



Transmission Services
Avista Corporation
1411 E Mission Avenue
Spokane, WA 99202

February 23, 2016

Via Electronic Filing

Hon. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

**RE: Avista Corporation, Docket No. ER16-_____
Network Integration Transmission Service Agreements**

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d and Part 35 of the Federal Energy Regulatory Commission's ("Commission") regulations, 18 C.F.R. Part 35, Avista Corporation ("Avista") hereby submits a series of revised sheets to nine Network Integration Transmission Service Agreements ("NITSAs") between Avista and the Bonneville Power Administration ("BPA"). The NITSAs were previously accepted by the Commission in Docket No. ER11-4710-000.

The revised sheets are each an exhibit to a NITSA and outline applicable substation and low-voltage use-of-facilities charges associated with Network Integration Transmission Service. In preparing the revised sheets, Avista worked collaboratively with its affected customer, the Bonneville Power Administration ("BPA"). Avista respectfully requests that the Commission accept the revised sheets for filing to be effective on April 1, 2016. BPA has authorized Avista to represent that BPA has reviewed Avista's proposed rate change and, as of the date of this filing, BPA does not intend to protest this filing. Avista respectfully requests that the Commission accept the nine revised low-voltage facility charge exhibits to their respective NITSAs with an effective date of April 1, 2016.

I. Communications

All communications regarding this filing should be directed to the following individuals:

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Avista Corporation
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II. Background and Description of Filing

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 engaged in, among other things, the business of generating, transmitting, and distributing electric power to its bundled retail native load customers and transmitting electric power on behalf of third parties.

In a letter order issued on November 16, 2011 in Docket No. ER11-4710-000, the Commission accepted a series of twelve NITSAs between Avista and BPA. At that time Avista left all substation and low-voltage facility charges in the twelve NITSAs unchanged from what had been charged under the twelve previous network service agreements, which were accepted by the Commission in Docket No. ER06-436-002. Accordingly, charges for substation and low-voltage facilities were last established in 2006. In fact, most charges accepted by the Commission in ER06-436-002 remained unchanged from what Avista had charged BPA under its Rate Schedule FERC No. 105, dating back to 1996. During the past twenty years Avista has made significant investment in most of these substation and low-voltage facilities.

Avista is making no changes to the rate method, which was previously accepted by the Commission, used in calculating its substation and low-voltage facilities charges. Avista is updating only three elements under this established rate method in this filing: (i) the total investment at each point of delivery under those NITSAAs where Avista has upgraded its substation and low-voltage facilities, (ii) the loads used to calculate charges for joint-use facilities, and (iii) the Annual Cost Ratio used to calculate these charges, which is decreasing from 15.09% to 14.56%.

III. Effective Date, Waiver and Service

Avista respectfully requests that the Commission accept for filing the nine revised low-voltage charges exhibits (Exhibit 1B to each NITSA) between Avista and BPA with an effective date of April 1, 2016. To the extent necessary, Avista requests waiver of the requirements of Part 35 of the Commission's regulations, including any notice requirements, to the extent necessary for the Commission to accept the nine revisions with the requested April 1, 2016 effective date. A copy of this filing will be provided to BPA.

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IV. Materials Submitted

Pursuant to the Commission's regulations, Avista submits the following documents:

1. This transmittal letter
2. Narratives describing rate methodology for substation and low-voltage charges
3. Summary of current and proposed substation and low-voltage charges under each NITSA
4. Statement of low-voltage charges cost computations
5. Clean and redline versions of Revised Exhibits 1B for nine Network Integration Transmission Service Agreements between Avista and Bonneville under Avista's FERC Electric Tariff Volume No. 8, Version 6.0.0.

<u>BPA Federal Power Customer</u>	<u>Avista Service Agreement</u>
PUD No. 1 of Asotin County	T1091
Big Bend Electric Cooperative, Inc.	T1092
City of Chewelah	T1094
Clearwater Power Company	T1095
Idaho County Light & Power Cooperative Association, Inc.	T1097
Inland Power & Light Co.	T1098
Kootenai Electric Cooperative, Inc.	T1099
Northern Lights, Inc.	T1101
City of Plummer	T1102

V. Conclusion

Based on the foregoing, Avista respectfully requests that the Commission accept the nine revised low-voltage Exhibits 1B with an effective date of April 1, 2016.

Sincerely,

/s/ J. A. Schlect

Jeff Schlect
Senior Manager, Transmission Services

cc: Scott Wiley, BPA

Avista Corporation
Methodology for Substation and Low Voltage Use-of-Facilities Charges
Associated with Network Integration Transmission Service

This paper provides a narrative describing the methodology to be used to assess substation and low voltage use-of-facilities charges to the Bonneville Power Administration (Bonneville) associated with twelve Network Integration Transmission Service Agreements used by Bonneville to serve its wholesale utility customers interconnected to Avista's Transmission System. This methodology has been used to calculate Bonneville wheeling charges over substation and low-voltage facilities dating back to May 1, 1985. The Commission has accepted this methodology for service to these same points of delivery in a number of prior filings, including Avista's expired Rate Schedule FERC No. 105 and, most recently, in Docket Nos. ER06-436-000 and ER11-4710-000. The updated charges proposed in this filing are mostly due to modernization and investment that Avista has made to the substation facilities used to serve Bonneville customer loads.

Introduction

Avista provides wheeling service over substation and low voltage facilities to Bonneville customer loads served via Avista-owned substation and distribution facilities. Charges for this service were last updated in 1996. In most cases Bonneville customers will have a feeder position served off a substation power transformer and typically the customer will provide and maintain the regulators for the feeder.

This paper outlines the continuing method proposed by Avista to update charges to Bonneville for substation and low voltage use-of-facilities service. The key components of this methodology are as follows:

a. Sole-Use Facilities

Substation and distribution facilities that are installed for the sole use and benefit of Bonneville and its customers are referred to as "sole-use" facilities. Bonneville is charged the entire annual cost associated with this class of facilities.

b. Joint-Use Substation and Distribution Facilities

This category includes substation and distribution facilities (Account No. 360, 361, 362, 397 and distribution line accounts) which are used to jointly serve Avista and Bonneville customers. Bonneville is allocated a portion of the annual costs based on its share of the annual non-coincidental peak demand for these facilities.

c. Proxy Investment Costs

Proxy investment costs are used where actual investment costs are not available. These are created using the most recent actual construction costs for specified equipment, adjusted appropriately to account for the point in time when the facilities were constructed. Actual construction costs are used where available.

d. Handy-Whitman Index

The Handy-Whitman Index calculates the cost trends for different types of utility construction. It is a tool commonly used by utility accountants to provide a historical proxy cost. Handy-Whitman Index values are used to calculate earlier valuations and original costs to estimate construction costs at prices prior to the test year. For example the proxy investment of a feeder bay without regulators constructed in 2014 is \$58,720. Using Handy-Whitman that same feeder bay is estimated to cost \$44,806 to construct in 2009.

Website: <http://www.wrallp.com/about-us/handy-whitman-index>

Rate Methodology

Test Period

From time to time, Avista considers the need to revise rates or charges depending on the investments that have been made, Avista's Annual Cost Ratio (ACR) and the usage of such facilities. Such charges and rates are updated based upon loads and investment in facilities which were experienced by Avista during the previous calendar year (Test Period). Annual cost ratios are also revised at this time. All necessary information needed to calculate low voltage charges are developed from data used to support Avista retail rate case filings. The Test Period for this submittal is calendar year 2014. A summary of revised rates and charges for each point of delivery has been provided to Bonneville.

Effective Date

Avista is requesting that these updated charges will be effective as of April 1, 2016. Avista does not adjust its substation and low voltage use of facilities charges under its Network Integration Transmission Service Agreements except by submission of such adjustments to the Commission. Accordingly, it is noted that Bonneville will have the benefit of not incurring the cost of upgraded facilities at these various points of delivery for the time period between the in-service date of such upgraded facilities and April 1, 2016, which in some cases is a matter of years.

Annual Cost Ratio (Appendix A)

The ACR is determined as a function of system gross distribution investment less accumulated depreciation. The ACR consists of:

- A capital cost component (based on a pro forma mix of debt and equity) based upon AVA's most recent retail rate case filing
- Operations and maintenance
- Administrative and general plant
- Taxes (federal, state, property)
- Depreciation

Proxy Cost Estimates (Appendix B)

Proxy costs were developed for the following when actual costs were not available:

- 13 kV feeder bay with Avista supplied regulators
- 13 kV feeder bay with Customer supplied regulators
- 24 kV feeder bay with Avista supplied regulators
- 24 kV feeder bay with Customer supplied regulators
- 20 MVA transformer

Actual substation project costs for a similarly designed and constructed substation are used for calculating a proxy. In the case where the actual substation costs include both transmission and distribution, only the distribution portion of the substation costs are used in the calculation. Where multiple substation projects are available to compare costs, the final proxy cost is an average of those projects. The main feeder bay components and their costs are identified and a pro rata share of the total project is added to the feeder bay components.

Then the following formulas are used:

$$\begin{aligned} \sum \text{ of the feeder bay component costs} &= \text{Material Only Total} \\ (\text{Material Only Total}) / (\text{Substation Project Cost}) &= \% \text{ of Project Cost} \\ \sum [(\% \text{ of Project Cost}) \times (\text{each labor \& other category})] &= \text{Labor \& Other} \\ \text{Material Only} + \text{Labor \& Other} &= \text{Feeder Bay Total Cost} \end{aligned}$$

Meter Location Adjustment Factors for Losses

There is no change to the procedure used to calculate Meter Location Adjustment Factors used in determining substation and low voltage use-of-facilities charges. These factors have been updated, however, for any point of delivery where facilities have been upgraded for service to Bonneville's customers.

Sole-Use Facilities

Sole-use facilities refer to equipment installed only for use by Bonneville customers. The facilities include substations, transformers, feeder positions, etc. Monthly rates for sole-use facilities are calculated as follows for each point of delivery:

$$(\text{Sole-use investment}) \times \text{ACR} = \$/\text{year}$$

Joint-Use Substation and Distribution Facilities (Appendix C)

These facilities include all substation (Account Nos. 360, 361, 362, and 397) investment used jointly by Avista and Bonneville customers. In addition, some points of delivery (Asotin PUD, Cottonwood, Kamiah, and Kooskia) also involve joint-use of distribution lines. The non-coincident annual peak use of the joint facility by Avista and Bonneville is used to allocate these costs.

In most cases, it is not possible to determine Avista peak loads separately from the transformer peak load on an hourly basis. For these cases, a "diversity factor" is used to allow for the fact that Avista and Bonneville loads are not necessarily going to peak at the same hour the substation transformer peaks. This factor reduces Bonneville's share of these costs. The value of the diversity factor used is 5%.

The monthly charge for joint-use substation and distribution facilities is calculated for each point of delivery as follows:

$$[(\text{Bonneville peak load}) / [(\text{transformer peak}) \times (\text{diversity factor})]] \times (\text{net investment}) \times (\text{ACR}) = \$/\text{year}$$

All loads used in the above equation are taken from peak loads which occur during the Test Period.

Joint-Use Substation and Distribution Facilities

- a. Net Joint Use Investment - The investment base for these rates includes all Avista investment excluding the following:
- Sole-use investment for Bonneville customers
 - Sole-use investment for Avista load service
 - Sole-use Investment whose annual costs are paid by other entities

Index to Appendices

- A. Annual Cost Ratio
- B. Proxy Cost Calculations
- C. Facilities Account Nos. 360, 361, 362 and 397

**SERVICE
AGREEMENT**

**fo
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**NETWORK INTEGRATION TRANSMISSION
SERVICE**

**betwee
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**the BONNEVILLE POWER
ADMINISTRATION**

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**AVISTA
CORPORATION**

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**AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8**

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[For service to PUD NO. 1 OF ASOTIN COUNTY]

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Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT (“Service Agreement”) is made and entered into this ____ day of September, 2011, by and between AVISTA CORPORATION (“Avista”) and the Bonneville Power Administration (“Bonneville”), which hereinafter may be referred to individually as “Party” or collectively as “Parties”.

RECITALS

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 (“Tariff”); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista’s Transmission System and/or Avista’s low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to PUD No. 1 of Asotin County’s loads connected to Avista’s Transmission System since January 1, 2006 and Bonneville has requested continuing service to PUD No. 1 of Asotin County’s loads; and

WHEREAS, Avista has entered into an Interconnection and Operating Agreement with PUD No. 1 of Asotin County, providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and PUD No. 1 of Asotin County; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville’s wholesale utility customers connected to Avista’s Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

Section 1 - Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

- 2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.
- 2.2 **Incorporation of Exhibits:** The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 **Completed Application:** By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 **System Impact and Facilities Studies:** Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

Section 3 - Term and Regulatory Filing

- 3.1 **Effective Date and Filing:** This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing (“Effective Date”). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 **Cancellation Rights:** If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 **Termination of Agreement:** Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 **Transmission Service:** Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 **Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities:** Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one months' notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact – PTKT
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

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

Section 8 - Miscellaneous Provisions

- 8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 Future Changes or Additions: Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment. A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service Agreement shall be directed to:

Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington 99202
or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services – PST
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

EXHIBIT 1
SPECIFICATIONS FOR
NETWORK INTEGRATION TRANSMISSION SERVICE

Designated Network Resources

Power Sales Agreement between Bonneville and PUD No. 1 of Asotin County (Bonneville Contract No. 09PB-13003)

Designated Network Loads

(See Exhibit 1A)

Monthly Transmission Charge

(Pursuant to Section 34 of the Tariff)

Monthly Charges for Direct Assignment and Low Voltage Facilities

(See Exhibit 1B)

Power Factor Penalty Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the Tariff)

In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service
Bonneville Power Administration – Service to PUD No. 1 of Asotin County

E1 – 1

**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Well #1 – 1400 Chestnut Avenue (via Pound Lane Substation)**

Location: The point on Avista's distribution service system at 1400 Chestnut Avenue in Clarkston, Washington where the 480 volt facilities of Avista and PUD No. 1 of Asotin County (Asotin) are connected

Voltage: 480 V

Metering: At or near the Point of Delivery in the 480 V circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

2) **Well #2 – 1500 Critchfield Road (via Critchfield Substation)**

Location: The point on Avista's distribution service system at 1500 Critchfield Road and Clemons Road in Clarkston, Washington where the 480 volt facilities of Avista and Asotin are connected

Voltage: 480 V

Metering: At or near the Point of Delivery in the 480 V circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

3) **Well #3 – 1500 16th Avenue (via Pound Land Substation)**

Location: The point on Avista's distribution service system at 1500 16th Avenue in Clarkston, Washington where the 2400 volt facilities of Avista and Asotin are connected

Voltage: 2400 V

Metering: At or near the Point of Delivery in the 2400 V circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to PUD No. 1 of Asotin County
Revision 1 – Effective April 1, 2016

E1A – 1

4) **Well #5 – 2200 3rd Avenue (via Dry Gulch Substation)**

Location: The point on Avista's distribution service system at 2200 3rd Avenue in Clarkston, Washington where the 2400 volt facilities of Avista and Asotin are connected

Voltage: 2400 V

Metering: At or near the Point of Delivery in the 2400 V circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

5) **Well #6 – 2101 Critchfield Road (via Critchfield Substation)**

Location: The point on Avista's distribution service system at 2101 Critchfield Road in Clarkston, Washington where the 2400 volt facilities of Avista and Asotin are connected

Voltage: 2400 V

Metering: At or near the Point of Delivery in the 2400 V circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

6) **Well #7 – 1825 Reservoir Road (via Pound Lane Substation)**

Location: The point on Avista's distribution service system at 1825 Reservoir Road in Clarkston, Washington where the 2400 volt facilities of Avista and Asotin are connected

Voltage: 2400 V

Metering: At or near the Point of Delivery in the 2400 V circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to PUD No. 1 of Asotin County Revision 1 – Effective April 1, 2016

E1A – 2

7) **Clarkston Heights Booster Station – 1500 16th Avenue (via Pound Lane Substation)**

Location: The point on Avista's distribution service system at 1500 16th Avenue in Clarkston, Washington where the 480 volt facilities of Avista and Asotin are connected

Voltage: 480 V

Metering: At or near the Point of Delivery in the 480 V circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to PUD No. 1 of Asotin County

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EXHIBIT 1B
DIRECT ASSIGNMENT AND LOW-VOLTAGE
SUBSTATION AND DISTRIBUTION CHARGES
(per month)

<u>Point of Delivery</u>	<u>Joint-Use</u> <u>Substation</u>	<u>Sole-Use</u> <u>Substation</u>	<u>Low-Voltage</u> <u>Facilities</u>
Critchfield	\$1,350	\$310	\$772
Pound Lane	\$519	---	\$2237

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
Bonneville Power Administration – Service to PUD No. 1 of Asotin County
Revision 1 – Effective April 1, 2016

E1B – 1

EXHIBIT 2
SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES

Scheduling, System Control and Dispatch Service

(Pursuant to Schedule 1 of the Tariff)

Reactive Supply and Voltage Control from Generation Sources

(Pursuant to Schedule 2 of the Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to PUD No. 1 of Asotin County

E2 – 1

Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to PUD No. 1 of Asotin County

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EXHIBIT 3
NETWORK OPERATING AGREEMENT

NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

Exhibit 3 – Network Operating Agreement
Bonneville Power Administration – Service to PUD No. 1 of Asotin County

E3 – 1

NETWORK OPERATING AGREEMENT

between

AVISTA CORPORATION

and the

BONNEVILLE POWER ADMINISTRATION

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

2.1 NERC – The North American Electric Reliability Corporation, or its successor.

2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

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2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.

2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.

4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.

4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

Section 5 – Interconnection Principles and Requirements

Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE-MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities. Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.
- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.
- 7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.
- 7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility Practice and on a comparable basis with service to all other affected Network Customers

and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

- 8.1 Scheduling and Schedule Revisions – Schedules for Bonneville's designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however, that:*
- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours and ending at 1100 hours, Bonneville shall submit any revision to an electronic

tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.
- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

- 8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

- 8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.
- 8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista’s Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista’s transmission function passing on an aggregated sum of Bonneville’s schedules associated with all of its borderline wheeling loads to Avista’s load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista’s Standards of Conduct.

Section 9 – Metering and Communications

- 9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.
- 9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter used to determine billing associated with the Service Agreement shall provide to the

other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System.

The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters. In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the

Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by prorating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.
- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.
- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

- 9.6 Metering and Communications Required for Integration of Network Resources – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

- 9.7 Metering and Communications Required for Ancillary Services – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista’s Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.
- 9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.
- 9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:
- (a) Megawatt and megavar indications from Bonneville’s supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
 - (b) The following:
 - (i) Metering current transformers (“CTs”) and potential transformers (“PTs”),
 - (ii) Space in Bonneville’s substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function (“Avista Equipment”), to be supplied by Avista,

- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Section 11 - Miscellaneous

- 11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.
- 11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.
- 11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.
- 11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any such amendment shall become effective upon acceptance for filing by the Commission.

Avista Contract No. AV-TR11-1092
Bonneville Contract No. 11PX-10006

SERVICE AGREEMENT
for
NETWORK INTEGRATION TRANSMISSION SERVICE
between
the BONNEVILLE POWER ADMINISTRATION
and
AVISTA CORPORATION
under
AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8

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[For service to BIG BEND ELECTRIC COOPERATIVE, INC.]

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Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT (“Service Agreement”) is made and entered into this ____ day of September, 2011, by and between AVISTA CORPORATION (“Avista”) and the Bonneville Power Administration (“Bonneville”), which hereinafter may be referred to individually as “Party” or collectively as “Parties”.

RECITALS

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 (“Tariff”); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista’s Transmission System and/or Avista’s low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to Big Bend Electric Cooperative, Inc.’s loads connected to Avista’s Transmission System since January 1, 2006 and Bonneville has requested continuing service to Big Bend Electric Cooperative, Inc.’s loads; and

WHEREAS, Avista has entered into an Interconnection and Operating Agreement with Big Bend Electric Cooperative, Inc., providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and Big Bend Electric Cooperative, Inc.; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville’s wholesale utility customers connected to Avista’s Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Big Bend Electric Cooperative, Inc.

Section 1 - Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

- 2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.
- 2.2 **Incorporation of Exhibits:** The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 **Completed Application:** By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 **System Impact and Facilities Studies:** Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Big Bend Electric Cooperative, Inc.

Section 3 - Term and Regulatory Filing

- 3.1 **Effective Date and Filing:** This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing (“Effective Date”). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 **Cancellation Rights:** If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 **Termination of Agreement:** Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 **Transmission Service:** Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 **Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities:** Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Big Bend Electric Cooperative, Inc.

4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one month's notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact – PTKT
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Big Bend Electric Cooperative, Inc.

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

Section 8 - Miscellaneous Provisions

- 8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 Future Changes or Additions: Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Big Bend Electric Cooperative, Inc.

wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment. A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service Agreement shall be directed to:

Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington 99202
or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services – PST
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Big Bend Electric Cooperative, Inc.

8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Big Bend Electric Cooperative, Inc.

IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Big Bend Electric Cooperative, Inc.

EXHIBIT 1
SPECIFICATIONS FOR
NETWORK INTEGRATION TRANSMISSION SERVICE

Designated Network Resources

Power Sales Agreement between Bonneville and Big Bend Electric Cooperative, Inc. (Bonneville Contract No. 09PB-13007)

Designated Network Loads

(See Exhibit 1A)

Monthly Transmission Charge

(Pursuant to Section 34 of the Tariff)

Monthly Charges for Direct Assignment and Low Voltage Facilities

(See Exhibit 1B)

Power Factor Penalty Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the Tariff)

In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service
Bonneville Power Administration – Service to Big Bend Electric Cooperative, Inc.

E1 – 1

**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Delight Point of Delivery**

Location: The point where Avista's Lind-Washtucna 115 kV Transmission Line and Big Bend Electric Cooperative's (Big Bend's) Delight Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Big Bend's Delight Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

2) **Lee and Reynolds Point of Delivery**

Location: The point in Avista's Lee and Reynolds Substation where the 13.8 kV facilities of Avista and Big Bend are connected

Voltage: 13.8 kV

Metering: In Avista's Lee and Reynolds Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

3) **Marengo Point of Delivery**

Location: The point in Avista's Marengo Substation where the 24.9 kV facilities of Avista and Big Bend are connected

Voltage: 24.9 kV

Metering: In Avista's Marengo Substation in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Big Bend Electric Cooperative, Inc.

E1A – 1

4) **Ralston Point of Delivery**

Location: The point where Avista's Lind-Shawnee 115 kV Transmission Line and the Bonneville Power Administration's Ralston Substation 115 kV Tap Line are connected and the point where the Bonneville Power Administration's Ralston 115 kV Tap Line and Big Bend's Ralston Substation are connected

Voltage: 115 kV

Metering: In Big Bend's Ralston Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

5) **Ritzville Point of Delivery**

Location: The point where Avista's Devil's Gap-Lind 115 kV Transmission Line and Big Bend's Ritzville Substation 115kV Tap are connected

Voltage: 115 kV

Metering: In Big Bend's Ritzville Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

6) **Roxboro Point of Delivery**

Location: The point in Avista's Roxboro Substation where the 24.9 kV facilities of Avista and Big Bend are connected

Voltage: 24.9 kV

Metering: In Avista's Roxboro Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Big Bend Electric Cooperative, Inc.

E1A – 2

EXHIBIT 1B
DIRECT ASSIGNMENT AND LOW-VOLTAGE
SUBSTATION AND DISTRIBUTION CHARGES
(per month)

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Delight	---	---	---
Lee and Reynolds	\$4,229	\$651	---
Marengo	---	\$1,503	---
Ralston	---	---	---
Ritzville	---	---	---
Roxboro	\$3,239	\$166	---

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
Bonneville Power Administration – Service to Big Bend Electric Cooperative, Inc.
Revision 1 – Effective April 1, 2016

E1B – 1

EXHIBIT 2
SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES

Scheduling, System Control and Dispatch Service

(Pursuant to Schedule 1 of the Tariff)

Reactive Supply and Voltage Control from Generation Sources

(Pursuant to Schedule 2 of the Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Big Bend Electric Cooperative, Inc.

E2 – 1

Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Big Bend Electric Cooperative, Inc.

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EXHIBIT 3
NETWORK OPERATING AGREEMENT

NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

Exhibit 3 – Network Operating Agreement
Bonneville Power Administration – Service to Big Bend Electric Cooperative, Inc.

E3 – 1

NETWORK OPERATING AGREEMENT

between

AVISTA CORPORATION

and the

BONNEVILLE POWER ADMINISTRATION

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

2.1 NERC – The North American Electric Reliability Corporation, or its successor.

2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

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2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.

2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.

4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.

4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

Section 5 – Interconnection Principles and Requirements

Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE-MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities. Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.
- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.
- 7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.
- 7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility Practice and on a comparable basis with service to all other affected Network Customers

and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

- 8.1 Scheduling and Schedule Revisions – Schedules for Bonneville's designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however, that:*
- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours and ending at 1100 hours, Bonneville shall submit any revision to an electronic

tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.
- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

- 8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

- 8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.
- 8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista’s Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista’s transmission function passing on an aggregated sum of Bonneville’s schedules associated with all of its borderline wheeling loads to Avista’s load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista’s Standards of Conduct.

Section 9 – Metering and Communications

- 9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.
- 9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter used to determine billing associated with the Service Agreement shall provide to the

other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System.

The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters. In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the

Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by prorating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.
- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.
- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

- 9.6 Metering and Communications Required for Integration of Network Resources – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

- 9.7 Metering and Communications Required for Ancillary Services – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista’s Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.
- 9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.
- 9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:
- (a) Megawatt and megavar indications from Bonneville’s supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
 - (b) The following:
 - (i) Metering current transformers (“CTs”) and potential transformers (“PTs”),
 - (ii) Space in Bonneville’s substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function (“Avista Equipment”), to be supplied by Avista,

- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Section 11 - Miscellaneous

- 11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.
- 11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.
- 11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.
- 11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any such amendment shall become effective upon acceptance for filing by the Commission.

Avista Contract No. AV-TR11-1095
Bonneville Contract No. 11PX-10009

SERVICE AGREEMENT
for
NETWORK INTEGRATION TRANSMISSION SERVICE
between
the BONNEVILLE POWER ADMINISTRATION
and
AVISTA CORPORATION
under
AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8

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[For service to CLEARWATER POWER COMPANY]

<u>Section</u>	<u>Description</u>	<u>Page</u>
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Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT (“Service Agreement”) is made and entered into this ____ day of September, 2011, by and between AVISTA CORPORATION (“Avista”) and the Bonneville Power Administration (“Bonneville”), which hereinafter may be referred to individually as “Party” or collectively as “Parties”.

RECITALS

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 (“Tariff”); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista’s Transmission System and/or Avista’s low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to Clearwater Power Company’s loads connected to Avista’s Transmission System since January 1, 2006 and Bonneville has requested continuing service to Clearwater Power Company’s loads; and

WHEREAS, Avista has entered into an Interconnection and Operating Agreement with Clearwater Power Company, providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and Clearwater Power Company; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville’s wholesale utility customers connected to Avista’s Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Clearwater Power Company

Section 1 - Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

- 2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.
- 2.2 **Incorporation of Exhibits:** The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 **Completed Application:** By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 **System Impact and Facilities Studies:** Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Clearwater Power Company

Section 3 - Term and Regulatory Filing

- 3.1 **Effective Date and Filing:** This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing (“Effective Date”). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 **Cancellation Rights:** If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 **Termination of Agreement:** Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 **Transmission Service:** Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 **Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities:** Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

Network Integration Transmission Service Agreement
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4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one months' notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact – PTKT
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
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All payments to Avista shall be submitted via electronic funds transfer to the account specified on each billing invoice.

Section 8 - Miscellaneous Provisions

- 8.1 **Interconnection with Other Systems:** Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 **Future Changes or Additions:** Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 **Waivers:** Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 **Effect of Section Headings:** Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 **Assignment:** Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Clearwater Power Company

wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment. A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service Agreement shall be directed to:

Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington 99202
or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services – PST
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Clearwater Power Company

8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Clearwater Power Company

IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Clearwater Power Company

EXHIBIT 1
SPECIFICATIONS FOR
NETWORK INTEGRATION TRANSMISSION SERVICE

Designated Network Resources

Power Sales Agreement between Bonneville and Pacific Northwest Generation Cooperative (for service to Clearwater Power Company) (Bonneville Contract No. 09PB-13088)

Designated Network Loads

(See Exhibit 1A)

Monthly Transmission Charge

(Pursuant to Section 34 of the Tariff)

Monthly Charges for Direct Assignment and Low Voltage Facilities

(See Exhibit 1B)

Power Factor Penalty Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the Tariff)

In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service
Bonneville Power Administration – Service to Clearwater Power Company

E1 – 1

**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Brincken's Corner Point of Delivery**

Location: The point where Avista's Potlatch 115 kV Tap Transmission Line and Clearwater Power Company's (Clearwater's) Brincken's Corner 115 kV Tap Transmission Line are connected, approximately 1.4 line miles southwest of Avista's Potlatch Substation

Voltage: 115 kV

Metering: In Bonneville's Brincken's Corner Substation, in the 69 kV circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

2) **Craigmont Point of Delivery**

Location: The point approximately 2.6 miles east of Craigmont, Idaho, where the 13.2 kV distribution facilities of Avista and Clearwater are connected

Voltage: 13.2 kV

Metering: At or near the Point of Delivery, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

3) **Juliaetta Point of Delivery**

Location: The point in Avista's Juliaetta Substation where the 13.8 kV facilities of Avista and Clearwater are connected

Voltage: 13.8 kV

Metering: In Avista's Juliaetta Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Clearwater Power Company

E1A – 1

4) **Moscow Point of Delivery**

Location: The point in Avista's Moscow 230 kV Substation where the 24.9 kV facilities of Avista and Clearwater are connected

Voltage: 24.9 kV

Metering: In Avista's Moscow 230 kV Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

5) **Orofino Point of Delivery**

Location: The point in Avista's Orofino Substation where the 24.9 kV facilities of Avista and Clearwater are connected

Voltage: 24.9 kV

Metering: In Avista's Orofino Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

6) **Potlatch Point of Delivery**

Location: The point In Avista's Potlatch Substation where the 24.9 kV facilities of Avista and Clearwater are connected

Voltage: 24.9 kV

Metering: In Avista's Potlatch Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

7) **Spalding Point of Delivery**

Location: The point where Avista's Clearwater-Lolo No. 1 115 kV Transmission Line and Clearwater's Spalding 115 kV Tap are connected

Voltage: 115 kV

Metering: In Clearwater's Spalding Substation, in the distribution circuit(s) over which electric power and energy flows

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Clearwater Power Company

E1A – 2

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

8) **Sweetwater Point of Delivery**

Location: The point in Avista's Sweetwater Substation where the 24.9 kV facilities of Avista and Clearwater are connected

Voltage: 24.9 kV

Metering: In Avista's Sweetwater Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

9) **Weippe Point of Delivery**

Location: The point in Avista's Weippe Substation where the 13.8 kV facilities of Avista and Clearwater are connected

Voltage: 13.8 kV

Metering: In Avista's Weippe Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

10) **Ahsahka Point of Delivery**

Location: Clearwater's Ahsahka Substation, connected to Bonneville's portion of the Dworshak-Orofino 115 kV Transmission Line.

Voltage: 115 kV

Metering: In Clearwater's Ahsahka Substation, in the distribution circuit(s) over which electric power and energy flows

Note: Avista provides no Network Integration Transmission Service to this Point of Delivery. Clearwater's Ahsahka Substation resides in Avista's Control Area. Bonneville shall schedule power and energy associated with this Point of Delivery pursuant to the terms and conditions of this Agreement.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Clearwater Power Company

E1A – 3

EXHIBIT 1B
DIRECT ASSIGNMENT AND LOW-VOLTAGE
SUBSTATION AND DISTRIBUTION CHARGES
(per month)

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Brincken's Corner	---	---	---
Craigmont	\$1,656	\$1,274	---
Juliaetta	\$2,537	\$195	---
Moscow	\$8,979	\$712	---
Orofino	---	\$8,605	---
Potlatch	\$9	\$2,002	---
Spalding	---	---	---
Sweetwater	\$4,521	\$519	---
Weippe	\$9,938	\$332	---

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
Bonneville Power Administration – Service to Clearwater Power Company
Revision 1 – Effective April 1, 2016

E1B – 1

EXHIBIT 2
SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES

Scheduling, System Control and Dispatch Service

(Pursuant to Schedule 1 of the Tariff)

Reactive Supply and Voltage Control from Generation Sources

(Pursuant to Schedule 2 of the Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Clearwater Power Company

E2 – 1

Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Clearwater Power Company

E2 – 2

EXHIBIT 3
NETWORK OPERATING AGREEMENT

NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

Exhibit 3 – Network Operating Agreement
Bonneville Power Administration – Service to Clearwater Power Company

E3 – 1

NETWORK OPERATING AGREEMENT

between

AVISTA CORPORATION

and the

BONNEVILLE POWER ADMINISTRATION

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

2.1 NERC – The North American Electric Reliability Corporation, or its successor.

2.2 NWPP – The Northwest Power Pool, or its successor.

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2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.

2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.

4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.

4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

Section 5 – Interconnection Principles and Requirements

Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE-MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities. Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.
- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.
- 7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.
- 7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility Practice and on a comparable basis with service to all other affected Network Customers

and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

- 8.1 Scheduling and Schedule Revisions – Schedules for Bonneville's designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however, that:*
- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours and ending at 1100 hours, Bonneville shall submit any revision to an electronic

tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.
- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

- 8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

- 8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.
- 8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista’s Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista’s transmission function passing on an aggregated sum of Bonneville’s schedules associated with all of its borderline wheeling loads to Avista’s load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista’s Standards of Conduct.

Section 9 – Metering and Communications

- 9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.
- 9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter used to determine billing associated with the Service Agreement shall provide to the

other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

- 9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System.

The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

- 9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters. In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the

Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by prorating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.
- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.
- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

- 9.6 Metering and Communications Required for Integration of Network Resources – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

- 9.7 Metering and Communications Required for Ancillary Services – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista’s Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.
- 9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.
- 9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:
- (a) Megawatt and megavar indications from Bonneville’s supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
 - (b) The following:
 - (i) Metering current transformers (“CTs”) and potential transformers (“PTs”),
 - (ii) Space in Bonneville’s substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function (“Avista Equipment”), to be supplied by Avista,

- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Section 11 - Miscellaneous

- 11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.
- 11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.
- 11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.
- 11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any such amendment shall become effective upon acceptance for filing by the Commission.

Avista Contract No. AV-TR11-1097
Bonneville Contract No. 11PX-10011

SERVICE AGREEMENT
for
NETWORK INTEGRATION TRANSMISSION SERVICE
between
the BONNEVILLE POWER ADMINISTRATION
and
AVISTA CORPORATION
under
AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8

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[For service to IDAHO COUNTY LIGHT & POWER COOPERATIVE ASSOCIATION, INC.]

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Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT (“Service Agreement”) is made and entered into this ____ day of September, 2011, by and between AVISTA CORPORATION (“Avista”) and the Bonneville Power Administration (“Bonneville”), which hereinafter may be referred to individually as “Party” or collectively as “Parties”.

RECITALS

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 (“Tariff”); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista’s Transmission System and/or Avista’s low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to Idaho County Light & Power Cooperative Association, Inc.’s loads connected to Avista’s Transmission System since January 1, 2006 and Bonneville has requested continuing service to Idaho County Light & Power Cooperative Association, Inc.’s loads; and

WHEREAS, Avista has entered into an Interconnection and Operating Agreement with Idaho County Light & Power Cooperative Association, Inc., providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and Idaho County Light & Power Cooperative Association, Inc.; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville’s wholesale utility customers connected to Avista’s Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Idaho County Light & Power Cooperative Association, Inc.

Section 1 - Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

- 2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.
- 2.2 **Incorporation of Exhibits:** The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 **Completed Application:** By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 **System Impact and Facilities Studies:** Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Idaho County Light & Power Cooperative Association, Inc.

Section 3 - Term and Regulatory Filing

- 3.1 **Effective Date and Filing:** This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing (“Effective Date”). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 **Cancellation Rights:** If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 **Termination of Agreement:** Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 **Transmission Service:** Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 **Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities:** Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Idaho County Light & Power Cooperative Association, Inc.

4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one month's notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact – PTKT
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Idaho County Light & Power Cooperative Association, Inc.

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

Section 8 - Miscellaneous Provisions

- 8.1 **Interconnection with Other Systems:** Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 **Future Changes or Additions:** Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 **Waivers:** Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 **Effect of Section Headings:** Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 **Assignment:** Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Idaho County Light & Power Cooperative Association, Inc.

wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment. A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service Agreement shall be directed to:

Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington 99202
or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services – PST
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Idaho County Light & Power Cooperative Association, Inc.

8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Idaho County Light & Power Cooperative Association, Inc.

IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect_____

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Idaho County Light & Power Cooperative Association, Inc.

EXHIBIT 1
SPECIFICATIONS FOR
NETWORK INTEGRATION TRANSMISSION SERVICE

Designated Network Resources

Power Sales Agreement between Bonneville and Idaho County Light & Power Cooperative Association, Inc. (Bonneville Contract No. 09PB-13055)

Flat Block Market Purchase, through Northwest Electric Supply Cooperative (NESC) from Shell Energy: 0.175 aMW 10/1/2011-9/30/2012; 0.375 aMW 10/1/2012-9/30/2013

Designated Network Loads

(See Exhibit 1A)

Monthly Transmission Charge

(Pursuant to Section 34 of the Tariff)

Monthly Charges for Direct Assignment and Low Voltage Facilities

(See Exhibit 1B)

Power Factor Penalty Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the Tariff)

In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Exhibit 1 – Specifications for Network Integration Transmission Service
Bonneville Power Administration – Service to Idaho County Light & Power Cooperative Association, Inc.

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Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service
Bonneville Power Administration – Service to Idaho County Light & Power Cooperative Association, Inc.

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**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Cottonwood Point of Delivery**

Location: The point, approximately three miles north of Cottonwood, Idaho, where the 24.9 kV distribution facilities of Avista and ICL&P are connected

Voltage: 24.9 kV

Metering: At or near the Point of Delivery, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

2) **East Grangeville Point of Delivery**

Location: The point where Avista's East Grangeville 115 kV Tap of the Grangeville-Nez Perce No. 2 115 kV Transmission Line is connected to Bonneville's East Grangeville Substation 115 kV Tap

Voltage: 115 kV

Metering: In Bonneville's East Grangeville Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

3) **Kamiah Point of Delivery**

Location: The point, approximately 2.2 miles southeast of Kamiah, Idaho, where the 13.2 kV distribution facilities of Avista and ICL&P are connected

Voltage: 13.2 kV

Metering: At or near the Point of Delivery, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Idaho County Light & Power Cooperative Association, Inc.

E1A – 1

4) **Kooskia Point of Delivery**

Location: The point in Avista's Kooskia 13/34.5 kV Substation where the 34.5 kV facilities of Avista and ICL&P are connected

Voltage: 34.5 kV

Metering: In Avista's Kooskia Substation, in the 13 kV circuit of the 13/34.5 kV transformer over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Idaho County Light & Power Cooperative Association, Inc.

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EXHIBIT 1B
DIRECT ASSIGNMENT AND LOW-VOLTAGE
SUBSTATION AND DISTRIBUTION CHARGES
(per month)

<u>Point of Delivery</u>	<u>Joint-Use</u> <u>Substation</u>	<u>Sole-Use</u> <u>Substation</u>	<u>Low-Voltage</u> <u>Facilities</u>
Cottonwood	\$1,836	---	\$32
East Grangeville	---	---	---
Kamiah	\$846	---	\$23
Kooskia	\$2,143	\$1,058	\$35

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
Bonneville Power Administration – Service to Idaho County Light & Power Cooperative Association, Inc.
Revision 1 – Effective April 1, 2016

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EXHIBIT 2
SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES

Scheduling, System Control and Dispatch Service

(Pursuant to Schedule 1 of the Tariff)

Reactive Supply and Voltage Control from Generation Sources

(Pursuant to Schedule 2 of the Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Idaho County Light & Power Cooperative Association, Inc.

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Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Idaho County Light & Power Cooperative Association, Inc.

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EXHIBIT 3
NETWORK OPERATING AGREEMENT

NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

Exhibit 3 – Network Operating Agreement
Bonneville Power Administration – Service to Idaho County Light & Power Cooperative Association, Inc.

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NETWORK OPERATING AGREEMENT

between

AVISTA CORPORATION

and the

BONNEVILLE POWER ADMINISTRATION

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

2.1 NERC – The North American Electric Reliability Corporation, or its successor.

2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

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2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.

2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.

4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.

4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

Section 5 – Interconnection Principles and Requirements

Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE-MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities. Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.
- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.
- 7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.
- 7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility Practice and on a comparable basis with service to all other affected Network Customers

and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

- 8.1 Scheduling and Schedule Revisions – Schedules for Bonneville's designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however, that:*
- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours and ending at 1100 hours, Bonneville shall submit any revision to an electronic

tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.
- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

- 8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

- 8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.
- 8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista’s Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista’s transmission function passing on an aggregated sum of Bonneville’s schedules associated with all of its borderline wheeling loads to Avista’s load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista’s Standards of Conduct.

Section 9 – Metering and Communications

- 9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.
- 9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter used to determine billing associated with the Service Agreement shall provide to the

other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

- 9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System.

The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

- 9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters. In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the

Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by prorating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.
- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.
- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

- 9.6 Metering and Communications Required for Integration of Network Resources – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

- 9.7 Metering and Communications Required for Ancillary Services – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista’s Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.
- 9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.
- 9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:
- (a) Megawatt and megavar indications from Bonneville’s supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
 - (b) The following:
 - (i) Metering current transformers (“CTs”) and potential transformers (“PTs”),
 - (ii) Space in Bonneville’s substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function (“Avista Equipment”), to be supplied by Avista,

- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Section 11 - Miscellaneous

- 11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.
- 11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.
- 11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.
- 11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any such amendment shall become effective upon acceptance for filing by the Commission.

Avista Contract No. AV-TR11-1098
Bonneville Contract No. 11PX-10012

SERVICE AGREEMENT
for
NETWORK INTEGRATION TRANSMISSION SERVICE
between
the BONNEVILLE POWER ADMINISTRATION
and
AVISTA CORPORATION
under
AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8

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[For service to INLAND POWER & LIGHT CO.]

<u>Section</u>	<u>Description</u>	<u>Page</u>
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Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT (“Service Agreement”) is made and entered into this ____ day of September, 2011, by and between AVISTA CORPORATION (“Avista”) and the Bonneville Power Administration (“Bonneville”), which hereinafter may be referred to individually as “Party” or collectively as “Parties”.

RECITALS

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 (“Tariff”); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista’s Transmission System and/or Avista’s low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to Inland Power & Light Co.’s loads connected to Avista’s Transmission System since January 1, 2006 and Bonneville has requested continuing service to Inland Power & Light Co.’s loads; and

WHEREAS, Avista has entered into an Interconnection and Operating Agreement with Inland Power & Light Co., providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and Inland Power & Light Co.; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville’s wholesale utility customers connected to Avista’s Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Inland Power & Light Co.

Section 1 - Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

- 2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.
- 2.2 **Incorporation of Exhibits:** The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 **Completed Application:** By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 **System Impact and Facilities Studies:** Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Inland Power & Light Co.

Section 3 - Term and Regulatory Filing

- 3.1 **Effective Date and Filing:** This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing (“Effective Date”). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 **Cancellation Rights:** If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 **Termination of Agreement:** Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 **Transmission Service:** Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 **Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities:** Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Inland Power & Light Co.

4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one month's notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact – PTKT
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Inland Power & Light Co.

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

Section 8 - Miscellaneous Provisions

- 8.1 **Interconnection with Other Systems:** Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 **Future Changes or Additions:** Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 **Waivers:** Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 **Effect of Section Headings:** Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 **Assignment:** Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Inland Power & Light Co.

wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment. A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service Agreement shall be directed to:

Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington 99202
or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services – PST
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Inland Power & Light Co.

8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Inland Power & Light Co.

IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Inland Power & Light Co.

EXHIBIT 1
SPECIFICATIONS FOR
NETWORK INTEGRATION TRANSMISSION SERVICE

Designated Network Resources

Power Sales Agreement between Bonneville and Inland Power & Light Company (Bonneville Contract No. 09PB-13057)

Designated Network Loads

(See Exhibit 1A)

Monthly Transmission Charge

(Pursuant to Section 34 of the Tariff)

Monthly Charges for Direct Assignment and Low Voltage Facilities

(See Exhibit 1B)

Power Factor Penalty Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the Tariff)

In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service
Bonneville Power Administration – Service to Inland Power & Light Co.

E1 – 1

**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Airway Heights Point of Delivery**

Location: The point in Avista's Airway Heights Substation where the 13.8 kV facilities of Avista and Inland are connected

Voltage: 13.8 kV

Metering: In Avista's Airway Heights Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

2) **Armstrong Point of Delivery**

Location: The point where Avista's Shawnee-South Pullman 115 kV Transmission Line and Inland's Armstrong Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Inland's Armstrong Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

3) **Chambers Point of Delivery**

Location: The point where Avista's Shawnee-Sunset 115 kV Transmission Line and Inland's Chambers Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Inland's Chambers Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Inland Power & Light Co.

E1A – 1

4) Cheney Point of Delivery

Location: The point near Cheney, Washington, where Avista's South Fairchild 115 kV Tap of the Sunset-Westside 115 kV Transmission Line and Bonneville's Cheney 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In the City of Cheney's Cheney Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

5) East Colfax Point of Delivery

Location: The point in Avista's East Colfax Substation where the 13.8 kV facilities of Avista and Inland are connected

Voltage: 13.8 kV

Metering: In Avista's East Colfax Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

6) Ewan Point of Delivery

Location: The point in Avista's Ewan Substation where the 13.8 kV facilities of Avista and Inland are connected

Voltage: 13.8 kV

Metering: In Avista's Ewan Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

7) Four Lakes Point of Delivery

Location: The point near Cheney, Washington, where Avista's South Fairchild 115 kV Tap of the Sunset-Westside 115 kV Transmission Line and Bonneville's Cheney 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In Four Lakes Substation, which is jointly owned by the City of Cheney and Inland, in the distribution circuit(s) over which electric power and energy flows

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Inland Power & Light Co.

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Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

8) **Gaffney Point of Delivery**

Location: The point where Avista's Devil's Gap-Lind 115 kV Transmission Line and Inland's Gaffney 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In Inland's Gaffney Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

9) **Hangman Point of Delivery**

Location: The point where Avista's Shawnee-Sunset 115 kV Transmission Line and Inland's Hangman 115kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In Inland's Hangman Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

10) **Hayford Point of Delivery**

Location: The point where Avista's South Fairchild 115 kV Tap Transmission Line and Inland's Hayford Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Inland's Hayford Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Inland Power & Light Co.

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11) **Hoodoo Point of Delivery**

Location: The point where Avista's Pine Street-Rathdrum 115 kV Transmission Line and Inland's Hoodoo Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Inland's Hoodoo Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

12) **Hopkins Point of Delivery**

Location: The point where Avista's 8th & Fancher-Latah 115 kV Transmission Line and Inland's Hopkins Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Inland's Hopkins Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

13) **Irby Point of Delivery**

Location: The point where Avista's Devil's Gap-Stratford 115 kV Transmission Line and Inland's Irby 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In Inland's Irby Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

14) **Mica Point of Delivery**

Location: The point where Avista's 8th & Fancher-Latah 115 kV Transmission Line and Inland's Mica Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Inland's Mica Substation, in the distribution circuit(s) over which electric power and energy flows

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Inland Power & Light Co.

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Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

15) **Milan Point of Delivery**

Location: The point in Avista's Milan Substation where the 13.8 kV facilities of Avista and Inland are connected

Voltage: 13.8 kV

Metering: In Avista's Milan Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

16) **Milan / Eloika Lake Point of Delivery**

Location: The point at the end of Avista's Milan 12F1 13.8 kV feeder where it connects to Inland's 13.8 kV facilities near Eloika Lake, Washington, (Sections 2 and 3, T. 29 N., R. 43 E.W.M.)

Voltage: 13.8 kV

Metering: On the supply side of Inland's 13.8/12.5 kV autotransformer, in the 13.8 kV circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

17) **Moab Point of Delivery**

Location: The point where Avista's Otis Orchards-Rathdrum 115 kV Transmission Line and Inland's Moab Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Inland's Moab Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Inland Power & Light Co.

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18) **Odessa Point of Delivery**

Location: The point where Avista's Devils Gap-Stratford 115 kV Transmission Line and Bonneville's Odessa Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Bonneville's Odessa Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

19) **Rosalia Point of Delivery**

Location: The point in Avista's Rosalia Substation, where the 13.8 kV facilities of Avista and Inland are connected

Voltage: 13.8 kV

Metering: In Avista's Rosalia Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

20) **Spangle Point of Delivery**

Location: The point in Avista's Spangle Substation where the 13.8 kV facilities of Avista and Inland are connected

Voltage: 13.8 kV

Metering: In Avista's Spangle Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

21) **Wagner Lake Point of Delivery**

Location: The point near Wilbur, Washington, where Avista's Wilbur 115 kV Tap Transmission Line and Bonneville's Wagner Lake 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In Bonneville's Wagner Lake Substation, in the distribution circuit(s) over which electric power and energy flows

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Inland Power & Light Co.

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Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

22) **West Plains Point of Delivery**

Location: The point near Airway Heights, Washington, where Avista's Airway Heights-Devil's Gap 115 kV Transmission Line and Inland's West Plains Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Inland's West Plains Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Inland Power & Light Co.

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EXHIBIT 1B
DIRECT ASSIGNMENT AND LOW-VOLTAGE
SUBSTATION AND DISTRIBUTION CHARGES
(per month)

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Airway Heights	\$3,749	\$153	---
Armstrong	---	---	---
Chambers Cheney	---	---	---
East Colfax	---	---	---
	\$1,395	\$241	---
Ewan	\$1,881	\$336	---
Four Lakes	---	---	---
Gaffney	---	---	---
Hangman	---	---	---
Hayford	---	---	---
Hoodoo	---	---	---
Hopkins	---	---	---
Irby	---	---	---
Mica	---	---	---
Milan	\$76	\$10,359	---
Milan / Eloika Lake	---	---	---
Moab	---	---	---
Odessa	---	---	---
Rosalia	\$3,157	\$895	---
Spangle	\$817	\$524	---
Wagner Lake	---	---	---
West Plains	---	---	---

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
Bonneville Power Administration – Service to Inland Power & Light Co.
Revision 1 – Effective April 1, 2016

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EXHIBIT 2
SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES

Scheduling, System Control and Dispatch Service

(Pursuant to Schedule 1 of the Tariff)

Reactive Supply and Voltage Control from Generation Sources

(Pursuant to Schedule 2 of the Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Inland Power & Light Co.

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Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Inland Power & Light Co.

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EXHIBIT 3
NETWORK OPERATING AGREEMENT

NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

Exhibit 3 – Network Operating Agreement
Bonneville Power Administration – Service to Inland Power & Light Co.

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NETWORK OPERATING AGREEMENT

between

AVISTA CORPORATION

and the

BONNEVILLE POWER ADMINISTRATION

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

2.1 NERC – The North American Electric Reliability Corporation, or its successor.

2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

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2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.

2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.

4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.

4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

Section 5 – Interconnection Principles and Requirements

Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE-MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities. Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.
- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.
- 7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.
- 7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility Practice and on a comparable basis with service to all other affected Network Customers

and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

- 8.1 Scheduling and Schedule Revisions – Schedules for Bonneville's designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however, that:*
- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours and ending at 1100 hours, Bonneville shall submit any revision to an electronic

tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.
- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

- 8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

- 8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.
- 8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista’s Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista’s transmission function passing on an aggregated sum of Bonneville’s schedules associated with all of its borderline wheeling loads to Avista’s load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista’s Standards of Conduct.

Section 9 – Metering and Communications

- 9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.
- 9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter used to determine billing associated with the Service Agreement shall provide to the

other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

- 9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System.

The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

- 9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters. In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the

Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by prorating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.
- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.
- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

- 9.6 Metering and Communications Required for Integration of Network Resources – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

- 9.7 Metering and Communications Required for Ancillary Services – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista’s Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.
- 9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.
- 9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:
- (a) Megawatt and megavar indications from Bonneville’s supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
 - (b) The following:
 - (i) Metering current transformers (“CTs”) and potential transformers (“PTs”),
 - (ii) Space in Bonneville’s substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function (“Avista Equipment”), to be supplied by Avista,

- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Section 11 - Miscellaneous

- 11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.
- 11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.
- 11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.
- 11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any such amendment shall become effective upon acceptance for filing by the Commission.

Avista Contract No. AV-TR11-1099
Bonneville Contract No. 11PX-10013

SERVICE AGREEMENT
for
NETWORK INTEGRATION TRANSMISSION SERVICE
between
the BONNEVILLE POWER ADMINISTRATION
and
AVISTA CORPORATION
under
AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8

- - -

[For service to KOOTENAI ELECTRIC COOPERATIVE, INC.]

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Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT (“Service Agreement”) is made and entered into this ____ day of September, 2011, by and between AVISTA CORPORATION (“Avista”) and the Bonneville Power Administration (“Bonneville”), which hereinafter may be referred to individually as “Party” or collectively as “Parties”.

RECITALS

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 (“Tariff”); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista’s Transmission System and/or Avista’s low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to Kootenai Electric Cooperative, Inc.’s loads connected to Avista’s Transmission System since January 1, 2006 and Bonneville has requested continuing service to Kootenai Electric Cooperative, Inc.’s loads; and

WHEREAS, Avista has entered into an Interconnection and Operating Agreement with Kootenai Electric Cooperative, Inc., providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and Kootenai Electric Cooperative, Inc.; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville’s wholesale utility customers connected to Avista’s Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Kootenai Electric Cooperative, Inc.

Section 1 - Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

- 2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.
- 2.2 **Incorporation of Exhibits:** The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 **Completed Application:** By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 **System Impact and Facilities Studies:** Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Kootenai Electric Cooperative, Inc.

Section 3 - Term and Regulatory Filing

- 3.1 **Effective Date and Filing:** This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing (“Effective Date”). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 **Cancellation Rights:** If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 **Termination of Agreement:** Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 **Transmission Service:** Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 **Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities:** Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Kootenai Electric Cooperative, Inc.

4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one months' notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact – PTKT
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Kootenai Electric Cooperative, Inc.

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

Section 8 - Miscellaneous Provisions

- 8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 Future Changes or Additions: Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Kootenai Electric Cooperative, Inc.

wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment. A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service Agreement shall be directed to:

Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington 99202
or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services – PST
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Kootenai Electric Cooperative, Inc.

8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Kootenai Electric Cooperative, Inc.

IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Kootenai Electric Cooperative, Inc.

EXHIBIT 1
SPECIFICATIONS FOR
NETWORK INTEGRATION TRANSMISSION SERVICE

Designated Network Resources

Power Sales Agreement between Bonneville and Kootenai Electric Cooperative, Inc. (Bonneville Contract No. 09PB-13060)

Designated Network Loads

(See Exhibit 1A)

Monthly Transmission Charge

(Pursuant to Section 34 of the Tariff)

Monthly Charges for Direct Assignment and Low Voltage Facilities

(See Exhibit 1B)

Power Factor Penalty Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the Tariff)

In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service
Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.

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**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Athol Point of Delivery**

Location: The point near Spirit Lake, Idaho, where Avista's Pine Street-Rathdrum 115 kV Transmission Line and Kootenai Electric Cooperative, Inc.'s (KEC) Athol 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In Athol Substation, which is jointly owned by KEC and Northern Lights Inc., in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

2) **Coeur d'Alene 15th Street Point of Delivery**

Location: The point in Avista's Coeur d'Alene 15th Street Substation where the 13.8 kV facilities of Avista and KEC are connected

Voltage: 13.8 kV

Metering: In Avista's 15th Street Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

3) **Dower Point of Delivery**

Location: The point where Avista's Dower-Post Falls 115 kV Tap Transmission Line and KEC's Dower-Post Falls 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In KEC's Dower Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.

E1A – 1

4) **Hayden Point of Delivery**

Location: The point where Avista's Coeur d'Alene-Ramsey 115 kV Transmission Line and KEC's Hayden 115 kV Tap are connected

Voltage: 115 kV

Metering: In KEC's Hayden Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

5) **Julia Street Point of Delivery**

Location: The point where Avista's Appleway-Ramsey 115 kV Transmission Line and KEC's Julia Street 115 kV Tap are connected

Voltage: 115 kV

Metering: In KEC's Julia Street Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

6) **O'gara Point of Delivery**

Location: The point in Avista's O'Gara Substation where the 13.8 kV facilities of Avista and KEC are connected

Voltage: 13.8 kV

Metering: On KEC's distribution pole adjacent to Avista's O'Gara Substation in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

7) **Pleasant View Point of Delivery**

Location: The point in Avista's Pleasant View Substation where the 13.8 kV facilities of Avista and KEC are connected

Voltage: 13.8 kV

Metering: In Avista's Pleasant View Substation, in the distribution circuit(s) over which electric power and energy flows

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.

E1A – 2

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

8) **Plummer Point of Delivery**

Location: The point in Avista's Plummer Substation where the 13.8 kV facilities of Avista and KEC are connected

Voltage: 13.8 kV

Metering: In Avista's Plummer Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

9) **Prairie Point of Delivery**

Location: The point in the jointly-owned Prairie Substation, at the supply side of KEC's 115kV fused disconnects, where the 115kV facilities of Avista and KEC are connected

Voltage: 115 kV

Metering: In KEC's portion of the jointly-owned Prairie Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

10) **Rathdrum Point of Delivery**

Location: The point in Avista's Rathdrum Substation where the 13.8 kV facilities of Avista and KEC are connected

Voltage: 13.8 kV

Metering: In Avista's Rathdrum Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.

E1A – 3

11) **Scarcello Point of Delivery**

Location: The point where Avista's Pine Street-Rathdrum 115 kV Transmission Line is connected to KEC's Scarcello Substation 115 kV Tap

Voltage: 115 kV

Metering: In KEC's Scarcello Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

12) **Setters Point of Delivery**

Location: The point where Avista's 8th and Fancher-Latah Junction 115 kV Transmission Line is connected to KEC's Setters Substation 115 kV Tap Transmission Line

Voltage: 115 kV

Metering: In KEC's Setters Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.
Revision 1 – Effective April 1, 2016

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EXHIBIT 1B
DIRECT ASSIGNMENT AND LOW-VOLTAGE
SUBSTATION AND DISTRIBUTION CHARGES
(per month)

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Athol	---	---	---
Coeur d'Alene 15 th Street	\$1,386	\$312	---
Dower	---	\$8076	---
Hayden	---	---	---
Julia Street	---	---	---
O'Gara	\$2,740	\$308	---
Pleasant View	\$3,426	\$283	---
Plummer	\$1,433	\$570	---
Prarie	---	---	---
Rathdrum	\$2,309	\$164	---
Rockford	---	---	---
Scarcello	---	---	---
Setters	---	---	---

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.
Revision 1 – Effective April 1, 2016

E1B – 1

EXHIBIT 2
SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES

Scheduling, System Control and Dispatch Service

(Pursuant to Schedule 1 of the Tariff)

Reactive Supply and Voltage Control from Generation Sources

(Pursuant to Schedule 2 of the Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.

E2 – 1

Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.

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EXHIBIT 3
NETWORK OPERATING AGREEMENT

NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

Exhibit 3 – Network Operating Agreement
Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.

E3 – 1

NETWORK OPERATING AGREEMENT

between

AVISTA CORPORATION

and the

BONNEVILLE POWER ADMINISTRATION

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

2.1 NERC – The North American Electric Reliability Corporation, or its successor.

2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

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2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.

2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.

4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.

4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

Section 5 – Interconnection Principles and Requirements

Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE-MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities. Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.
- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.
- 7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.
- 7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility Practice and on a comparable basis with service to all other affected Network Customers

and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

- 8.1 Scheduling and Schedule Revisions – Schedules for Bonneville's designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however, that:*
- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours and ending at 1100 hours, Bonneville shall submit any revision to an electronic

tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.
- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

- 8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

- 8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.
- 8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista’s Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista’s transmission function passing on an aggregated sum of Bonneville’s schedules associated with all of its borderline wheeling loads to Avista’s load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista’s Standards of Conduct.

Section 9 – Metering and Communications

- 9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.
- 9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter used to determine billing associated with the Service Agreement shall provide to the

other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

- 9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System.

The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

- 9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters. In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the

Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by prorating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.
- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.
- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

- 9.6 Metering and Communications Required for Integration of Network Resources – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

- 9.7 Metering and Communications Required for Ancillary Services – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista’s Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.
- 9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.
- 9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:
- (a) Megawatt and megavar indications from Bonneville’s supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
 - (b) The following:
 - (i) Metering current transformers (“CTs”) and potential transformers (“PTs”),
 - (ii) Space in Bonneville’s substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function (“Avista Equipment”), to be supplied by Avista,

- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Section 11 - Miscellaneous

- 11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.
- 11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.
- 11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.
- 11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any such amendment shall become effective upon acceptance for filing by the Commission.

Avista Contract No. AV-TR11-1101
Bonneville Contract No. 11PX-10015

SERVICE AGREEMENT
for
NETWORK INTEGRATION TRANSMISSION SERVICE
between
the BONNEVILLE POWER ADMINISTRATION
and
AVISTA CORPORATION
under
AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8

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[For service to NORTHERN LIGHTS INC.]

<u>Section</u>	<u>Description</u>	<u>Page</u>
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Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT (“Service Agreement”) is made and entered into this ____ day of September, 2011, by and between AVISTA CORPORATION (“Avista”) and the Bonneville Power Administration (“Bonneville”), which hereinafter may be referred to individually as “Party” or collectively as “Parties”.

RECITALS

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 (“Tariff”); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista’s Transmission System and/or Avista’s low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to Northern Lights Inc.’s loads connected to Avista’s Transmission System since January 1, 2006 and Bonneville has requested continuing service to Northern Lights Inc.’s loads; and

WHEREAS, Avista has entered into an Interconnection and Operating Agreement with Northern Lights Inc., providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and Northern Lights Inc.; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville’s wholesale utility customers connected to Avista’s Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Northern Lights Inc.

Section 1 - Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

- 2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.
- 2.2 **Incorporation of Exhibits:** The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 **Completed Application:** By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 **System Impact and Facilities Studies:** Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Northern Lights Inc.

Section 3 - Term and Regulatory Filing

- 3.1 **Effective Date and Filing:** This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing (“Effective Date”). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 **Cancellation Rights:** If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 **Termination of Agreement:** Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 **Transmission Service:** Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 **Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities:** Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Northern Lights Inc.

4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one months' notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact – PTKT
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Northern Lights Inc.

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

Section 8 - Miscellaneous Provisions

- 8.1 **Interconnection with Other Systems:** Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 **Future Changes or Additions:** Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 **Waivers:** Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 **Effect of Section Headings:** Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 **Assignment:** Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Northern Lights Inc.

wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment. A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service Agreement shall be directed to:

Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington 99202
or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services – PST
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Northern Lights Inc.

8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Northern Lights Inc.

IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Northern Lights Inc.

EXHIBIT 1
SPECIFICATIONS FOR
NETWORK INTEGRATION TRANSMISSION SERVICE

Designated Network Resources

Power Sales Agreement between Bonneville and Pacific Northwest Generation Cooperative (for service to Northern Lights Inc.) (Bonneville Contract No. 09PB-13088)

Designated Network Loads

(See Exhibit 1A)

Monthly Transmission Charge

(Pursuant to Section 34 of the Tariff)

Monthly Charges for Direct Assignment and Low Voltage Facilities

(See Exhibit 1B)

Power Factor Penalty Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the Tariff)

In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service
Bonneville Power Administration – Service to Northern Lights Inc.

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**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Athol Point of Delivery**

Location: The point near Spirit Lake, Idaho, where Avista's Pine Street-Rathdrum 115 kV Transmission Line and Kootenai Electric Cooperative, Inc.'s Athol 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In Athol Substation, which is jointly owned by Northern Lights and Kootenai Electric Cooperative, Inc., in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

2) **Cabinet Gorge Point of Delivery**

Location: The point in Avista's Cabinet Gorge 115/13 kV Substation where the 13.8 kV facilities of Avista and Northern Lights are connected

Voltage: 13.8 kV

Metering: In the immediate vicinity of Avista's Cabinet Gorge 115/13 kV Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

3) **Noxon (Construction) Substation Point of Delivery**

Location: The point in Avista's Noxon 230/13 kV (Construction) Substation where the 13.8 kV facilities of Avista and Northern Lights are connected

Voltage: 13.8 kV

Metering: In Avista's Noxon 230/13 kV (Construction) Substation, in the distribution circuit(s) over which electric power and energy flows

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Northern Lights Inc.

E1A – 1

EXHIBIT 1B
DIRECT ASSIGNMENT AND LOW-VOLTAGE
SUBSTATION AND DISTRIBUTION CHARGES
(per month)

<u>Point of Delivery</u>	<u>Joint-Use</u> <u>Substation</u>	<u>Sole-Use</u> <u>Substation</u>	<u>Low-Voltage</u> <u>Facilities</u>
Athol	---	---	---
Cabinet Gorge	\$2,752	\$381	---
Noxon (Construction)	\$11,852	\$614	---

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
Bonneville Power Administration – Service to Northern Lights Inc.
Revision 1 – Effective April 1, 2016

E1B – 1

EXHIBIT 2
SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES

Scheduling, System Control and Dispatch Service

(Pursuant to Schedule 1 of the Tariff)

Reactive Supply and Voltage Control from Generation Sources

(Pursuant to Schedule 2 of the Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Northern Lights Inc.

E2 – 1

Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Northern Lights Inc.

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EXHIBIT 3
NETWORK OPERATING AGREEMENT

NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

Exhibit 3 – Network Operating Agreement
Bonneville Power Administration – Service to Northern Lights Inc.

E3 – 1

NETWORK OPERATING AGREEMENT

between

AVISTA CORPORATION

and the

BONNEVILLE POWER ADMINISTRATION

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

2.1 NERC – The North American Electric Reliability Corporation, or its successor.

2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

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2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.

2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.

4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.

4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

Section 5 – Interconnection Principles and Requirements

Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE-MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities. Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.
- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.
- 7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.
- 7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility Practice and on a comparable basis with service to all other affected Network Customers

and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

- 8.1 Scheduling and Schedule Revisions – Schedules for Bonneville's designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however, that:*
- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours and ending at 1100 hours, Bonneville shall submit any revision to an electronic

tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.
- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

- 8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

- 8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.
- 8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista’s Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista’s transmission function passing on an aggregated sum of Bonneville’s schedules associated with all of its borderline wheeling loads to Avista’s load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista’s Standards of Conduct.

Section 9 – Metering and Communications

- 9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.
- 9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter used to determine billing associated with the Service Agreement shall provide to the

other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

- 9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System.

The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

- 9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters. In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the

Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by prorating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.
- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.
- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

- 9.6 Metering and Communications Required for Integration of Network Resources – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

- 9.7 Metering and Communications Required for Ancillary Services – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista’s Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.
- 9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.
- 9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:
- (a) Megawatt and megavar indications from Bonneville’s supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
 - (b) The following:
 - (i) Metering current transformers (“CTs”) and potential transformers (“PTs”),
 - (ii) Space in Bonneville’s substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function (“Avista Equipment”), to be supplied by Avista,

- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Section 11 - Miscellaneous

- 11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.
- 11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.
- 11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.
- 11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any such amendment shall become effective upon acceptance for filing by the Commission.

Avista Contract No. AV-TR11-1102
Bonneville Contract No. 11PX-10016

SERVICE AGREEMENT
for
NETWORK INTEGRATION TRANSMISSION SERVICE
between
the BONNEVILLE POWER ADMINISTRATION
and
AVISTA CORPORATION
under
AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8

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[For service to CITY OF PLUMMER]

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Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT (“Service Agreement”) is made and entered into this ____ day of September, 2011, by and between AVISTA CORPORATION (“Avista”) and the Bonneville Power Administration (“Bonneville”), which hereinafter may be referred to individually as “Party” or collectively as “Parties”.

RECITALS

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 (“Tariff”); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista’s Transmission System and/or Avista’s low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to City of Plummer’s loads connected to Avista’s Transmission System since January 1, 2006 and Bonneville has requested continuing service to City of Plummer’s loads; and

WHEREAS, Avista has entered into an Interconnection and Operating Agreement with City of Plummer, providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and City of Plummer; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville’s wholesale utility customers connected to Avista’s Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Plummer

Section 1 - Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

- 2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.
- 2.2 **Incorporation of Exhibits:** The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 **Completed Application:** By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 **System Impact and Facilities Studies:** Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Plummer

Section 3 - Term and Regulatory Filing

- 3.1 **Effective Date and Filing:** This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing (“Effective Date”). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 **Cancellation Rights:** If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 **Termination of Agreement:** Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 **Transmission Service:** Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 **Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities:** Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Plummer

4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one months' notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact – PTKT
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Plummer

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

Section 8 - Miscellaneous Provisions

- 8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 Future Changes or Additions: Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Plummer

wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment. A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service Agreement shall be directed to:

Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington 99202
or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services – PST
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Plummer

8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Plummer

IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Plummer

EXHIBIT 1
SPECIFICATIONS FOR
NETWORK INTEGRATION TRANSMISSION SERVICE

Designated Network Resources

Power Sales Agreement between Bonneville and City of Plummer (Bonneville Contract No. 09PB-13092)

Designated Network Loads

(See Exhibit 1A)

Monthly Transmission Charge

(Pursuant to Section 34 of the Tariff)

Monthly Charges for Direct Assignment and Low Voltage Facilities

(See Exhibit 1B)

Power Factor Penalty Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the Tariff)

In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service
Bonneville Power Administration – Service to City of Plummer

E1 – 1

**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Plummer Point of Delivery**

Location: The point in Avista's Plummer Substation where the 13.8 kV facilities of Avista and the City of Plummer are connected

Voltage: 13.8 kV

Metering: In Avista's Plummer Substation in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to City of Plummer

E1A – 1

EXHIBIT 1B
DIRECT ASSIGNMENT AND LOW-VOLTAGE
SUBSTATION AND DISTRIBUTION CHARGES
(per month)

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Plummer	\$6,319	\$570	---

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
Bonneville Power Administration – Service to City of Plummer
Revision 1 – Effective April 1, 2016

E1B – 1

EXHIBIT 2
SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES

Scheduling, System Control and Dispatch Service

(Pursuant to Schedule 1 of the Tariff)

Reactive Supply and Voltage Control from Generation Sources

(Pursuant to Schedule 2 of the Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to City of Plummer

E2 – 1

Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to City of Plummer

E2 – 2

EXHIBIT 3
NETWORK OPERATING AGREEMENT

NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

Exhibit 3 – Network Operating Agreement
Bonneville Power Administration – Service to City of Plummer

E3 – 1

NETWORK OPERATING AGREEMENT

between

AVISTA CORPORATION

and the

BONNEVILLE POWER ADMINISTRATION

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

2.1 NERC – The North American Electric Reliability Corporation, or its successor.

2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

1

2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.

2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.

4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.

4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

Section 5 – Interconnection Principles and Requirements

Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE-MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities. Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.
- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.
- 7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.
- 7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility Practice and on a comparable basis with service to all other affected Network Customers

and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

- 8.1 Scheduling and Schedule Revisions – Schedules for Bonneville's designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however, that:*
- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours and ending at 1100 hours, Bonneville shall submit any revision to an electronic

tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.
- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

- 8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

- 8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.
- 8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista’s Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista’s transmission function passing on an aggregated sum of Bonneville’s schedules associated with all of its borderline wheeling loads to Avista’s load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista’s Standards of Conduct.

Section 9 – Metering and Communications

- 9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.
- 9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter used to determine billing associated with the Service Agreement shall provide to the

other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

- 9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System.

The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

- 9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters. In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the

Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by prorating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.
- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.
- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

- 9.6 Metering and Communications Required for Integration of Network Resources – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

- 9.7 Metering and Communications Required for Ancillary Services – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista’s Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.
- 9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.
- 9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:
- (a) Megawatt and megavar indications from Bonneville’s supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
 - (b) The following:
 - (i) Metering current transformers (“CTs”) and potential transformers (“PTs”),
 - (ii) Space in Bonneville’s substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function (“Avista Equipment”), to be supplied by Avista,

- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Section 11 - Miscellaneous

- 11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.
- 11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.
- 11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.
- 11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any such amendment shall become effective upon acceptance for filing by the Commission.

Avista Contract No. AV-TR11-1094
Bonneville Contract No. 11PX-10008

SERVICE AGREEMENT
for
NETWORK INTEGRATION TRANSMISSION SERVICE
between
the BONNEVILLE POWER ADMINISTRATION
and
AVISTA CORPORATION
under
AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8

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[For service to CITY OF CHEWELAH]

<u>Section</u>	<u>Description</u>	<u>Page</u>
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Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT (“Service Agreement”) is made and entered into this ____ day of September, 2011, by and between AVISTA CORPORATION (“Avista”) and the Bonneville Power Administration (“Bonneville”), which hereinafter may be referred to individually as “Party” or collectively as “Parties”.

RECITALS

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 (“Tariff”); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista’s Transmission System and/or Avista’s low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to the City of Chewelah’s loads connected to Avista’s Transmission System since January 1, 2006 and Bonneville has requested continuing service to the City of Chewelah’s loads; and

WHEREAS, Avista has entered into an Interconnection and Operating Agreement with the City of Chewelah, providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and the City of Chewelah; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville’s wholesale utility customers connected to Avista’s Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Chewelah

Section 1 - Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

- 2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.
- 2.2 **Incorporation of Exhibits:** The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 **Completed Application:** By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 **System Impact and Facilities Studies:** Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Chewelah

Section 3 - Term and Regulatory Filing

- 3.1 **Effective Date and Filing:** This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing (“Effective Date”). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 **Cancellation Rights:** If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 **Termination of Agreement:** Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 **Transmission Service:** Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 **Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities:** Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Chewelah

4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one months' notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact – PTKT
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Chewelah

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

Section 8 - Miscellaneous Provisions

- 8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 Future Changes or Additions: Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Chewelah

wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment. A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service Agreement shall be directed to:

Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington 99202
or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services – PST
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

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8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Chewelah

IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Chewelah

EXHIBIT 1
SPECIFICATIONS FOR
NETWORK INTEGRATION TRANSMISSION SERVICE

Designated Network Resources

Power Sales Agreement between Bonneville and City of Chewelah (Bonneville Contract No. 09PB-13018)

Designated Network Loads

(See Exhibit 1A)

Monthly Transmission Charge

(Pursuant to Section 34 of the Tariff)

Monthly Charges for Direct Assignment and Low Voltage Facilities

(See Exhibit 1B)

Power Factor Penalty Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the Tariff)

In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service
Bonneville Power Administration – Service to City of Chewelah

E1 – 1

**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Chewelah Point of Delivery**

Location: The point in Avista's Chewelah Substation where the 13.8 kV facilities of Avista and the City of Chewelah are connected

Voltage: 13.8 kV

Metering: In Avista's Chewelah Substation in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to City of Chewelah

E1A – 1

EXHIBIT 1B
DIRECT ASSIGNMENT AND LOW-VOLTAGE
SUBSTATION AND DISTRIBUTION CHARGES
(per month)

<u>Point of Delivery</u>	<u>Joint-Use</u> <u>Substation</u>	<u>Sole-Use</u> <u>Substation</u>	<u>Low-Voltage</u> <u>Facilities</u>
Chewelah	\$4,198	\$544	---

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
Bonneville Power Administration – Service to City of Chewelah
Revision 1 – Effective April 1, 2016

E1B – 1

EXHIBIT 2
SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES

Scheduling, System Control and Dispatch Service

(Pursuant to Schedule 1 of the Tariff)

Reactive Supply and Voltage Control from Generation Sources

(Pursuant to Schedule 2 of the Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to City of Chewelah

E2 – 1

Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to City of Chewelah

E2 – 2

EXHIBIT 3
NETWORK OPERATING AGREEMENT

NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

Exhibit 3 – Network Operating Agreement
Bonneville Power Administration – Service to City of Chewelah

E3 – 1

NETWORK OPERATING AGREEMENT

between

AVISTA CORPORATION

and the

BONNEVILLE POWER ADMINISTRATION

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

2.1 NERC – The North American Electric Reliability Corporation, or its successor.

2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

1

2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.

2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.

4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.

4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

Section 5 – Interconnection Principles and Requirements

Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE-MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities. Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.
- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.
- 7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.
- 7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility Practice and on a comparable basis with service to all other affected Network Customers

and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

- 8.1 Scheduling and Schedule Revisions – Schedules for Bonneville's designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however, that:*
- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours and ending at 1100 hours, Bonneville shall submit any revision to an electronic

tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.
- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

- 8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

- 8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.
- 8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista’s Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista’s transmission function passing on an aggregated sum of Bonneville’s schedules associated with all of its borderline wheeling loads to Avista’s load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista’s Standards of Conduct.

Section 9 – Metering and Communications

- 9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.
- 9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter used to determine billing associated with the Service Agreement shall provide to the

other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

- 9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System.

The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

- 9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters. In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the

Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by prorating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.
- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.
- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

- 9.6 Metering and Communications Required for Integration of Network Resources – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

- 9.7 Metering and Communications Required for Ancillary Services – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista’s Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.
- 9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.
- 9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:
- (a) Megawatt and megavar indications from Bonneville’s supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
 - (b) The following:
 - (i) Metering current transformers (“CTs”) and potential transformers (“PTs”),
 - (ii) Space in Bonneville’s substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function (“Avista Equipment”), to be supplied by Avista,

- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Section 11 - Miscellaneous

- 11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.
- 11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.
- 11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.
- 11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any such amendment shall become effective upon acceptance for filing by the Commission.

Avista Contract No. AV-TR11-1091
Bonneville Contract No. 11PX-10005

**SERVICE
AGREEMENT**
fo
r
**NETWORK INTEGRATION TRANSMISSION
SERVICE**
betwee
n
the **BONNEVILLE POWER
ADMINISTRATION**
an
d
**AVISTA
CORPORATION**
unde
r
**AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8**

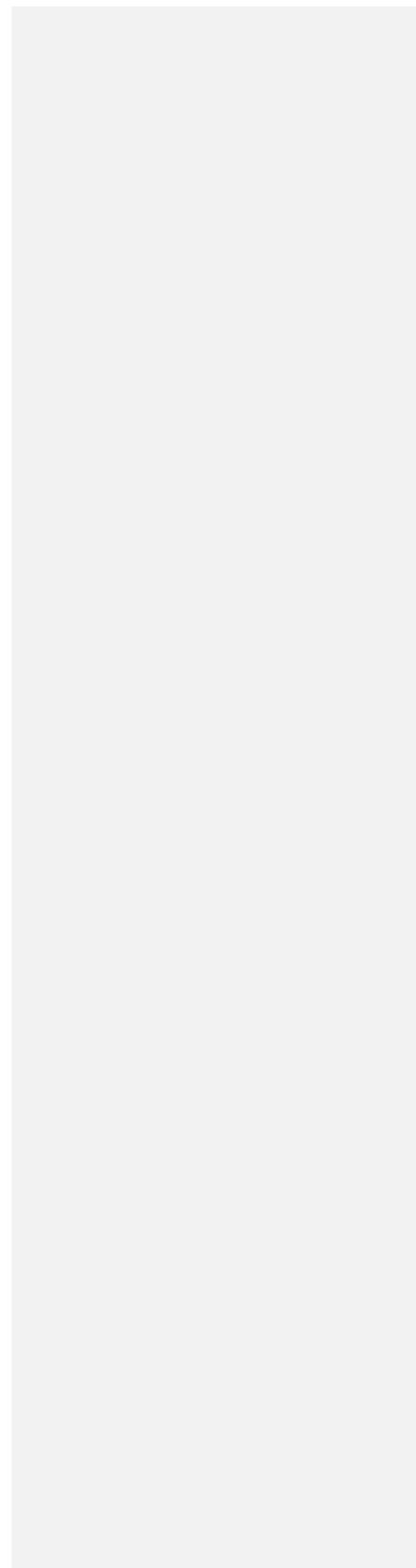
[For service to PUD NO. 1 OF ASOTIN COUNTY]

<u>Section</u>	<u>Description</u>	<u>Page</u>
1.	Definitions	3
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Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement



This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT ("Service Agreement") is made and entered into this ____ day of September, 2011, by and between AVISTA CORPORATION ("Avista") and the Bonneville Power Administration ("Bonneville"), which hereinafter may be referred to individually as "Party" or collectively as "Parties".

RECITALS

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 ("Tariff"); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista's Transmission System and/or Avista's low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to PUD No. 1 of Asotin County's loads connected to Avista's Transmission System since January 1, 2006 and Bonneville has requested continuing service to PUD No. 1 of Asotin County's loads; and

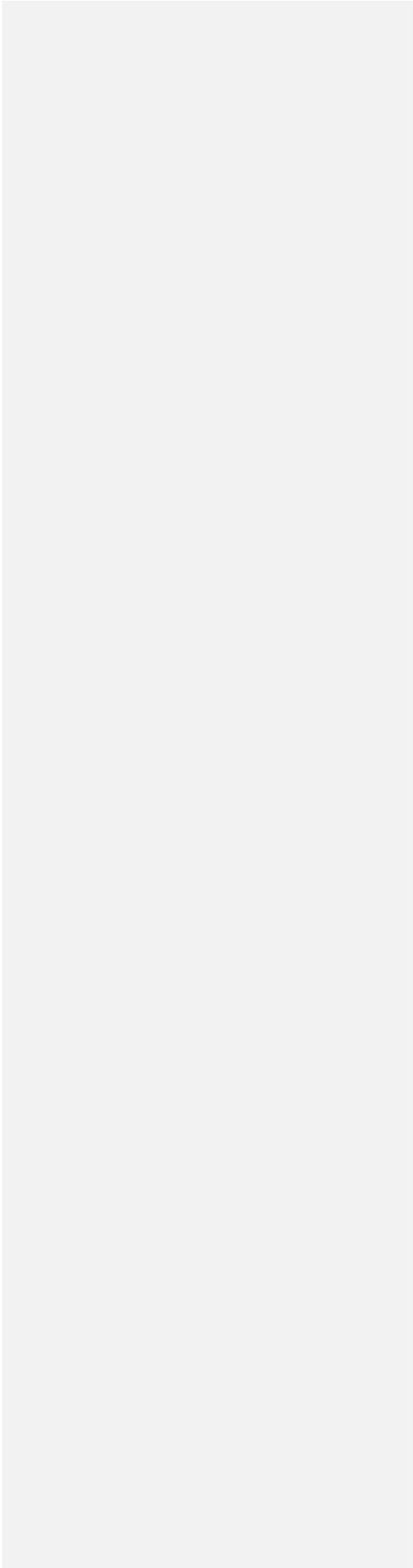
WHEREAS, Avista has entered into an Interconnection and Operating Agreement with PUD No. 1 of Asotin County, providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and PUD No. 1 of Asotin County; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville's wholesale utility customers connected to Avista's Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

2



Section 1 - Definitions

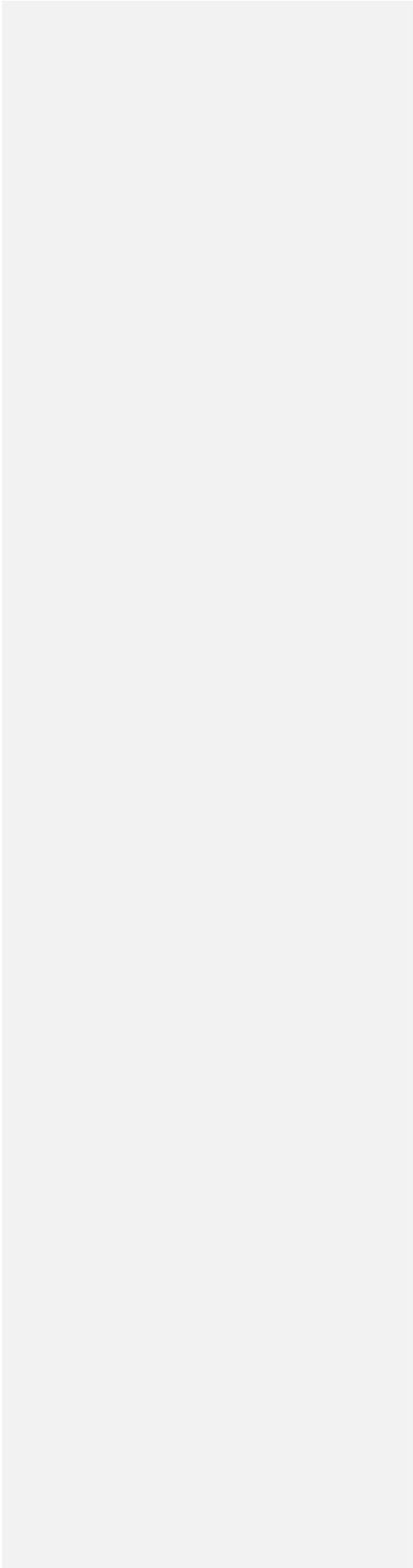
Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

- 2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.
- 2.2 **Incorporation of Exhibits:** The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 **Completed Application:** By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 **System Impact and Facilities Studies:** Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

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Section 3 - Term and Regulatory Filing

- 3.1 **Effective Date and Filing:** This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing ("Effective Date"). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 **Cancellation Rights:** If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 **Termination of Agreement:** Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

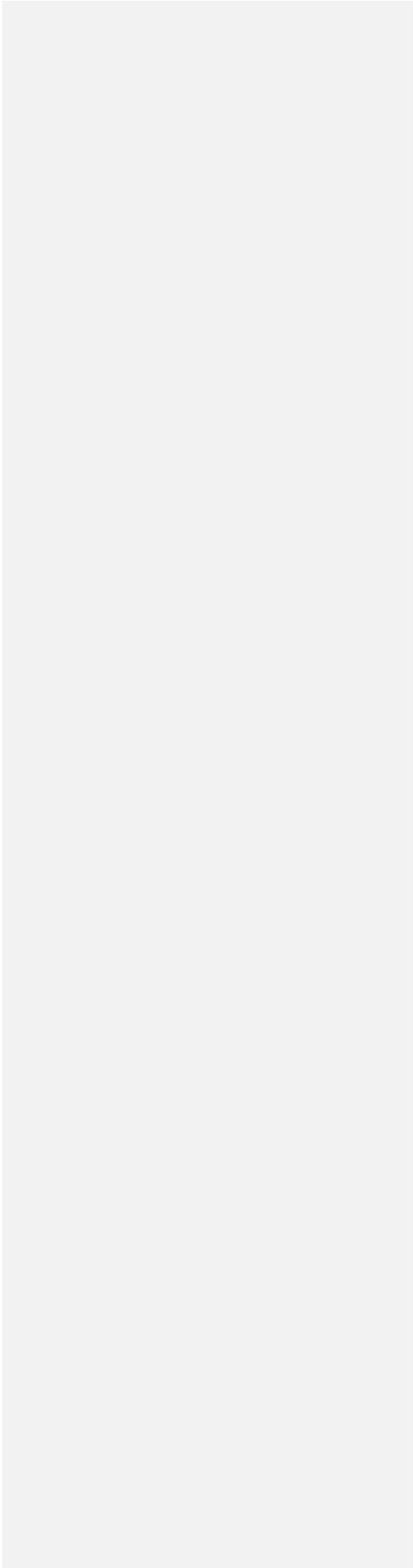
Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 **Transmission Service:** Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 **Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities:** Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

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4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one months' notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

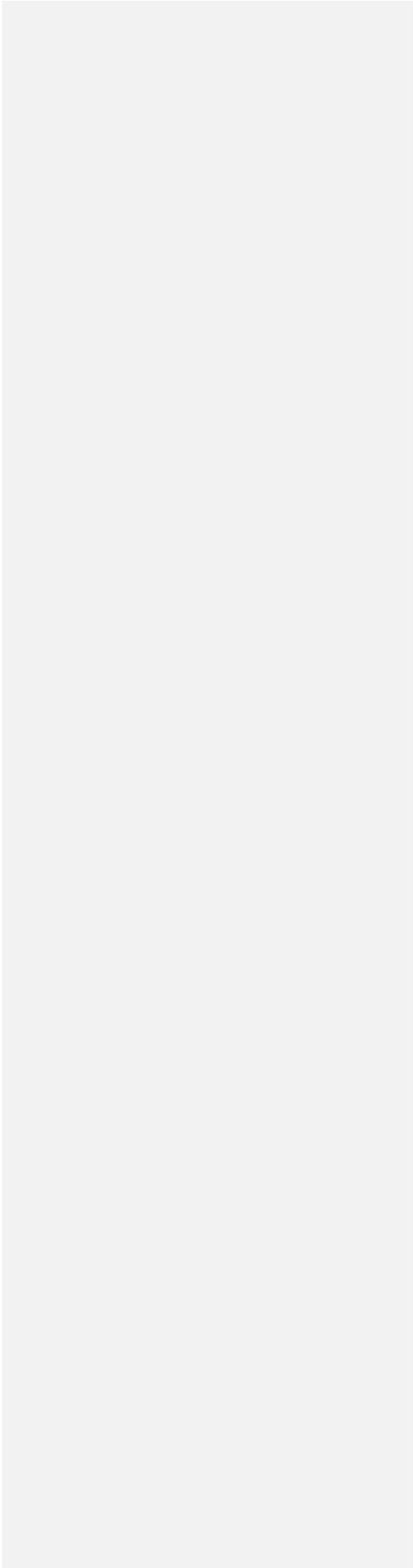
Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact – PTKT
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

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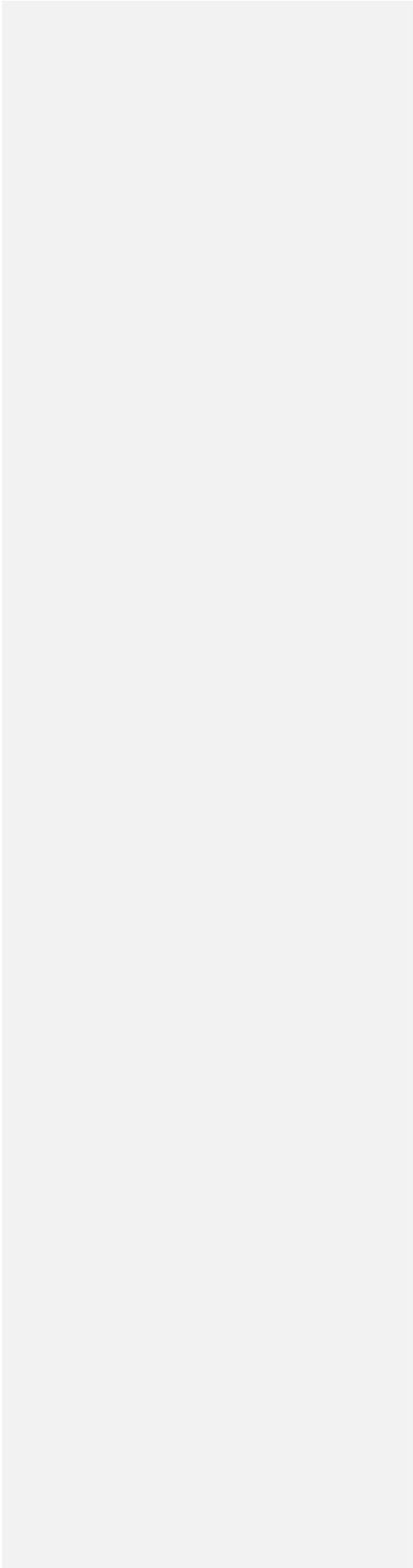
All payments to Avista shall be submitted via electronic funds transfer to the account specified on each billing invoice.

