Facility outside the range specified in Article 9.6.1, provided that if Transmission Provider pays its own or Affiliated generators for reactive power service within the specified range, it must also pay Interconnection Customer. Payments shall be pursuant to Article 11.3 or such other agreement to which the Parties have otherwise agreed.

9.7 Outages and Interruptions.

9.7.1 Outages.

9.7.1.1 Outage Authority and Coordination. Each Party may in accordance with Good Utility Practice in coordination with the other Party remove from service any of its respective Interconnection Facilities or Network Upgrades that may impact the other Party's facilities as necessary to perform maintenance or testing or to install or replace equipment. Absent an Emergency Condition, the Party scheduling a removal of such facility(ies) from service will use Reasonable Efforts to schedule such removal on a date and time mutually acceptable to the Parties. In all circumstances, any Party planning to remove such facility(ies) from service shall use

Reasonable Efforts to minimize the effect on the other Party of such removal.

9.7.1.2 Outage Schedules. Transmission Provider shall post scheduled outages of its transmission facilities on the OASIS. Interconnection Customer shall submit its planned maintenance schedules for the Large Generating Facility to Transmission Provider for a minimum of a rolling twenty-four month period. Interconnection Customer shall update its planned maintenance schedules as necessary. Transmission Provider may request Interconnection Customer to reschedule its maintenance as necessary to maintain the reliability of the Transmission System; provided, however, adequacy of generation supply shall not be a criterion in determining Transmission System reliability.

9.7.1.3 Outage Restoration. If an outage on a Party's Interconnection Facilities or Network Upgrades adversely affects the other Party's operations or facilities, the Party that owns or controls the facility that is out of service shall use Reasonable Efforts to promptly restore such facility(ies) to a normal operating condition consistent with the nature of the outage. The Party that owns or controls the facility that is out of service shall provide the other Party, to the extent such information is known, information on the nature of the Emergency Condition, an estimated time of restoration, and any corrective actions required. Initial verbal notice shall be followed up as soon as practicable with written notice explaining the nature of the outage.

9.7.2 Interruption of Service. If required by Good Utility Practice to do so, Transmission Provider may require Interconnection Customer to interrupt or reduce deliveries of electricity if such delivery of electricity could adversely affect Transmission Provider's ability to perform such activities as are necessary to safely and reliably operate and maintain the Transmission System. The following provisions shall apply to any interruption or reduction permitted under this Article 9.7.2:

9.7.2.1 The interruption or reduction shall continue only for so long as reasonably necessary under Good Utility Practice;

9.7.2.2 Any such interruption or reduction shall be made on an equitable, non-discriminatory basis with respect to all generating facilities directly connected to the Transmission System;

9.7.2.3 When the interruption or reduction must be made under circumstances which do not allow for advance notice, Transmission Provider shall notify Interconnection Customer by telephone as soon as practicable of the reasons for the Curtailment, interruption, or reduction, and, if known, its expected duration. Telephone notification shall be followed by written notification as soon as practicable;

9.7.2.4 Except during the existence of an Emergency Condition, when the interruption or reduction can be scheduled without advance notice, Transmission Provider shall notify Interconnection Customer in advance regarding the timing of such scheduling and further notify Interconnection Customer of the expected duration. Transmission Provider shall coordinate with Interconnection Customer using Good Utility Practice to schedule the interruption or reduction during periods of least impact to Interconnection Customer and Transmission Provider;

9.7.2.5 The Parties shall cooperate and coordinate with each other to the extent necessary in order to restore the Large Generating Facility, Interconnection Facilities, and the Transmission System to their normal operating state, consistent with system conditions and Good Utility Practice.

9.7.3 Under-Frequency and Over Frequency Conditions. The Transmission System is designed to automatically activate a load-shed program as required by the Applicable Reliability Council in the event of an under-frequency system disturbance. Interconnection Customer shall implement under-frequency and over-frequency relay set points for the Large Generating Facility as required by the Applicable Reliability Council to ensure "ride through" capability of the Transmission System. Large Generating Facility response to frequency deviations of pre-determined magnitudes, both under-frequency and over-frequency deviations, shall be studied and coordinated with Transmission Provider in accordance with Good Utility Practice. The term "ride through" as used herein shall mean the ability of a Generating Facility to stay connected to and synchronized with the Transmission System during system disturbances within a range of under-frequency and over-frequency conditions, in accordance with Good Utility Practice.

9.7.4 System Protection and Other Control Requirements.

9.7.4.1 System Protection Facilities. Interconnection Customer shall, at its expense, install, operate and maintain System Protection Facilities as a part of the Large Generating Facility or

Interconnection Customer's Interconnection Facilities. Transmission Provider shall install at Interconnection Customer's expense any System Protection Facilities that may be required on Transmission Provider's Interconnection Facilities or the Transmission System as a result of the interconnection of the Large Generating Facility and Interconnection Customer's Interconnection Facilities.

9.7.4.2 Each Party's protection facilities shall be designed and coordinated with other systems in accordance with Good Utility Practice.

9.7.4.3 Each Party shall be responsible for protection of its facilities consistent with Good Utility Practice.

9.7.4.4 Each Party's protective relay design shall incorporate the necessary test switches to perform the tests required in Article 6. The required test switches will be placed such that they allow operation of lockout relays while preventing breaker failure schemes from operating and causing unnecessary breaker operations and/or the tripping of Interconnection Customer's units.

9.7.4.5 Each Party will test, operate and maintain System Protection Facilities in accordance with Good Utility Practice.

9.7.4.6 Prior to the In-Service Date, and again prior to the Commercial Operation Date, each Party or its agent shall perform a complete calibration test and functional trip test of the System Protection Facilities. At intervals suggested by Good Utility Practice and following any apparent malfunction of the System Protection Facilities, each Party shall perform both calibration and functional trip tests of its System Protection Facilities. These tests do not require the tripping of any in-service generation unit. These tests do, however, require that all protective relays and lockout contacts be activated.

9.7.5 Requirements for Protection. In compliance with Good Utility Practice, Interconnection Customer shall provide, install, own, and maintain relays, circuit breakers and all other devices necessary to remove any fault contribution of the Large Generating Facility to any short circuit occurring on the Transmission System not otherwise isolated by Transmission Provider's equipment, such that the removal of the fault contribution shall be coordinated with the protective requirements of the Transmission System. Such protective equipment shall include, without limitation, a disconnecting device or switch with load-interrupting capability located

between the Large Generating Facility and the Transmission System at a site selected upon mutual agreement (not to be unreasonably withheld, conditioned or delayed) of the Parties. Interconnection Customer shall be responsible for protection of the Large Generating Facility and Interconnection Customer's other equipment from such conditions as negative sequence currents, over- or under-frequency, sudden load rejection, over- or under-voltage, and generator loss-of-field. Interconnection Customer shall be solely responsible to disconnect the Large Generating Facility and Interconnection Customer's other equipment if conditions on the Transmission System could adversely affect the Large Generating Facility.

9.7.6 Power Quality. Neither Party's facilities shall cause excessive voltage flicker nor introduce excessive distortion to the sinusoidal voltage or current waves as defined by ANSI Standard C84.1-1989, in accordance with IEEE Standard 519, or any applicable superseding electric industry standard. In the event of a conflict between ANSI Standard C84.1-1989, or any applicable superseding electric industry standard, ANSI Standard C84.1-1989, or the applicable superseding electric industry standard, shall control.

9.8 Switching and Tagging Rules. Each Party shall provide the other Party a copy of its switching and tagging rules that are applicable to the other Party's activities. Such switching and tagging rules shall be developed on a non-discriminatory basis. The Parties shall comply with applicable switching and tagging rules, as amended from time to time, in obtaining clearances for work or for switching operations on equipment.

9.9 Use of Interconnection Facilities by Third Parties.

9.9.1 Purpose of Interconnection Facilities. Except as may be required by Applicable Laws and Regulations, or as otherwise agreed to among the Parties, the Interconnection Facilities shall be constructed for the sole purpose of interconnecting the Large Generating Facility to the Transmission System and shall be used for no other purpose.

9.9.2 Third Party Users. If required by Applicable Laws and Regulations or if the Parties mutually agree, such agreement not to be unreasonably withheld, to allow one or more third parties to use Transmission Provider's Interconnection Facilities, or any part thereof, Interconnection Customer will be entitled to compensation for the capital expenses it incurred in connection with the Interconnection Facilities based upon the pro rata use of the Interconnection Facilities by Transmission Provider, all third party users, and Interconnection Customer, in accordance with Applicable Laws and Regulations or upon some other mutually-agreed upon methodology. In addition, cost responsibility for ongoing costs, including operation and

maintenance costs associated with the Interconnection Facilities, will be allocated between Interconnection Customer and any third party users based upon the pro rata use of the Interconnection Facilities by Transmission Provider, all third party users, and Interconnection Customer, in accordance with Applicable Laws and Regulations or upon some other mutually agreed upon methodology. If the issue of such compensation or allocation cannot be resolved through such negotiations, it shall be submitted to FERC for resolution.

- 9.10 Disturbance Analysis Data Exchange.** The Parties will cooperate with one another in the analysis of disturbances to either the Large Generating Facility or Transmission Provider's Transmission System by gathering and providing access to any information relating to any disturbance, including information from oscillography, protective relay targets, breaker operations and sequence of events records, and any disturbance information required by Good Utility Practice.

Article 10. Maintenance

- 10.1 Transmission Provider Obligations.** Transmission Provider shall maintain the Transmission System and Transmission Provider's Interconnection Facilities in a safe and reliable manner pursuant to Good Utility Practice and in accordance with this Agreement.
- 10.2 Interconnection Customer Obligations.** Interconnection Customer shall maintain the Large Generating Facility and Interconnection Customer's Interconnection Facilities in a safe and reliable manner pursuant to Good Utility Practice and in accordance with this Agreement.
- 10.3 Coordination.** The Parties shall confer regularly to coordinate the planning, scheduling and performance of preventive and corrective maintenance on the Large Generating Facility and the Interconnection Facilities.
- 10.4 Secondary Systems.** Each Party shall cooperate with the other in the inspection, maintenance, and testing of control or power circuits that operate below 600 volts, AC or DC, including, but not limited to, any hardware, control or protective devices, cables, conductors, electric raceways, secondary equipment panels, transducers, batteries, chargers, and voltage and current transformers that directly affect the operation of a Party's facilities and equipment which may reasonably be expected to impact the other Party. Each Party shall provide advance notice to the other Party before undertaking any work on such circuits, especially on electrical circuits involving circuit breaker trip and close contacts, current transformers, or potential transformers.
- 10.5 Operating and Maintenance Expenses.** Subject to the provisions herein addressing the use of facilities by others, and except for operations and maintenance expenses associated with modifications made for providing

interconnection or transmission service to a third party and such third party pays for such expenses, Interconnection Customer shall be responsible for all reasonable expenses including overheads, associated with owning, operating, maintaining, repairing, and replacing Interconnection Customer's Interconnection Facilities.

Article 11. Performance Obligation

- 11.1 Interconnection Customer Interconnection Facilities.** Interconnection Customer shall design, procure, construct and replace, own and/or control Interconnection Customer Interconnection Facilities pursuant to Good Utility Practice and at its sole expense.
- 11.2 Transmission Provider's Interconnection Facilities.** Transmission Provider or Transmission Owner shall design, procure, construct and replace, own and/or control the Transmission Provider's Interconnection Facilities pursuant to Good Utility Practice and at its sole expense.
- 11.3 Interconnection Customer Compensation.** If Transmission Provider requests or directs Interconnection Customer to provide a service pursuant to Articles 9.6.3 (Payment for Reactive Power), or 13.5.1 of this Agreement, Transmission Provider shall compensate Interconnection Customer in accordance with Interconnection Customer's applicable rate schedule then in effect unless the provision of such service(s) is subject to an RTO or ISO FERC-approved rate schedule. Interconnection Customer shall serve Transmission Provider or RTO or ISO with any filing of a proposed rate schedule at the time of such filing with FERC. To the extent that no rate schedule is in effect at the time the Interconnection Customer is required to provide or absorb any Reactive Power under this Agreement, Transmission Provider agrees to compensate Interconnection Customer in such amount as would have been due Interconnection Customer had the rate schedule been in effect at the time service commenced; provided, however, that such rate schedule must be filed at FERC or other appropriate Governmental Authority within sixty (60) Calendar Days of the commencement of service.
- 11.3.1 Interconnection Customer Compensation for Actions During Emergency Condition.** Transmission Provider or RTO or ISO shall compensate Interconnection Customer for its provision of real and reactive power and other Emergency Condition services that Interconnection Customer provides to support the Transmission System during an Emergency Condition in accordance with Article 11.3.

Article 12. Invoice

- 12.1 General.** Each Party shall submit to the other Party, on a monthly basis, invoices of amounts due for the preceding month. Each invoice shall state the month to which the invoice applies and fully describe the services and equipment provided. The Parties may discharge mutual debts and payment obligations due and owing to each other on the same date through netting, in which case all amounts a Party owes to the other Party under this Agreement, including interest payments or credits, shall be netted so that only the net amount remaining due shall be paid by the owing Party.
- 12.2 This Section Intentionally Left Blank.**
- 12.3 Payment.** Invoices shall be rendered to the paying Party at the address specified in Appendix F. The Party receiving the invoice shall pay the invoice within thirty (30) Calendar Days of receipt. All payments shall be made in immediately available funds payable to the other Party, or by wire transfer to a bank named and account designated by the invoicing Party. Payment of invoices by either Party will not constitute a waiver of any rights or claims either Party may have under this Agreement.
- 12.4 Disputes.** In the event of a billing dispute between Transmission Provider and Interconnection Customer, Transmission Provider shall continue to provide Interconnection Service under this Agreement as long as Interconnection Customer: (i) continues to make all payments not in dispute; and (ii) pays to Transmission Provider or into an independent escrow account the portion of the invoice in dispute, pending resolution of such dispute. If Interconnection Customer fails to meet these two requirements for continuation of service, then Transmission Provider may provide notice to Interconnection Customer of a Default pursuant to Article 17. Within thirty (30) Calendar Days after the resolution of the dispute, the Party that owes money to the other Party shall pay the amount due with interest calculated in accord with the methodology set forth in FERC's regulations at 18 C.F.R § 35.19a(a)(2)(iii).

Article 13. Emergencies

- 13.1 Definition.** "Emergency Condition" shall mean a condition or situation: (i) that in the judgment of the Party making the claim is imminently likely to endanger life or property; or (ii) that, in the case of Transmission Provider, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to the Transmission System, Transmission Provider's Interconnection Facilities or the Transmission Systems of others to which the Transmission System is directly connected; or (iii) that, in the case of Interconnection Customer, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Large Generating Facility or Interconnection Customer's Interconnection Facilities' System restoration and black start shall be considered

Emergency Conditions; provided, that Interconnection Customer is not obligated by this Agreement to possess black start capability.

13.2 Obligations. Each Party shall comply with the Emergency Condition procedures of the applicable ISO/RTO, NERC, the Applicable Reliability Council, Applicable Laws and Regulations, and any emergency procedures agreed to by the Joint Operating Committee.

13.3 Notice. Transmission Provider shall notify Interconnection Customer promptly when it becomes aware of an Emergency Condition that affects Transmission Provider's Interconnection Facilities or the Transmission System that may reasonably be expected to affect Interconnection Customer's operation of the Large Generating Facility or Interconnection Customer's Interconnection Facilities. Interconnection Customer shall notify Transmission Provider promptly when it becomes aware of an Emergency Condition that affects the Large Generating Facility or Interconnection Customer's Interconnection Facilities that may reasonably be expected to affect the Transmission System or Transmission Provider's Interconnection Facilities. To the extent information is known, the notification shall describe the Emergency Condition, the extent of the damage or deficiency, the expected effect on the operation of Interconnection Customer's or Transmission Provider's facilities and operations, its anticipated duration and the corrective action taken and/or to be taken. The initial notice shall be followed as soon as practicable with written notice.

13.4 Immediate Action. Unless, in Interconnection Customer's reasonable judgment, immediate action is required, Interconnection Customer shall obtain the consent of Transmission Provider, such consent to not be unreasonably withheld, prior to performing any manual switching operations at the Large Generating Facility or Interconnection Customer's Interconnection Facilities in response to an Emergency Condition either declared by Transmission Provider or otherwise regarding the Transmission System.

13.5 Transmission Provider Authority.

13.5.1 General. Transmission Provider may take whatever actions or inactions with regard to the Transmission System or Transmission Provider's Interconnection Facilities it deems necessary during an Emergency Condition in order to: (i) preserve public health and safety, (ii) preserve the reliability of the Transmission System or Transmission Provider's Interconnection Facilities, (iii) limit or prevent damage, and (iv) expedite restoration of service.

Transmission Provider shall use Reasonable Efforts to minimize the effect of such actions or inactions on the Large Generating Facility or Interconnection Customer's Interconnection Facilities. Transmission Provider may, on the basis of technical considerations, require the

Large Generating Facility to mitigate an Emergency Condition by taking actions necessary and limited in scope to remedy the Emergency Condition, including, but not limited to, directing Interconnection Customer to shut-down, start-up, increase or decrease the real or reactive power output of the Large Generating Facility; implementing a reduction or disconnection pursuant to Article 13.5.2; directing Interconnection Customer to assist with blackstart (if available) or restoration efforts; or altering the outage schedules of the Large Generating Facility and Interconnection Customer's Interconnection Facilities. Interconnection Customer shall comply with all of Transmission Provider's operating instructions concerning Large Generating Facility real power and reactive power output within the manufacturer's design limitations of the Large Generating Facility's equipment that is in service and physically available for operation at the time, in compliance with Applicable Laws and Regulations.

13.5.2 Reduction and Disconnection. Transmission Provider may reduce Interconnection Service or disconnect the Large Generating Facility or Interconnection Customer's Interconnection Facilities, when such, reduction or disconnection is necessary under Good Utility Practice due to Emergency Conditions. These rights are separate and distinct from any right of Curtailment of Transmission Provider pursuant to Transmission Provider's Tariff. When Transmission Provider can schedule the reduction or disconnection in advance, Transmission Provider shall notify Interconnection Customer of the reasons, timing and expected duration of the reduction or disconnection. Transmission Provider shall coordinate with Interconnection Customer using Good Utility Practice to schedule the reduction or disconnection during periods of least impact to Interconnection Customer and Transmission Provider. Any reduction or disconnection shall continue only for so long as reasonably necessary under Good Utility Practice. The Parties shall cooperate with each other to restore the Large Generating Facility, the Interconnection Facilities, and the Transmission System to their normal operating state as soon as practicable consistent with Good Utility Practice.

13.6 Interconnection Customer Authority. Consistent with Good Utility Practice and this Agreement, Interconnection Customer may take actions or inactions with regard to the Large Generating Facility or Interconnection Customer's Interconnection Facilities during an Emergency Condition in order to (i) preserve public health and safety, (ii) preserve the reliability of the Large Generating Facility or Interconnection Customer's Interconnection Facilities, (iii) limit or prevent damage, and (iv) expedite restoration of service. Interconnection Customer shall use Reasonable Efforts to minimize the effect of such actions or inactions on the Transmission System and Transmission Provider's

Interconnection Facilities. Transmission Provider shall use Reasonable Efforts to assist Interconnection Customer in such actions.

- 13.7 Limited Liability.** Except as otherwise provided in Article 11.3.1 of this Agreement, neither Party shall be liable to the other for any action it takes in responding to an Emergency Condition so long as such action is made in good faith and is consistent with Good Utility Practice.

Article 14. Regulatory Requirements and Governing Law

- 14.1 Regulatory Requirements.** Each Party's obligations under this Agreement shall be subject to its receipt of any required approval or certificate from one or more Governmental Authorities in the form and substance satisfactory to the applying Party, or the Party making any required filings with, or providing notice to, such Governmental Authorities, and the expiration of any time period associated therewith. Each Party shall in good faith seek and use its Reasonable Efforts to obtain such other approvals. Nothing in this Agreement shall require Interconnection Customer to take any action that could result in its inability to obtain, or its loss of, status or exemption under the Federal Power Act, the Public Utility Holding Company Act of 1935, as amended, or the Public Utility Regulatory Policies Act of 1978.

14.2 Governing Law.

- 14.2.1** The validity, interpretation and performance of this Agreement and each of its provisions shall be governed by the laws of the state where the Point of Interconnection is located, without regard to its conflicts of law principles.
- 14.2.2** This Agreement is subject to all Applicable Laws and Regulations.
- 14.2.3** Each Party expressly reserves the right to seek changes in, appeal, or otherwise contest any laws, orders, rules, or regulations of a Governmental Authority.