Section 8 - Miscellaneous Provisions

- 8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 Future Changes or Additions: Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

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wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment. A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service Agreement shall be directed to:

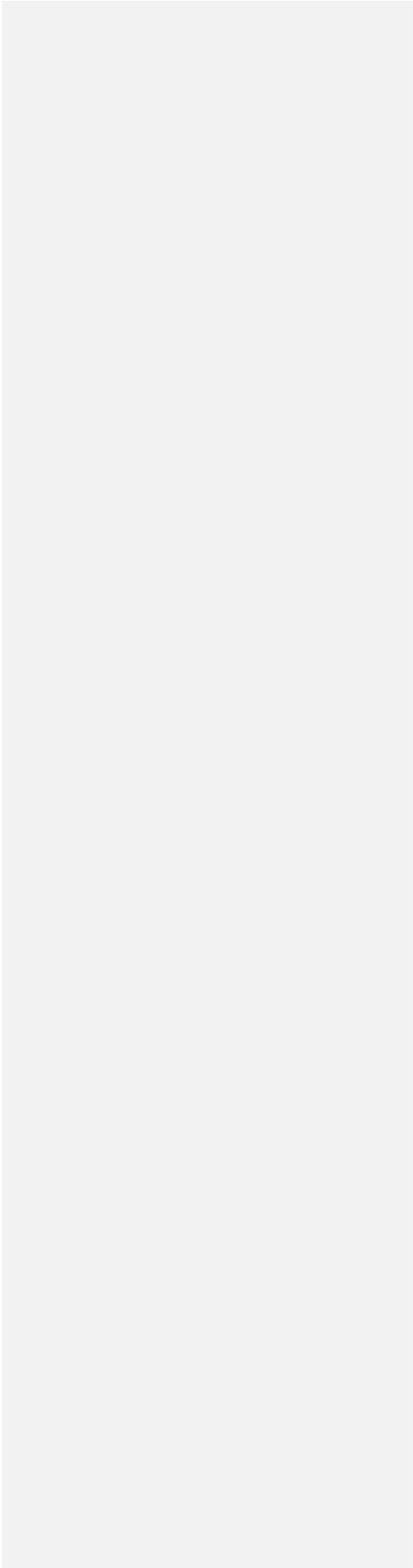
Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington 99202
or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services – PST
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

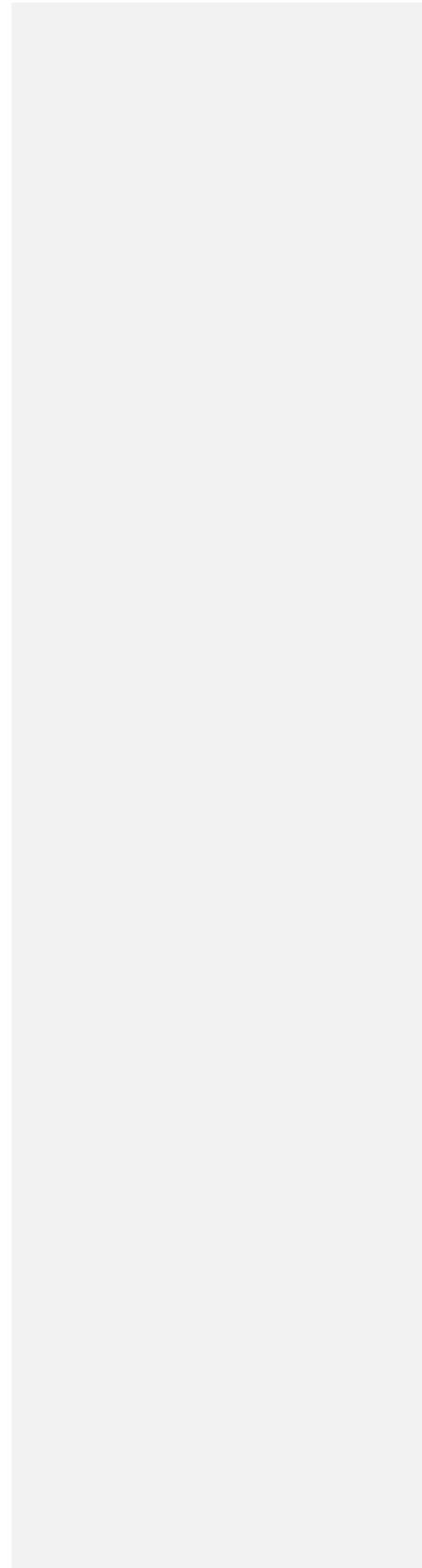
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8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

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IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

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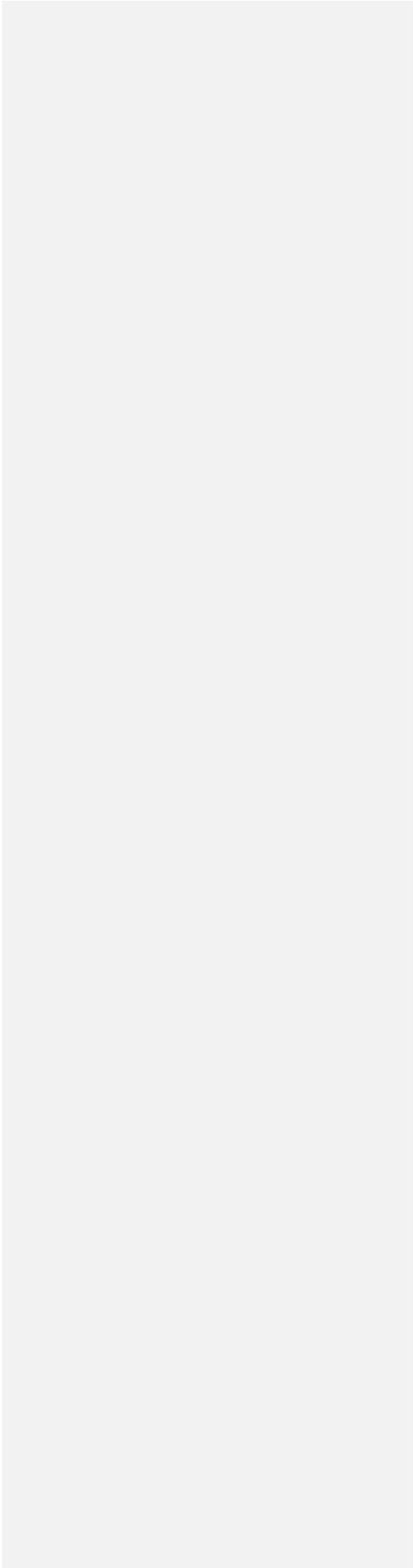


EXHIBIT 1
SPECIFICATIONS FOR
NETWORK INTEGRATION TRANSMISSION SERVICE

Designated Network Resources

Power Sales Agreement between Bonneville and PUD No. 1 of Asotin County (Bonneville Contract No. 09PB-13003)

Designated Network Loads

(See Exhibit 1A)

Monthly Transmission Charge

(Pursuant to Section 34 of the Tariff)

Monthly Charges for Direct Assignment and Low Voltage Facilities

(See Exhibit 1B)

Power Factor Penalty Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the Tariff)

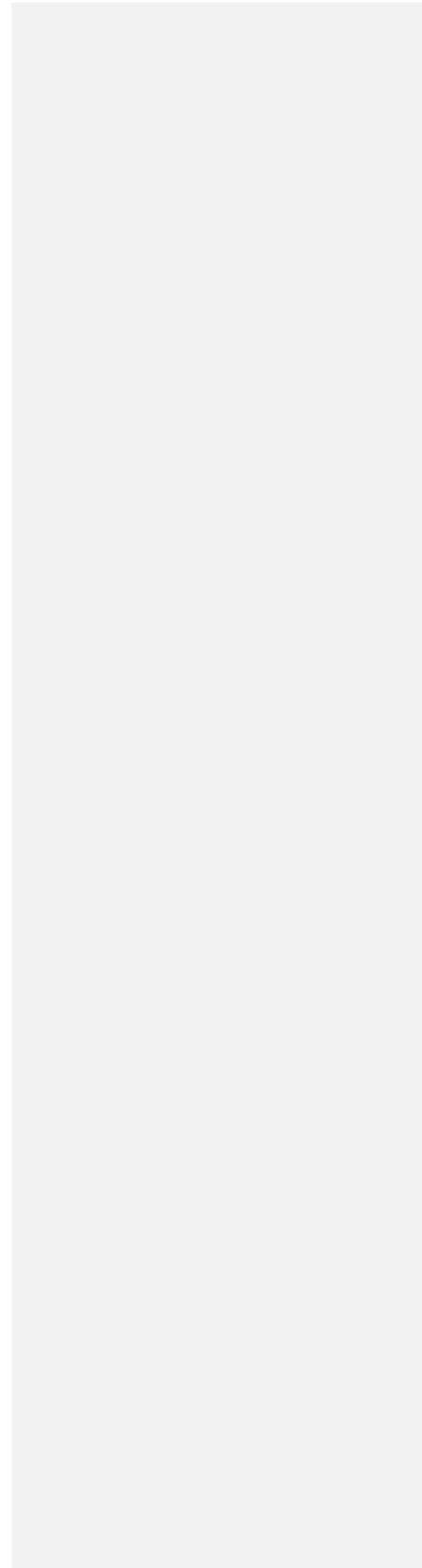
In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service
Bonneville Power Administration – Service to PUD No. 1 of Asotin County

E1 – 1



**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Well #1 – 1400 Chestnut Avenue (via Pound Lane Substation)**

Location: The point on Avista's distribution service system at 1400 Chestnut Avenue in Clarkston, Washington where the 480 volt facilities of Avista and PUD No. 1 of Asotin County (Asotin) are connected

Voltage: 480 V

Metering: At or near the Point of Delivery in the 480 V circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

2) **Well #2 – 1500 Critchfield Road (via ~~Pound Lane~~Critchfield Substation)**

Location: The point on Avista's distribution service system at 1500 Critchfield Road and Clemons Road in Clarkston, Washington where the 480 volt facilities of Avista and Asotin are connected

Voltage: 480 V

Metering: At or near the Point of Delivery in the 480 V circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

3) **Well #3 – 1500 16th Avenue (via Pound Land Substation)**

Location: The point on Avista's distribution service system at 1500 16th Avenue in Clarkston, Washington where the 2400 volt facilities of Avista and Asotin are connected

Voltage: 2400 V

Metering: At or near the Point of Delivery in the 2400 V circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to PUD No. 1 of Asotin County
Revision 1 – Effective April 1, 2016

E1A – 1

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4) **Well #5 – 2200 3rd Avenue (via Dry Gulch Substation)**

Location: The point on Avista's distribution service system at 2200 3rd Avenue in Clarkston, Washington where the 2400 volt facilities of Avista and Asotin are connected

Voltage: 2400 V

Metering: At or near the Point of Delivery in the 2400 V circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

5) **Well #6 – 2101 Critchfield Road (via ~~Pound Lane~~Critchfield Substation)**

Location: The point on Avista's distribution service system at 2101 Critchfield Road in Clarkston, Washington where the 2400 volt facilities of Avista and Asotin are connected

Voltage: 2400 V

Metering: At or near the Point of Delivery in the 2400 V circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

6) **Well #7 – 1825 Reservoir Road (via Pound Lane Substation)**

Location: The point on Avista's distribution service system at 1825 Reservoir Road in Clarkston, Washington where the 2400 volt facilities of Avista and Asotin are connected

Voltage: 2400 V

Metering: At or near the Point of Delivery in the 2400 V circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to PUD No. 1 of Asotin County
Revision 1 – Effective April 1, 2016

E1A – 2

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7) **Clarkston Heights Booster Station – 1500 16th Avenue (via Pound Lane Substation)**

Location: The point on Avista's distribution service system at 1500 16th Avenue in Clarkston, Washington where the 480 volt facilities of Avista and Asotin are connected

Voltage: 480 V

Metering: At or near the Point of Delivery in the 480 V circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to PUD No. 1 of Asotin County

E1A – 3

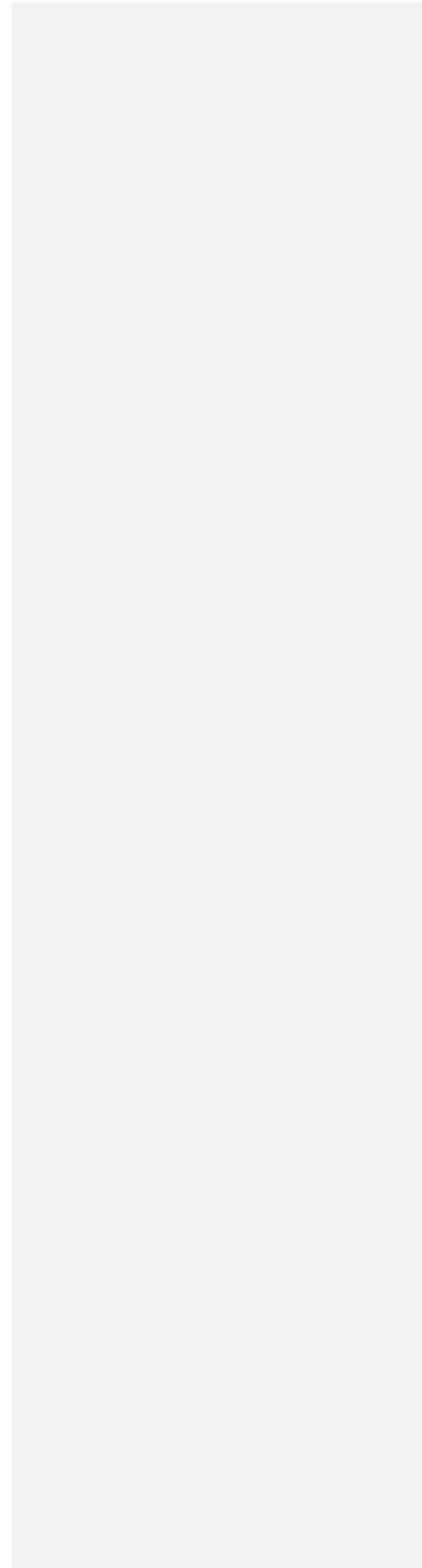


EXHIBIT 1B
DIRECT ASSIGNMENT AND LOW-VOLTAGE
SUBSTATION AND DISTRIBUTION CHARGES
 (per month)

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Dry Gulch Critchfield	\$240 1,350	--\$310	\$230 772
Pound Lane	\$57 2519	---	\$18 35

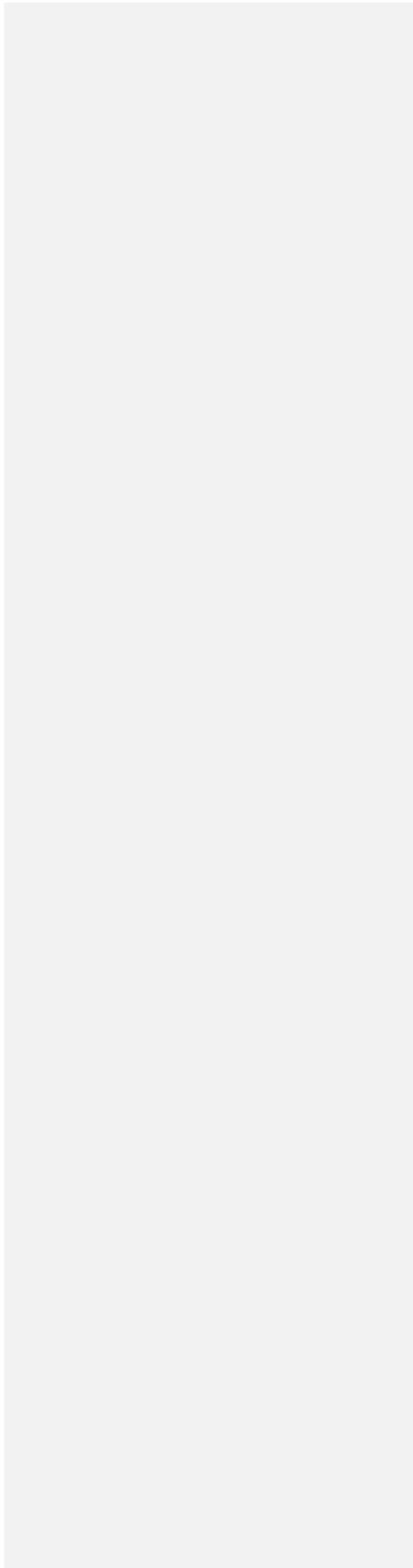


Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
Bonneville Power Administration – Service to PUD No. 1 of Asotin County
[Revision 1 – Effective April 1, 2016](#)

E1B – 1

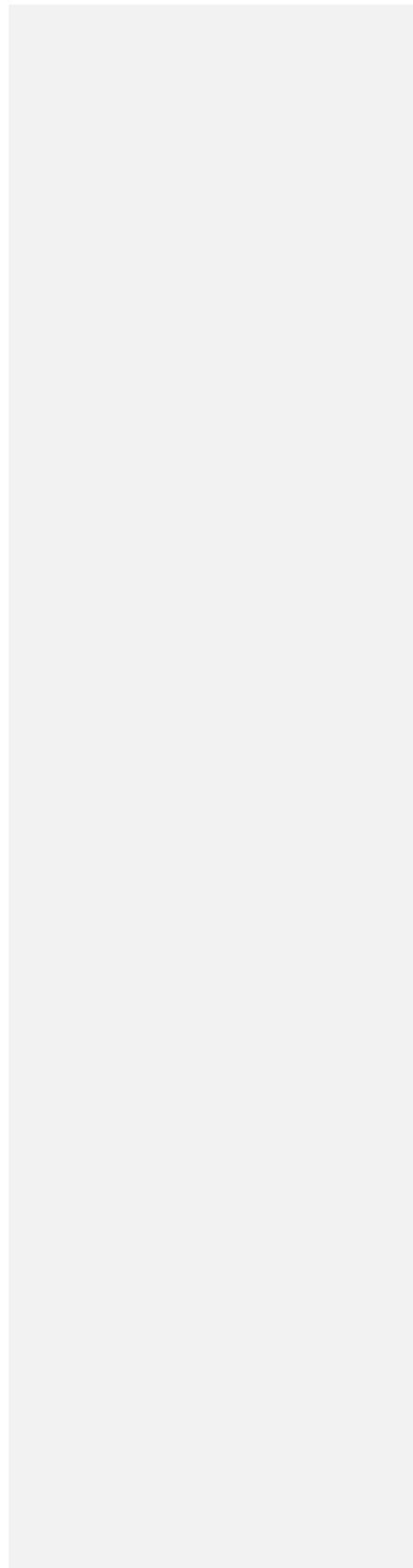


EXHIBIT 2
SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES

Scheduling, System Control and Dispatch Service

(Pursuant to Schedule 1 of the Tariff)

Reactive Supply and Voltage Control from Generation Sources

(Pursuant to Schedule 2 of the Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

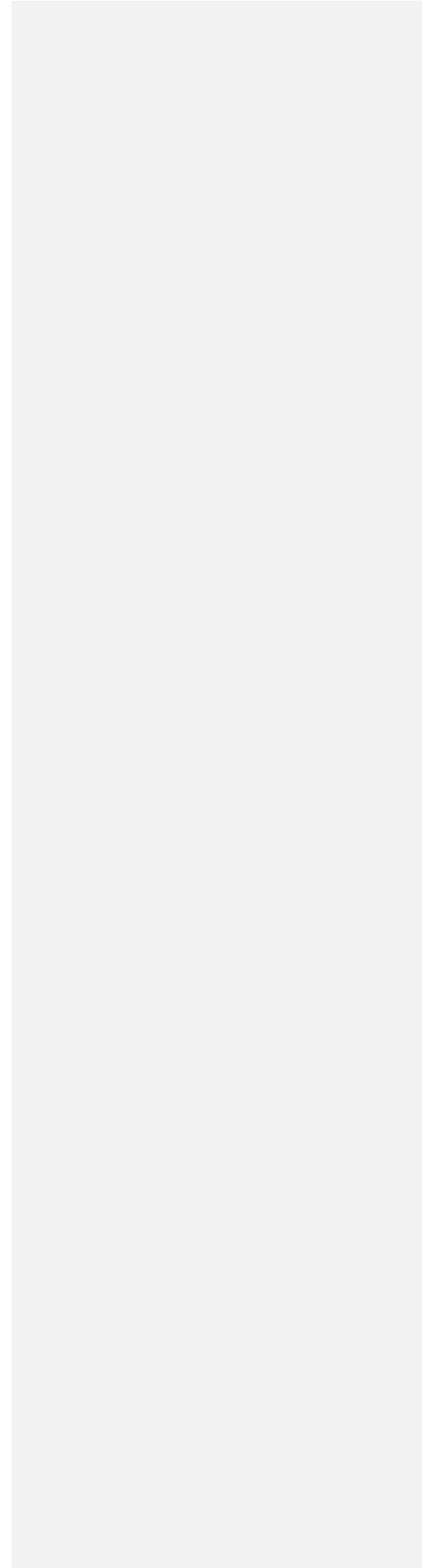
Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to PUD No. 1 of Asotin County

E2 – 1



Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to PUD No. 1 of Asotin County

E2 – 2

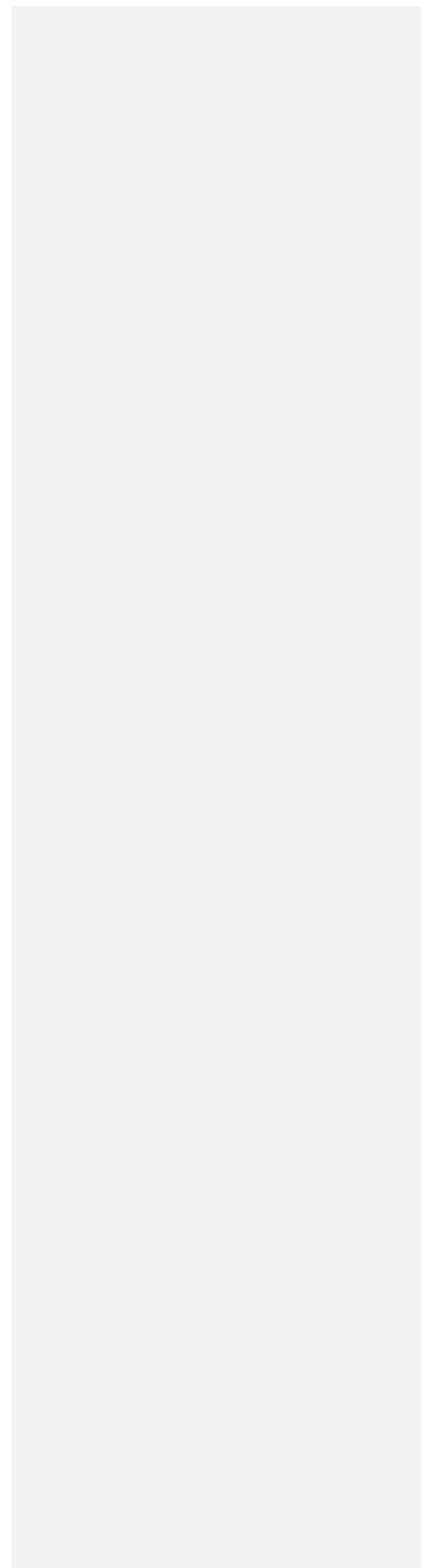


EXHIBIT 3
NETWORK OPERATING AGREEMENT

NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

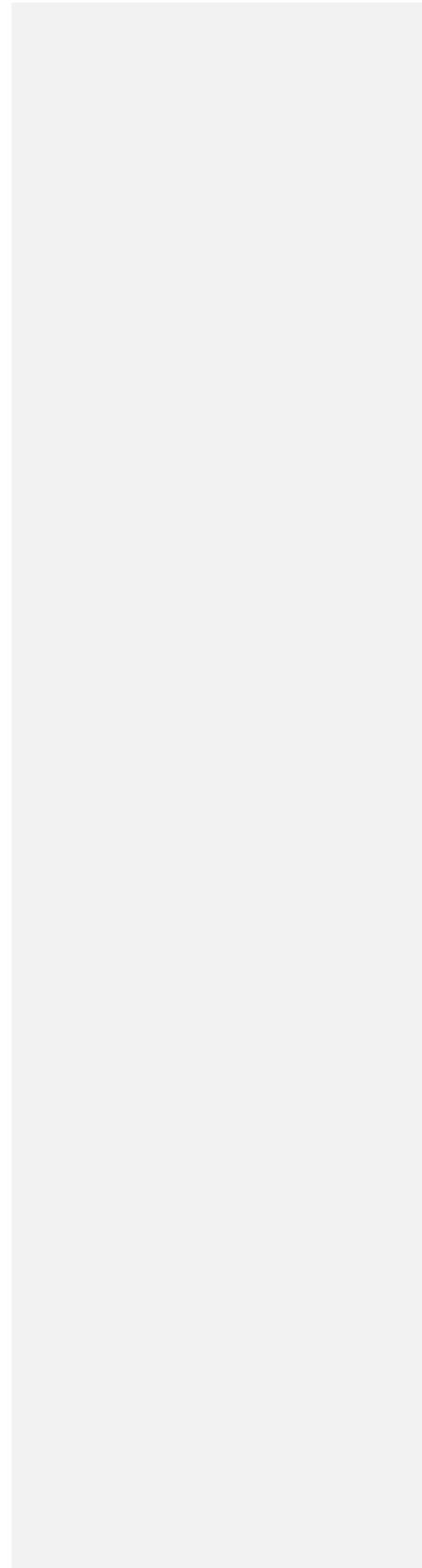
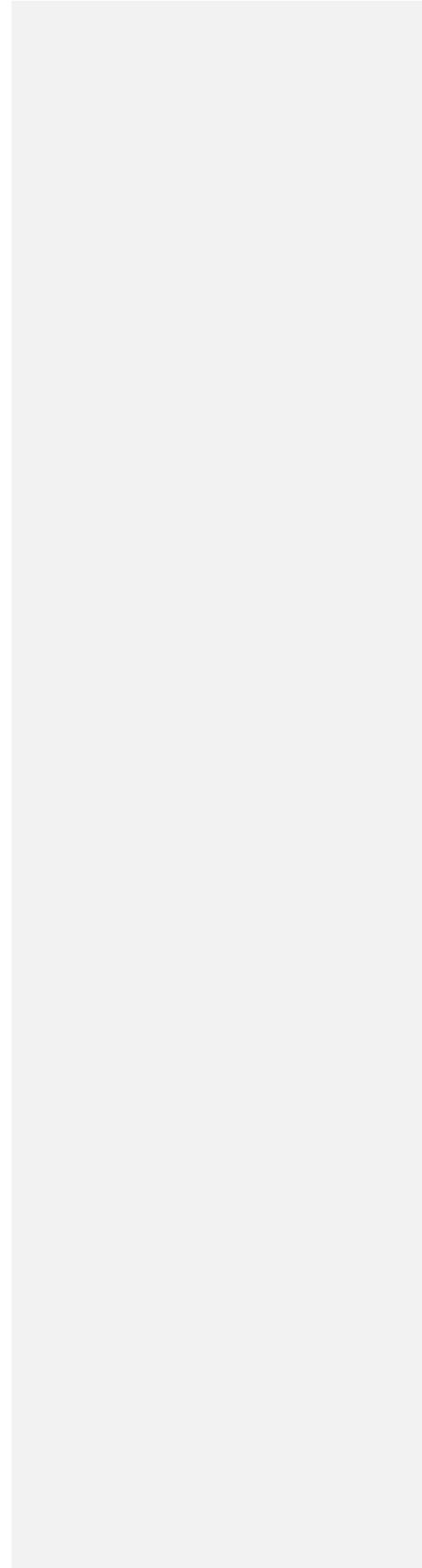


Exhibit 3 – Network Operating Agreement
Bonneville Power Administration – Service to PUD No. 1 of Asotin County

E3 – 1



NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

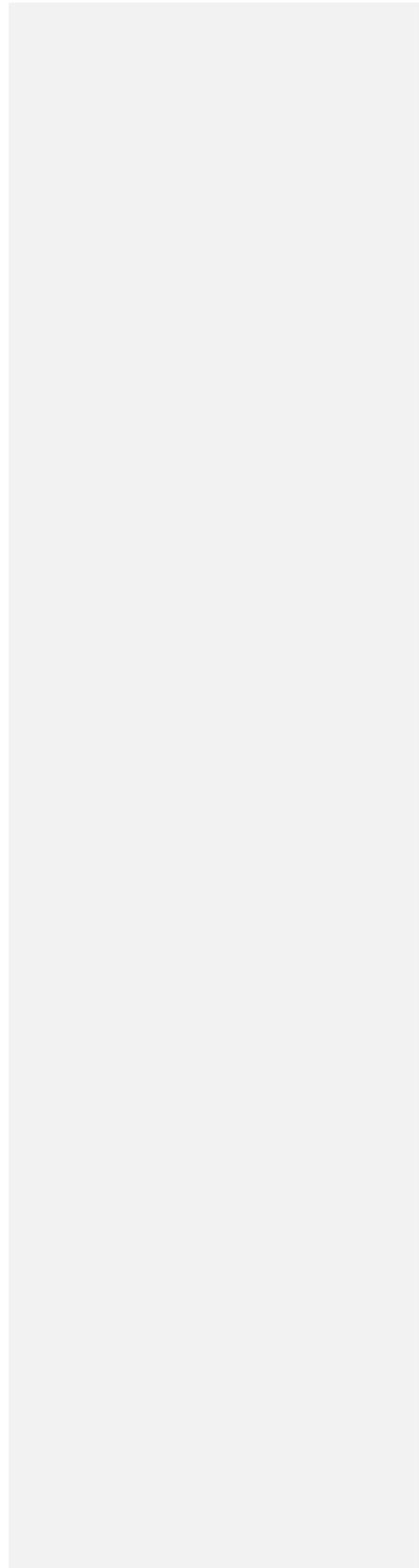
Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

- 2.1 NERC – The North American Electric Reliability Corporation, or its successor.
- 2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

1



- 2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.
- 2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

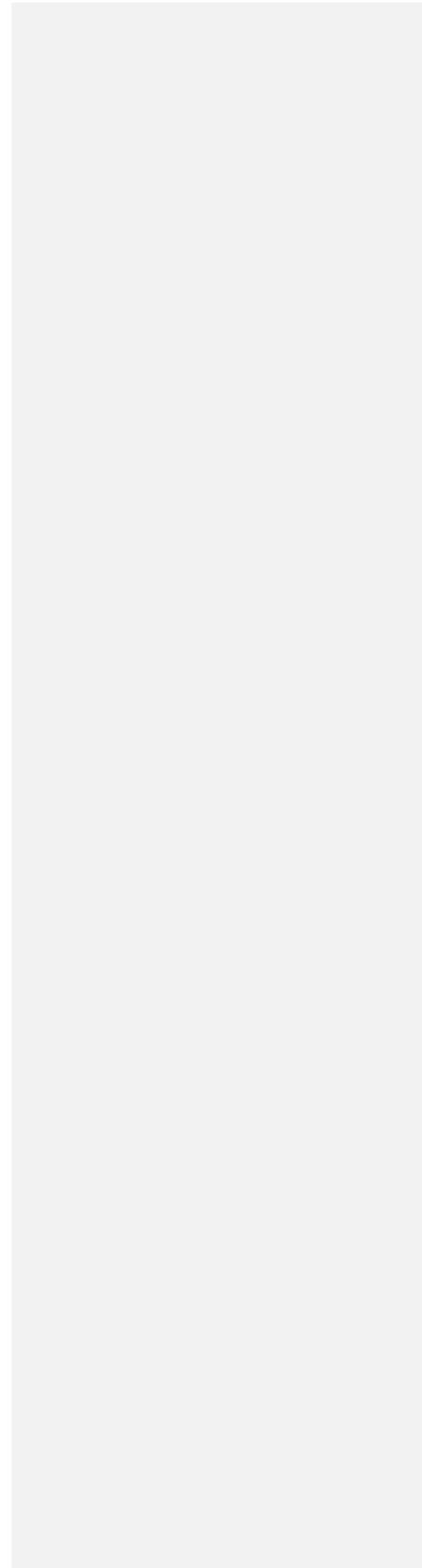
This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

- 4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.
- 4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.
- 4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

Network Operating Agreement – September 2011

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Section 5 – Interconnection Principles and Requirements

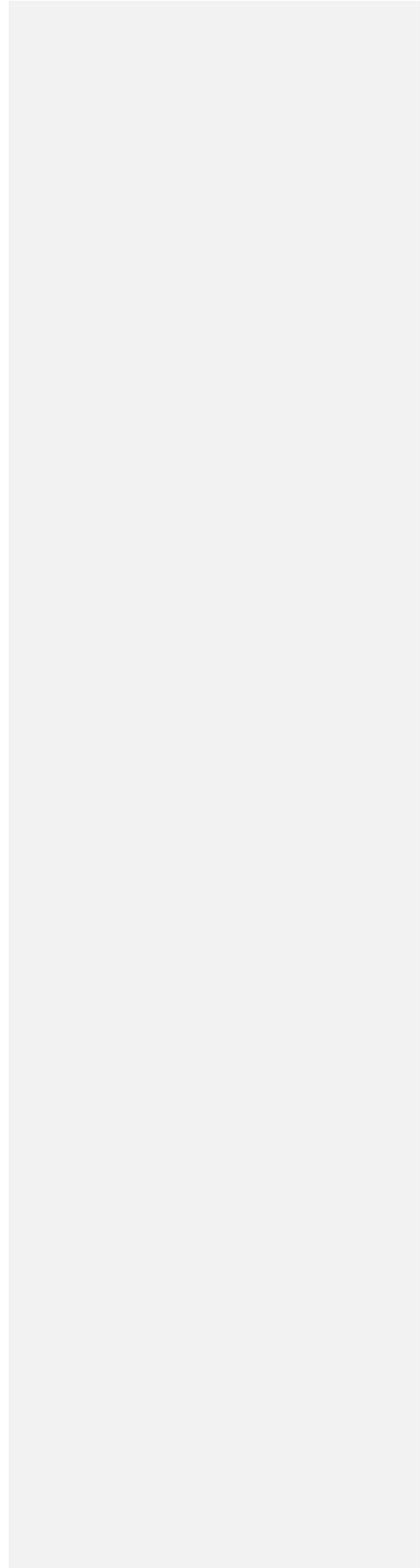
Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE-MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities. Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.
- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Network Operating Agreement – September 2011

3



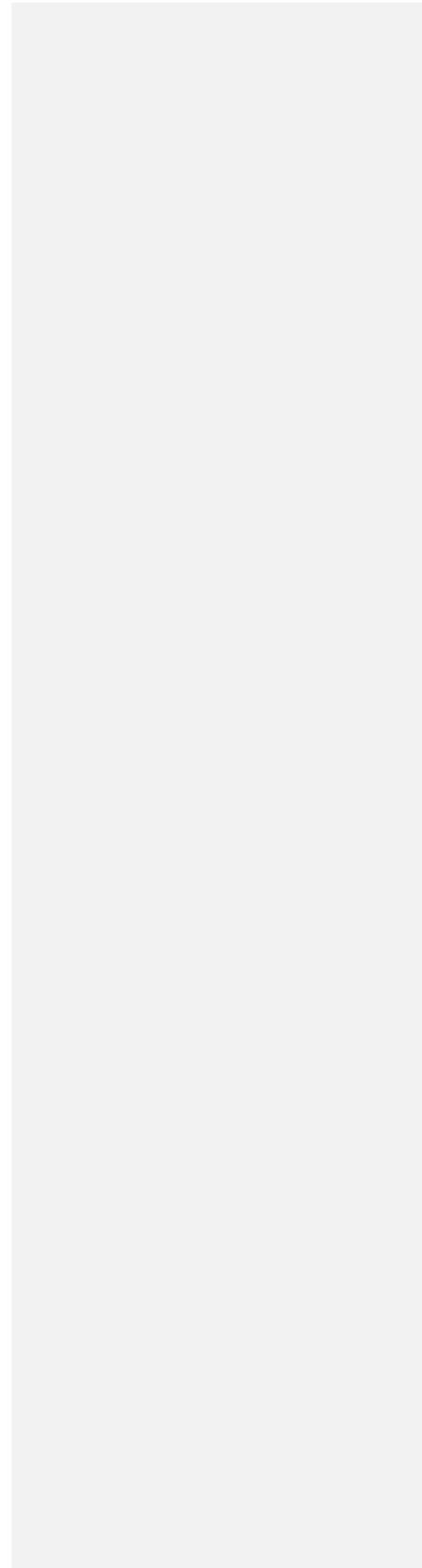
Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.
- 7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.
- 7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility Practice and on a comparable basis with service to all other affected Network Customers

Network Operating Agreement – September 2011

4



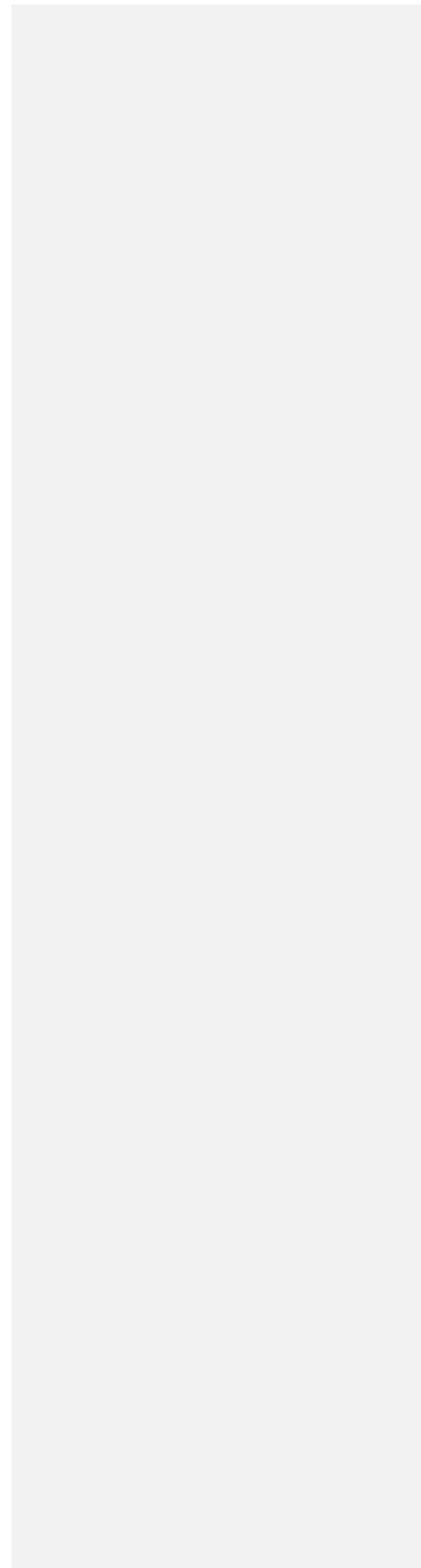
and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

- 8.1 Scheduling and Schedule Revisions – Schedules for Bonneville's designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however, that:*
- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours and ending at 1100 hours, Bonneville shall submit any revision to an electronic

Network Operating Agreement – September 2011

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tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

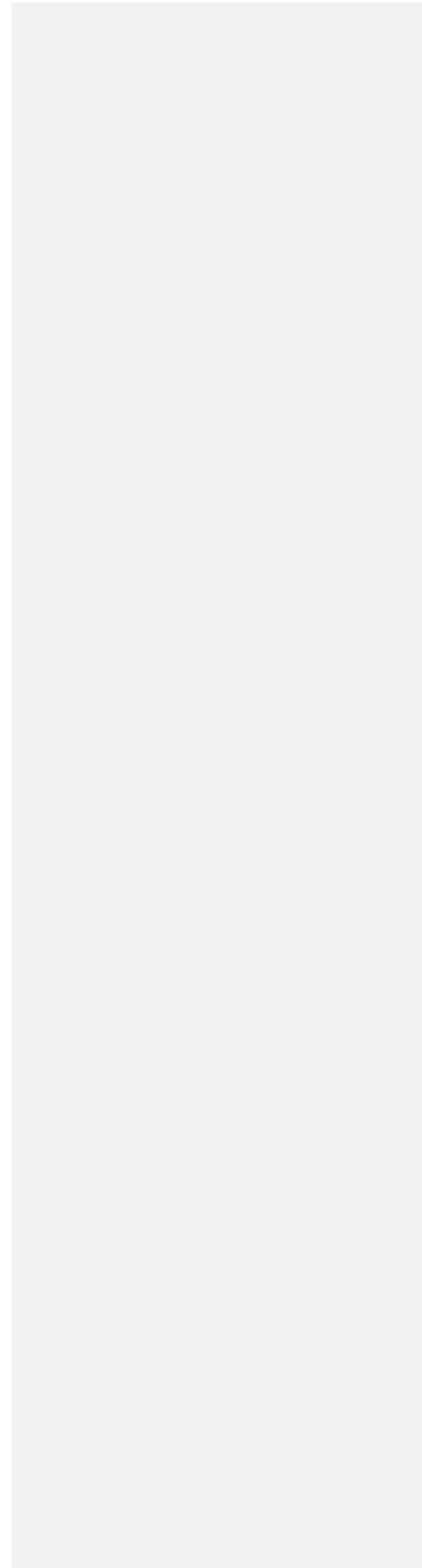
- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.
- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

- 8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Network Operating Agreement – September 2011

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Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.

8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista's Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista's transmission function passing on an aggregated sum of Bonneville's schedules associated with all of its borderline wheeling loads to Avista's load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista's Standards of Conduct.

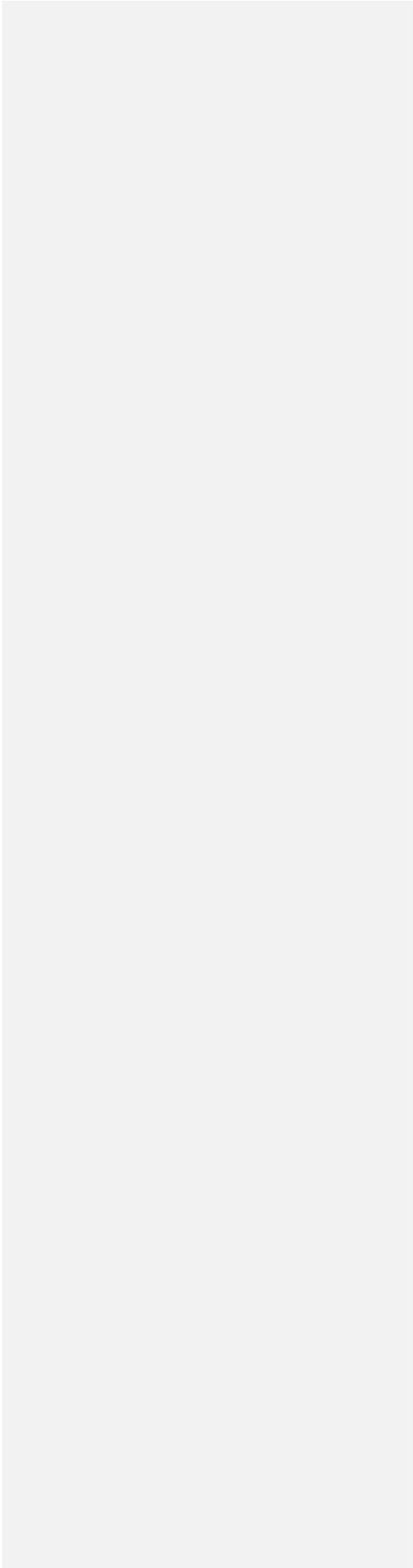
Section 9 – Metering and Communications

9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.

9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter used to determine billing associated with the Service Agreement shall provide to the

Network Operating Agreement – September 2011

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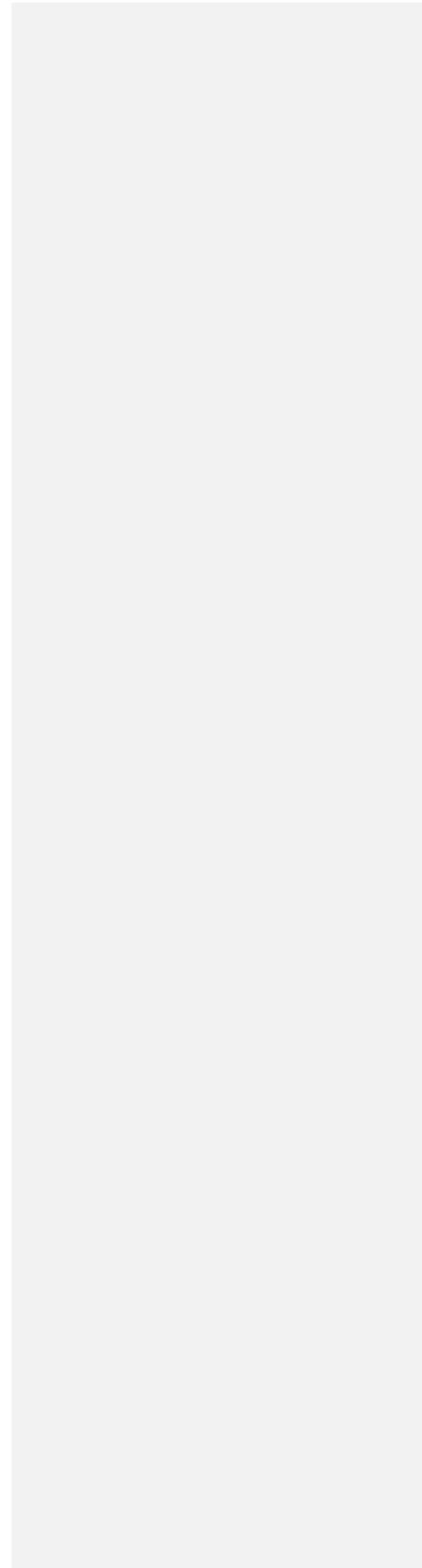
other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

- 9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System.

The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

- 9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters. In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the



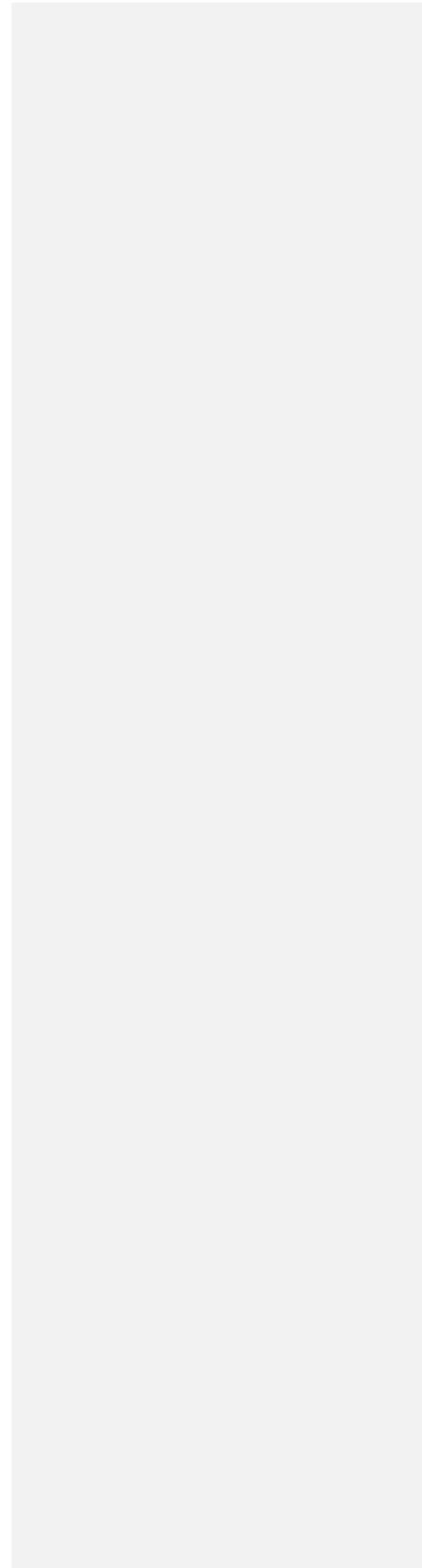
Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by pro-rating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.
- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.
- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Network Operating Agreement – September 2011

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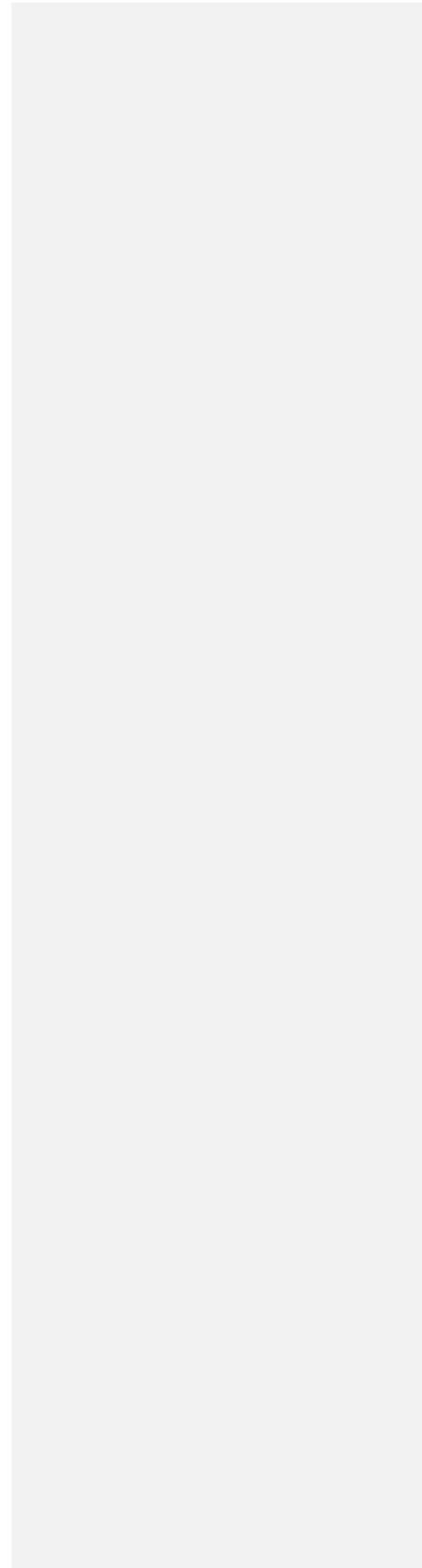
Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

- 9.6 Metering and Communications Required for Integration of Network Resources – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

Network Operating Agreement – September 2011

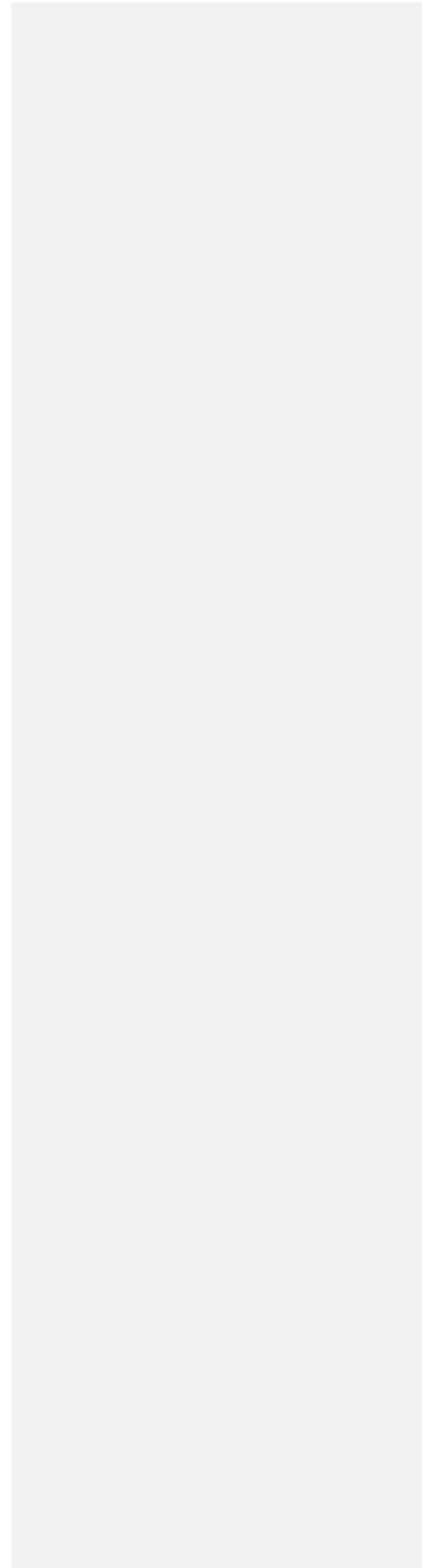
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- 9.7 Metering and Communications Required for Ancillary Services – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.
- 9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.
- 9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:
- (a) Megawatt and megavar indications from Bonneville's supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
 - (b) The following:
 - (i) Metering current transformers ("CTs") and potential transformers ("PTs"),
 - (ii) Space in Bonneville's substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function ("Avista Equipment"), to be supplied by Avista,

Network Operating Agreement – September 2011

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- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

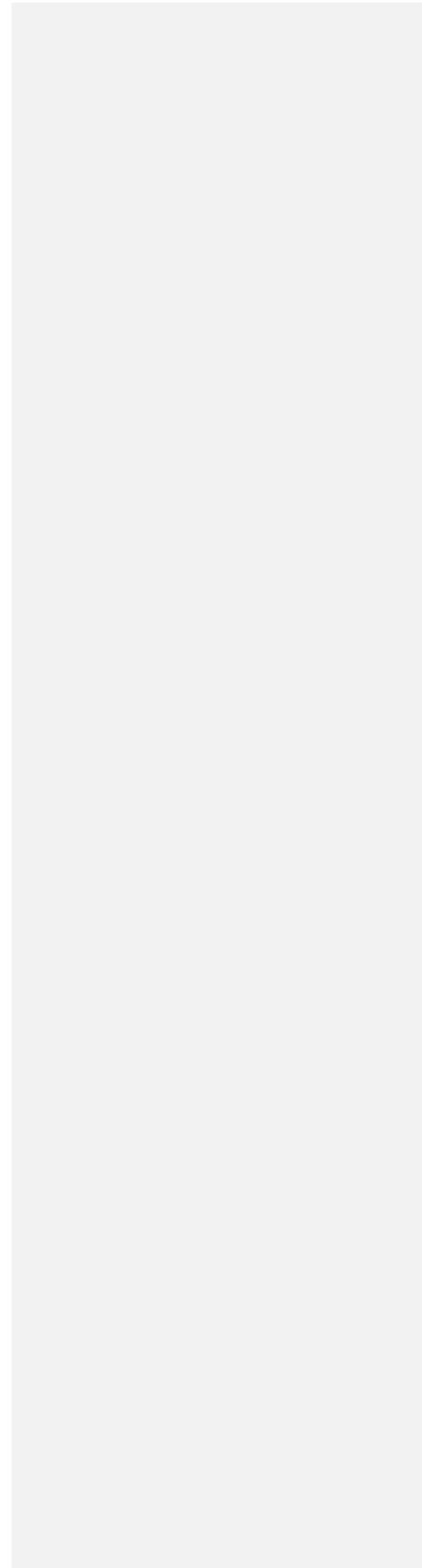
- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Network Operating Agreement – September 2011

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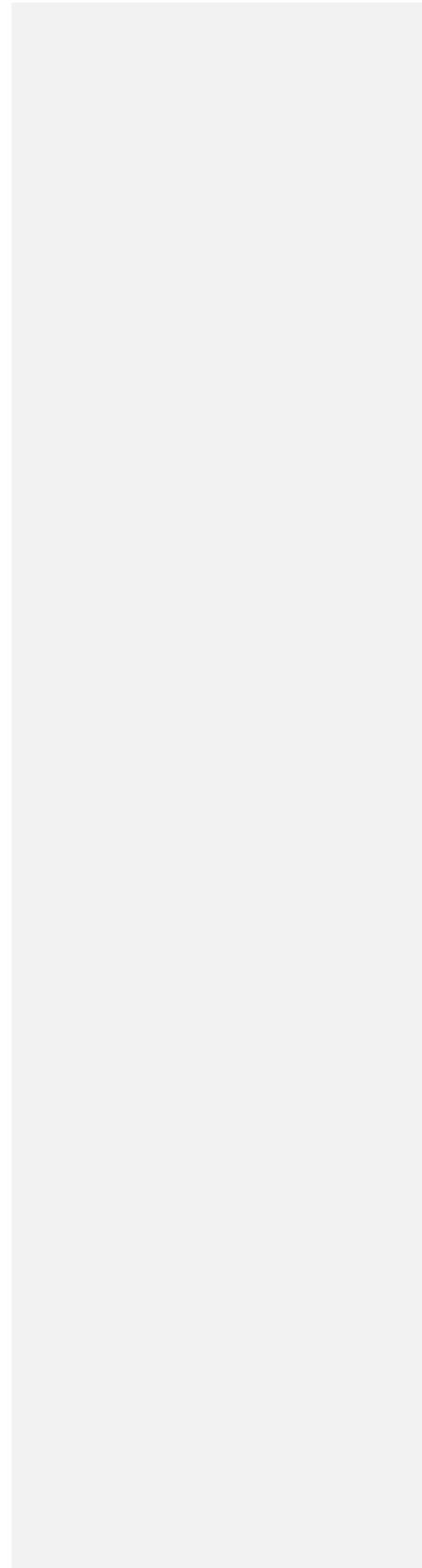


Section 11 - Miscellaneous

- 11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.
- 11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.
- 11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.
- 11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any such amendment shall become effective upon acceptance for filing by the Commission.

Network Operating Agreement – September 2011

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Avista Contract No. AV-TR11-1092
Bonneville Contract No. 11PX-10006

SERVICE AGREEMENT
for
NETWORK INTEGRATION TRANSMISSION SERVICE
between
the BONNEVILLE POWER ADMINISTRATION
and
AVISTA CORPORATION
under
AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8

[For service to BIG BEND ELECTRIC COOPERATIVE, INC.]

<u>Section</u>	<u>Description</u>	<u>Page</u>
1.	Definitions	3
2.	Standard Provisions	3
3.	Term and Regulatory Filing	4
4.	Network Integration Transmission Service	4
5.	Other Services	5
6.	Construction of Facilities	5
7.	Billing and Payment	5
8.	Miscellaneous Provisions	6

Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT ("Service Agreement") is made and entered into this ____ day of September, 2011, by and between AVISTA CORPORATION ("Avista") and the Bonneville Power Administration ("Bonneville"), which hereinafter may be referred to individually as "Party" or collectively as "Parties".

RECITALS

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 ("Tariff"); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista's Transmission System and/or Avista's low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to Big Bend Electric Cooperative, Inc.'s loads connected to Avista's Transmission System since January 1, 2006 and Bonneville has requested continuing service to Big Bend Electric Cooperative, Inc.'s loads; and

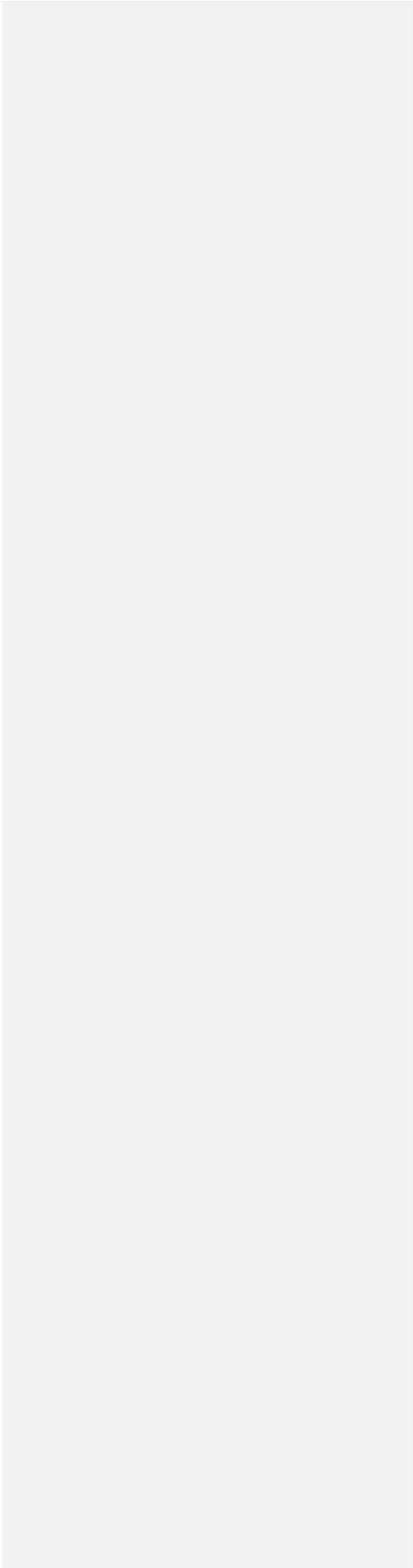
WHEREAS, Avista has entered into an Interconnection and Operating Agreement with Big Bend Electric Cooperative, Inc., providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and Big Bend Electric Cooperative, Inc.; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville's wholesale utility customers connected to Avista's Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Big Bend Electric Cooperative, Inc.

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Section 1 - Definitions

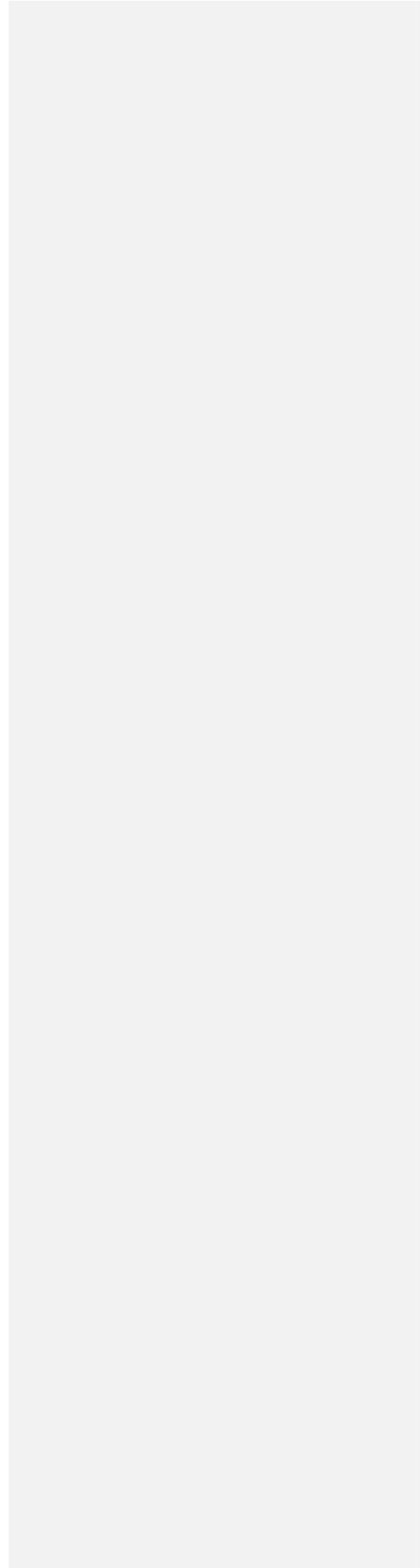
Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

- 2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.
- 2.2 **Incorporation of Exhibits:** The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 **Completed Application:** By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 **System Impact and Facilities Studies:** Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Big Bend Electric Cooperative, Inc.

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Section 3 - Term and Regulatory Filing

- 3.1 **Effective Date and Filing:** This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing ("Effective Date"). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 **Cancellation Rights:** If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 **Termination of Agreement:** Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

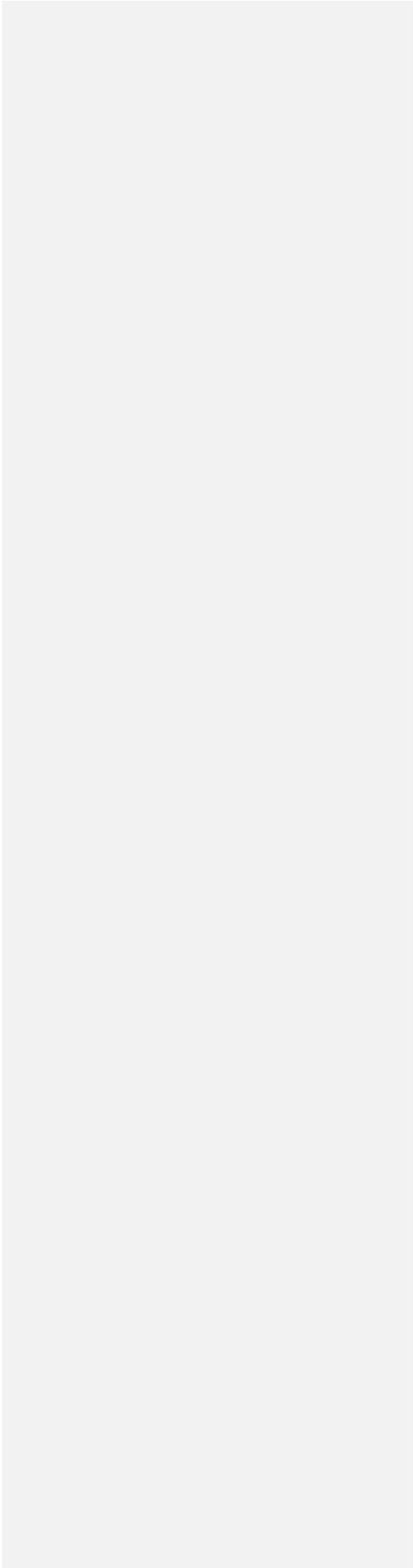
Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 **Transmission Service:** Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 **Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities:** Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Big Bend Electric Cooperative, Inc.

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4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one months' notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

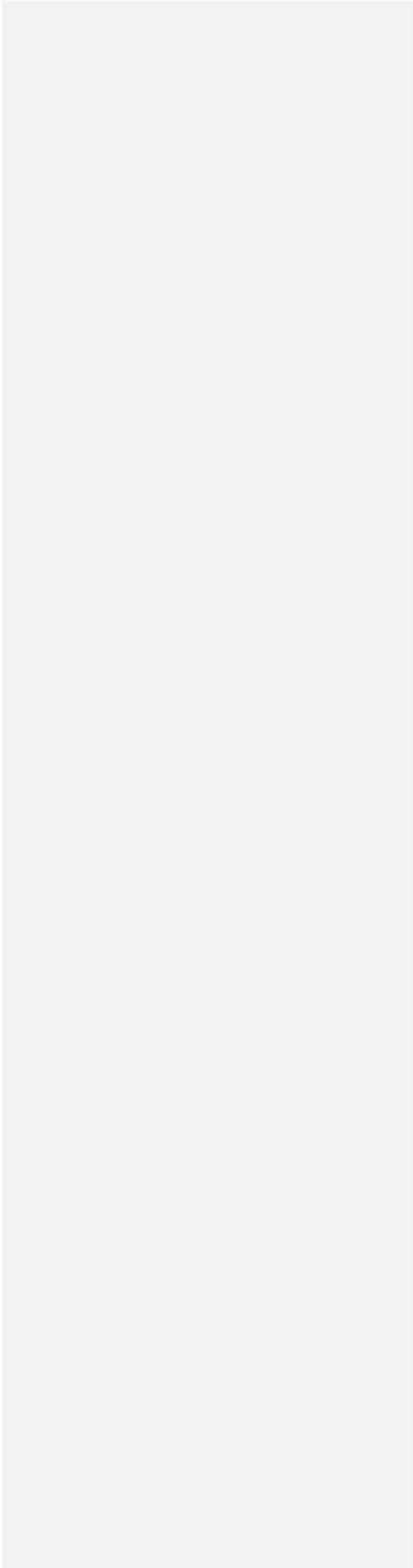
Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact – PTKT
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Big Bend Electric Cooperative, Inc.

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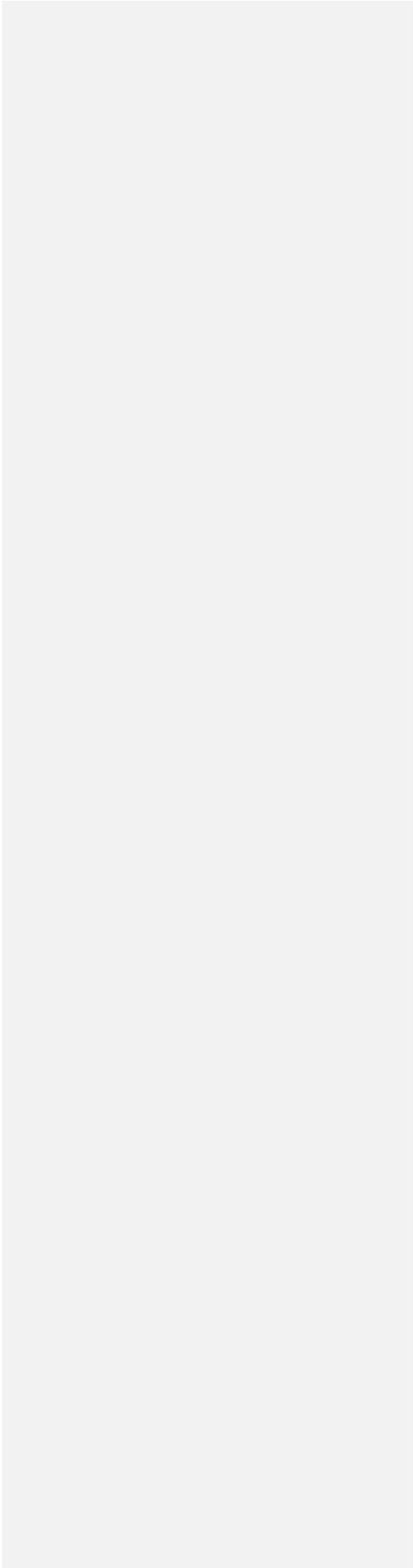
All payments to Avista shall be submitted via electronic funds transfer to the account specified on each billing invoice.

Section 8 - Miscellaneous Provisions

- 8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 Future Changes or Additions: Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Big Bend Electric Cooperative, Inc.

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wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment. A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service Agreement shall be directed to:

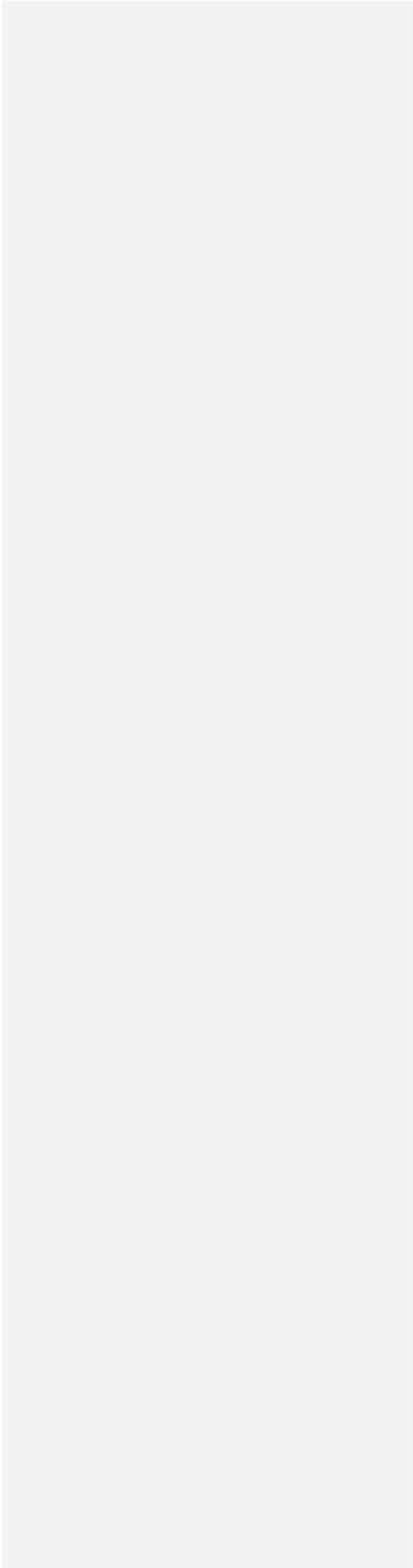
Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington 99202
or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services – PST
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Big Bend Electric Cooperative, Inc.

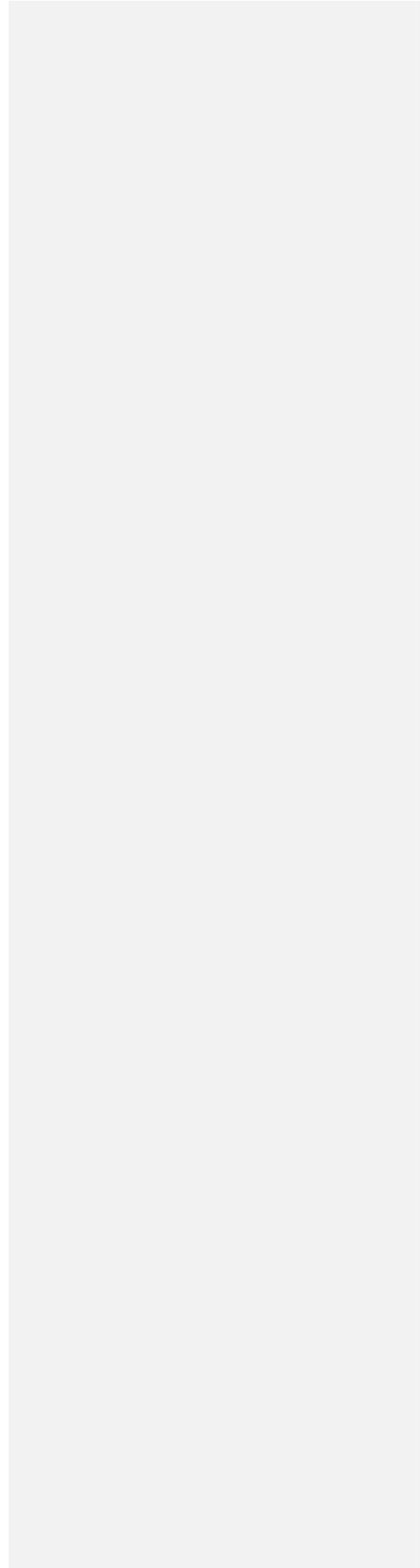
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8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Big Bend Electric Cooperative, Inc.

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IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Big Bend Electric Cooperative, Inc.

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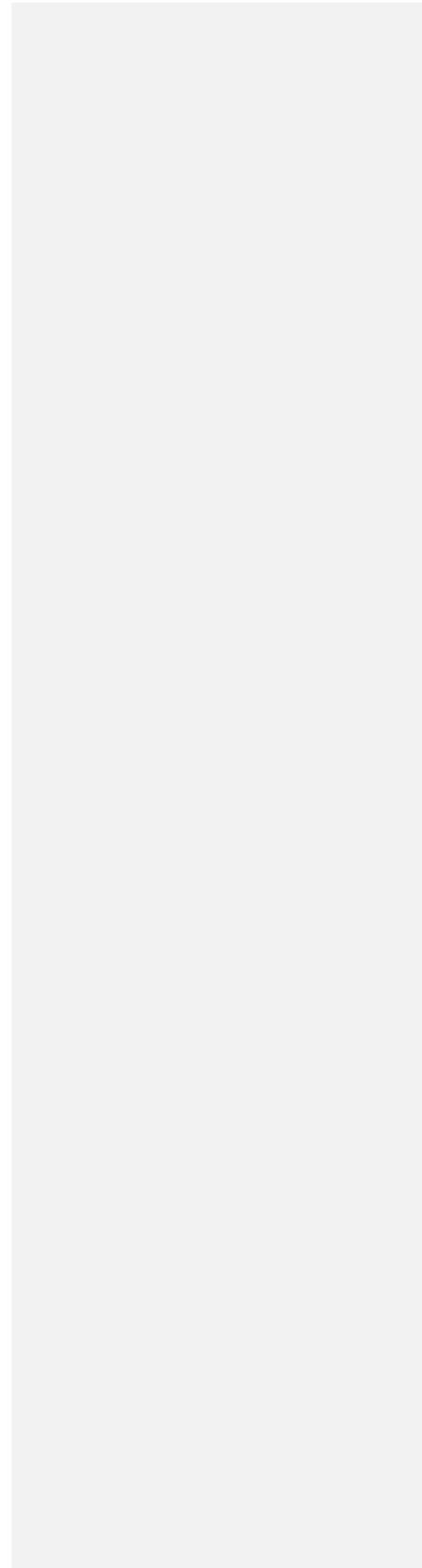


EXHIBIT 1
SPECIFICATIONS FOR
NETWORK INTEGRATION TRANSMISSION SERVICE

Designated Network Resources

Power Sales Agreement between Bonneville and Big Bend Electric Cooperative, Inc.
(Bonneville Contract No. 09PB-13007)

Designated Network Loads

(See Exhibit 1A)

Monthly Transmission Charge

(Pursuant to Section 34 of the Tariff)

Monthly Charges for Direct Assignment and Low Voltage Facilities

(See Exhibit 1B)

Power Factor Penalty Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the Tariff)

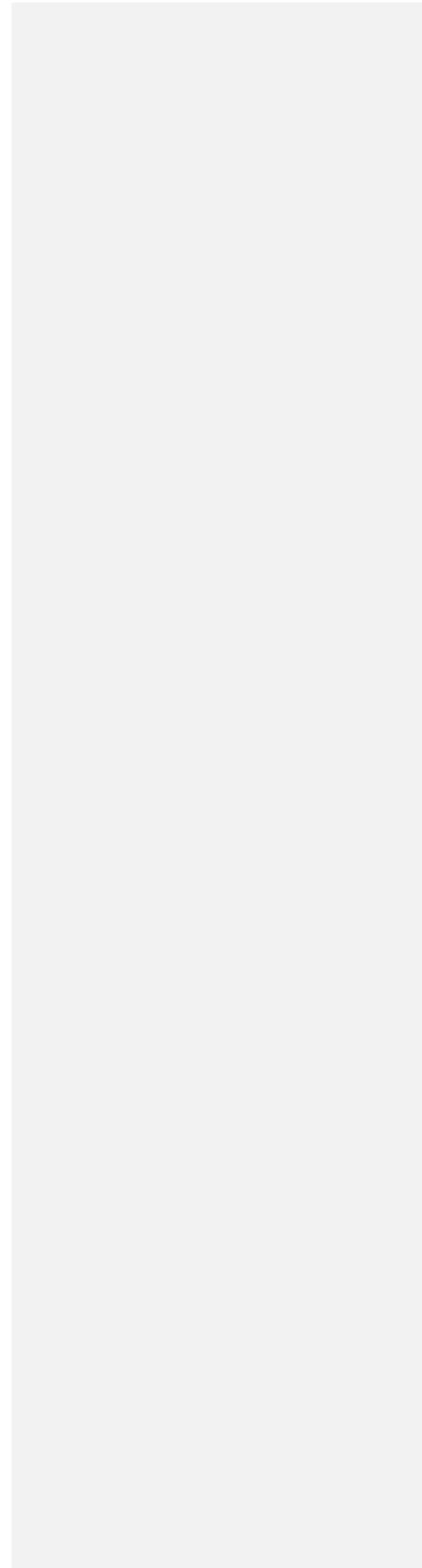
In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service
Bonneville Power Administration – Service to Big Bend Electric Cooperative, Inc.

E1 – 1



**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Delight Point of Delivery**

Location: The point where Avista's Lind-Washtucna 115 kV Transmission Line and Big Bend Electric Cooperative's (Big Bend's) Delight Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Big Bend's Delight Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

2) **Lee and Reynolds Point of Delivery**

Location: The point in Avista's Lee and Reynolds Substation where the 13.8 kV facilities of Avista and Big Bend are connected

Voltage: 13.8 kV

Metering: In Avista's Lee and Reynolds Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

3) **Marengo Point of Delivery**

Location: The point in Avista's Marengo Substation where the 24.9 kV facilities of Avista and Big Bend are connected

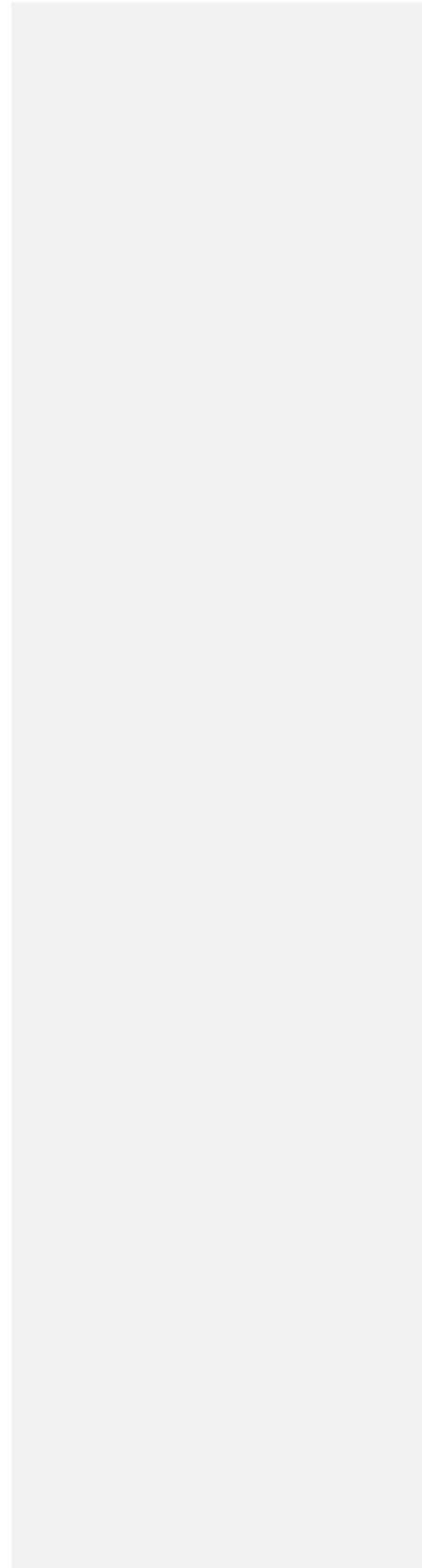
Voltage: 24.9 kV

Metering: In Avista's Marengo Substation in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Big Bend Electric Cooperative, Inc.

E1A – 1



4) **Ralston Point of Delivery**

Location: The point where Avista's Lind-Shawnee 115 kV Transmission Line and the Bonneville Power Administration's Ralston Substation 115 kV Tap Line are connected and the point where the Bonneville Power Administration's Ralston 115 kV Tap Line and Big Bend's Ralston Substation are connected

Voltage: 115 kV

Metering: In Big Bend's Ralston Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

5) **Ritzville Point of Delivery**

Location: The point where Avista's Devil's Gap-Lind 115 kV Transmission Line and Big Bend's Ritzville Substation 115kV Tap are connected

Voltage: 115 kV

Metering: In Big Bend's Ritzville Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

6) **Roxboro Point of Delivery**

Location: The point in Avista's Roxboro Substation where the 24.9 kV facilities of Avista and Big Bend are connected

Voltage: 24.9 kV

Metering: In Avista's Roxboro Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Big Bend Electric Cooperative, Inc.

E1A – 2

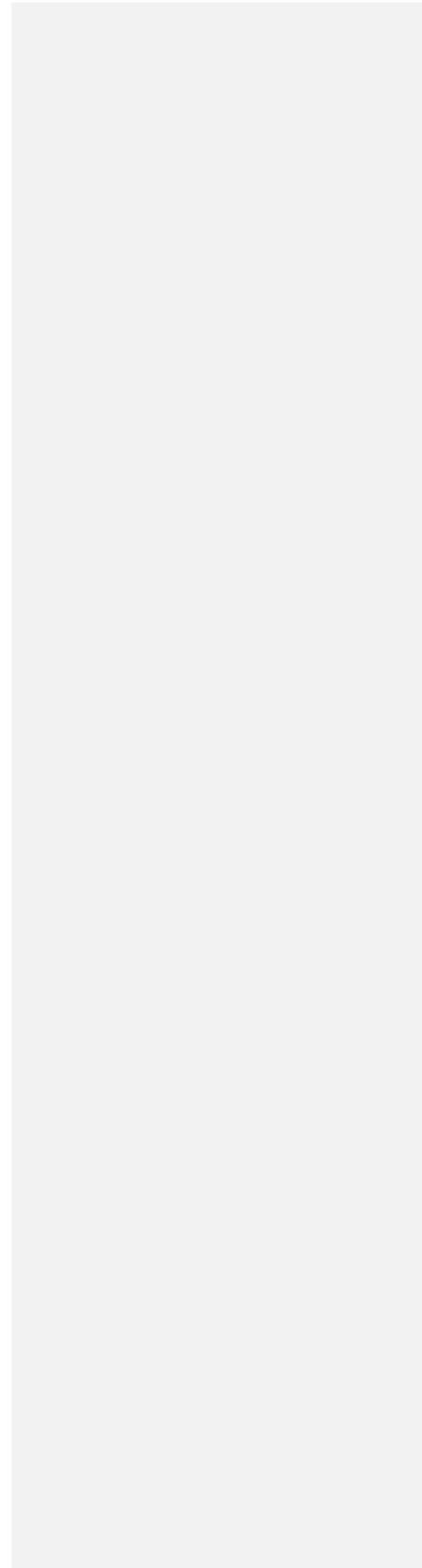


EXHIBIT 1B
DIRECT ASSIGNMENT AND LOW-VOLTAGE
SUBSTATION AND DISTRIBUTION CHARGES
(per month)

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Delight	---	---	---
Lee and Reynolds	\$ <u>21484,229</u>	\$ <u>2056651</u>	---
Marengo	---	\$ <u>9441,503</u>	---
Ralston	---	---	---
Ritzville	---	---	---
Roxboro	\$ <u>27753,239</u>	\$ <u>502166</u>	---

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
Bonneville Power Administration – Service to Big Bend Electric Cooperative, Inc.
[Revision 1 – Effective April 1, 2016](#)

E1B – 1

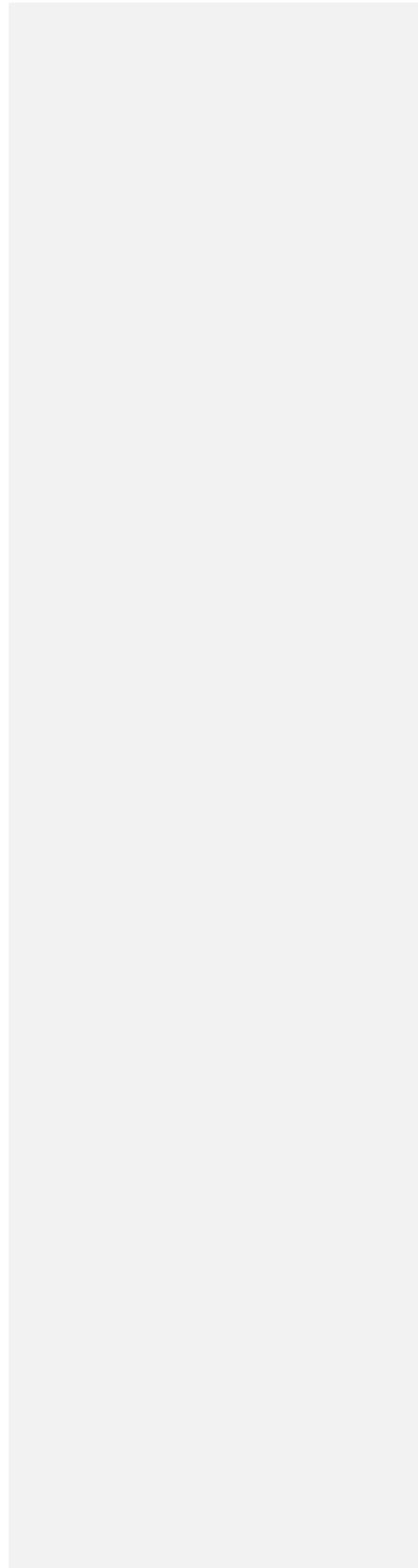


EXHIBIT 2
SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES

Scheduling, System Control and Dispatch Service

(Pursuant to Schedule 1 of the Tariff)

Reactive Supply and Voltage Control from Generation Sources

(Pursuant to Schedule 2 of the Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

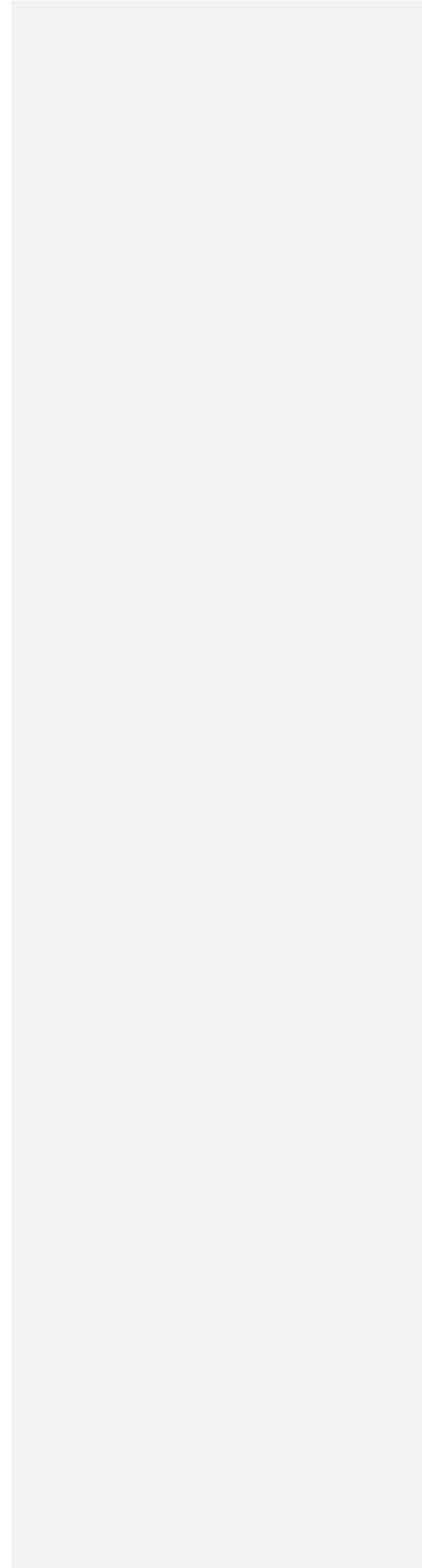
Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Big Bend Electric Cooperative, Inc.

E2 – 1



Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Big Bend Electric Cooperative, Inc.