Article 15. Notices

- 15.1 General.** Unless otherwise provided in this Agreement, any notice, demand or request required or permitted to be given by either Party to the other and any instrument required or permitted to be tendered or delivered by either Party in writing to the other shall be effective when delivered and may be so given, tendered or delivered, by recognized national courier, or by depositing the same with the United States Postal Service with postage prepaid, for delivery by certified or registered mail, addressed to the Party, or personally delivered to the Party, at the address set out in Appendix F, Addresses for Delivery of Notices and Billings.

Either Party may change the notice information in this Agreement by giving five (5) Business Days written notice prior to the effective date of the change.

15.2 Billings and Payments. Billings and payments shall be sent to the addresses set out in Appendix F.

15.3 Alternative Forms of Notice. Any notice or request required or permitted to be given by a Party to the other and not required by this Agreement to be given in writing may be so given by telephone, facsimile or email to the telephone numbers and email addresses set out in Appendix F.

15.4 Operations and Maintenance Notice. Each Party shall notify the other Party in writing of the identity of the person(s) that it designates as the point(s) of contact with respect to the implementation of Articles 9 and 10.

Article 16. Force Majeure

16.1 Force Majeure.

16.1.1 Economic hardship is not considered a Force Majeure event.

16.1.2 Neither Party shall be considered to be in Default with respect to any obligation hereunder, (including obligations under Article 4), other than the obligation to pay money when due, if prevented from fulfilling such obligation by Force Majeure. A Party unable to fulfill any obligation hereunder (other than an obligation to pay money when due) by reason of Force Majeure shall give notice and the full particulars of such Force Majeure to the other Party in writing or by telephone as soon as reasonably possible after the occurrence of the cause relied upon. Telephone notices given pursuant to this article shall be confirmed in writing as soon as reasonably possible and shall specifically state full particulars of the Force Majeure, the time and date when the Force Majeure occurred and when the Force Majeure is reasonably expected to cease. The Party affected shall exercise due diligence to remove such disability with reasonable dispatch, but shall not be required to accede or agree to any provision not satisfactory to it in order to settle and terminate a strike or other labor disturbance.

Article 17. Default

17.1 Default.

17.1.1 General. No Default shall exist where such failure to discharge an obligation (other than the payment of money) is the result of Force Majeure as defined in this Agreement or the result of an act of

omission of the other Party. Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party. Except as provided in Article 17.1.2, the breaching Party shall have thirty (30) Calendar Days from receipt of the Default notice within which to cure such Breach; provided however, if such Breach is not capable of cure within thirty (30) Calendar Days, the breaching Party shall commence such cure within thirty (30) Calendar Days after notice and continuously and diligently complete such cure within ninety (90) Calendar Days from receipt of the Default notice; and, if cured within such time, the Breach specified in such notice shall cease to exist.

17.1.2 Right to Terminate. If a Breach is not cured as provided in this article, or if a Breach is not capable of being cured within the period provided for herein, the non-breaching Party shall have the right to declare a Default and terminate this Agreement by written notice at any time until cure occurs, and be relieved of any further obligation hereunder and, whether or not that Party terminates this Agreement, to recover from the breaching Party all amounts due hereunder, plus all other damages and remedies to which it is entitled at law or in equity. The provisions of this article will survive termination of this Agreement.

Article 18. Indemnity, Consequential Damages and Insurance

18.1 Indemnity. The Parties shall at all times indemnify, defend, and hold the other Party harmless from, any and all damages, losses, claims, including claims and actions relating to injury to or death of any person or damage to property, demand, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising out of or resulting from the other Party's action or inactions of its obligations under this Agreement on behalf of the Indemnifying Party, except in cases of gross negligence or intentional wrongdoing by the Indemnified Party.

18.1.1 Indemnified Person. If an Indemnified Person is entitled to indemnification under this Article 18 as a result of a claim by a third party, and the Indemnifying Party fails, after notice and reasonable opportunity to proceed under Article 18.1, to assume the defense of such claim, such Indemnified Person may at the expense of the Indemnifying Party contest, settle or consent to the entry of any judgment with respect to, or pay in full, such claim.

18.1.2 Indemnifying Party. If an Indemnifying Party is obligated to indemnify and hold any Indemnified Person harmless under this Article 18, the amount owing to the Indemnified Person shall be the amount of such Indemnified Person's actual Loss, net of any insurance or other recovery.

18.1.3 Indemnity Procedures. Promptly after receipt by an Indemnified Person of any claim or notice of the commencement of any action or administrative or legal proceeding or investigation as to which the indemnity provided for in Article 18.1 may apply, the Indemnified Person shall notify the Indemnifying Party of such fact. Any failure of or delay in such notification shall not affect a Party's indemnification obligation unless such failure or delay is materially prejudicial to the Indemnifying Party.

The Indemnifying Party shall have the right to assume the defense thereof with counsel designated by such Indemnifying Party and reasonably satisfactory to the Indemnified Person. If the defendants in any such action include one or more Indemnified Persons and the Indemnifying Party and if the Indemnified Person reasonably concludes that there may be legal defenses available to it and/or other Indemnified Persons which are different from or additional to those available to the Indemnifying Party, the Indemnified Person shall have the right to select separate counsel to assert such legal defenses and to otherwise participate in the defense of such action on its own behalf. In such instances, the Indemnifying Party shall only be required to pay the fees and expenses of one additional attorney to represent an Indemnified Person or Indemnified Persons having such differing or additional legal defenses.

The Indemnified Person shall be entitled, at its expense, to participate in any such action, suit or proceeding, the defense of which has been assumed by the Indemnifying Party. Notwithstanding the foregoing, the Indemnifying Party (i) shall not be entitled to assume and control the defense of any such action, suit or proceedings if and to the extent that, in the opinion of the Indemnified Person and its counsel, such action, suit or proceeding involves the potential imposition of criminal liability on the Indemnified Person, or there exists a conflict or adversity of interest between the Indemnified Person and the Indemnifying Party, in such event the Indemnifying Party shall pay the reasonable expenses of the Indemnified Person, and (ii) shall not settle or consent to the entry of any judgment in any action, suit or proceeding without the consent of the Indemnified Person, which shall not be reasonably withheld, conditioned or delayed.

18.2 Consequential Damages. Other than the Liquidated Damages heretofore described, in no event shall either Party be liable under any provision of this Agreement for any losses, damages, costs or expenses for any special, indirect, incidental, consequential, or punitive damages, including but not limited to loss of profit or revenue, loss of the use of equipment, cost of capital, cost of temporary equipment or services, whether based in whole or in part in contract, in tort,

including negligence, strict liability, or any other theory of liability; provided, however, that damages for which a Party may be liable to the other Party under another agreement will not be considered to be special, indirect, incidental, or consequential damages hereunder.

18.3 Insurance. Each party shall, at its own expense, maintain in force throughout the period of this Agreement, and until released by the other Party, the following minimum insurance coverages, with insurers authorized to do business in the state where the Point of Interconnection is located:

18.3.1 Employers' Liability and Workers' Compensation Insurance providing statutory benefits in accordance with the laws and regulations of the state in which the Point of Interconnection is located.

18.3.2 Commercial General Liability Insurance including premises and operations, personal injury, broad form property damage, broad form blanket contractual liability coverage (including coverage for the contractual indemnification) products and completed operations coverage, coverage for explosion, collapse and underground hazards, independent contractors coverage, coverage for pollution to the extent normally available and punitive damages to the extent normally available and a cross liability endorsement, with minimum limits of One Million Dollars (\$1,000,000) per occurrence/One Million Dollars (\$1,000,000) aggregate combined single limit for personal injury, bodily injury, including death and property damage.

18.3.3 Comprehensive Automobile Liability Insurance for coverage of owned and non-owned and hired vehicles, trailers or semi-trailers designed for travel on public roads, with a minimum, combined single limit of One Million Dollars (\$1,000,000) per occurrence for bodily injury, including death, and property damage.

18.3.4 Excess Public Liability Insurance over and above the Employers' Liability Commercial General Liability and Comprehensive Automobile Liability Insurance coverage, with a minimum combined single limit of Ten Million Dollars (\$10,000,000) per occurrence/Ten Million Dollars (\$10,000,000) aggregate.

18.3.5 The Commercial General Liability Insurance, Comprehensive Automobile Insurance and Excess Public Liability Insurance policies shall name the other Party, its parent, associated and Affiliate companies and their respective directors, officers, agents, servants and employees ("Other Party Group") as additional insured. All policies shall contain provisions whereby the insurers waive all rights of subrogation in accordance with the provisions of this Agreement against the Other Party Group and provide thirty (30) Calendar Days

advance written notice to the Other Party Group prior to anniversary date of cancellation or any material change in coverage or condition.

- 18.3.6** The Commercial General Liability Insurance, Comprehensive Automobile Liability Insurance and Excess Public Liability Insurance policies shall contain provisions that specify that the policies are primary and shall apply to such extent without consideration for other policies separately carried and shall state that each insured is provided coverage as though a separate policy had been issued to each, except the insurer's liability shall not be increased beyond the amount for which the insurer would have been liable had only one insured been covered. Each Party shall be responsible for its respective deductibles or retentions.
- 18.3.7** The Commercial General Liability Insurance, Comprehensive Automobile Liability Insurance and Excess Public Liability Insurance policies, if written on a Claims First Made Basis, shall be maintained in full force and effect for two (2) years after termination of this Agreement, which coverage may be in the form of tail coverage or extended reporting period coverage if agreed by the Parties.
- 18.3.8** The requirements contained herein as to the types and limits of all insurance to be maintained by the Parties are not intended to and shall not in any manner, limit or qualify the liabilities and obligations assumed by the Parties under this Agreement.
- 18.3.9** Within ten (10) days following execution of this Agreement, and as soon as practicable after the end of each fiscal year or at the renewal of the insurance policy and in any event within ninety (90) days thereafter, each Party shall provide certification of all insurance required in this Agreement, executed by each insurer or by an authorized representative of each insurer.
- 18.3.10** Notwithstanding the foregoing, each Party may self-insure to meet the minimum insurance requirements of Articles 18.3.2 through 18.3.8 to the extent it maintains a self-insurance program; provided that, such Party's senior secured debt is rated at investment grade or better by Standard & Poor's or Moody's and that its self-insurance program meets the minimum insurance requirements of Articles 18.3.2 through 18.3.8. For any period of time that a Party's senior secured debt is unrated by Standard & Poor's or Moody's or is rated at less than investment grade by Standard & Poor's or Moody's, such Party shall comply with the insurance requirements applicable to it under Articles 18.3.2 through 18.3.9. In the event that a Party is permitted to self-insure pursuant to this article, it shall notify the other Party that it meets the requirements to self-insure and that its self-insurance

program meets the minimum insurance requirements in a manner consistent with that specified in Article 18.3.9.

18.3.11 The Parties agree to report to each other in writing as soon as practical all accidents or occurrences resulting in injuries to any person, including death, and any property damage arising out of this Agreement.

Article 19. Assignment

19.1 Assignment. This Agreement may be assigned by either Party only with the written consent of the other; provided that either Party may assign this Agreement without the consent of the other Party to any Affiliate of the assigning Party with an equal or greater credit rating and with the legal authority and operational ability to satisfy the obligations of the assigning Party under this Agreement; and provided further that Interconnection Customer shall have the right to assign this Agreement, without the consent of Transmission Provider, for collateral security purposes to aid in providing financing for the Large Generating Facility, provided that Interconnection Customer will promptly notify Transmission Provider of any such assignment. Any financing arrangement entered into by Interconnection Customer pursuant to this article will provide that prior to or upon the exercise of the secured party's, trustee's or mortgagee's assignment rights pursuant to said arrangement, the secured creditor, the trustee or mortgagee will notify Transmission Provider of the date and particulars of any such exercise of assignment right(s), including providing the Transmission Provider with proof that it meets the requirements of Article 18.3. Any attempted assignment that violates this article is void and ineffective. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. Where required, consent to assignment will not be unreasonably withheld, conditioned or delayed.

Article 20. Severability

20.1 Severability. If any provision in this Agreement is finally determined to be invalid, void or unenforceable by any court or other Governmental Authority having jurisdiction, such determination shall not invalidate, void or make unenforceable any other provision, agreement or covenant of this Agreement.

Article 21. Comparability

21.1 Comparability. The Parties will comply with all applicable comparability and code of conduct laws, rules and regulations, as amended from time to time.

Article 22. Confidentiality

22.1 Confidentiality. Confidential Information shall include, without limitation, all information relating to a Party's technology, research and development, business affairs, and pricing, and any information supplied by either of the Parties to the other prior to the execution of this Agreement.

Information is Confidential Information only if it is clearly designated or marked in writing as confidential on the face of the document, or, if the information is conveyed orally or by inspection, if the Party providing the information orally informs the Party receiving the information that the information is confidential.

If requested by either Party, the other Party shall provide in writing, the basis for asserting that the information referred to in this Article 22 warrants confidential treatment, and the requesting Party may disclose such writing to the appropriate Governmental Authority. Each Party shall be responsible for the costs associated with affording confidential treatment to its information.

22.1.1 Term. 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 Article 22, each Party shall hold in confidence and shall not disclose to any person Confidential Information.

22.1.2 Scope. Confidential Information shall not include information that the receiving Party can demonstrate: (1) is generally available to the public other than as a result of a disclosure by the receiving Party; (2) was in the lawful possession of the receiving Party on a non-confidential basis before receiving it from the disclosing Party; (3) 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; (4) was independently developed by the receiving Party without reference to Confidential Information of the disclosing Party; (5) is, or becomes, publicly known, through no wrongful act or omission of the receiving Party or Breach of this Agreement; or (6) is required, in accordance with Article 22.1.7 of this Agreement, Order of Disclosure, 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.

22.1.3 Release of Confidential Information. Neither Party shall release or disclose Confidential Information to any other person, except to its Affiliates (limited by the Standards of Conduct requirements),

subcontractors, employees, consultants, or to parties who may be or considering providing financing to or equity participation with Interconnection Customer, or to potential purchasers or assignees of Interconnection Customer, on a need-to-know basis in connection with this Agreement, unless such person has first been advised of the confidentiality provisions of this Article 22 and has agreed to comply with such provisions. Notwithstanding the foregoing, a Party providing Confidential Information to any person shall remain primarily responsible for any release of Confidential Information in contravention of this Article 22.

- 22.1.4 Rights.** Each Party retains all rights, title, and interest in the Confidential Information that each Party discloses to the other Party. The disclosure by each Party to the other Party of Confidential Information shall not be deemed a waiver by either Party or any other person or entity of the right to protect the Confidential Information from public disclosure.
- 22.1.5 No Warranties.** By providing Confidential Information, neither Party makes any warranties or representations as to its accuracy or completeness. In addition, by supplying Confidential Information, neither Party obligates itself to provide any particular information or Confidential Information to the other Party nor to enter into any further agreements or proceed with any other relationship or joint venture.
- 22.1.6 Standard of Care.** 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. Each Party may use Confidential Information solely to fulfill its obligations to the other Party under this Agreement or its regulatory requirements.
- 22.1.7 Order of Disclosure.** If a court or a Government 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. Notwithstanding the absence of a protective order or waiver, the Party may disclose such Confidential Information which, in the opinion of its counsel, the Party is legally compelled to disclose. Each Party will use Reasonable Efforts to obtain reliable assurance

that confidential treatment will be accorded any Confidential Information so furnished.

- 22.1.8 Termination of Agreement.** Upon termination of this Agreement for any reason, each Party shall, within ten (10) Calendar Days of receipt of a written request from the other Party, use Reasonable Efforts to destroy, erase, or delete (with such destruction, erasure, and deletion certified in writing to the other Party) or return to the other Party, without retaining copies thereof, any and all written or electronic Confidential Information received from the other Party.
- 22.1.9 Remedies.** The Parties agree that monetary damages would be inadequate to compensate a Party for the other Party's Breach of its obligations under this Article 22. Each Party accordingly agrees that the other Party shall be entitled to equitable relief, by way of injunction or otherwise, if the first Party Breaches or threatens to Breach its obligations under this Article 22, which equitable relief shall be granted without bond or proof of damages, and the receiving Party shall not plead in defense that there would be an adequate remedy at law. Such remedy shall not be deemed an exclusive remedy for the Breach of this Article 22, but shall be in addition to all other remedies available at law or in equity. The Parties further acknowledge and agree that the covenants contained herein are necessary for the protection of legitimate business interests and are reasonable in scope. No Party, however, shall be liable for indirect, incidental, or consequential or punitive damages of any nature or kind resulting from or arising in connection with this Article 22.
- 22.1.10 Disclosure to FERC, its Staff, or a State.** Notwithstanding anything in this Article 22 to the contrary, and pursuant to 18 C.F.R § 1b.20, if FERC or its staff, during the course of an investigation or otherwise, requests information from one of the Parties that is otherwise required to be maintained in confidence pursuant to this Agreement, the Party shall provide the requested information to FERC or its staff, within the time provided for in the request for information. In providing the information to FERC or its staff, the Party must, consistent with 18 C.F.R § 388.112, request that the information be treated as confidential and non-public by FERC and its staff and that the information be withheld from public disclosure. Parties are prohibited from notifying the other Party to this Agreement prior to the release of the Confidential Information to FERC or its staff. The Party shall notify the other Party to this Agreement when it is notified by FERC or its staff that a request to release Confidential Information has been received by FERC, at which time either of the Parties may respond before such information would be made public, pursuant to 18 C.F.R § 388.112. Requests from a state regulatory body conducting a

confidential investigation shall be treated in a similar manner if consistent with the applicable state rules and regulations.

- 22.1.11** Subject to the exception in Article 22.1.10, any information that a Party claims is competitively sensitive, commercial or financial information under this Agreement ("Confidential Information") shall not be disclosed by the other Party to any person not employed or retained by the other Party, except to the extent disclosure is (i) required by law; (ii) reasonably deemed by the disclosing Party to be required to be disclosed in connection with a dispute between or among the Parties, or the defense of litigation or dispute; (iii) otherwise permitted by consent of the other Party, such consent not to be unreasonably withheld; or (iv) necessary to fulfill its obligations under this Agreement or as a transmission service provider or a Control Area operator including disclosing the Confidential Information to an RTO or ISO or to a regional or national reliability organization. The Party asserting confidentiality shall notify the other Party in writing of the information it claims is confidential. Prior to any disclosures of the other Party's Confidential Information under this subparagraph, or if any third party or Governmental Authority makes any request or demand for any of the information described in this subparagraph, the disclosing Party agrees to promptly notify the other Party in writing and agrees to assert confidentiality and cooperate with the other Party in seeking to protect the Confidential Information from public disclosure by confidentiality agreement, protective order or other reasonable measures.

Article 23. Environmental Releases

- 23.1** Each Party shall notify the other Party, first orally and then in writing, of the release of any Hazardous Substances, any asbestos or lead abatement activities, or any type of remediation activities related to the Large Generating Facility or the Interconnection Facilities, each of which may reasonably be expected to affect the other Party. The notifying Party shall: (i) provide the notice as soon as practicable, provided such Party makes a good faith effort to provide the notice no later than twenty-four hours after such Party becomes aware of the occurrence; and (ii) promptly furnish to the other Party copies of any publicly available reports filed with any Governmental Authorities addressing such events.

Article 24. Information Requirements

- 24.1 Information Acquisition.** Transmission Provider and Interconnection Customer shall submit specific information regarding the electrical characteristics of their respective facilities to each other as described below and in accordance with Applicable Reliability Standards.

24.2 Information Submission by Transmission Provider. Upon request by Interconnection Customer, Transmission Provider shall provide Transmission System information necessary to allow Interconnection Customer to select equipment and meet any system protection and stability requirements.

24.3 Information Submission by Interconnection Customer. Upon request by Transmission Provider, Interconnection Customer shall provide the most current Large Generating Facility design or expected performance data. Information submitted for stability models shall be compatible with Transmission Provider standard models. If there is no compatible model, Interconnection Customer, at Interconnection Customer's expense, shall work with a consultant mutually agreed to by the Parties to develop and supply a standard model and associated information.

24.4 Information Supplementation. The Interconnection Customer shall conduct tests on the Large Generating Facility as required by Good Utility Practice such as an open circuit "step voltage" test on the Large Generating Facility to verify proper operation of the Large Generating Facility's automatic voltage regulator.

Unless otherwise agreed, the test conditions shall include: (1) Large Generating Facility at synchronous speed; (2) automatic voltage regulator on and in voltage control mode; and (3) a five percent change in Large Generating Facility terminal voltage initiated by a change in the voltage regulators reference voltage. Interconnection Customer shall provide validated test recordings showing the responses of Large Generating Facility terminal and field voltages. In the event that direct recordings of these voltages is impractical, recordings of other voltages or currents that mirror the response of the Large Generating Facility's terminal or field voltage are acceptable if information necessary to translate these alternate quantities to actual Large Generating Facility terminal or field voltages is provided. Large Generating Facility testing shall be conducted and results provided to Transmission Provider for each individual generating unit in a station.