E2 – 2

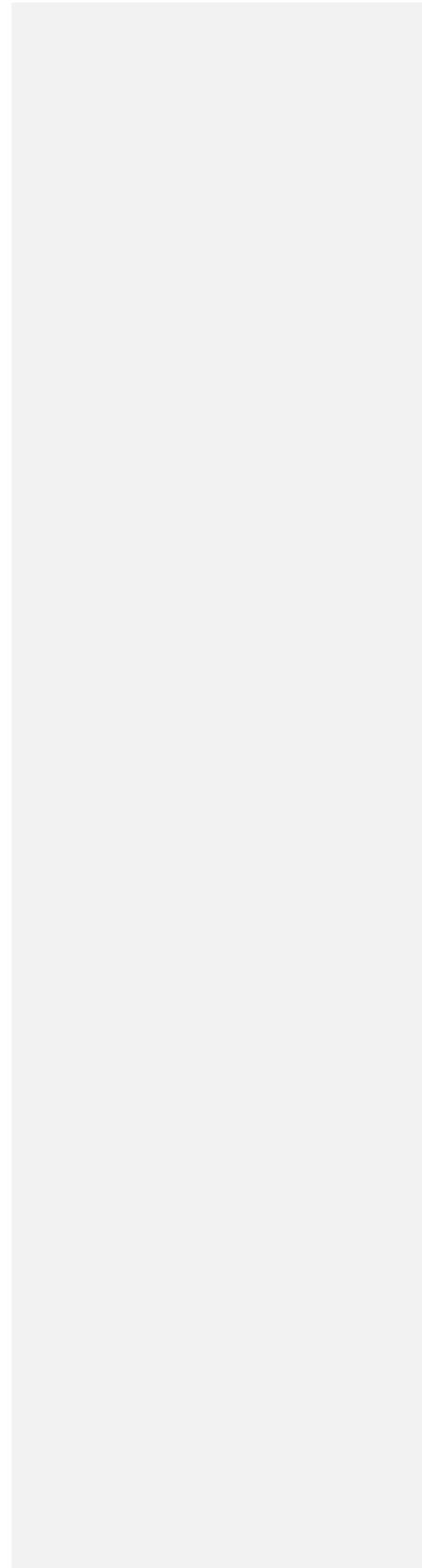


EXHIBIT 3
NETWORK OPERATING AGREEMENT

NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

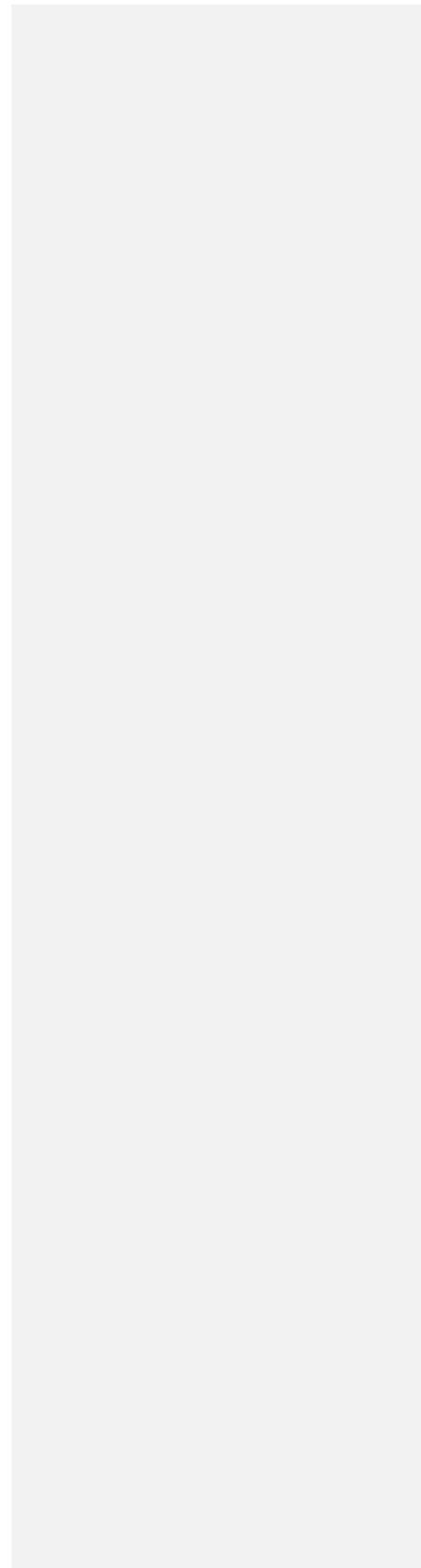
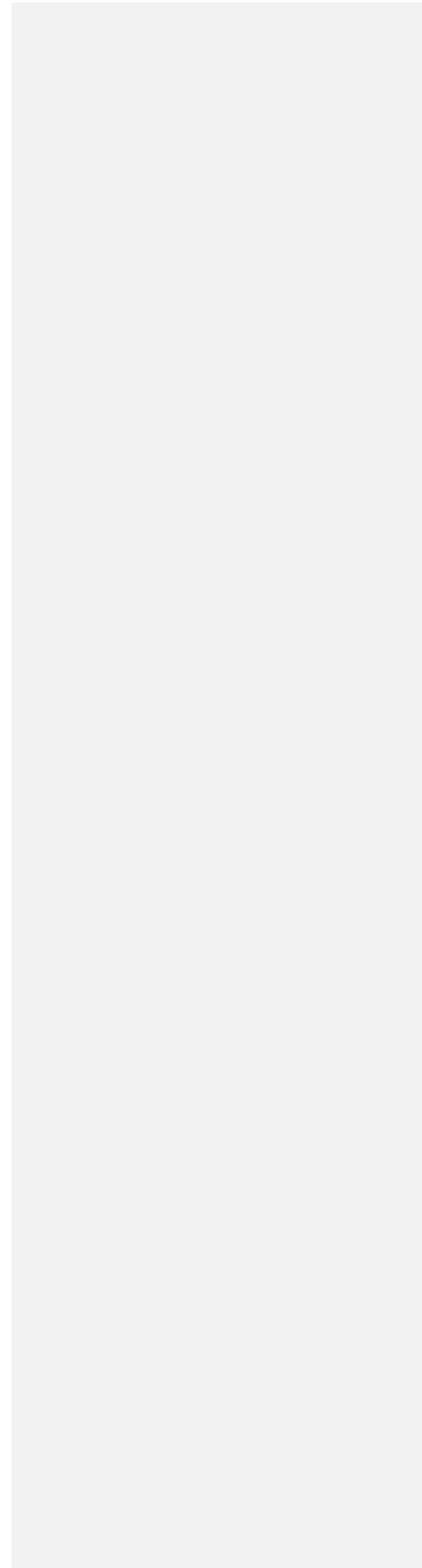


Exhibit 3 – Network Operating Agreement
Bonneville Power Administration – Service to Big Bend Electric Cooperative, Inc.

E3 – 1



NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

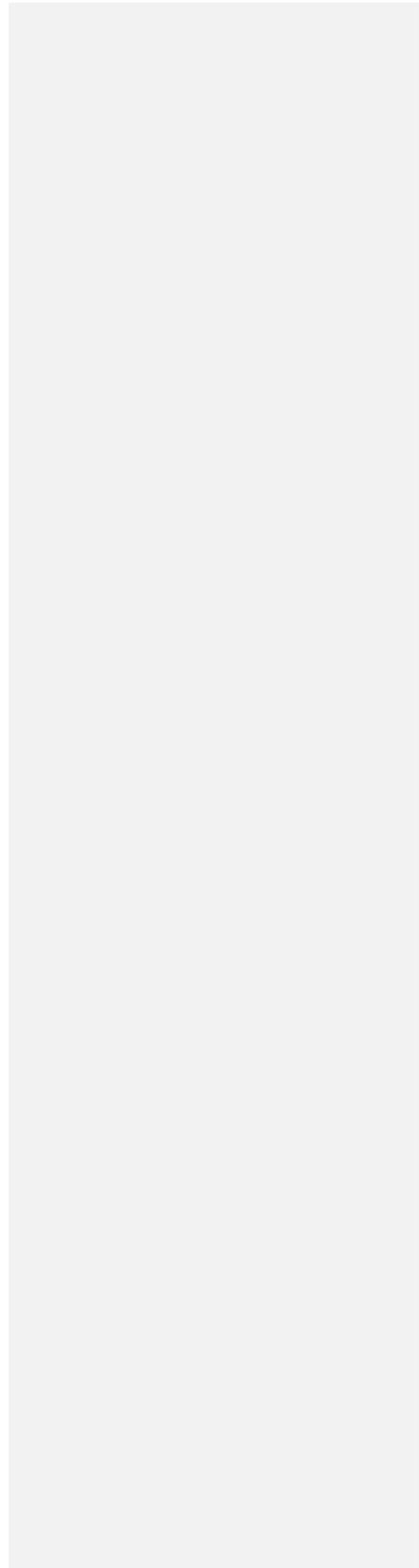
Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

- 2.1 NERC – The North American Electric Reliability Corporation, or its successor.
- 2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

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- 2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.
- 2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

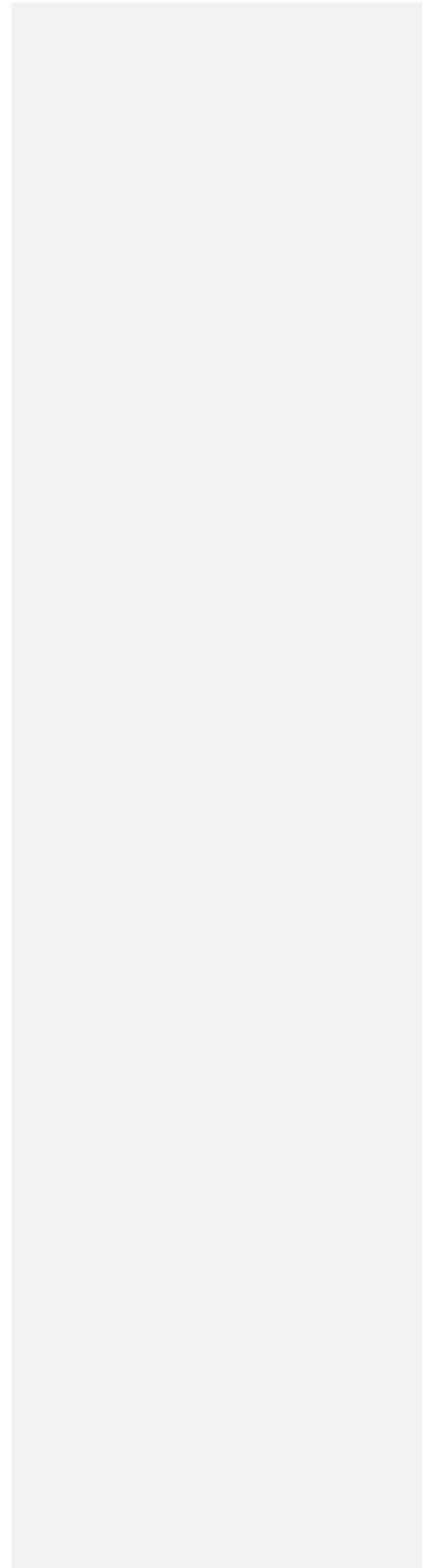
This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

- 4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.
- 4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.
- 4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

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Section 5 – Interconnection Principles and Requirements

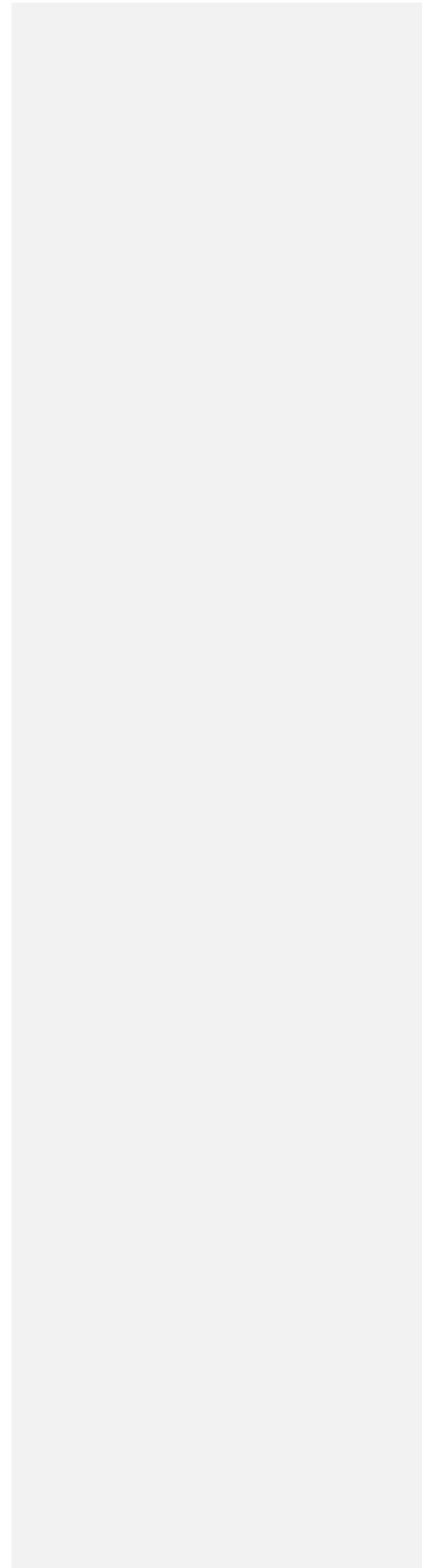
Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE-MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities. Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.
- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Network Operating Agreement – September 2011

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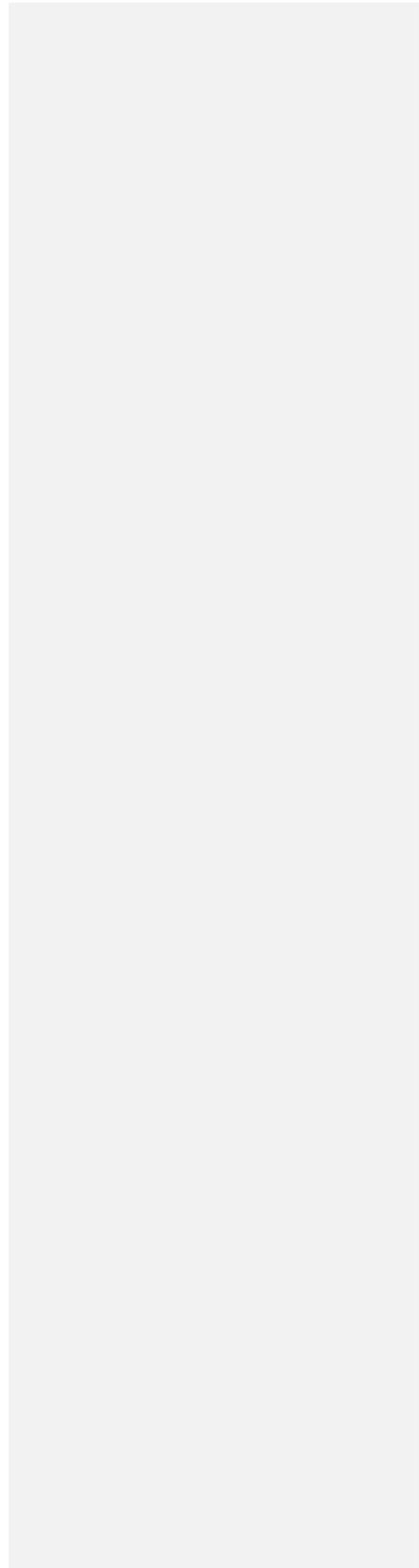
Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.
- 7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.
- 7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility Practice and on a comparable basis with service to all other affected Network Customers

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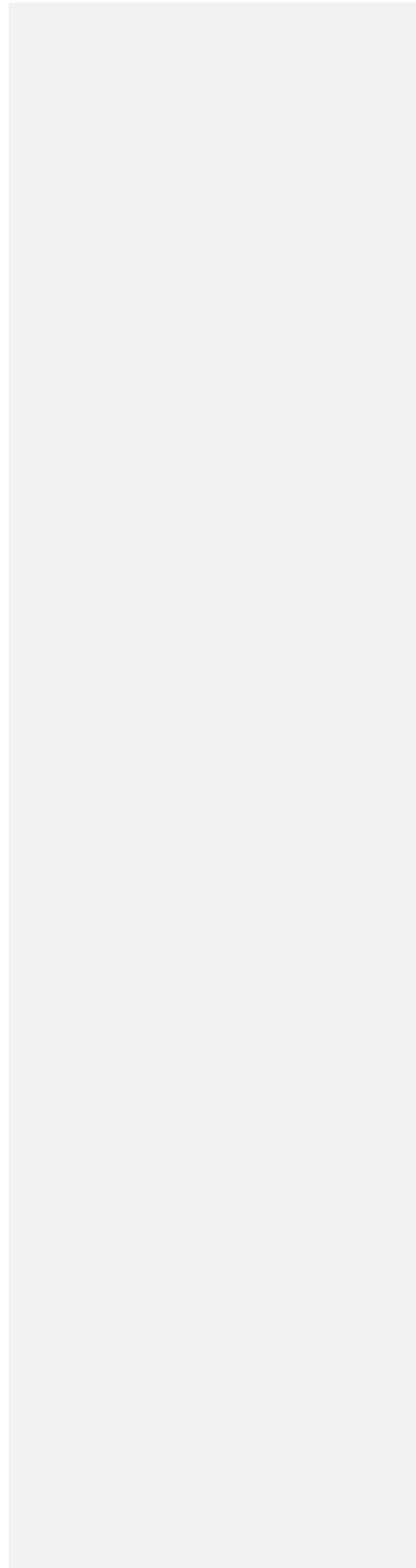
and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

- 8.1 Scheduling and Schedule Revisions – Schedules for Bonneville's designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however, that:*
- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours and ending at 1100 hours, Bonneville shall submit any revision to an electronic

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tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

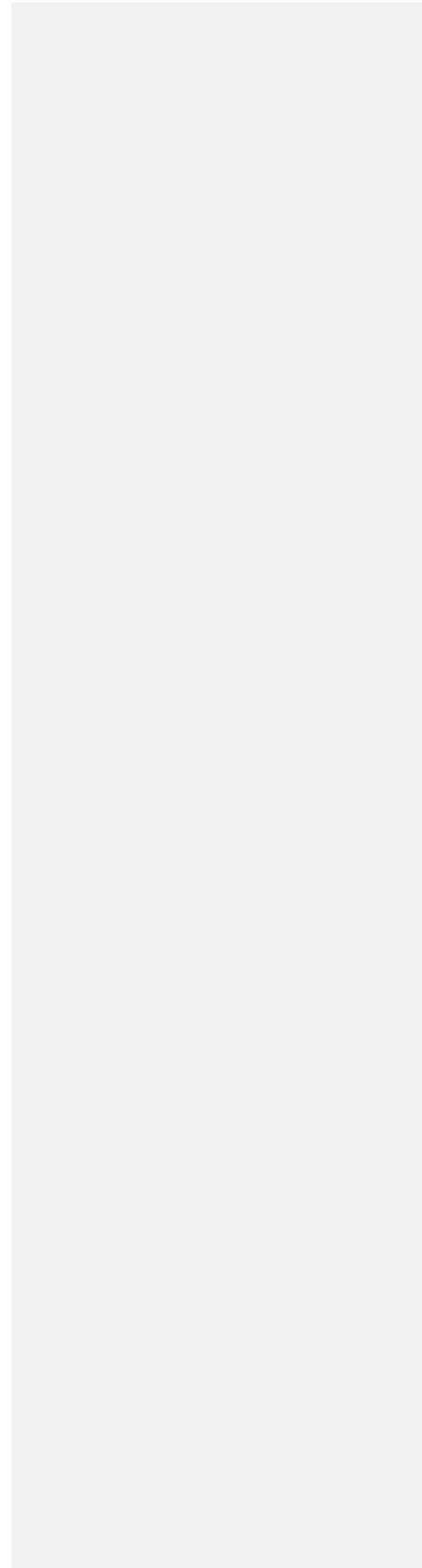
- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.
- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

- 8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

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Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.

8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista's Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista's transmission function passing on an aggregated sum of Bonneville's schedules associated with all of its borderline wheeling loads to Avista's load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista's Standards of Conduct.

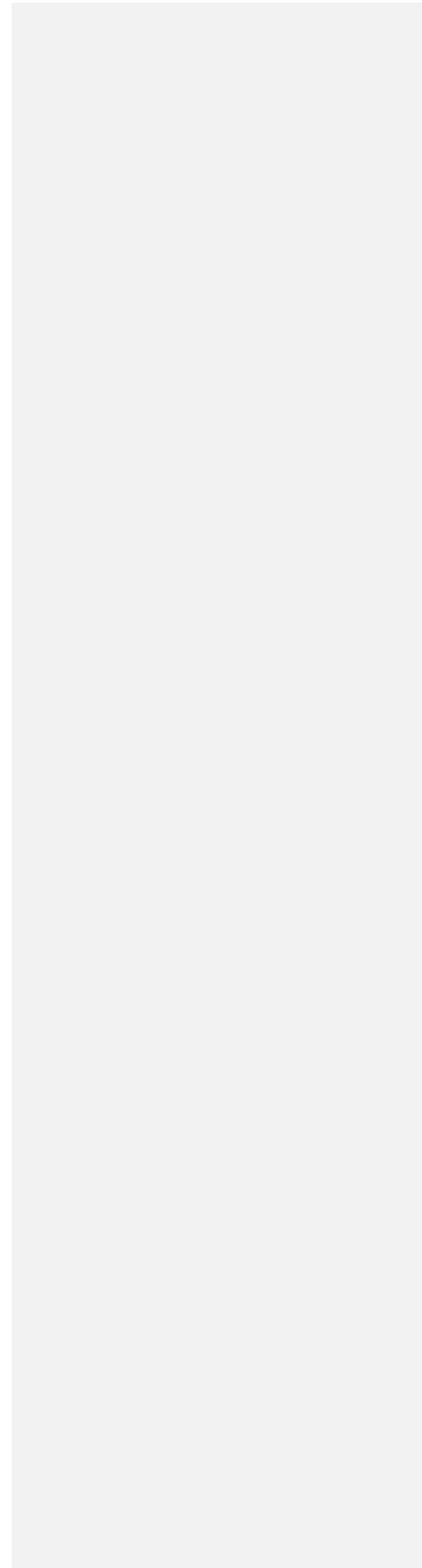
Section 9 – Metering and Communications

9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.

9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter used to determine billing associated with the Service Agreement shall provide to the

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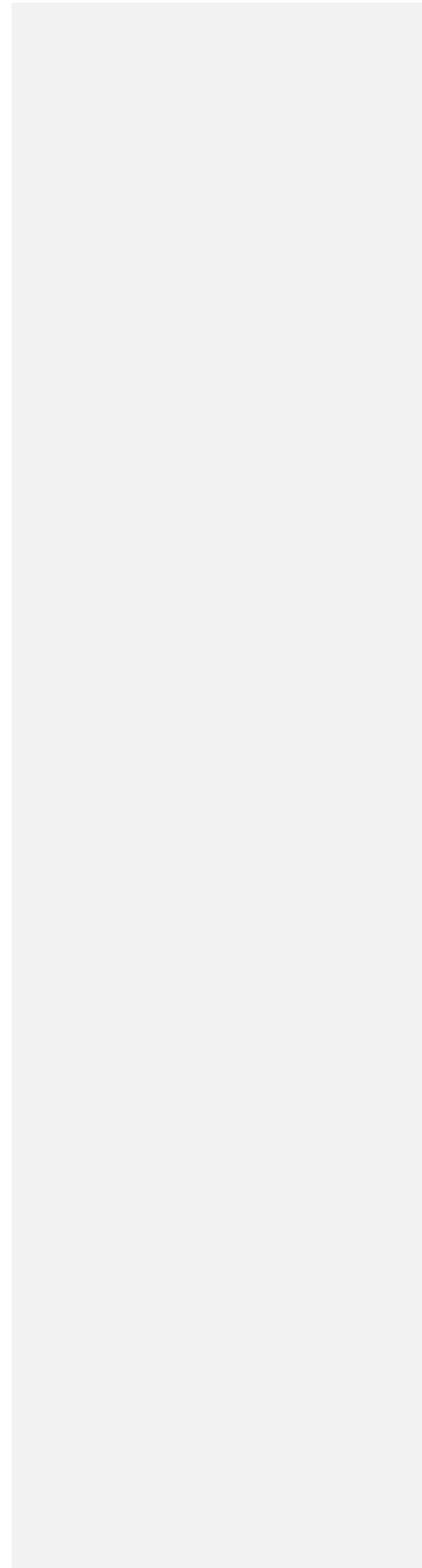
other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

- 9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System.

The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

- 9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters. In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the



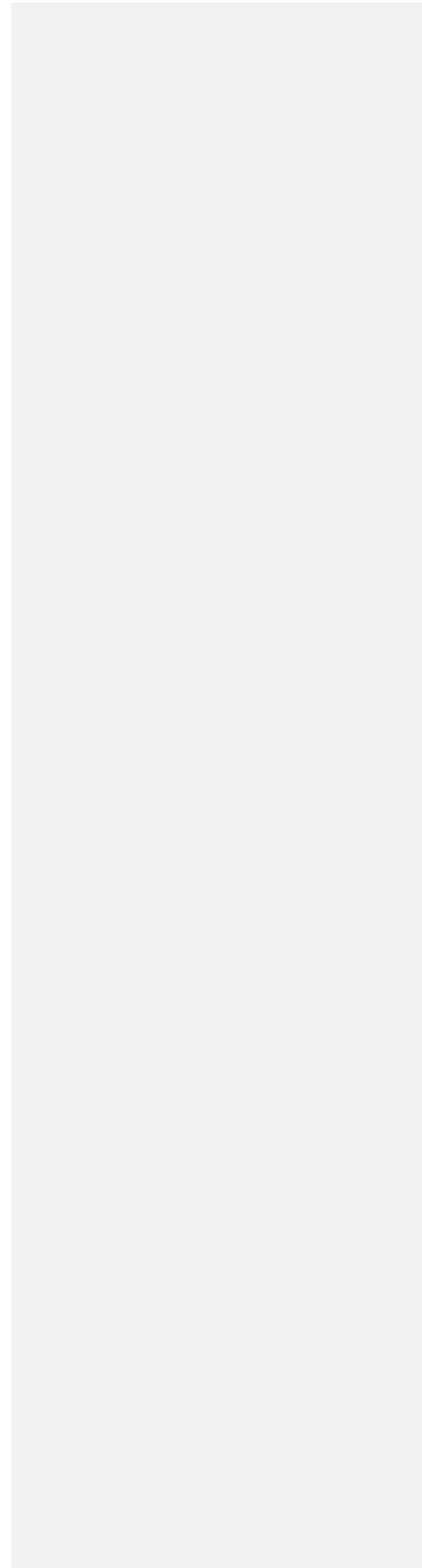
Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by pro-rating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.
- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.
- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

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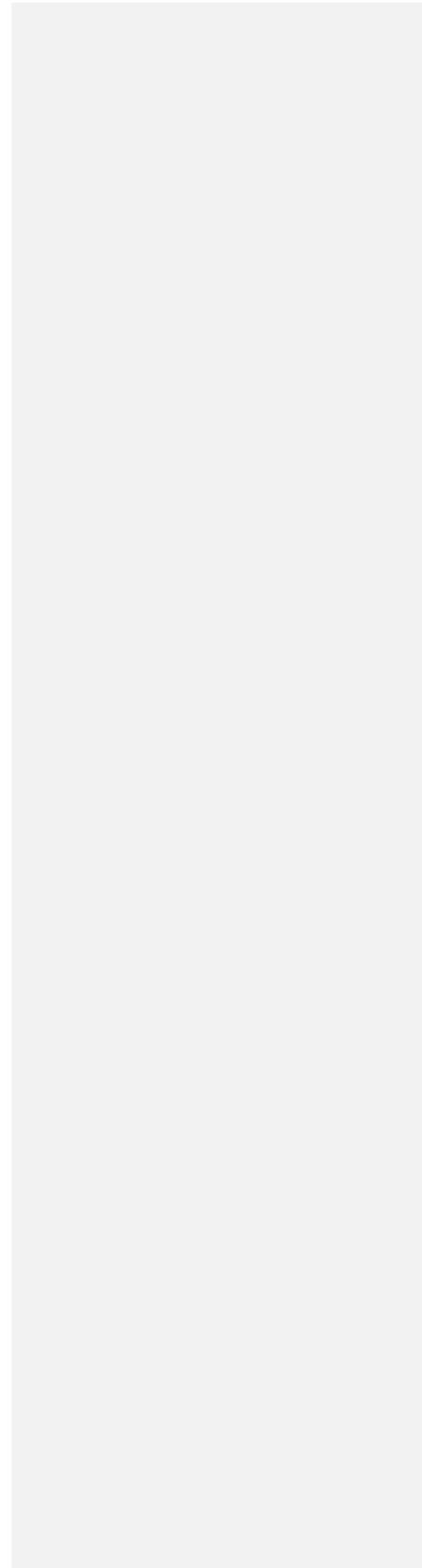
Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

- 9.6 Metering and Communications Required for Integration of Network Resources – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

Network Operating Agreement – September 2011

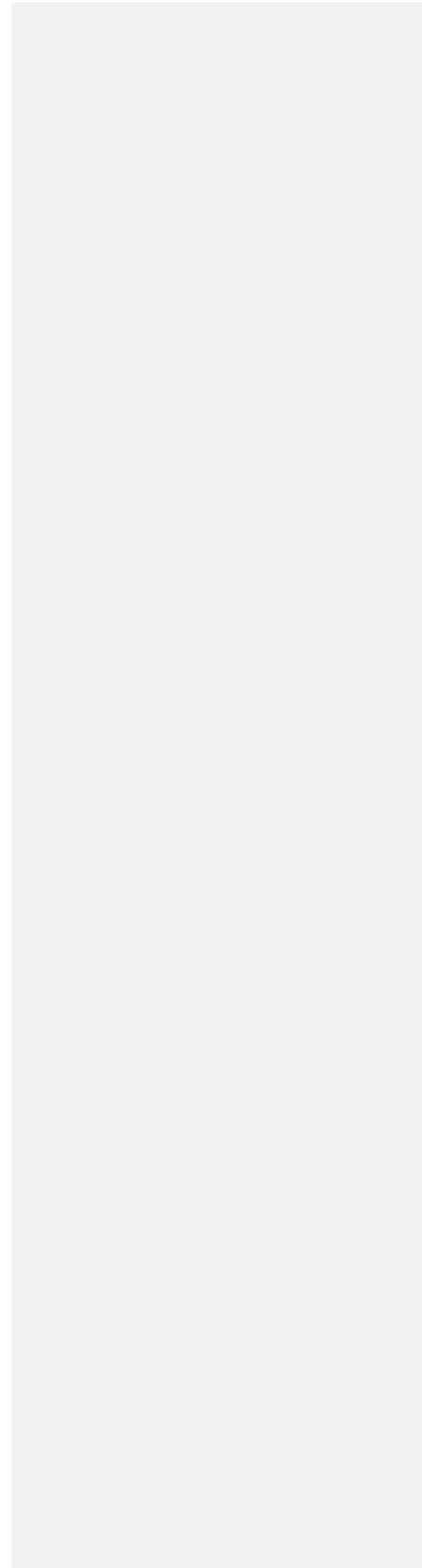
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- 9.7 Metering and Communications Required for Ancillary Services – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.
- 9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.
- 9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:
- (a) Megawatt and megavar indications from Bonneville's supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
 - (b) The following:
 - (i) Metering current transformers ("CTs") and potential transformers ("PTs"),
 - (ii) Space in Bonneville's substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function ("Avista Equipment"), to be supplied by Avista,

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- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

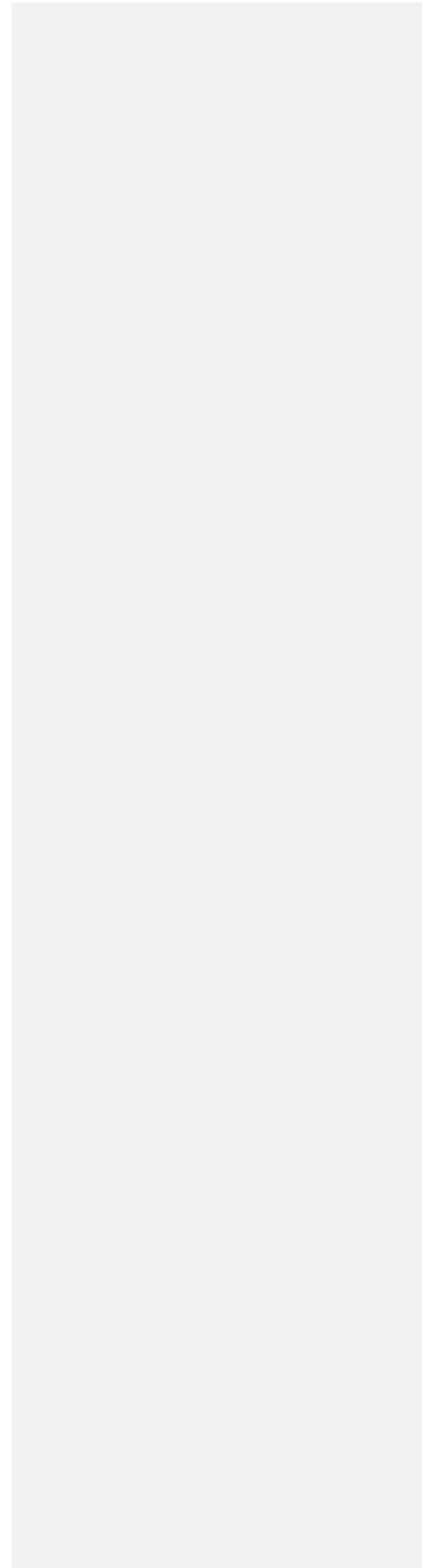
- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Network Operating Agreement – September 2011

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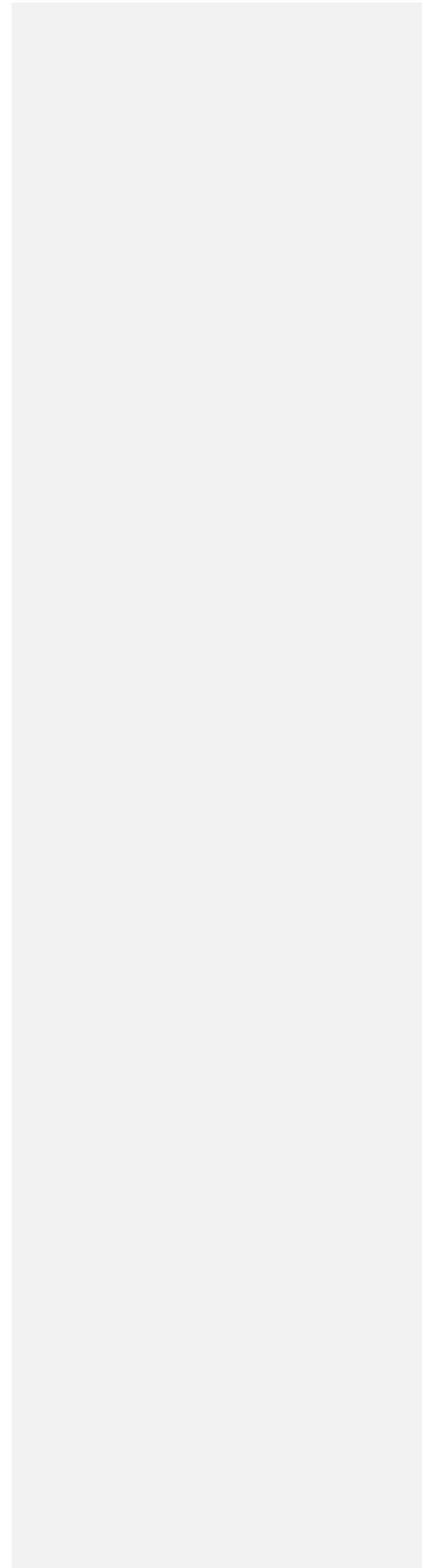


Section 11 - Miscellaneous

- 11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.
- 11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.
- 11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.
- 11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any such amendment shall become effective upon acceptance for filing by the Commission.

Network Operating Agreement – September 2011

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Avista Contract No. AV-TR11-1095
Bonneville Contract No. 11PX-10009

SERVICE AGREEMENT
for
NETWORK INTEGRATION TRANSMISSION SERVICE
between
the BONNEVILLE POWER ADMINISTRATION
and
AVISTA CORPORATION
under
AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8

[For service to CLEARWATER POWER COMPANY]

<u>Section</u>	<u>Description</u>	<u>Page</u>
1.	Definitions	3
2.	Standard Provisions	3
3.	Term and Regulatory Filing	4
4.	Network Integration Transmission Service	4
5.	Other Services	5
6.	Construction of Facilities	5
7.	Billing and Payment	5
8.	Miscellaneous Provisions	6

Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT ("Service Agreement") is made and entered into this ____ day of September, 2011, by and between AVISTA CORPORATION ("Avista") and the Bonneville Power Administration ("Bonneville"), which hereinafter may be referred to individually as "Party" or collectively as "Parties".

RECITALS

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 ("Tariff"); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista's Transmission System and/or Avista's low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to Clearwater Power Company's loads connected to Avista's Transmission System since January 1, 2006 and Bonneville has requested continuing service to Clearwater Power Company's loads; and

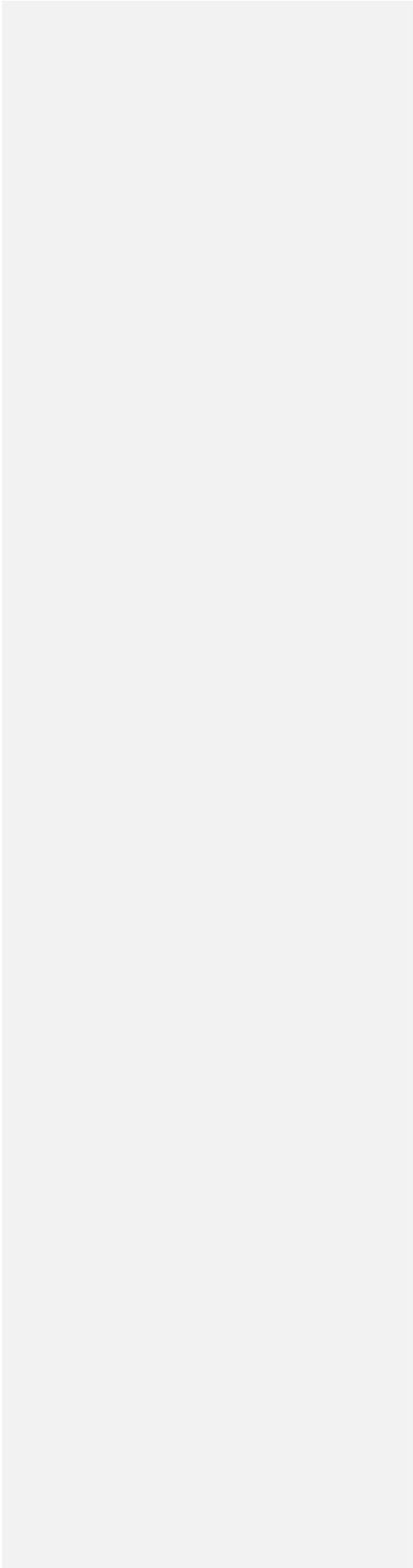
WHEREAS, Avista has entered into an Interconnection and Operating Agreement with Clearwater Power Company, providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and Clearwater Power Company; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville's wholesale utility customers connected to Avista's Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Clearwater Power Company

2



Section 1 - Definitions

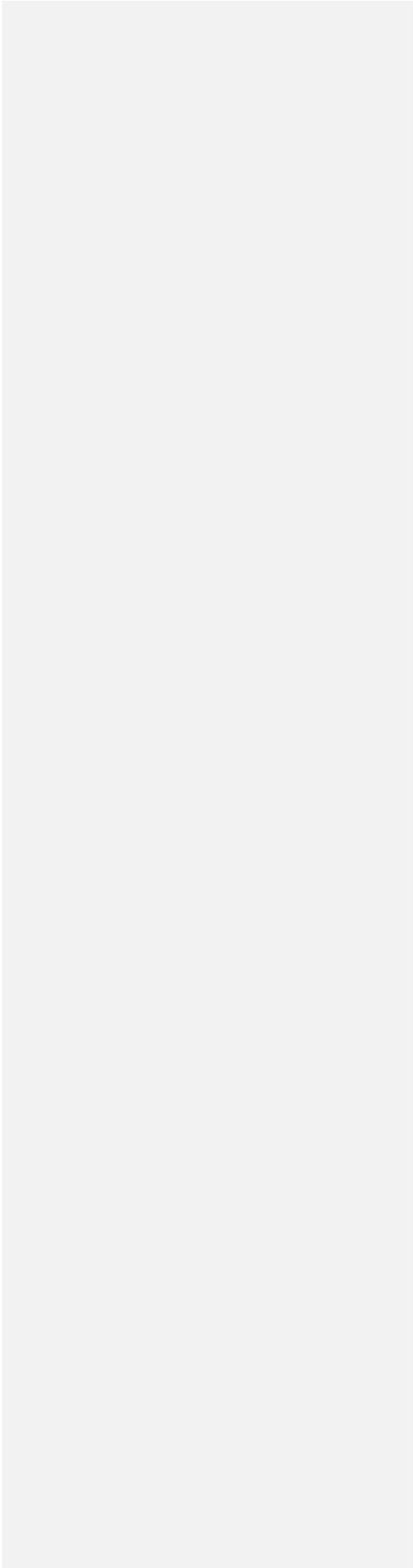
Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

- 2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.
- 2.2 **Incorporation of Exhibits:** The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 **Completed Application:** By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 **System Impact and Facilities Studies:** Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Clearwater Power Company

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Section 3 - Term and Regulatory Filing

- 3.1 **Effective Date and Filing:** This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing ("Effective Date"). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 **Cancellation Rights:** If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 **Termination of Agreement:** Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

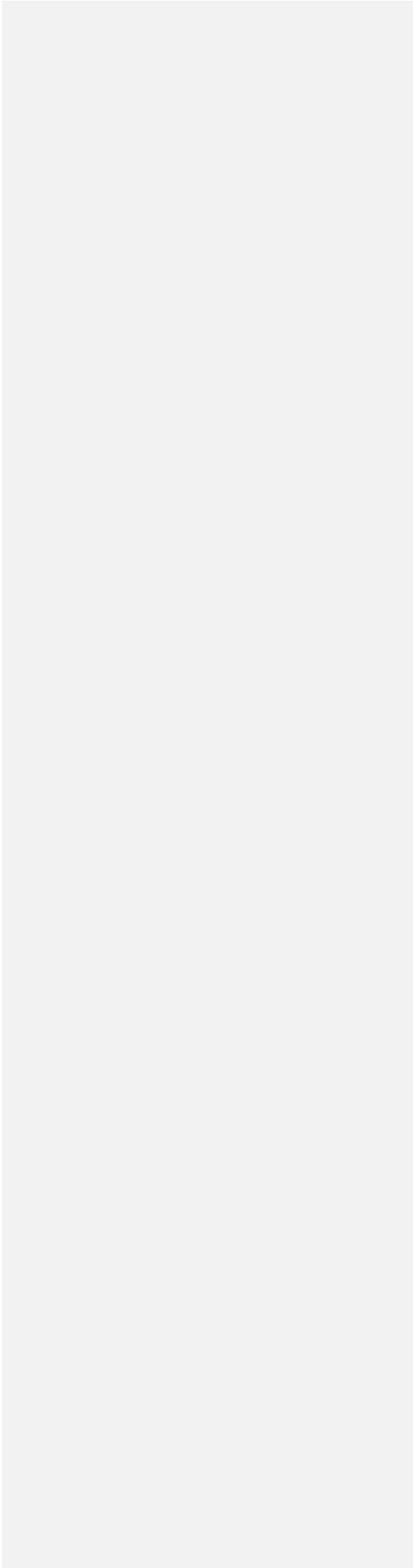
Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 **Transmission Service:** Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 **Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities:** Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Clearwater Power Company

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4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one months' notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

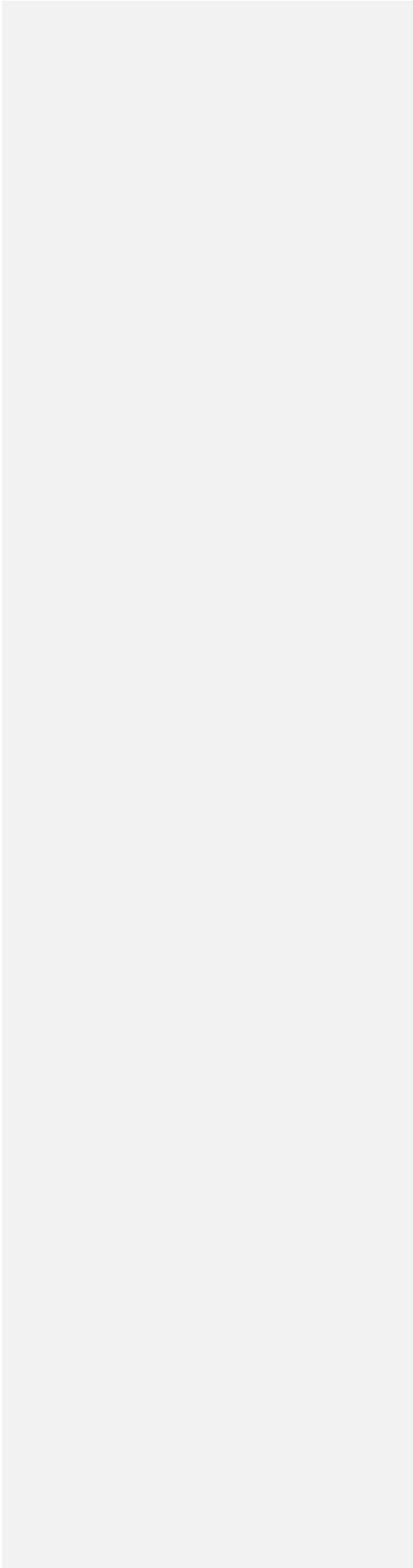
Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact – PTKT
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Clearwater Power Company

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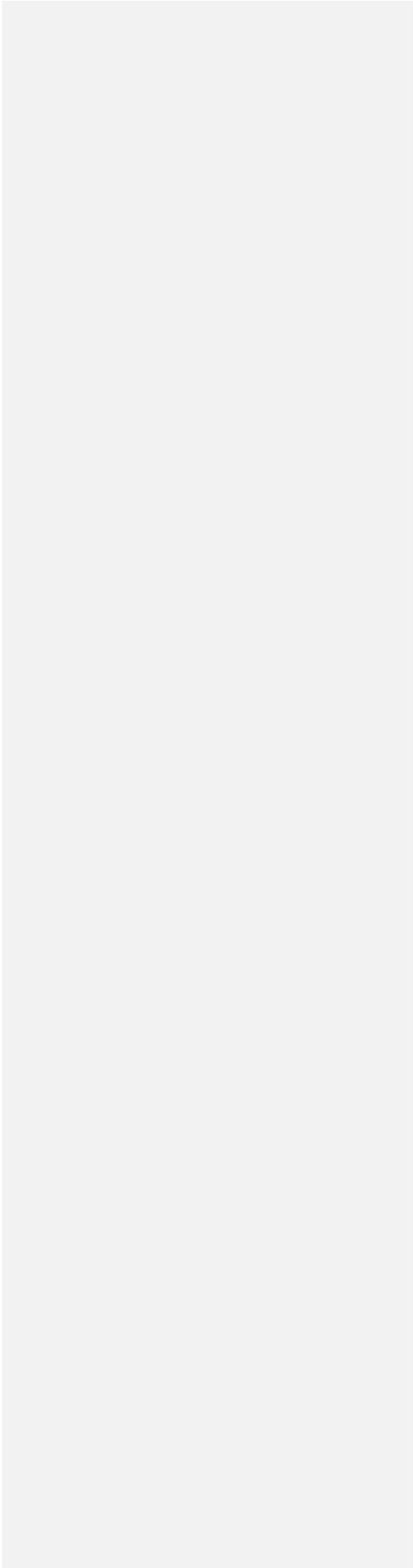
All payments to Avista shall be submitted via electronic funds transfer to the account specified on each billing invoice.

Section 8 - Miscellaneous Provisions

- 8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 Future Changes or Additions: Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Clearwater Power Company

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wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment. A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service Agreement shall be directed to:

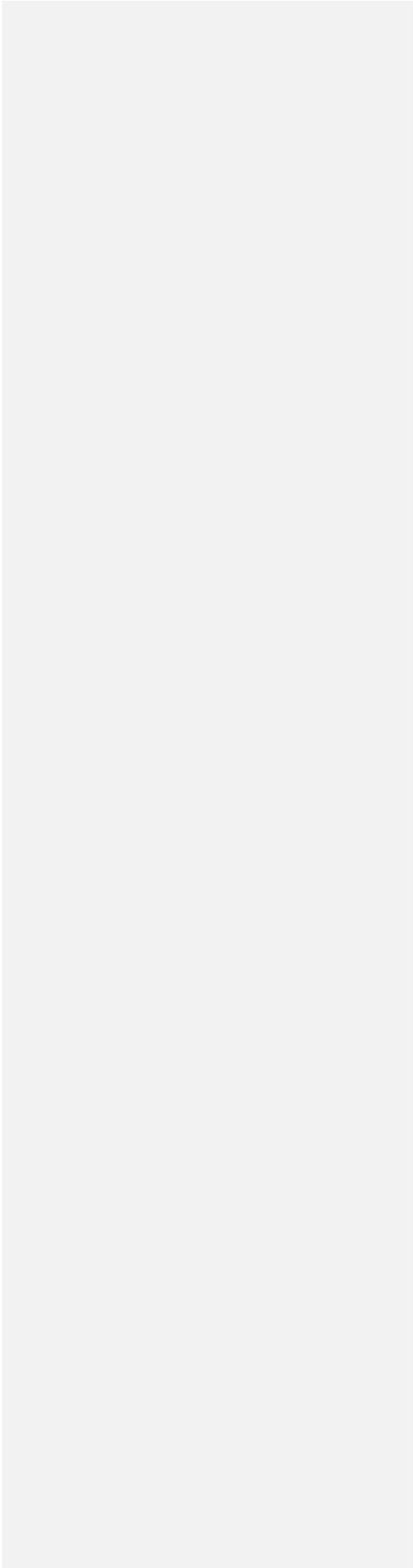
Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington 99202
or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services – PST
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Clearwater Power Company

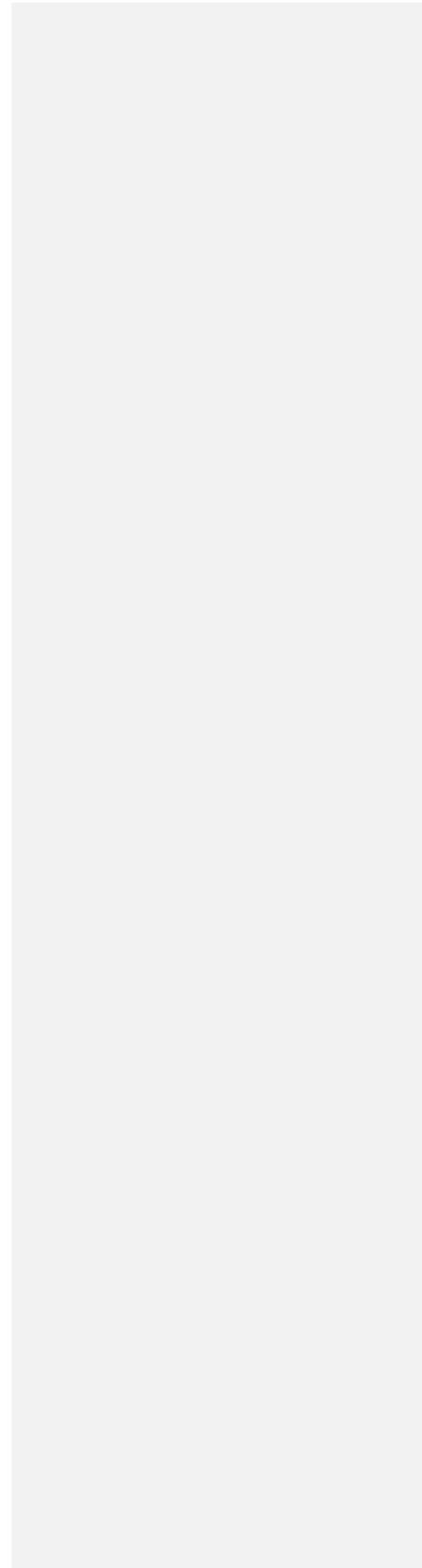
7



8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Clearwater Power Company

8



IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Clearwater Power Company

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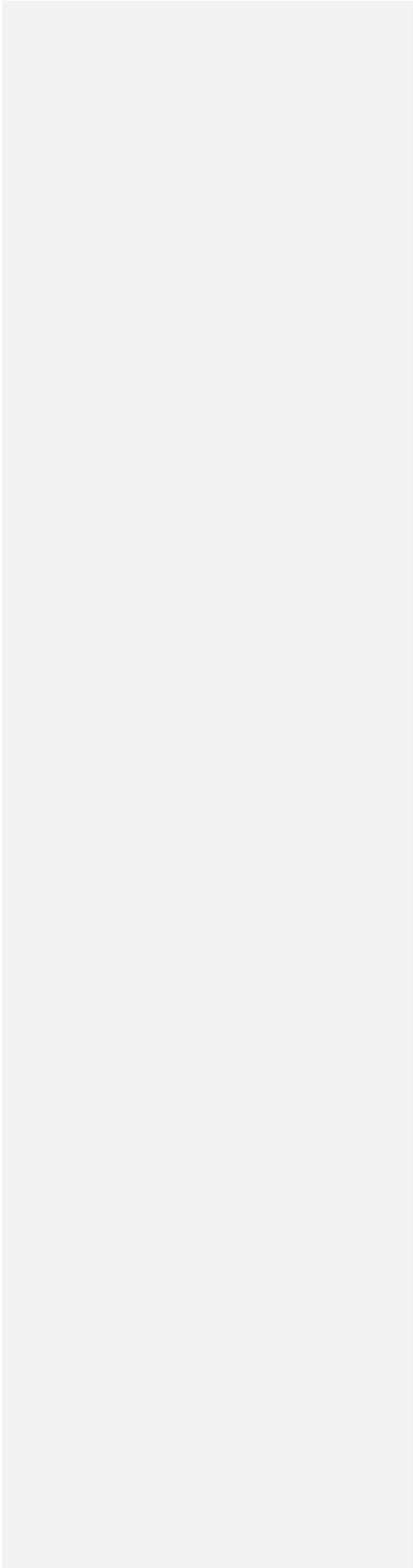


EXHIBIT 1
SPECIFICATIONS FOR
NETWORK INTEGRATION TRANSMISSION SERVICE

Designated Network Resources

Power Sales Agreement between Bonneville and Pacific Northwest Generation Cooperative (for service to Clearwater Power Company) (Bonneville Contract No. 09PB-13088)

Designated Network Loads

(See Exhibit 1A)

Monthly Transmission Charge

(Pursuant to Section 34 of the Tariff)

Monthly Charges for Direct Assignment and Low Voltage Facilities

(See Exhibit 1B)

Power Factor Penalty Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the Tariff)

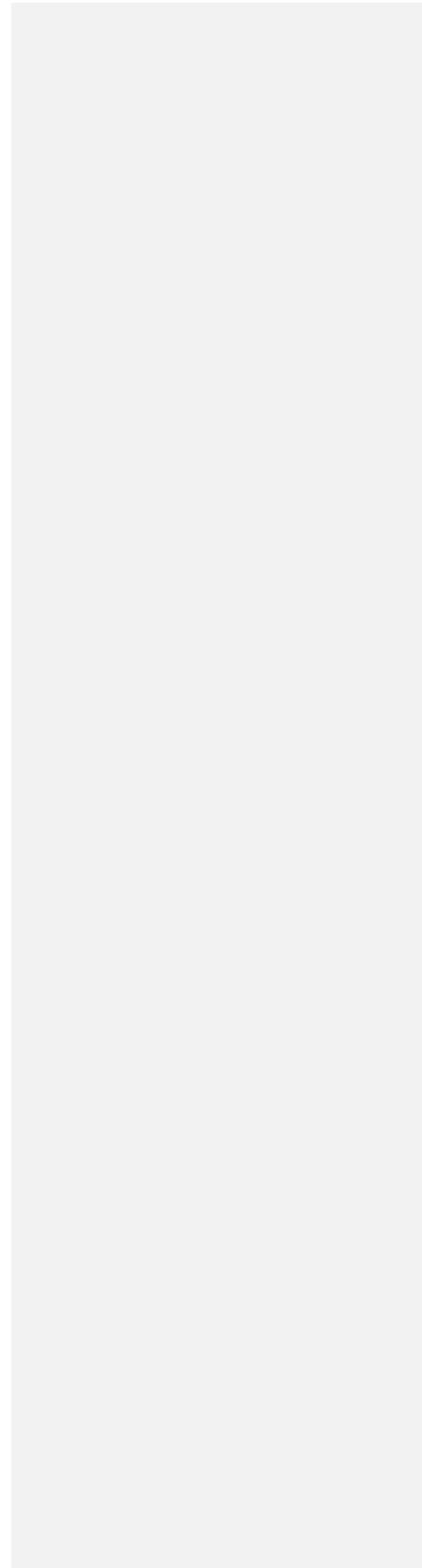
In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service
Bonneville Power Administration – Service to Clearwater Power Company

E1 – 1



**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Brincken's Corner Point of Delivery**

Location: The point where Avista's Potlatch 115 kV Tap Transmission Line and Clearwater Power Company's (Clearwater's) Brincken's Corner 115 kV Tap Transmission Line are connected, approximately 1.4 line miles southwest of Avista's Potlatch Substation

Voltage: 115 kV

Metering: In Bonneville's Brincken's Corner Substation, in the 69 kV circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

2) **Craigmont Point of Delivery**

Location: The point approximately 2.6 miles east of Craigmont, Idaho, where the 13.2 kV distribution facilities of Avista and Clearwater are connected

Voltage: 13.2 kV

Metering: At or near the Point of Delivery, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

3) **Juliaetta Point of Delivery**

Location: The point in Avista's Juliaetta Substation where the 13.8 kV facilities of Avista and Clearwater are connected

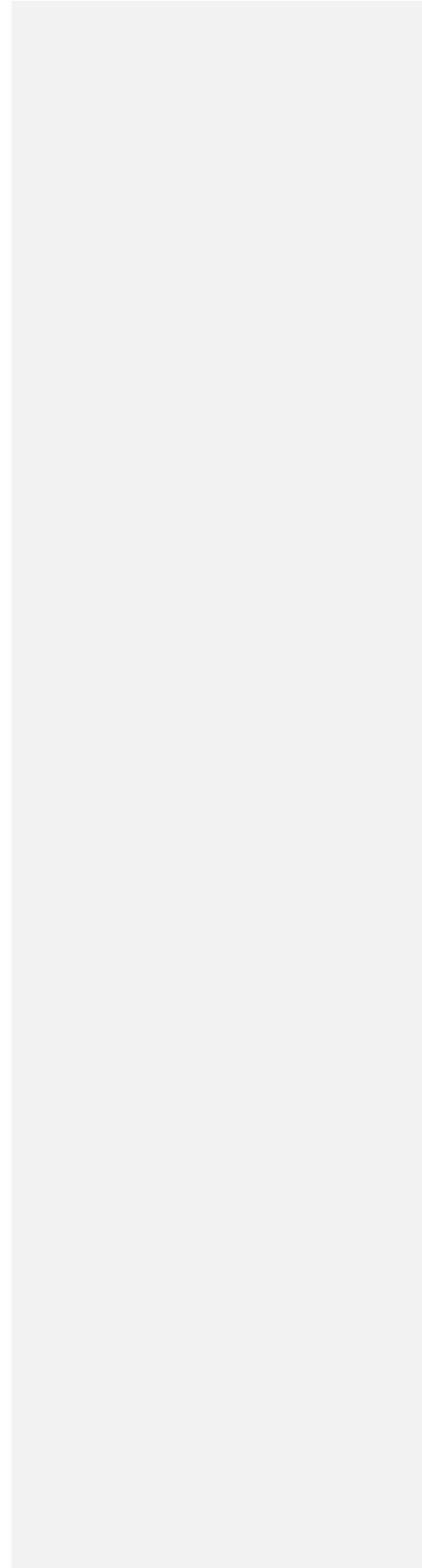
Voltage: 13.8 kV

Metering: In Avista's Juliaetta Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Clearwater Power Company

E1A – 1



4) **Moscow Point of Delivery**

Location: The point in Avista's Moscow 230 kV Substation where the 24.9 kV facilities of Avista and Clearwater are connected

Voltage: 24.9 kV

Metering: In Avista's Moscow 230 kV Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

5) **Orofino Point of Delivery**

Location: The point in Avista's Orofino Substation where the 24.9 kV facilities of Avista and Clearwater are connected

Voltage: 24.9 kV

Metering: In Avista's Orofino Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

6) **Potlatch Point of Delivery**

Location: The point In Avista's Potlatch Substation where the 24.9 kV facilities of Avista and Clearwater are connected

Voltage: 24.9 kV

Metering: In Avista's Potlatch Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

7) **Spalding Point of Delivery**

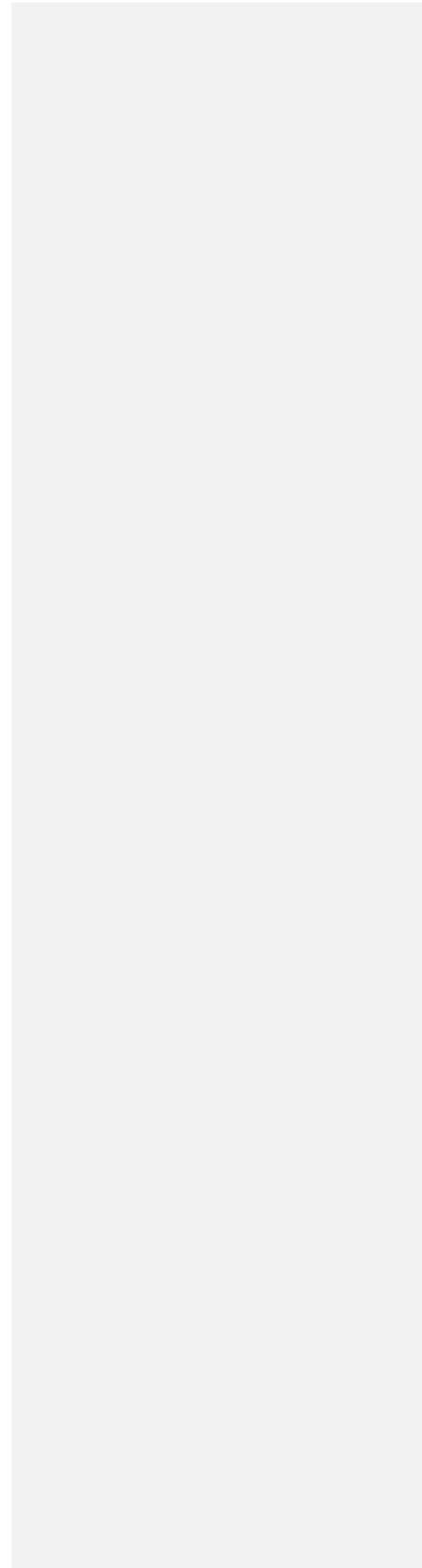
Location: The point where Avista's Clearwater-Lolo No. 1 115 kV Transmission Line and Clearwater's Spalding 115 kV Tap are connected

Voltage: 115 kV

Metering: In Clearwater's Spalding Substation, in the distribution circuit(s) over which electric power and energy flows

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Clearwater Power Company

E1A – 2



Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

8) **Sweetwater Point of Delivery**

Location: The point in Avista's Sweetwater Substation where the 24.9 kV facilities of Avista and Clearwater are connected

Voltage: 24.9 kV

Metering: In Avista's Sweetwater Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

9) **Weippe Point of Delivery**

Location: The point in Avista's Weippe Substation where the 13.8 kV facilities of Avista and Clearwater are connected

Voltage: 13.8 kV

Metering: In Avista's Weippe Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

10) **Ahsahka Point of Delivery**

Location: Clearwater's Ahsahka Substation, connected to Bonneville's portion of the Dworshak-Orofino 115 kV Transmission Line.

Voltage: 115 kV

Metering: In Clearwater's Ahsahka Substation, in the distribution circuit(s) over which electric power and energy flows

Note: Avista provides no Network Integration Transmission Service to this Point of Delivery. Clearwater's Ahsahka Substation resides in Avista's Control Area. Bonneville shall schedule power and energy associated with this Point of Delivery pursuant to the terms and conditions of this Agreement.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Clearwater Power Company

E1A – 3

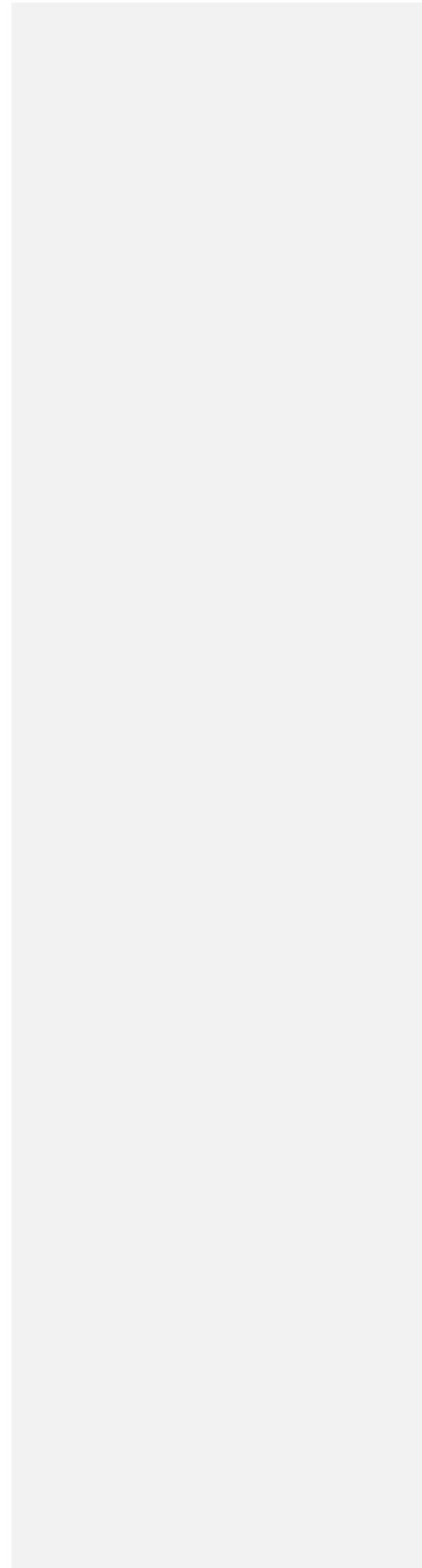


EXHIBIT 1B
DIRECT ASSIGNMENT AND LOW-VOLTAGE
SUBSTATION AND DISTRIBUTION CHARGES
(per month)

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Brincken's Corner	---	---	---
Craigmont	\$3061,656	\$3551,274	---
Juliaetta	\$41932,537	\$758195	---
Moscow	\$42698,979	\$464712	---
Orofino	---	\$8948,605	---
Potlatch	-\$9	2075\$2,002	---
Spalding	---	---	---
Sweetwater	\$47894,521	\$583519	---
Weippe	\$87689,938	\$690332	---

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
Bonneville Power Administration – Service to Clearwater Power Company
[Revision 1 – Effective April 1, 2016](#)

E1B – 1

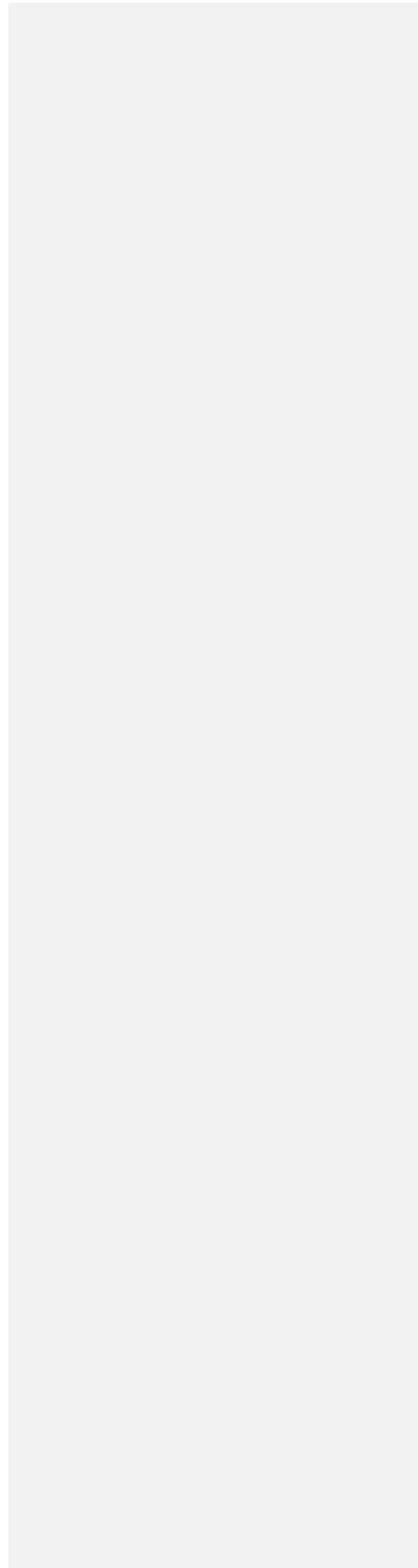


EXHIBIT 2
SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES

Scheduling, System Control and Dispatch Service

(Pursuant to Schedule 1 of the Tariff)

Reactive Supply and Voltage Control from Generation Sources

(Pursuant to Schedule 2 of the Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

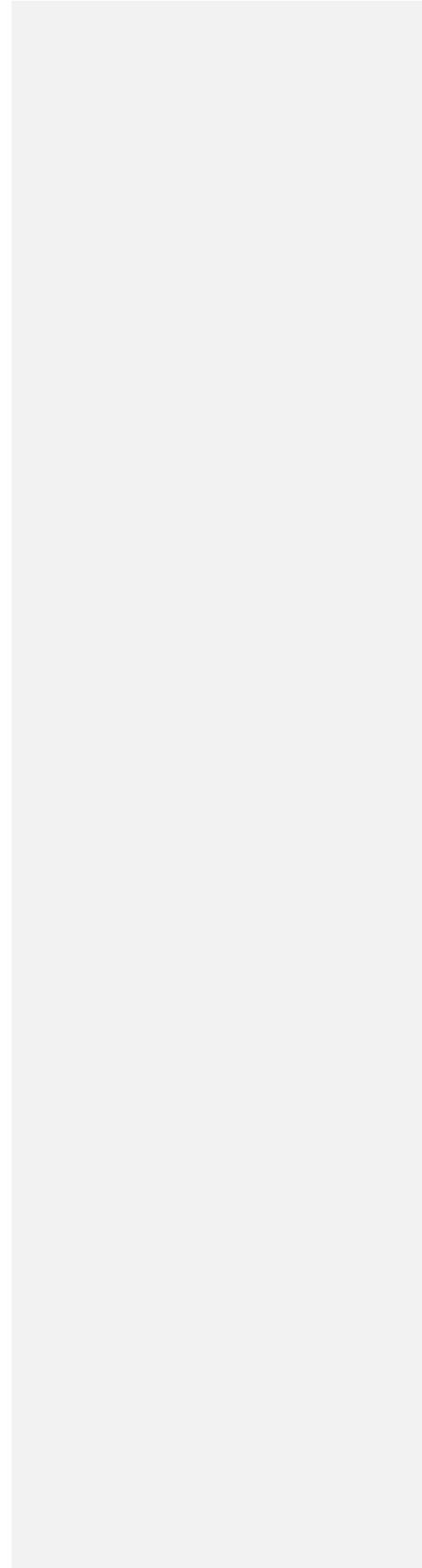
Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Clearwater Power Company

E2 – 1



Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Clearwater Power Company

E2 – 2

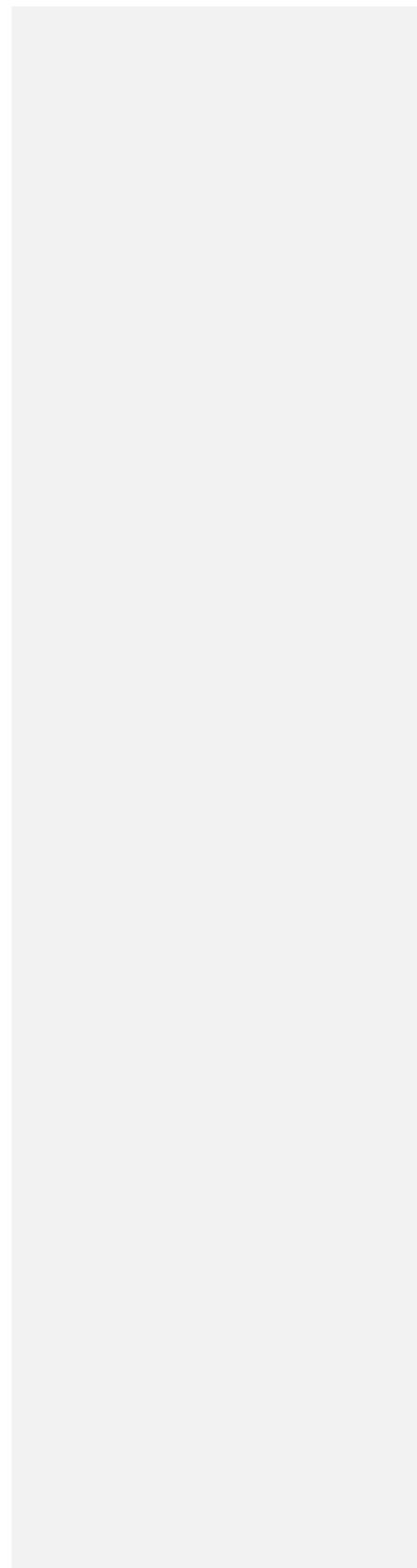


EXHIBIT 3
NETWORK OPERATING AGREEMENT

NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

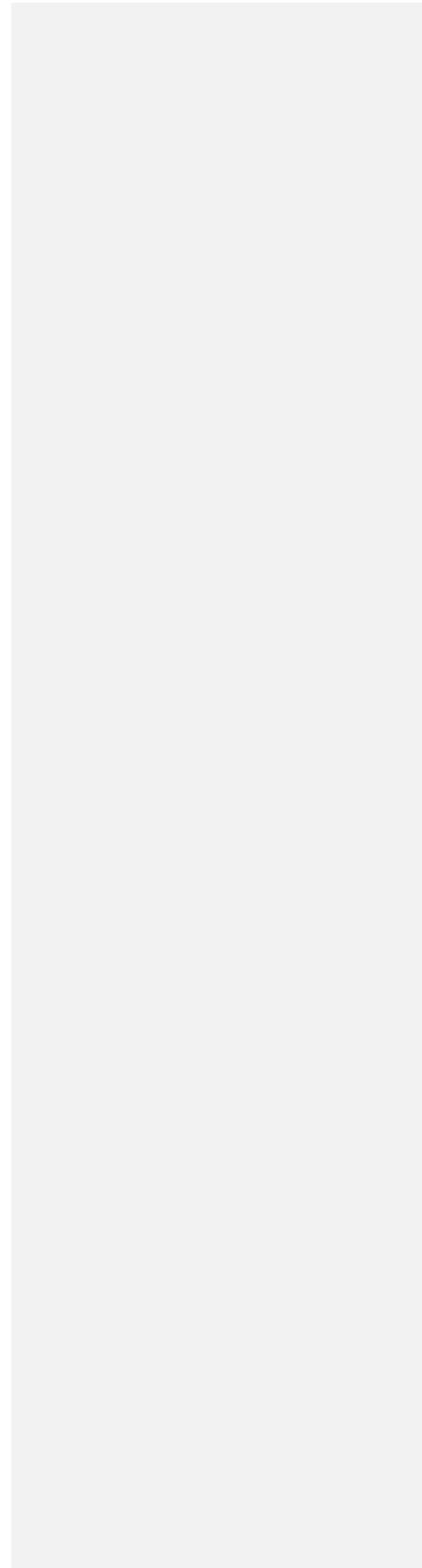
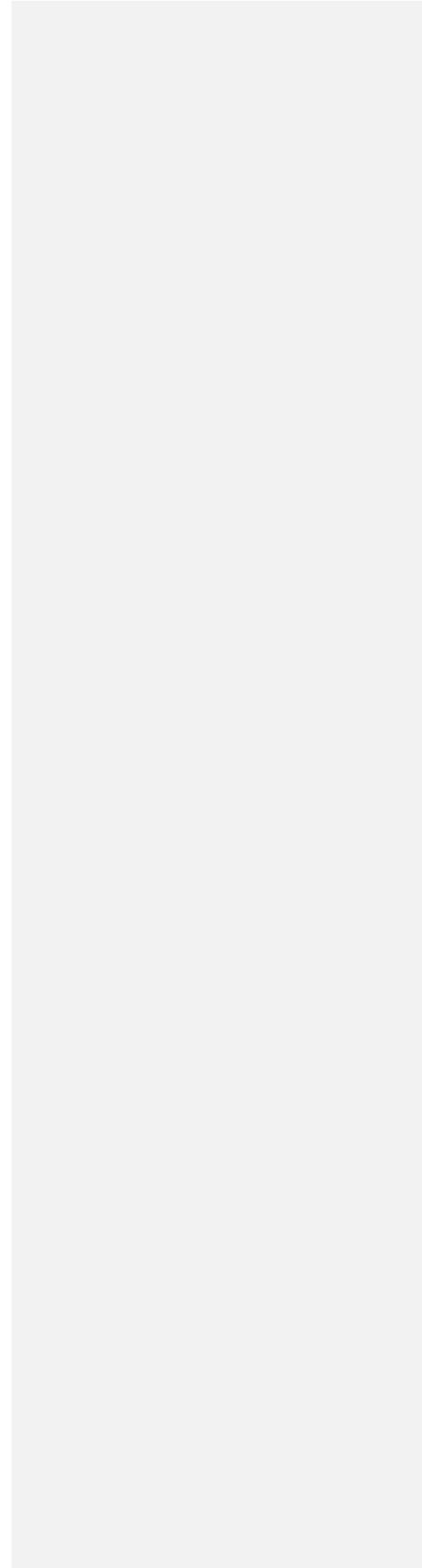


Exhibit 3 – Network Operating Agreement
Bonneville Power Administration – Service to Clearwater Power Company

E3 – 1



NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

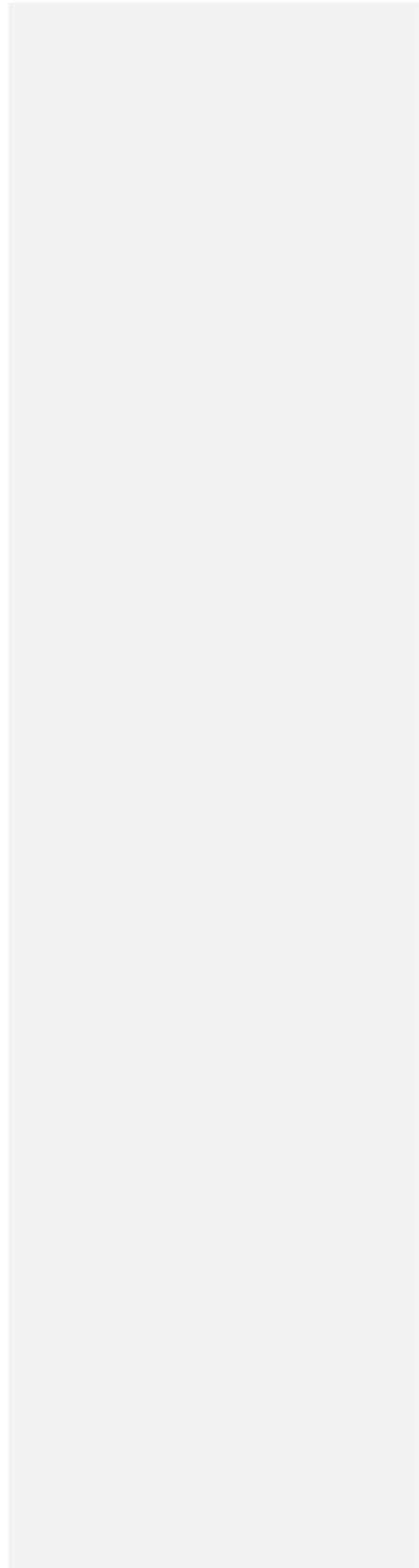
Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

- 2.1 NERC – The North American Electric Reliability Corporation, or its successor.
- 2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

1



- 2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.
- 2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

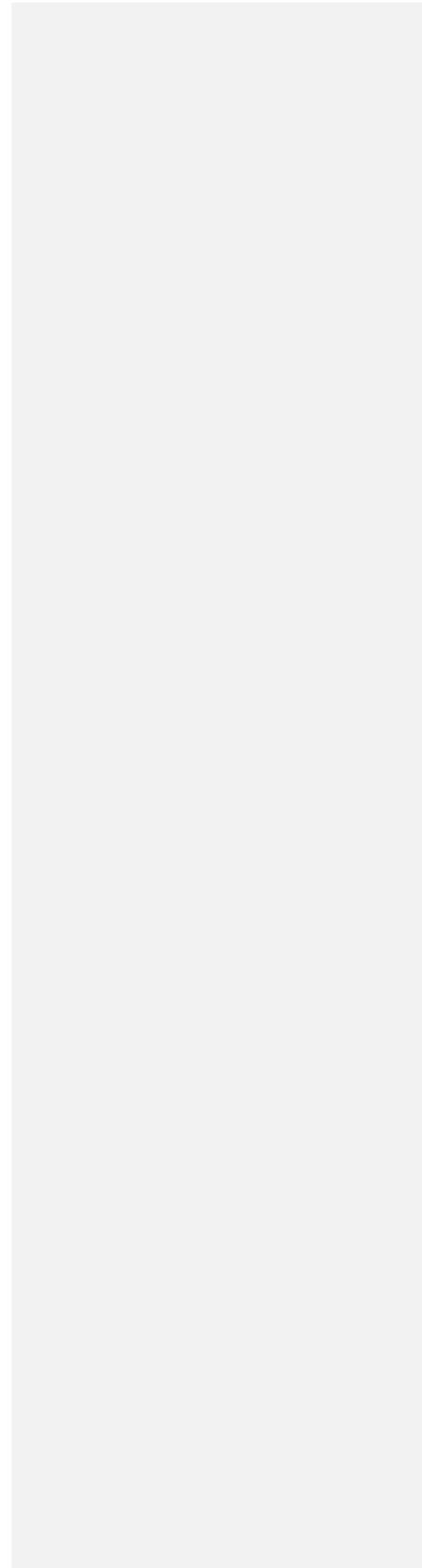
This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

- 4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.
- 4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.
- 4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

Network Operating Agreement – September 2011

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Section 5 – Interconnection Principles and Requirements

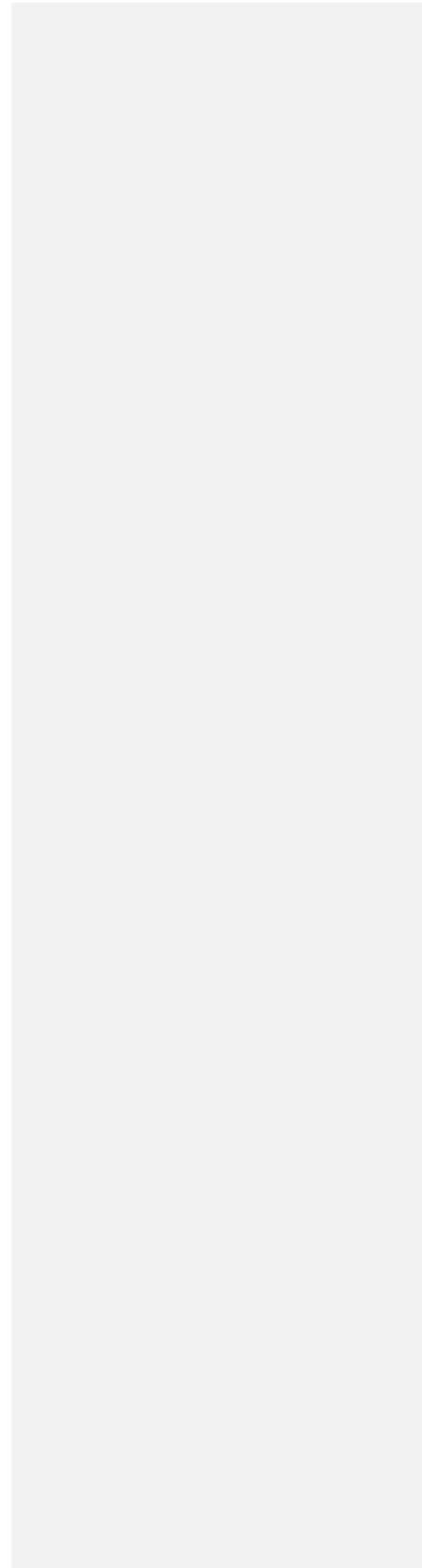
Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE-MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities. Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.
- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Network Operating Agreement – September 2011

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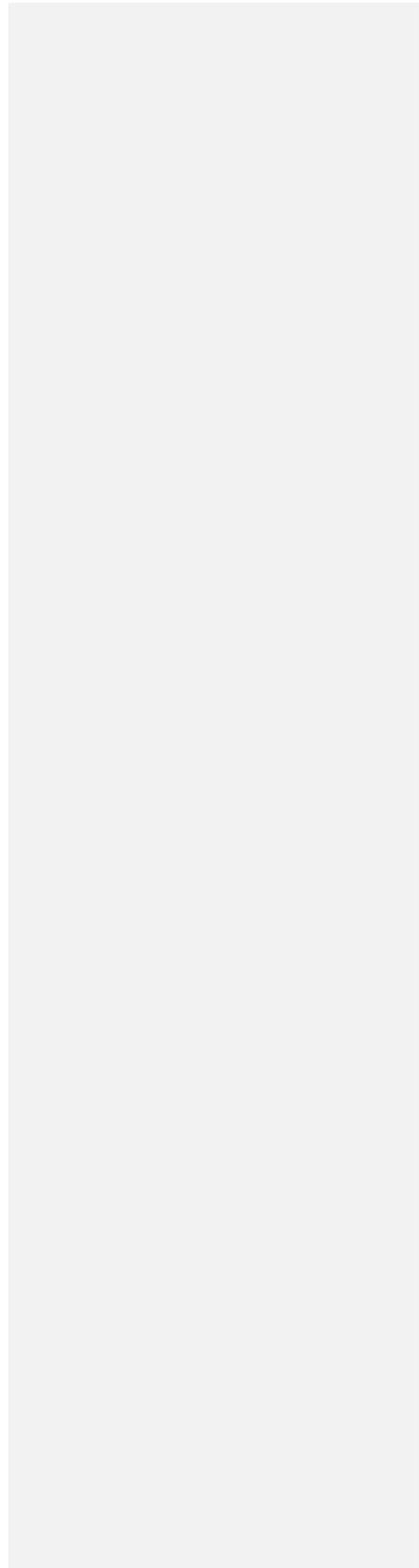
Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.
- 7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.
- 7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility Practice and on a comparable basis with service to all other affected Network Customers

Network Operating Agreement – September 2011

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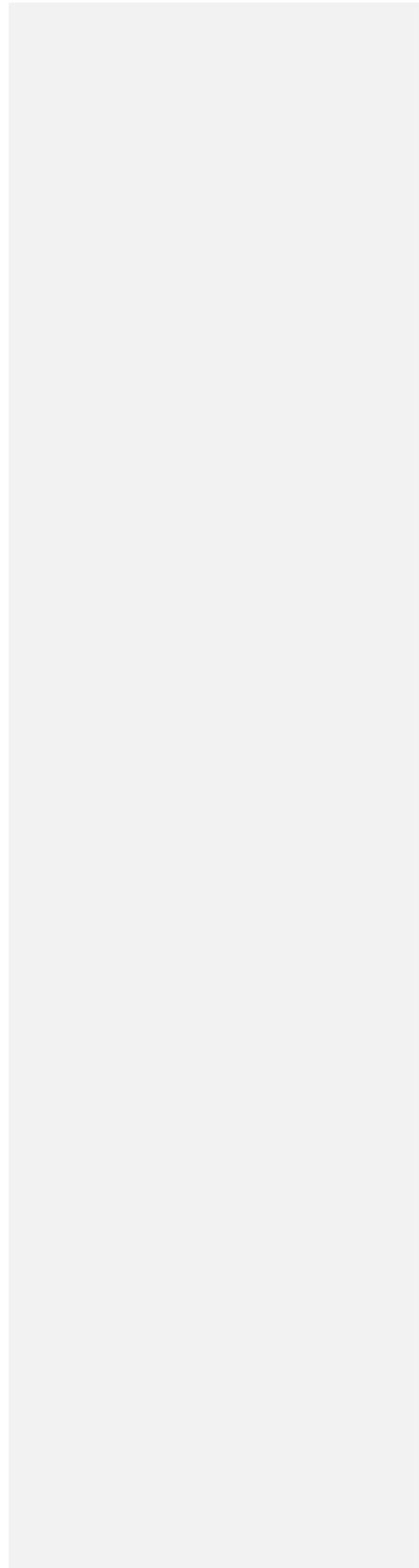
and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

- 8.1 Scheduling and Schedule Revisions – Schedules for Bonneville's designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however, that:*
- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours and ending at 1100 hours, Bonneville shall submit any revision to an electronic

Network Operating Agreement – September 2011

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tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

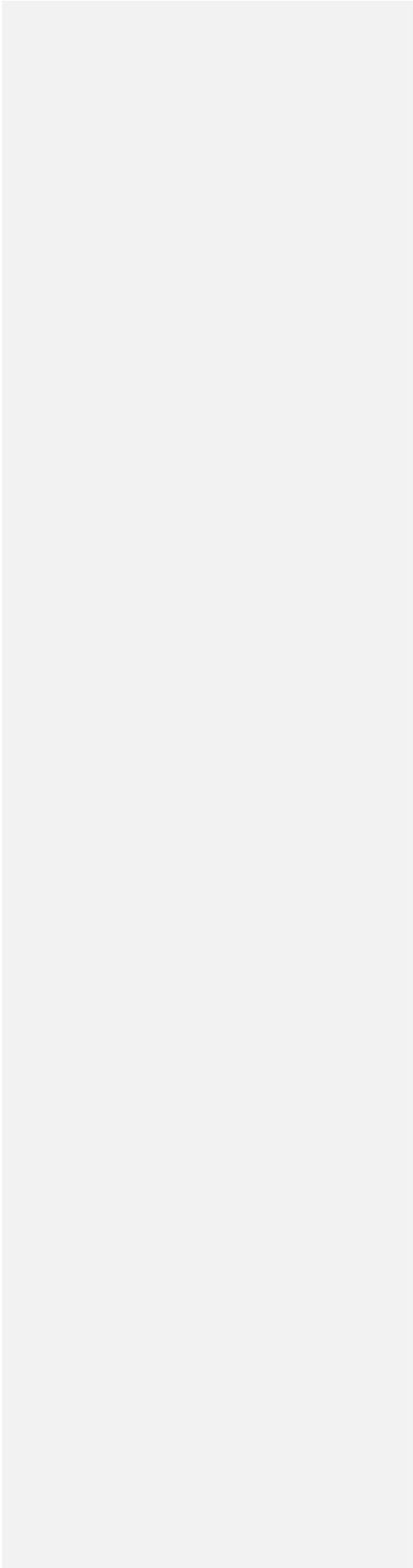
- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.
- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

- 8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Network Operating Agreement – September 2011

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Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.

8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista's Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista's transmission function passing on an aggregated sum of Bonneville's schedules associated with all of its borderline wheeling loads to Avista's load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista's Standards of Conduct.

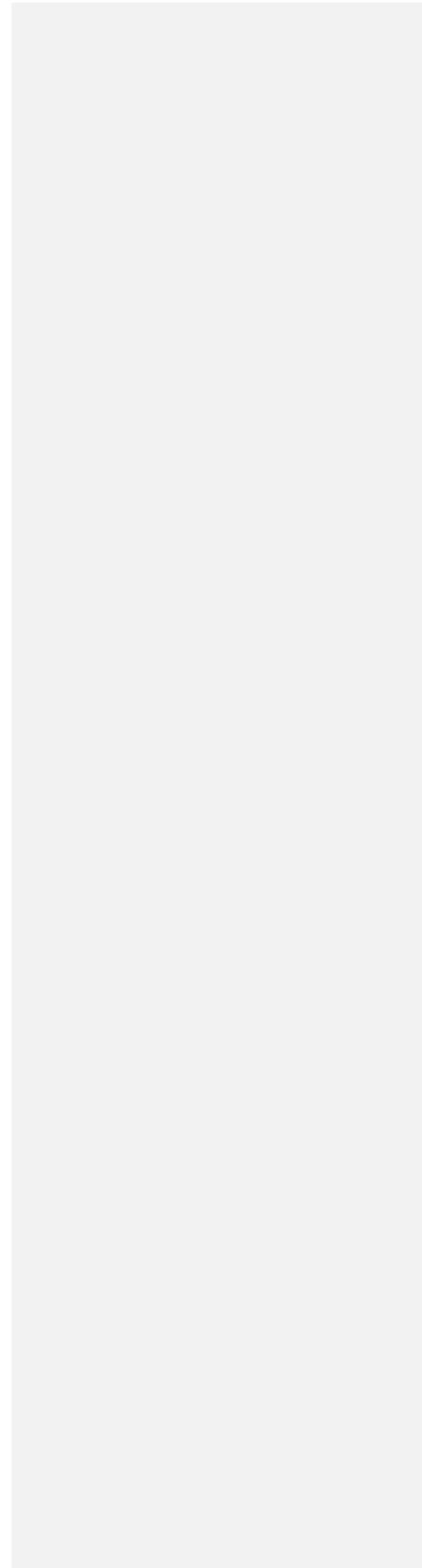
Section 9 – Metering and Communications

9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.