Subsequent to the Operation Date, Interconnection Customer shall provide Transmission Provider any information changes due to equipment replacement, repair, or adjustment. Transmission Provider shall provide Interconnection Customer any information changes due to equipment replacement, repair or adjustment in the directly connected substation or any adjacent Transmission Provider-owned substation that may affect Interconnection Customer's Interconnection Facilities equipment ratings, protection or operating requirements. The Parties shall provide such information no later than thirty (30) Calendar Days after the date of the equipment replacement, repair or adjustment.

Article 25. Information Access and Audit Rights

25.1 Information Access. Each Party (the "disclosing Party") shall make available to the other Party information that is in the possession of the disclosing Party and is

necessary in order for the other Party to: (i) verify the costs incurred by the disclosing Party for which the other Party is responsible under this Agreement; and (ii) carry out its obligations and responsibilities under this Agreement. The Parties shall not use such information for purposes other than those set forth in this Article 25.1 and to enforce their rights under this Agreement.

25.2 Reporting of Non-Force Majeure Events. Each Party (the "notifying Party") shall notify the other Party when the notifying Party becomes aware of its inability to comply with the provisions of this Agreement for a reason other than a Force Majeure event. The Parties agree to cooperate with each other and provide necessary information regarding such inability to comply, including the date, duration, reason for the inability to comply, and corrective actions taken or planned to be taken with respect to such inability to comply. Notwithstanding the foregoing, notification, cooperation or information provided under this article shall not entitle the Party receiving such notification to allege a cause for anticipatory breach of this Agreement.

25.3 Audit Rights. Subject to the requirements of confidentiality under Article 22 of this Agreement, each Party shall have the right, during normal business hours, and upon prior reasonable notice to the other Party, to audit at its own expense the other Party's accounts and records pertaining to either Party's performance or either Party's satisfaction of obligations under this Agreement. Such audit rights shall include audits of the other Party's costs, calculation of invoiced amounts, Transmission Provider's efforts to allocate responsibility for the provision of reactive support to the Transmission System, Transmission Provider's efforts to allocate responsibility for interruption or reduction of generation on the Transmission System, and each Party's actions in an Emergency Condition. Any audit authorized by this article shall be performed at the offices where such accounts and records are maintained and shall be limited to those portions of such accounts and records that relate to each Party's performance and satisfaction of obligations under this Agreement. Each Party shall keep such accounts and records for a period equivalent to the audit rights periods described in Article 25.4.

25.4 Audit Rights Periods.

25.4.1 Audit Rights Period for Construction-Related Accounts and Records. Accounts and records related to the design, engineering, procurement, and construction of Transmission Provider's Interconnection Facilities and Network Upgrades shall be subject to audit for a period of twenty-four months following Transmission Provider's issuance of a final invoice in accordance with Article 12.2.

25.4.2 Audit Rights Period for All Other Accounts and Records. Accounts and records related to either Party's performance or satisfaction of all obligations under this Agreement other than those

described in Article 25.4.1 shall be subject to audit as follows: (i) for an audit relating to cost obligations, the applicable audit rights period shall be twenty-four months after the auditing Party's receipt of an invoice giving rise to such cost obligations; and (ii) for an audit relating to all other obligations, the applicable audit rights period shall be twenty-four months after the event for which the audit is sought.

- 25.5 Audit Results.** If an audit by a Party determines that an overpayment or an underpayment has occurred, a notice of such overpayment or underpayment shall be given to the other Party together with those records from the audit which support such determination.

Article 26. Subcontractors

- 26.1 General.** Nothing in this Agreement shall prevent a Party from utilizing the services of any subcontractor as it deems appropriate to perform its obligations under this Agreement; provided, however, that each Party shall require its subcontractors to comply with all applicable terms and conditions of this Agreement in providing such services and each Party shall remain primarily liable to the other Party for the performance of such subcontractor.
- 26.2 Responsibility of Principal.** The creation of any subcontract relationship shall not relieve the hiring Party of any of its obligations under this Agreement. The hiring Party shall be fully responsible to the other Party for the acts or omissions of any subcontractor the hiring Party hires as if no subcontract had been made; provided, however, that in no event shall Transmission Provider be liable for the actions or inactions of Interconnection Customer or its subcontractors with respect to obligations of Interconnection Customer under Article 5 of this Agreement. Any applicable obligation imposed by this Agreement upon the hiring Party shall be equally binding upon, and shall be construed as having application to, any subcontractor of such Party.
- 26.3 No Limitation by Insurance.** The obligations under this Article 26 will not be limited in any way by any limitation of subcontractor's insurance.

Article 27. Disputes

- 27.1 Submission.** In the event either Party has a dispute, or asserts a claim, that arises out of or in connection with this Agreement or its performance, such Party (the "disputing Party") shall provide the other Party with written notice of the dispute or claim ("Notice of Dispute"). Such dispute or claim shall be referred to a designated senior representative of each Party for resolution on an informal basis as promptly as practicable after receipt of the Notice of Dispute by the other Party. In the event the designated representatives are unable to resolve the claim or dispute through unassisted or assisted negotiations within thirty (30) Calendar Days of the other Party's receipt of the Notice of Dispute, such claim or dispute

may, upon mutual agreement of the Parties, be submitted to arbitration and resolved in accordance with the arbitration procedures set forth below. In the event the Parties do not agree to submit such claim or dispute to arbitration, each Party may exercise whatever rights and remedies it may have in equity or at law consistent with the terms of this Agreement.

27.2 External Arbitration Procedures. Any arbitration initiated under this Agreement shall be conducted before a single neutral arbitrator appointed by the Parties. If the Parties fail to agree upon a single arbitrator within ten (10) Calendar Days of the submission of the dispute to arbitration, each Party shall choose one arbitrator who shall sit on a three-member arbitration panel. The two arbitrators so chosen shall within twenty (20) Calendar Days select a third arbitrator to chair the arbitration panel. In either case, the arbitrators shall be knowledgeable in electric utility matters, including electric transmission and bulk power issues, and shall not have any current or past substantial business or financial relationships with any party to the arbitration (except prior arbitration). The arbitrator(s) shall provide each of the Parties an opportunity to be heard and, except as otherwise provided herein, shall conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("Arbitration Rules") and any applicable FERC regulations or RTO rules; provided, however, in the event of a conflict between the Arbitration Rules and the terms of this Article 27, the terms of this Article 27 shall prevail.

27.3 Arbitration Decisions. Unless otherwise agreed by the Parties, the arbitrator(s) shall render a decision within ninety (90) Calendar Days of appointment and shall notify the Parties in writing of such decision and the reasons therefor. The arbitrator(s) shall be authorized only to interpret and apply the provisions of this Agreement and shall have no power to modify or change any provision of this Agreement in any manner. The decision of the arbitrator(s) shall be final and binding upon the Parties, and judgment on the award may be entered in any court having jurisdiction. The decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself, violated the standards set forth in the Federal Arbitration Act or the Administrative Dispute Resolution Act. The final decision of the arbitrator must also be filed with FERC if it affects jurisdictional rates, terms and conditions of service, Interconnection Facilities, or Network Upgrades.

27.4 Costs. Each Party shall be responsible for its own costs incurred during the arbitration process and for the following costs, if applicable: (1) the cost of the arbitrator chosen by the Party to sit on the three member panel and one half of the cost of the third arbitrator chosen; or (2) one half the cost of the single arbitrator jointly chosen by the Parties.

Article 28. Representations, Warranties, and Covenants

28.1 General. Each Party makes the following representations, warranties and covenants:

28.1.1 Good Standing. Such Party is duly organized, validly existing and in good standing under the laws of the state in which it is organized, formed, or incorporated, as applicable; that it is qualified to do business in the state or states in which the Large Generating Facility, Interconnection Facilities and Network Upgrades owned by such Party, as applicable, are located; and that it has the corporate power and authority to own its properties, to carry on its business as now being conducted and to enter into this Agreement and carry out the transactions contemplated hereby and perform and carry out all covenants and obligations on its part to be performed under and pursuant to this Agreement.

28.1.2 Authority. Such Party has the right, power and authority to enter into this Agreement, to become a Party hereto and to perform its obligations hereunder. This Agreement is a legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforceability is sought in a proceeding in equity or at law).

28.1.3 No Conflict. The execution, delivery and performance of this Agreement does not violate or conflict with the organizational or formation documents, or bylaws or operating agreement, of such Party, or any judgment, license, permit, order, material agreement or instrument applicable to or binding upon such Party or any of its assets.

28.1.4 Consent and Approval. Such Party has sought or obtained, or, in accordance with this Agreement will seek or obtain, each consent, approval, authorization, order, or acceptance by any Governmental Authority in connection with the execution, delivery and performance of this Agreement, and it will provide to any Governmental Authority notice of any actions under this Agreement that are required by Applicable Laws and Regulations.

Article 29. Joint Operating Committee

29.1 Joint Operating Committee. Except in the case of ISOs and RTOs, Transmission Provider shall constitute a Joint Operating Committee to coordinate operating and technical considerations of Interconnection Service. Interconnection Customer and Transmission Provider shall each appoint one

representative and one alternate to the Joint Operating Committee. Each Interconnection Customer shall notify Transmission Provider of its appointment in writing. Such appointments may be changed at any time by similar notice. The Joint Operating Committee shall meet as necessary to carry out the duties set forth herein. The Joint Operating Committee shall hold a meeting at the request of either Party, at a time and place agreed upon by the representatives. The Joint Operating Committee shall perform all of its duties consistent with the provisions of this Agreement. Each Party shall cooperate in providing to the Joint Operating Committee all information required in the performance of the Joint Operating Committee's duties. All decisions and agreements, if any, made by the Joint Operating Committee, shall be evidenced in writing. The duties of the Joint Operating Committee shall include the following:

- 29.1.1 Establish data requirements and operating record requirements.
- 29.1.2 Review the requirements, standards, and procedures for data acquisition equipment, protective equipment, and any other equipment or software.
- 29.1.3 Annually review the one (1) year forecast of maintenance and planned outage schedules of Transmission Provider's and Interconnection Customer's facilities at the Point of Interconnection.
- 29.1.4 Coordinate the scheduling of maintenance and planned outages on the Interconnection Facilities, the Large Generating Facility and other facilities that impact the normal operation of the interconnection of the Large Generating Facility to the Transmission System.
- 29.1.5 Ensure that information is being provided by each Party regarding equipment availability.
- 29.1.6 Perform such other duties as may be conferred upon it by mutual agreement of the Parties.

Article 30. Miscellaneous

- 30.1 **Binding Effect.** This Agreement and the rights and obligations hereof, shall be binding upon and shall inure to the benefit of the successors and assigns of the Parties hereto.
- 30.2 **Conflicts.** In the event of a conflict between the body of this Agreement and any attachment, appendices or exhibits hereto, the terms and provisions of the body of this Agreement shall prevail and be deemed the final intent of the Parties.
- 30.3 **Rules of Interpretation.** This Agreement, unless a clear contrary intention appears, shall be construed and interpreted as follows: (1) the singular number

includes the plural number and vice versa; (2) reference to any person includes such person's successors and assigns but, in the case of a Party, only if such successors and assigns are permitted by this Agreement, and reference to a person in a particular capacity excludes such person in any other capacity or individually; (3) reference to any agreement (including this Agreement), document, instrument or tariff means such agreement, document, instrument, or tariff as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof; (4) reference to any Applicable Laws and Regulations means such Applicable Laws and Regulations as amended, modified, codified, or reenacted, in whole or in part, and in effect from time to time, including, if applicable, rules and regulations promulgated thereunder; (5) unless expressly stated otherwise, reference to any Article, Section or Appendix means such Article of this Agreement or such Appendix to this Agreement, or such Section of the Tariff, as the case may be; (6) "hereunder", "hereof", "herein", "hereto" and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Article or other provision hereof or thereof; (7) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; and (8) relative to the determination of any period of time, "from" means "from and including", "to" means "to but excluding" and "through" means "through and including".

30.4 Entire Agreement. This Agreement, including all Appendices and Schedules attached hereto, constitutes the entire agreement between the Parties with reference to the subject matter hereof, and supersedes all prior and contemporaneous understandings or agreements, oral or written, between the Parties with respect to the subject matter of this Agreement. There are no other agreements, representations, warranties, or covenants which constitute any part of the consideration for, or any condition to, either Party's compliance with its obligations under this Agreement.

30.5 No Third Party Beneficiaries. This Agreement is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties, their successors in interest and, where permitted, their assigns.

30.6 Waiver. The failure of a Party to this Agreement to insist, on any occasion, upon strict performance of any provision of this Agreement will not be considered a waiver of any obligation, right, or duty of, or imposed upon, such Party.

Any waiver at any time by either Party of its rights with respect to this Agreement shall not be deemed a continuing waiver or a waiver with respect to any other failure to comply with any other obligation, right, duty of this Agreement. Termination or Default of this Agreement for any reason by Interconnection Customer shall not constitute a waiver of Interconnection Customer's legal rights

to obtain an interconnection from Transmission Provider. Any waiver of this Agreement shall, if requested, be provided in writing.

- 30.7 Headings.** The descriptive headings of the various Articles of this Agreement have been inserted for convenience of reference only and are of no significance in the interpretation or construction of this Agreement.
- 30.8 Multiple Counterparts.** This Agreement may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.
- 30.9 Amendment.** The Parties may by mutual agreement amend this Agreement by a written instrument duly executed by the Parties.
- 30.10 Modification by the Parties.** The Parties may by mutual agreement amend the Appendices to this Agreement by a written instrument duly executed by the Parties. Such amendment shall become effective and a part of this Agreement upon satisfaction of all Applicable Laws and Regulations.
- 30.11 Reservation of Rights.** Transmission Provider shall have the right to make a unilateral filing with FERC to modify this Agreement with respect to any rates, terms and conditions, charges, classifications of service, rule or regulation under section 205 or any other applicable provision of the Federal Power Act and FERC's rules and regulations thereunder, and Interconnection Customer shall have the right to make a unilateral filing with FERC to modify this Agreement pursuant to section 206 or any other applicable provision of the Federal Power Act and FERC's rules and regulations thereunder; provided that each Party shall have the right to protest any such filing by the other Party and to participate fully in any proceeding before FERC in which such modifications may be considered. Nothing in this Agreement shall limit the rights of the Parties or of FERC under sections 205 or 206 of the Federal Power Act and FERC's rules and regulations thereunder, except to the extent that the Parties otherwise mutually agree as provided herein.
- 30.12 No Partnership.** This Agreement shall not be interpreted or construed to create an association, joint venture, agency relationship, or partnership between the Parties or to impose any partnership obligation or partnership liability upon either Party. Neither Party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party.

Appendix A

Interconnection Facilities and Network Upgrades

1. Interconnection Facilities:

(a) Interconnection Customer's Interconnection Facilities:

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

Utility Tie No. 1 Supply Facilities: (Point of Interconnection No. 1 Detail)

34.5 kV Cable Terminations
34.5 kV Ring Bus / Utility Tie No. 1 Power Cable
Utility Tie No. 1 Protection Scheme (Bus Differential)

Utility Tie No. 2 Supply Facilities: (Point of Interconnection No. 2 Detail)

34.5 kV Cable Terminations
34.5 kV Ring Bus / Utility Tie No. 2 Power Cable
Utility Tie No. 2 Protection Scheme (Bus Differential)

Clearwater 34.5 kV Substation Ring Bus

All facilities needed to maintain transfer capability between generators and Point of Interconnection.

Generator Facilities

GSU 1
GSU 1 Protection
Generator 1 Circuit Breaker
Generator 1 Protection

GSU 2
GSU 2 Protection
Generator 2 Circuit Breaker
Generator 2 Protection

GSU 3
GSU 3 Protection
Generator 3 Circuit Breaker
Generator 3 Protection

GSU 4

GSU 4 Protection
Generator 4 Circuit Breaker
Generator 4 Protection

Communication Facilities

SCADA System (Avista to Clearwater Communications)

Data Points List

- Generator 1 Meter Communications
(Watts, VAR, WH-In/Out, VARh-In/Out)
- Generator 2 Meter Communications
(Watts, VAR, WH-In/Out, VARh-In/Out)
- Generator 3 Meter Communications
(Watts, VAR, WH-In/Out, VARh-In/Out)
- Generator 4 Meter Communications
(Watts, VAR, WH-In/Out, VARh-In/Out)

Data Point list is shared between the Transmission Provider and Interconnection Customer

Generator Meters (when owned by Interconnection Customer)

Generator 1 Meter
Generator 2 Meter
Generator 3 Meter
Generator 4 Meter

Meters shall meet Avista standards for revenue class metering.

(b) Transmission Provider's Interconnection Facilities:

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

Utility Tie No. 1 Facilities

115 kV Circuit Switcher with 115 kV Disconnect Switch
Transformer Protection

115 kV 50/67/83 MVA Transformer Utility Tie No. 1
115 kV Lightning Arresters
115 kV Transformer Oil Containment

Transformer Paralleling Module

Neutral Grounding Transformer & Resistor

34.5 kV Utility Tie No. 1 Circuit Breaker
34.5 kV Disconnect Switches

34.5 kV Metering Potential Transformers
34.5 kV Utility Tie No. 1 Interchange Metering Package

Utility Tie No. 1 Differential Relaying Package
34.5 kV Breaker Failure Relaying Package
34.5 kV Isolation Detection
34.5 kV Ring Bus / Utility Tie No. 1 Protection

Interconnection Point Bus bar

Utility Tie No. 2 Facilities

115 kV Circuit Switcher with 115 kV Disconnect Switch
Transformer Protection

115 kV 50/67/83 MVA Transformer Utility Tie No. 2
115 kV Lightning Arresters
115 kV Transformer Oil Containment
Transformer Paralleling Module

Neutral Grounding Transformer & Resistor

34.5 kV Utility Tie No. 2 Circuit Breaker
34.5 kV Disconnect Switches

34.5 kV Metering Potential Transformers
34.5 kV Utility Tie No. 2 Interchange Metering Package

Utility Tie No. 2 Differential Relaying Package
34.5 kV Breaker Failure Relaying Package
34.5 kV Isolation Detection
34.5 kV Ring Bus / Utility Tie No. 2 Protection

Interconnection Point bus bar

Communications Facilities

Metering Translation System Microwave Channel to Spokane
SCADA Microwave channel to Spokane

SCADA System (Avista SCADA)
SCADA System (Avista to Clearwater Communications)

Data Points List

- Refer to Interconnection Customer's Interconnection Facilities for shared data point list.

2. Network Upgrades:

None required

3. Estimated Costs:

Not applicable

4. Point of Interconnection (Point of Change of Ownership)

The two existing electrical interconnection points are located at the existing Clearwater Substation. These points are between Interconnection Customer'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 Interconnection Customer's 34.5 kV cables connect to Transmission Provider'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 Point of Interconnection.

For purposes of the agreement the Point of Change of Ownership is the same as the Point of Interconnection.

5. One-Line Diagram

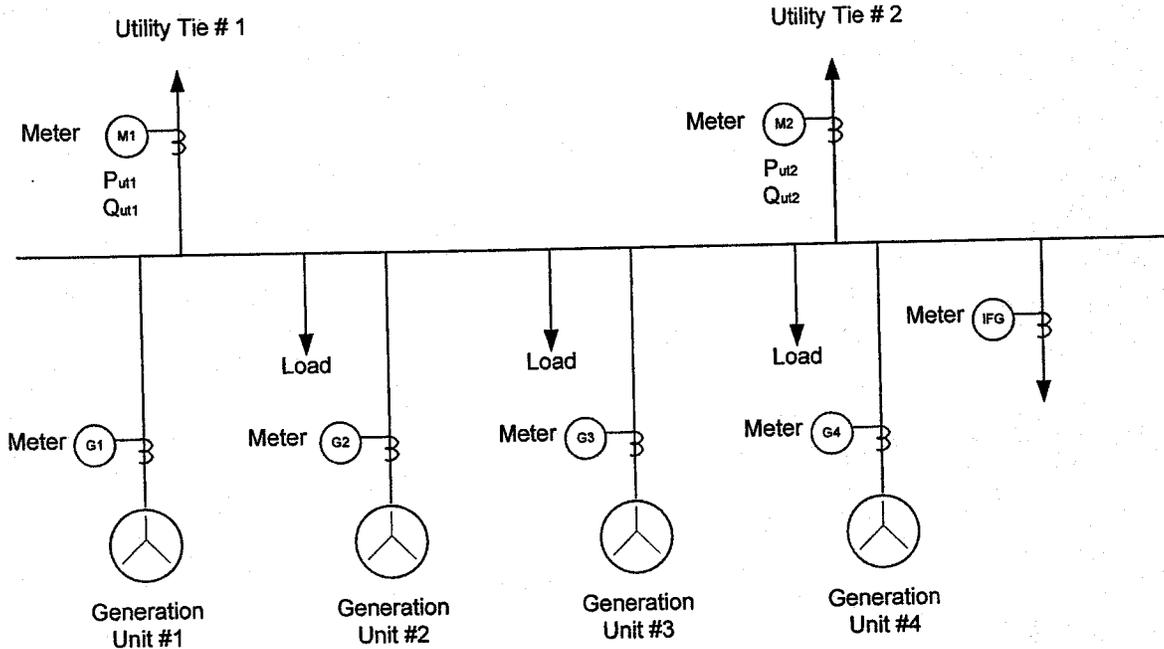
A one-line diagram showing the Interconnection Customer's Generating Facility, Interconnection Customer's Interconnection Facilities, Transmission Provider's Interconnection Facilities, and Point of Interconnection is attached hereto.