9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter used to determine billing associated with the Service Agreement shall provide to the

Network Operating Agreement – September 2011

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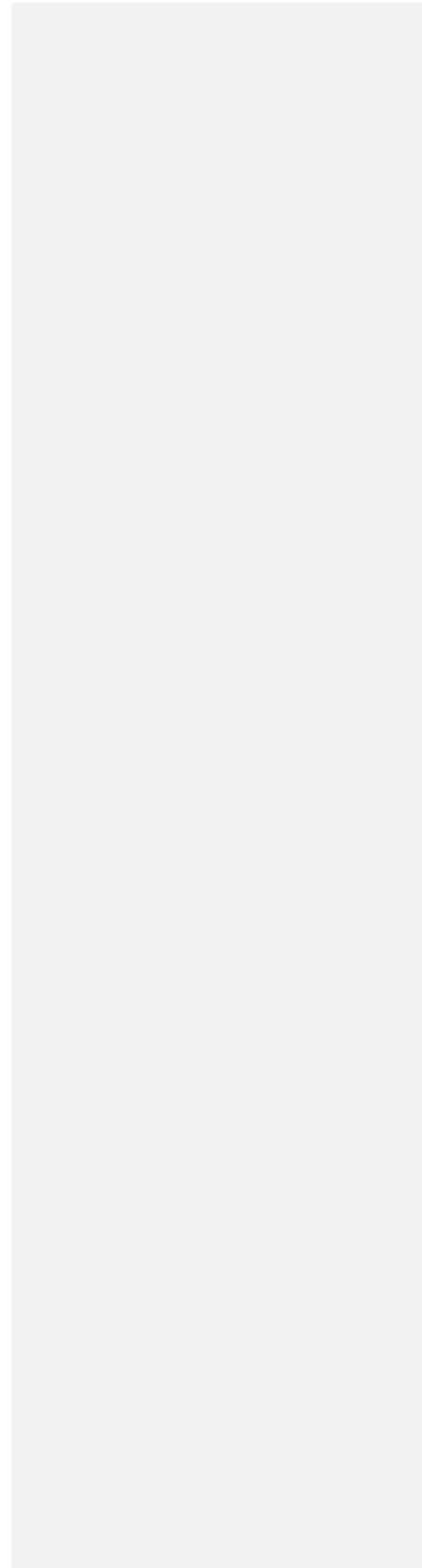
other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

- 9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System.

The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

- 9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters. In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the



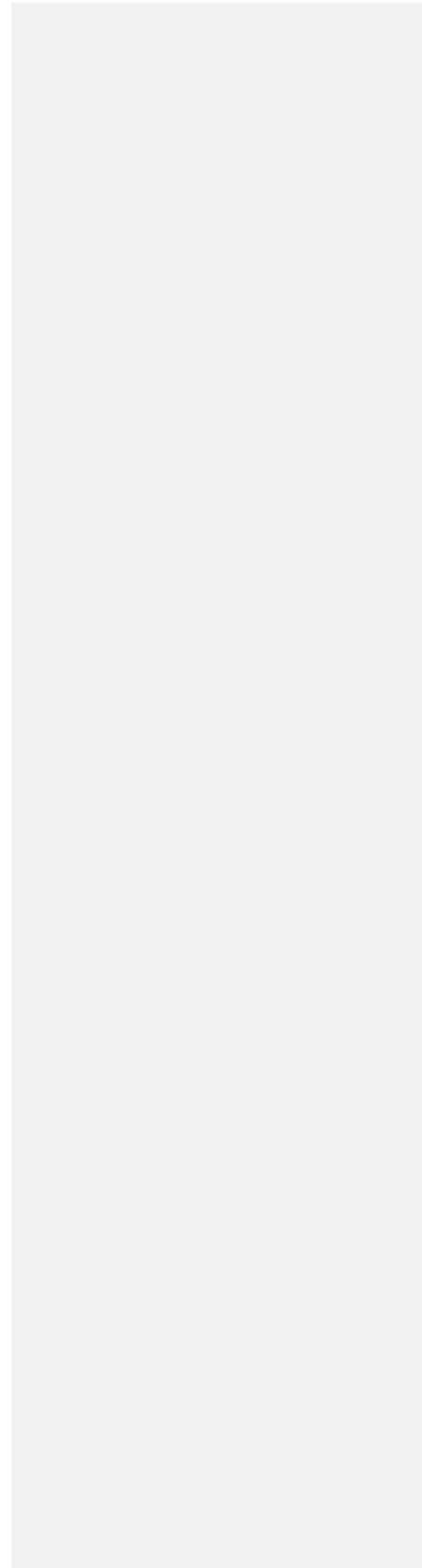
Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by pro-rating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.
- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.
- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Network Operating Agreement – September 2011

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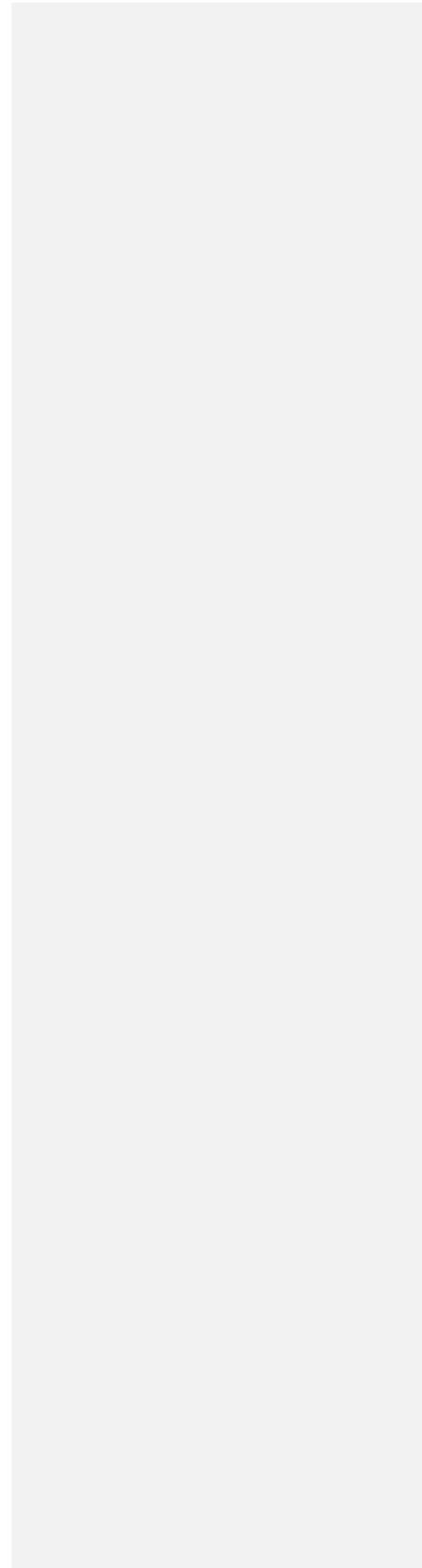
Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

- 9.6 Metering and Communications Required for Integration of Network Resources – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

Network Operating Agreement – September 2011

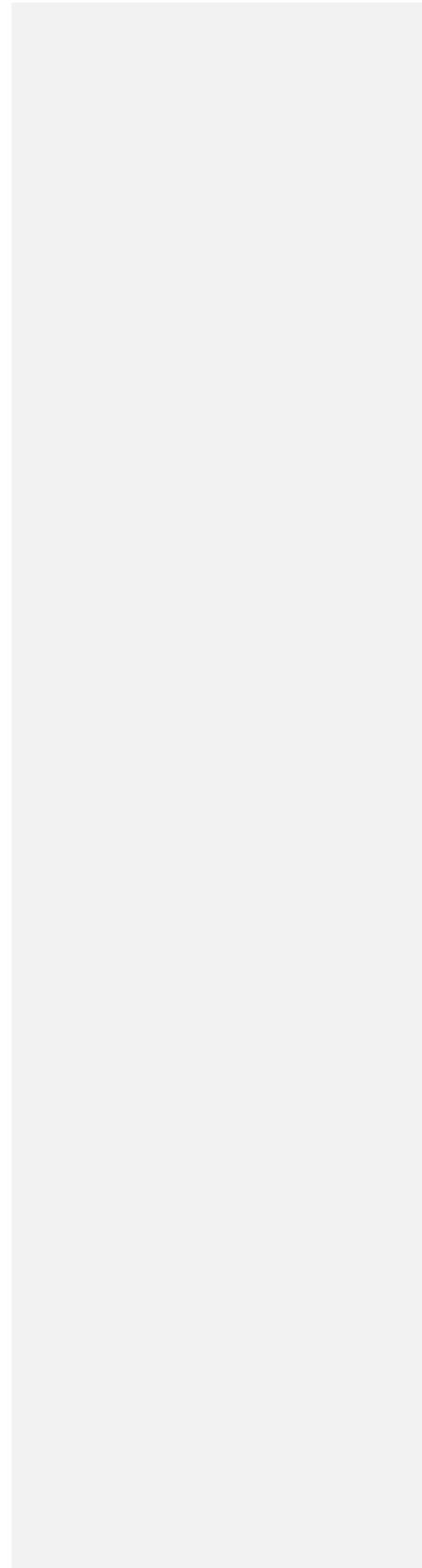
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- 9.7 Metering and Communications Required for Ancillary Services – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.
- 9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.
- 9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:
- (a) Megawatt and megavar indications from Bonneville's supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
 - (b) The following:
 - (i) Metering current transformers ("CTs") and potential transformers ("PTs"),
 - (ii) Space in Bonneville's substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function ("Avista Equipment"), to be supplied by Avista,

Network Operating Agreement – September 2011

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- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

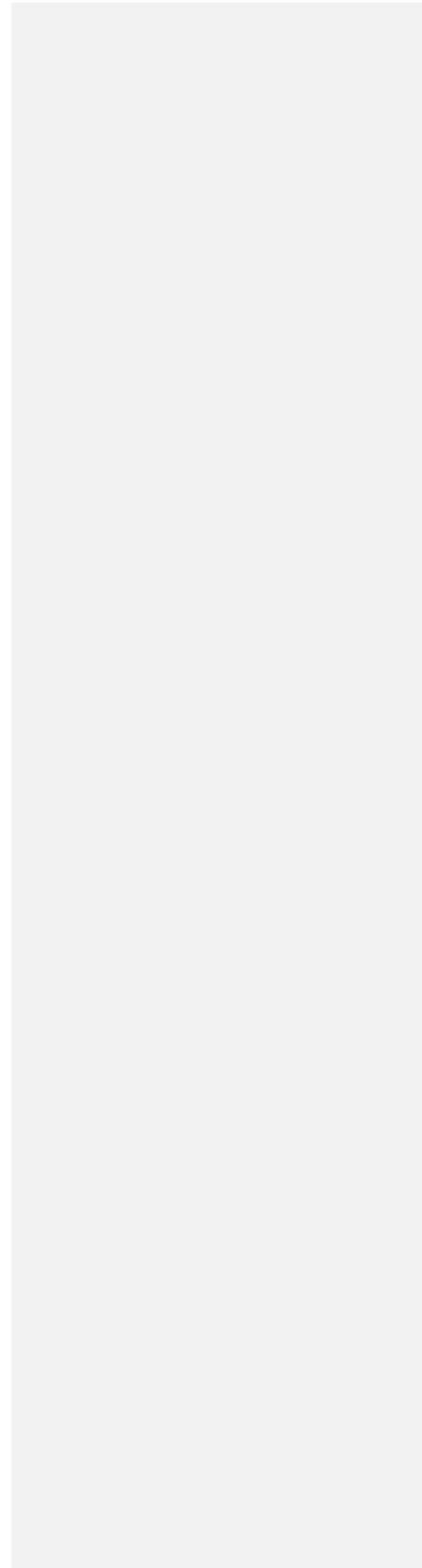
- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

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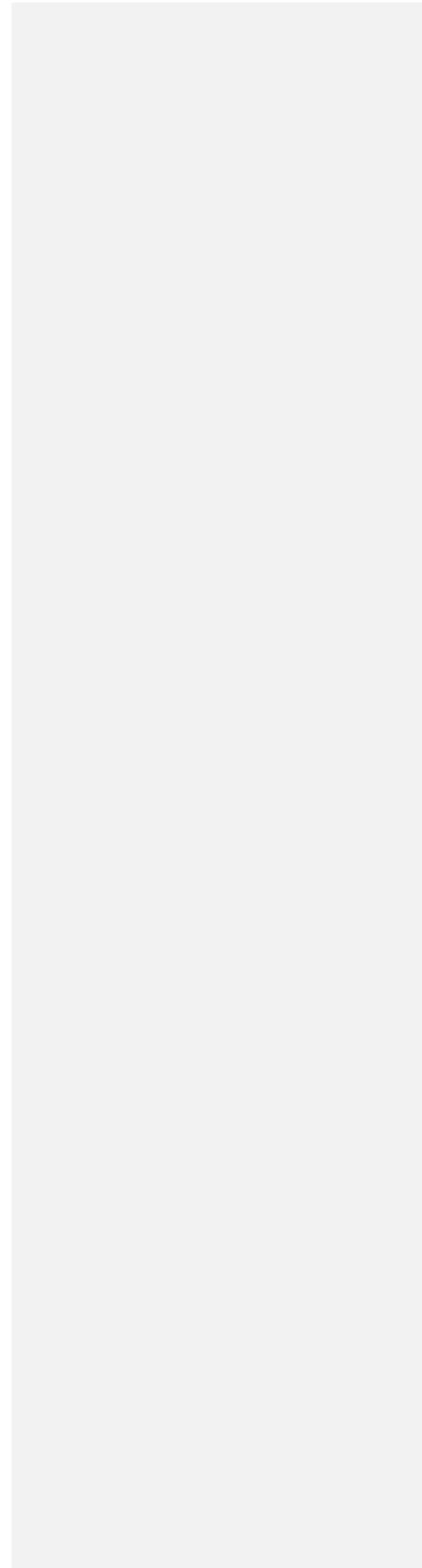


Section 11 - Miscellaneous

- 11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.
- 11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.
- 11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.
- 11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any such amendment shall become effective upon acceptance for filing by the Commission.

Network Operating Agreement – September 2011

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Avista Contract No. AV-TR11-1097
Bonneville Contract No. 11PX-10011

SERVICE AGREEMENT
for
NETWORK INTEGRATION TRANSMISSION SERVICE
between
the BONNEVILLE POWER ADMINISTRATION
and
AVISTA CORPORATION
under
AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8

[For service to IDAHO COUNTY LIGHT & POWER COOPERATIVE ASSOCIATION, INC.]

<u>Section</u>	<u>Description</u>	<u>Page</u>
1.	Definitions	3
2.	Standard Provisions	3
3.	Term and Regulatory Filing	4
4.	Network Integration Transmission Service	4
5.	Other Services	5
6.	Construction of Facilities	5
7.	Billing and Payment	5
8.	Miscellaneous Provisions	6

Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT ("Service Agreement") is made and entered into this ____ day of September, 2011, by and between AVISTA CORPORATION ("Avista") and the Bonneville Power Administration ("Bonneville"), which hereinafter may be referred to individually as "Party" or collectively as "Parties".

RECITALS

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 ("Tariff"); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista's Transmission System and/or Avista's low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to Idaho County Light & Power Cooperative Association, Inc.'s loads connected to Avista's Transmission System since January 1, 2006 and Bonneville has requested continuing service to Idaho County Light & Power Cooperative Association, Inc.'s loads; and

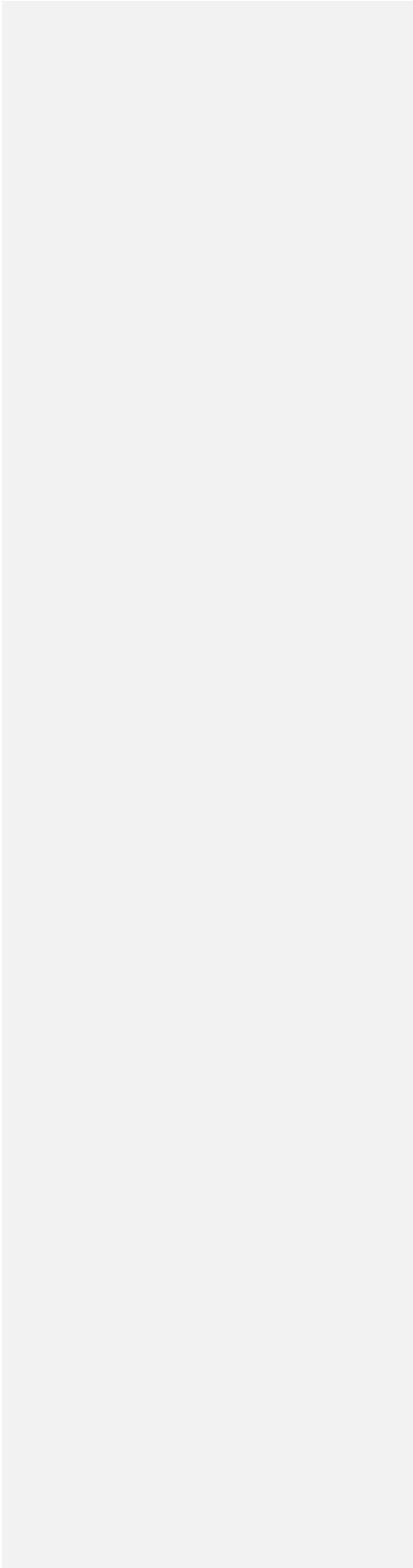
WHEREAS, Avista has entered into an Interconnection and Operating Agreement with Idaho County Light & Power Cooperative Association, Inc., providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and Idaho County Light & Power Cooperative Association, Inc.; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville's wholesale utility customers connected to Avista's Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Idaho County Light & Power Cooperative Association, Inc.

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Section 1 - Definitions

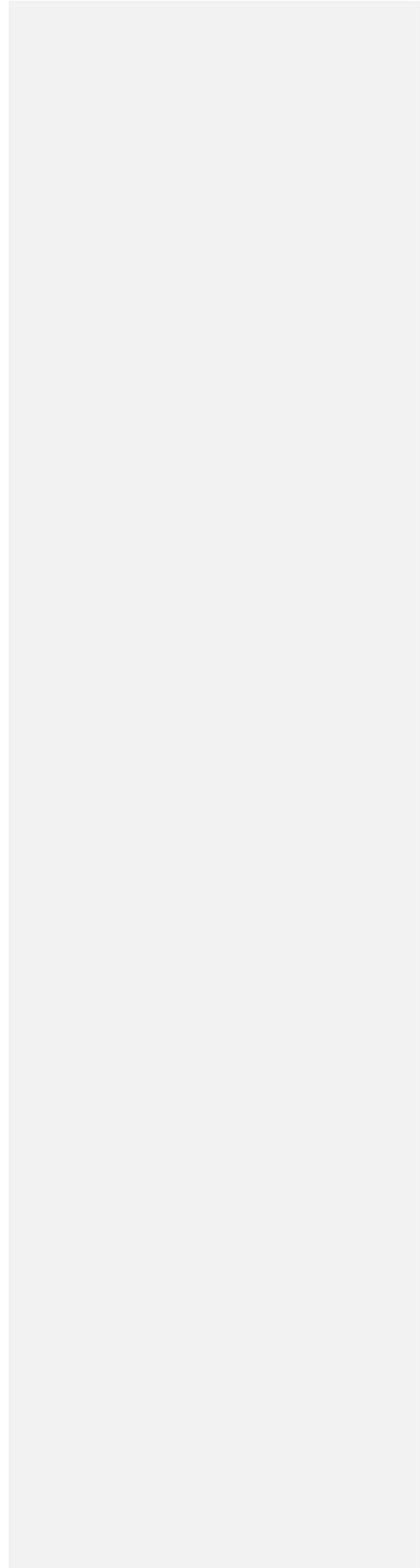
Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

- 2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.
- 2.2 **Incorporation of Exhibits:** The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 **Completed Application:** By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 **System Impact and Facilities Studies:** Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Idaho County Light & Power Cooperative Association, Inc.

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Section 3 - Term and Regulatory Filing

- 3.1 **Effective Date and Filing:** This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing ("Effective Date"). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 **Cancellation Rights:** If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 **Termination of Agreement:** Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

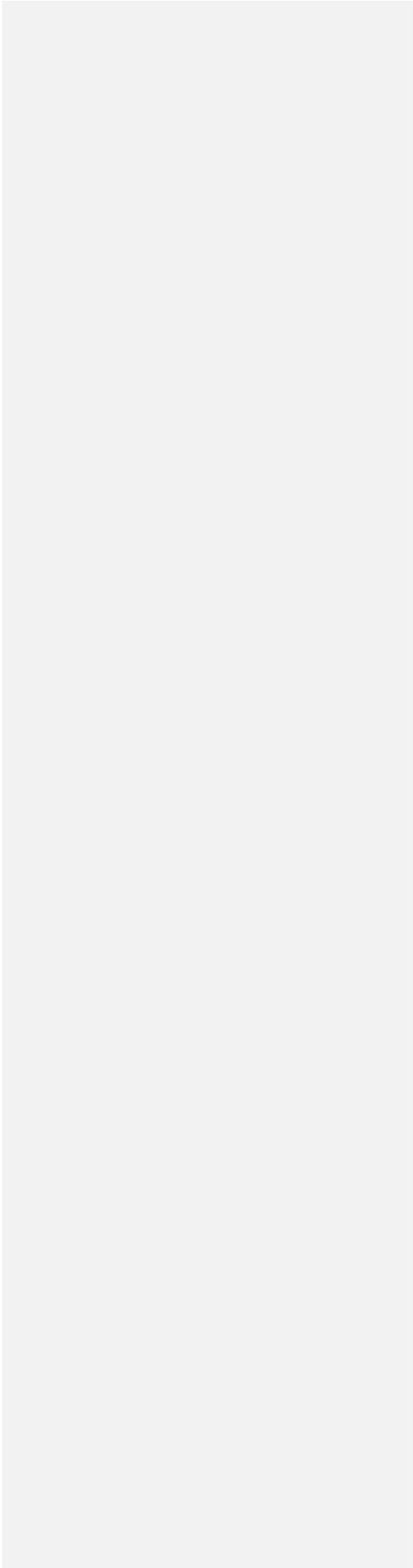
Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 **Transmission Service:** Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 **Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities:** Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Idaho County Light & Power Cooperative Association, Inc.

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4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one months' notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

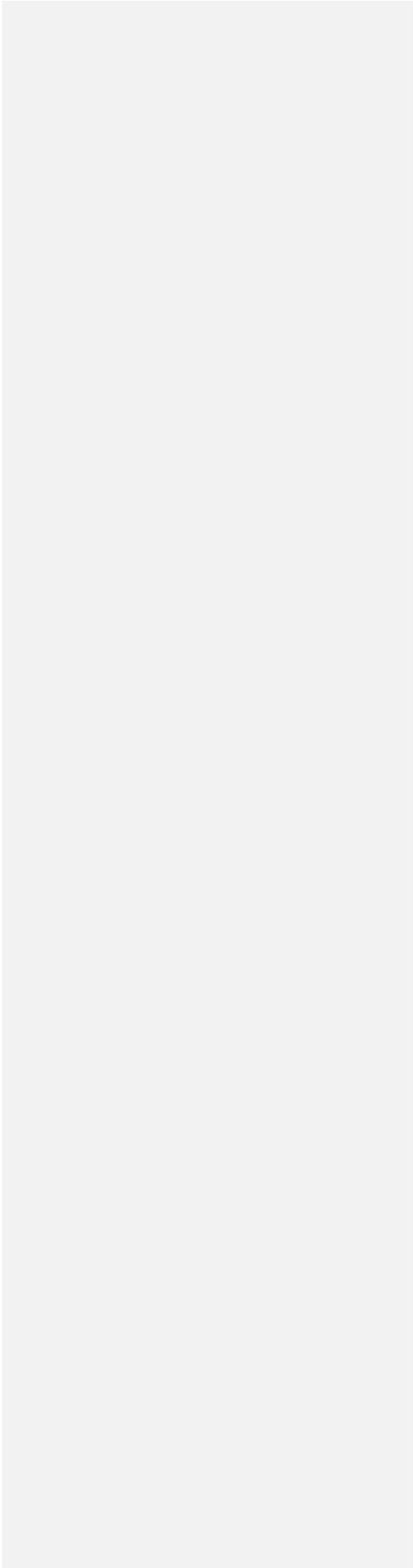
Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact – PTKT
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Idaho County Light & Power Cooperative Association, Inc.

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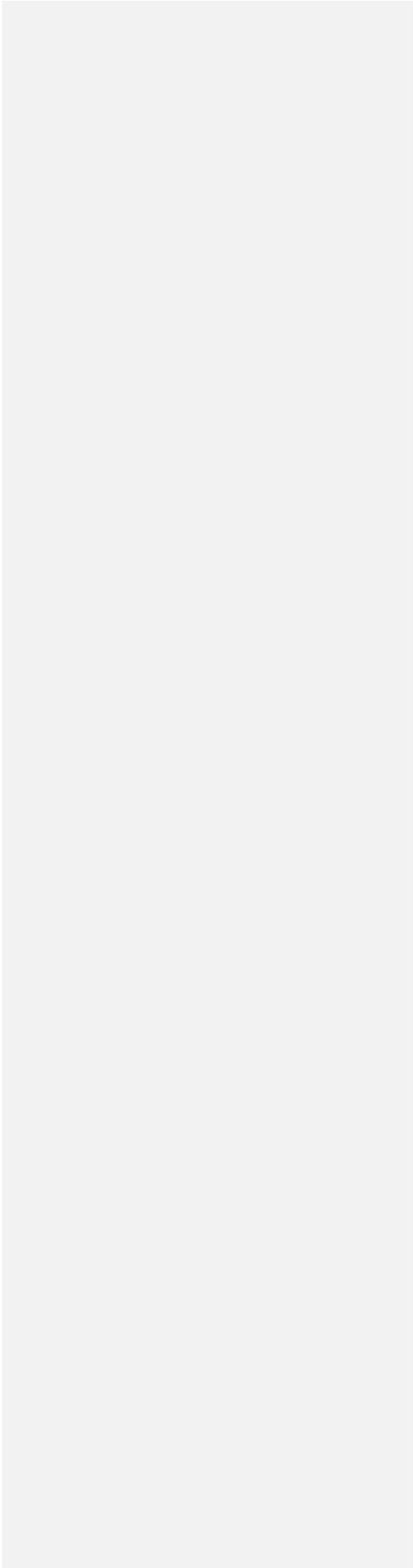
All payments to Avista shall be submitted via electronic funds transfer to the account specified on each billing invoice.

Section 8 - Miscellaneous Provisions

- 8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 Future Changes or Additions: Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Idaho County Light & Power Cooperative Association, Inc.

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wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment. A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service Agreement shall be directed to:

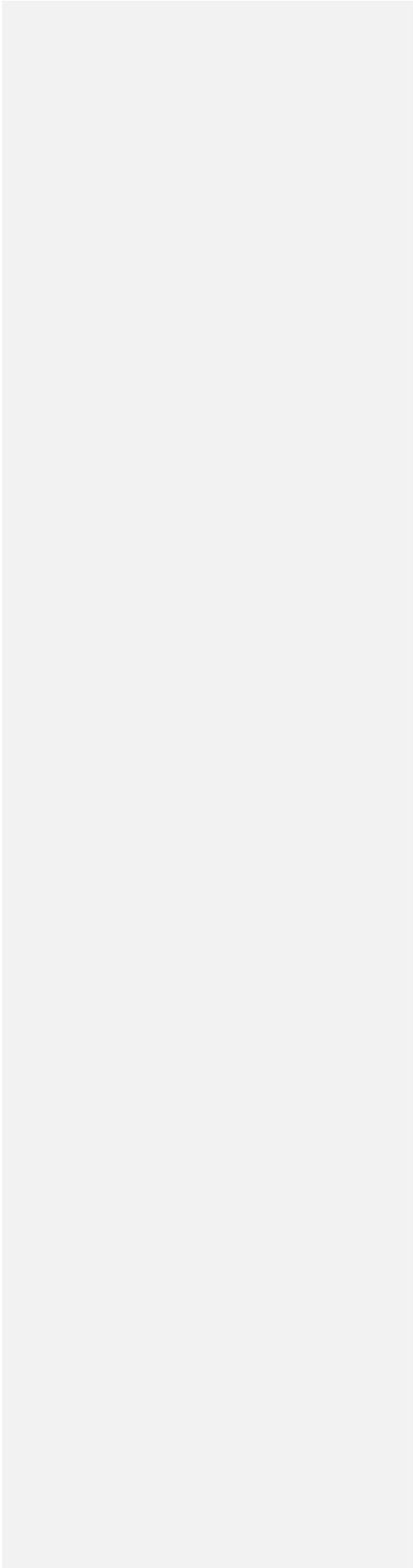
Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington 99202
or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services – PST
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Idaho County Light & Power Cooperative Association, Inc.

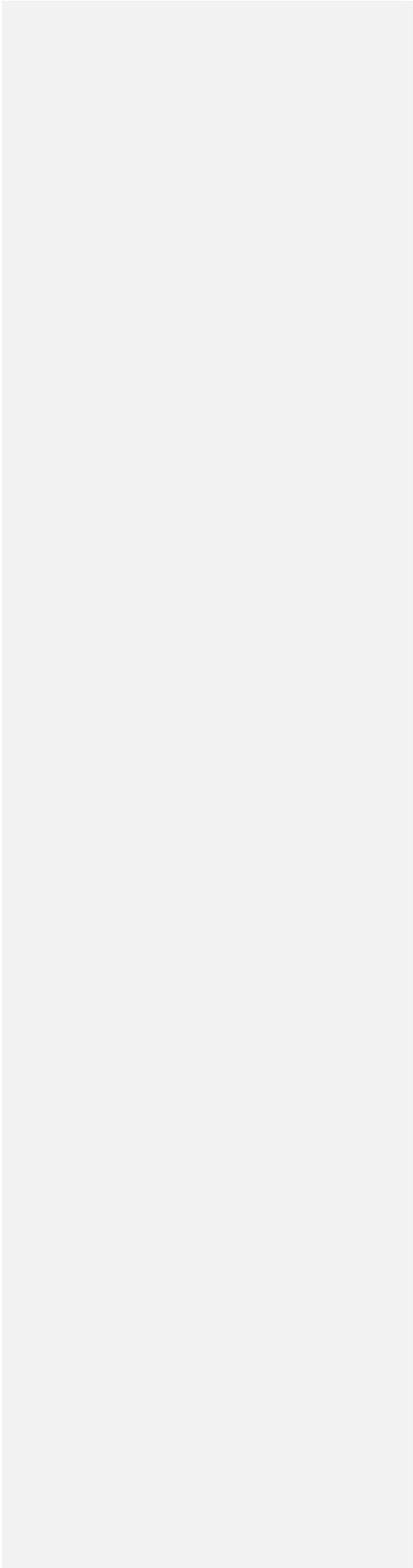
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8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Idaho County Light & Power Cooperative Association, Inc.

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IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Idaho County Light & Power Cooperative Association, Inc.

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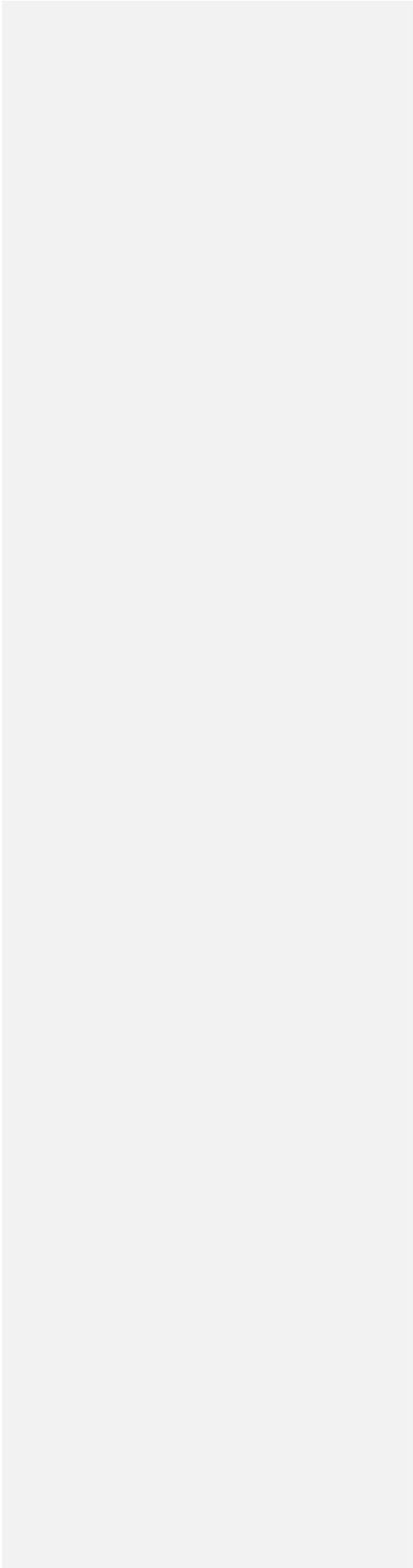


EXHIBIT 1
SPECIFICATIONS FOR
NETWORK INTEGRATION TRANSMISSION SERVICE

Designated Network Resources

Power Sales Agreement between Bonneville and Idaho County Light & Power Cooperative Association, Inc. (Bonneville Contract No. 09PB-13055)

Flat Block Market Purchase, through Northwest Electric Supply Cooperative (NESC) from Shell Energy: 0.175 aMW 10/1/2011-9/30/2012; 0.375 aMW 10/1/2012-9/30/2013

Designated Network Loads

(See Exhibit 1A)

Monthly Transmission Charge

(Pursuant to Section 34 of the Tariff)

Monthly Charges for Direct Assignment and Low Voltage Facilities

(See Exhibit 1B)

Power Factor Penalty Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

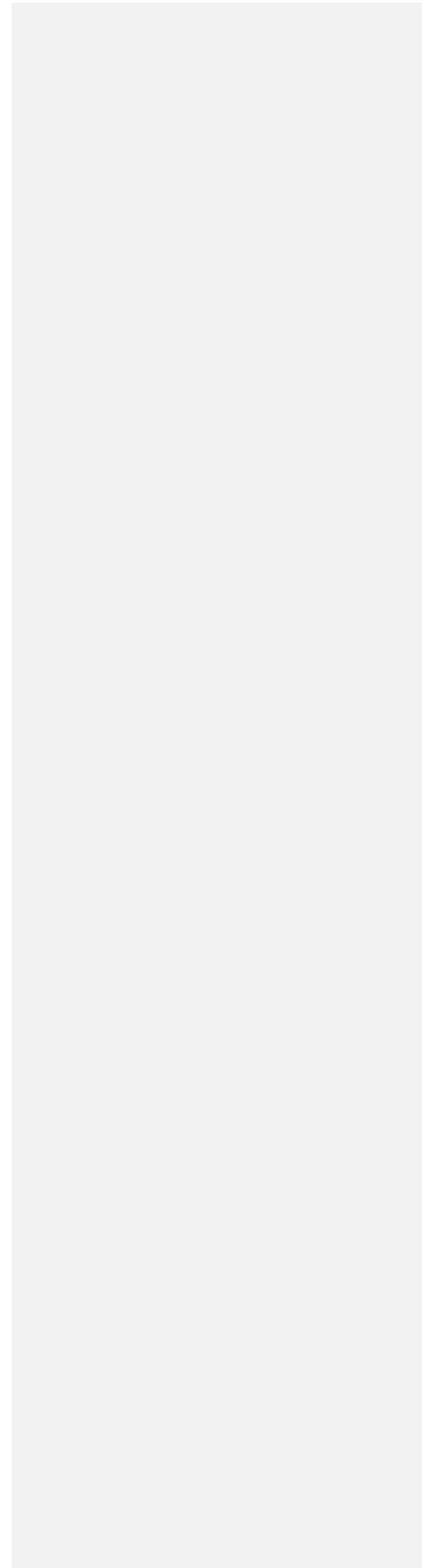
(Pursuant to Section 28.5 of the Tariff)

In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Exhibit 1 – Specifications for Network Integration Transmission Service
Bonneville Power Administration – Service to Idaho County Light & Power Cooperative Association, Inc.

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Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

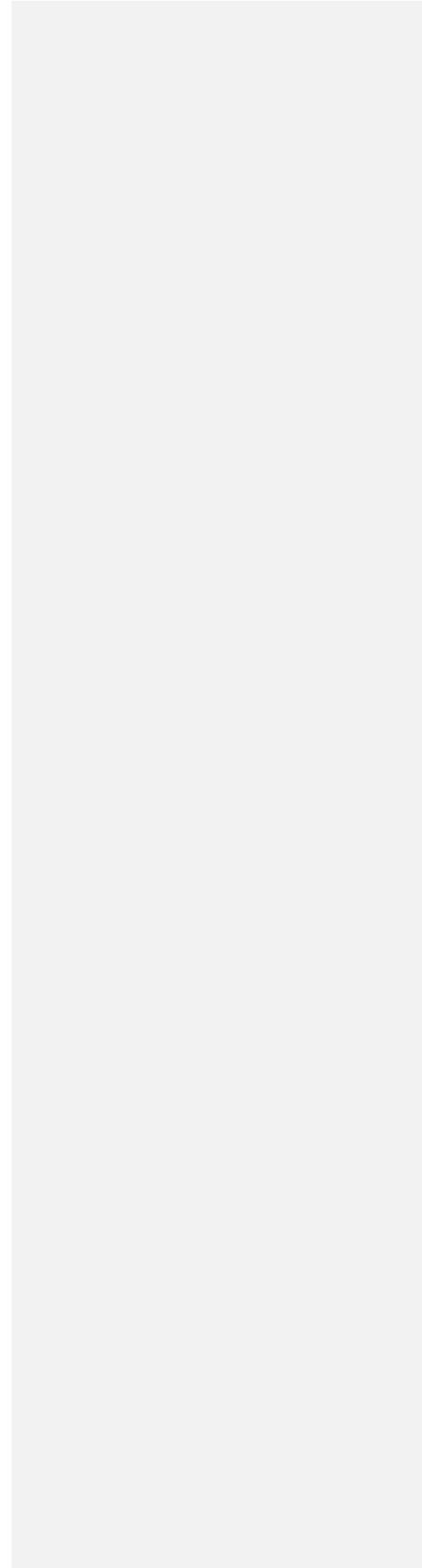
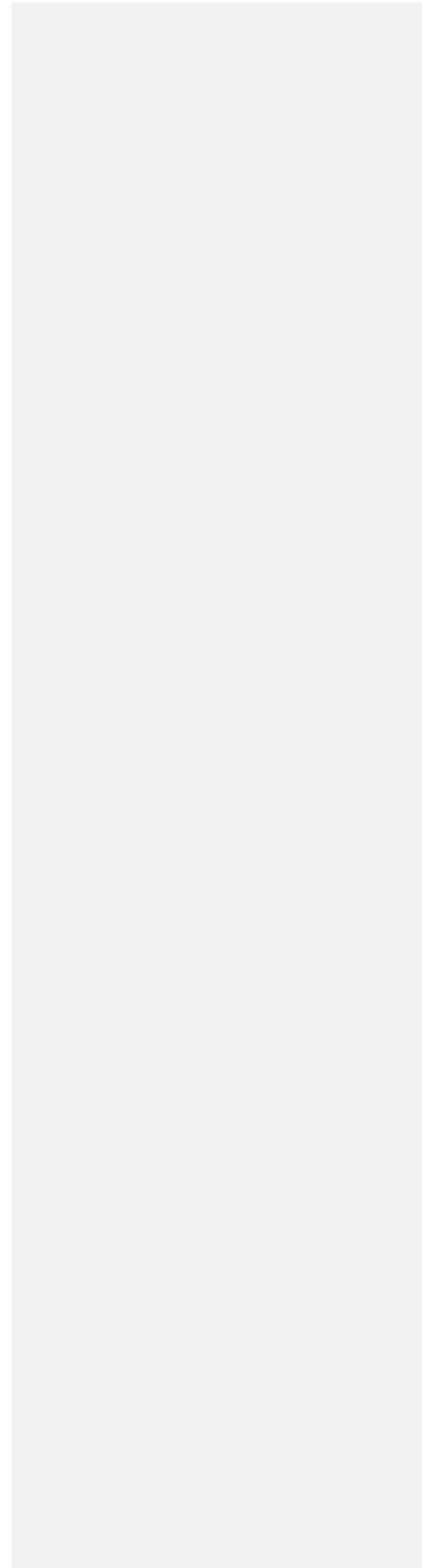


Exhibit 1 – Specifications for Network Integration Transmission Service
Bonneville Power Administration – Service to Idaho County Light & Power Cooperative Association, Inc.

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**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Cottonwood Point of Delivery**

Location: The point, approximately three miles north of Cottonwood, Idaho, where the 24.9 kV distribution facilities of Avista and ICL&P are connected

Voltage: 24.9 kV

Metering: At or near the Point of Delivery, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

2) **East Grangeville Point of Delivery**

Location: The point where Avista's East Grangeville 115 kV Tap of the Grangeville-Nez Perce No. 2 115 kV Transmission Line is connected to Bonneville's East Grangeville Substation 115 kV Tap

Voltage: 115 kV

Metering: In Bonneville's East Grangeville Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

3) **Kamiah Point of Delivery**

Location: The point, approximately 2.2 miles southeast of Kamiah, Idaho, where the 13.2 kV distribution facilities of Avista and ICL&P are connected

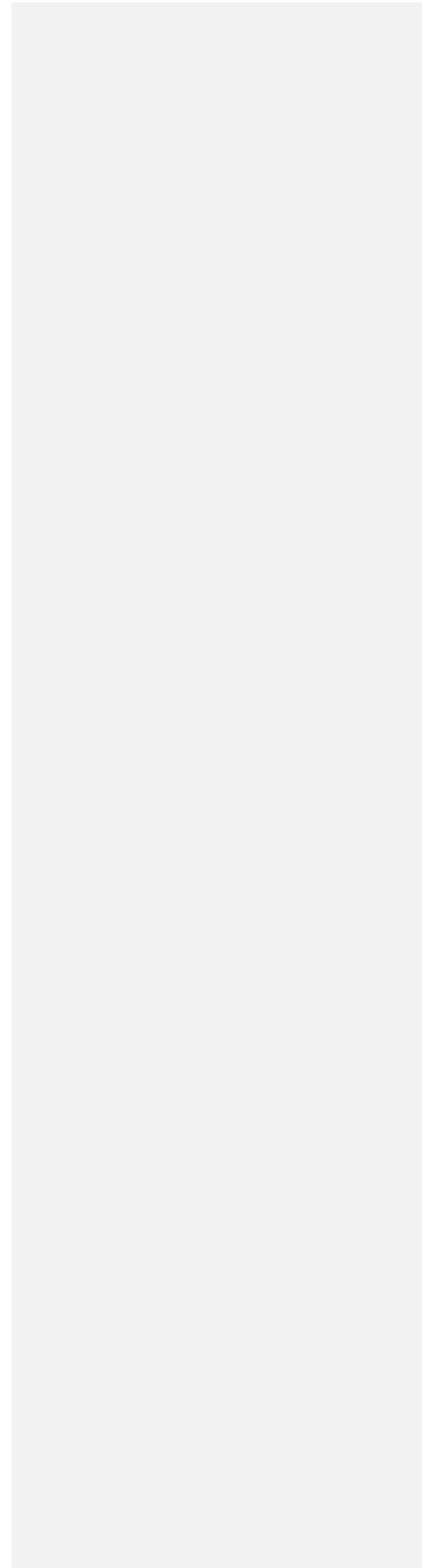
Voltage: 13.2 kV

Metering: At or near the Point of Delivery, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Idaho County Light & Power Cooperative Association, Inc.

E1A – 1



4) **Kooskia Point of Delivery**

Location: The point in Avista's Kooskia 13/34.5 kV Substation where the 34.5 kV facilities of Avista and ICL&P are connected

Voltage: 34.5 kV

Metering: In Avista's Kooskia Substation, in the 13 kV circuit of the 13/34.5 kV transformer over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Idaho County Light & Power Cooperative Association, Inc.

E1A – 2

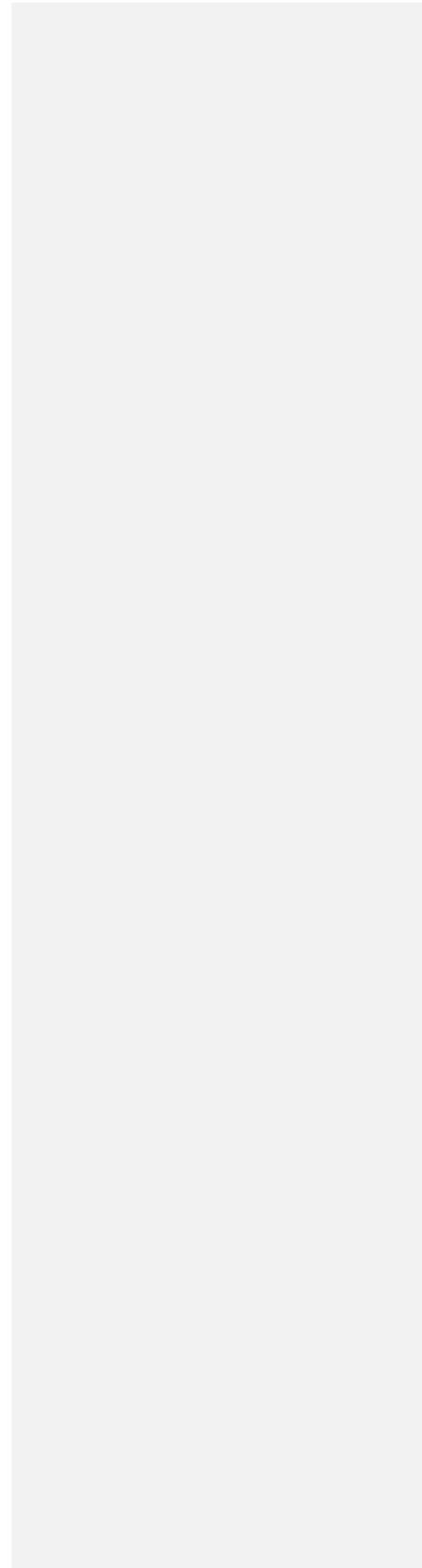


EXHIBIT 1B
DIRECT ASSIGNMENT AND LOW-VOLTAGE
SUBSTATION AND DISTRIBUTION CHARGES
(per month)

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Cottonwood	\$ 347 <u>1,836</u>	---	\$ 37 <u>32</u>
East Grangeville	---	---	---
Kamiah	\$ 358 <u>846</u>	---	\$ 209 <u>23</u>
Kooskia	\$ 715 <u>2,143</u>	\$ 379 <u>1,05</u>	\$ 285 <u>35</u>

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
Bonneville Power Administration – Service to Idaho County Light & Power Cooperative Association, Inc.
[Revision 1 – Effective April 1, 2016](#)

E1B – 1

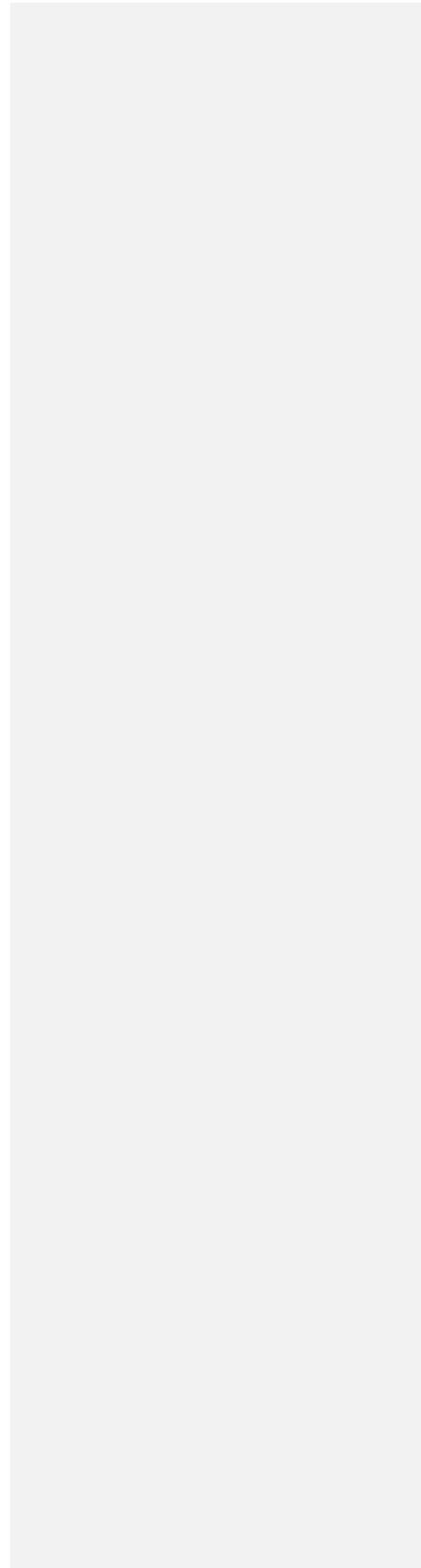


EXHIBIT 2
SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES

Scheduling, System Control and Dispatch Service

(Pursuant to Schedule 1 of the Tariff)

Reactive Supply and Voltage Control from Generation Sources

(Pursuant to Schedule 2 of the Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

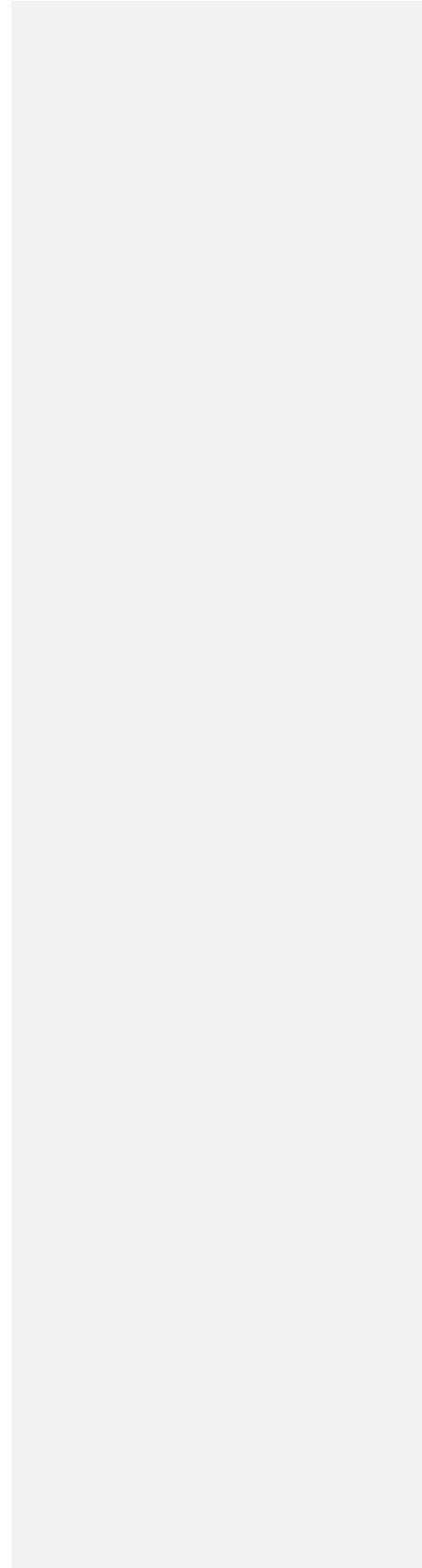
Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Idaho County Light & Power Cooperative Association, Inc.

E2 – 1



Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Idaho County Light & Power Cooperative Association, Inc.

E2 – 2

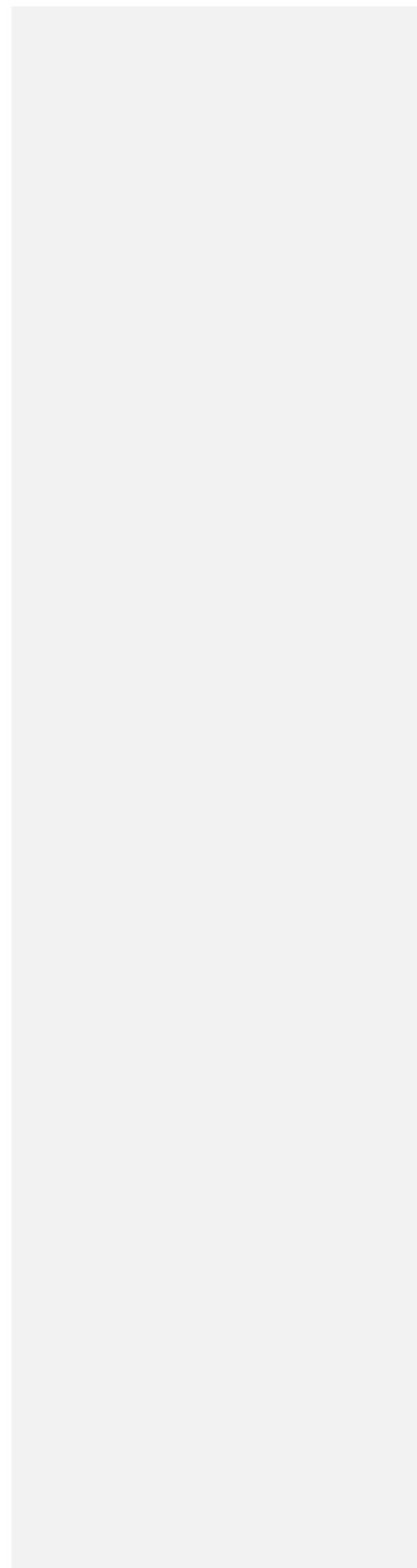


EXHIBIT 3
NETWORK OPERATING AGREEMENT

NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

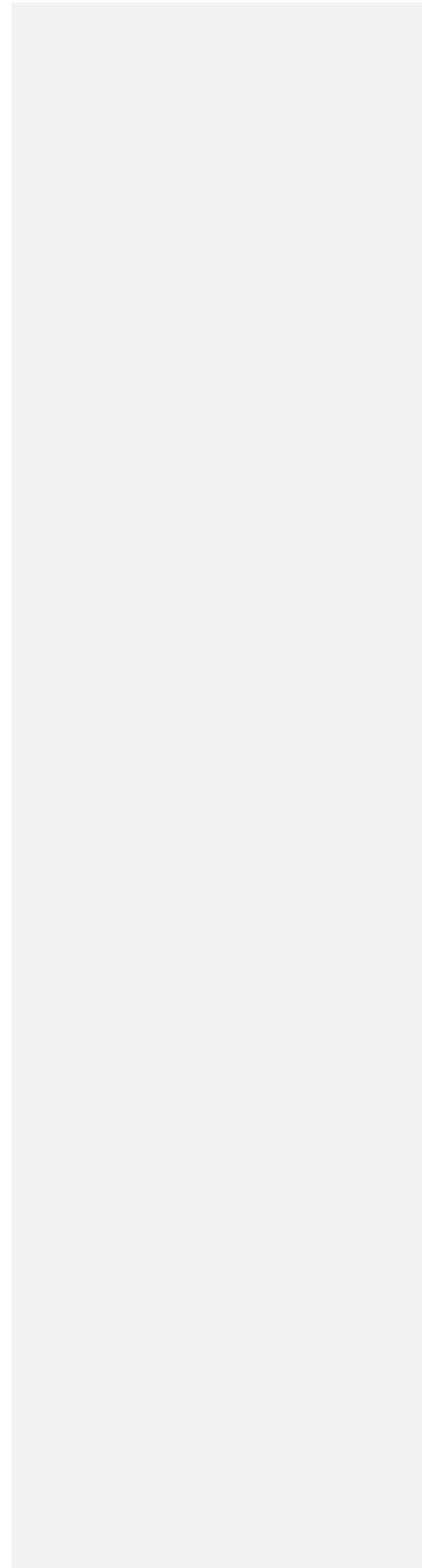
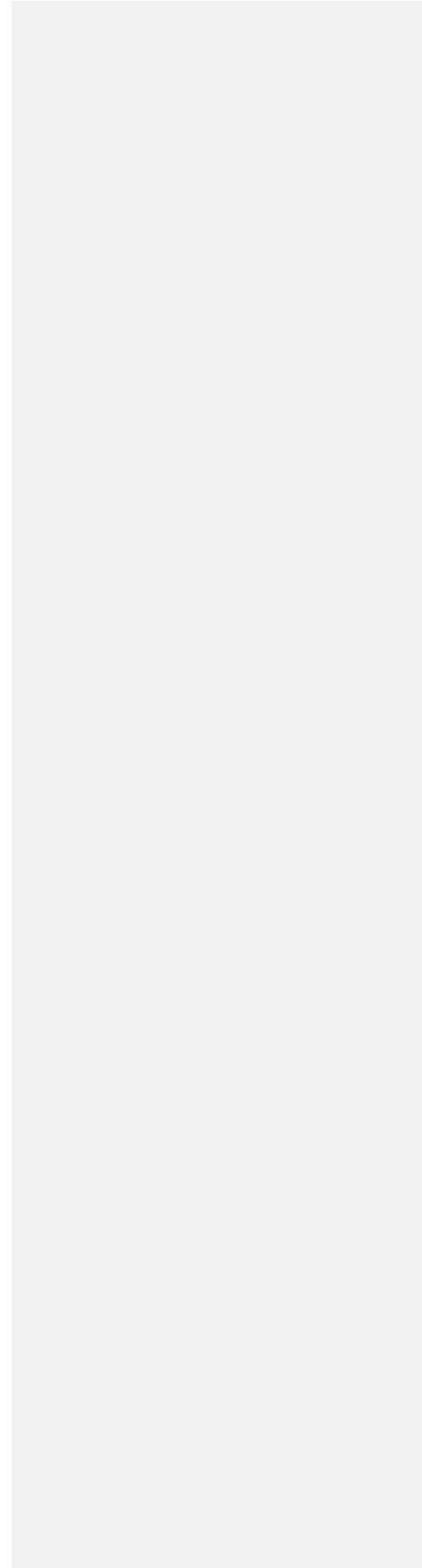


Exhibit 3 – Network Operating Agreement
Bonneville Power Administration – Service to Idaho County Light & Power Cooperative Association, Inc.

E3 – 1



NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

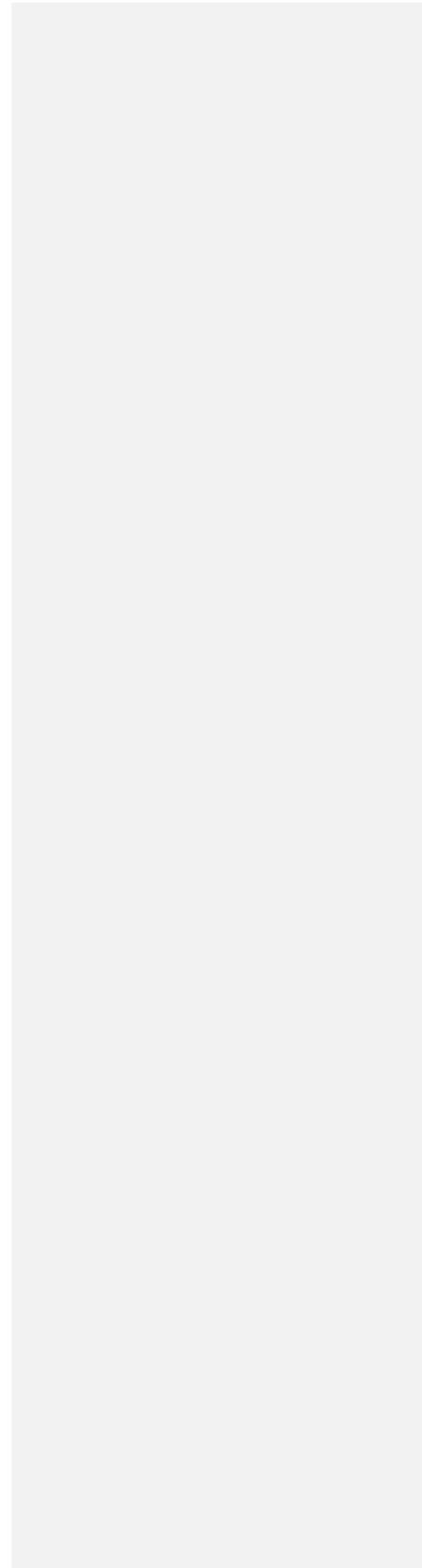
Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

- 2.1 NERC – The North American Electric Reliability Corporation, or its successor.
- 2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

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- 2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.
- 2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

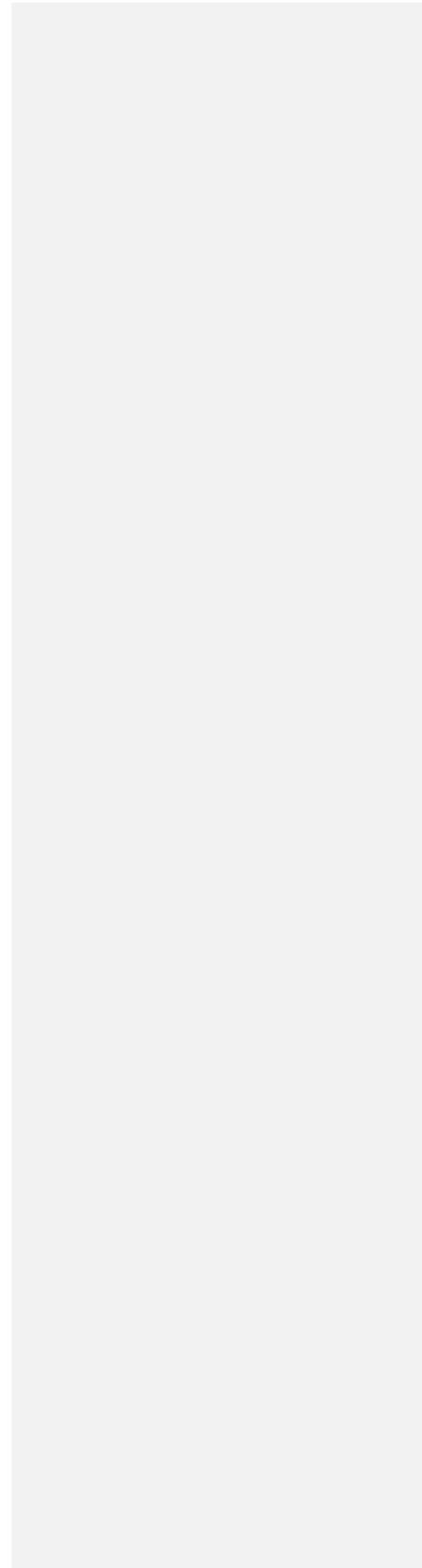
This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

- 4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.
- 4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.
- 4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

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Section 5 – Interconnection Principles and Requirements

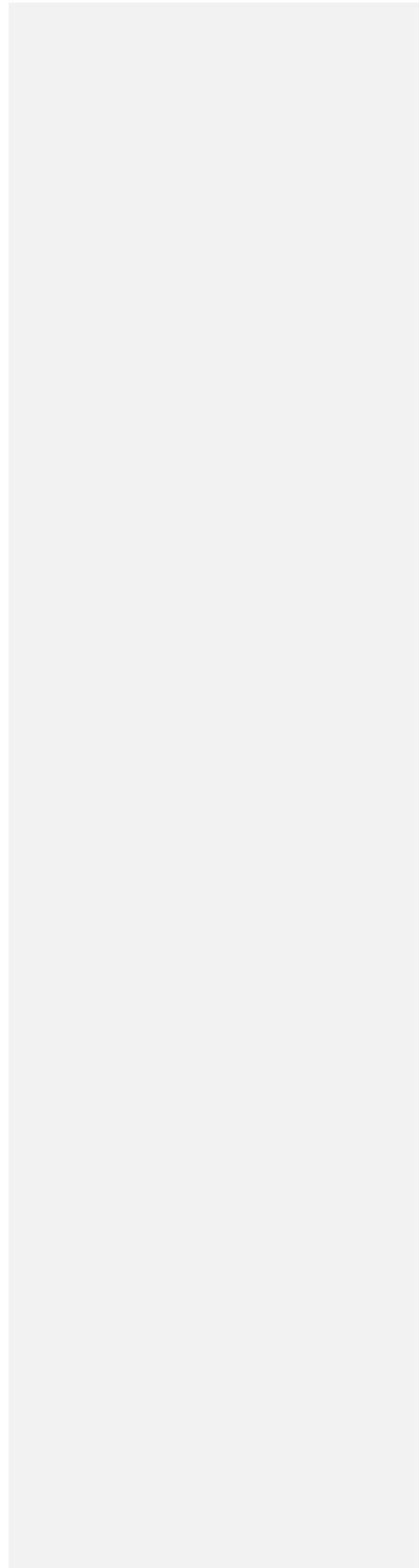
Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE-MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities. Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.
- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Network Operating Agreement – September 2011

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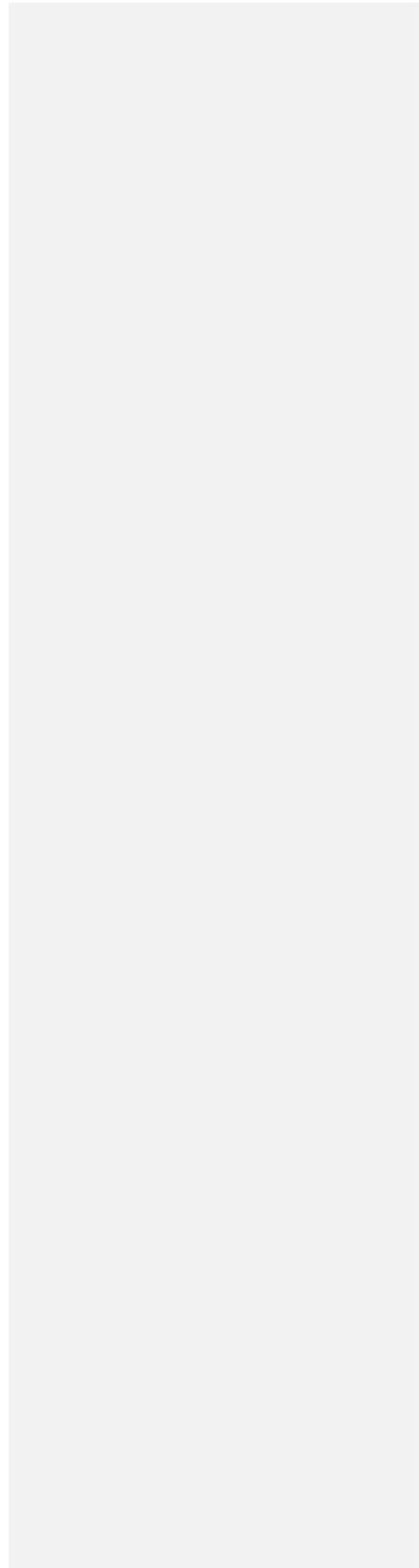
Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.
- 7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.
- 7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility Practice and on a comparable basis with service to all other affected Network Customers

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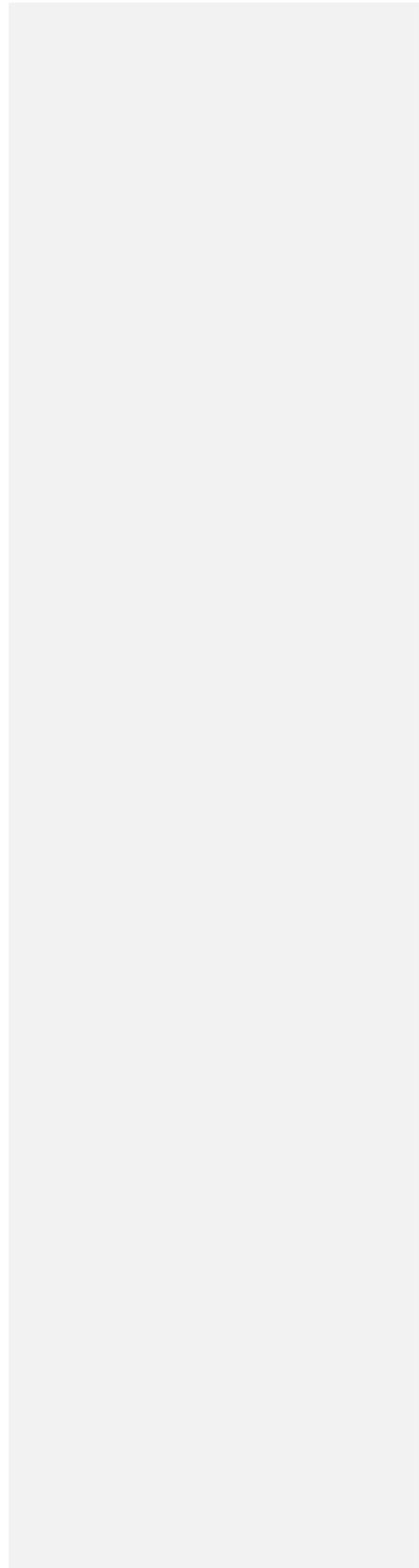
and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

- 8.1 Scheduling and Schedule Revisions – Schedules for Bonneville's designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however, that:*
- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours and ending at 1100 hours, Bonneville shall submit any revision to an electronic

Network Operating Agreement – September 2011

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tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

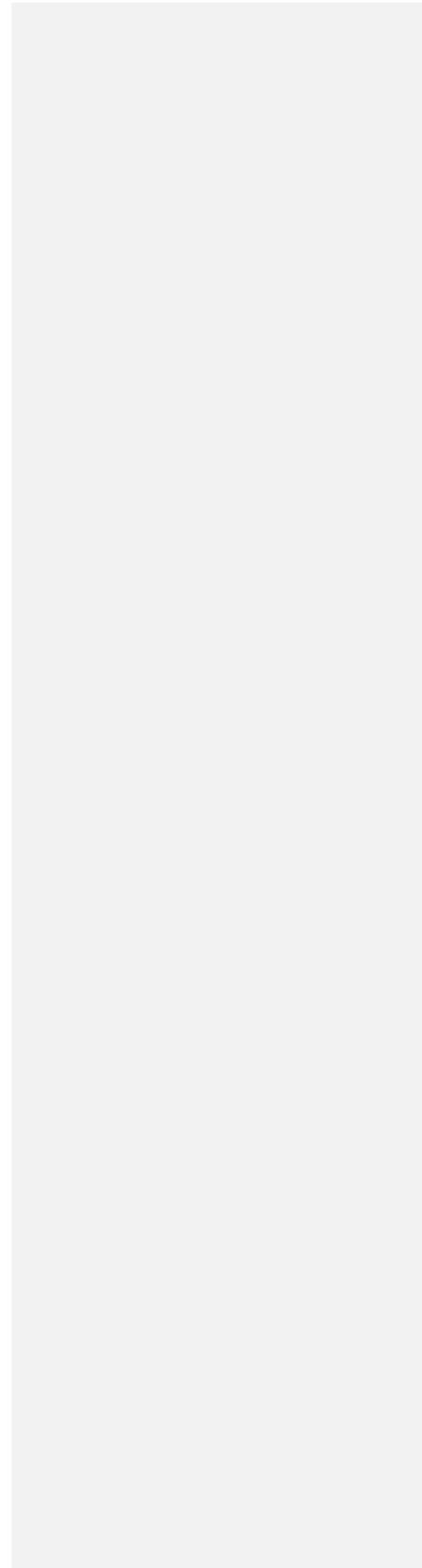
- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.
- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

- 8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Network Operating Agreement – September 2011

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Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.

8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista's Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista's transmission function passing on an aggregated sum of Bonneville's schedules associated with all of its borderline wheeling loads to Avista's load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista's Standards of Conduct.

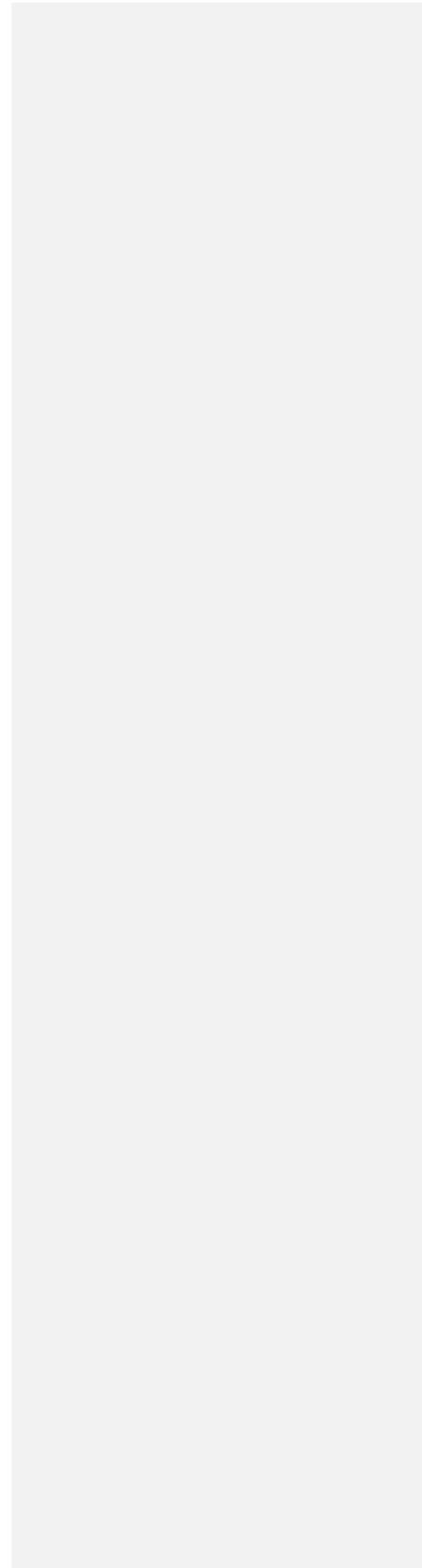
Section 9 – Metering and Communications

9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.

9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter used to determine billing associated with the Service Agreement shall provide to the

Network Operating Agreement – September 2011

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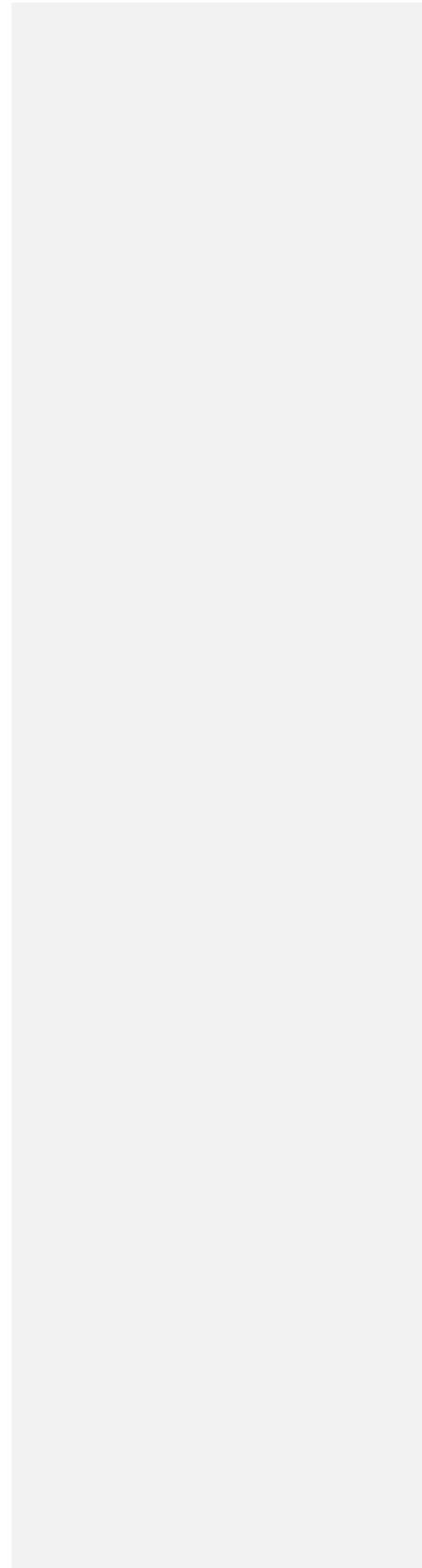
other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

- 9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System.

The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

- 9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters. In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the



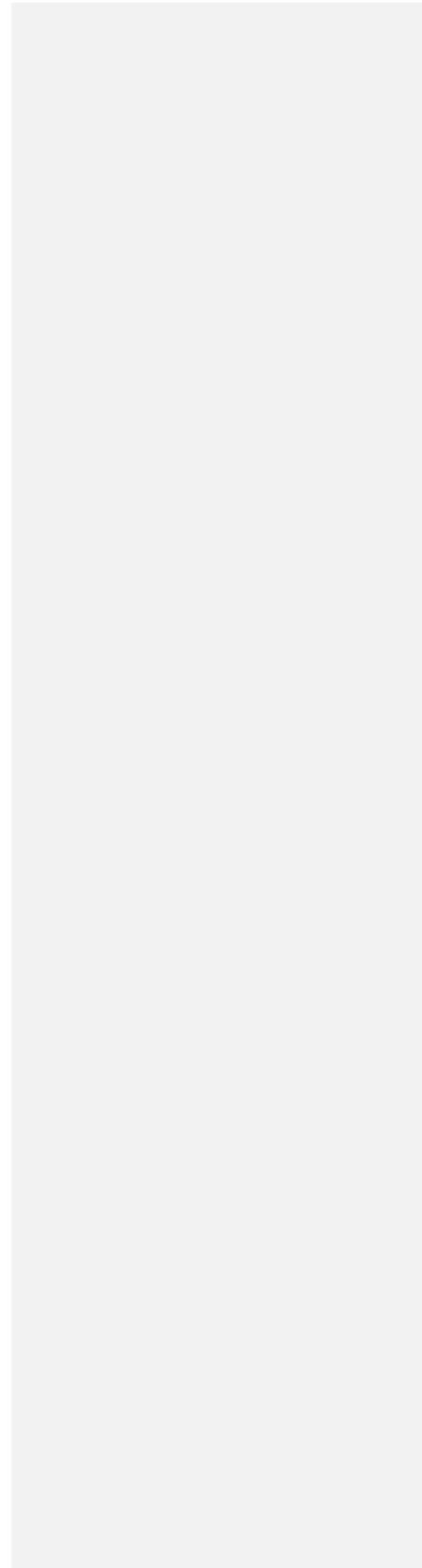
Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by pro-rating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.
- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.
- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Network Operating Agreement – September 2011

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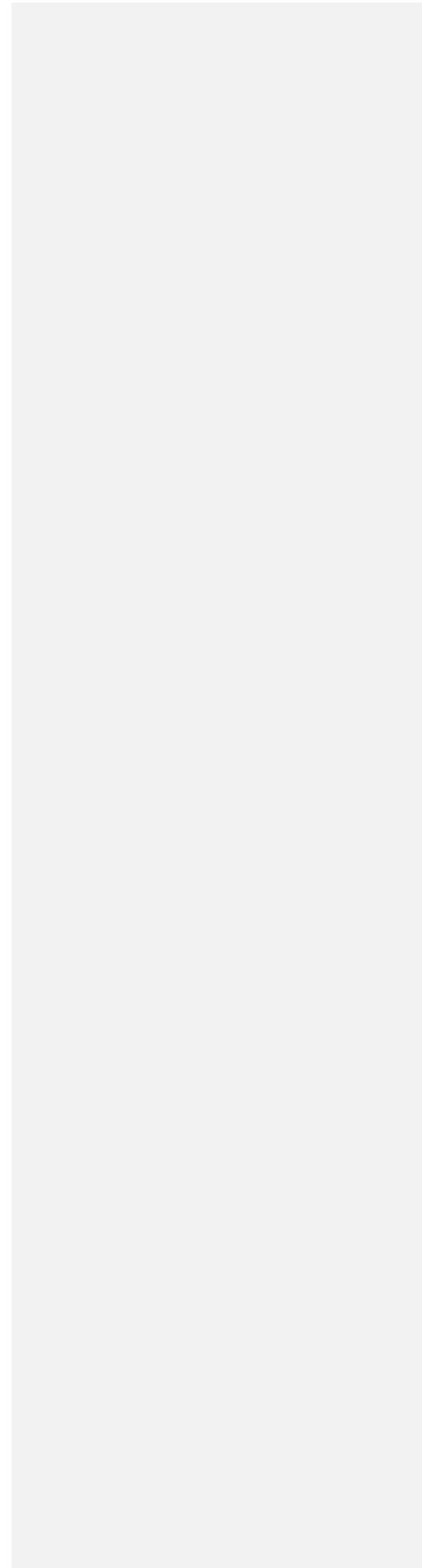
Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

- 9.6 Metering and Communications Required for Integration of Network Resources – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

Network Operating Agreement – September 2011

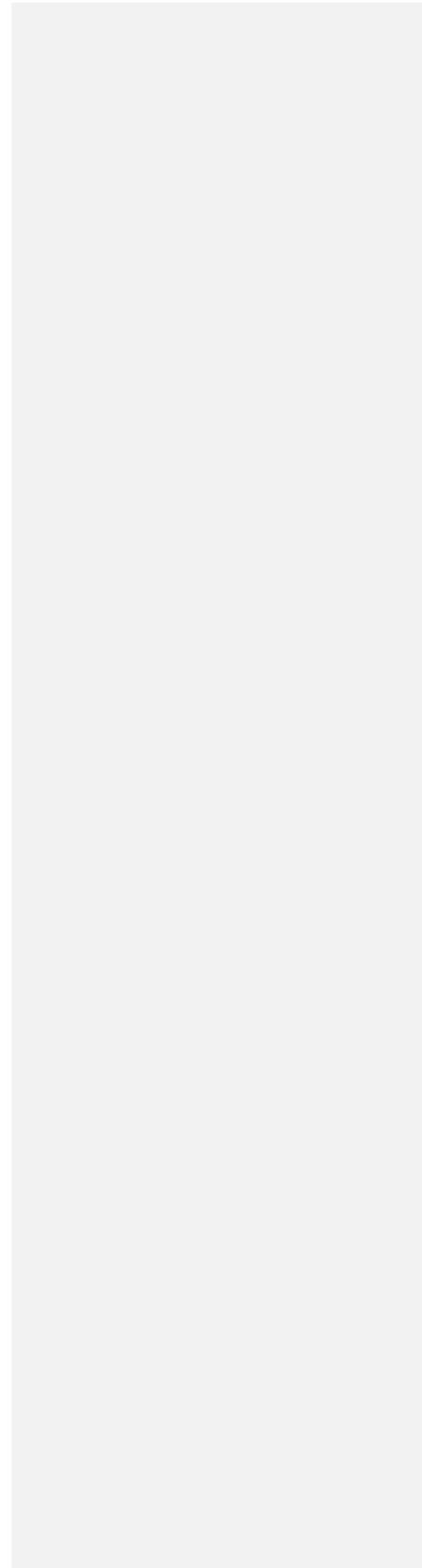
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- 9.7 Metering and Communications Required for Ancillary Services – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.
- 9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.
- 9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:
- (a) Megawatt and megavar indications from Bonneville's supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
 - (b) The following:
 - (i) Metering current transformers ("CTs") and potential transformers ("PTs"),
 - (ii) Space in Bonneville's substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function ("Avista Equipment"), to be supplied by Avista,

Network Operating Agreement – September 2011

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- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

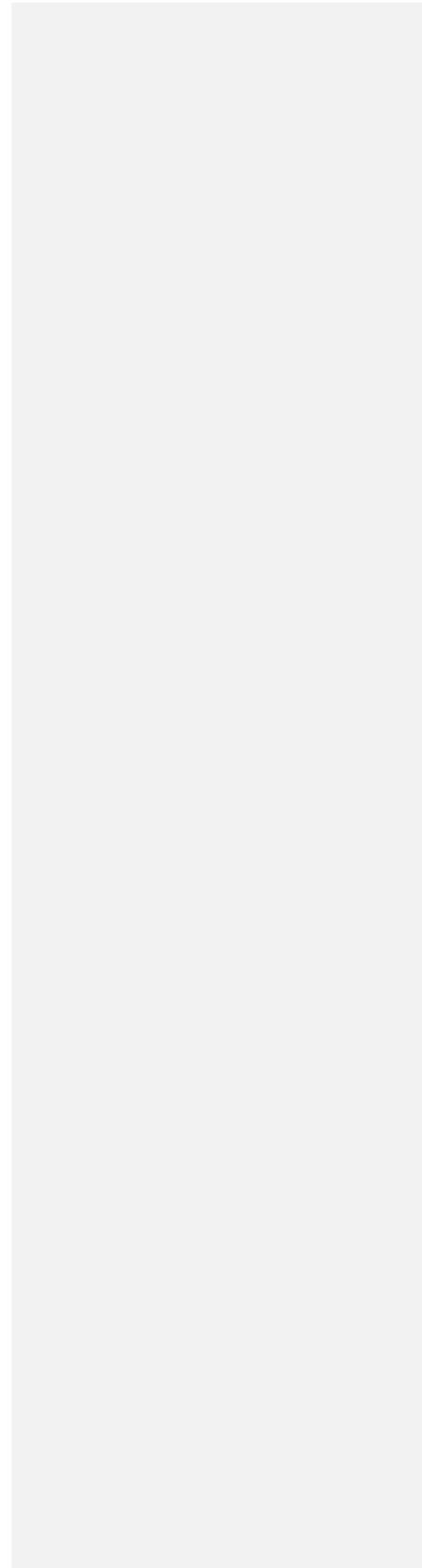
- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Network Operating Agreement – September 2011

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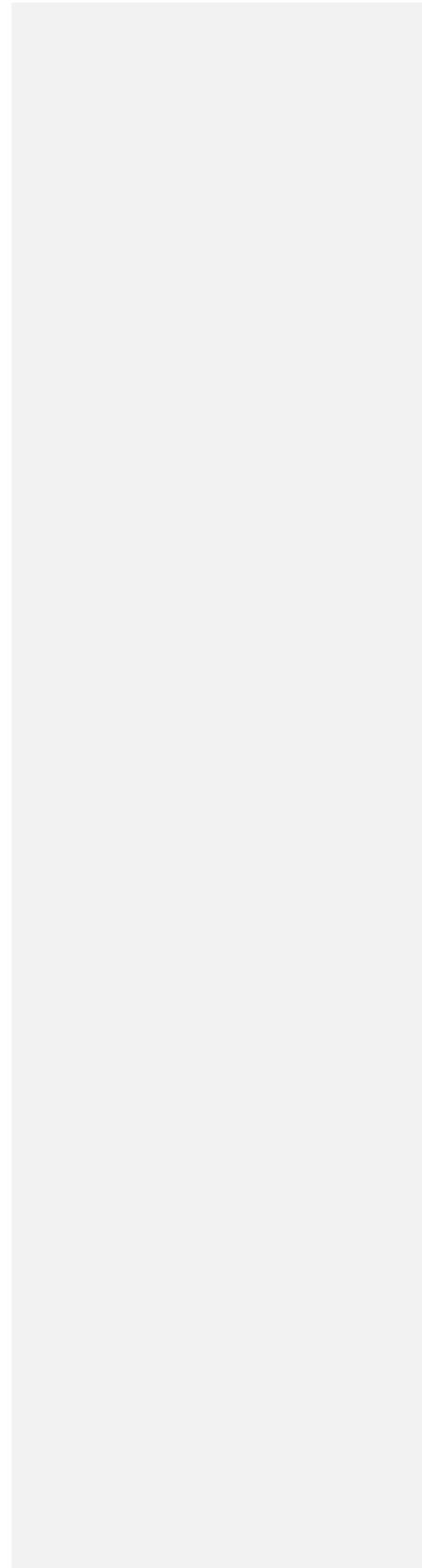


Section 11 - Miscellaneous

- 11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.
- 11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.
- 11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.
- 11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any such amendment shall become effective upon acceptance for filing by the Commission.

Network Operating Agreement – September 2011

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Avista Contract No. AV-TR11-1098
Bonneville Contract No. 11PX-10012

SERVICE AGREEMENT
for
NETWORK INTEGRATION TRANSMISSION SERVICE
between
the BONNEVILLE POWER ADMINISTRATION
and
AVISTA CORPORATION
under
AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8

[For service to INLAND POWER & LIGHT CO.]

<u>Section</u>	<u>Description</u>	<u>Page</u>
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5.	Other Services	5
6.	Construction of Facilities	5
7.	Billing and Payment	5
8.	Miscellaneous Provisions	6

Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT ("Service Agreement") is made and entered into this ____ day of September, 2011, by and between AVISTA CORPORATION ("Avista") and the Bonneville Power Administration ("Bonneville"), which hereinafter may be referred to individually as "Party" or collectively as "Parties".

RECITALS

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 ("Tariff"); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista's Transmission System and/or Avista's low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to Inland Power & Light Co.'s loads connected to Avista's Transmission System since January 1, 2006 and Bonneville has requested continuing service to Inland Power & Light Co.'s loads; and

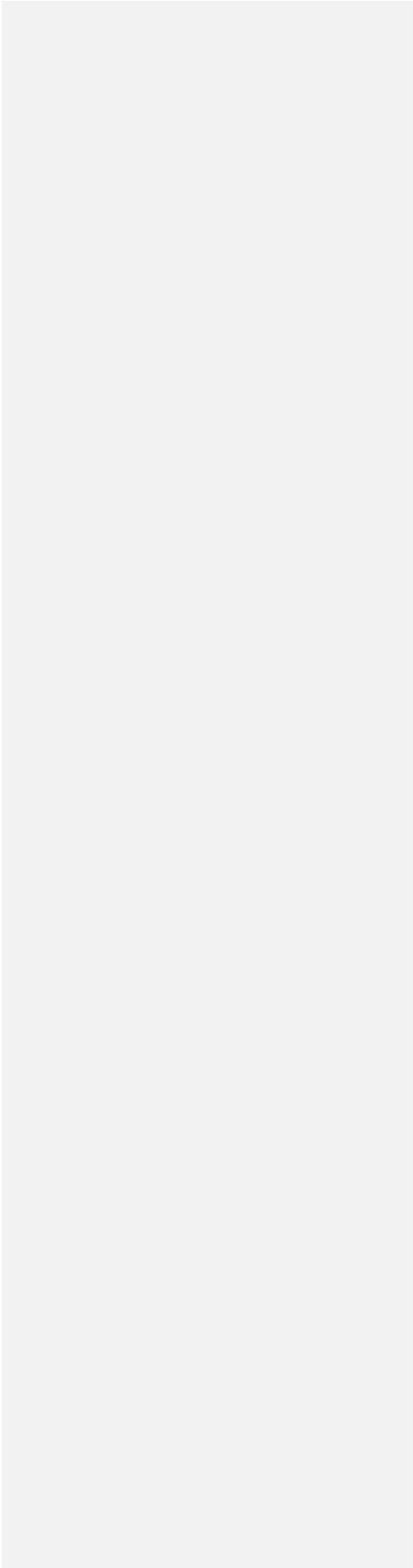
WHEREAS, Avista has entered into an Interconnection and Operating Agreement with Inland Power & Light Co., providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and Inland Power & Light Co.; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville's wholesale utility customers connected to Avista's Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Inland Power & Light Co.

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Section 1 - Definitions

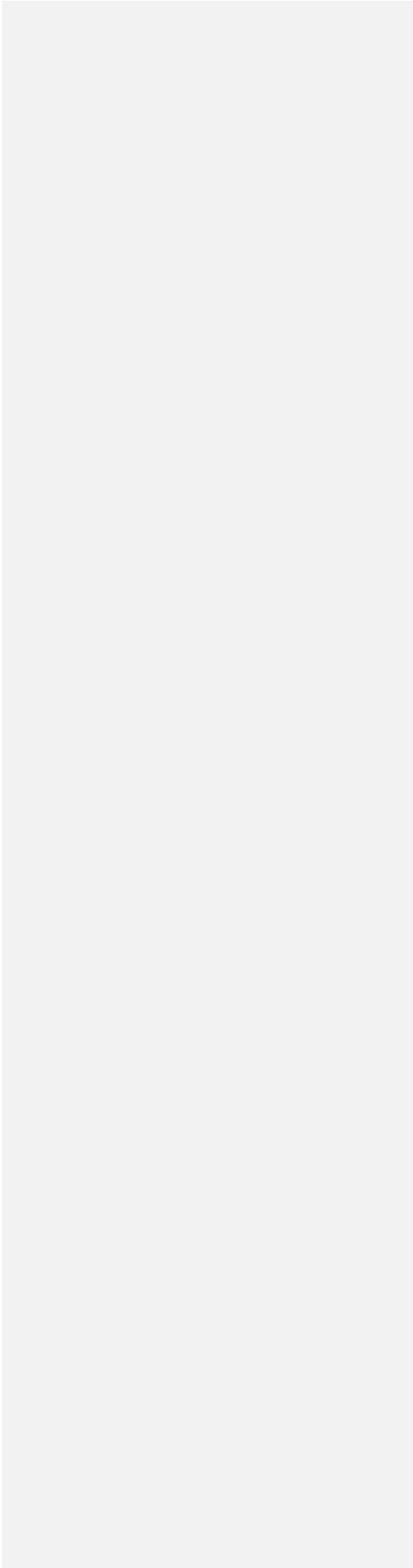
Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

- 2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.
- 2.2 **Incorporation of Exhibits:** The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 **Completed Application:** By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 **System Impact and Facilities Studies:** Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Inland Power & Light Co.

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Section 3 - Term and Regulatory Filing

- 3.1 **Effective Date and Filing:** This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing (“Effective Date”). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 **Cancellation Rights:** If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 **Termination of Agreement:** Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

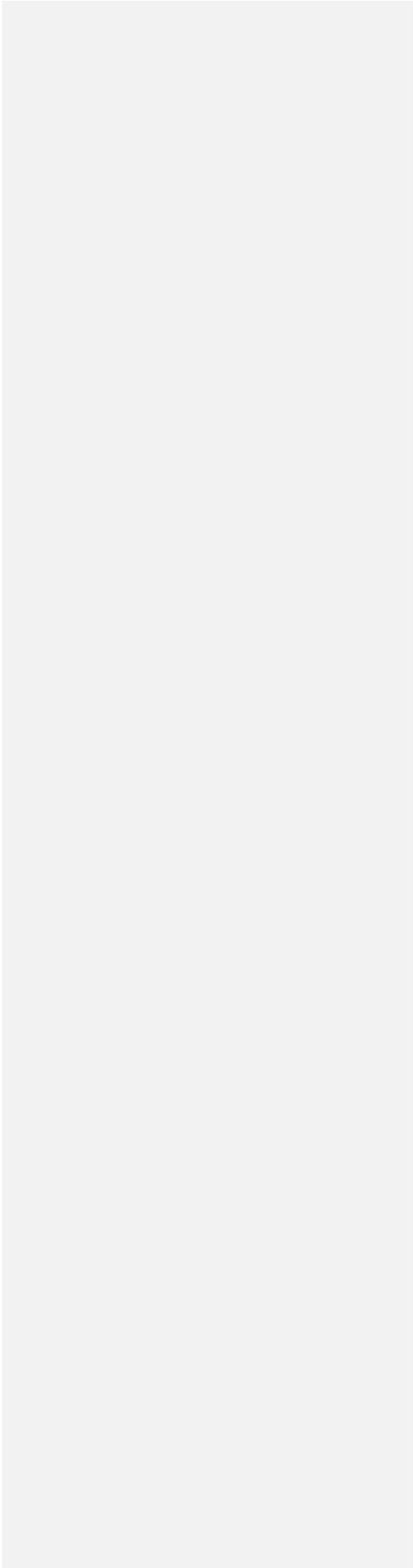
Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 **Transmission Service:** Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 **Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities:** Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Inland Power & Light Co.

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4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one months' notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

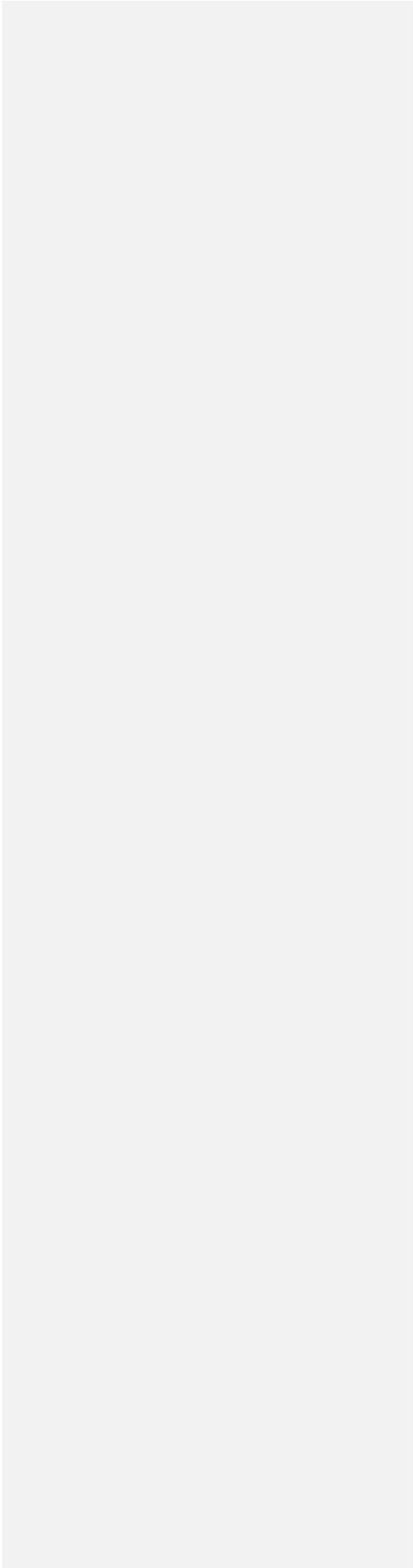
Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact – PTKT
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Inland Power & Light Co.

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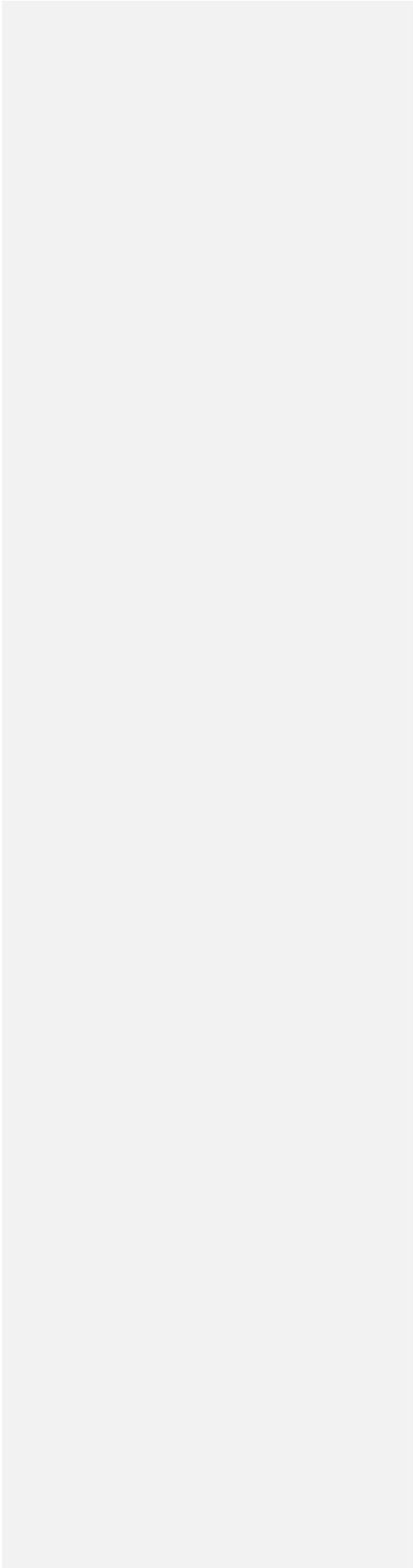
All payments to Avista shall be submitted via electronic funds transfer to the account specified on each billing invoice.

Section 8 - Miscellaneous Provisions

- 8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 Future Changes or Additions: Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Inland Power & Light Co.

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wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment. A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service Agreement shall be directed to:

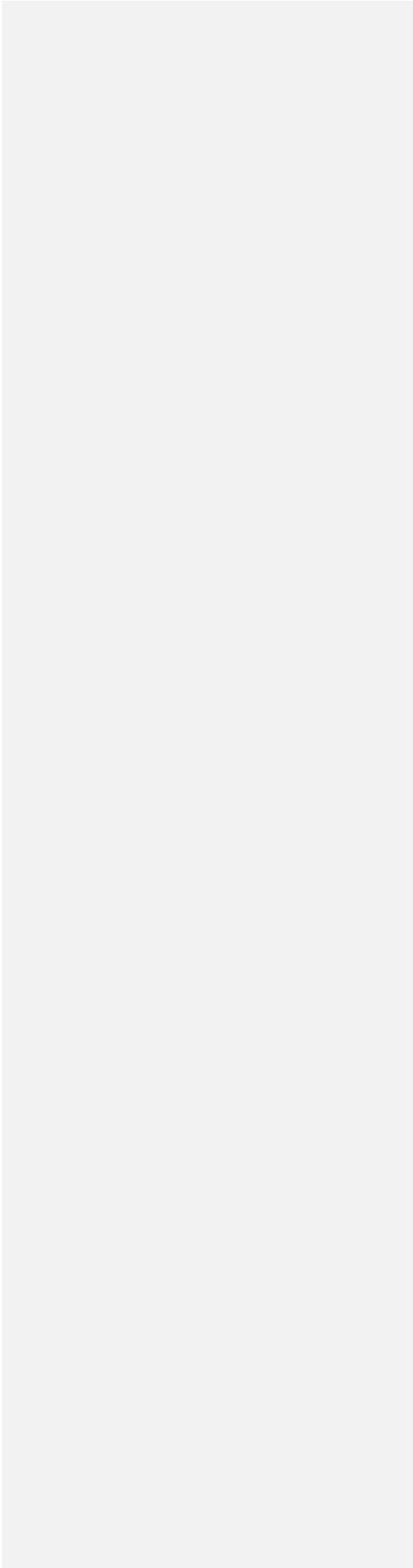
Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington 99202
or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services – PST
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Inland Power & Light Co.

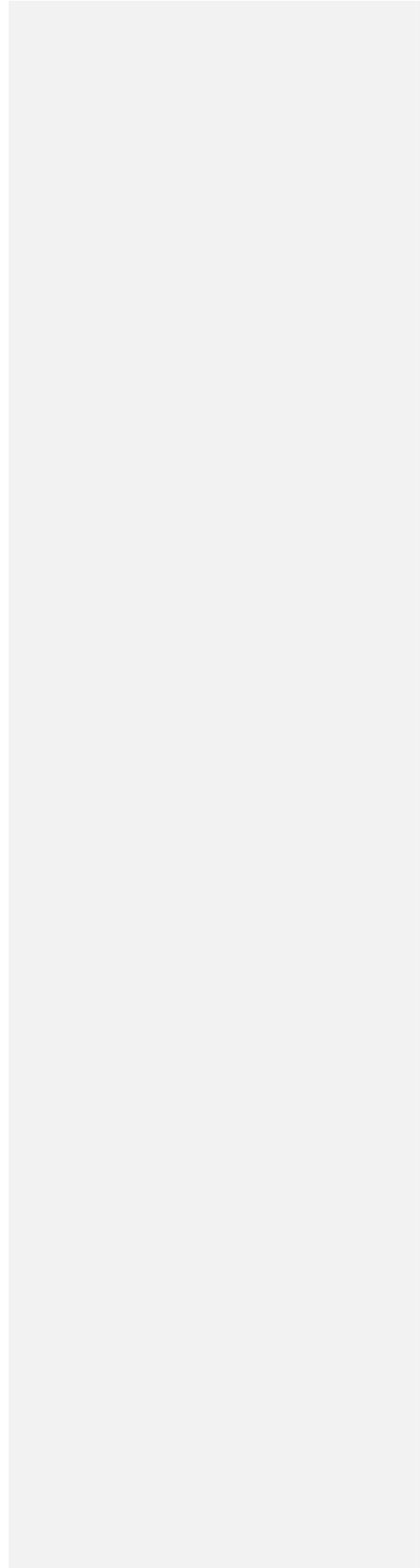
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8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Inland Power & Light Co.

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IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Inland Power & Light Co.

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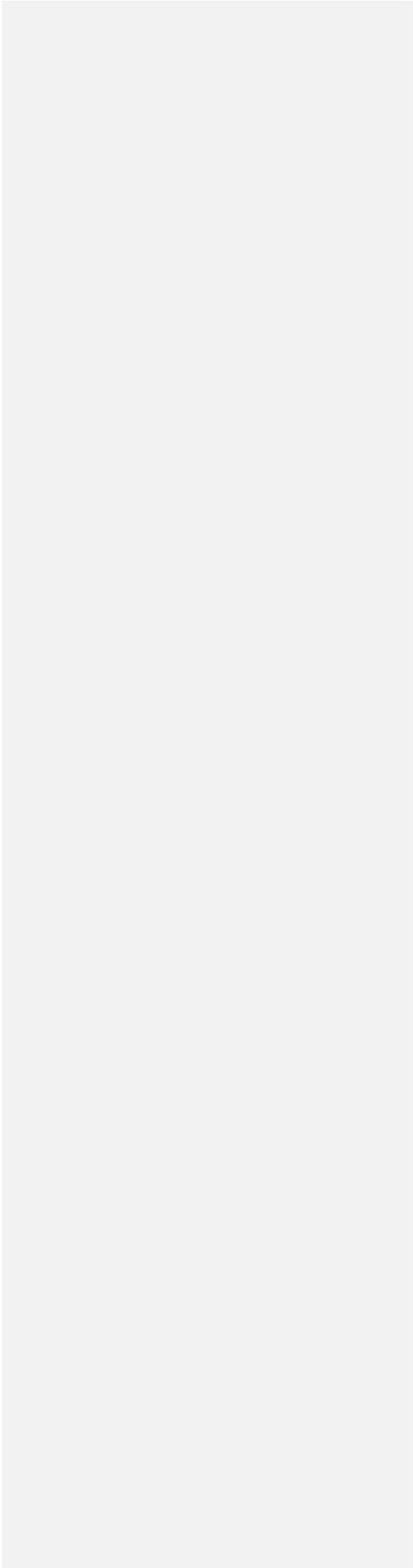


EXHIBIT 1
SPECIFICATIONS FOR
NETWORK INTEGRATION TRANSMISSION SERVICE

Designated Network Resources

Power Sales Agreement between Bonneville and Inland Power & Light Company (Bonneville Contract No. 09PB-13057)

Designated Network Loads

(See Exhibit 1A)

Monthly Transmission Charge

(Pursuant to Section 34 of the Tariff)

Monthly Charges for Direct Assignment and Low Voltage Facilities

(See Exhibit 1B)

Power Factor Penalty Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the Tariff)

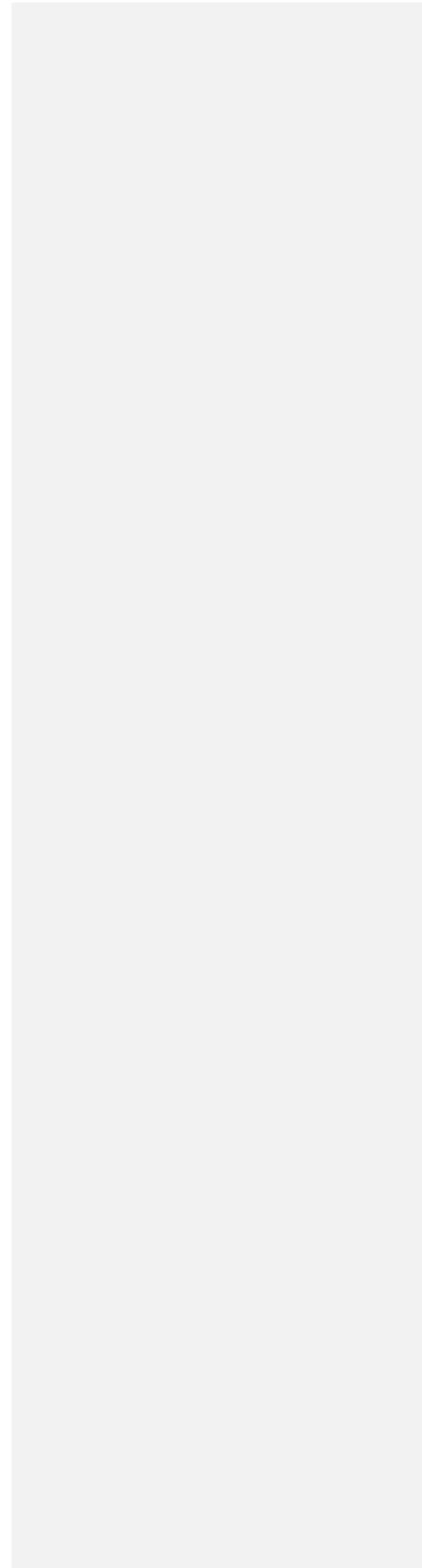
In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service
Bonneville Power Administration – Service to Inland Power & Light Co.

E1 – 1



**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Airway Heights Point of Delivery**

Location: The point in Avista's Airway Heights Substation where the 13.8 kV facilities of Avista and Inland are connected

Voltage: 13.8 kV

Metering: In Avista's Airway Heights Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

2) **Armstrong Point of Delivery**

Location: The point where Avista's Shawnee-South Pullman 115 kV Transmission Line and Inland's Armstrong Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Inland's Armstrong Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

3) **Chambers Point of Delivery**

Location: The point where Avista's Shawnee-Sunset 115 kV Transmission Line and Inland's Chambers Substation 115 kV Tap are connected

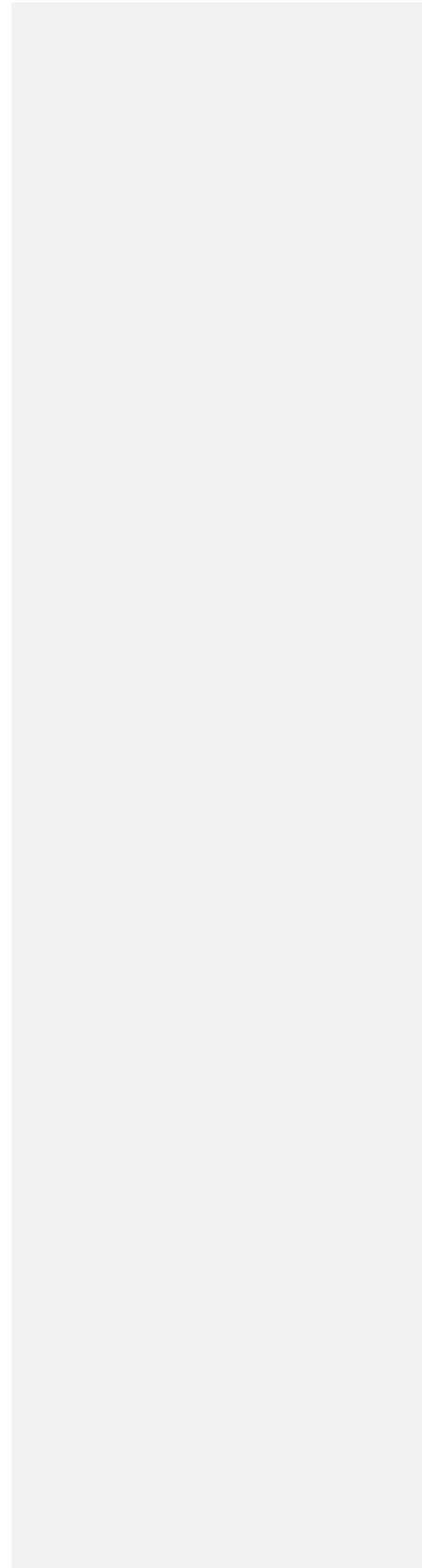
Voltage: 115 kV

Metering: In Inland's Chambers Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Inland Power & Light Co.

E1A – 1



4) **Cheney Point of Delivery**

Location: The point near Cheney, Washington, where Avista's South Fairchild 115 kV Tap of the Sunset-Westside 115 kV Transmission Line and Bonneville's Cheney 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In the City of Cheney's Cheney Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

5) **East Colfax Point of Delivery**

Location: The point in Avista's East Colfax Substation where the 13.8 kV facilities of Avista and Inland are connected

Voltage: 13.8 kV

Metering: In Avista's East Colfax Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

6) **Ewan Point of Delivery**

Location: The point in Avista's Ewan Substation where the 13.8 kV facilities of Avista and Inland are connected

Voltage: 13.8 kV

Metering: In Avista's Ewan Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

7) **Four Lakes Point of Delivery**

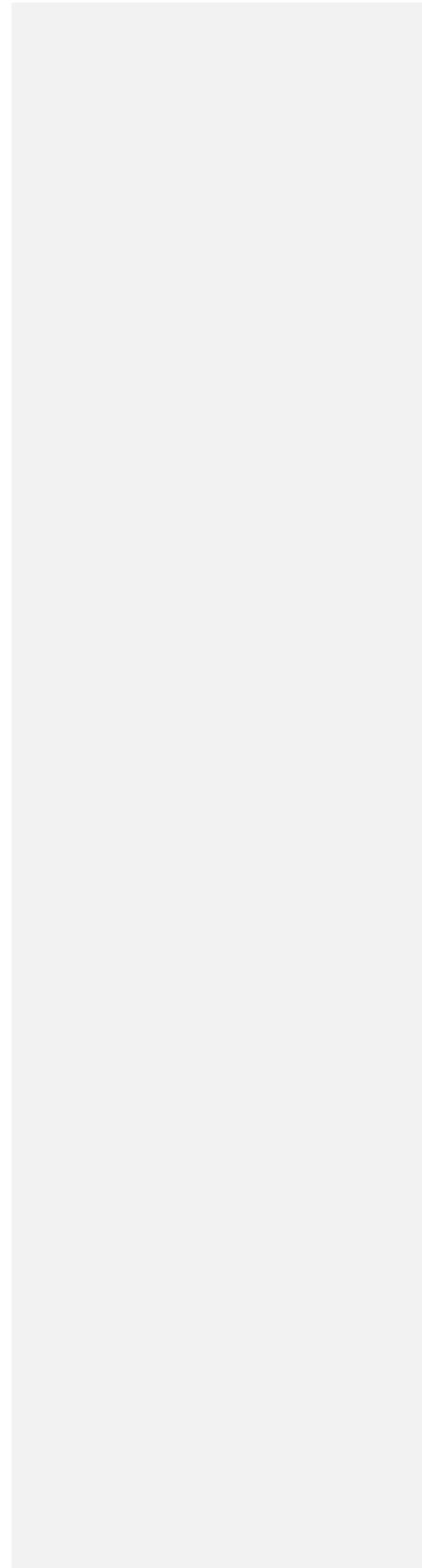
Location: The point near Cheney, Washington, where Avista's South Fairchild 115 kV Tap of the Sunset-Westside 115 kV Transmission Line and Bonneville's Cheney 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In Four Lakes Substation, which is jointly owned by the City of Cheney and Inland, in the distribution circuit(s) over which electric power and energy flows

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Inland Power & Light Co.

E1A – 2



Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

8) **Gaffney Point of Delivery**

Location: The point where Avista's Devil's Gap-Lind 115 kV Transmission Line and Inland's Gaffney 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In Inland's Gaffney Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

9) **Hangman Point of Delivery**

Location: The point where Avista's Shawnee-Sunset 115 kV Transmission Line and Inland's Hangman 115kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In Inland's Hangman Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

10) **Hayford Point of Delivery**

Location: The point where Avista's South Fairchild 115 kV Tap Transmission Line and Inland's Hayford Substation 115 kV Tap are connected

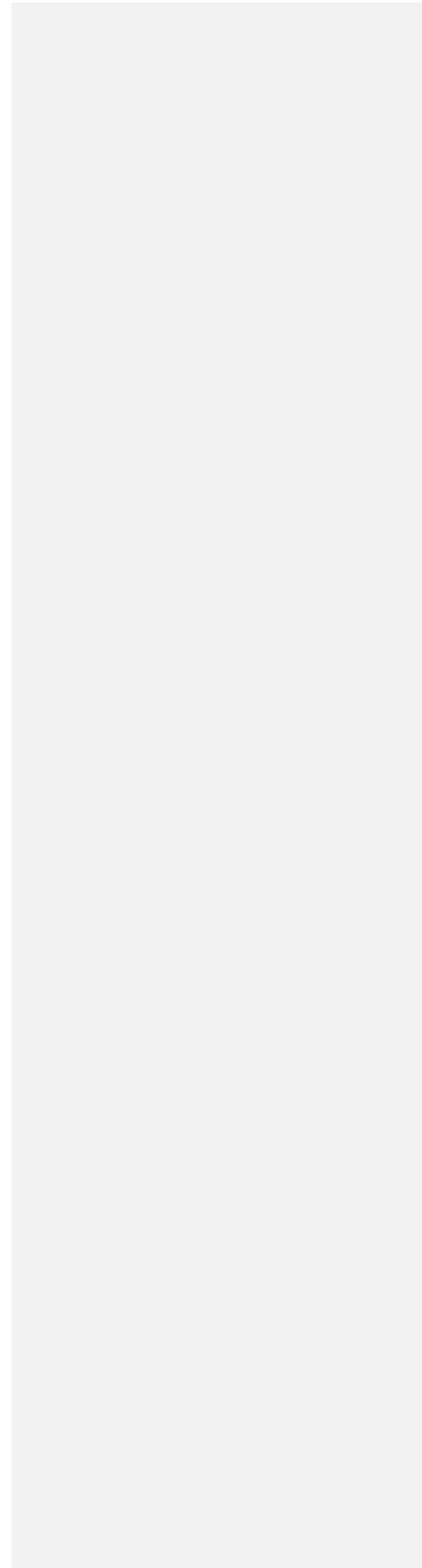
Voltage: 115 kV

Metering: In Inland's Hayford Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Inland Power & Light Co.

E1A – 3



11) **Hoodoo Point of Delivery**

Location: The point where Avista's Pine Street-Rathdrum 115 kV Transmission Line and Inland's Hoodoo Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Inland's Hoodoo Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

12) **Hopkins Point of Delivery**

Location: The point where Avista's 8th & Fancher-Latah 115 kV Transmission Line and Inland's Hopkins Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Inland's Hopkins Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

13) **Irby Point of Delivery**

Location: The point where Avista's Devil's Gap-Stratford 115 kV Transmission Line and Inland's Irby 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In Inland's Irby Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

14) **Mica Point of Delivery**

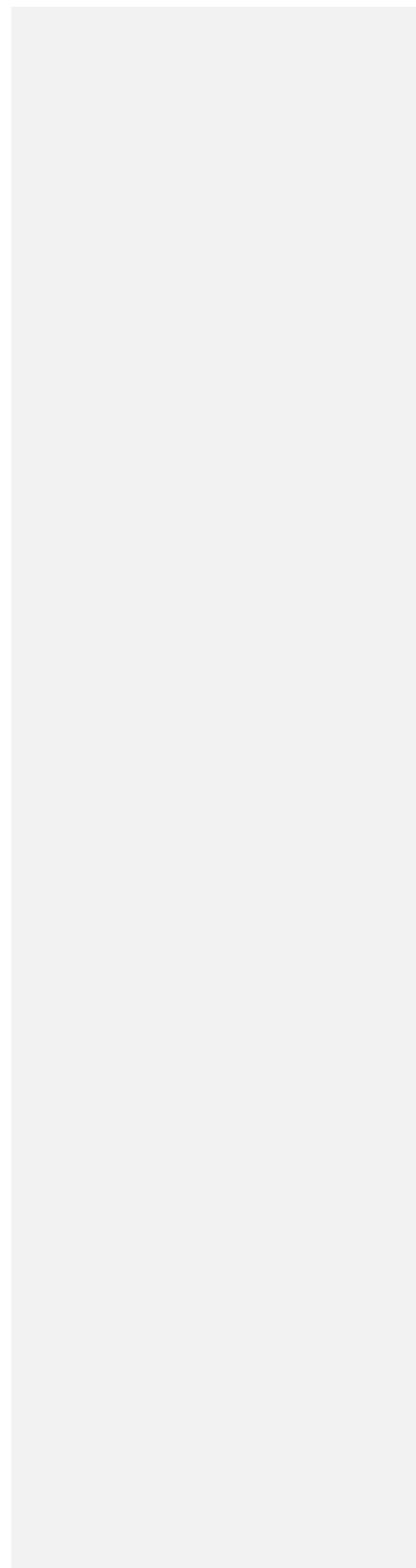
Location: The point where Avista's 8th & Fancher-Latah 115 kV Transmission Line and Inland's Mica Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Inland's Mica Substation, in the distribution circuit(s) over which electric power and energy flows

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Inland Power & Light Co.

E1A – 4



Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

15) **Milan Point of Delivery**

Location: The point in Avista's Milan Substation where the 13.8 kV facilities of Avista and Inland are connected

Voltage: 13.8 kV

Metering: In Avista's Milan Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

16) **Milan / Eloika Lake Point of Delivery**

Location: The point at the end of Avista's Milan 12F1 13.8 kV feeder where it connects to Inland's 13.8 kV facilities near Eloika Lake, Washington, (Sections 2 and 3, T. 29 N., R. 43 E.W.M.)

Voltage: 13.8 kV

Metering: On the supply side of Inland's 13.8/12.5 kV autotransformer, in the 13.8 kV circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

17) **Moab Point of Delivery**

Location: The point where Avista's Otis Orchards-Rathdrum 115 kV Transmission Line and Inland's Moab Substation 115 kV Tap are connected

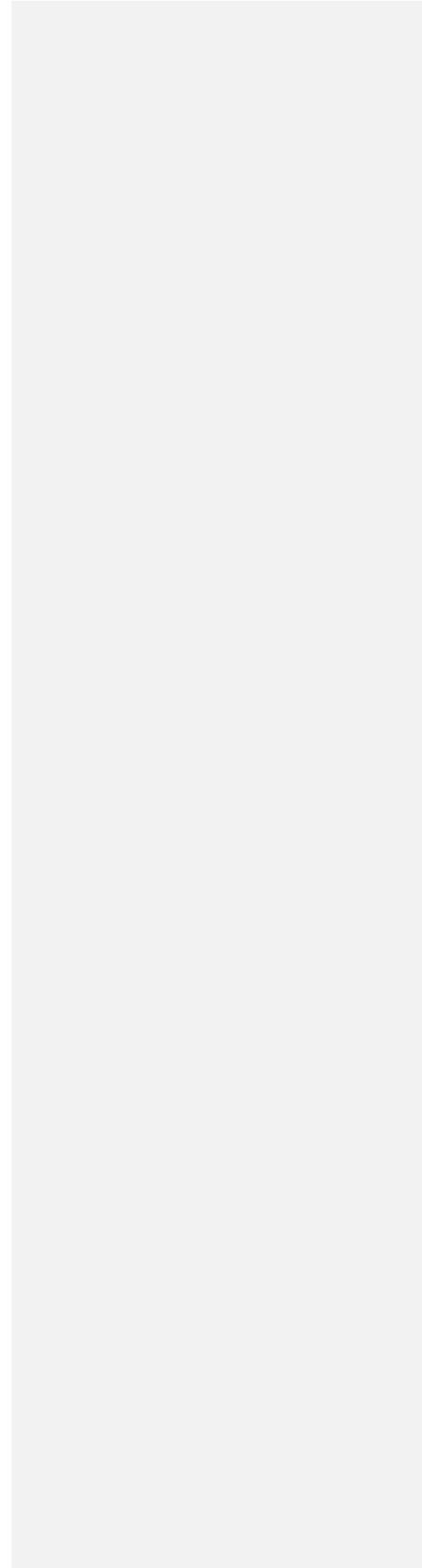
Voltage: 115 kV

Metering: In Inland's Moab Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Inland Power & Light Co.

E1A – 5



18) Odessa Point of Delivery

Location: The point where Avista's Devils Gap-Stratford 115 kV Transmission Line and Bonneville's Odessa Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Bonneville's Odessa Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

19) Rosalia Point of Delivery

Location: The point in Avista's Rosalia Substation, where the 13.8 kV facilities of Avista and Inland are connected

Voltage: 13.8 kV

Metering: In Avista's Rosalia Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

20) Spangle Point of Delivery

Location: The point in Avista's Spangle Substation where the 13.8 kV facilities of Avista and Inland are connected

Voltage: 13.8 kV

Metering: In Avista's Spangle Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

21) Wagner Lake Point of Delivery

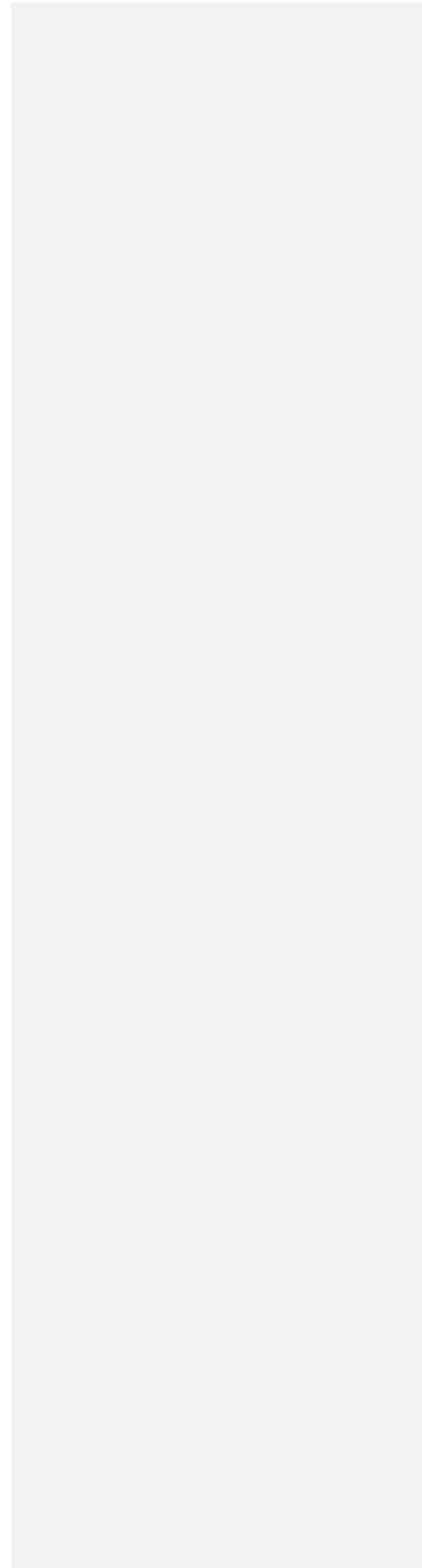
Location: The point near Wilbur, Washington, where Avista's Wilbur 115 kV Tap Transmission Line and Bonneville's Wagner Lake 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In Bonneville's Wagner Lake Substation, in the distribution circuit(s) over which electric power and energy flows

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Inland Power & Light Co.

E1A – 6



Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

22) **West Plains Point of Delivery**

Location: The point near Airway Heights, Washington, where Avista's Airway Heights-Devil's Gap 115 kV Transmission Line and Inland's West Plains Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Inland's West Plains Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Inland Power & Light Co.

E1A – 7

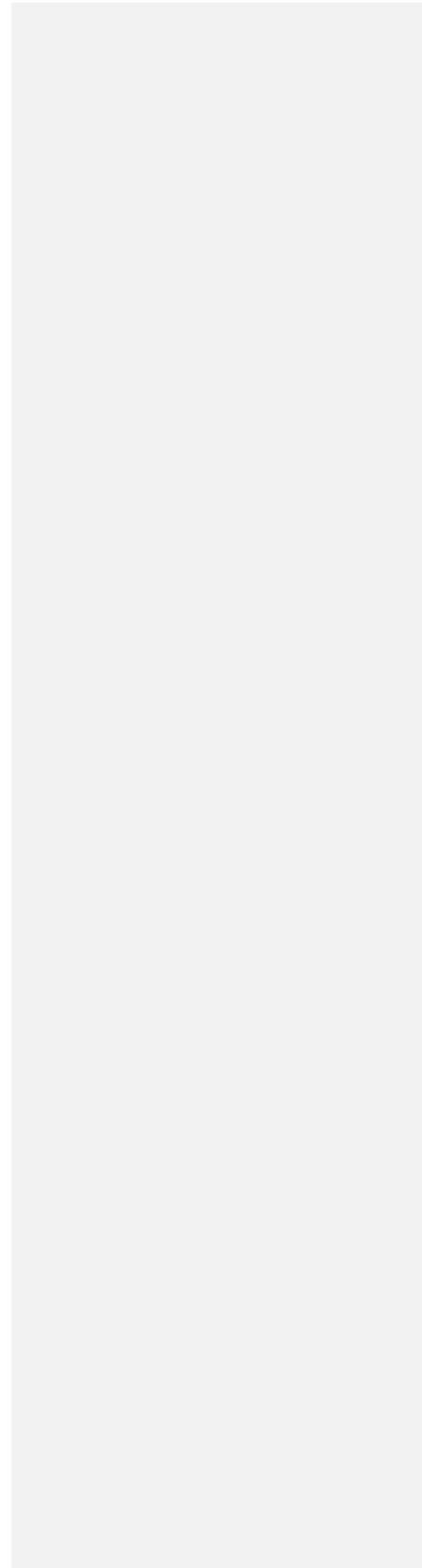


EXHIBIT 1B
DIRECT ASSIGNMENT AND LOW-VOLTAGE
SUBSTATION AND DISTRIBUTION CHARGES
(per month)

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Airway Heights	\$ <u>24443,749</u>	\$ <u>1088153</u>	---
Armstrong	---	---	---
Chambers Cheney	---	---	---
East Colfax	---	---	---
	---	---	---
	\$ <u>5261,395</u>	\$ <u>945241</u>	---
Ewan	\$ <u>24971,881</u>	\$ <u>348336</u>	---
Four Lakes	---	---	---
Gaffney	---	---	---
Hangman	---	---	---
Hayford	---	---	---
Hoodoo	---	---	---
Hopkins	---	---	---
Irby	---	---	---
Mica	---	---	---
Milan	\$ <u>236076</u>	\$ <u>63710,359</u>	---
Milan / Eloika Lake	---	---	---
Moab	---	---	---
Odessa	---	---	---
Rosalia	\$ <u>3693,157</u>	\$ <u>92895</u>	---
Spangle	\$ <u>765817</u>	\$ <u>124524</u>	---
Wagner Lake	---	---	---
West Plains	---	---	---

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
Bonneville Power Administration – Service to Inland Power & Light Co.
[Revision 1 – Effective April 1, 2016](#)

E1B – 1

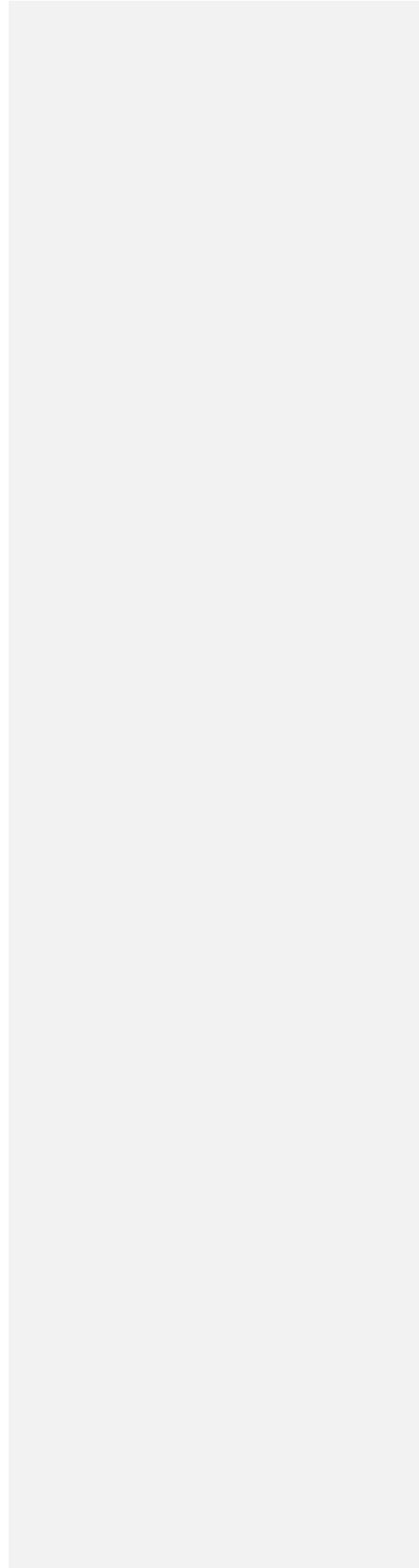


EXHIBIT 2
SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES

Scheduling, System Control and Dispatch Service

(Pursuant to Schedule 1 of the Tariff)

Reactive Supply and Voltage Control from Generation Sources

(Pursuant to Schedule 2 of the Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

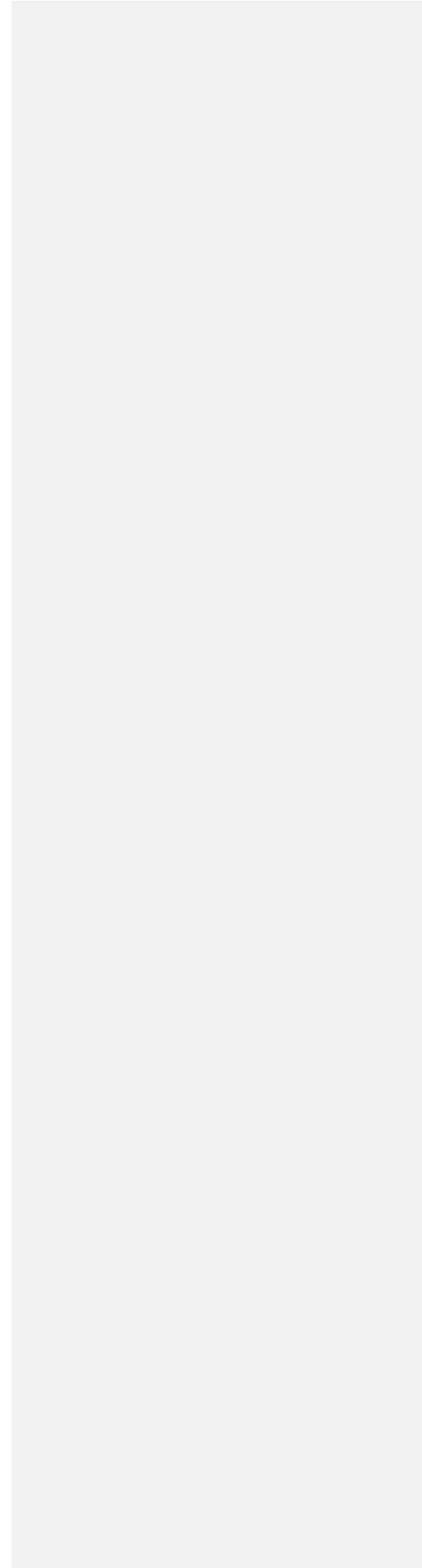
Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Inland Power & Light Co.

E2 – 1



Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Inland Power & Light Co.

E2 – 2

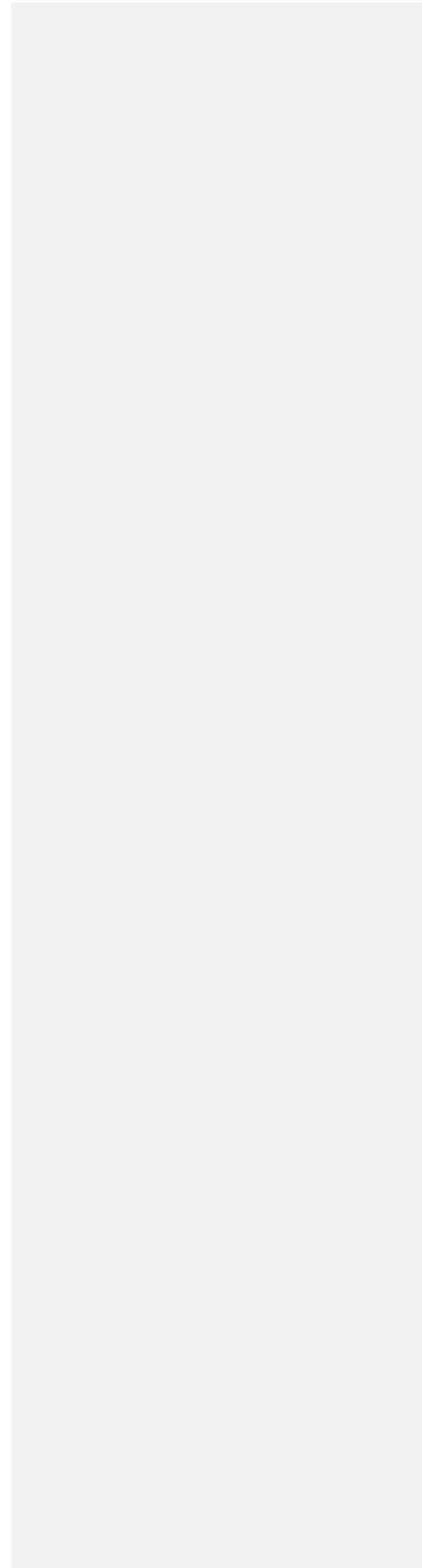


EXHIBIT 3
NETWORK OPERATING AGREEMENT

NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

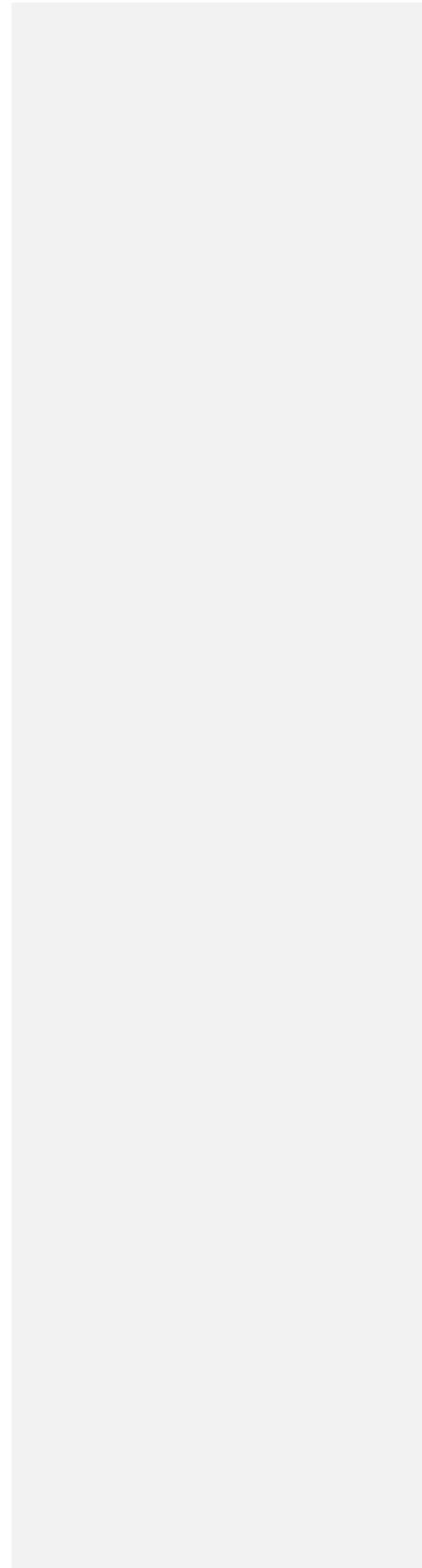
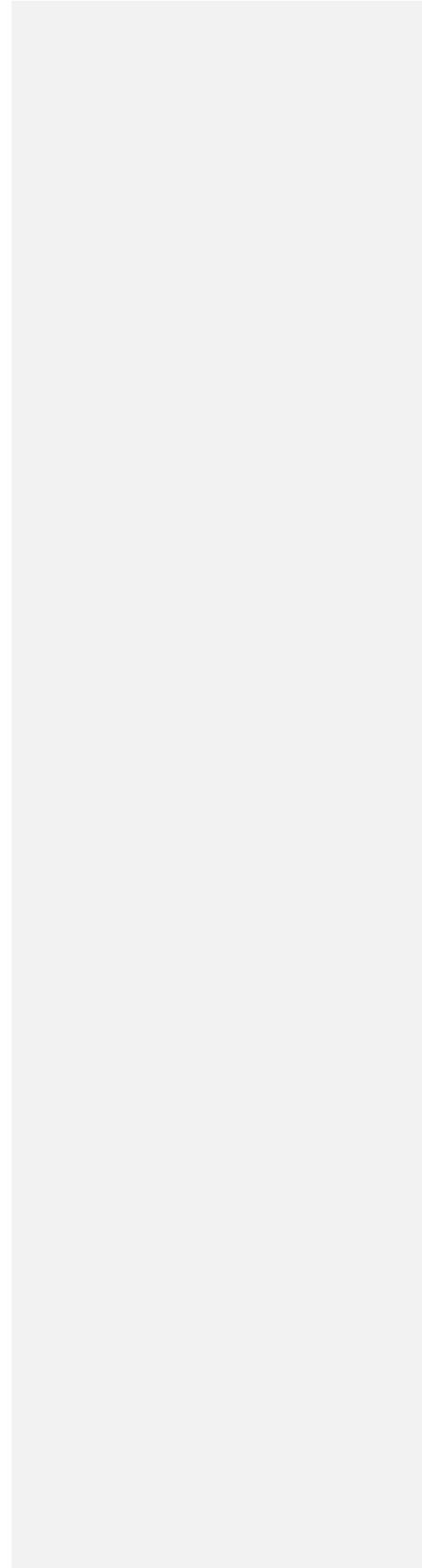


Exhibit 3 – Network Operating Agreement
Bonneville Power Administration – Service to Inland Power & Light Co.

E3 – 1



NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

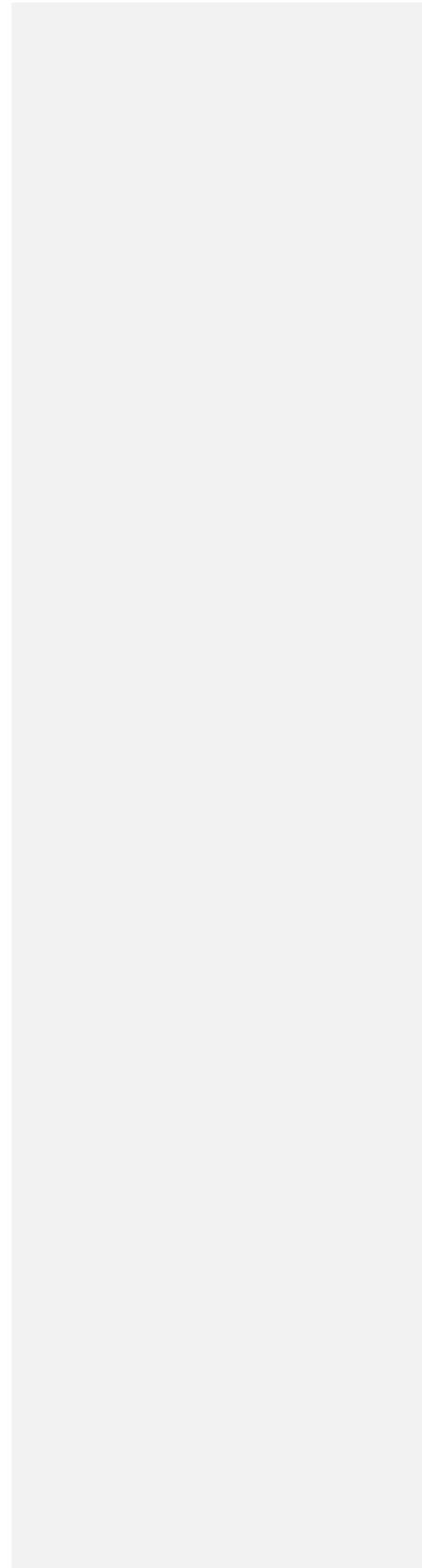
Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

- 2.1 NERC – The North American Electric Reliability Corporation, or its successor.
- 2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

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- 2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.
- 2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

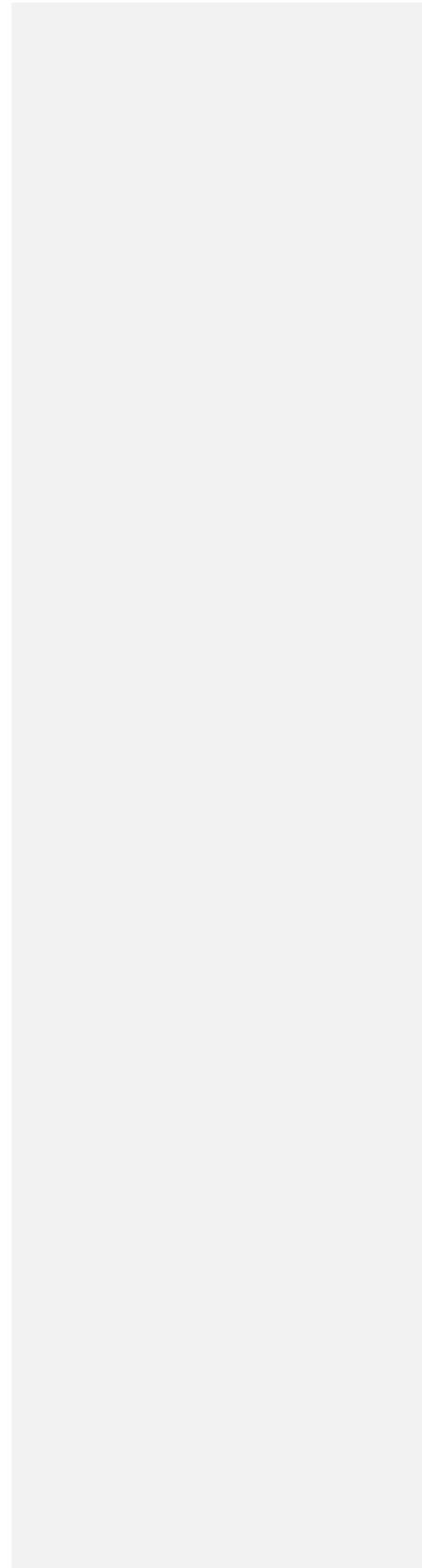
This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

- 4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.
- 4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.
- 4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

Network Operating Agreement – September 2011

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Section 5 – Interconnection Principles and Requirements

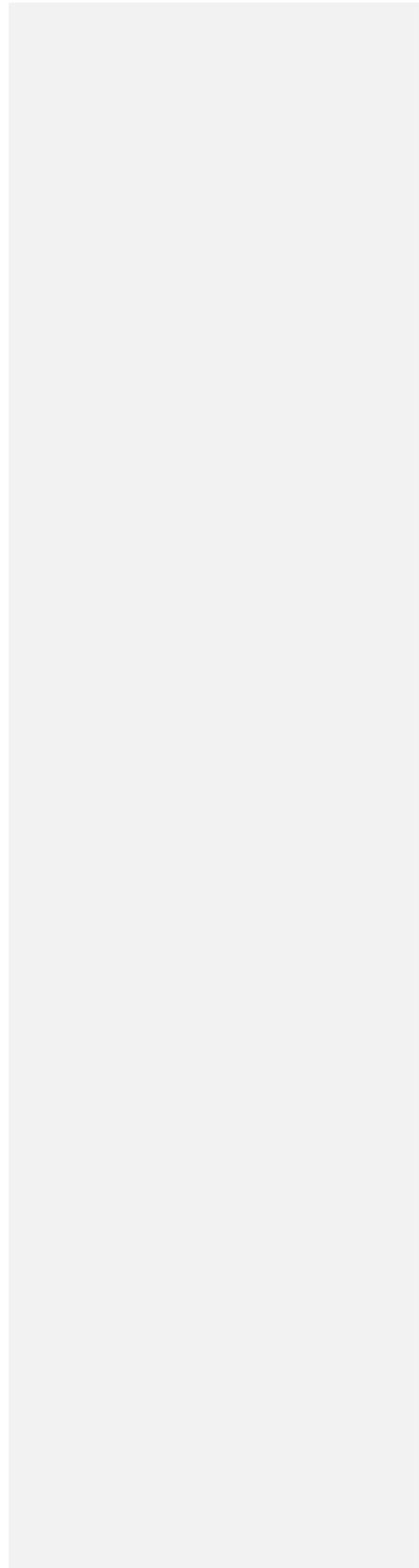
Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE-MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities. Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.
- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Network Operating Agreement – September 2011

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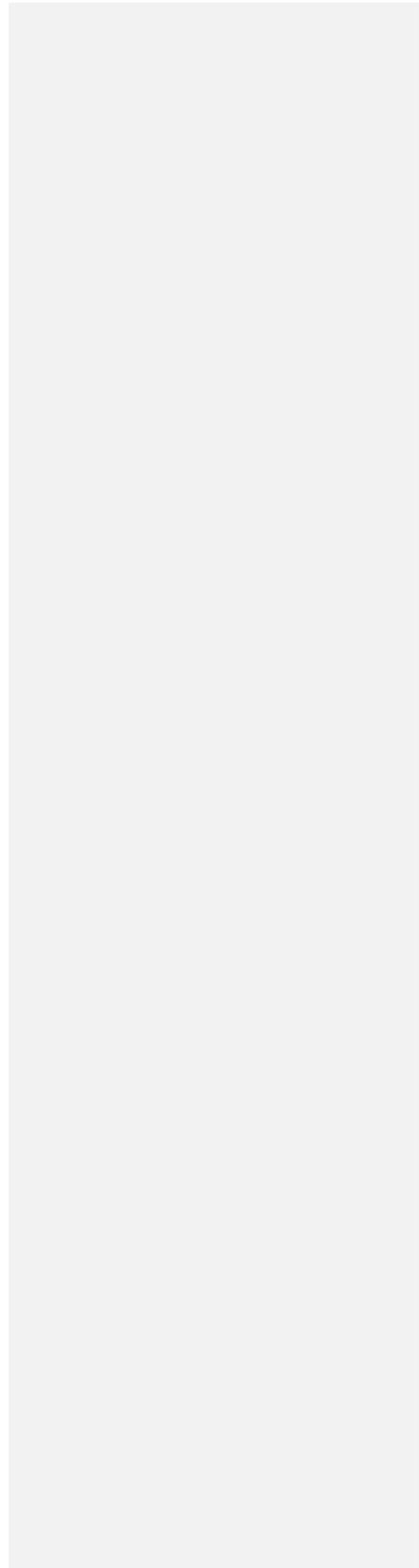
Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.
- 7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.
- 7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility Practice and on a comparable basis with service to all other affected Network Customers

Network Operating Agreement – September 2011

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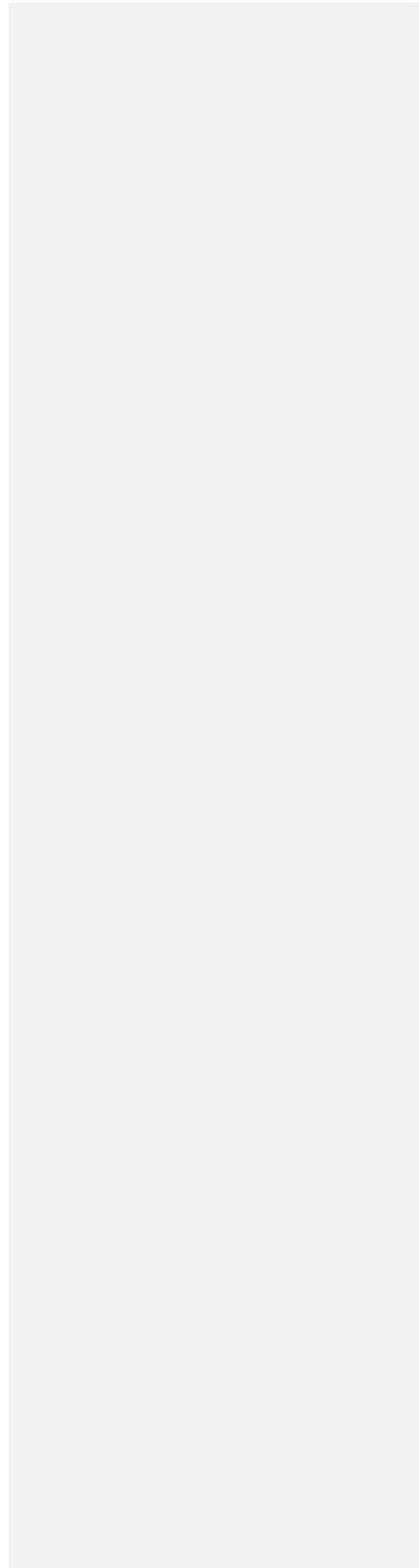
and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

- 8.1 Scheduling and Schedule Revisions – Schedules for Bonneville's designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however, that:*
- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours and ending at 1100 hours, Bonneville shall submit any revision to an electronic

Network Operating Agreement – September 2011

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tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

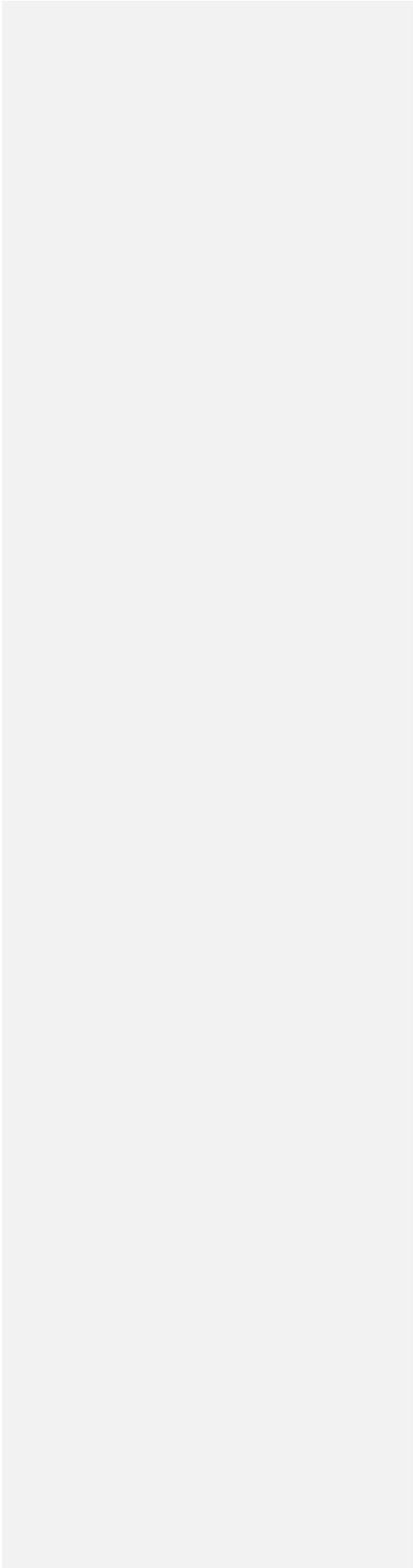
- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.
- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

- 8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Network Operating Agreement – September 2011

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Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.

8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista's Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista's transmission function passing on an aggregated sum of Bonneville's schedules associated with all of its borderline wheeling loads to Avista's load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista's Standards of Conduct.

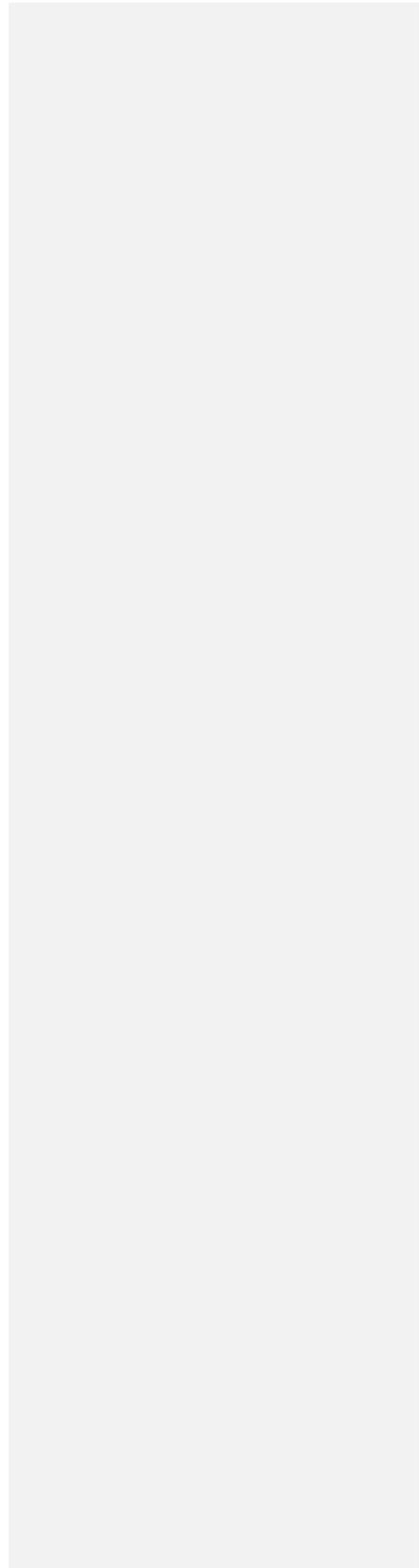
Section 9 – Metering and Communications

9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.

9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter used to determine billing associated with the Service Agreement shall provide to the

Network Operating Agreement – September 2011

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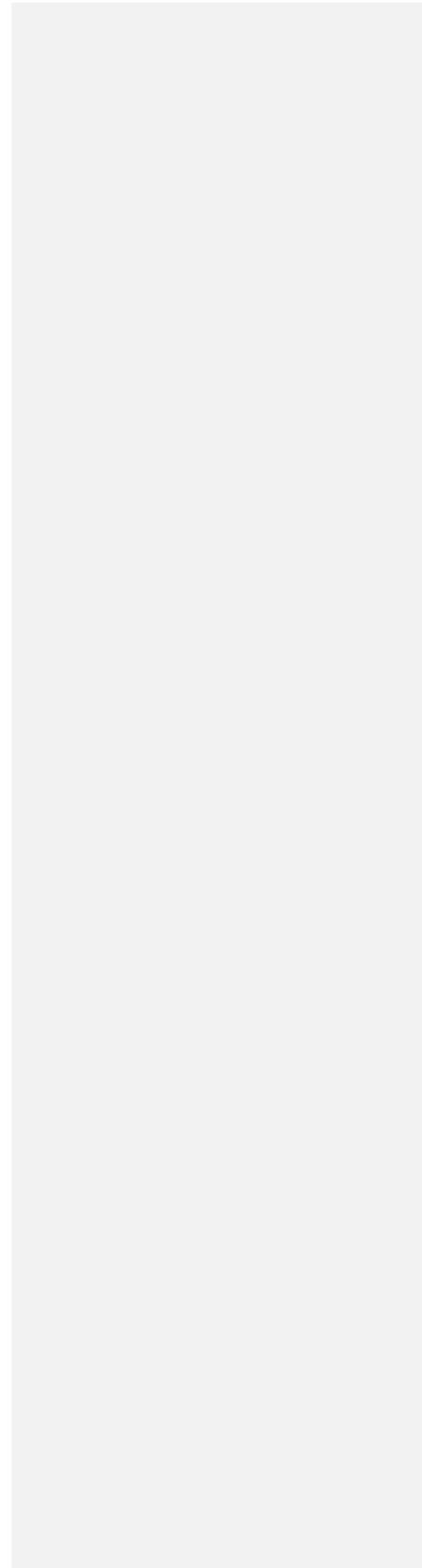
other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

- 9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System.

The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

- 9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters. In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the



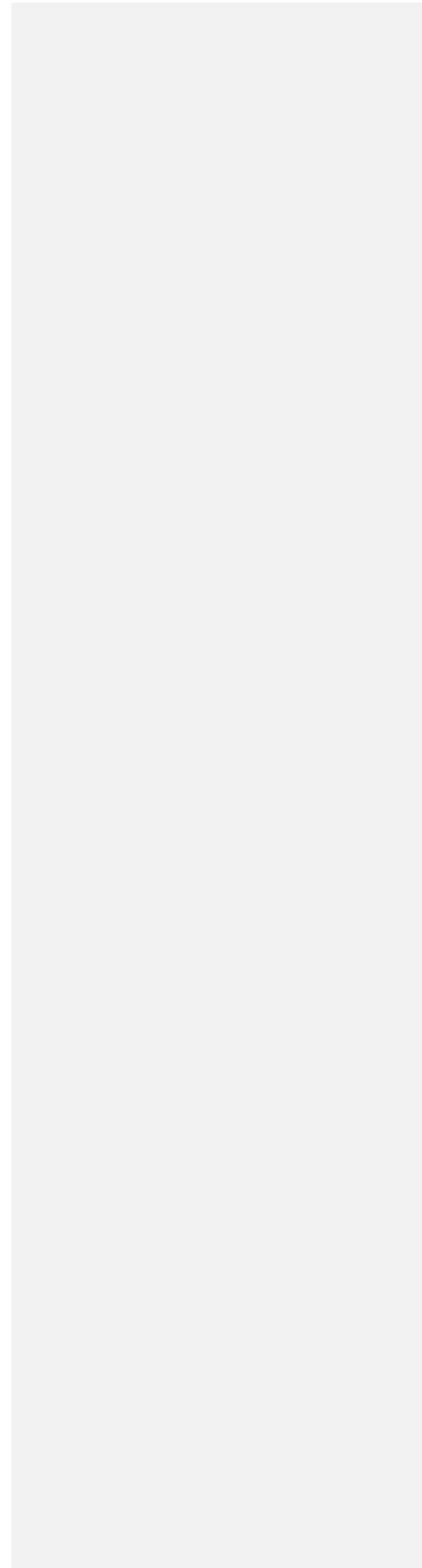
Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by pro-rating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.
- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.
- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Network Operating Agreement – September 2011

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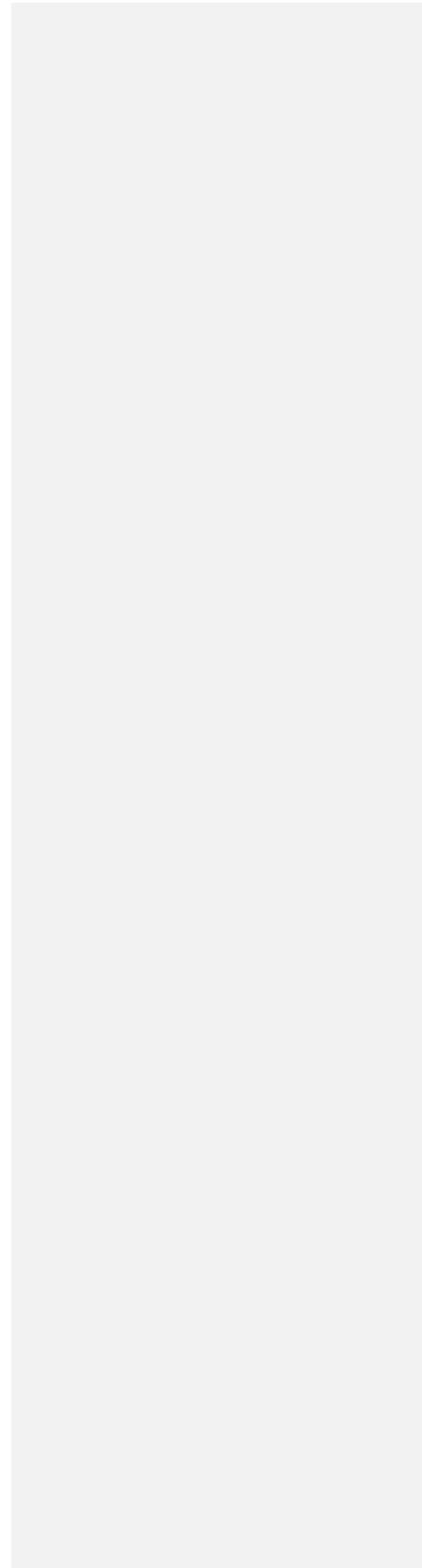
Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

- 9.6 Metering and Communications Required for Integration of Network Resources – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

Network Operating Agreement – September 2011

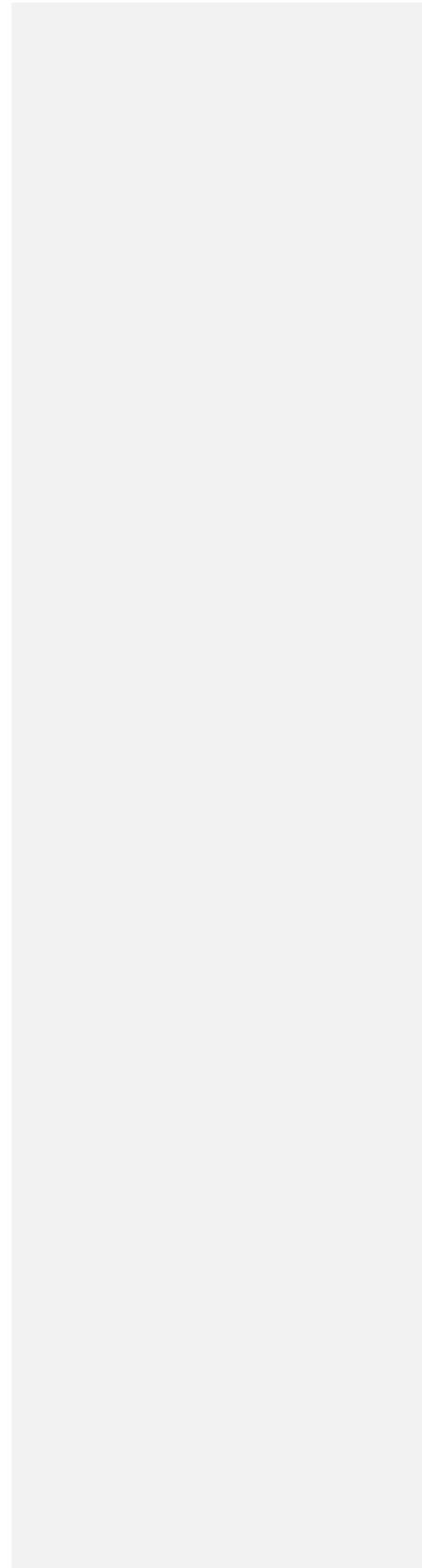
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- 9.7 Metering and Communications Required for Ancillary Services – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.
- 9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.
- 9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:
- (a) Megawatt and megavar indications from Bonneville's supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
 - (b) The following:
 - (i) Metering current transformers ("CTs") and potential transformers ("PTs"),
 - (ii) Space in Bonneville's substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function ("Avista Equipment"), to be supplied by Avista,

Network Operating Agreement – September 2011

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- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

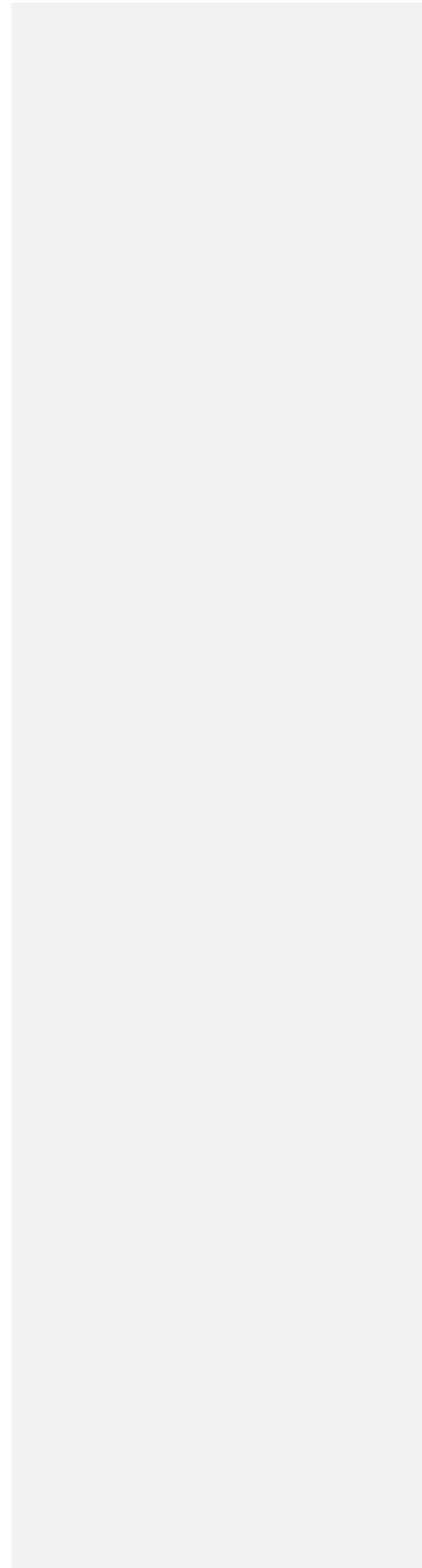
- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Network Operating Agreement – September 2011

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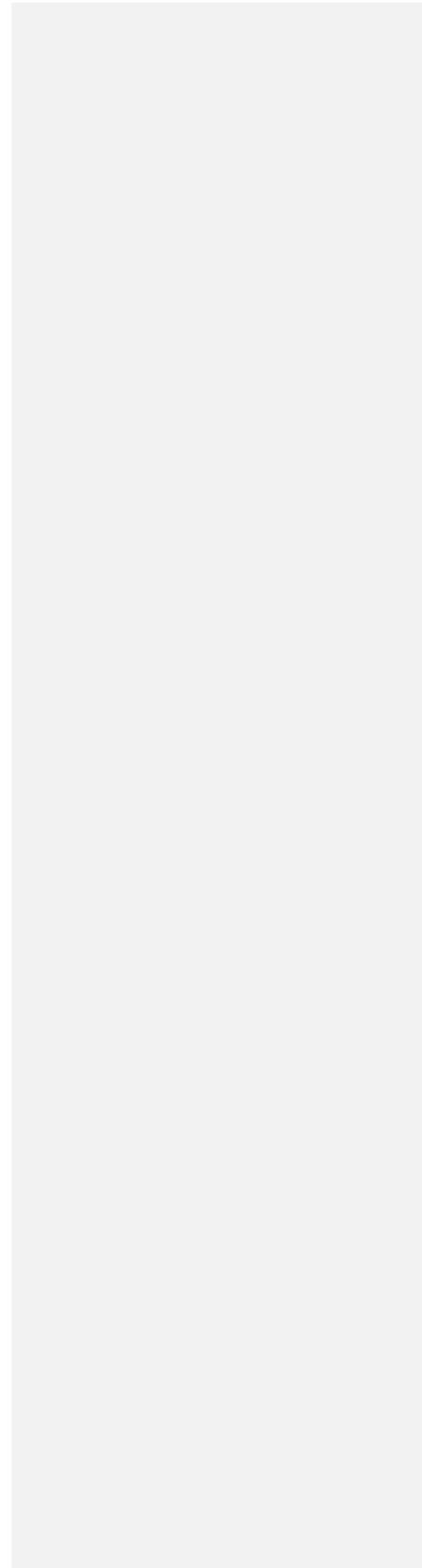


Section 11 - Miscellaneous

- 11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.
- 11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.
- 11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.
- 11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any such amendment shall become effective upon acceptance for filing by the Commission.

Network Operating Agreement – September 2011

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Avista Contract No. AV-TR11-1099
Bonneville Contract No. 11PX-10013

SERVICE AGREEMENT
for
NETWORK INTEGRATION TRANSMISSION SERVICE
between
the BONNEVILLE POWER ADMINISTRATION
and
AVISTA CORPORATION
under
AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8

[For service to KOOTENAI ELECTRIC COOPERATIVE, INC.]

<u>Section</u>	<u>Description</u>	<u>Page</u>
1.	Definitions	3
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3.	Term and Regulatory Filing	4
4.	Network Integration Transmission Service	4
5.	Other Services	5
6.	Construction of Facilities	5
7.	Billing and Payment	5
8.	Miscellaneous Provisions	6

Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT ("Service Agreement") is made and entered into this ____ day of September, 2011, by and between AVISTA CORPORATION ("Avista") and the Bonneville Power Administration ("Bonneville"), which hereinafter may be referred to individually as "Party" or collectively as "Parties".

RECITALS

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 ("Tariff"); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista's Transmission System and/or Avista's low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to Kootenai Electric Cooperative, Inc.'s loads connected to Avista's Transmission System since January 1, 2006 and Bonneville has requested continuing service to Kootenai Electric Cooperative, Inc.'s loads; and

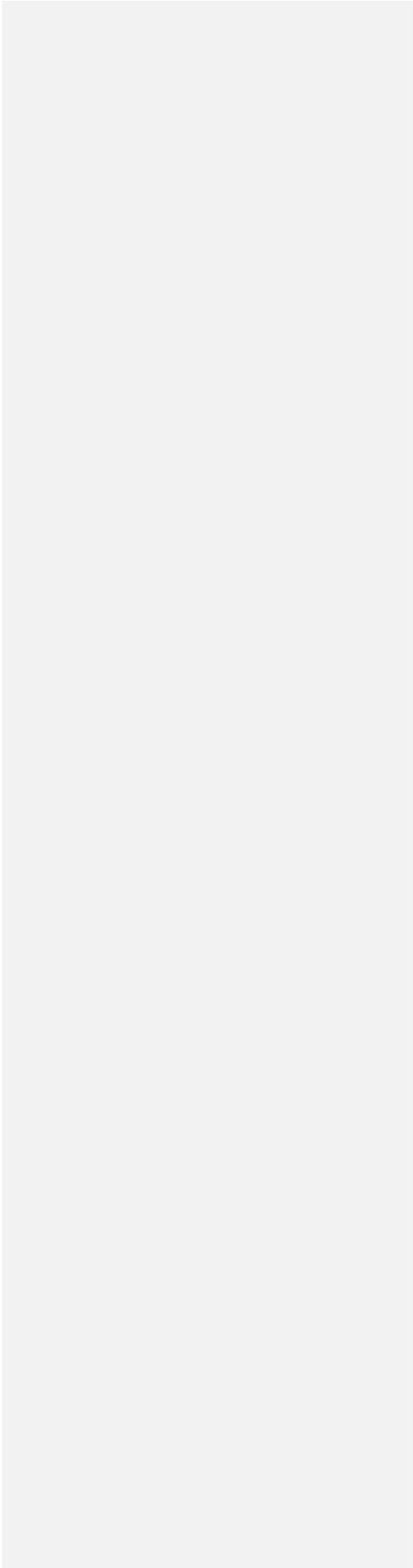
WHEREAS, Avista has entered into an Interconnection and Operating Agreement with Kootenai Electric Cooperative, Inc., providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and Kootenai Electric Cooperative, Inc.; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville's wholesale utility customers connected to Avista's Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Kootenai Electric Cooperative, Inc.

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Section 1 - Definitions

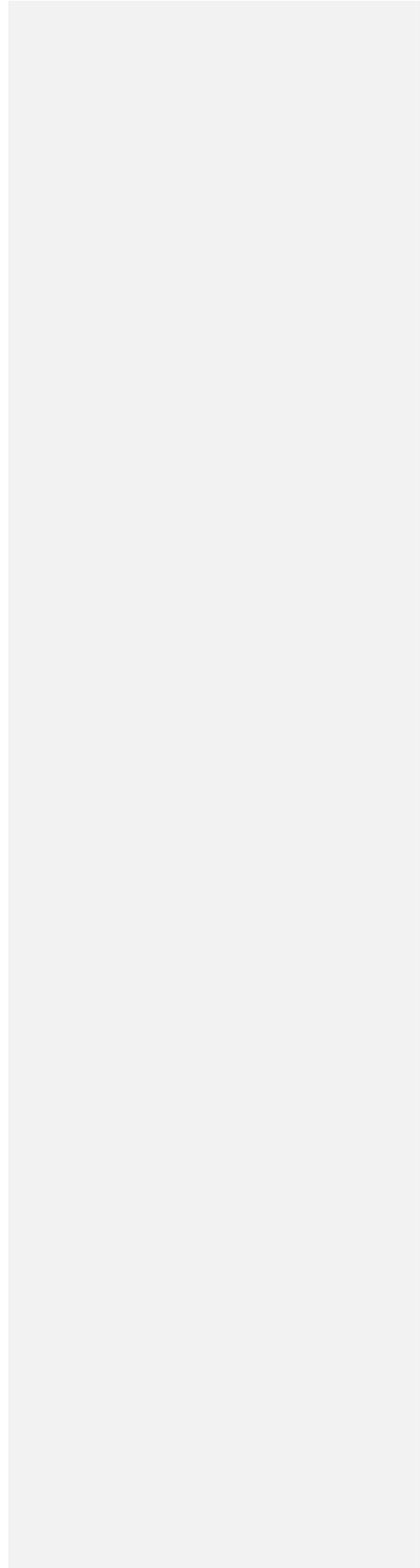
Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

- 2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.
- 2.2 **Incorporation of Exhibits:** The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 **Completed Application:** By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 **System Impact and Facilities Studies:** Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Kootenai Electric Cooperative, Inc.

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Section 3 - Term and Regulatory Filing

- 3.1 **Effective Date and Filing:** This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing ("Effective Date"). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 **Cancellation Rights:** If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 **Termination of Agreement:** Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

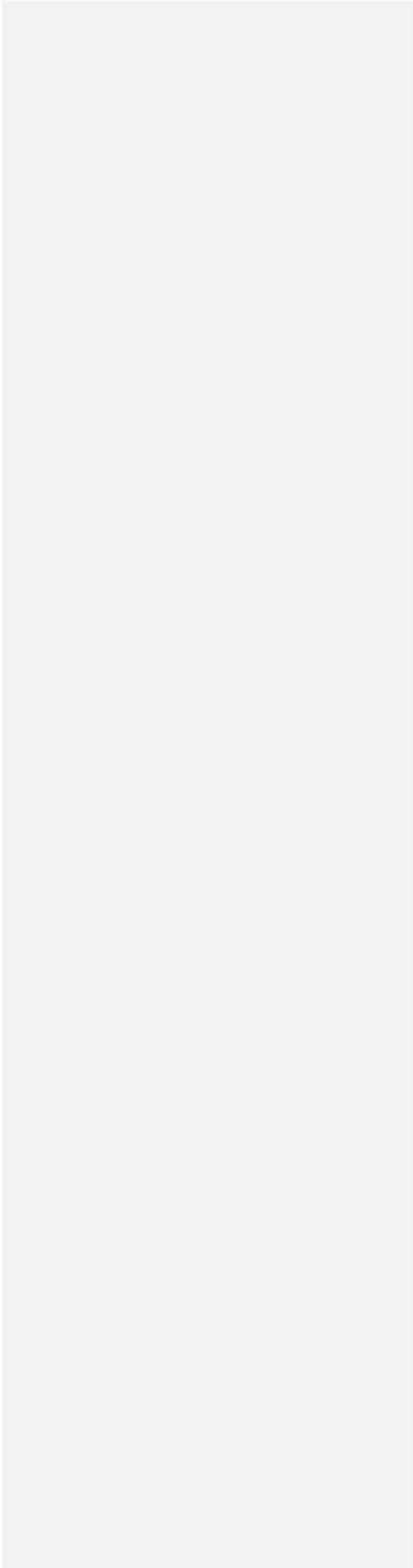
Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 **Transmission Service:** Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 **Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities:** Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Kootenai Electric Cooperative, Inc.

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4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one months' notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

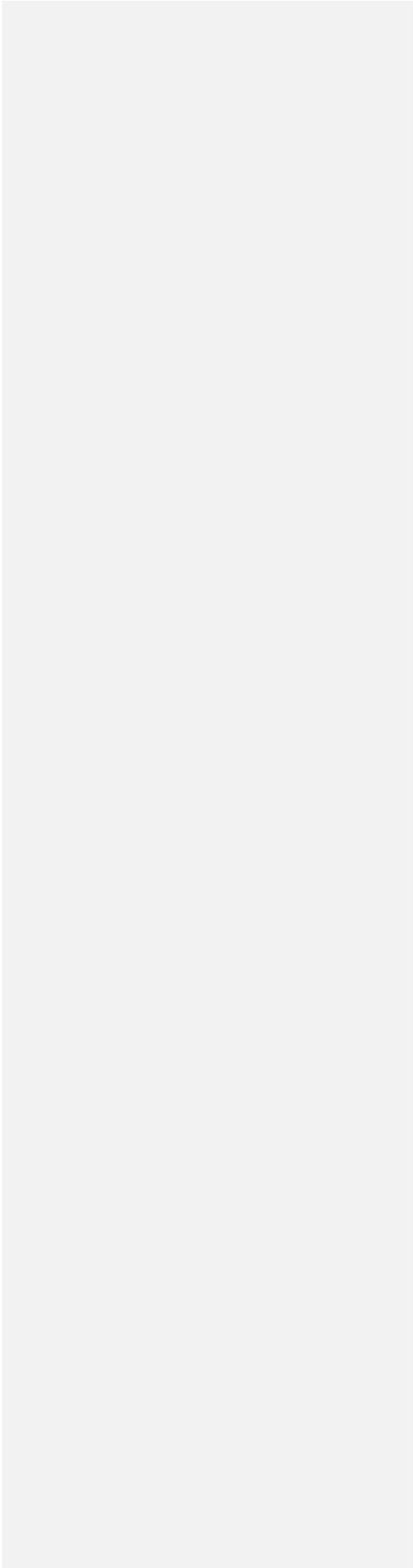
Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact – PTKT
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Kootenai Electric Cooperative, Inc.

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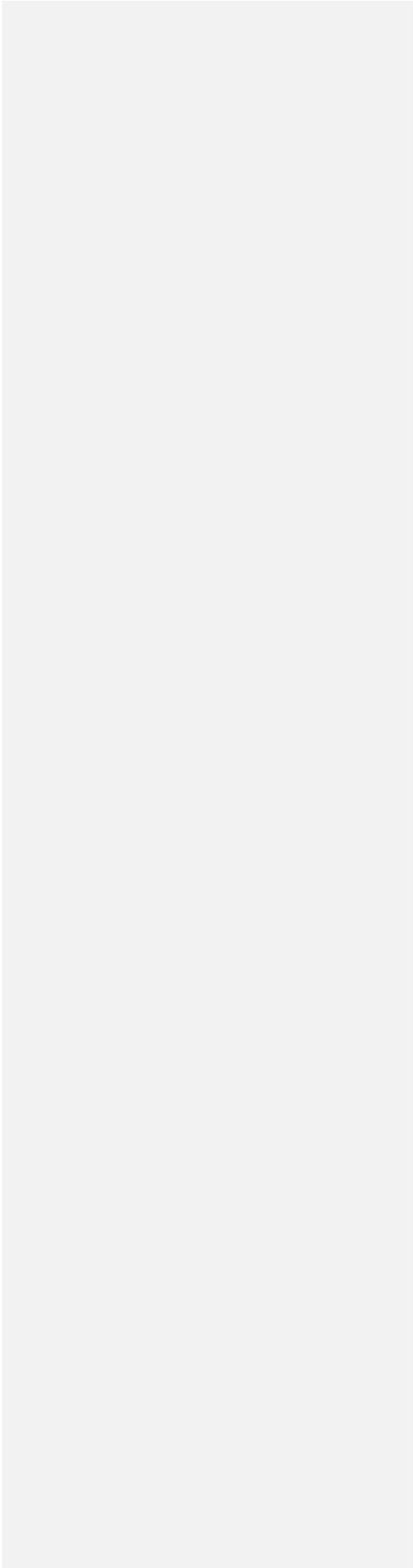
All payments to Avista shall be submitted via electronic funds transfer to the account specified on each billing invoice.

Section 8 - Miscellaneous Provisions

- 8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 Future Changes or Additions: Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Kootenai Electric Cooperative, Inc.

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wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment. A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service Agreement shall be directed to:

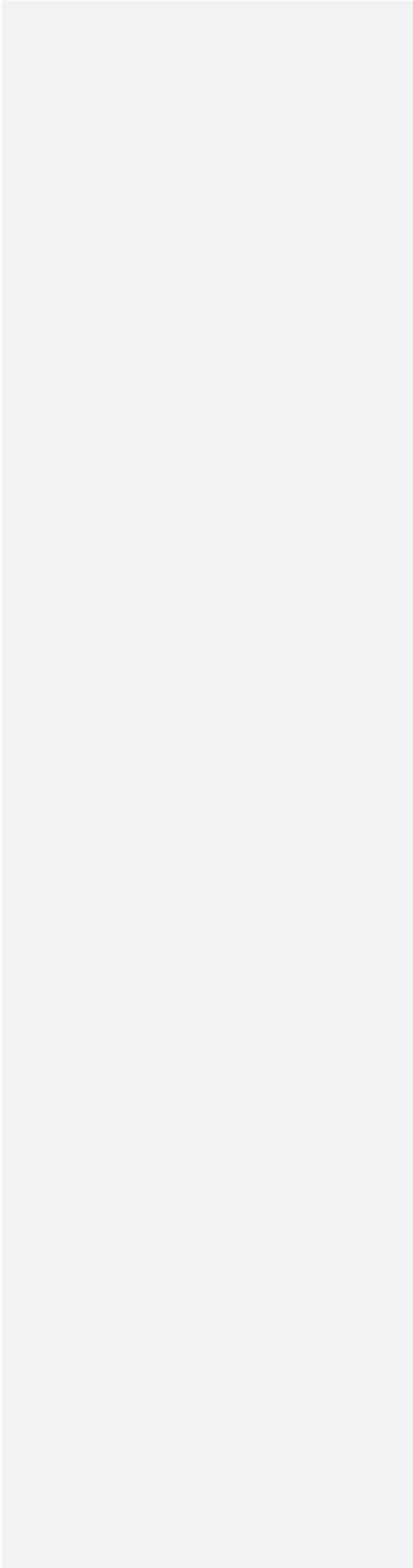
Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington 99202
or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services – PST
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Kootenai Electric Cooperative, Inc.