6. Metering Diagram

Clearwater Paper sold the lumber mill owned and operated by Clearwater Forest Industries to Idaho Forest Group (IFG). Avista is providing serve to IFG though a temporary point of delivery until Avista upgrades its electrical facilities including constructing a new substation to serve IFG.

- Present metering configuration with IFG served through Clearwater Paper's 34.5 kV substation.

Simplified Metering Diagram
(with IFG load)



For the purposes of this Agreement, the Parties have agreed that Facility Service Power is 0 kW per operating generating unit. Interconnection Customer shall notify Transmission Provider when substantial changes are made to the Facility that affects the amount of Facility Service Power.

For the purposes of this Agreement, the Parties have agreed that Losses are 0 kW.

“Power Generated” (G₁, G₂, G₃, & G₄). The electric power measured at each operating unit expressed in kW.

$$G_n = G_1 + G_2 + G_3 + G_4 - (0\text{kW} * (\text{the number of operating generating units})) - (\text{Losses})$$

“IFG Active Power” (P_{IFG}). The total active power delivered to Idaho Forest Group, measured at the points of delivery expressed in kW.

$$P_{IFG} = P_{IFG} \text{ (kW) Delivered to Idaho Forest Group}$$

“IFG Reactive Power” (Q_{IFG}). The total reactive power delivered to Idaho Forest Group, measured at the two points of delivery expressed in kVAR.

$$Q_{IFG} = Q_{IFG} \text{ (kVAR) Delivered to Idaho Forest Group}$$

“Utility Tie Active Power” (P_{ut}). The total active power delivered to Interconnection Customer, measured at each of the two (2) Points of Delivery expressed in kW.

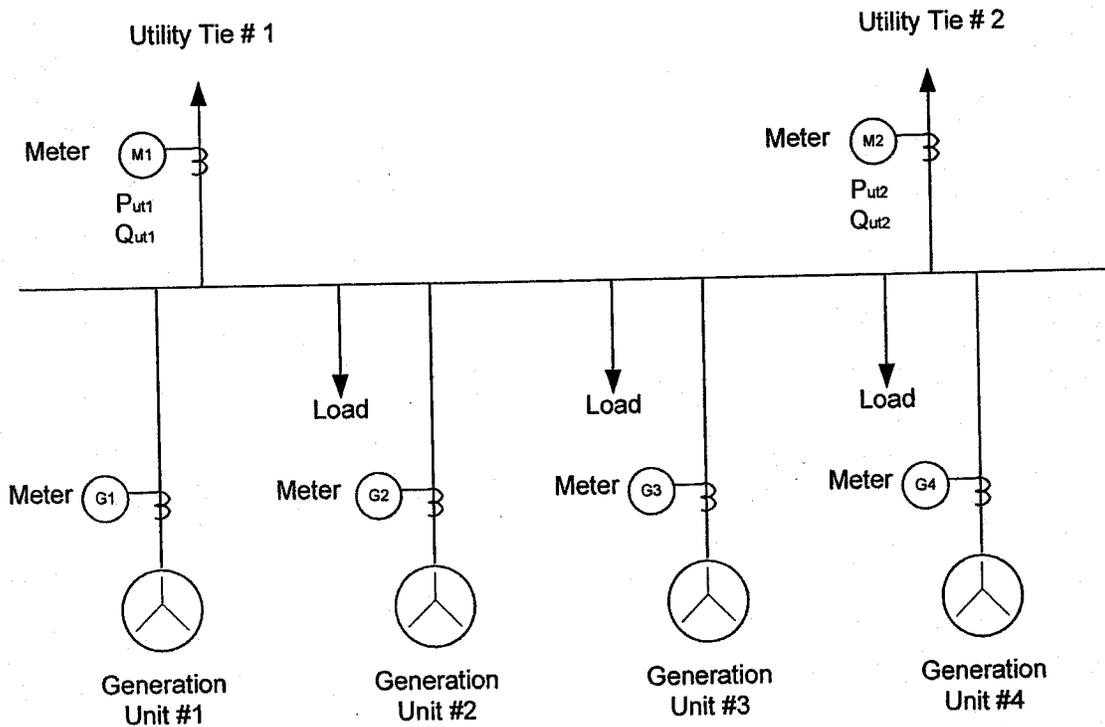
$$P_{ut} = P_{ut1} + P_{ut2} - P_{IFG} \text{ (kW) Delivered to Interconnection Customer}$$

“Utility Tie Reactive Power” (Q_{ut}). The total reactive power delivered to Interconnection Customer, measured at each of the two (2) Points of Delivery expressed in kVAR.

$$Q_{ut} = Q_{ut1} + Q_{ut2} - Q_{IFG} \text{ (kVAR) Delivered to Interconnection Customer}$$

- Metering configuration without IFG served through Clearwater Paper’s 34.5 kV substation.

Simplified Metering Diagram



For the purposes of this Agreement, the Parties have agreed that Facility Service Power is 0 kW per operating generating unit. Interconnection Customer shall notify Transmission Provider when substantial changes are made to the Facility that affects the amount of Facility Service Power.

For the purposes of this Agreement, the Parties have agreed that Losses are 0 kW.

“Power Generated” (G_1 , G_2 , G_3 , & G_4). The electric power measured at each operating unit expressed in kW.

$$G_n = G_1 + G_2 + G_3 + G_4 - (0\text{kW} * (\text{the number of operating generating units})) - (\text{Losses})$$

“Utility Tie Active Power” (P_{ut}). The total active power delivered to Interconnection Customer, measured at each of the two (2) Points of Delivery expressed in kW.

$$P_{ut} = P_{ut1} + P_{ut2} \text{ (kW) Delivered to Interconnection Customer}$$

“Utility Tie Reactive Power” (Q_{ut}). The total reactive power delivered to Interconnection Customer, measured at each of the two (2) Points of Delivery expressed in kVAR.

$$Q_{ut} = Q_{ut1} + Q_{ut2} \text{ (kVAR) Delivered to Interconnection Customer}$$

Appendix B

Milestones

As of the Effective Date and pursuant to the GIA, all Interconnection Facilities and Network Upgrades necessary to facilitate the interconnection and operation of the Lewiston Plant are in service.

Appendix C

Interconnection Details

1. Large Generating Facility Details

- Project Name: Clearwater Paper
- Nameplate Size (Rating) and Generator Type :

Interconnection Customer 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.

1) Unit No. 1 Turbine Generator (1950); Description - QF83-144-000

- (a) The unit No. 1 turbine, General Electric serial number 83530, is a nine stage 3600 RPM, 600 PSIG steam turbine
- (b) The unit No. 1 generator, General electric serial number 6784689, is nameplate rated at 12,500 kVA
- (c) GE SCR Excitation System (1984)
Exciter Model # 3S7931SA520, Cat. No. 0503X0700Z01, IC 7931
ML Number M5030700
Equipment Inst. Book: GEK-8381
- (d) Turbine Governor Information
Ball Bearing Type, Position Cut-Off – Fluid Damping
GE Company Instructions GEI-29500
Pilot Valve and Drive (1953) GEI-46103

2) Unit No. 2 Turbine Generator (1977); Description - QF83-142-000

- (a) The unit No. 2 turbine, General Electric serial number 197741, is a six stage, 3600 RPM, 600 PSIG steam turbine
- (b) The unit No. 2 generator, General Electric serial number 316X188, is nameplate rated at 11,188 kVA
- (c) GE Static Exciter (ED-43969), SCT / PPT
3S7931EA520G7; Elem. 44C309642
- (d) Pressure Governor GEI-87044D
Speed Governor GEK-27005A

- 3) Unit No. 3 Turbine Generator (1981); Description - QF83-143-000
- (a) The unit No. 3 turbine, General Electric serial number 197836, is a twelve stage, 3600 RPM 1250 PSIG steam turbine
 - (b) The unit No. 3 generator, General Electric serial number 316X374, is nameplate rated at 41,600 kVA @ 30 PSIG H2
 - (c) Excitation: Shaft Driven Commutation GE-M-134 Excitation System – SCT / PPT
3S7931EA533G4; Diag. 206B4889
 - (d) Governor – Electrohydraulic Control (EHC)
GEK-81497 (1979) Mark IIB
- 4) Unit No. 4 Turbine Generator (1990); Description - QF92-67-000
- (a) The unit No. 4 turbine, ABB order number MB275226, is a 3600 RPM steam turbine. DEEK S25-S100/L144-200; ABB Order-NR: 1-411 868
 - (b) The unit No. 4 generator, ABB serial number HM300516, is nameplate rated at 66,916 kVA. Generator Type WY 16L-054LLT
 - (c) Brushless Exciter ABB Type WBT 74/508/30, Serial No. HM 300 603
Pilot Exciter Type: WPE35-9-4R20, Serial No. HM300 604
 - (d) Governor: Pro Control P13; Order No. 1-411868; Dwg. HTDC 307 794

The Generation Facility shall comply with NERC, WECC and NWPP policies and standards as they apply specifically to steam/turbine cogeneration units running primarily under pressure control. Existing excitation systems may stay as they presently exist. Pursuant to current NERC policies and standards, all of the generating unit's excitation systems were installed prior to November 18, 1993, and do not require power system stabilizers. For any future modification in excitation systems, specific response characteristics, regulation abilities, and operating ranges shall 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 shall be supplied to the Transmission Provider and WECC. Generating Unit No.'s 1 and 2 are presently out of service. Any testing required by this provision shall take place if and when these units are put back into service.

- Maximum Generation Injection at Point of Interconnection: 0 MW; used to serve load on site at Lewiston Plant
- Interconnection Type: Energy Resource

- Location: At Clearwater's manufacturing plant in Lewiston, Idaho
- Facilities: Minimum Power Factor – 0.95 leading and 0.95 lagging
- Point of Change of Ownership (Point of Interconnection):

The two electrical interconnection points located at Avista's Clearwater Substation between Interconnection Customer'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 Interconnection Customer's 34.5 kV cables connect to Transmission Provider's 34.5 kV Utility Tie No 1 and Utility Tie No 2 aluminum pipe bus. For purposes of this Agreement, these two electrical interconnection points shall be considered as the Point of Interconnection.

2. Ancillary Services

The Parties acknowledge that pursuant to the Tariff, the Transmission Provider is not required or obligated to provide certain ancillary services to transmission customers and/or generators not serving load within Avista's Control Area.

Data Requirements to Provide Ancillary Services

Should the Interconnection Customer or owner, operator or scheduler of the Generating Facility sell Generating Facility output to a third party but choose to take ancillary services from the Transmission Provider or Avista Control Area, additional data will need to be collected from the Interconnection Customer and provided to Avista's LSE/merchant function. Pursuant to CFR 358.7(c) [April 1, 2010 edition], Interconnection Customer consents to the provision of this data to Avista's LSE/merchant function.

3. Service Provided to Interconnection Customer when Generating Facility is Offline

Interconnection Customer shall make all appropriate arrangements to accommodate any power requirements for the Generating Facility that are not self-provided. Any power that flows to the Interconnection Customer at the Point of Delivery shall be accounted for under separate retail service arrangement between Avista and the Interconnection Customer.

4. Specific Operations and Maintenance Requirements

(a) Additional Transmission Provider Requirements under Article 9.1:

Applicable Reliability Standards shall include, but not be limited to, Regional Reliability Standards, for example the WECC Automatic Voltage Regulators (AVR) Standard.

For avoidance of doubt, by entering into this Agreement: (i) Transmission Provider is not assuming any of Interconnection Customer's obligations for compliance with any Applicable Laws and Regulations and Applicable Reliability Standards, and (ii) Interconnection Customer is not assuming any of Transmission Provider's obligation for compliance with any Applicable Laws and Regulations and Applicable Reliability Standards.

(b) **Additional Transmission Provider Requirements under Article 9.4:**

Notification of Change in Generation Level – Whenever generation changes due to a mechanical event or equipment failure by an amount greater than or equal to five (5) megawatts, Interconnection Customer shall immediately notify Avista's transmission operator at the phone number provided below unless otherwise instructed. Avista Transmission Operator Phone: 509-495-4105.

Notification of Change of Generation On-Line/Off-Line Status – Interconnection Customer shall notify Avista's transmission operator at the phone number provided above as to when a Generating Facility is going off-line and as to when such Generating Facility will be coming online. Reasons for either event must be provided. At least 48 hours advance notification shall be given for planned events. Avista Transmission Operator Phone: (509) 495-4105.

Voltage and Frequency Response – Each interconnected generating unit of the Generating Facility shall be capable, at all times (including during an electric disturbance), of continuous operation at 0.95 to 1.05 per unit (pu) voltage of nominal voltage (34.5 kV), as measured at the Point of Interconnection, and at a frequency of 59.5 to 60.5 Hz, and shall be kept online and in operation during frequency deviations beyond the range of 59.5 to 60.5 Hz to the extent required by the Applicable Reliability Standards. Normal operation shall be at a frequency of 60 Hz.

(c) **Additional Transmission Provider Requirements under Article 9.6.2**

Transmission Provider's obligation to supply voltage schedules to Interconnection customer shall be limited to such times when voltage schedules are changed.

(d) **Additional Transmission Provider Requirements under Article 9.7.1**

Any planned outage requested by Interconnection Customer that may impact facilities included in the bulk electric system, as determined by Avista pursuant to Applicable Reliability Standards, shall be requested with sufficient prior notification pursuant to Applicable Reliability Standards. As of the Effective Date, such prior notice is at least seven days.

(e) **Additional Transmission Provider Requirements under Article 9.8:**

Whenever disconnecting an interconnected generating unit of the Generating Facility from Avista's Transmission System, the Interconnection Customer shall perform such disconnection in accordance with Good Utility Practice and in compliance with Avista's transmission facility clearance procedures as may be

amended, reasonably and without discrimination to the Interconnection Customer, by Avista in its sole discretion from time to time. Any switching personnel involved in reconnecting such generating unit to Avista's Transmission System shall be on the Avista's list of qualified switching personnel. If Avista amends its transmission facility clearance procedures, it shall notify the Interconnection Customer as soon as practicable thereafter.

- (f) **Additional Transmission Provider Requirements under Article 10.1**
Transmission Provider may from time to time require an outage at Avista's Clearwater Substation to perform necessary maintenance to clean insulators due to the contamination caused by the Lewiston Plant process. Transmission Provider shall coordinate any such outage with Interconnection Customer, provided, however, that Transmission Provider retains sole determination as to outage scheduling.

5. **Additional Requirements of the Interconnection Customer**
The Transmission Provider reserves the right to reasonably establish minimum acceptable settings for any installed System Protection Facilities.

Appendix D

Security Arrangements Details

Infrastructure security of Transmission System equipment and operations and control hardware and software is essential to ensure day-to-day Transmission System reliability and operational security. All Transmission Providers, market participants, and Interconnection Customers interconnected to the Transmission System shall comply with the recommendations offered by the President's Critical Infrastructure Protection Board and, eventually, best practice recommendations from the electric reliability authority. All public utilities will be expected to meet basic standards for system infrastructure and operational security, including physical, operational, and cyber-security practices.

Consistent with any such applicable security practices, Interconnection Customer shall, at Interconnection Customer's expense, arrange to make available in Transmission Provider's system operations center or at such other point on Transmission Provider's Transmission System reasonably designated by Transmission Provider, telemetered signals indicating: (i) continuous energy generation at the Generating Facility suitable for system load control, and (ii) integrated total energy generation at applicable time periods suitable for energy accounting. Transmission Provider shall in turn, at Interconnection Customer's request, make such telemetered signals available to any third party with whom Interconnection Customer executes an agreement to purchase transmission service or sell Generating Facility output. Any reasonable expenses associated with Transmission Provider's retransmission of such signals shall be the responsibility of Interconnection Customer.

Appendix E

Commercial Operation Date

As of the Effective Date the Lewiston Plant has attained Commercial Operation.

Appendix F

Addresses for Delivery of Notices and Billings

Notices:

To Transmission Provider:

Manager, Transmission Services
Avista Corporation
1411 E. Mission Avenue, MSC-16
Spokane, Washington 99202-1902

To Interconnection Customer:

Clearwater Paper Corporation
601 W. Riverside Avenue, Suite 1100
Spokane, WA 99201
Attn: Senior Vice President and General Counsel

Billings and Payments:

To Transmission Provider:

All payments to Transmission Provider shall be submitted via electronic funds transfer to the account specified on each invoice.

To Interconnection Customer:

All payments to Interconnection Customer shall be submitted via electronic funds transfer or other specified means to the account specified on each invoice.

Exhibit B

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 25P

EXTRA LARGE GENERAL SERVICE TO CLEARWATER PAPER'S FACILITY - IDAHO
(Three phase, available voltage)

AVAILABLE:

To Clearwater Paper Corporation's Lewiston, Idaho Facility.

APPLICABLE:

To general service supplied for all power requirements with a demand of not less than 2,500 kVA but not greater than 110,000 kVA. The average of the Customer's demand for the most recent twelve-month period must fall within these demand limits for service under this schedule. Customer shall provide and maintain all transformers and other necessary equipment on its side of the point of delivery and enter into a written contract for five (5) years or longer.

MONTHLY RATE: The sum of the following demand and energy charges:

Energy Charge:

_____¢ per kwh

Demand Charge:

\$12,500.00 for the first 3,000 kVA of demand or less.

1st Demand Block: \$4.50 per kVA for each additional kVA of demand up to 55,000 kVA.

2nd Demand Block: \$2.00 per kVA for each additional kVA of demand above 55,000 kVA.

Primary Voltage Discount:

If Customer takes service at 11 kV (wye grounded) or higher, it will be allowed a primary voltage discount of 20¢ per kVA of demand per month.

Minimum:

The demand charge unless a higher minimum is required under contract to cover special conditions.

ANNUAL MINIMUM: \$ _____

Any annual minimum deficiency will be determined during the April billing cycle for the previous 12-month period. The annual minimum is based on 916,667 kWh's per month, plus twelve months multiplied by the monthly minimum demand charge for the first 3,000 kVa of demand. The annual minimum reflected above is based on base revenues only. Any other revenues paid in billed rates (such as the DSM Tariff Rider Schedule 91) do not factor into the annual minimum calculation.

Issued June 1, 2013

Effective July 1, 2013

Issued by Avista Utilities
By

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 25P (continued)

DEMAND:

The average kVA supplied during the 30-minute period of maximum use during the current month as measured by Company's metering equipment.

The Demand rate for all kVA above 55,000 is directly related to the terms and conditions of to the Service Agreement between Clearwater Paper and Avista, which is effective on July 1, 2013, for a period of 5 years, with an evergreen provision. Avista and Clearwater agree that Clearwater's load under Schedule 25P will increase during planned generation outages, intermittent Clearwater generation outages, and other variations in Clearwater Facility load. If, however, Clearwater sells any of its generation output to any third party, thereby taking all or a larger portion of its retail load from Avista, the second demand block described above would no longer be applicable, and all demand would be billed at the first block rate, i.e., the rate per kVA charged for each kVA from 3001 kVA to 55,000 kVA.

SPECIAL TERMS AND CONDITIONS:

All Special Terms and Conditions are addressed in the Service Agreement between Avista and Clearwater Paper Corporation as approved by the Commission effective July 1, 2013.

Service under this schedule is subject to the Rules and Regulations contained in this tariff. The above Monthly Rates are subject to increases or decreases as set forth in Tax Adjustment Schedule 58, Temporary Power Cost Adjustment Schedule 66, and Energy Efficiency Rider Adjustment Schedule 91.

Issued June 1, 2013

Effective July 1, 2013

Issued by Avista Utilities
By