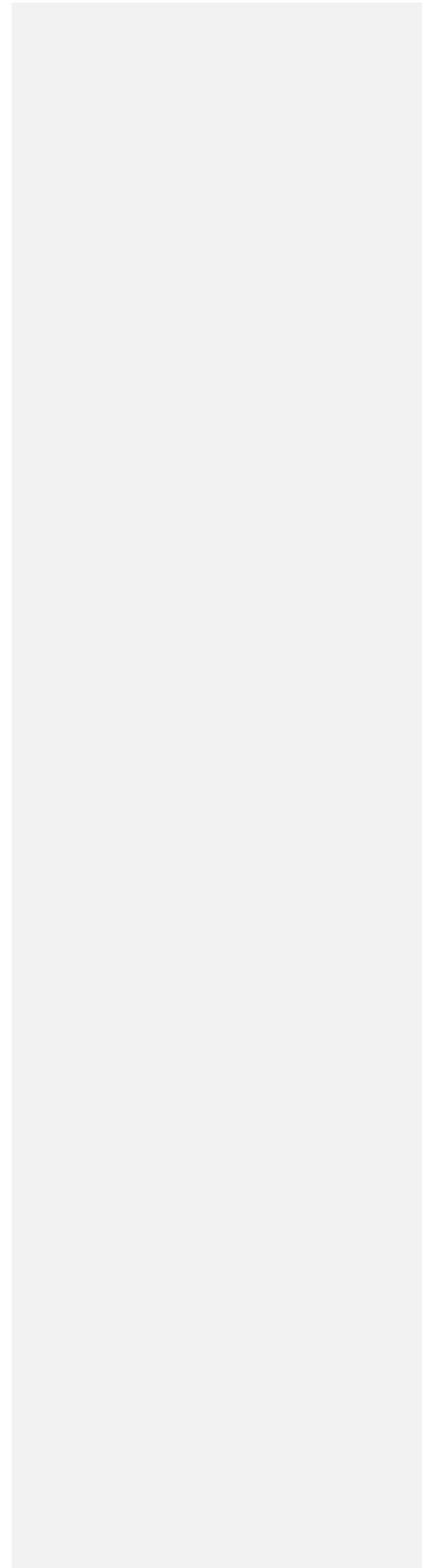
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8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Kootenai Electric Cooperative, Inc.

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IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Kootenai Electric Cooperative, Inc.

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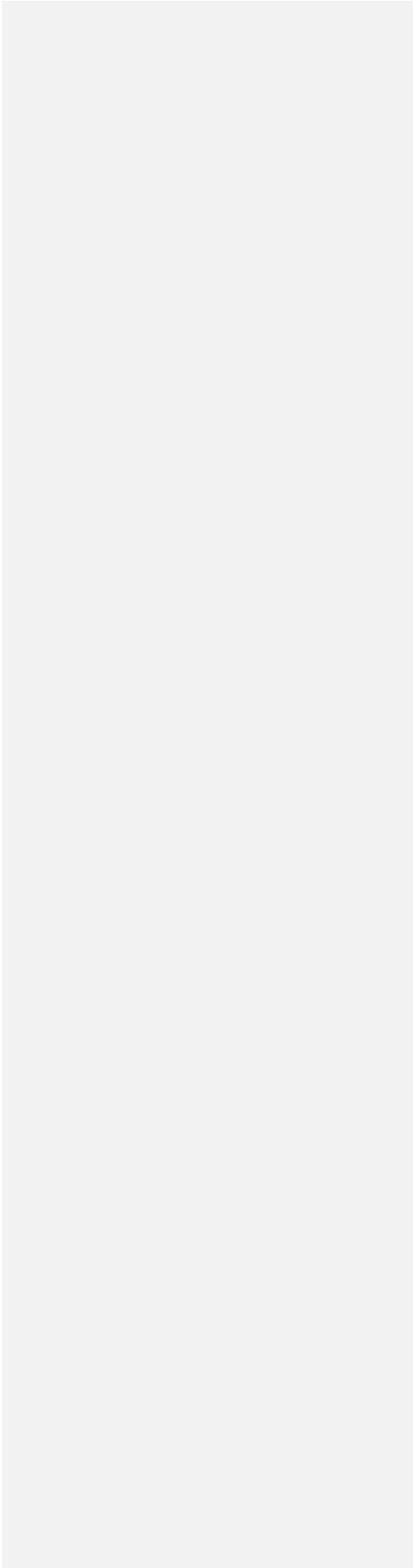


EXHIBIT 1
SPECIFICATIONS FOR
NETWORK INTEGRATION TRANSMISSION SERVICE

Designated Network Resources

Power Sales Agreement between Bonneville and Kootenai Electric Cooperative, Inc. (Bonneville Contract No. 09PB-13060)

Designated Network Loads

(See Exhibit 1A)

Monthly Transmission Charge

(Pursuant to Section 34 of the Tariff)

Monthly Charges for Direct Assignment and Low Voltage Facilities

(See Exhibit 1B)

Power Factor Penalty Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the Tariff)

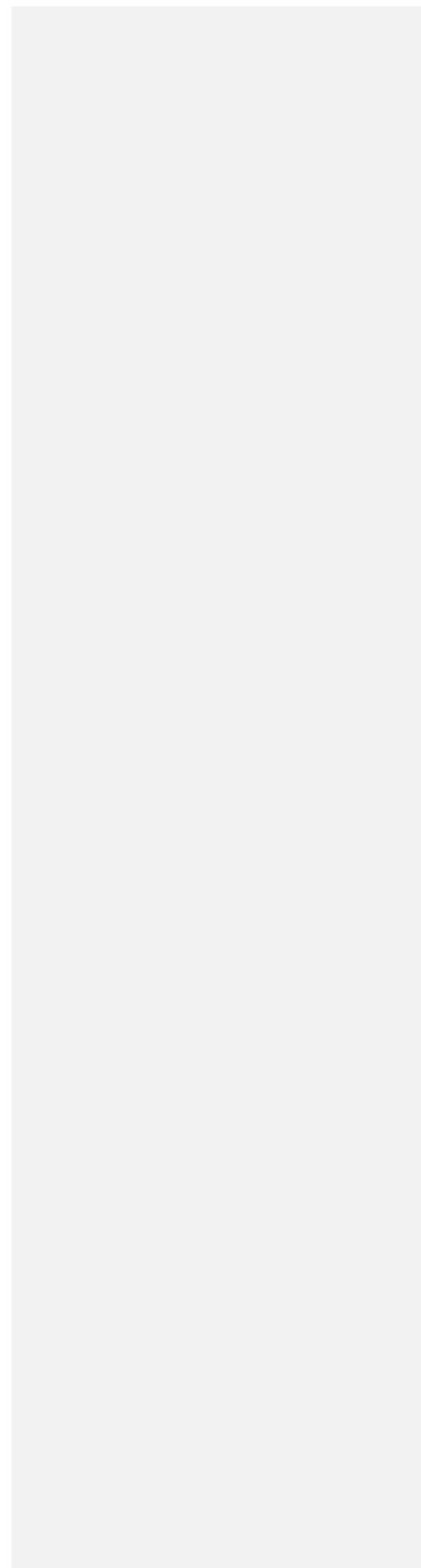
In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service
Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.

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**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Athol Point of Delivery**

Location: The point near Spirit Lake, Idaho, where Avista's Pine Street-Rathdrum 115 kV Transmission Line and Kootenai Electric Cooperative, Inc.'s (KEC) Athol 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In Athol Substation, which is jointly owned by KEC and Northern Lights Inc., in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

2) **Coeur d'Alene 15th Street Point of Delivery**

Location: The point in Avista's Coeur d'Alene 15th Street Substation where the 13.8 kV facilities of Avista and KEC are connected

Voltage: 13.8 kV

Metering: In Avista's 15th Street Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

3) **Dower Point of Delivery**

Location: The point where Avista's Dower-Post Falls 115 kV Tap Transmission Line and KEC's Dower-Post Falls 115 kV Tap Transmission Line are connected

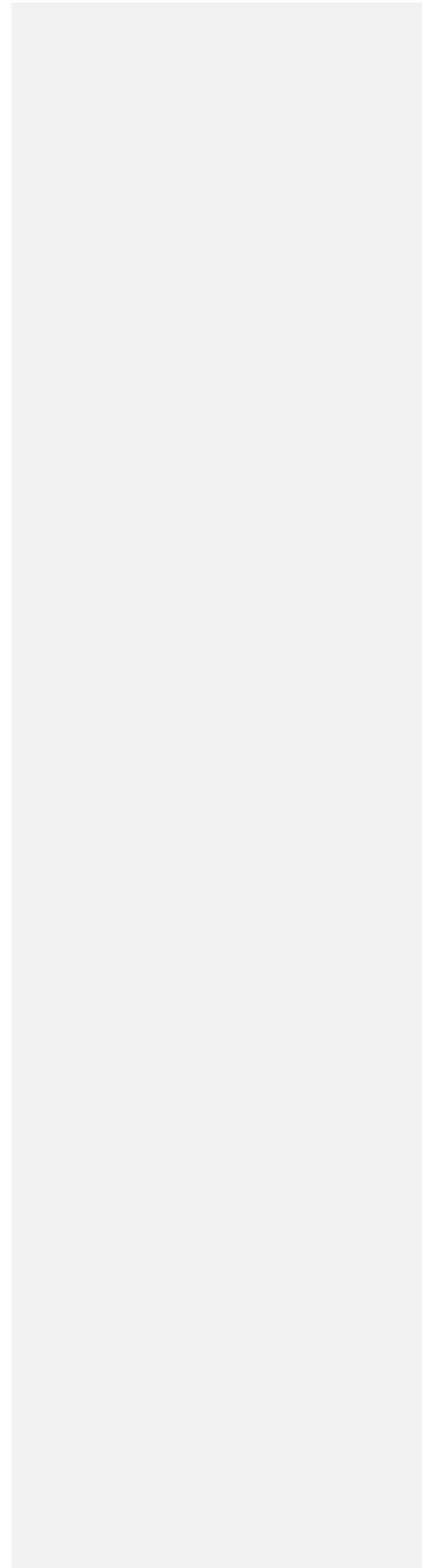
Voltage: 115 kV

Metering: In KEC's Dower Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.

E1A – 1



4) **Hayden Point of Delivery**

Location: The point where Avista's Coeur d'Alene-Ramsey 115 kV Transmission Line and KEC's Hayden 115 kV Tap are connected

Voltage: 115 kV

Metering: In KEC's Hayden Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

5) **Julia Street Point of Delivery**

Location: The point where Avista's Appleway-Ramsey 115 kV Transmission Line and KEC's Julia Street 115 kV Tap are connected

Voltage: 115 kV

Metering: In KEC's Julia Street Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

6) **O'gara Point of Delivery**

Location: The point in Avista's O'Gara Substation where the 13.8 kV facilities of Avista and KEC are connected

Voltage: 13.8 kV

Metering: On KEC's distribution pole adjacent to Avista's O'Gara Substation in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

7) **Pleasant View Point of Delivery**

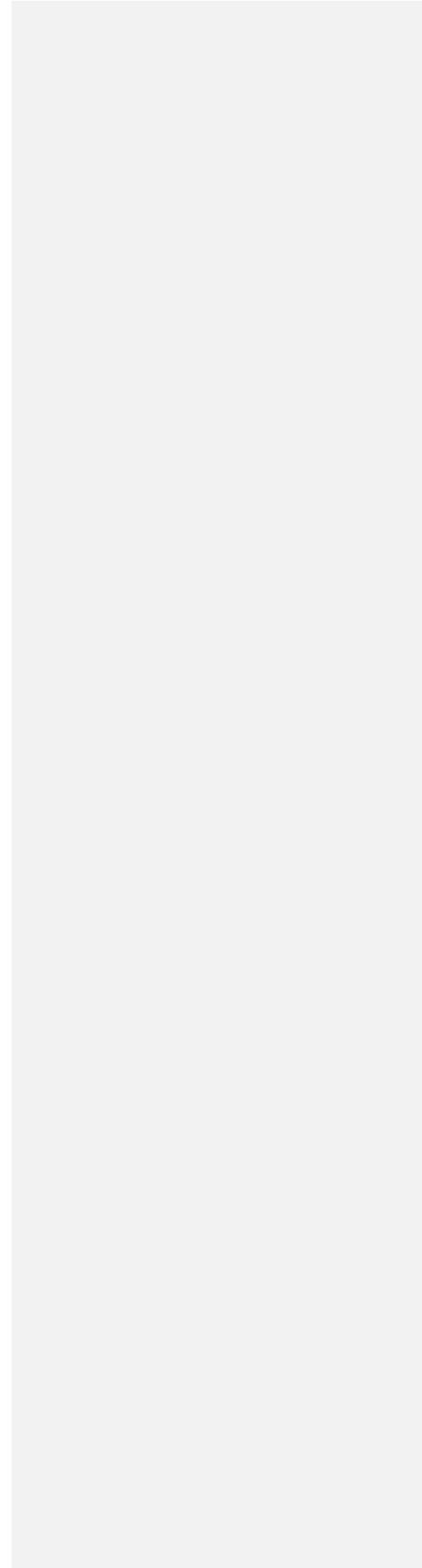
Location: The point in Avista's Pleasant View Substation where the 13.8 kV facilities of Avista and KEC are connected

Voltage: 13.8 kV

Metering: In Avista's Pleasant View Substation, in the distribution circuit(s) over which electric power and energy flows

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.

E1A – 2



Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

8) **Plummer Point of Delivery**

Location: The point in Avista's Plummer Substation where the 13.8 kV facilities of Avista and KEC are connected

Voltage: 13.8 kV

Metering: In Avista's Plummer Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

9) **Prairie Point of Delivery**

Location: The point in the jointly-owned Prairie Substation, at the supply side of KEC's 115kV fused disconnects, where the 115kV facilities of Avista and KEC are connected

Voltage: 115 kV

Metering: In KEC's portion of the jointly-owned Prairie Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

10) **Rathdrum Point of Delivery**

Location: The point in Avista's Rathdrum Substation where the 13.8 kV facilities of Avista and KEC are connected

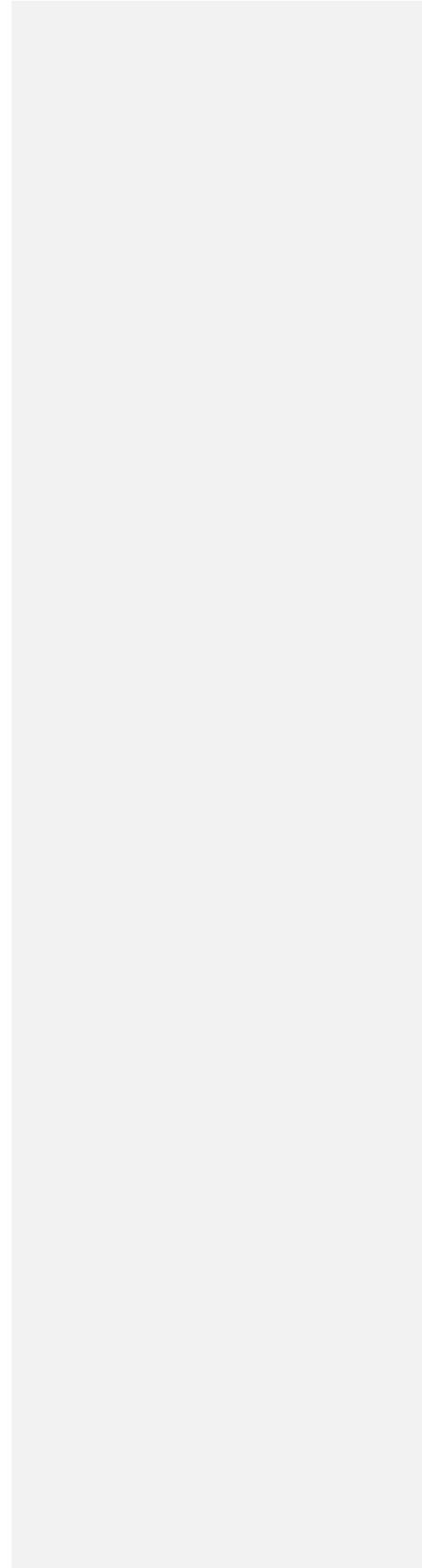
Voltage: 13.8 kV

Metering: In Avista's Rathdrum Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.

E1A – 3



~~41)~~ **Rockford Point of Delivery**

~~Location: The point in Avista's Rockford Substation where the 24.9 kV facilities of Avista and KEC are connected~~

~~Voltage: 24.9 kV~~

~~Metering: In Avista's Rockford Substation, in the distribution circuit(s) over which electric power and energy flows, reduced for deliveries of power and associated losses to Avista's load in Worley, Idaho~~

~~Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.~~

~~4211)~~ **Scarcello Point of Delivery**

~~Location: The point where Avista's Pine Street-Rathdrum 115 kV Transmission Line is connected to KEC's Scarcello Substation 115 kV Tap~~

~~Voltage: 115 kV~~

~~Metering: In KEC's Scarcello Substation, in the distribution circuit(s) over which electric power and energy flows~~

~~Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.~~

~~4312)~~ **Setters Point of Delivery**

~~Location: The point where Avista's 8th and Fancher-Latah Junction 115 kV Transmission Line is connected to KEC's Setters Substation 115 kV Tap Transmission Line~~

~~Voltage: 115 kV~~

~~Metering: In KEC's Setters Substation, in the distribution circuit(s) over which electric power and energy flows~~

~~Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.~~

|

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.
Revision 1 – Effective April 1, 2016

E1A – 4

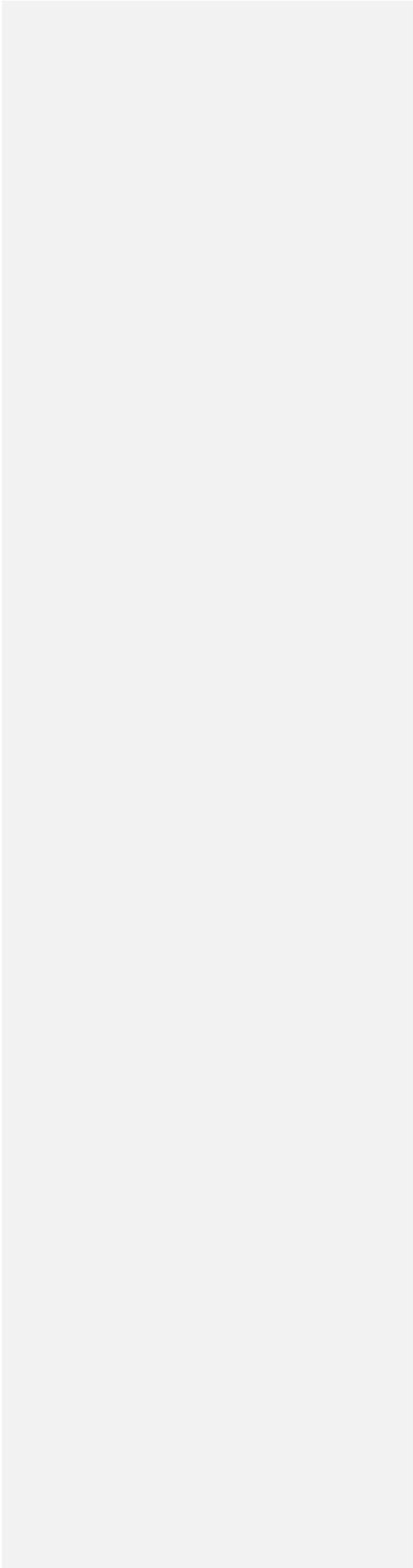


EXHIBIT 1B
DIRECT ASSIGNMENT AND LOW-VOLTAGE
SUBSTATION AND DISTRIBUTION CHARGES
 (per month)

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Athol	---	---	---
Coeur d'Alene 15 th Street	\$13641,386	\$524312	---
Dower	---	\$8076	---
Hayden	---	---	---
Julia Street	---	---	---
O'Gara	\$8582,740	\$384308	---
Pleasant View	\$29723,426	\$143428	---
Plummer	\$4481,433	\$429570	---
Prarie	---	---	---
Rathdrum	\$7462,309	\$524164	---
Rockford	---\$696	---	---
Scarcello	---	---	---
Setters	---	---	---

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Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.
[Revision 1 – Effective April 1, 2016](#)

E1B – 1

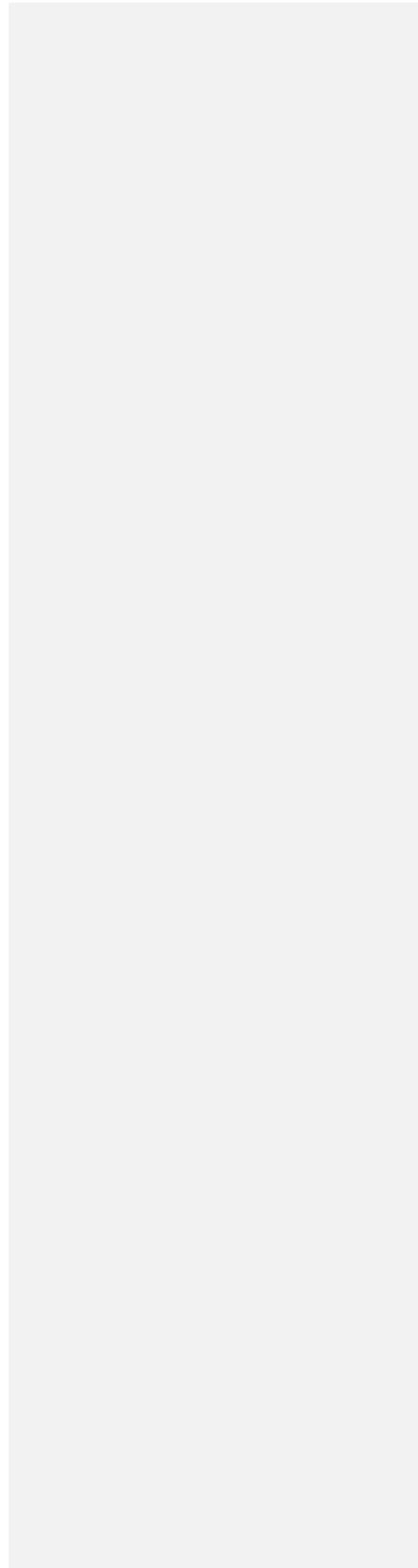


EXHIBIT 2
SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES

Scheduling, System Control and Dispatch Service

(Pursuant to Schedule 1 of the Tariff)

Reactive Supply and Voltage Control from Generation Sources

(Pursuant to Schedule 2 of the Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

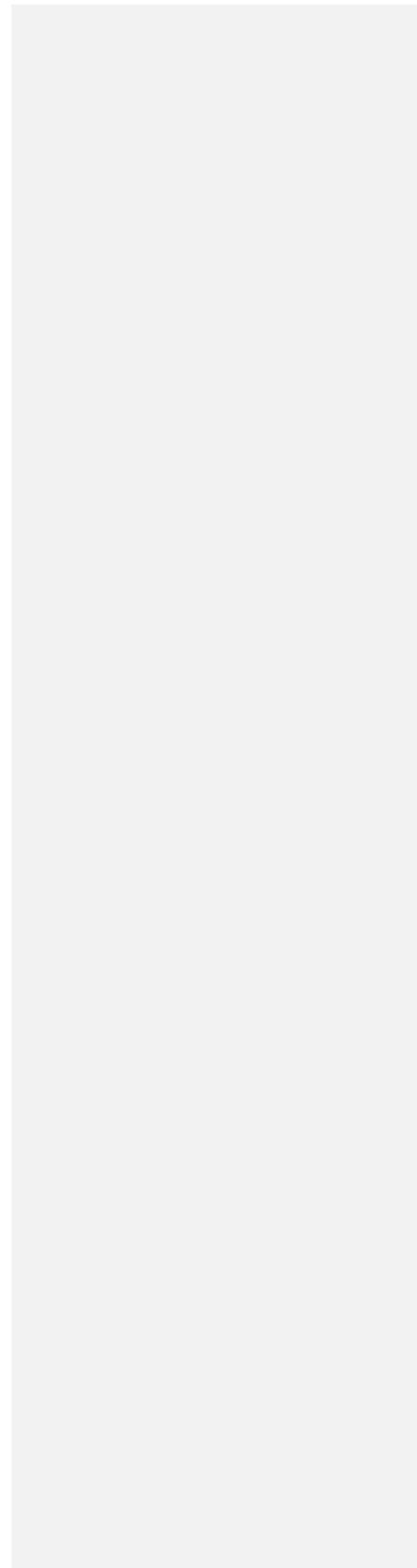
Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.

E2 – 1



Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.

E2 – 2

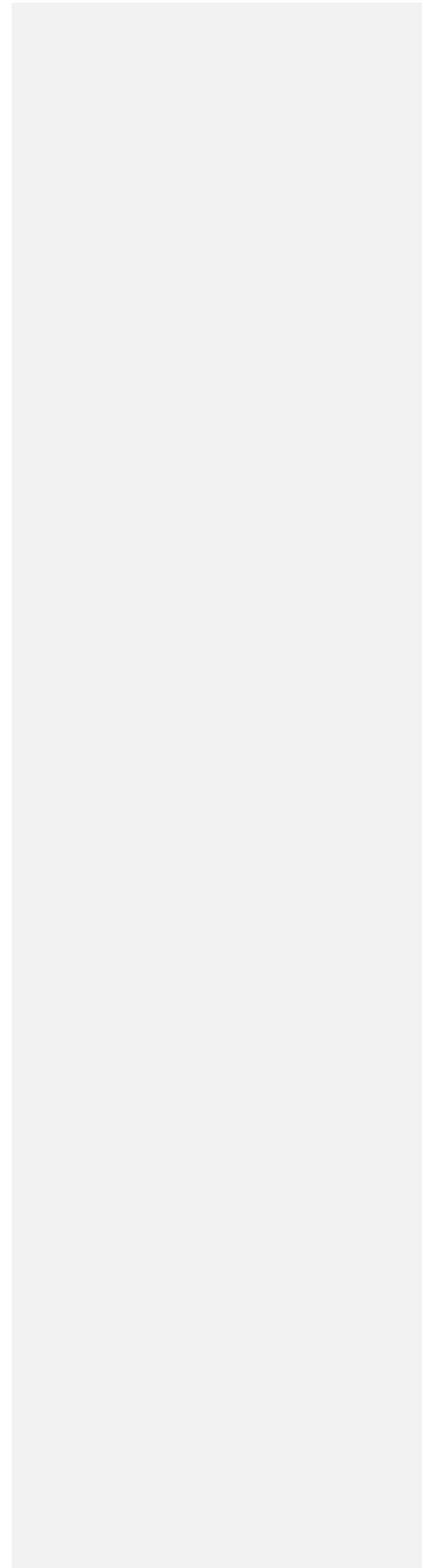


EXHIBIT 3
NETWORK OPERATING AGREEMENT

NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

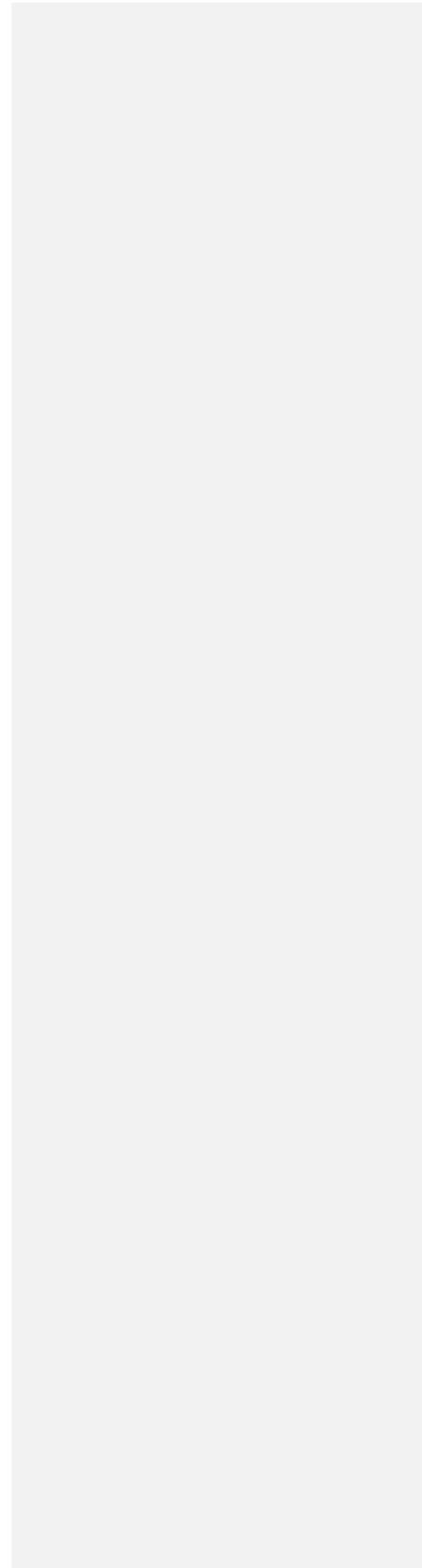
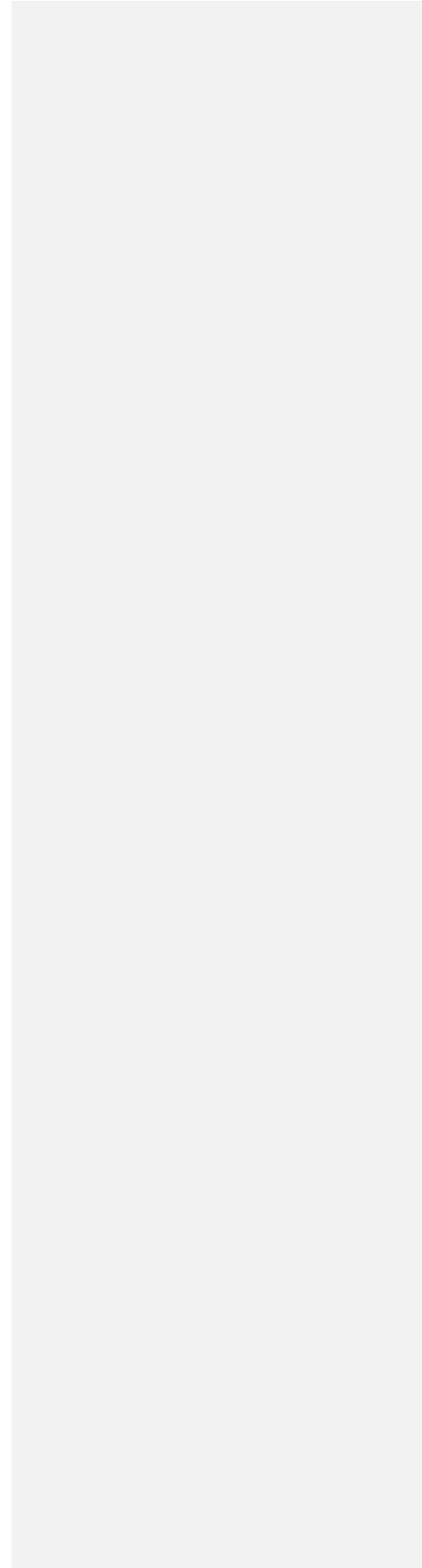


Exhibit 3 – Network Operating Agreement
Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.

E3 – 1



NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

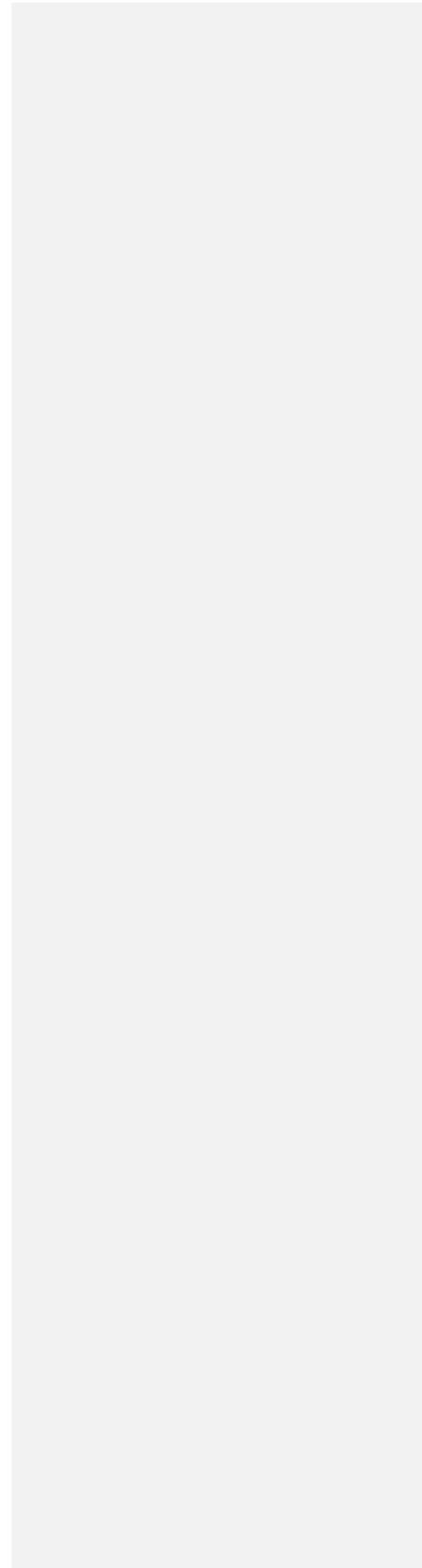
Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

- 2.1 NERC – The North American Electric Reliability Corporation, or its successor.
- 2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

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2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.

2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

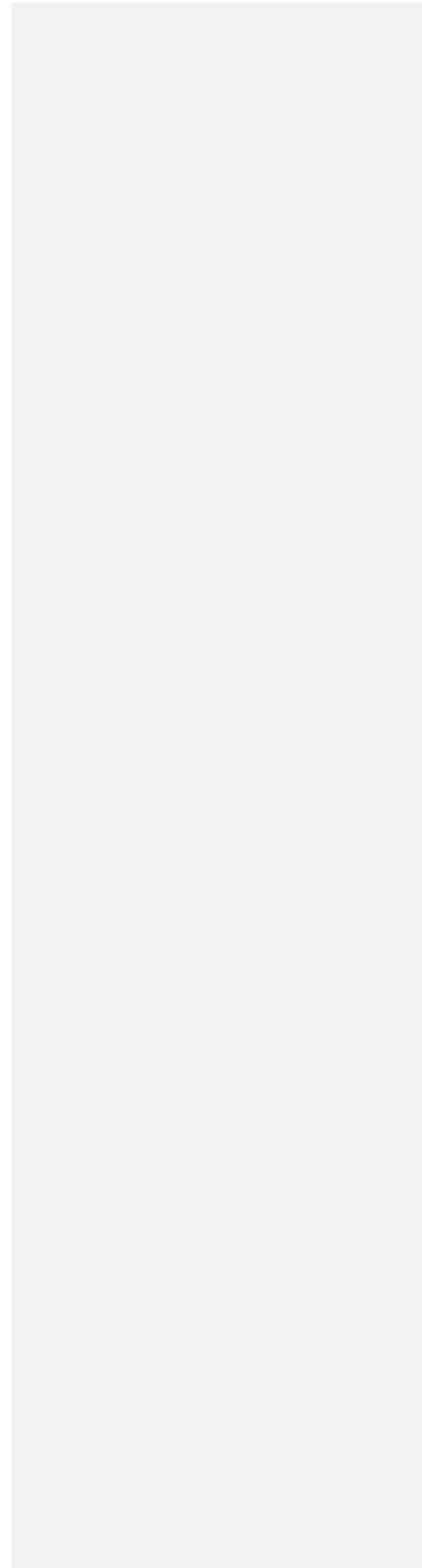
4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.

4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.

4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

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Section 5 – Interconnection Principles and Requirements

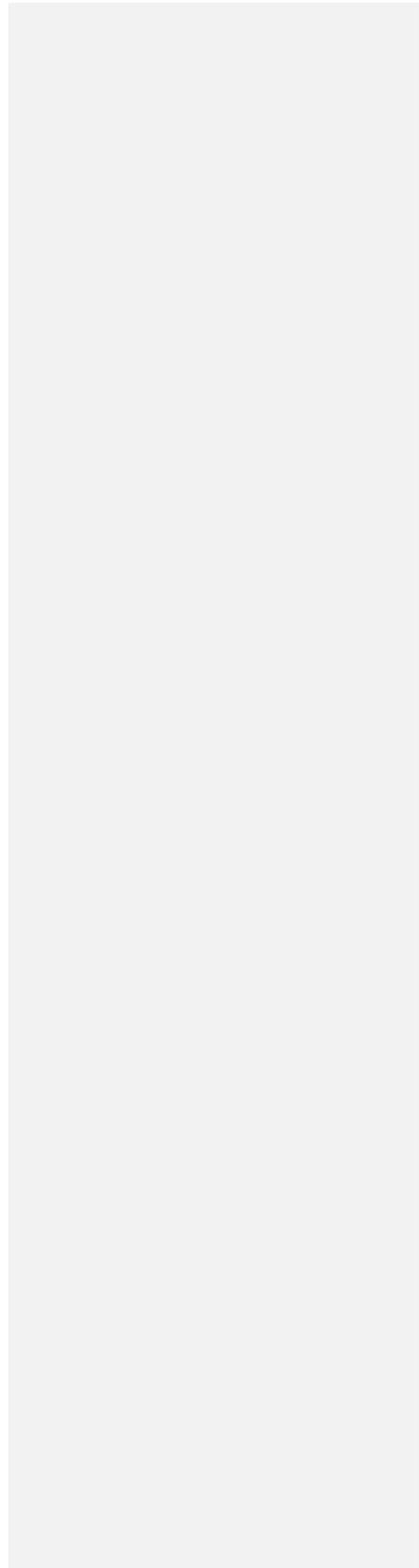
Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE-MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities. Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.
- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Network Operating Agreement – September 2011

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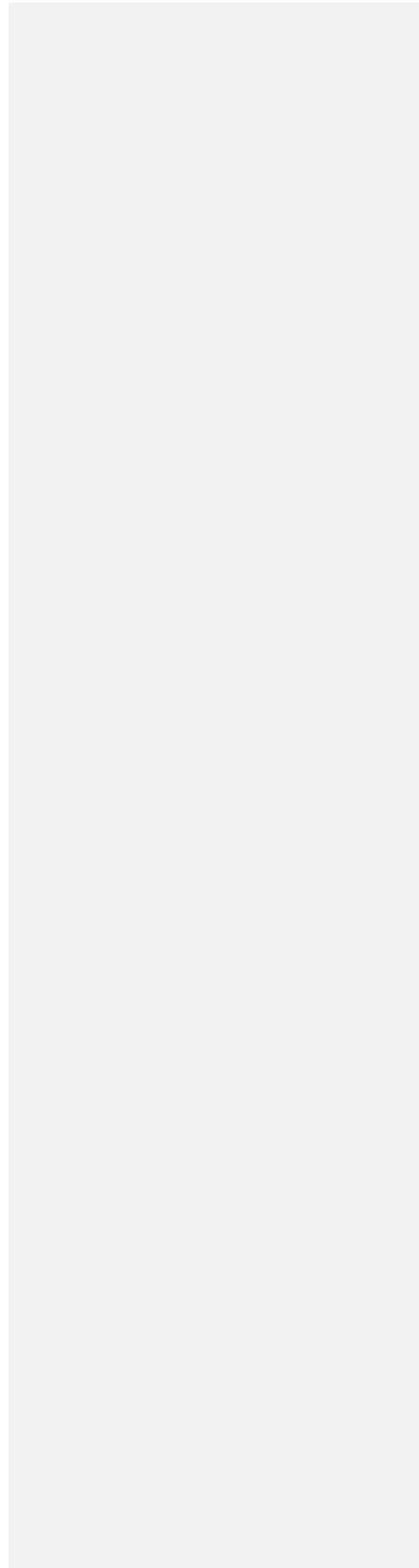
Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.
- 7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.
- 7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility Practice and on a comparable basis with service to all other affected Network Customers

Network Operating Agreement – September 2011

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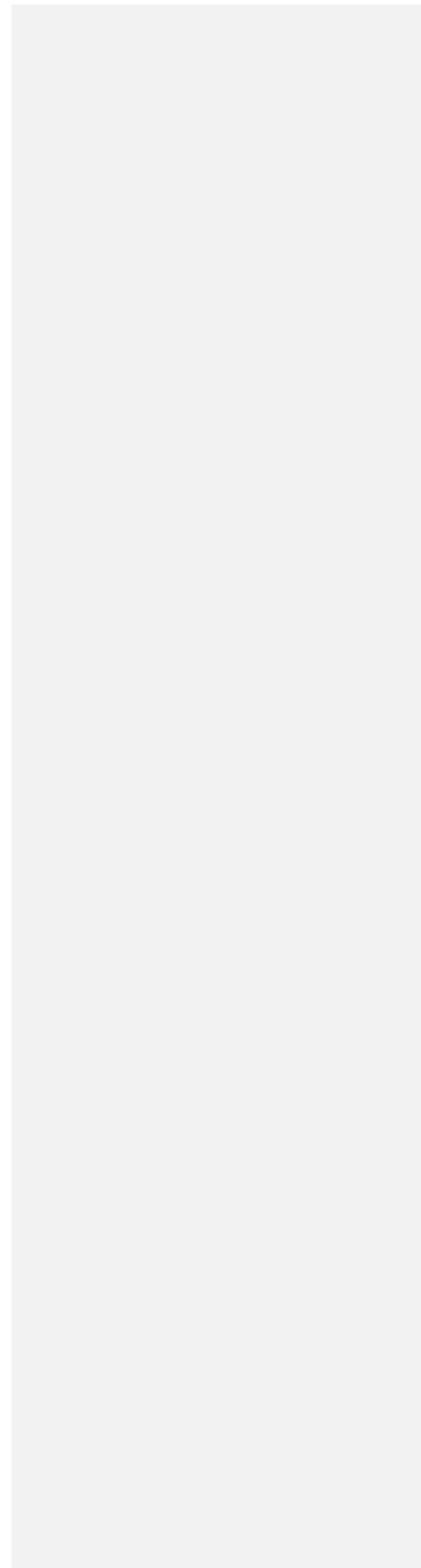
and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

- 8.1 Scheduling and Schedule Revisions – Schedules for Bonneville's designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however, that:*
- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours and ending at 1100 hours, Bonneville shall submit any revision to an electronic

Network Operating Agreement – September 2011

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tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

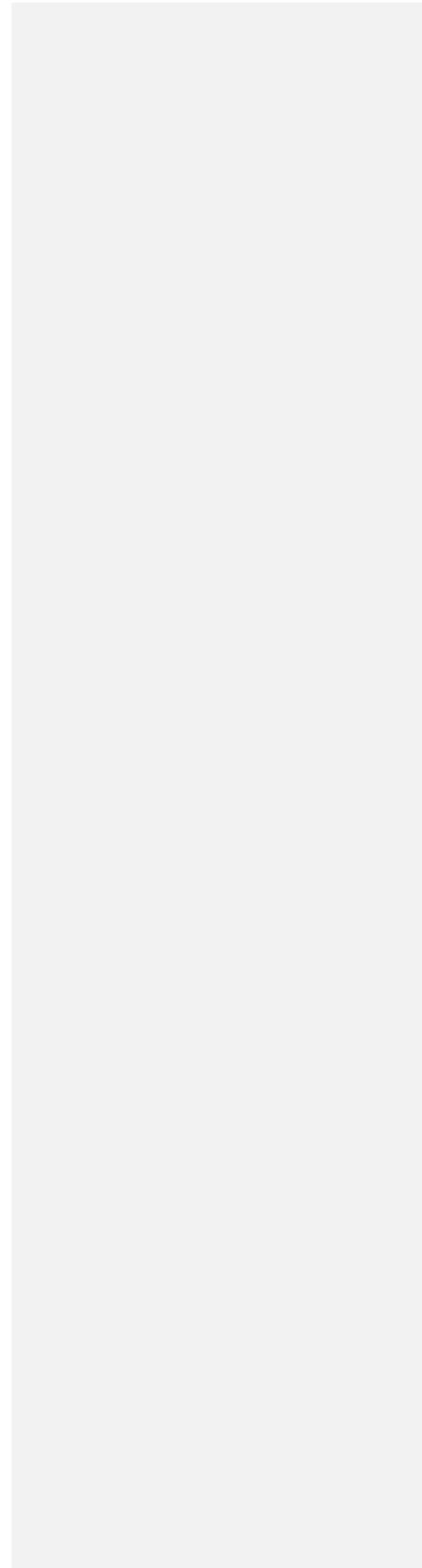
- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.
- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

- 8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Network Operating Agreement – September 2011

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Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.

8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista's Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista's transmission function passing on an aggregated sum of Bonneville's schedules associated with all of its borderline wheeling loads to Avista's load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista's Standards of Conduct.

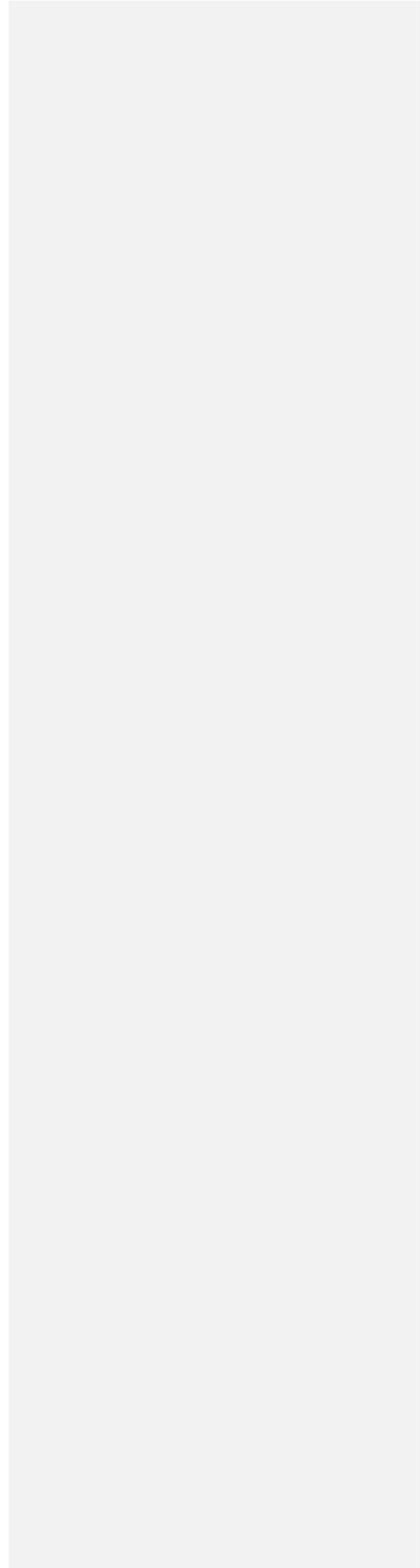
Section 9 – Metering and Communications

9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.

9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter used to determine billing associated with the Service Agreement shall provide to the

Network Operating Agreement – September 2011

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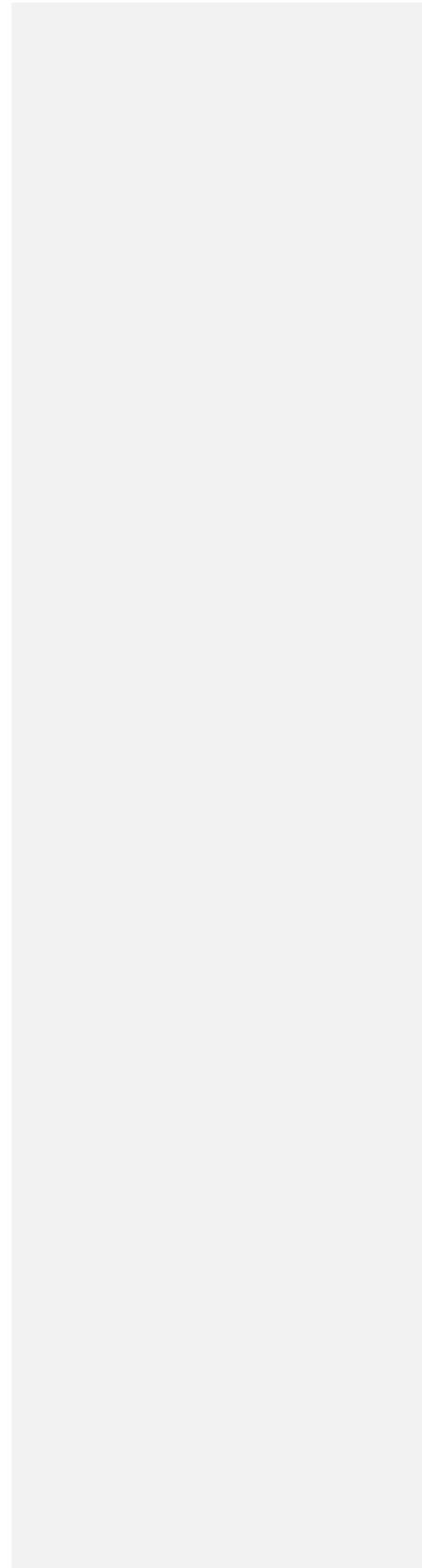
other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

- 9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System.

The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

- 9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters. In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the



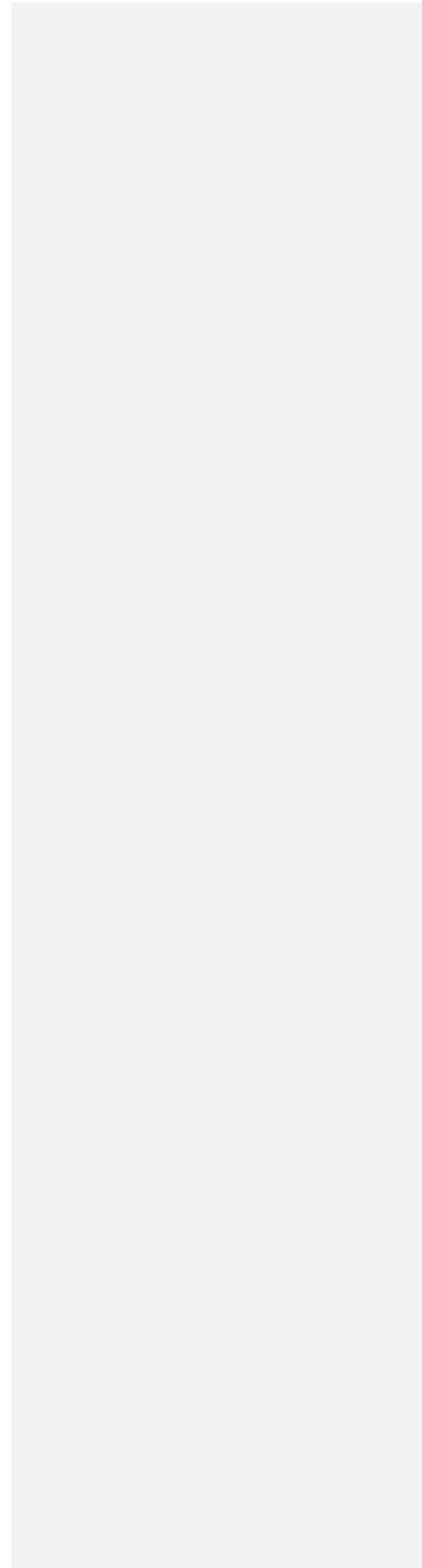
Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by pro-rating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.
- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.
- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

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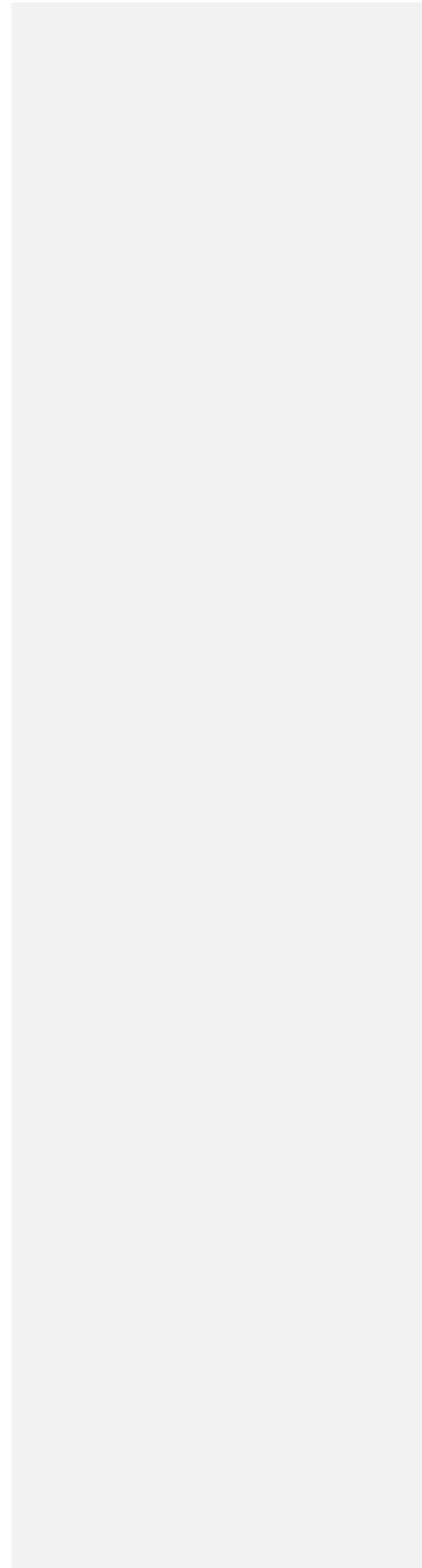
Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

- 9.6 Metering and Communications Required for Integration of Network Resources – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

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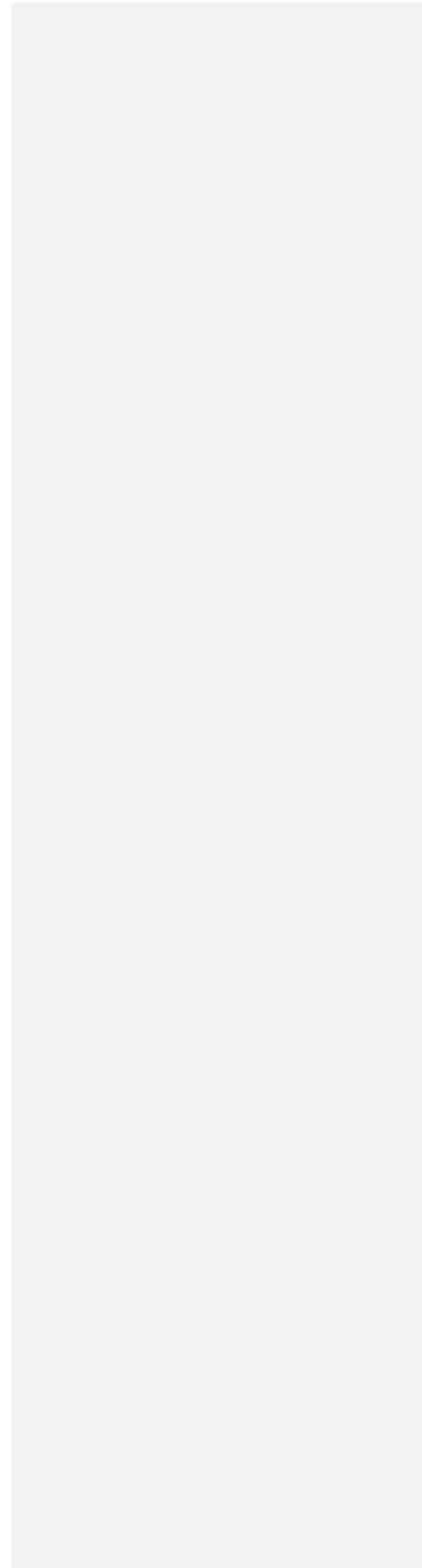
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- 9.7 Metering and Communications Required for Ancillary Services – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.
- 9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.
- 9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:
- (a) Megawatt and megavar indications from Bonneville's supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
 - (b) The following:
 - (i) Metering current transformers ("CTs") and potential transformers ("PTs"),
 - (ii) Space in Bonneville's substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function ("Avista Equipment"), to be supplied by Avista,

Network Operating Agreement – September 2011

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- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

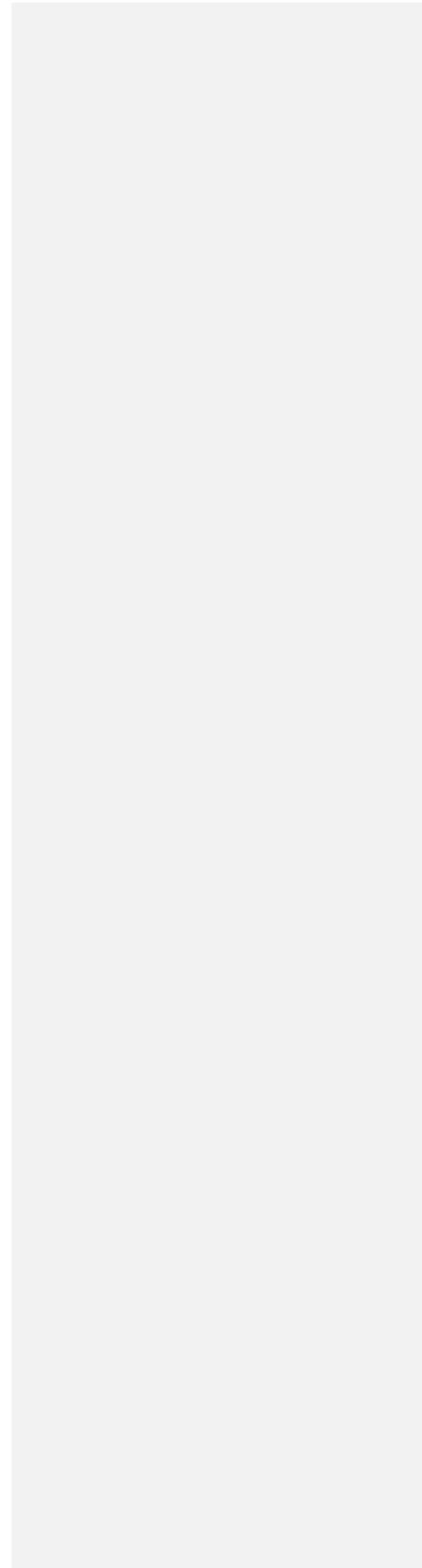
- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Network Operating Agreement – September 2011

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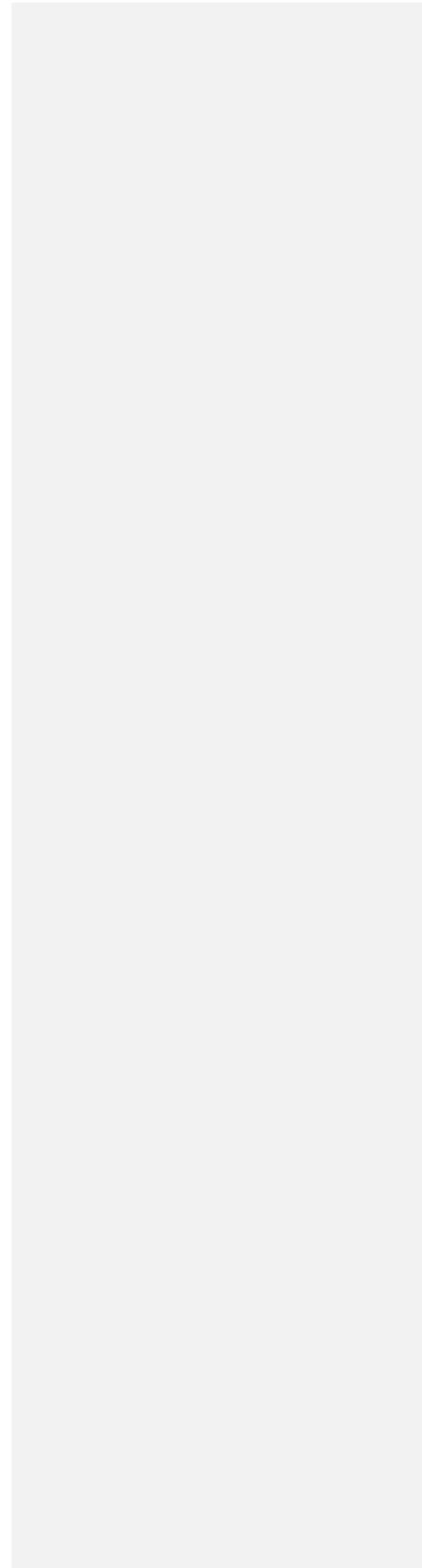


Section 11 - Miscellaneous

- 11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.
- 11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.
- 11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.
- 11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any such amendment shall become effective upon acceptance for filing by the Commission.

Network Operating Agreement – September 2011

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Avista Contract No. AV-TR11-1101
Bonneville Contract No. 11PX-10015

SERVICE AGREEMENT
for
NETWORK INTEGRATION TRANSMISSION SERVICE
between
the BONNEVILLE POWER ADMINISTRATION
and
AVISTA CORPORATION
under
AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8

[For service to NORTHERN LIGHTS INC.]

<u>Section</u>	<u>Description</u>	<u>Page</u>
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3.	Term and Regulatory Filing	4
4.	Network Integration Transmission Service	4
5.	Other Services	5
6.	Construction of Facilities	5
7.	Billing and Payment	5
8.	Miscellaneous Provisions	6

Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT ("Service Agreement") is made and entered into this ____ day of September, 2011, by and between AVISTA CORPORATION ("Avista") and the Bonneville Power Administration ("Bonneville"), which hereinafter may be referred to individually as "Party" or collectively as "Parties".

RECITALS

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 ("Tariff"); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista's Transmission System and/or Avista's low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to Northern Lights Inc.'s loads connected to Avista's Transmission System since January 1, 2006 and Bonneville has requested continuing service to Northern Lights Inc.'s loads; and

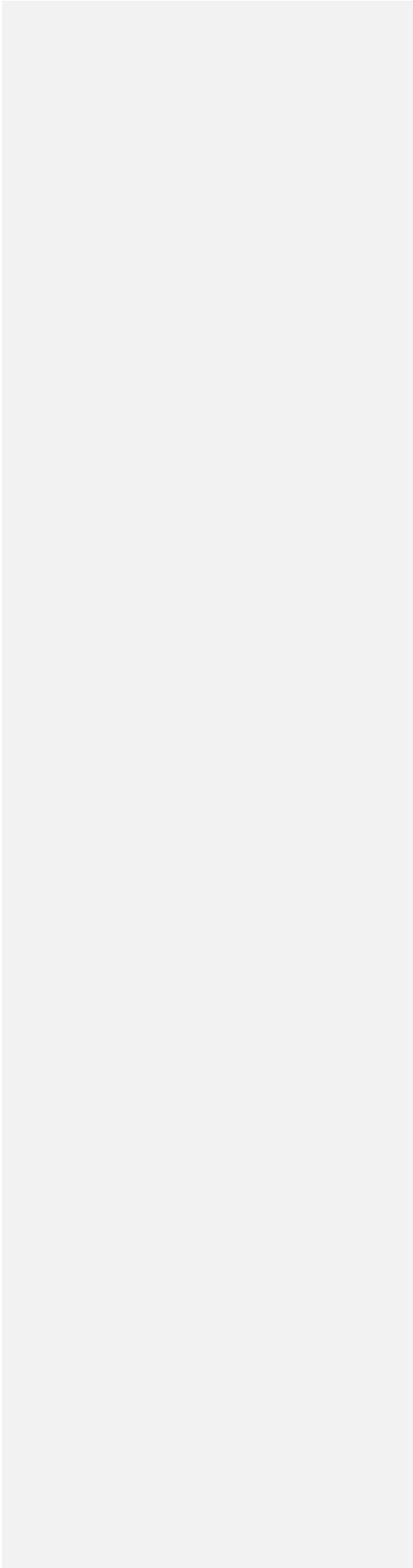
WHEREAS, Avista has entered into an Interconnection and Operating Agreement with Northern Lights Inc., providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and Northern Lights Inc.; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville's wholesale utility customers connected to Avista's Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Northern Lights Inc.

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Section 1 - Definitions

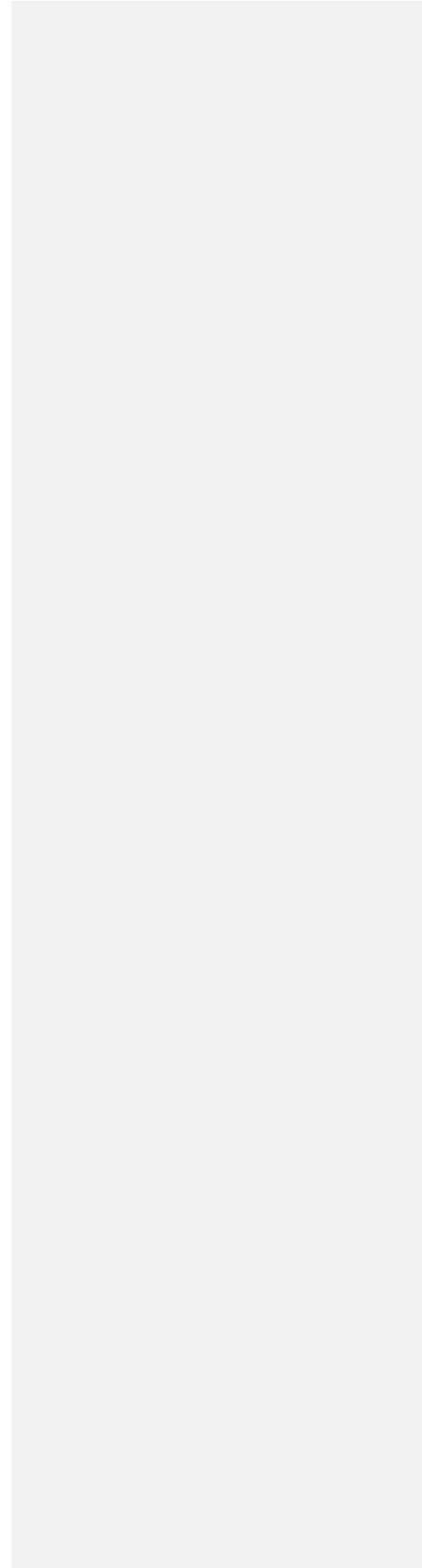
Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

- 2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.
- 2.2 **Incorporation of Exhibits:** The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 **Completed Application:** By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 **System Impact and Facilities Studies:** Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Northern Lights Inc.

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Section 3 - Term and Regulatory Filing

- 3.1 **Effective Date and Filing:** This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing (“Effective Date”). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 **Cancellation Rights:** If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 **Termination of Agreement:** Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

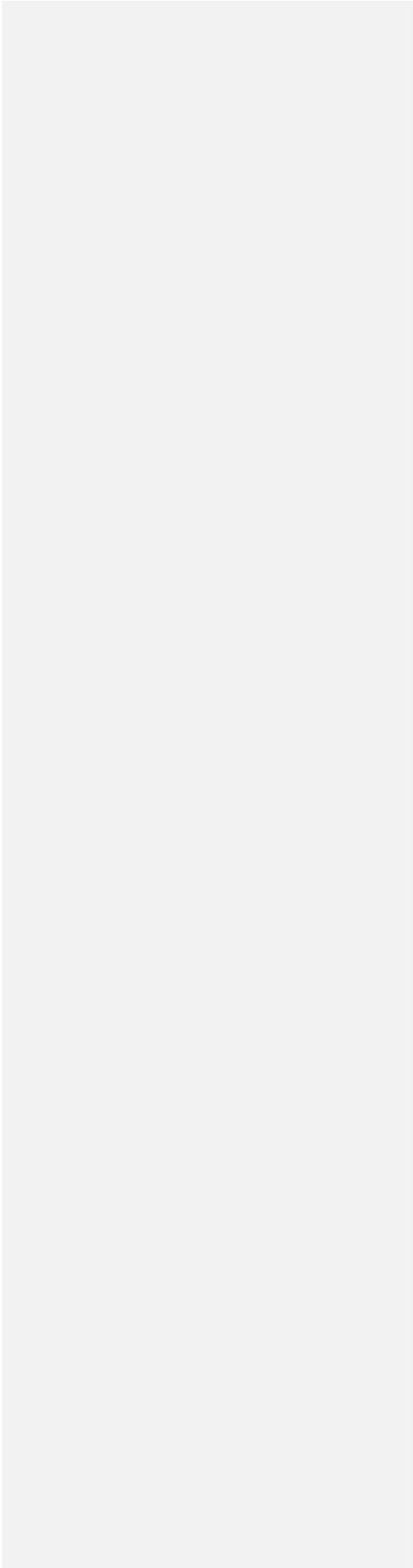
Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 **Transmission Service:** Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 **Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities:** Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Northern Lights Inc.

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4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one months' notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

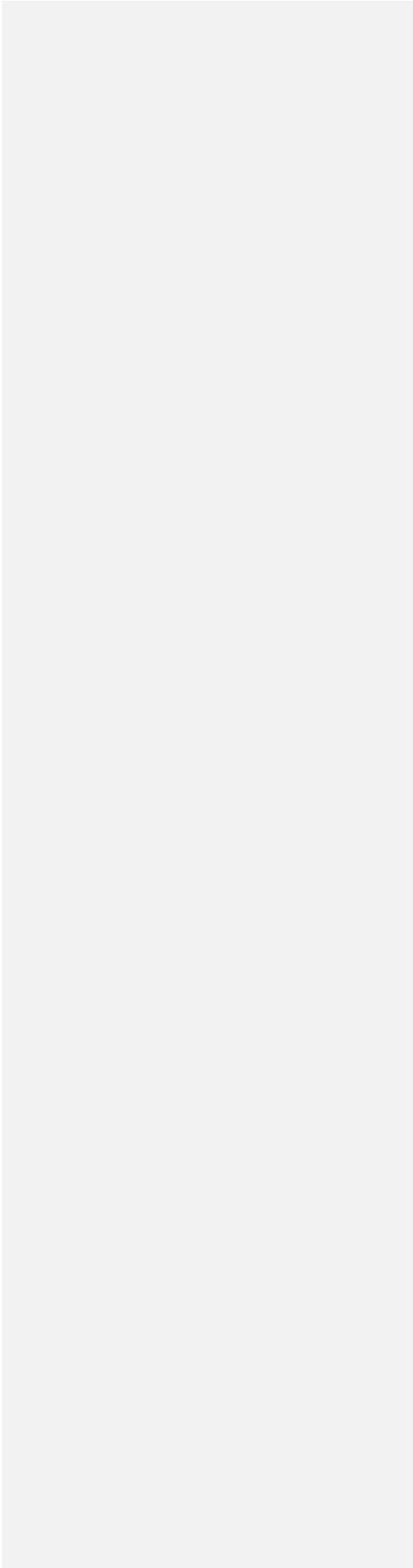
Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact – PTKT
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Northern Lights Inc.

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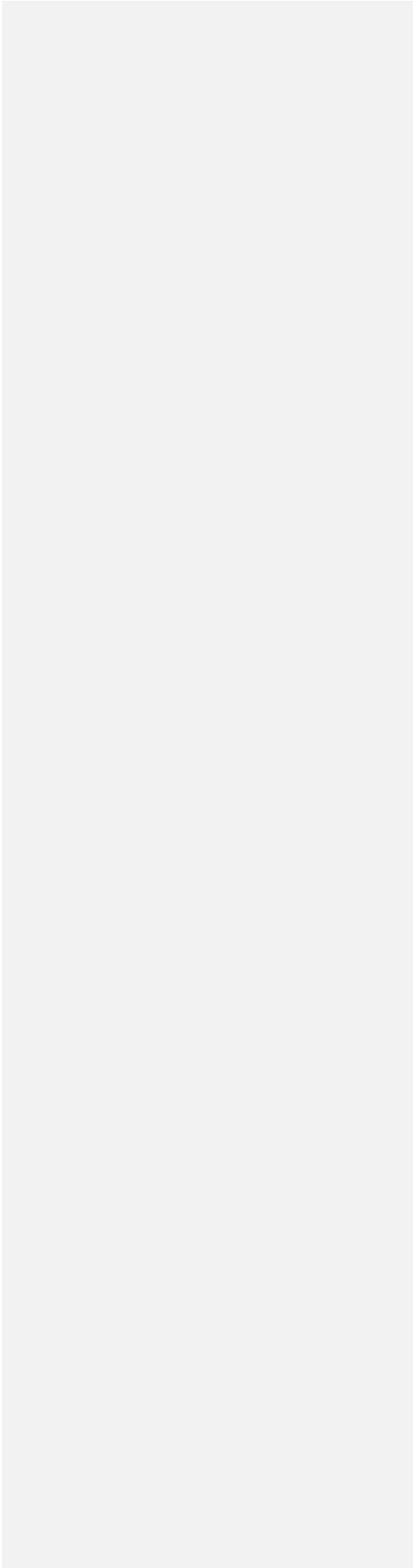
All payments to Avista shall be submitted via electronic funds transfer to the account specified on each billing invoice.

Section 8 - Miscellaneous Provisions

- 8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 Future Changes or Additions: Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Northern Lights Inc.

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wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment. A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service Agreement shall be directed to:

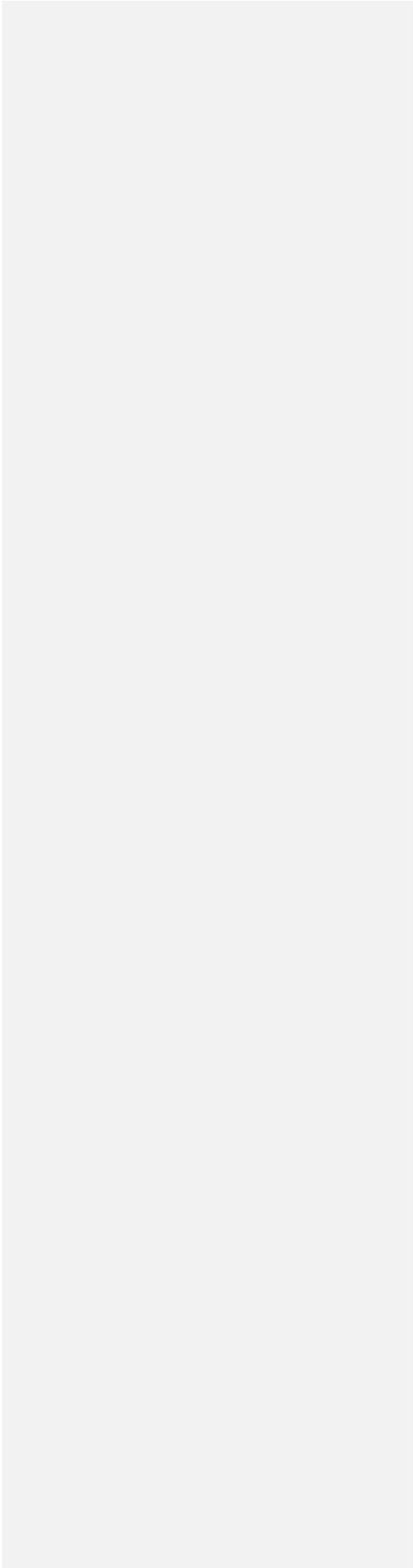
Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington 99202
or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services – PST
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Northern Lights Inc.

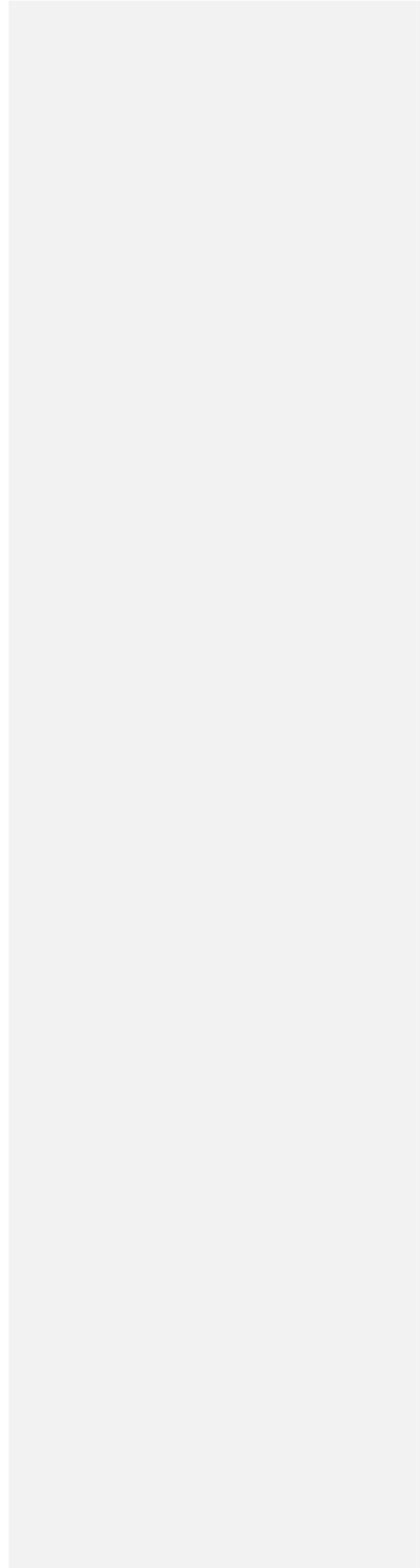
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8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Northern Lights Inc.

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IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Northern Lights Inc.

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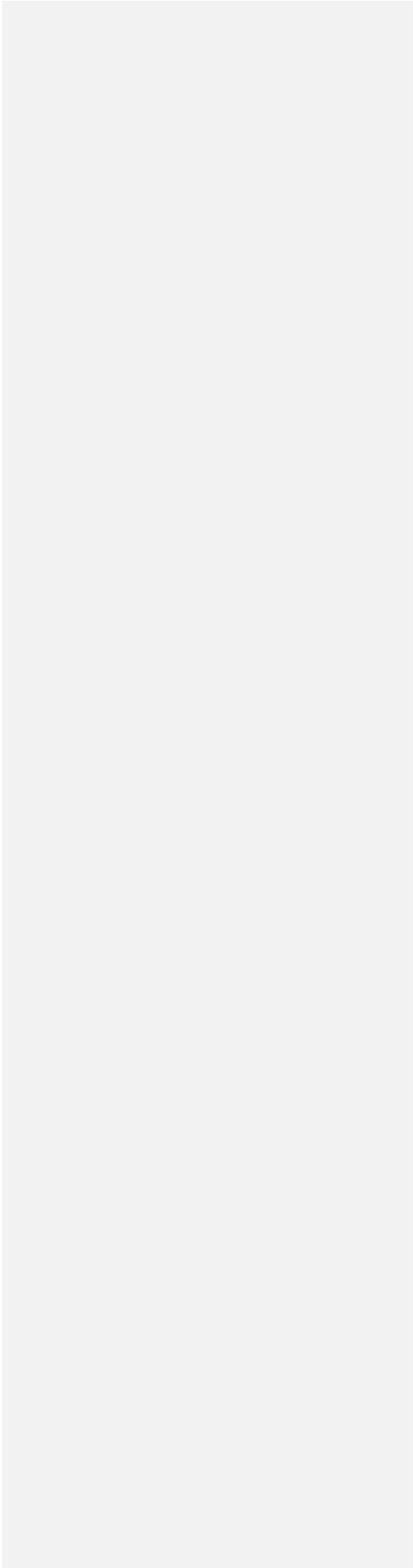


EXHIBIT 1
SPECIFICATIONS FOR
NETWORK INTEGRATION TRANSMISSION SERVICE

Designated Network Resources

Power Sales Agreement between Bonneville and Pacific Northwest Generation Cooperative (for service to Northern Lights Inc.) (Bonneville Contract No. 09PB-13088)

Designated Network Loads

(See Exhibit 1A)

Monthly Transmission Charge

(Pursuant to Section 34 of the Tariff)

Monthly Charges for Direct Assignment and Low Voltage Facilities

(See Exhibit 1B)

Power Factor Penalty Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the Tariff)

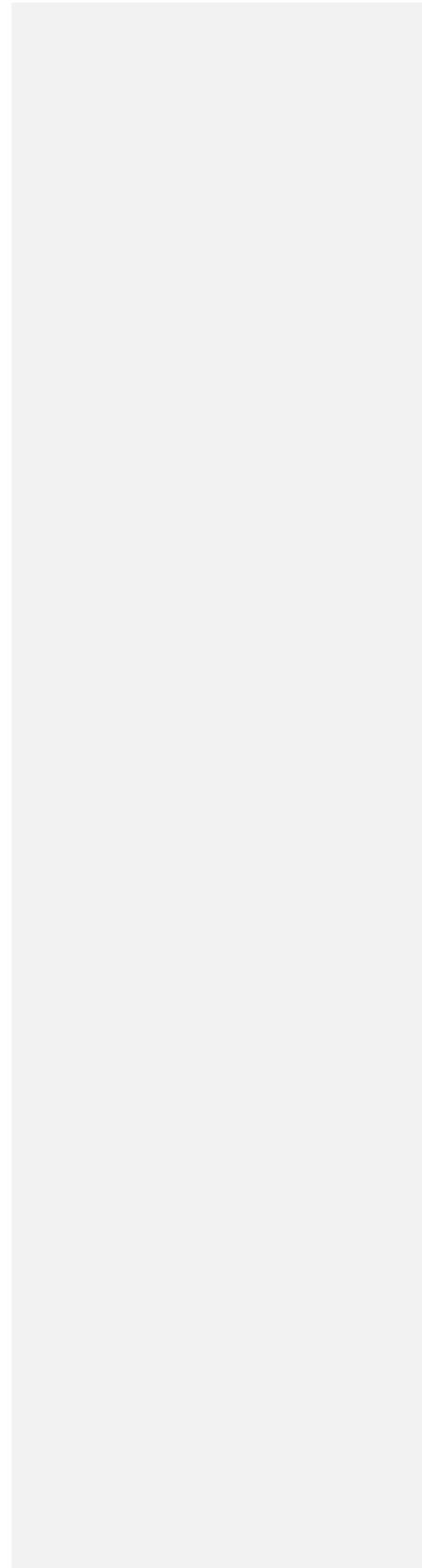
In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service
Bonneville Power Administration – Service to Northern Lights Inc.

E1 – 1



**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Athol Point of Delivery**

Location: The point near Spirit Lake, Idaho, where Avista's Pine Street-Rathdrum 115 kV Transmission Line and Kootenai Electric Cooperative, Inc.'s Athol 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In Athol Substation, which is jointly owned by Northern Lights and Kootenai Electric Cooperative, Inc., in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

2) **Cabinet Gorge Point of Delivery**

Location: The point in Avista's Cabinet Gorge 115/13 kV Substation where the 13.8 kV facilities of Avista and Northern Lights are connected

Voltage: 13.8 kV

Metering: In the immediate vicinity of Avista's Cabinet Gorge 115/13 kV Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

3) **Noxon (Construction) Substation Point of Delivery**

Location: The point in Avista's Noxon 230/13 kV (Construction) Substation where the 13.8 kV facilities of Avista and Northern Lights are connected

Voltage: 13.8 kV

Metering: In Avista's Noxon 230/13 kV (Construction) Substation, in the distribution circuit(s) over which electric power and energy flows

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to Northern Lights Inc.

E1A – 1

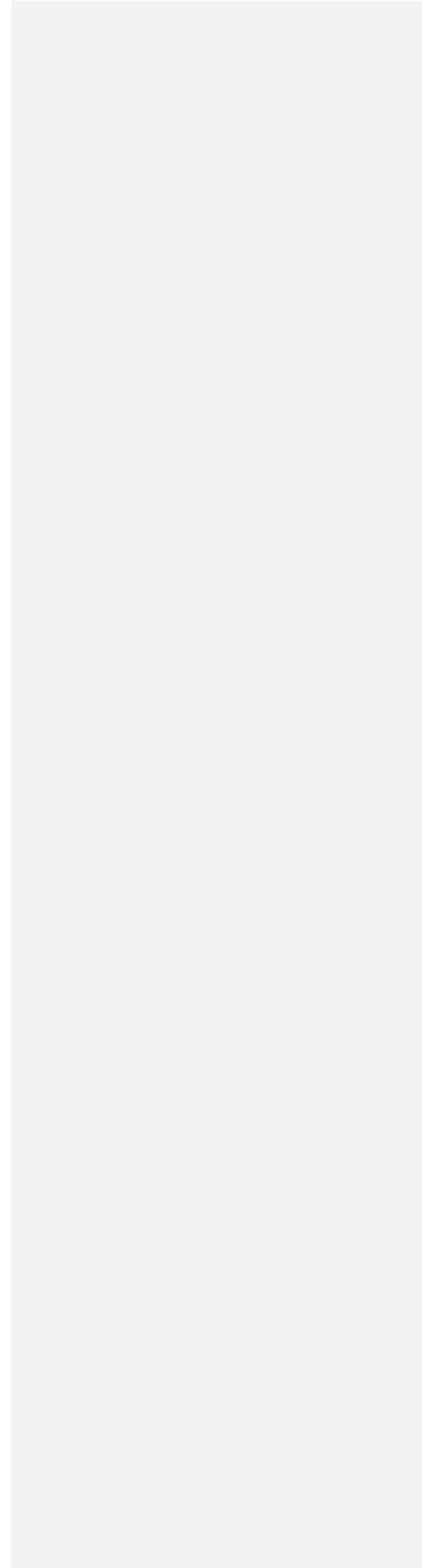


EXHIBIT 1B
DIRECT ASSIGNMENT AND LOW-VOLTAGE
SUBSTATION AND DISTRIBUTION CHARGES
 (per month)

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Athol	---	---	---
Cabinet Gorge	\$3542,752	\$252381	---
Noxon (Construction)	\$175311,852	-\$614	---

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Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
Bonneville Power Administration – Service to Northern Lights Inc.
[Revision 1 – Effective April 1, 2016](#)

E1B – 1

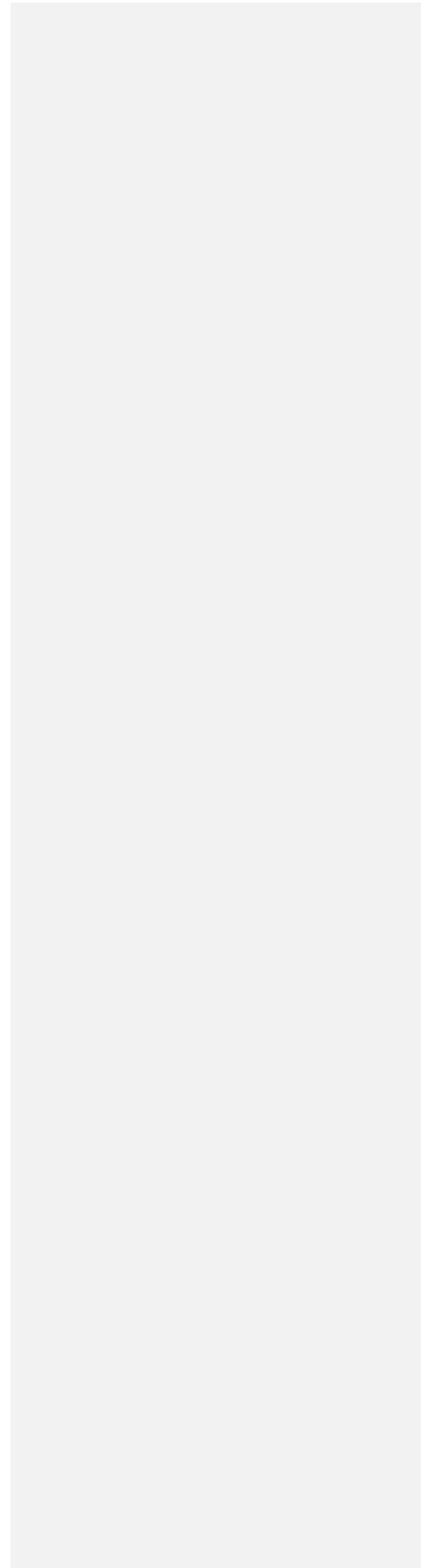


EXHIBIT 2
SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES

Scheduling, System Control and Dispatch Service

(Pursuant to Schedule 1 of the Tariff)

Reactive Supply and Voltage Control from Generation Sources

(Pursuant to Schedule 2 of the Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

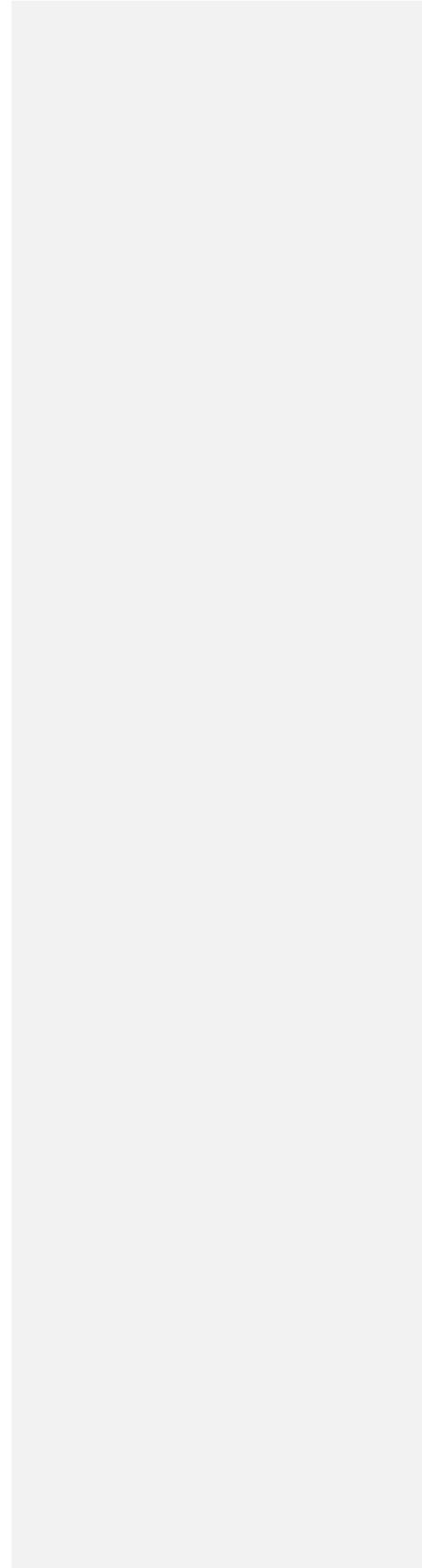
Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Northern Lights Inc.

E2 – 1



Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to Northern Lights Inc.

E2 – 2

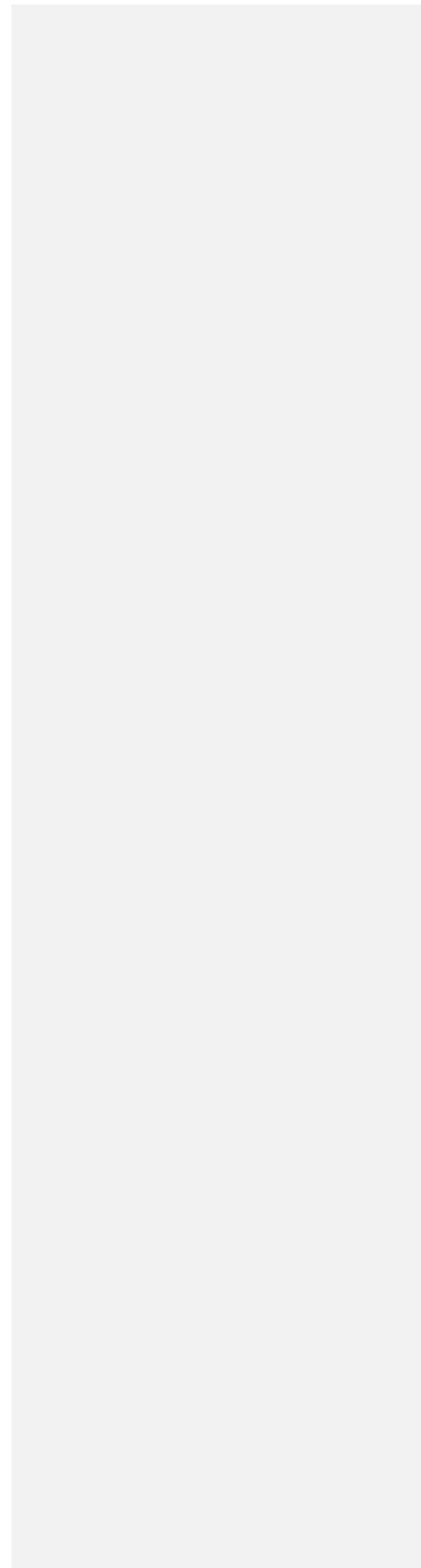


EXHIBIT 3
NETWORK OPERATING AGREEMENT

NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

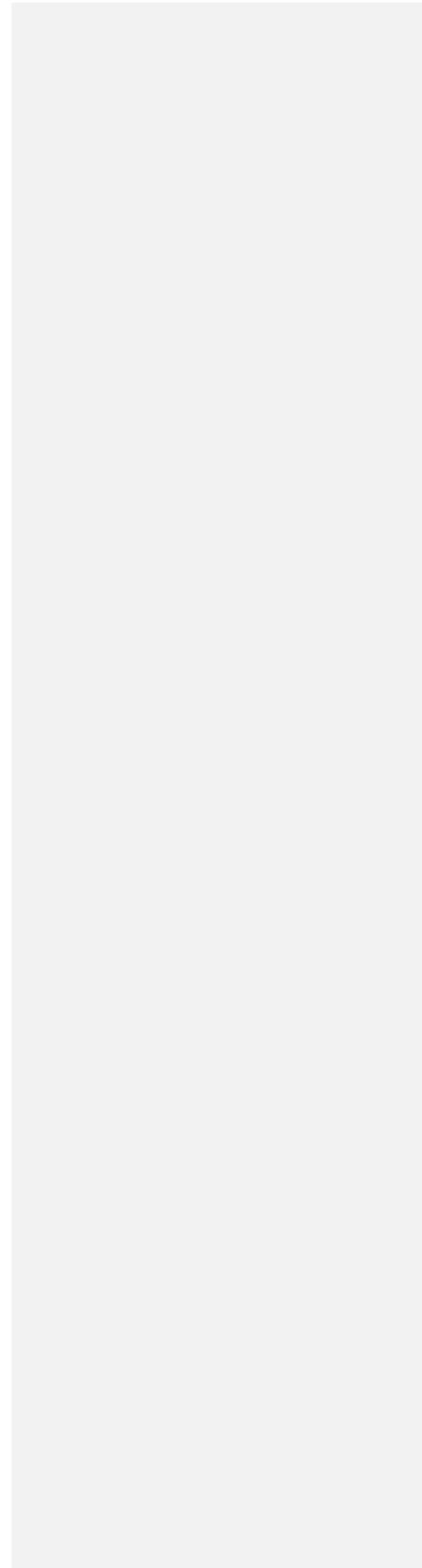
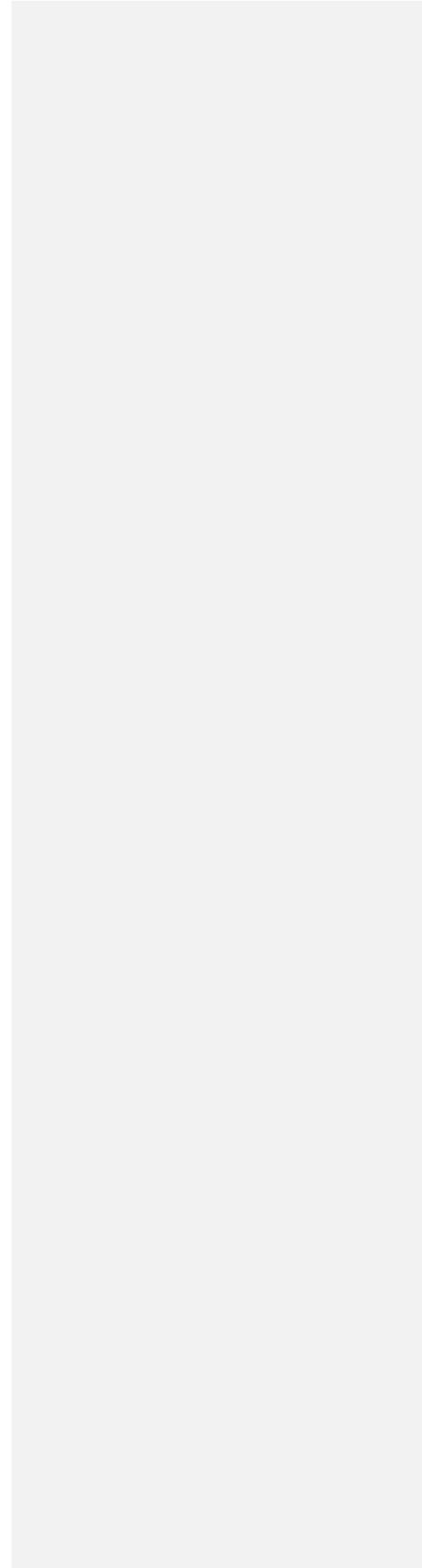


Exhibit 3 – Network Operating Agreement
Bonneville Power Administration – Service to Northern Lights Inc.

E3 – 1



NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

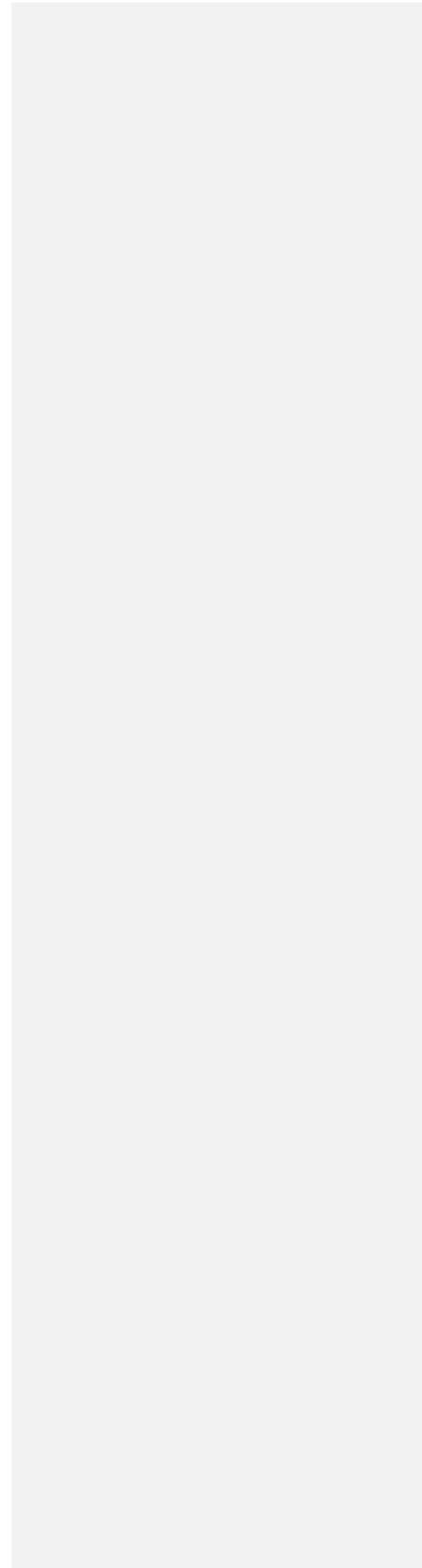
Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

- 2.1 NERC – The North American Electric Reliability Corporation, or its successor.
- 2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

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- 2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.
- 2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

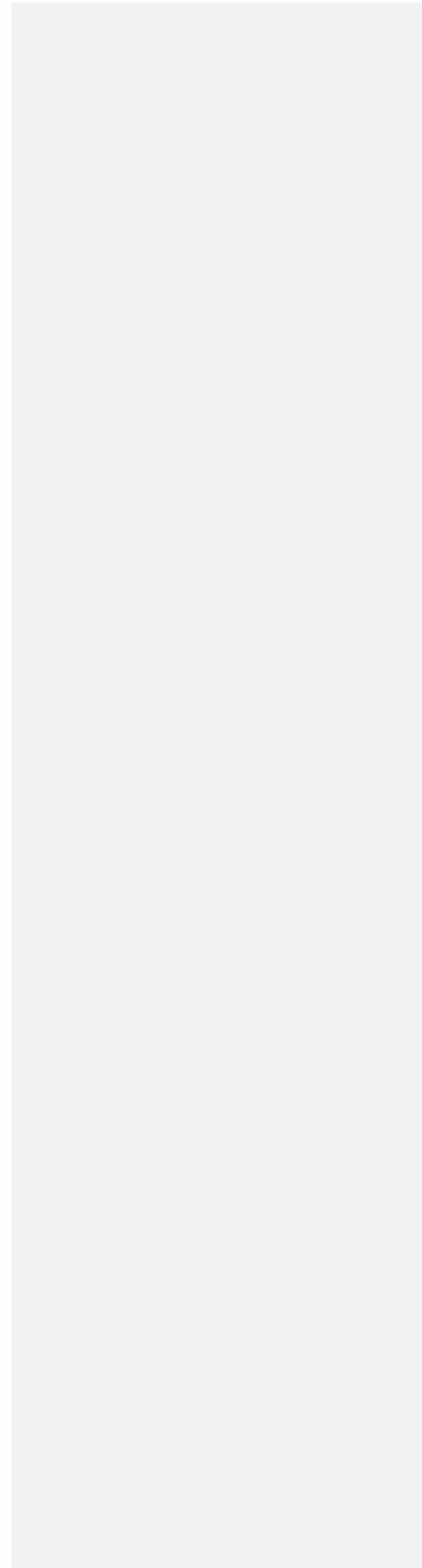
This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

- 4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.
- 4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.
- 4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

Network Operating Agreement – September 2011

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Section 5 – Interconnection Principles and Requirements

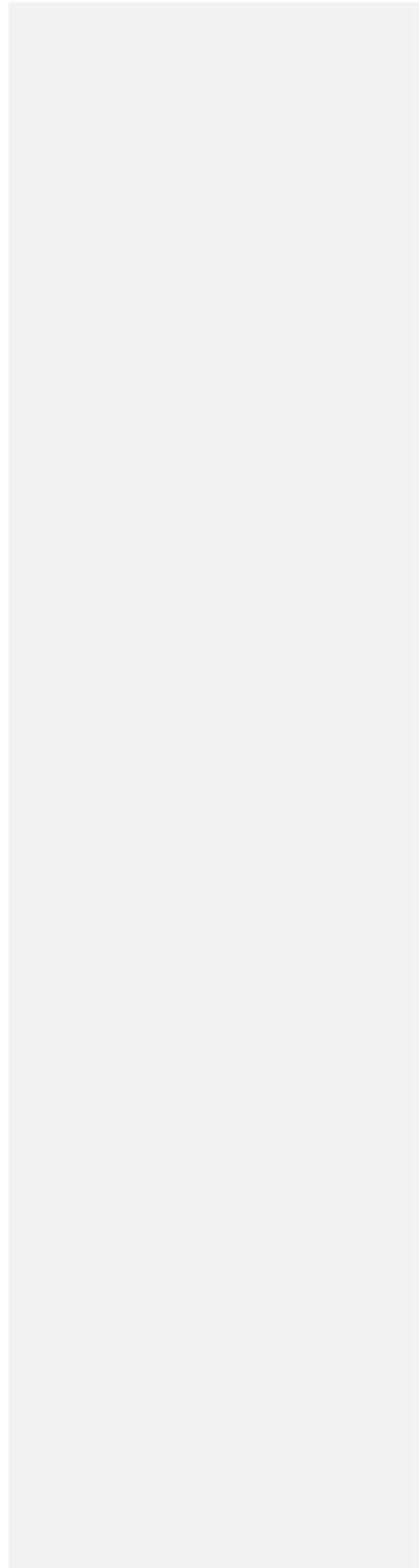
Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE-MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities. Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.
- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Network Operating Agreement – September 2011

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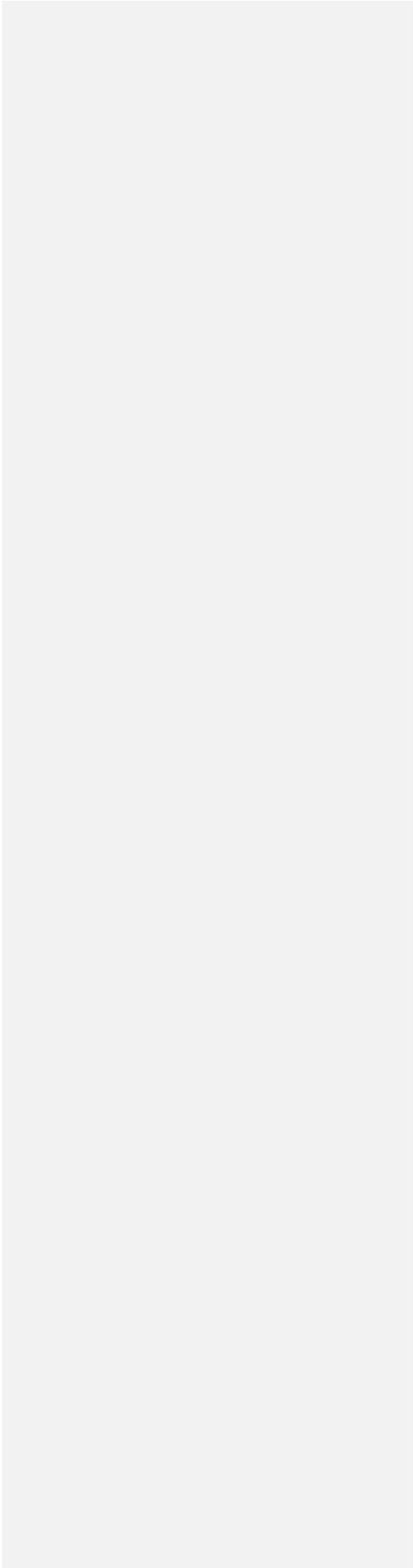
Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.
- 7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.
- 7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility Practice and on a comparable basis with service to all other affected Network Customers

Network Operating Agreement – September 2011

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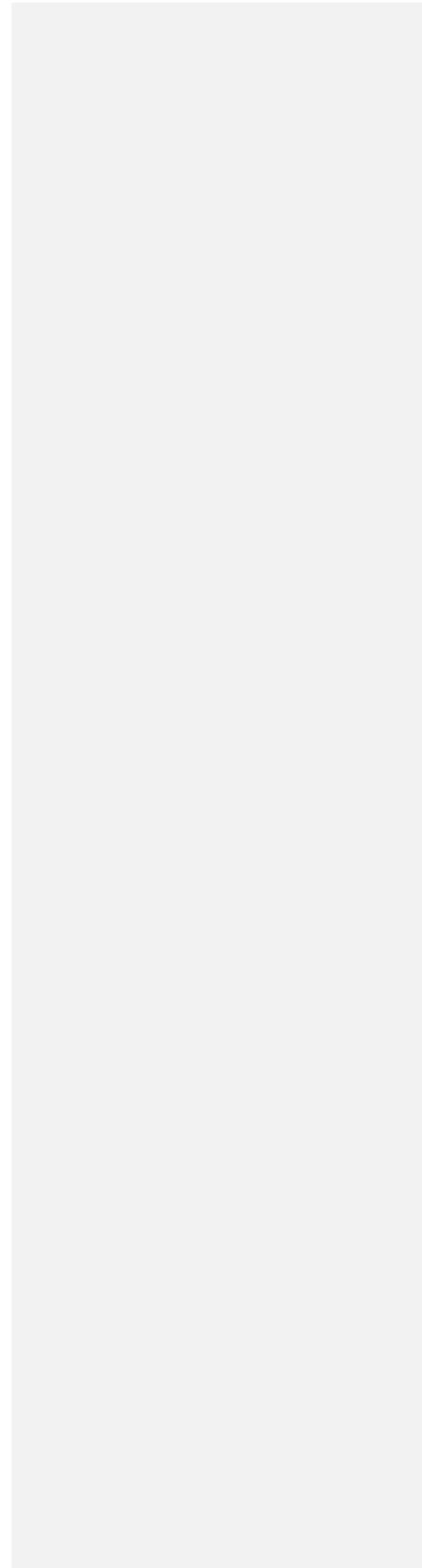
and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

- 8.1 Scheduling and Schedule Revisions – Schedules for Bonneville's designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however, that:*
- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours and ending at 1100 hours, Bonneville shall submit any revision to an electronic

Network Operating Agreement – September 2011

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tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

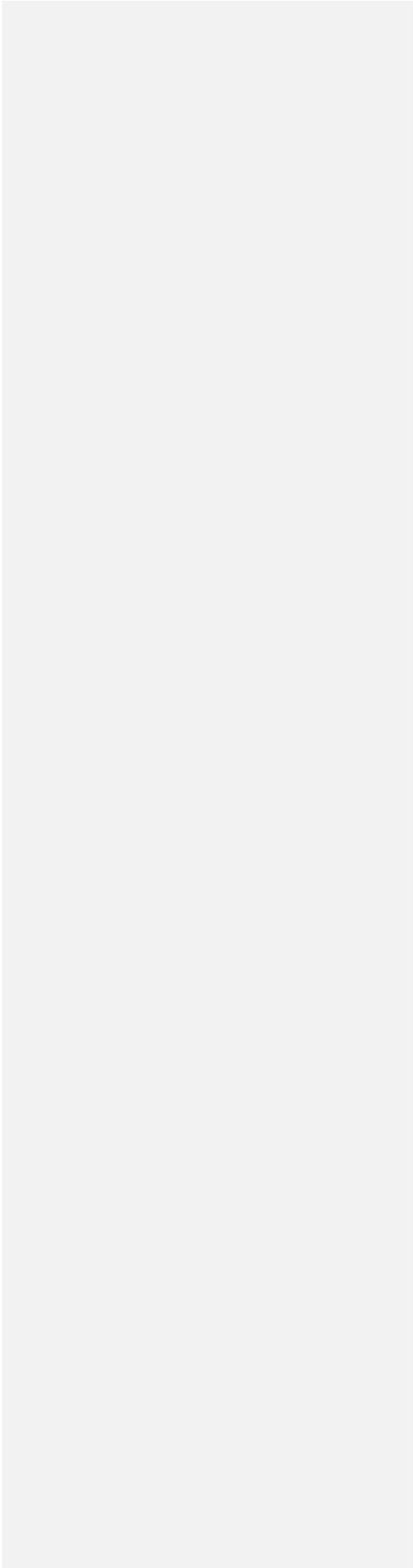
- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.
- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

- 8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Network Operating Agreement – September 2011

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Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.

8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista's Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista's transmission function passing on an aggregated sum of Bonneville's schedules associated with all of its borderline wheeling loads to Avista's load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista's Standards of Conduct.

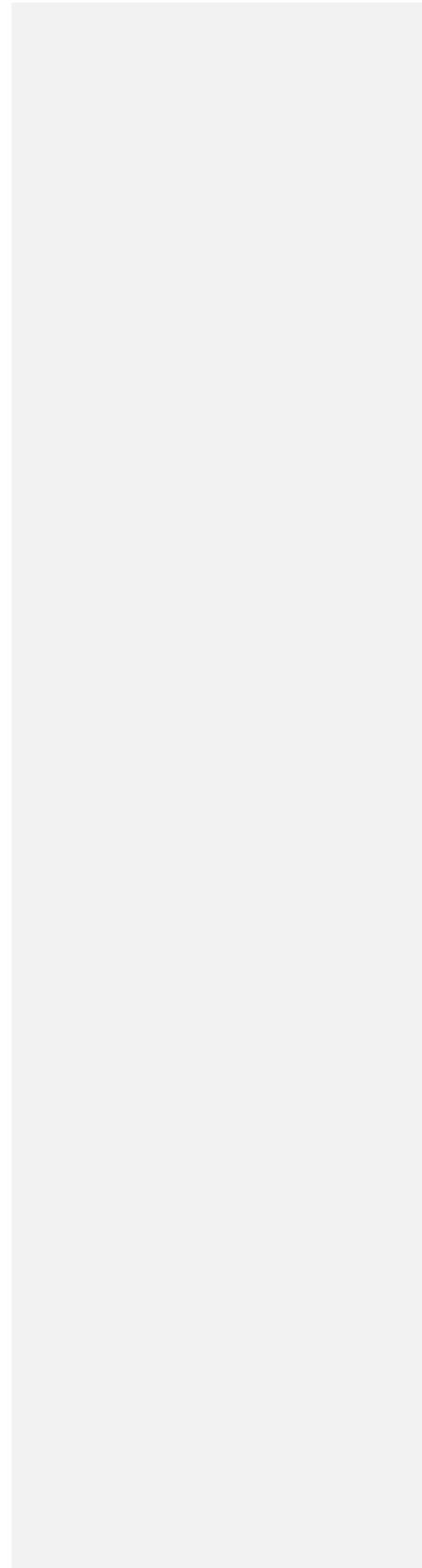
Section 9 – Metering and Communications

9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.

9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter used to determine billing associated with the Service Agreement shall provide to the

Network Operating Agreement – September 2011

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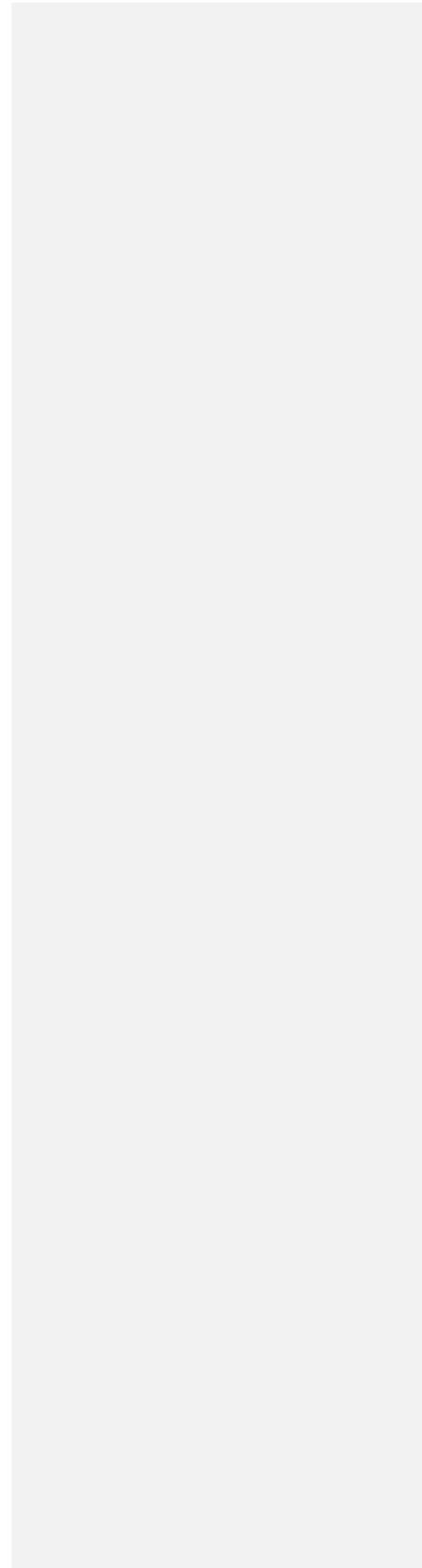
other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

- 9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System.

The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

- 9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters. In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the



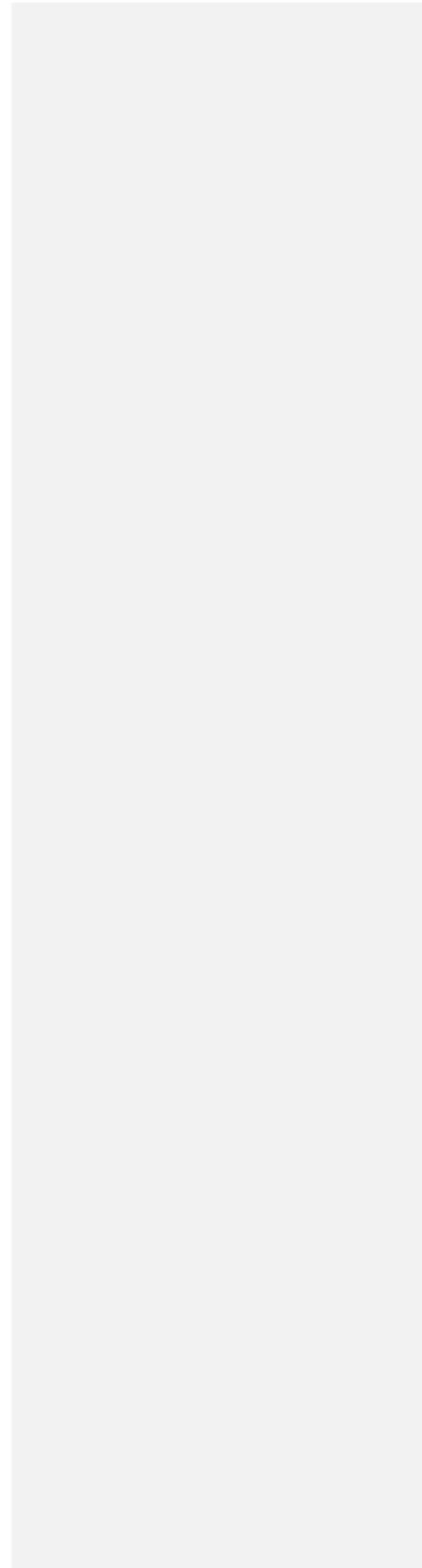
Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by pro-rating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.
- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.
- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Network Operating Agreement – September 2011

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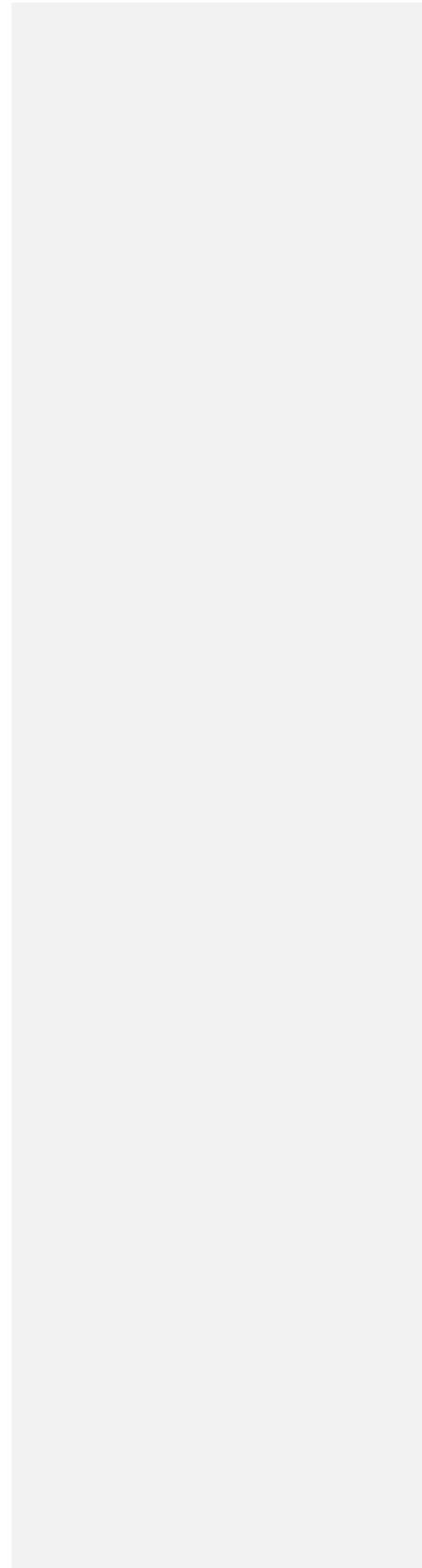
Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

- 9.6 Metering and Communications Required for Integration of Network Resources – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

Network Operating Agreement – September 2011

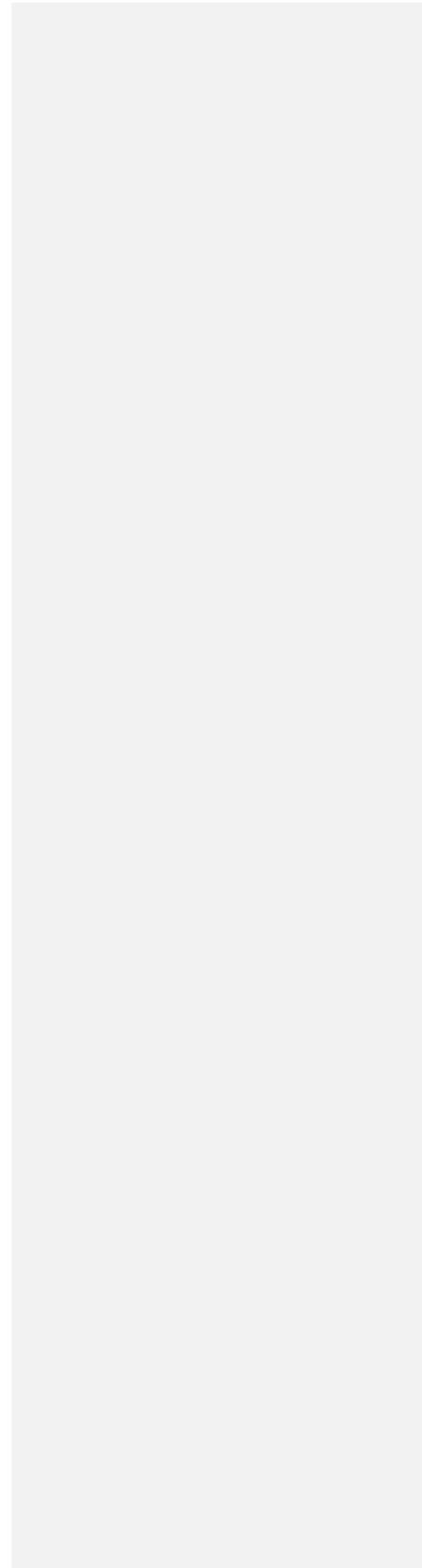
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- 9.7 Metering and Communications Required for Ancillary Services – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.
- 9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.
- 9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:
- (a) Megawatt and megavar indications from Bonneville's supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
 - (b) The following:
 - (i) Metering current transformers ("CTs") and potential transformers ("PTs"),
 - (ii) Space in Bonneville's substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function ("Avista Equipment"), to be supplied by Avista,

Network Operating Agreement – September 2011

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- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

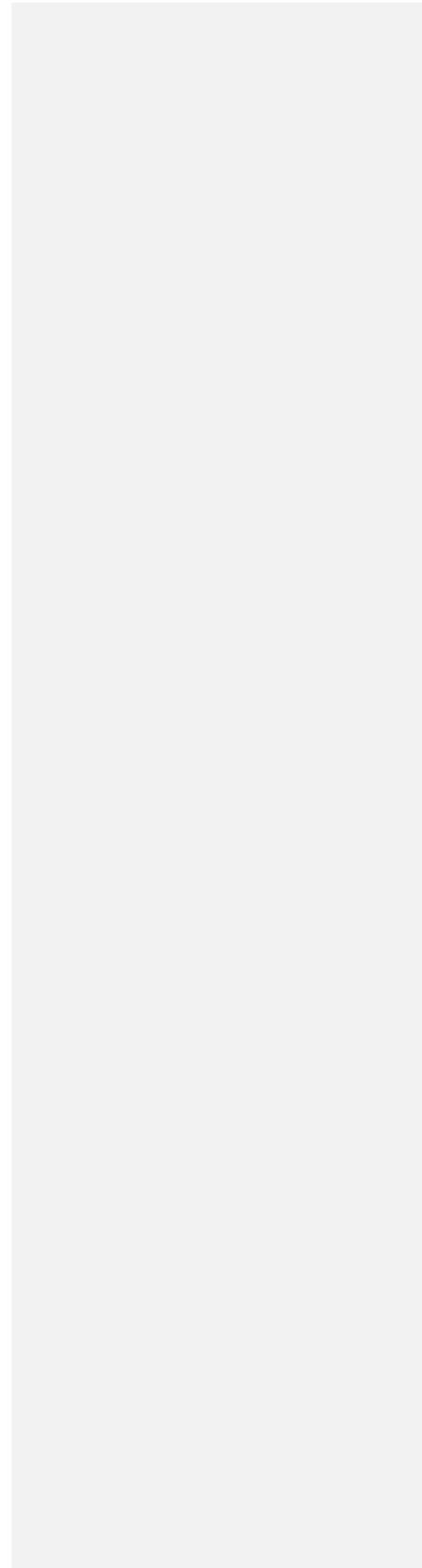
- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Network Operating Agreement – September 2011

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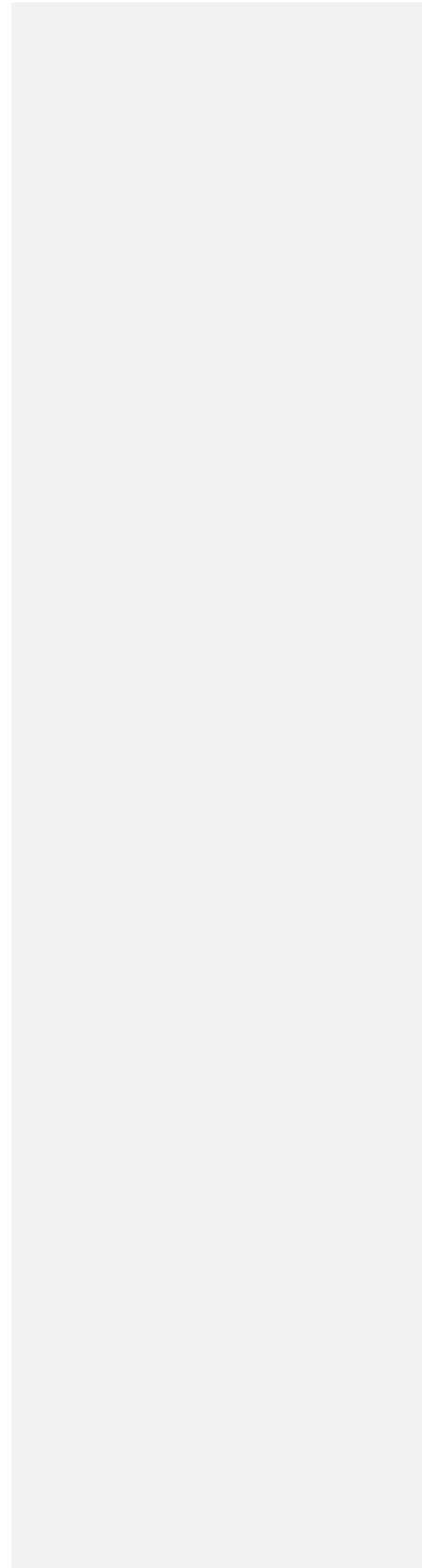


Section 11 - Miscellaneous

- 11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.
- 11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.
- 11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.
- 11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any such amendment shall become effective upon acceptance for filing by the Commission.

Network Operating Agreement – September 2011

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Avista Contract No. AV-TR11-1102
Bonneville Contract No. 11PX-10016

SERVICE AGREEMENT
for
NETWORK INTEGRATION TRANSMISSION SERVICE
between
the BONNEVILLE POWER ADMINISTRATION
and
AVISTA CORPORATION
under
AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8

[For service to CITY OF PLUMMER]

<u>Section</u>	<u>Description</u>	<u>Page</u>
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Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT ("Service Agreement") is made and entered into this ____ day of September, 2011, by and between AVISTA CORPORATION ("Avista") and the Bonneville Power Administration ("Bonneville"), which hereinafter may be referred to individually as "Party" or collectively as "Parties".

RECITALS

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 ("Tariff"); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista's Transmission System and/or Avista's low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to City of Plummer's loads connected to Avista's Transmission System since January 1, 2006 and Bonneville has requested continuing service to City of Plummer's loads; and

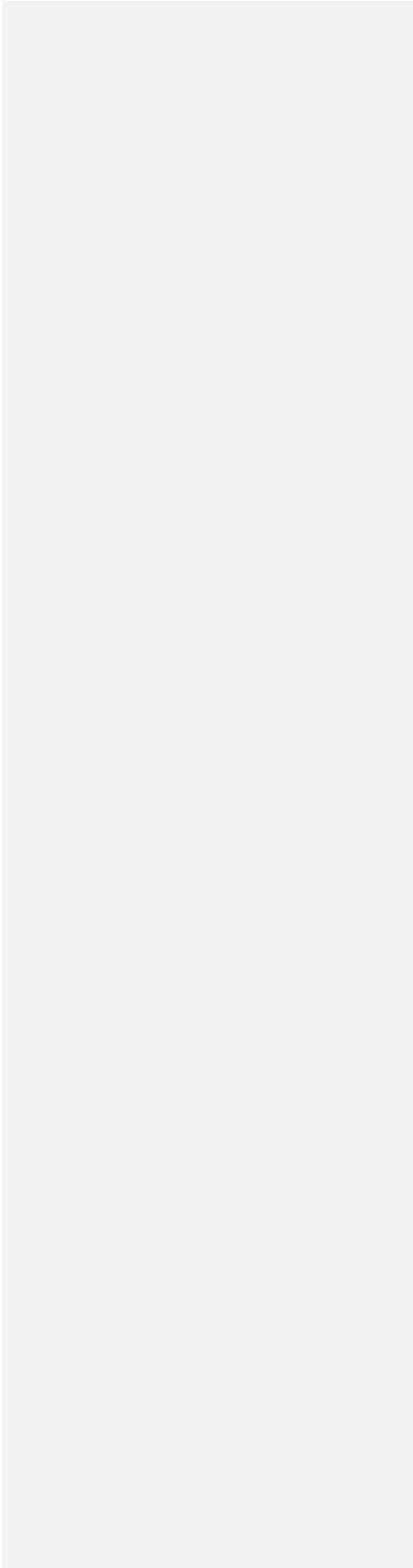
WHEREAS, Avista has entered into an Interconnection and Operating Agreement with City of Plummer, providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and City of Plummer; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville's wholesale utility customers connected to Avista's Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Plummer

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Section 1 - Definitions

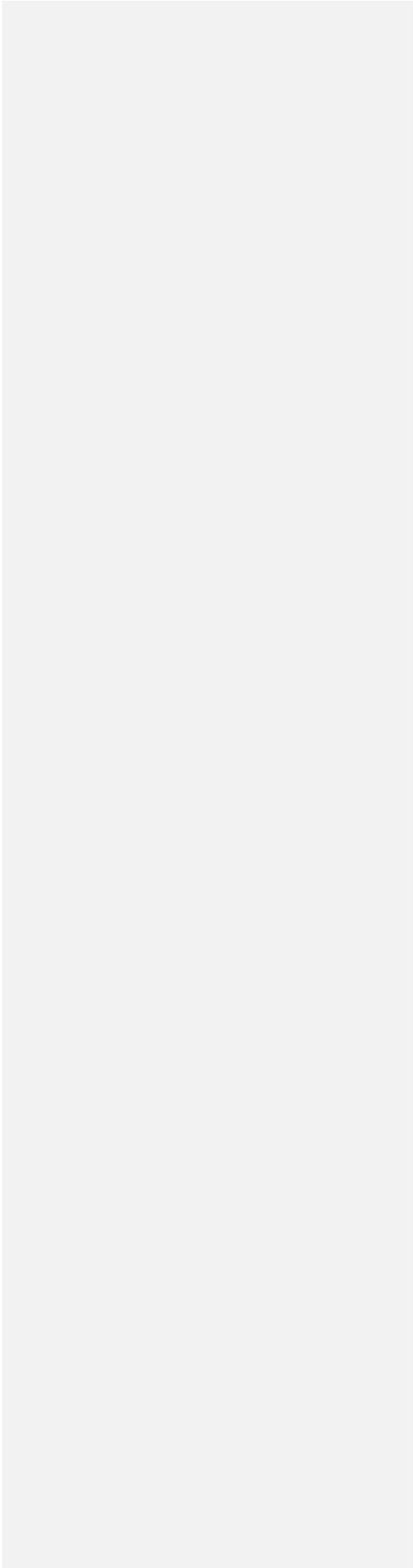
Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

- 2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.
- 2.2 **Incorporation of Exhibits:** The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 **Completed Application:** By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 **System Impact and Facilities Studies:** Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Plummer

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Section 3 - Term and Regulatory Filing

- 3.1 **Effective Date and Filing:** This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing (“Effective Date”). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 **Cancellation Rights:** If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 **Termination of Agreement:** Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

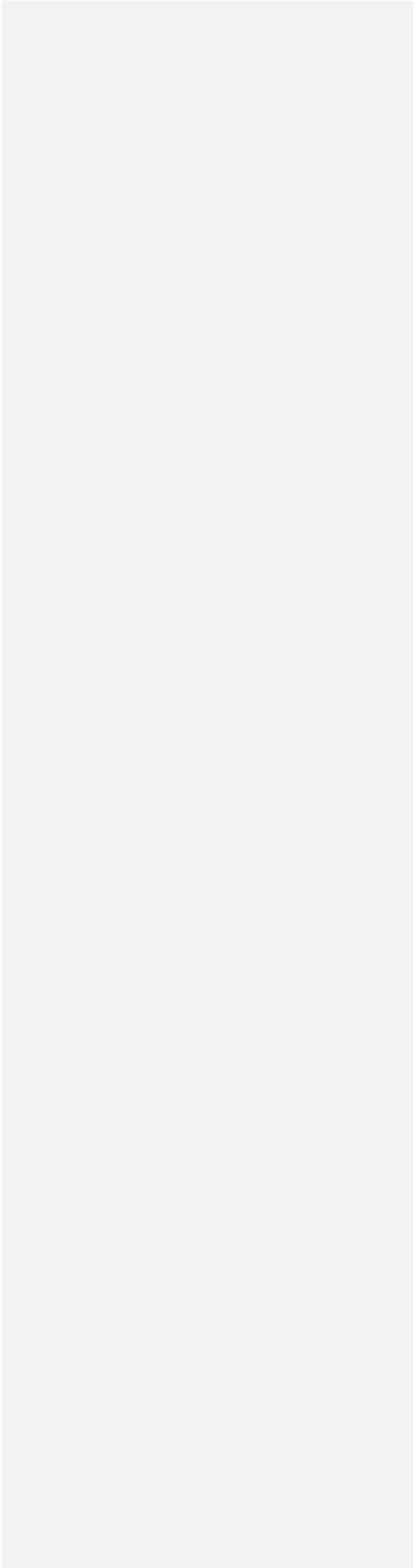
Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 **Transmission Service:** Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 **Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities:** Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Plummer

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4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one months' notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

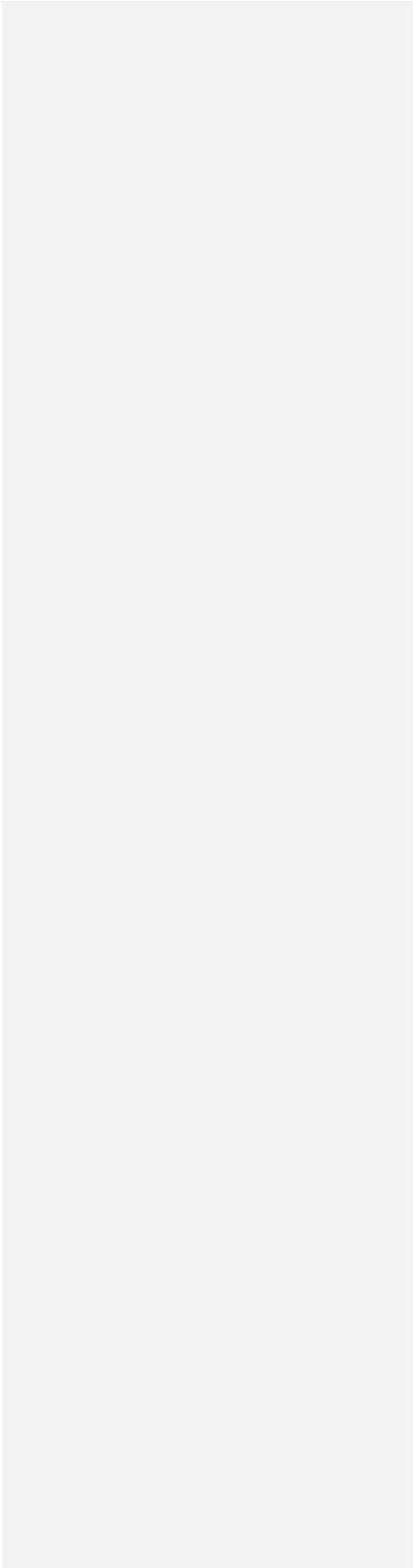
Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact – PTKT
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Plummer

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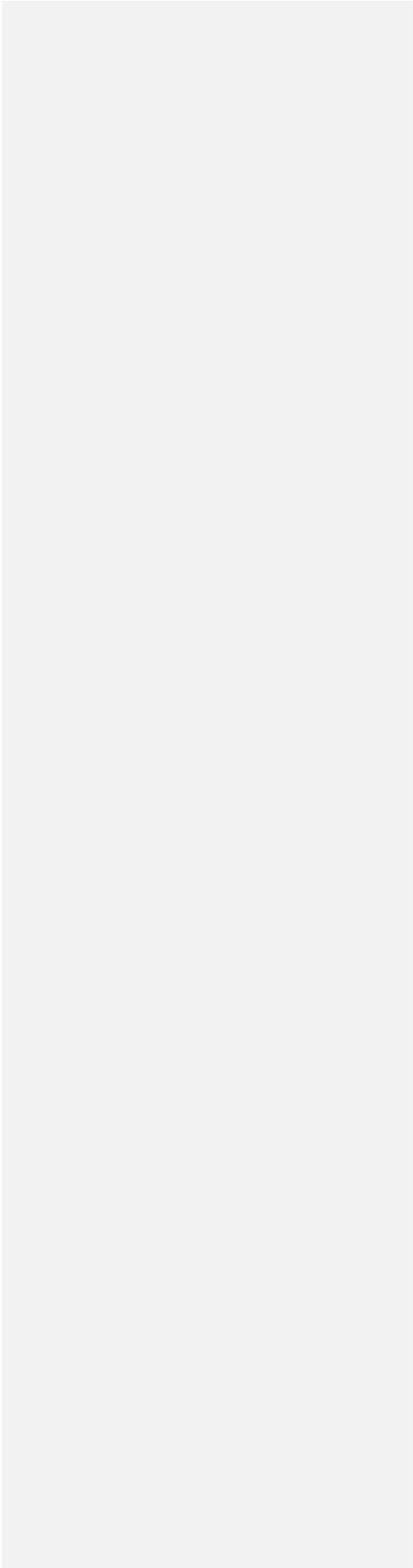
All payments to Avista shall be submitted via electronic funds transfer to the account specified on each billing invoice.

Section 8 - Miscellaneous Provisions

- 8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 Future Changes or Additions: Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Plummer

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wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment. A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service Agreement shall be directed to:

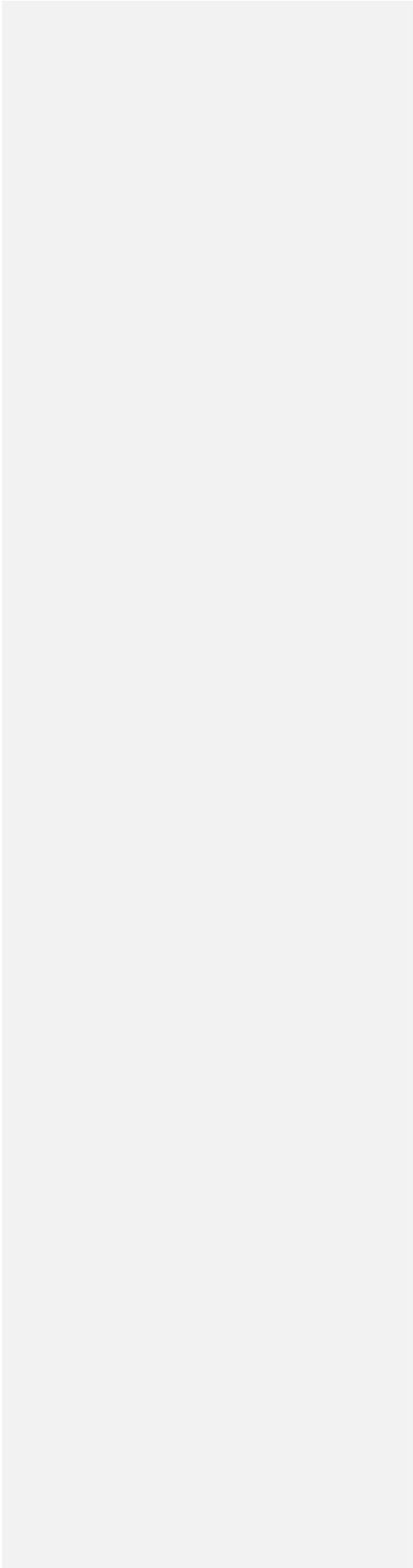
Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington 99202
or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services – PST
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Plummer

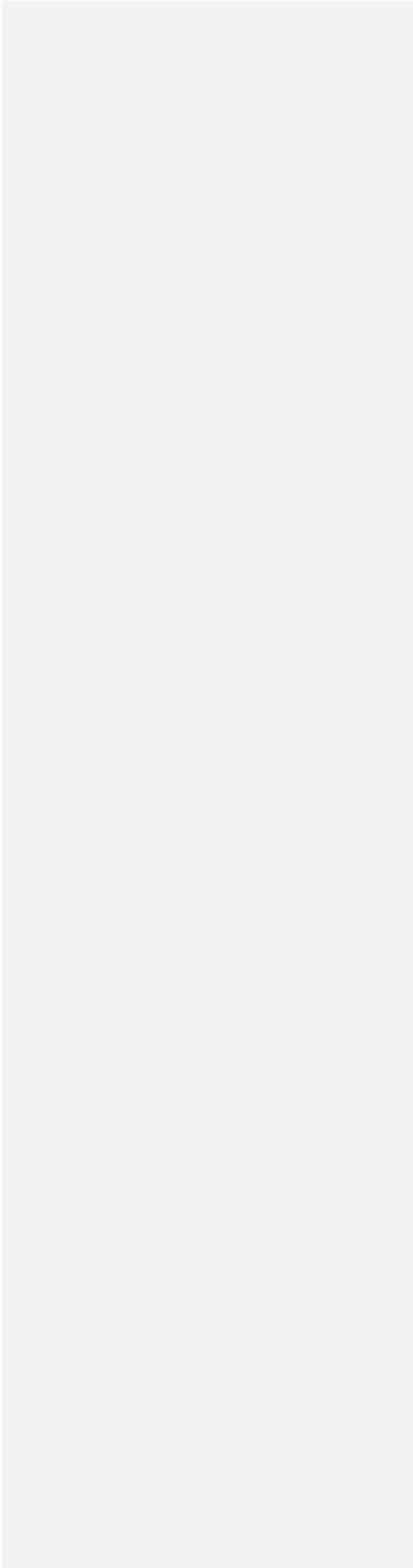
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8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Plummer

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IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Plummer

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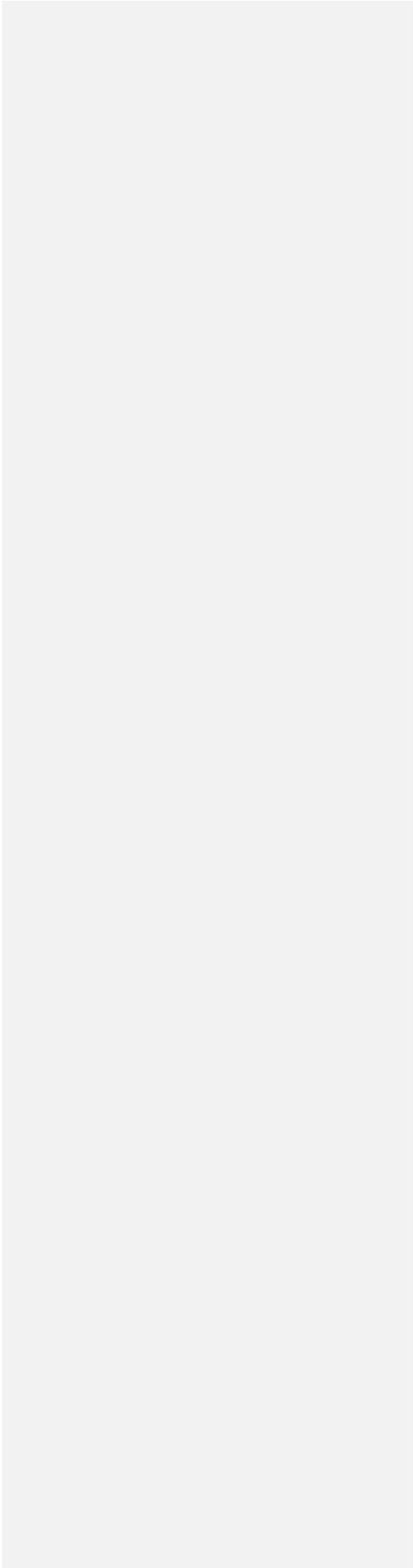


EXHIBIT 1
SPECIFICATIONS FOR
NETWORK INTEGRATION TRANSMISSION SERVICE

Designated Network Resources

Power Sales Agreement between Bonneville and City of Plummer (Bonneville Contract No. 09PB-13092)

Designated Network Loads

(See Exhibit 1A)

Monthly Transmission Charge

(Pursuant to Section 34 of the Tariff)

Monthly Charges for Direct Assignment and Low Voltage Facilities

(See Exhibit 1B)

Power Factor Penalty Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the Tariff)

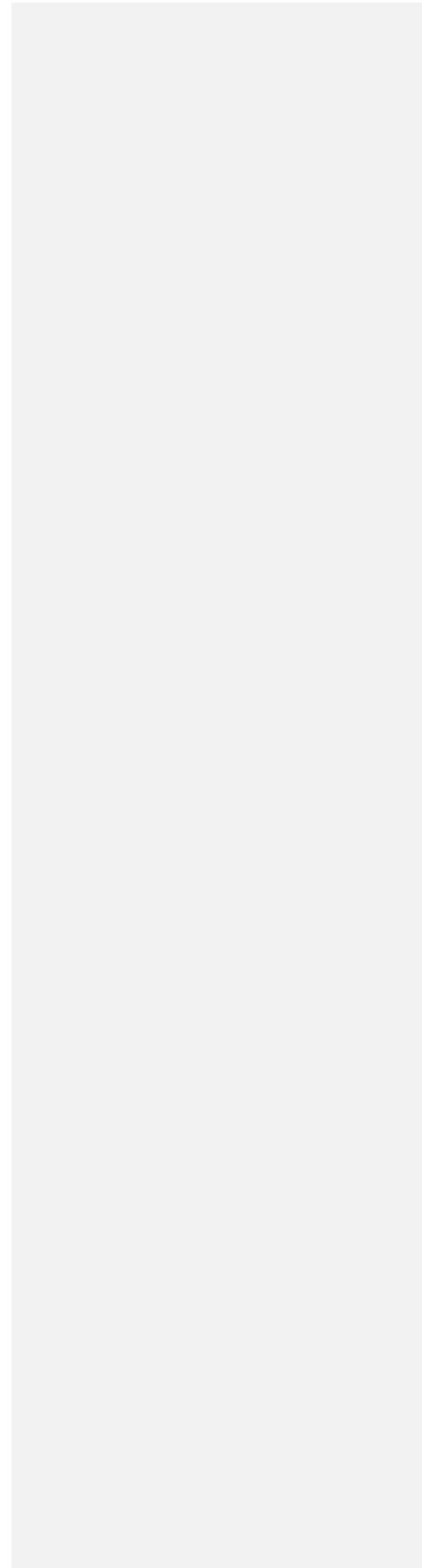
In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service
Bonneville Power Administration – Service to City of Plummer

E1 – 1



**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Plummer Point of Delivery**

Location: The point in Avista's Plummer Substation where the 13.8 kV facilities of Avista and the City of Plummer are connected

Voltage: 13.8 kV

Metering: In Avista's Plummer Substation in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to City of Plummer

E1A – 1

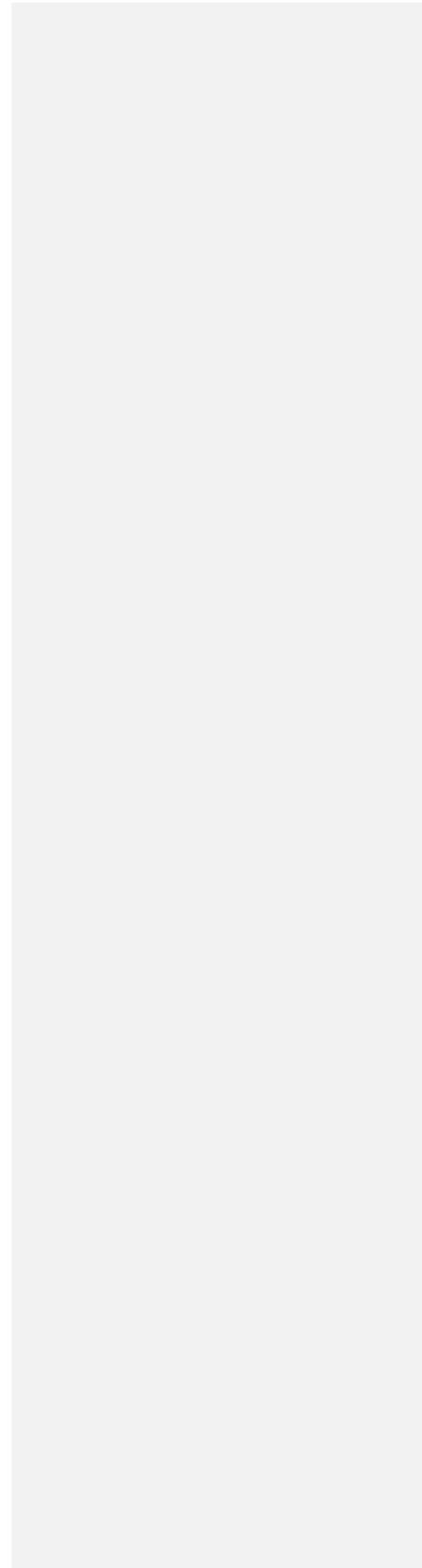


EXHIBIT 1B
DIRECT ASSIGNMENT AND LOW-VOLTAGE
SUBSTATION AND DISTRIBUTION CHARGES
(per month)

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Plummer	\$ <u>4036,319</u>	\$ <u>155570</u>	---

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Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
Bonneville Power Administration – Service to City of Plummer
[Revision 1 – Effective April 1, 2016](#)

E1B – 1

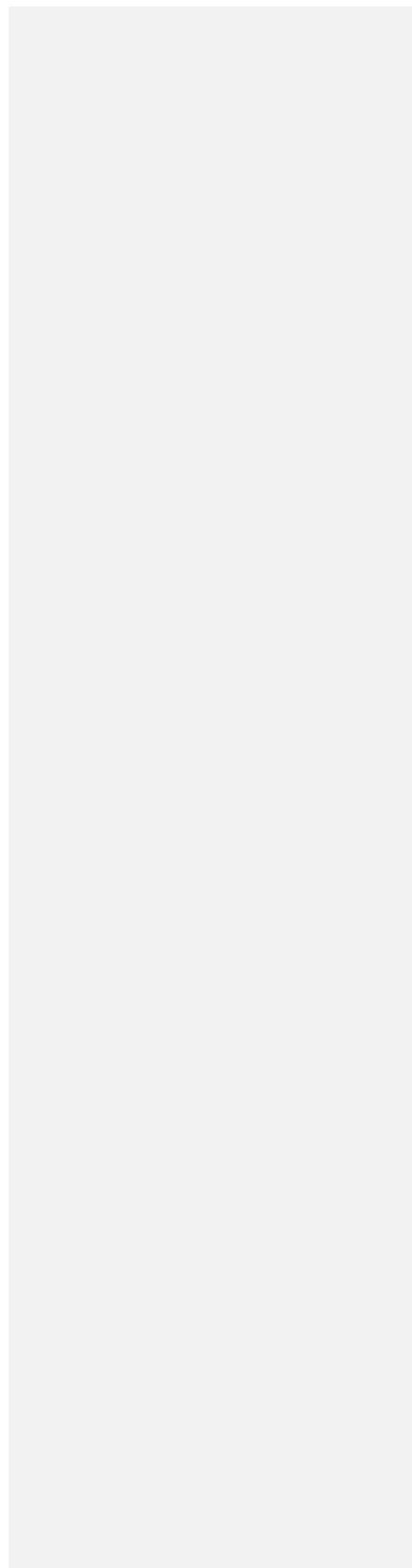


EXHIBIT 2
SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES

Scheduling, System Control and Dispatch Service

(Pursuant to Schedule 1 of the Tariff)

Reactive Supply and Voltage Control from Generation Sources

(Pursuant to Schedule 2 of the Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

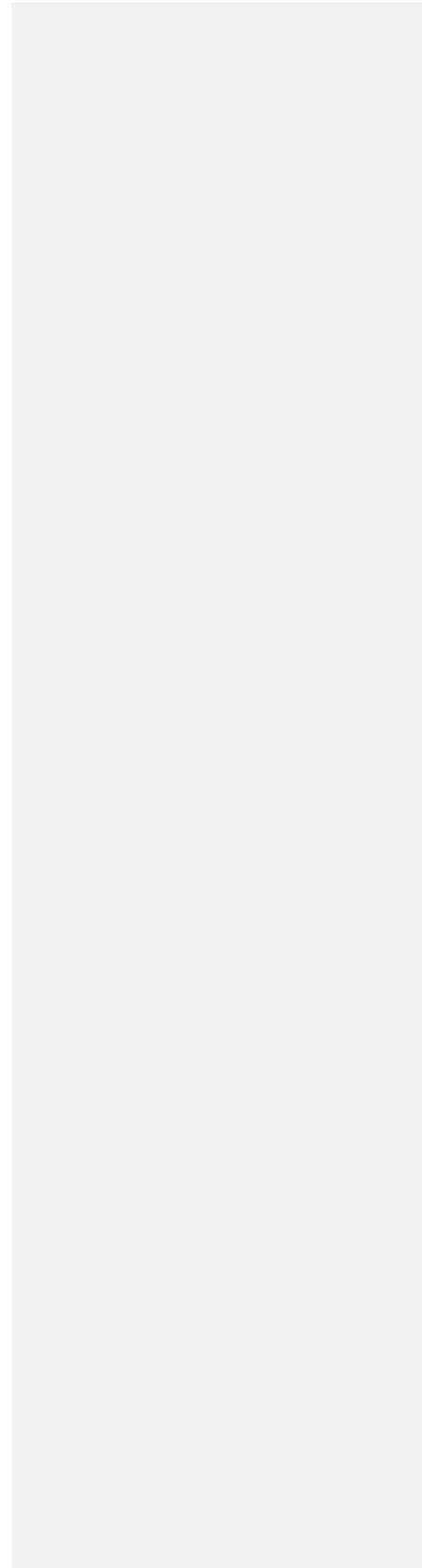
Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to City of Plummer

E2 – 1



Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to City of Plummer

E2 – 2

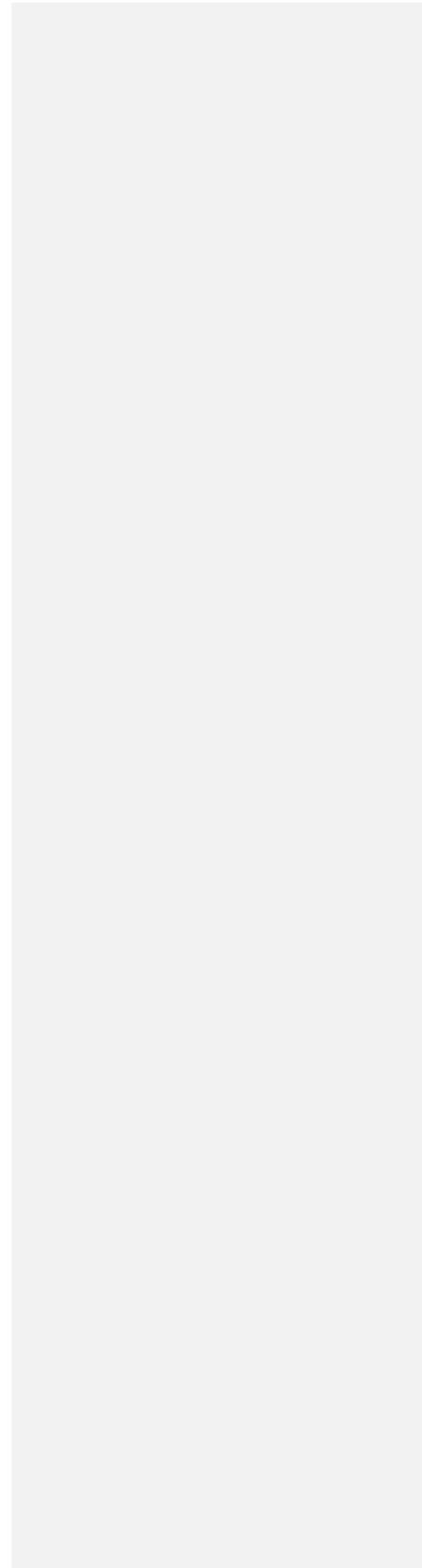


EXHIBIT 3
NETWORK OPERATING AGREEMENT

NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

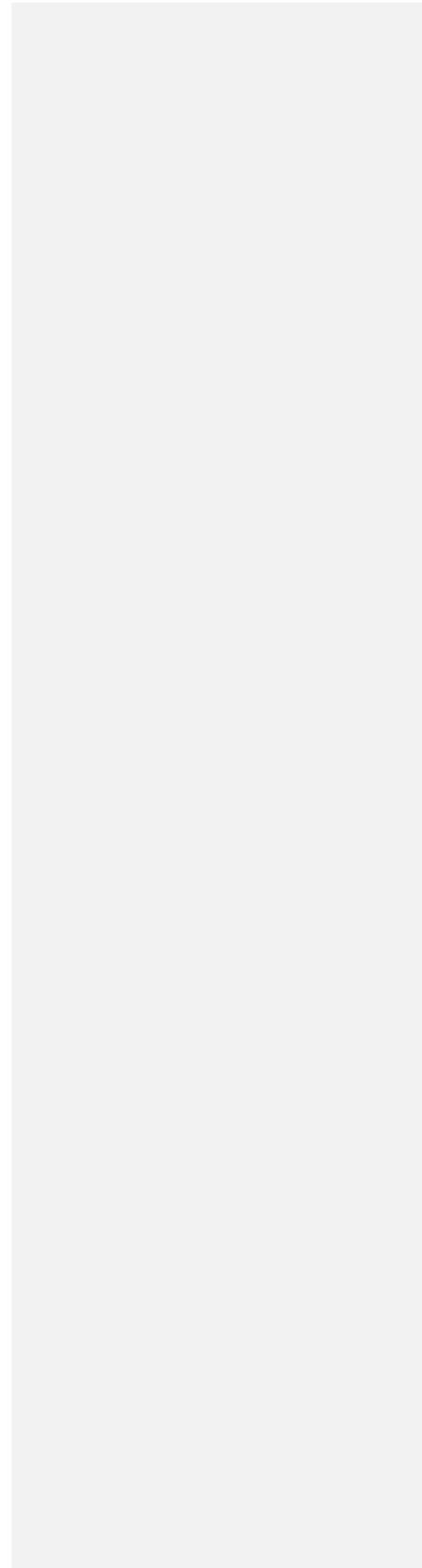
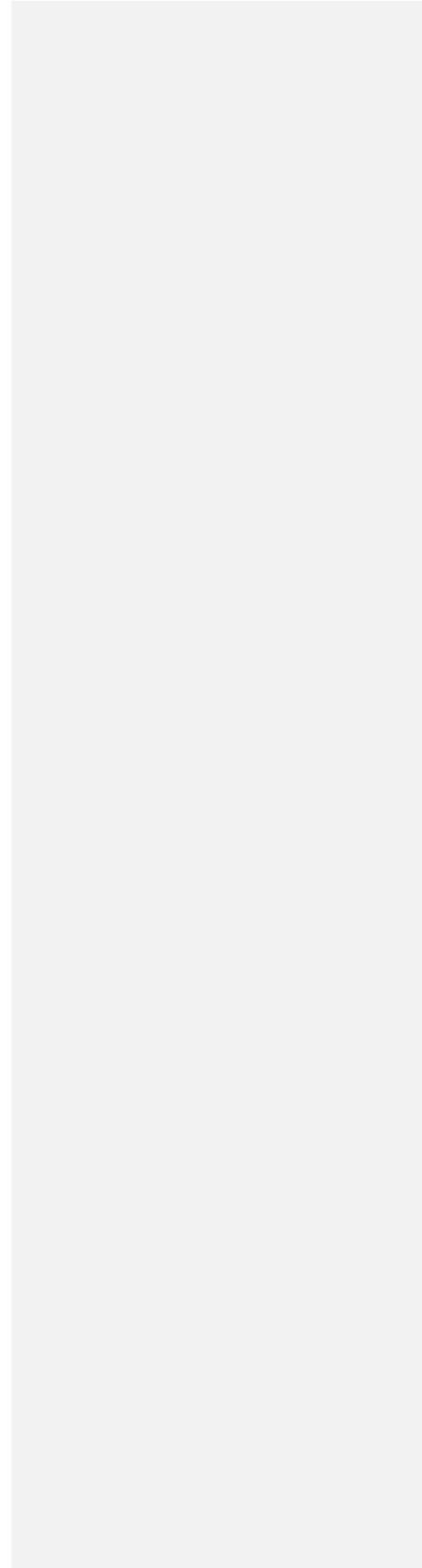


Exhibit 3 – Network Operating Agreement
Bonneville Power Administration – Service to City of Plummer

E3 – 1



NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

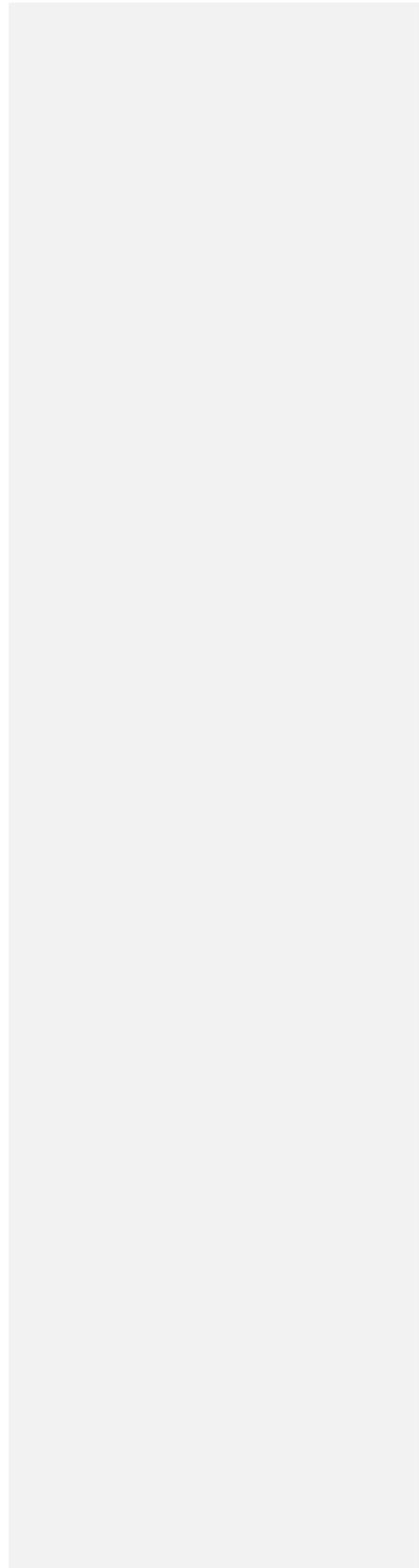
Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

- 2.1 NERC – The North American Electric Reliability Corporation, or its successor.
- 2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

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- 2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.
- 2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

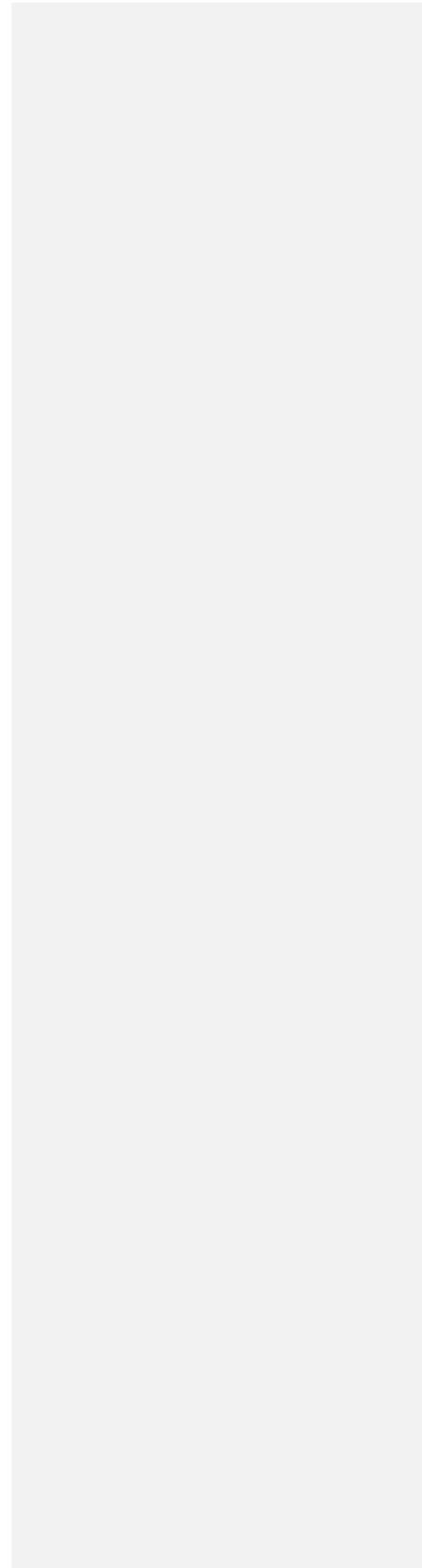
This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

- 4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.
- 4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.
- 4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

Network Operating Agreement – September 2011

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Section 5 – Interconnection Principles and Requirements

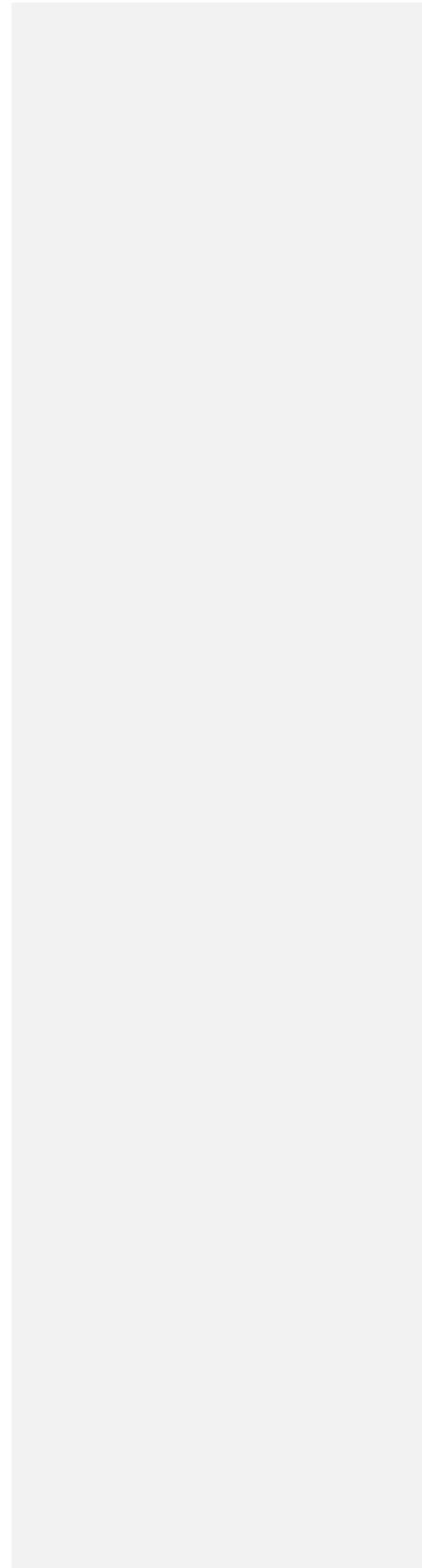
Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE-MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities. Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.
- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Network Operating Agreement – September 2011

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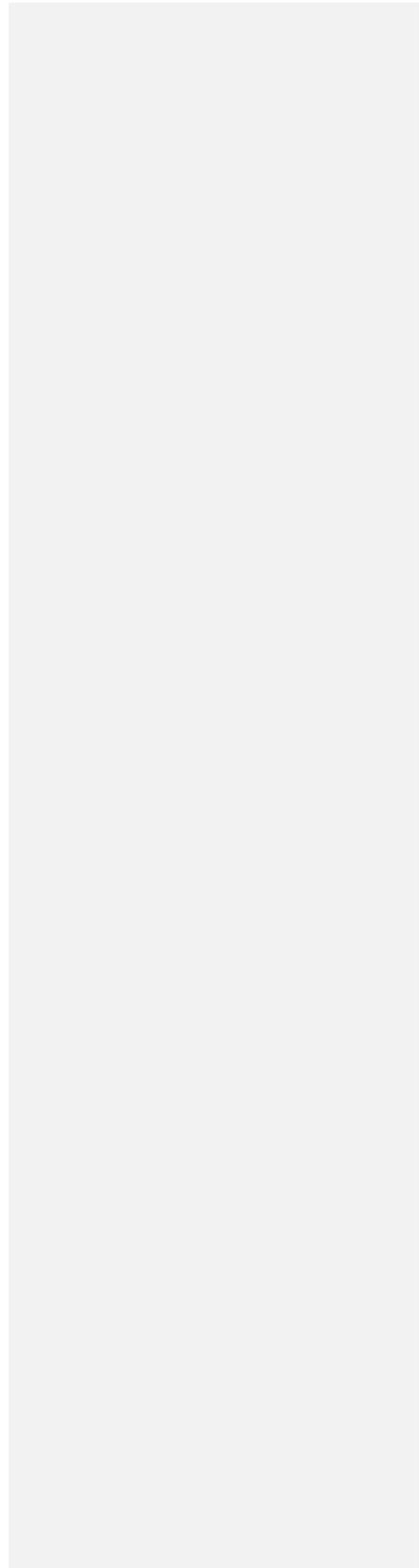
Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.
- 7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.
- 7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility Practice and on a comparable basis with service to all other affected Network Customers

Network Operating Agreement – September 2011

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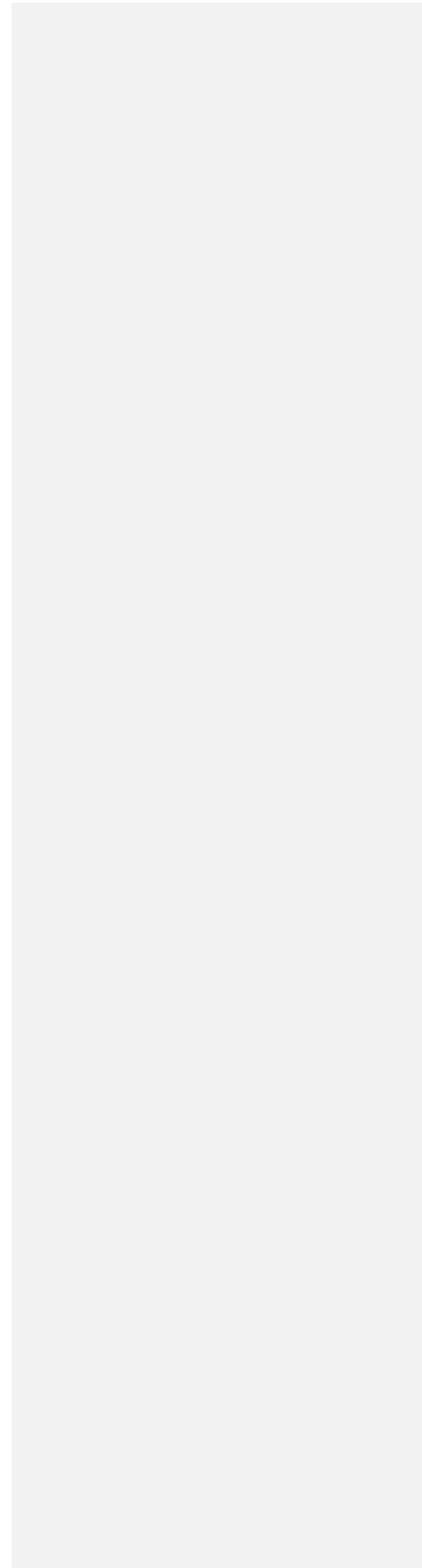
and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

- 8.1 Scheduling and Schedule Revisions – Schedules for Bonneville's designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however, that:*
- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours and ending at 1100 hours, Bonneville shall submit any revision to an electronic

Network Operating Agreement – September 2011

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tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

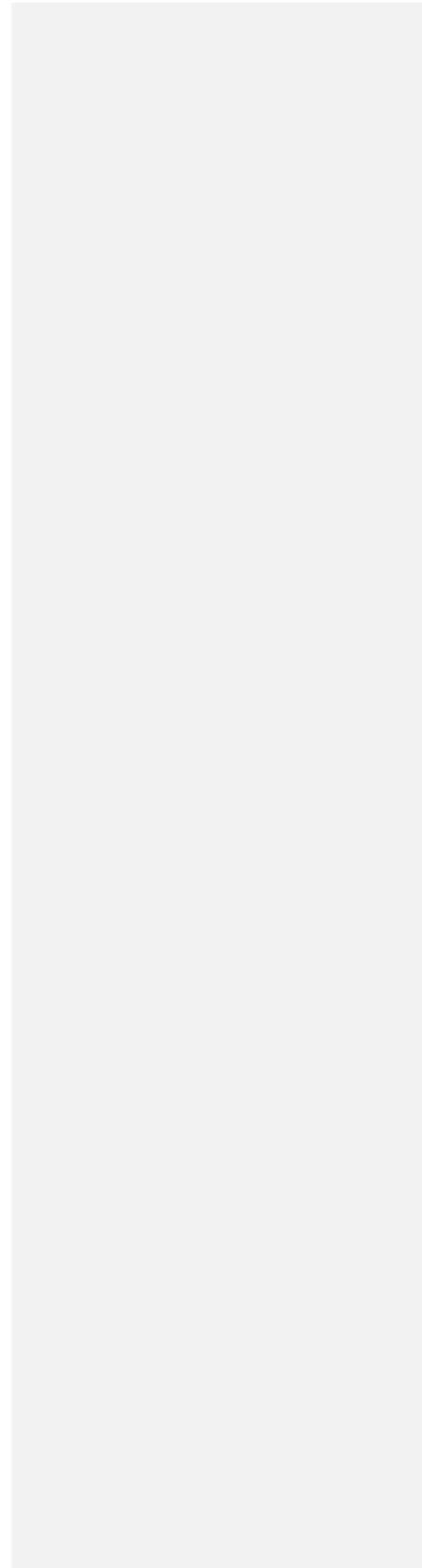
- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.
- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

- 8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Network Operating Agreement – September 2011

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Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.

8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista's Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista's transmission function passing on an aggregated sum of Bonneville's schedules associated with all of its borderline wheeling loads to Avista's load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista's Standards of Conduct.

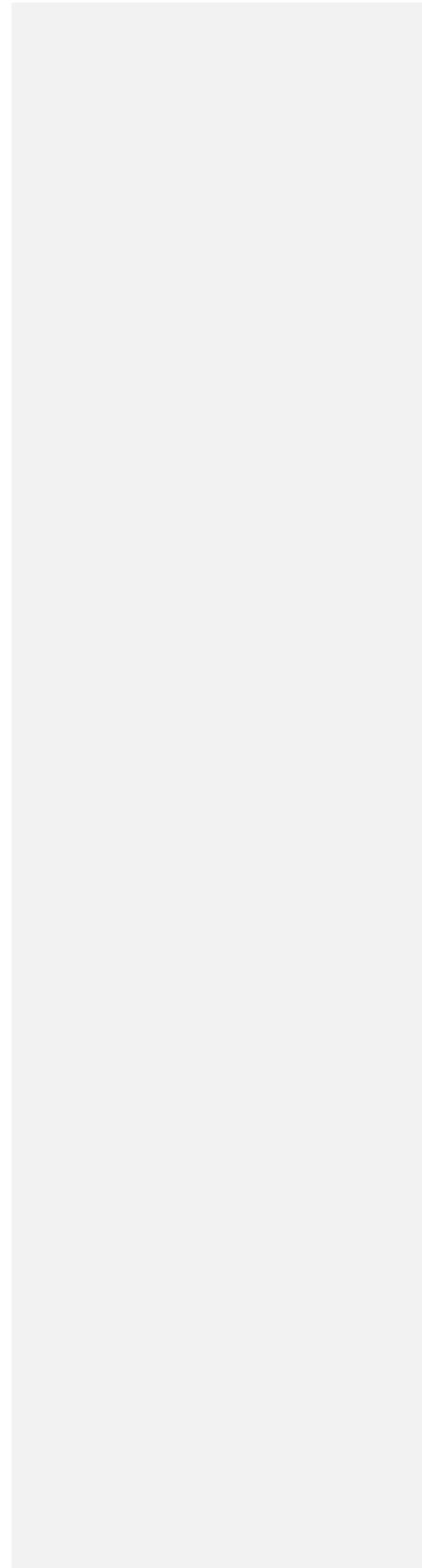
Section 9 – Metering and Communications

9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.

9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter used to determine billing associated with the Service Agreement shall provide to the

Network Operating Agreement – September 2011

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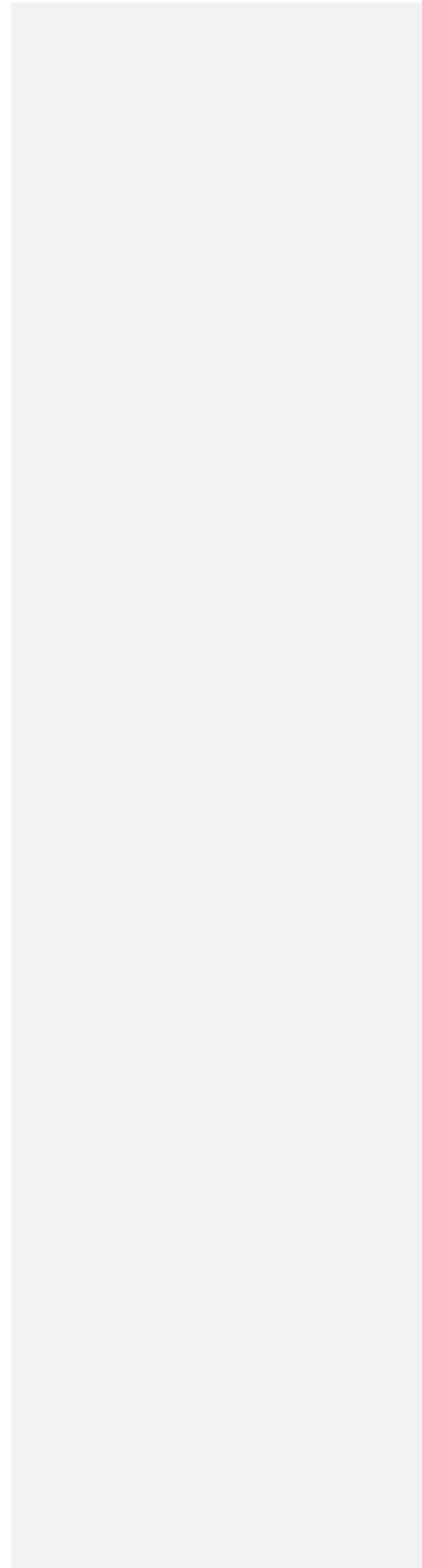
other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

- 9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System.

The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

- 9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters. In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the



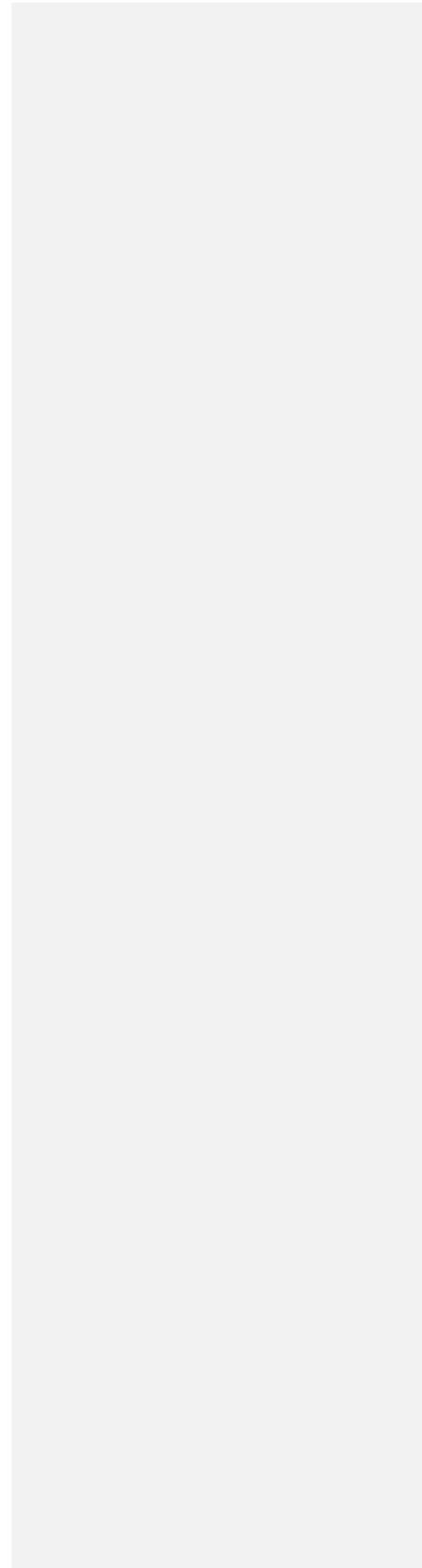
Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by pro-rating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.
- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.
- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Network Operating Agreement – September 2011

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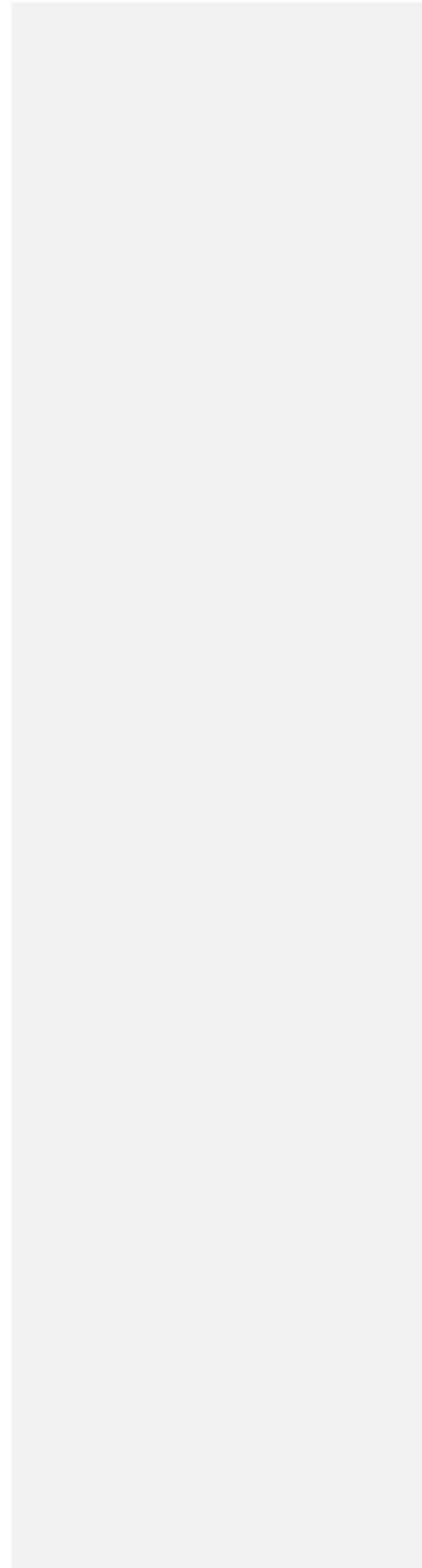
Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

- 9.6 Metering and Communications Required for Integration of Network Resources – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

Network Operating Agreement – September 2011

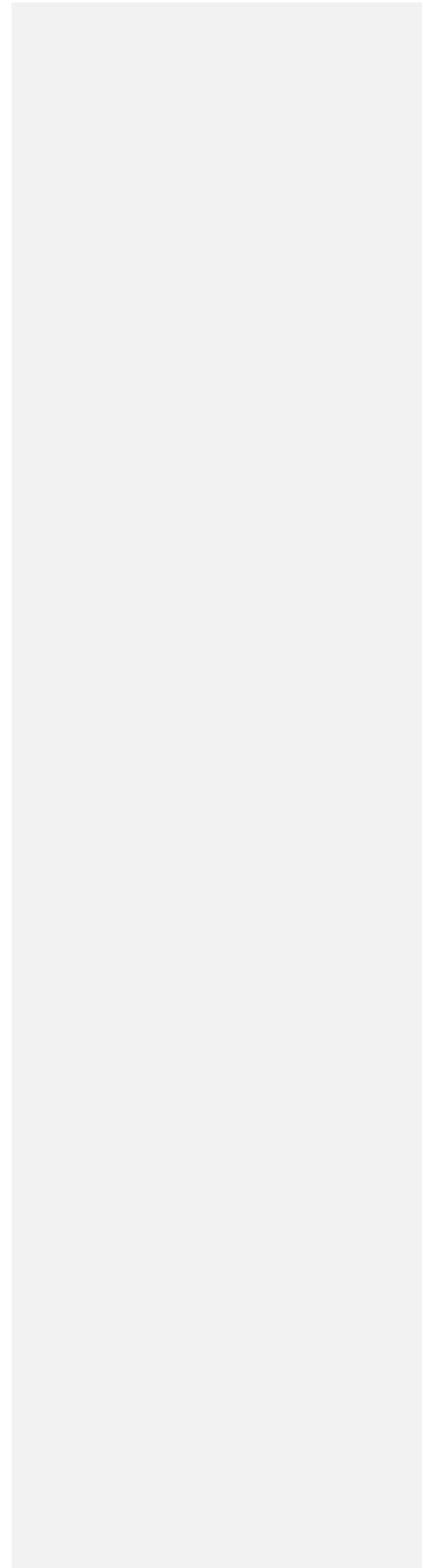
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- 9.7 Metering and Communications Required for Ancillary Services – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.
- 9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.
- 9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:
- (a) Megawatt and megavar indications from Bonneville's supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
 - (b) The following:
 - (i) Metering current transformers ("CTs") and potential transformers ("PTs"),
 - (ii) Space in Bonneville's substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function ("Avista Equipment"), to be supplied by Avista,

Network Operating Agreement – September 2011

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- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

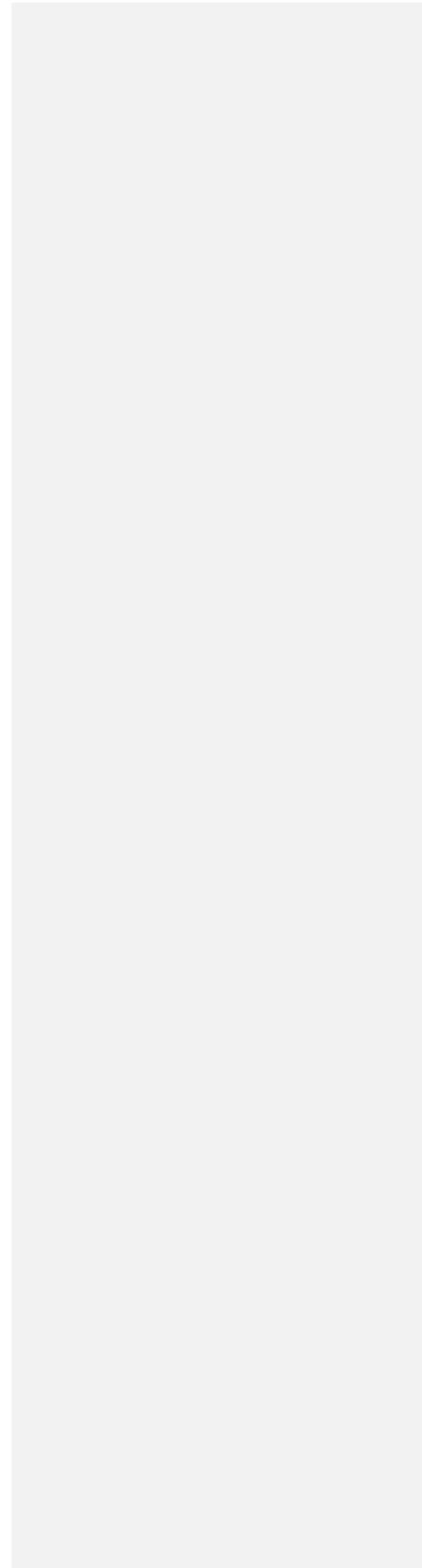
- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Network Operating Agreement – September 2011

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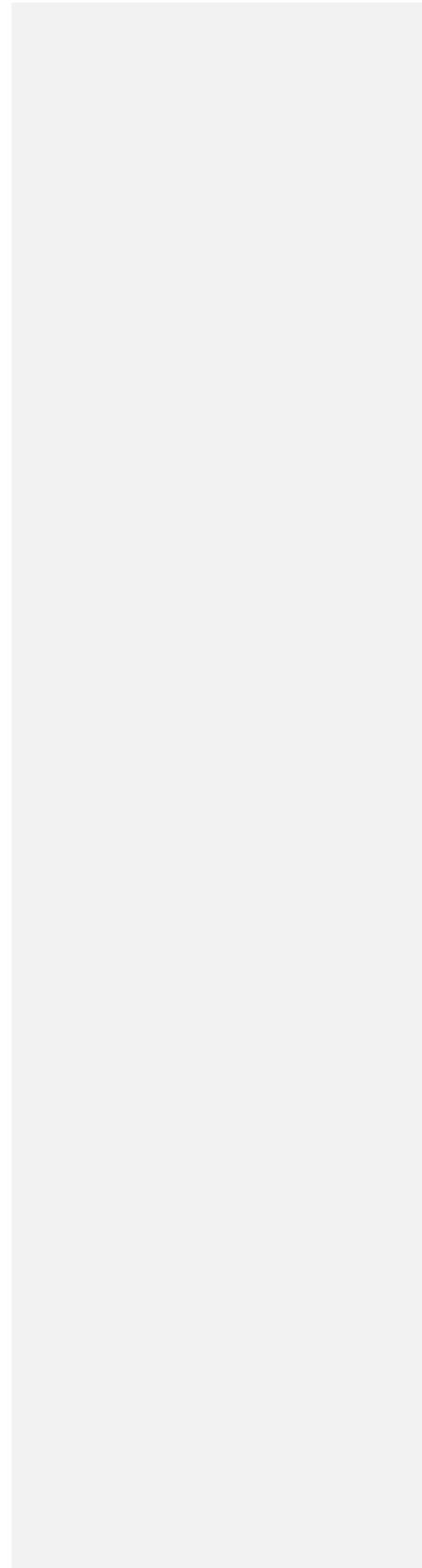


Section 11 - Miscellaneous

- 11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.
- 11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.
- 11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.
- 11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any such amendment shall become effective upon acceptance for filing by the Commission.

Network Operating Agreement – September 2011

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Avista Contract No. AV-TR11-1094
Bonneville Contract No. 11PX-10008

SERVICE AGREEMENT
for
NETWORK INTEGRATION TRANSMISSION SERVICE
between
the BONNEVILLE POWER ADMINISTRATION
and
AVISTA CORPORATION
under
AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8

[For service to CITY OF CHEWELAH]

<u>Section</u>	<u>Description</u>	<u>Page</u>
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2.	Standard Provisions	3
3.	Term and Regulatory Filing	4
4.	Network Integration Transmission Service	4
5.	Other Services	5
6.	Construction of Facilities	5
7.	Billing and Payment	5
8.	Miscellaneous Provisions	6

Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT ("Service Agreement") is made and entered into this ____ day of September, 2011, by and between AVISTA CORPORATION ("Avista") and the Bonneville Power Administration ("Bonneville"), which hereinafter may be referred to individually as "Party" or collectively as "Parties".

RECITALS

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 ("Tariff"); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista's Transmission System and/or Avista's low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to the City of Chewelah's loads connected to Avista's Transmission System since January 1, 2006 and Bonneville has requested continuing service to the City of Chewelah's loads; and

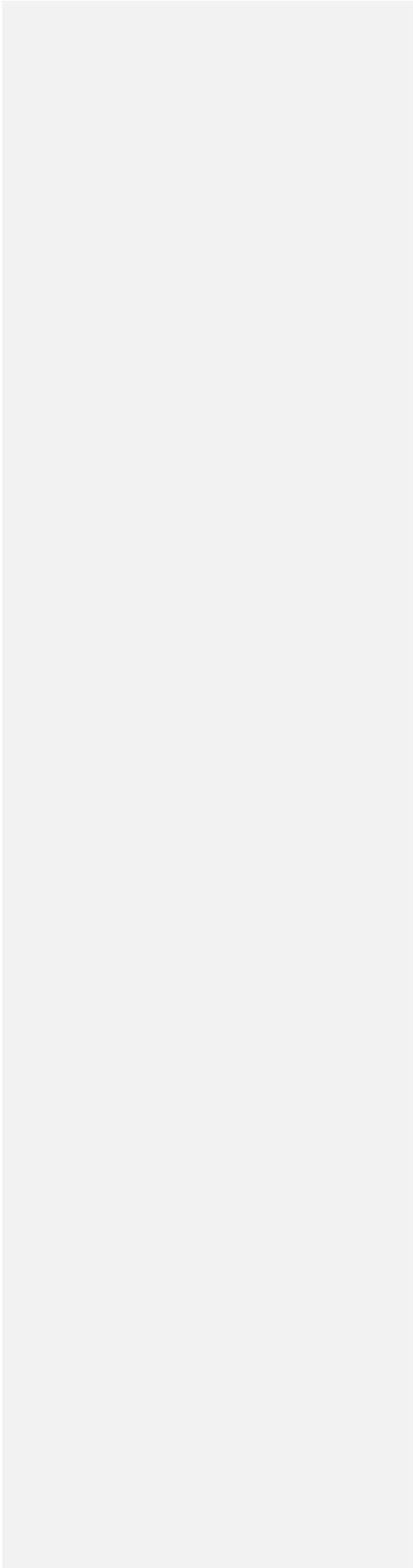
WHEREAS, Avista has entered into an Interconnection and Operating Agreement with the City of Chewelah, providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and the City of Chewelah; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville's wholesale utility customers connected to Avista's Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Chewelah

2



Section 1 - Definitions

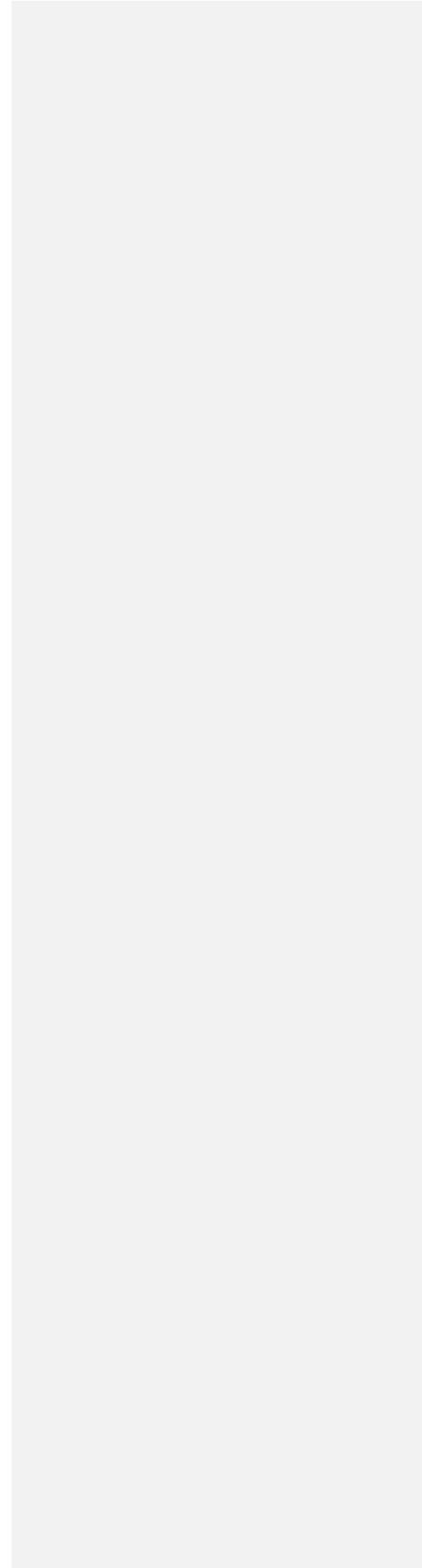
Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

- 2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.
- 2.2 **Incorporation of Exhibits:** The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 **Completed Application:** By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 **System Impact and Facilities Studies:** Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Chewelah

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Section 3 - Term and Regulatory Filing

- 3.1 **Effective Date and Filing:** This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing (“Effective Date”). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 **Cancellation Rights:** If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 **Termination of Agreement:** Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

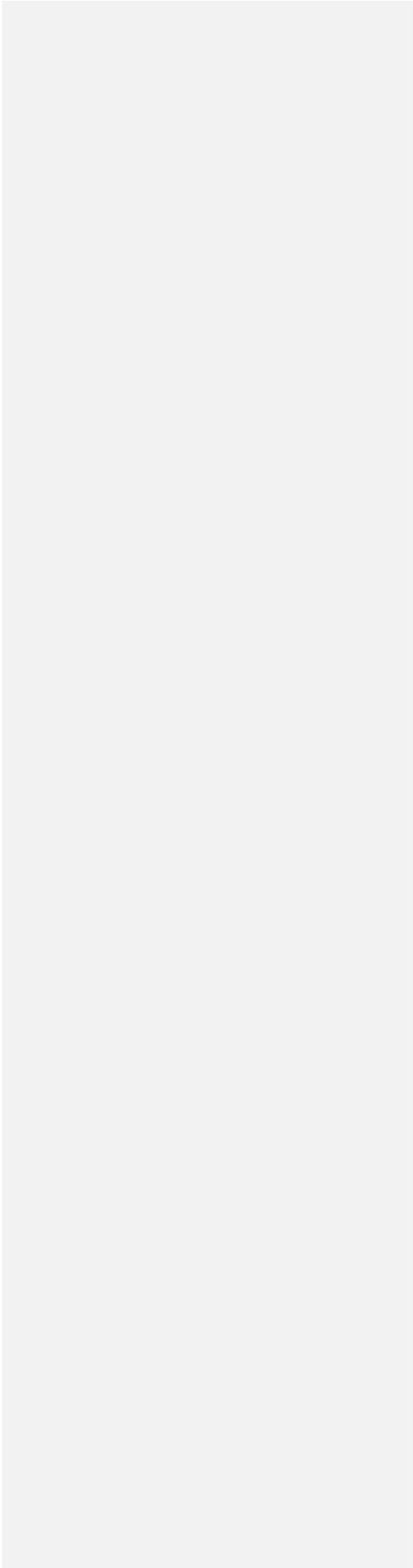
Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 **Transmission Service:** Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 **Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities:** Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Chewelah

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4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one months' notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

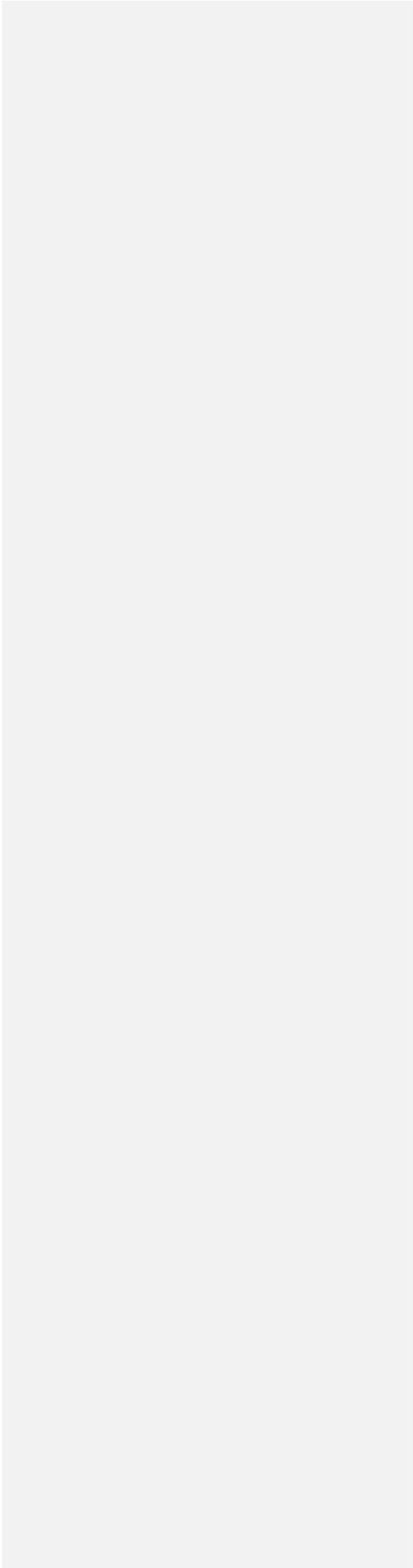
Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact – PTKT
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Chewelah

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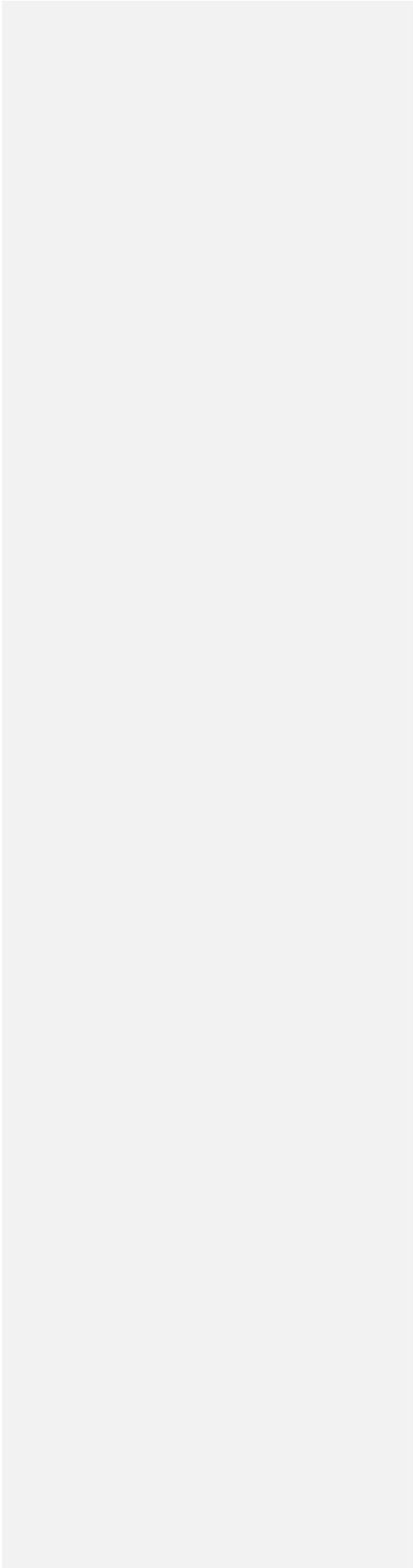
All payments to Avista shall be submitted via electronic funds transfer to the account specified on each billing invoice.

Section 8 - Miscellaneous Provisions

- 8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 Future Changes or Additions: Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Chewelah

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wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment. A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service Agreement shall be directed to:

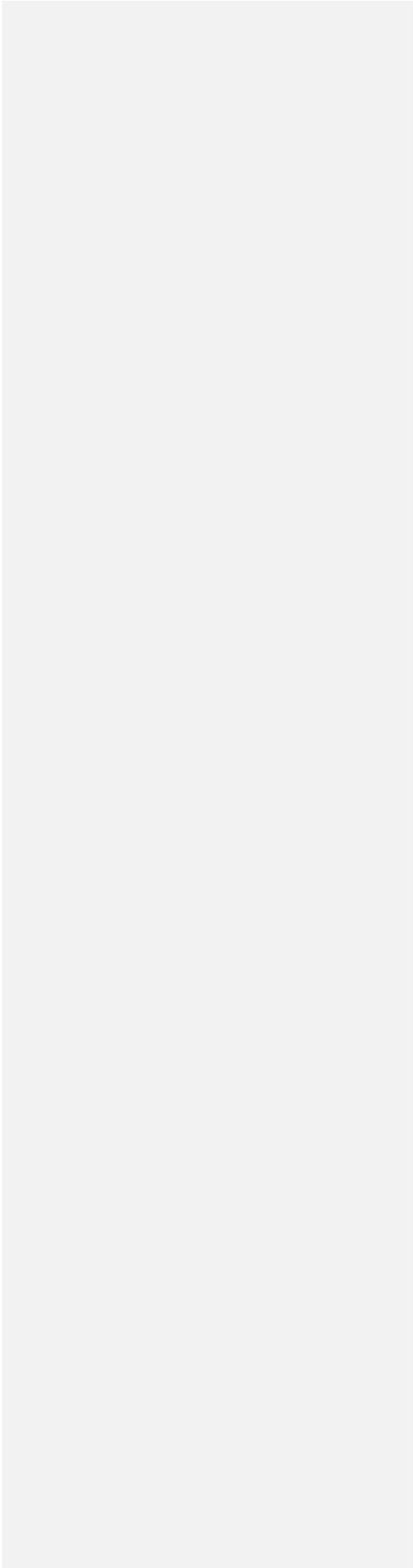
Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington 99202
or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services – PST
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Chewelah

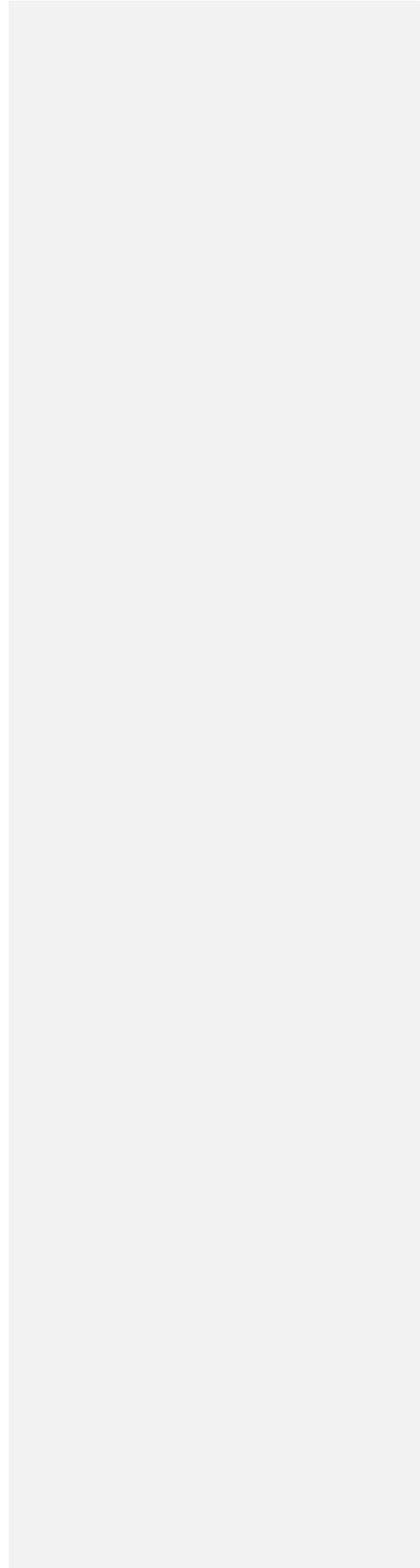
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8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Chewelah

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IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Chewelah

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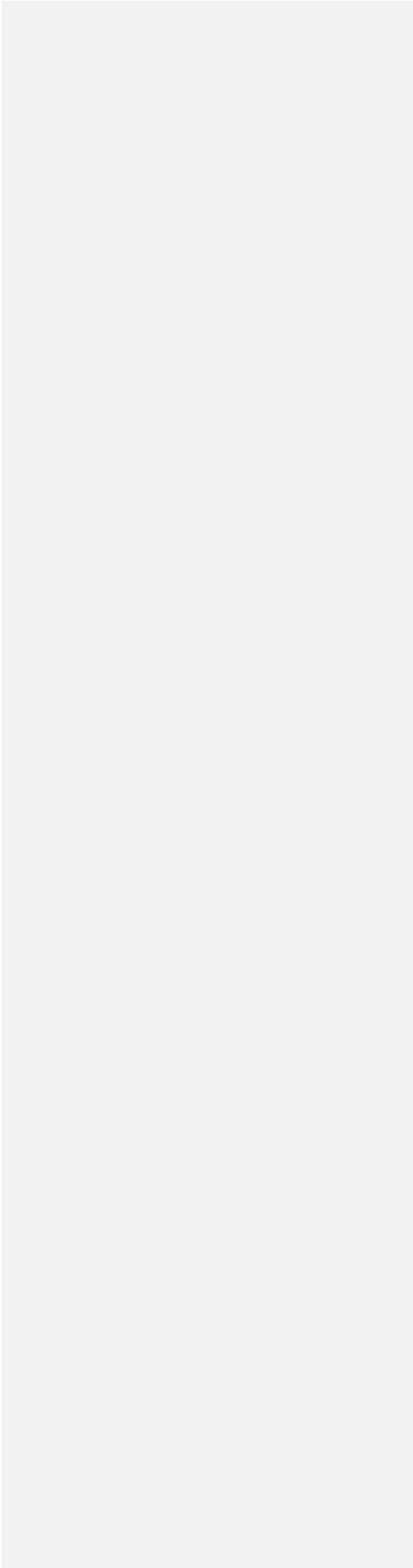


EXHIBIT 1
SPECIFICATIONS FOR
NETWORK INTEGRATION TRANSMISSION SERVICE

Designated Network Resources

Power Sales Agreement between Bonneville and City of Chewelah (Bonneville Contract No. 09PB-13018)

Designated Network Loads

(See Exhibit 1A)

Monthly Transmission Charge

(Pursuant to Section 34 of the Tariff)

Monthly Charges for Direct Assignment and Low Voltage Facilities

(See Exhibit 1B)

Power Factor Penalty Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the Tariff)

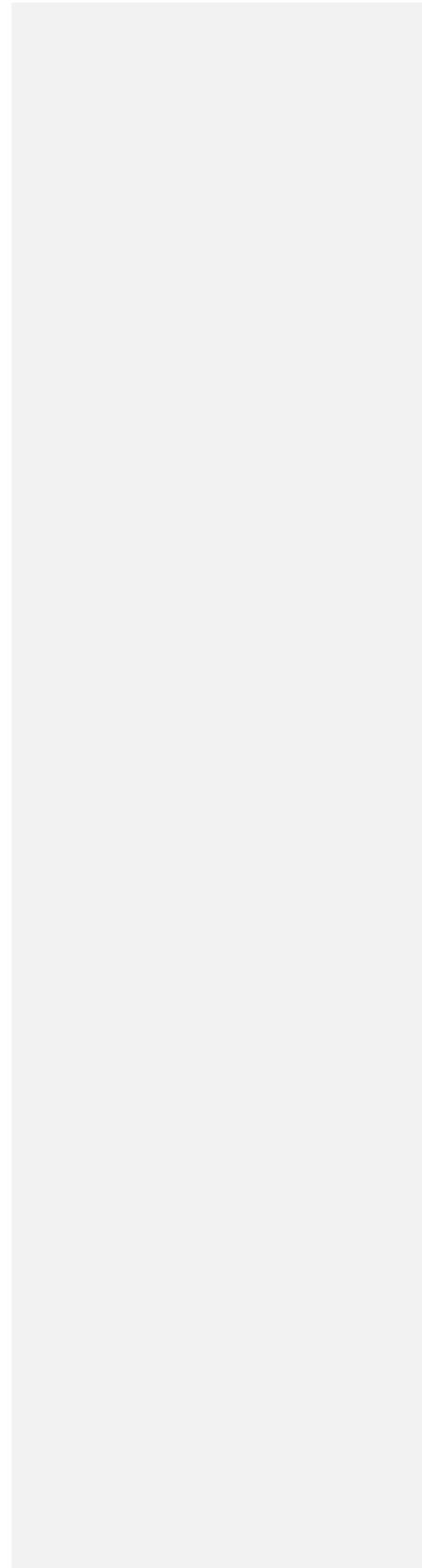
In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service
Bonneville Power Administration – Service to City of Chewelah

E1 – 1



**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Chewelah Point of Delivery**

Location: The point in Avista's Chewelah Substation where the 13.8 kV facilities of Avista and the City of Chewelah are connected

Voltage: 13.8 kV

Metering: In Avista's Chewelah Substation in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads
Bonneville Power Administration – Service to City of Chewelah

E1A – 1

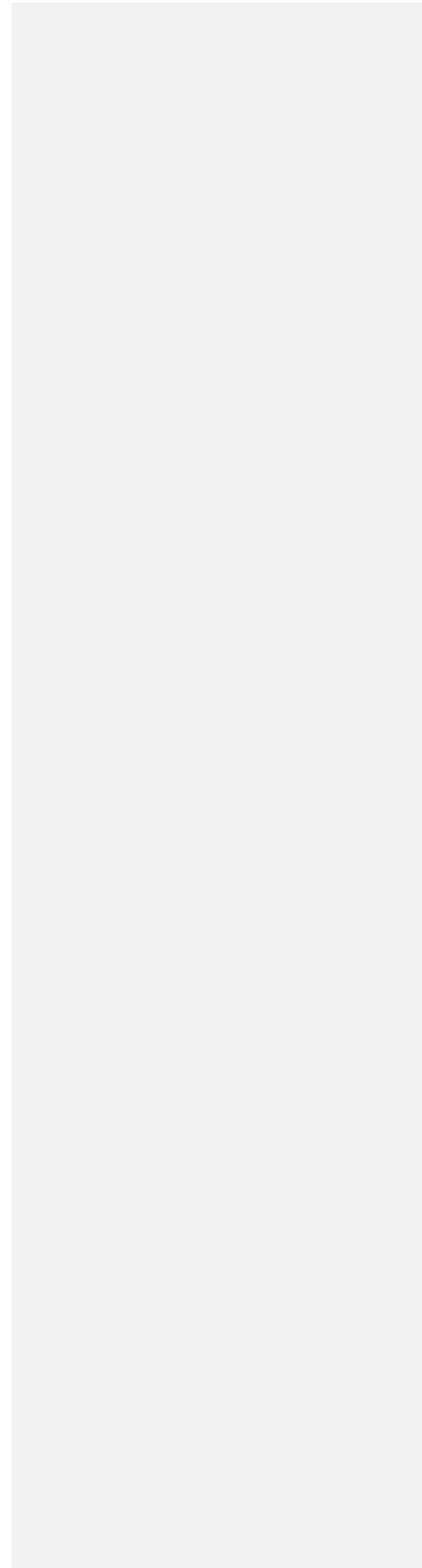


EXHIBIT 1B
DIRECT ASSIGNMENT AND LOW-VOLTAGE
SUBSTATION AND DISTRIBUTION CHARGES
(per month)

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Chewelah	\$ <u>7154,198</u>	\$ <u>301544</u>	---

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Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
Bonneville Power Administration – Service to City of Chewelah
[Revision 1 – Effective April 1, 2016](#)

E1B – 1

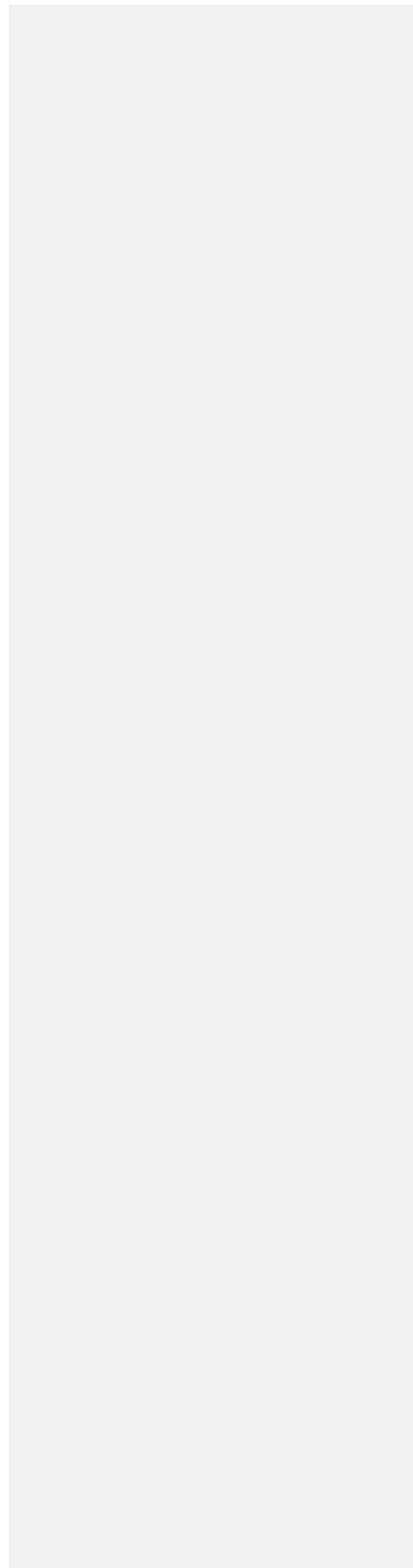


EXHIBIT 2
SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES

Scheduling, System Control and Dispatch Service

(Pursuant to Schedule 1 of the Tariff)

Reactive Supply and Voltage Control from Generation Sources

(Pursuant to Schedule 2 of the Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

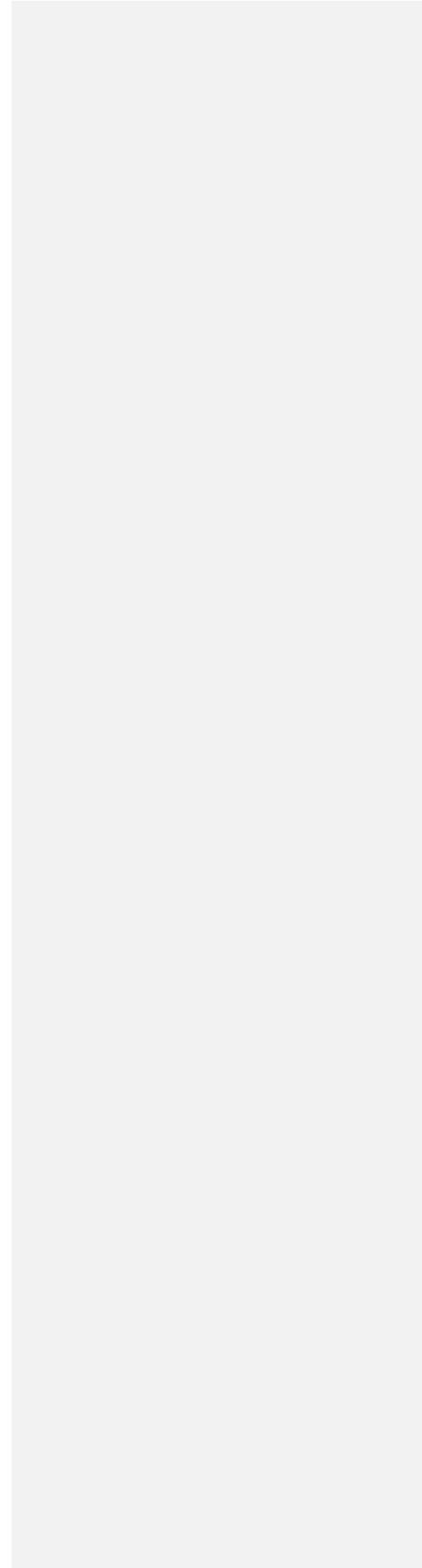
Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to City of Chewelah

E2 – 1



Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services
Bonneville Power Administration – Service to City of Chewelah

E2 – 2

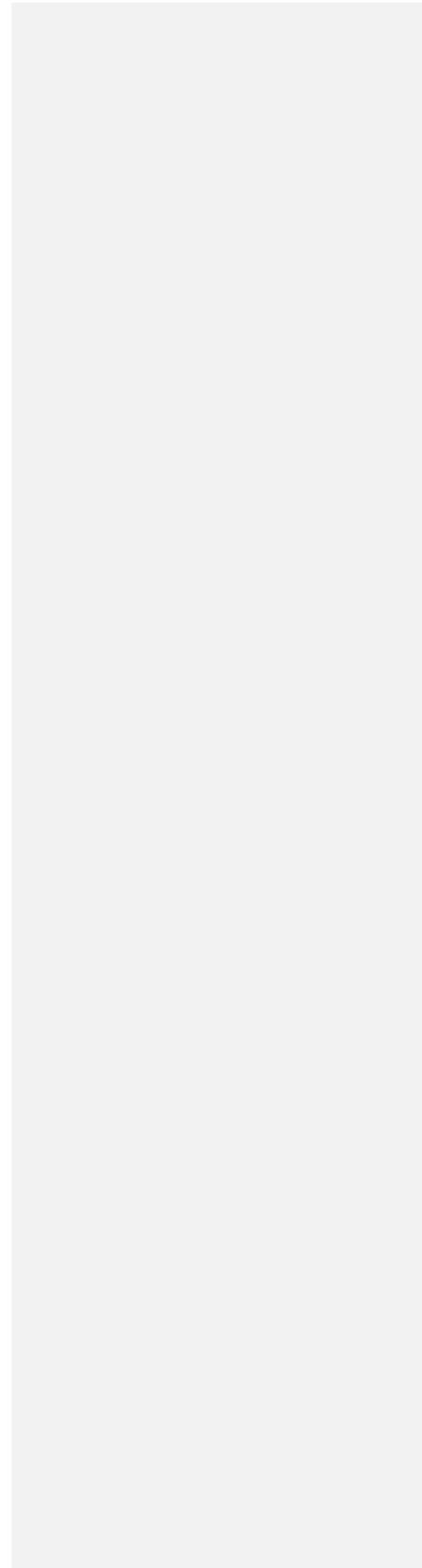


EXHIBIT 3
NETWORK OPERATING AGREEMENT

NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

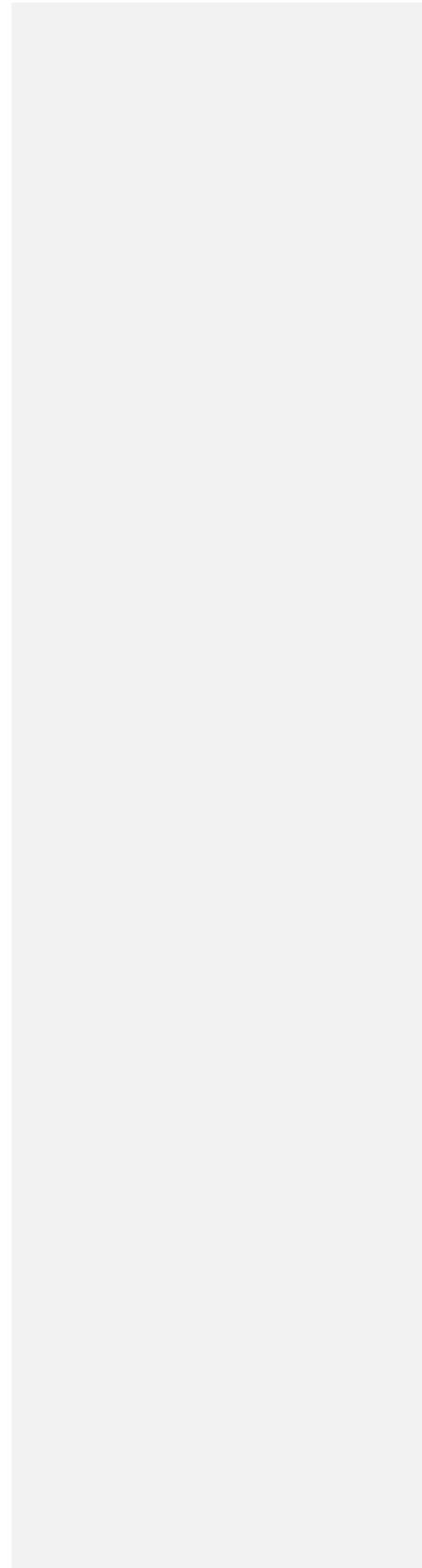
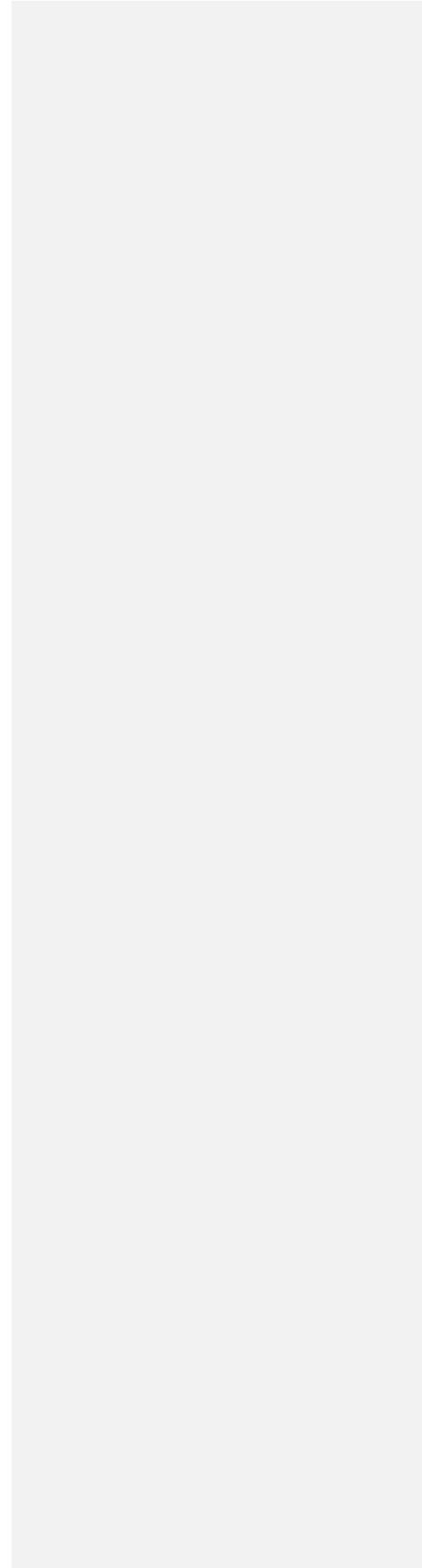


Exhibit 3 – Network Operating Agreement
Bonneville Power Administration – Service to City of Chewelah

E3 – 1



NETWORK OPERATING AGREEMENT
between
AVISTA CORPORATION
and the
BONNEVILLE POWER ADMINISTRATION

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

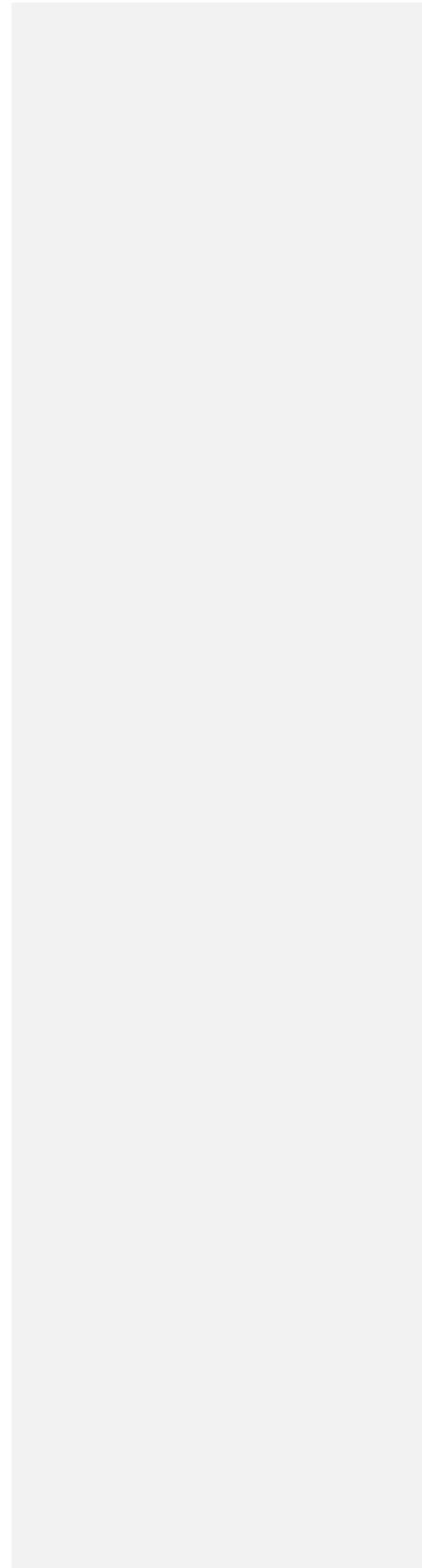
Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

- 2.1 NERC – The North American Electric Reliability Corporation, or its successor.
- 2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

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- 2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.
- 2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

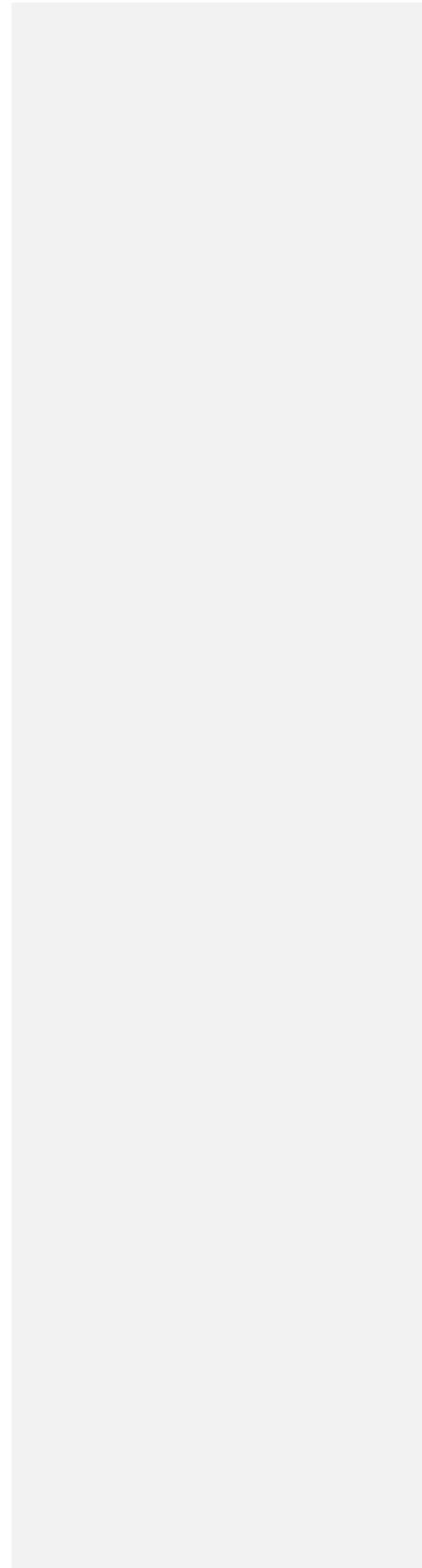
This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

- 4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.
- 4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.
- 4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

Network Operating Agreement – September 2011

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Section 5 – Interconnection Principles and Requirements

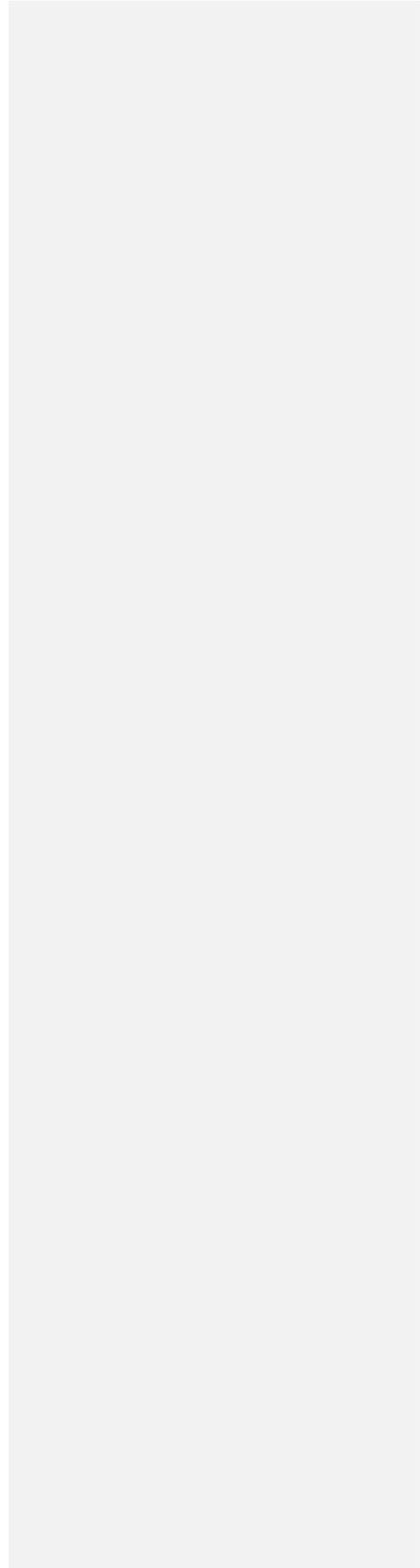
Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE-MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities. Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.
- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Network Operating Agreement – September 2011

3



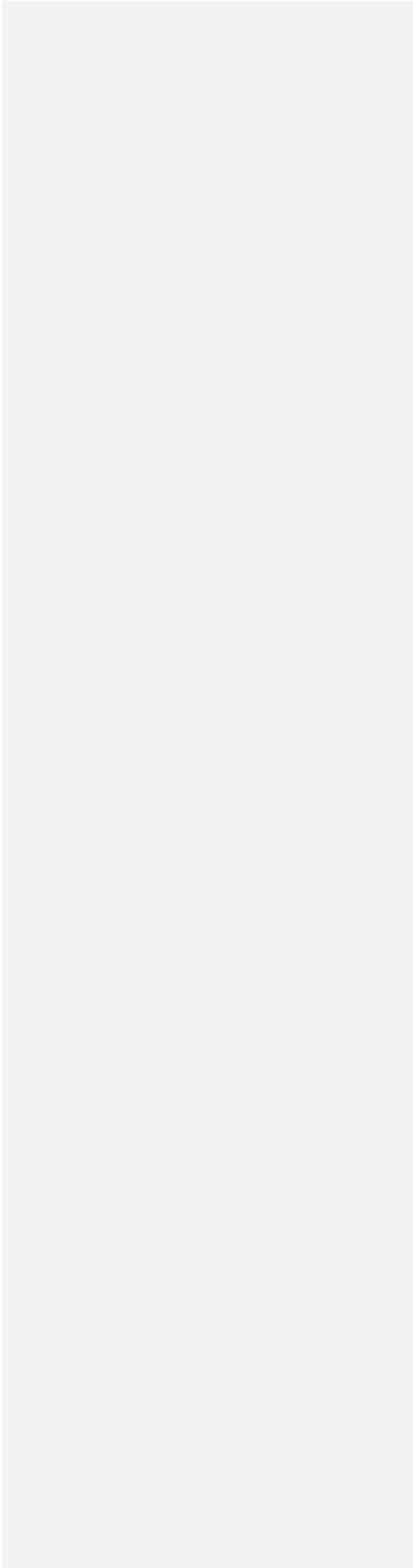
Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.
- 7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.
- 7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility Practice and on a comparable basis with service to all other affected Network Customers

Network Operating Agreement – September 2011

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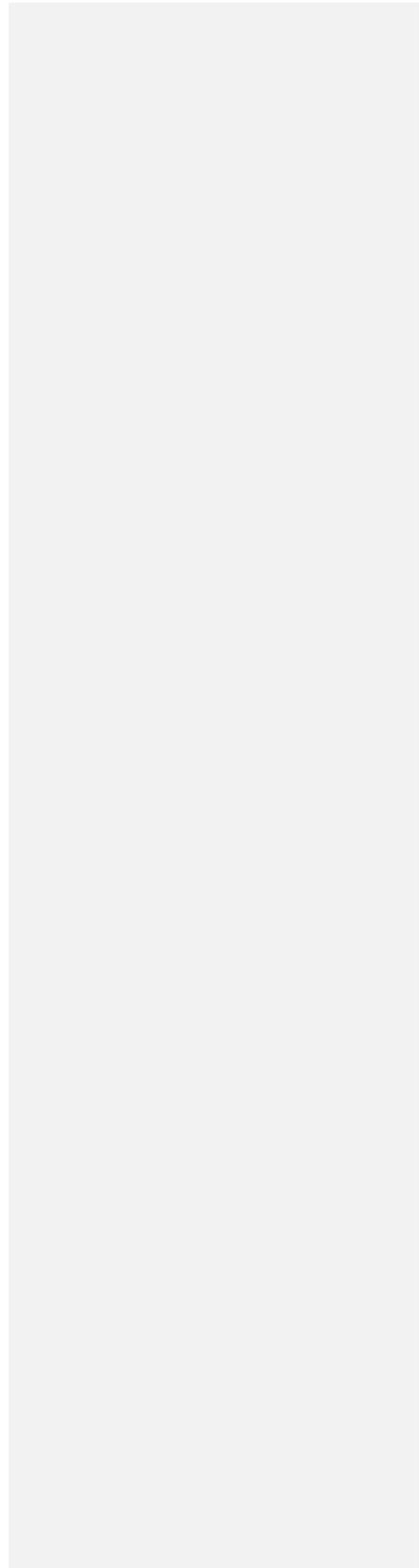
and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

- 8.1 Scheduling and Schedule Revisions – Schedules for Bonneville's designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however, that:*
- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours and ending at 1100 hours, Bonneville shall submit any revision to an electronic

Network Operating Agreement – September 2011

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tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

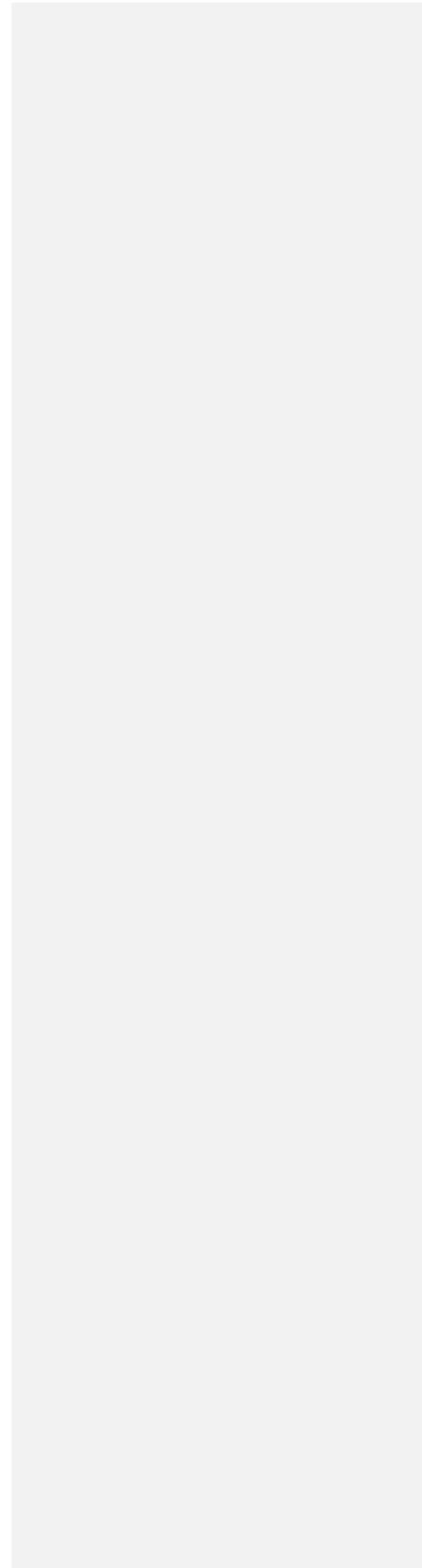
- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.
- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

- 8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Network Operating Agreement – September 2011

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Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.

8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista's Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista's transmission function passing on an aggregated sum of Bonneville's schedules associated with all of its borderline wheeling loads to Avista's load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista's Standards of Conduct.

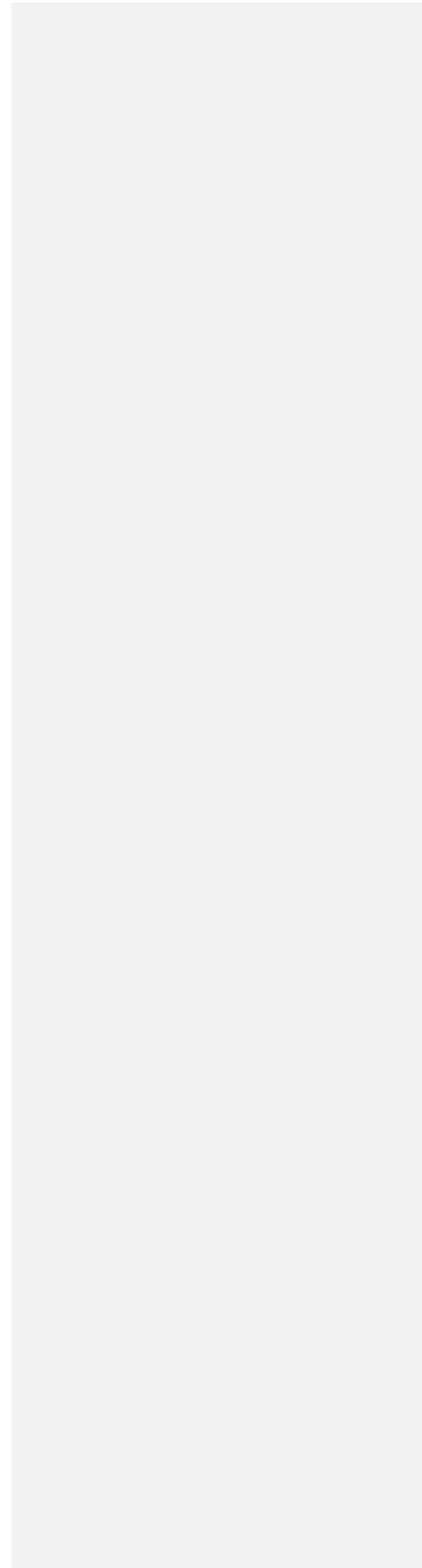
Section 9 – Metering and Communications

9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.

9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter used to determine billing associated with the Service Agreement shall provide to the

Network Operating Agreement – September 2011

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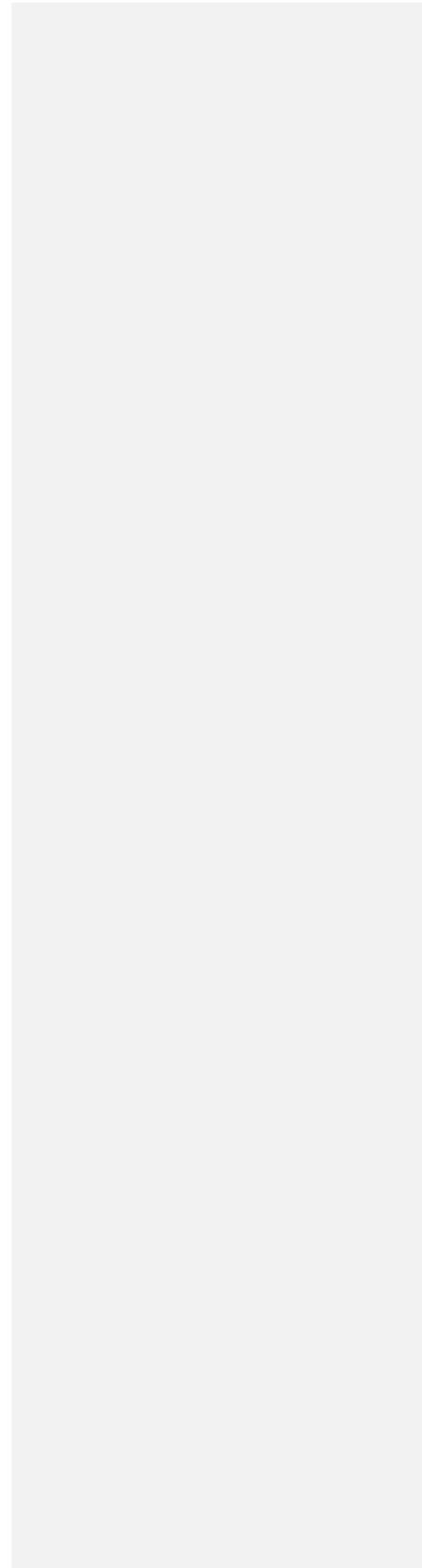
other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

- 9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System.

The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

- 9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters. In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the



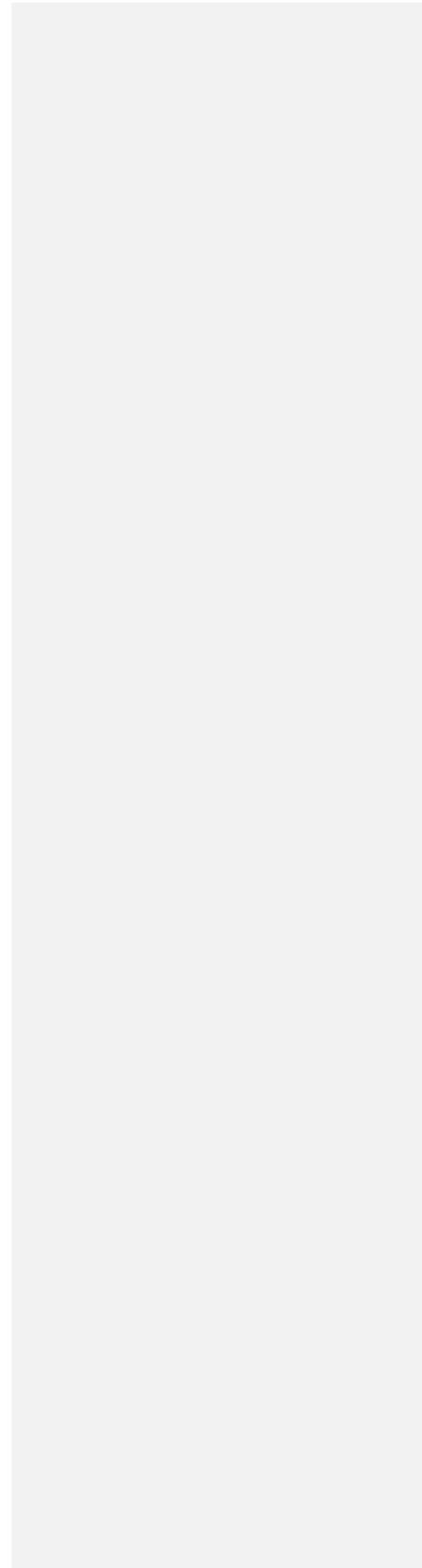
Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by pro-rating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.
- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.
- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Network Operating Agreement – September 2011

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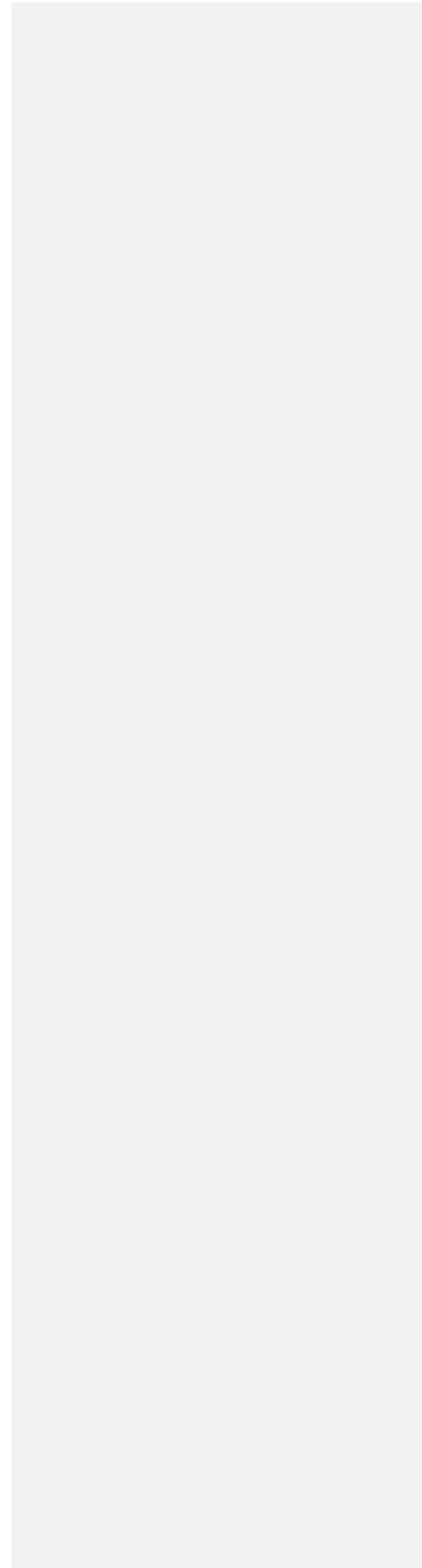
Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

- 9.6 Metering and Communications Required for Integration of Network Resources – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

Network Operating Agreement – September 2011

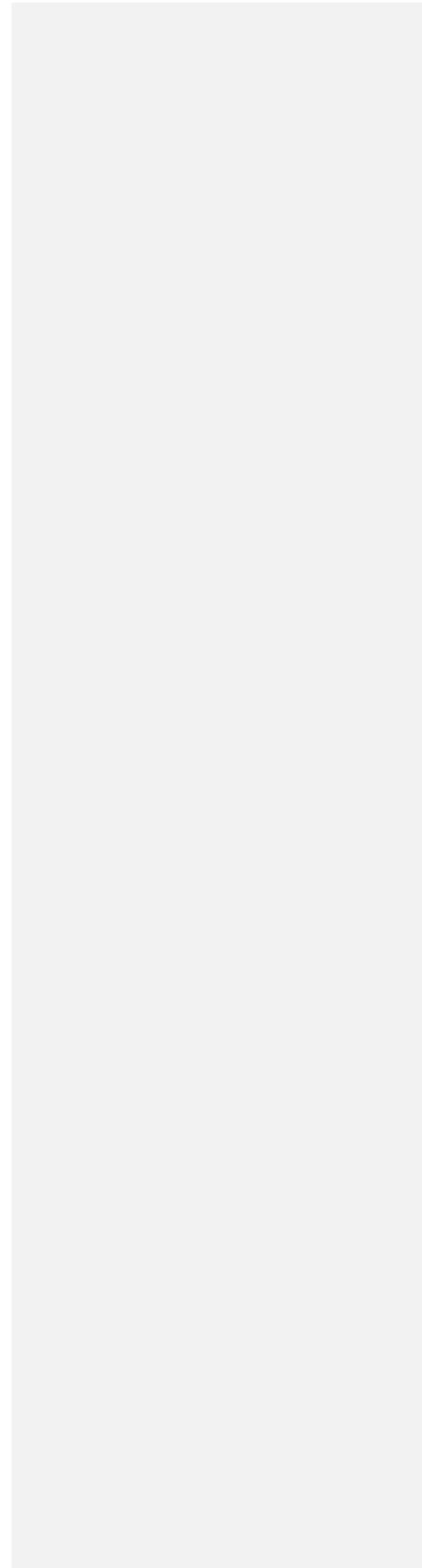
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- 9.7 Metering and Communications Required for Ancillary Services – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.
- 9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.
- 9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:
- (a) Megawatt and megavar indications from Bonneville's supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
 - (b) The following:
 - (i) Metering current transformers ("CTs") and potential transformers ("PTs"),
 - (ii) Space in Bonneville's substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function ("Avista Equipment"), to be supplied by Avista,

Network Operating Agreement – September 2011

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- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

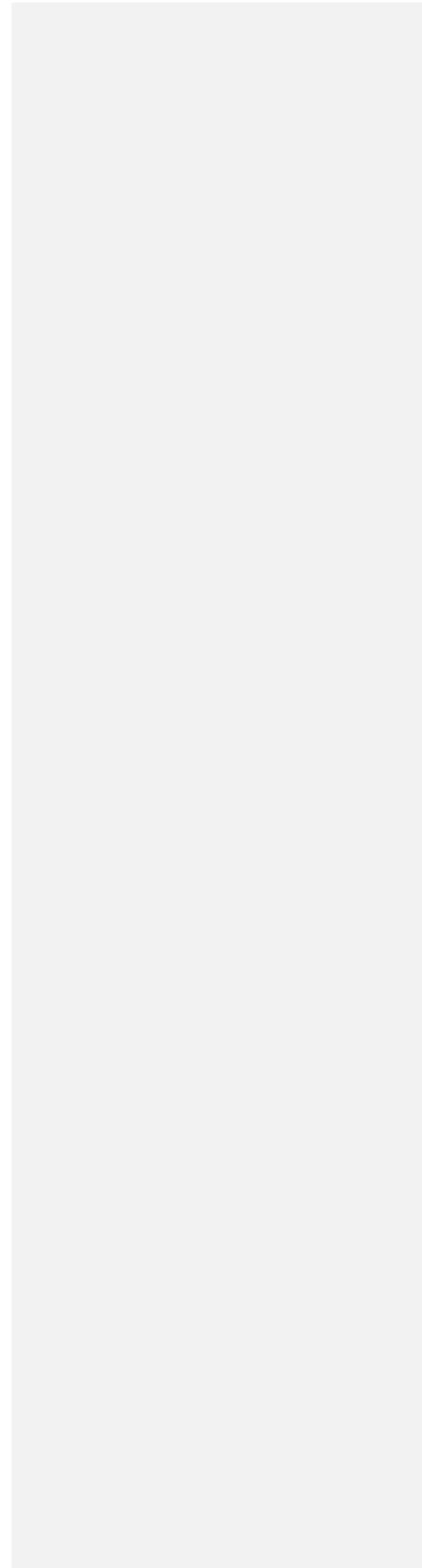
- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Network Operating Agreement – September 2011

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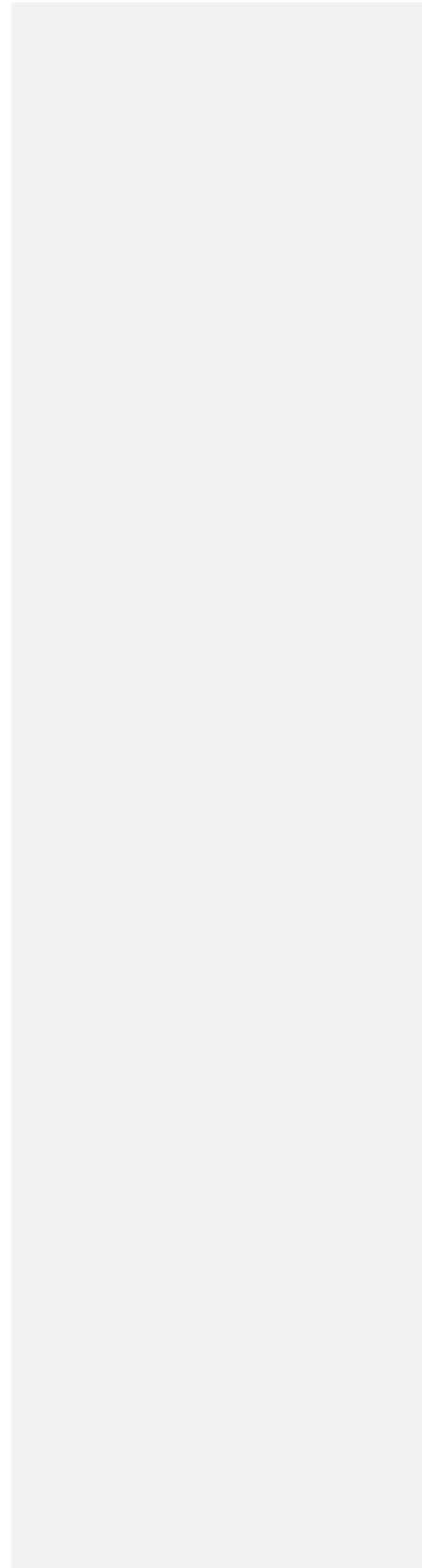


Section 11 - Miscellaneous

- 11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.
- 11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.
- 11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.
- 11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any such amendment shall become effective upon acceptance for filing by the Commission.

Network Operating Agreement – September 2011

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FERC rendition of the electronically filed tariff records in Docket No. ER16-00990-000

Filing Data:

CID: C000379

Filing Title: Avista Corp NITSA Low Voltage Facilities Chgs

Company Filing Identifier: 91

Type of Filing Code: 280

Associated Filing Identifier:

Tariff Title: MBR and Other Tariffs

Tariff ID: 16

Payment Confirmation:

Suspension Motion:

Tariff Record Data:

Record Content Description, Tariff Record Title, Record Version Number, Option Code:

NITSA, BPA NITSA Asotin SA T-1091, 2.0.0, A

Record Narrative Name: BPA NITSA Asotin SA T-1091 update low voltage charges

Tariff Record ID: 16

Tariff Record Collation Value: 2145787572 Tariff Record Parent Identifier: 15

Proposed Date: 2016-04-01

Priority Order: 1

Record Change Type: CHANGE

Record Content Type: 1

Associated Filing Identifier:

Avista Contract No. AV-TR11-1091
Bonneville Contract No. 11PX-10005

**SERVICE
AGREEMENT**

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**NETWORK INTEGRATION TRANSMISSION
SERVICE**

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**the BONNEVILLE POWER
ADMINISTRATION**

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**AVISTA
CORPORATION**

und
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**AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8**

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[For service to PUD NO. 1 OF ASOTIN COUNTY]

<u>Section</u>	<u>Description</u>	<u>Page</u>
1.	Definitions	3
2.	Standard Provisions	3
3.	Term and Regulatory Filing	4
4.	Network Integration Transmission Service	4
5.	Other Services	5
6.	Construction of Facilities	5
7.	Billing and Payment	5
8.	Miscellaneous Provisions	6

Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT (“Service Agreement”) is made and entered into this ____ day of September, 2011, by and between AVISTA CORPORATION (“Avista”) and the Bonneville Power Administration (“Bonneville”), which hereinafter may be referred to individually as “Party” or collectively as “Parties”.

RECITAL
S

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 (“Tariff”); and

WHEREAS, Bonneville has historically purchased transmission service to

serve its wholesale federal power customers connected to Avista's Transmission System and/or Avista's low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to PUD No. 1 of Asotin County's loads connected to Avista's Transmission System since January 1, 2006 and Bonneville has requested continuing service to PUD No. 1 of Asotin County's loads; and

WHEREAS, Avista has entered into an Interconnection and Operating Agreement with PUD No. 1 of Asotin County, providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and PUD No. 1 of Asotin County; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville's wholesale utility customers connected to Avista's Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

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Section 1 - Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

2.1 Terms and Conditions and Incorporation of Tariff: The terms and conditions under

which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.

- 2.2 Incorporation of Exhibits: The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 Completed Application: By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 System Impact and Facilities Studies: Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Section 3 - Term and Regulatory Filing

- 3.1 Effective Date and Filing: This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing ("Effective Date"). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.

- 3.2 Cancellation Rights: If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 Termination of Agreement: Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 Transmission Service: Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities: Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one month's notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit

2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact –
PTKT Bonneville Power Administration

P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

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

Section 8 - Miscellaneous Provisions

- 8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 Future Changes or Additions: Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby

consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement

may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

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wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment.

A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service

Agreement shall be directed
to:

Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington
99202 or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services –
PST Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

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8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

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IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to PUD No. 1 of Asotin County

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EXHIBIT
1
SPECIFICATIONS
FOR
NETWORK INTEGRATION TRANSMISSION
SERVICE

Designated _____ Network
Resources

Power Sales Agreement between Bonneville and PUD No. 1 of Asotin County (Bonneville
Contract No. 09PB-13003)

Designated _____ Network
Loads

(See Exhibit
1A)

Monthly Transmission Charge

(Pursuant to Section 34 of the Tariff)

Monthly Charges for Direct Assignment and Low Voltage Facilities

(See Exhibit 1B)

Power Factor Penalty Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the Tariff)

In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

1) **Well #1 – 1400 Chestnut Avenue (via Pound Lane Substation)**

Location: The point on Avista's distribution service system at 1400 Chestnut Avenue in Clarkston, Washington where the 480 volt facilities of Avista and PUD No. 1 of Asotin County (Asotin) are connected

Voltage: 480 V

Metering: At or near the Point of Delivery in the 480 V circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

2) **Well #2 – 1500 Critchfield Road (via Critchfield Substation)**

Location: The point on Avista's distribution service system at 1500 Critchfield Road and Clemons Road in Clarkston, Washington where the 480 volt facilities of Avista and Asotin are connected

Voltage: 480 V

Metering: At or near the Point of Delivery in the 480 V circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

3) **Well #3 – 1500 16th Avenue (via Pound Land Substation)**

Location: The point on Avista's distribution service system at 1500 16th Avenue in Clarkston, Washington where the 2400 volt facilities of Avista and Asotin are connected

Voltage: 2400 V

Metering: At or near the Point of Delivery in the 2400 V circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

4) **Well #5 – 2200 3rd Avenue (via Dry Gulch Substation)**

Location: The point on Avista's distribution service system at 2200 3rd Avenue in Clarkston, Washington where the 2400 volt facilities of Avista and Asotin are connected

Voltage: 2400 V

Metering: At or near the Point of Delivery in the 2400 V circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

5) **Well #6 – 2101 Critchfield Road (via Critchfield Substation)**

Location: The point on Avista's distribution service system at 2101 Critchfield Road in Clarkston, Washington where the 2400 volt facilities of Avista and Asotin are connected

Voltage: 2400 V

Metering: At or near the Point of Delivery in the 2400 V circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

6) **Well #7 – 1825 Reservoir Road (via Pound Lane Substation)**

Location: The point on Avista's distribution service system at 1825 Reservoir Road in Clarkston, Washington where the 2400 volt facilities of Avista and Asotin are connected

Voltage: 2400 V

Metering: At or near the Point of Delivery in the 2400 V circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

7) Clarkston Heights Booster Station – 1500 16th Avenue (via Pound Lane Substation)

Location: The point on Avista's distribution service system at 1500 16th Avenue in Clarkston, Washington where the 480 volt facilities of Avista and Asotin are connected

Voltage: 480 V

Metering: At or near the Point of Delivery in the 480 V circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads

E1A –

3

Bonneville Power Administration – Service to PUD No. 1 of Asotin County

EXHIBIT**1B****DIRECT ASSIGNMENT AND
LOW-VOLTAGE SUBSTATION AND
DISTRIBUTION CHARGES****(per
month)**

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Critchfield	\$1,350	\$310	\$772
Pound Lane	\$519	---	\$2237

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
1
Bonneville Power Administration – Service to PUD No. 1 of Asotin County
Revision 1 – Effective April 1, 2016

E1B –

**EXHIBIT
2
SPECIFICATIONS AND CHARGES FOR ANCILLARY
SERVICES**

**Scheduling, System Control and Dispatch
Service**

(Pursuant to Schedule 1 of the
Tariff)

**Reactive Supply and Voltage Control from Generation
Sources**

(Pursuant to Schedule 2 of the
Tariff)

**Regulation and Frequency Response
Service**

(Pursuant to Schedule 3 of the
Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

**Energy Imbalance
Service**

(Pursuant to Schedule 4 of the

Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services

E2 –

1

Bonneville Power Administration – Service to PUD No. 1 of Asotin County

Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area.

As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services

2

Bonneville Power Administration – Service to PUD No. 1 of Asotin County

E2 –

EXHIBIT

3

**NETWORK OPERATING
AGREEMENT**

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**NETWORK OPERATING
AGREEMENT**

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**AVISTA
CORPORATION**

**and
the**

**BONNEVILLE POWER
ADMINISTRATION**

**NETWORK OPERATING
AGREEMENT**

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**and
the**

**BONNEVILLE POWER
ADMINISTRATION**

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

- 2.1 **NERC** – The North American Electric Reliability Corporation, or its successor.
- 2.2 **NWPP** – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

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- 2.3 **Tariff** - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.
- 2.4 **WECC** – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

- 4.1 **Membership** – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.
- 4.2 **Responsibilities** – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order

to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.

- 4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

Network Operating Agreement – September 2011

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Section 5 – Interconnection Principles and Requirements

Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE- MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor.

If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission

System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.

- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Network Operating Agreement – September 2011

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Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to

identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.

7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.

7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility

Practice and on a comparable basis with service to all other affected Network Customers

and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall

not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

8.1 Scheduling and Schedule Revisions – Schedules for Bonneville’s designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however*, that:

- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours

and ending at 1100 hours, Bonneville shall submit any revision to an electronic

tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.
- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

- 8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.

8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista's Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista's transmission function passing on an aggregated sum of Bonneville's schedules associated with all of its borderline wheeling loads to Avista's load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista's Standards of Conduct.

Section 9 – Metering and Communications

9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and

Meter Test Procedures outlined in Section 9.5.

9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter

used to determine billing associated with the Service Agreement shall provide to the

Network Operating Agreement – September 2011

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other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

9.3 Use of Bonneville's Meter Reading Information – Consistent with

Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System. The meter

reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management

System and used by Avista in its billing systems.

- 9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters.

In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the

Network Operating Agreement – September 2011

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Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by pro-rating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party

shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.

- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.

(i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the

Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations.

Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.

- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data.

If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

9.6 Metering and Communications Required for Integration of Network Resources –

Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All

such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

Network Operating Agreement – September 2011

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9.7 Metering and Communications Required for Ancillary Services – Unless

otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.

9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:

- (a) Megawatt and megavar indications from Bonneville’s supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
- (b) The following:
 - (i) Metering current transformers (“CTs”) and potential transformers (“PTs”),
 - (ii) Space in Bonneville’s substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function (“Avista Equipment”), to be supplied by Avista,

Network Operating Agreement – September 2011

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- (iii) Voltage and current indications from Bonneville’s CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Network Operating Agreement – September 2011

11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.

11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.

11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.

11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment.

such

amendment shall become effective upon acceptance for filing by the Commission.

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Network Operating Agreement – September 2011

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Record Content Description, Tariff Record Title, Record Version Number, Option Code:

NITSA, BPA NITSA Big Bend SA T-1092, 2.0.0, A

Record Narrative Name: BPA NITSA Big Bend SA T-1092 update low voltage charges

Tariff Record ID: 17

Tariff Record Collation Value: 2145887572 Tariff Record Parent Identifier: 15

Proposed Date: 2016-04-01

Priority Order: 1

Record Change Type: CHANGE

Record Content Type: 1

Associated Filing Identifier:

Avista Contract No. AV-TR11-1092
Bonneville Contract No. 11PX-10006

**SERVICE
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**NETWORK INTEGRATION TRANSMISSION
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**AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8**

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[For service to BIG BEND ELECTRIC COOPERATIVE, INC.]

<u>Section</u>	<u>Description</u>	<u>Page</u>
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Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT (“Service Agreement”) is made and entered into this ____day of September, 2011, by and between AVISTA CORPORATION (“Avista”) and the Bonneville Power Administration (“Bonneville”), which hereinafter may be referred to individually as “Party” or collectively as “Parties”.

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WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 (“Tariff”); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista’s Transmission System and/or Avista’s low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to

Bonneville for service to Big Bend Electric Cooperative, Inc.'s loads connected to Avista's Transmission System since January 1, 2006 and Bonneville has requested continuing service to Big Bend Electric Cooperative, Inc.'s loads; and

WHEREAS, Avista has entered into an Interconnection and Operating Agreement with Big Bend Electric Cooperative, Inc., providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and Big Bend Electric Cooperative, Inc.; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville's wholesale utility customers connected to Avista's Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Big Bend Electric Cooperative, Inc.

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Section 1 - Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless

otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.

- 2.2 Incorporation of Exhibits: The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 Completed Application: By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 System Impact and Facilities Studies: Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Section 3 - Term and Regulatory Filing

- 3.1 Effective Date and Filing: This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing ("Effective Date"). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 Cancellation Rights: If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15)

business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.

- 3.3 Termination of Agreement: Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 Transmission Service: Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities: Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

- 4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista

may adjust the billing demand at such Point of Delivery. Avista shall provide one months' notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact –
PTKT Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

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

Section 8 - Miscellaneous Provisions

- 8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 Future Changes or Additions: Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement

may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement

Bonneville Power Administration – For Service to Big Bend Electric Cooperative, Inc.

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wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment.

A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service

Agreement shall be directed to:

Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington
99202 or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services –
PST Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Big Bend Electric Cooperative, Inc.

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8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Big Bend Electric Cooperative, Inc.

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IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Big Bend Electric Cooperative, Inc.

9

**EXHIBIT
1
SPECIFICATIONS
FOR
NETWORK INTEGRATION TRANSMISSION
SERVICE**

**Designated Network
Resources**

Power Sales Agreement between Bonneville and Big Bend Electric
Cooperative, Inc. (Bonneville Contract No. 09PB-13007)

**Designated Network
Loads**

(See Exhibit
1A)

**Monthly Transmission
Charge**

(Pursuant to Section 34 of the
Tariff)

**Monthly Charges for Direct Assignment and Low Voltage
Facilities**

(See Exhibit
1B)

**Power Factor Penalty
Adjustment**

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the
Tariff)

In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service
1

E1 –

Bonneville Power Administration – Service to Big Bend Electric Cooperative, Inc.

**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Delight Point of
Delivery**

Location: The point where Avista's Lind-Washtucna 115 kV Transmission Line and Big Bend Electric Cooperative's (Big Bend's) Delight Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Big Bend's Delight Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

2) **Lee and Reynolds Point of Delivery**

Location: The point in Avista's Lee and Reynolds Substation where the 13.8 kV facilities of Avista and Big Bend are connected

Voltage: 13.8 kV

Metering: In Avista's Lee and Reynolds Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

3) **Marengo Point of Delivery**

Location: The point in Avista's Marengo Substation where the 24.9 kV facilities of Avista and Big Bend are connected

Voltage: 24.9 kV

Metering: In Avista's Marengo Substation in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

4) **Ralston Point of Delivery**

Location: The point where Avista's Lind-Shawnee 115 kV Transmission Line and the Bonneville Power Administration's Ralston Substation 115 kV Tap Line are connected and the point where the Bonneville Power Administration's Ralston

115 kV Tap Line and Big Bend's Ralston Substation are connected

Voltage: 115 kV

Metering: In Big Bend's Ralston Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

5) **Ritzville Point of Delivery**

Location: The point where Avista's Devil's Gap-Lind 115 kV Transmission Line and Big Bend's Ritzville Substation 115kV Tap are connected

Voltage: 115 kV

Metering: In Big Bend's Ritzville Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

6) **Roxboro Point of Delivery**

Location: The point in Avista's Roxboro Substation where the 24.9 kV facilities of Avista and Big Bend are connected

Voltage: 24.9 kV

Metering: In Avista's Roxboro Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads

E1A –

2

Bonneville Power Administration – Service to Big Bend Electric Cooperative, Inc.

EXHIBIT**1B****DIRECT ASSIGNMENT AND
LOW-VOLTAGE SUBSTATION AND
DISTRIBUTION CHARGES****(per
month)**

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Delight	---	---	---
Lee and Reynolds	\$4,229	\$651	---
Marengo	---	\$1,503	---
Ralston	---	---	---
Ritzville	---	---	---
Roxboro	\$3,239	\$166	---

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
1
Bonneville Power Administration – Service to Big Bend Electric Cooperative, Inc.
Revision 1 – Effective April 1, 2016

E1B –

**EXHIBIT
2
SPECIFICATIONS AND CHARGES FOR ANCILLARY
SERVICES**

**Scheduling, System Control and Dispatch
Service**

(Pursuant to Schedule 1 of the
Tariff)

**Reactive Supply and Voltage Control from Generation
Sources**

(Pursuant to Schedule 2 of the
Tariff)

**Regulation and Frequency Response
Service**

(Pursuant to Schedule 3 of the
Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

**Energy Imbalance
Service**

(Pursuant to Schedule 4 of the
Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services

E2 –

1

Bonneville Power Administration – Service to Big Bend Electric Cooperative, Inc.

Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area.

As of

the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services

2

Bonneville Power Administration – Service to Big Bend Electric Cooperative, Inc.

E2 –

EXHIBIT

3

**NETWORK OPERATING
AGREEMENT**

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**NETWORK OPERATING
AGREEMENT**

**betwe
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**AVISTA
CORPORATION**

**and
the**

**BONNEVILLE POWER
ADMINISTRATION**

Bonneville Power Administration – Service to Big Bend Electric Cooperative, Inc.

**NETWORK OPERATING
AGREEMENT**

**betwe
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**AVISTA
CORPORATION**

**and
the**

**BONNEVILLE POWER
ADMINISTRATION**

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

**Section 2 –
Definitions**

Unless otherwise defined herein, all capitalized terms shall have their

respective meanings as set forth in the Tariff.

2.1 NERC – The North American Electric Reliability Corporation, or its successor.

2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

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2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.

2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.

4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.

- 4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

Network Operating Agreement – September 2011

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Section 5 – Interconnection Principles and Requirements

Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE- MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities. Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.
- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless

otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Network Operating Agreement – September 2011

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Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.

7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.

7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility

Practice and on a comparable basis with service to all other affected Network Customers

Network Operating Agreement – September 2011

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and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are

within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

**Section 8 -
Scheduling**

8.1 Scheduling and Schedule Revisions – Schedules for Bonneville’s designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however*, that:

- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours

and ending at 1100 hours, Bonneville shall submit any revision to an electronic

tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior

schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.

- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to

Avista's Transmission System or to a third-party system as a Network Resource, the

Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

- 8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.
- 8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista's Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista's transmission function passing on an aggregated sum of Bonneville's schedules associated with all of its borderline wheeling loads to Avista's load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista's Standards of Conduct.

Section 9 – Metering and Communications

- 9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.
- 9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter

used to determine billing associated with the Service Agreement shall provide to the

Network Operating Agreement – September 2011

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other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System. The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring

installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters.

In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the

Network Operating Agreement – September 2011

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Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

(a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by pro-rating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party

shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.

(b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.

(i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista

shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.

- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made

available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

9.6 Metering and Communications Required for Integration of Network Resources –

Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All

such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP

standards or criteria and Good Utility Practice.

Network Operating Agreement – September 2011

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9.7 Metering and Communications Required for Ancillary Services – Unless

otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this

Section 9, Avista may at any time install meters or metering equipment to make any

measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.

9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:

- (a) Megawatt and megavar indications from Bonneville's supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
- (b) The following:
 - (i) Metering current transformers ("CTs") and potential transformers ("PTs"),
 - (ii) Space in Bonneville's substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function ("Avista Equipment"), to be supplied by Avista,

Network Operating Agreement – September 2011

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- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Network Operating Agreement – September 2011

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Section 11 - Miscellaneous

11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.

11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.

11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.

11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any

such

amendment shall become effective upon acceptance for filing by the Commission.

NITSA, BPA NITSA Clearwater SA T-1095, 2.0.0, A
Record Narrative Name: BPA NITSA Clearwater SA T-1095 update low voltage charges
Tariff Record ID: 19
Tariff Record Collation Value: 2146087572 Tariff Record Parent Identifier: 15
Proposed Date: 2016-04-01
Priority Order: 1
Record Change Type: CHANGE
Record Content Type: 1
Associated Filing Identifier:

Avista Contract No. AV-TR11-1095
Bonneville Contract No. 11PX-10009

**SERVICE
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**NETWORK INTEGRATION TRANSMISSION
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**AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8**

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[For service to CLEARWATER POWER COMPANY]

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Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT (“Service Agreement”) is made and entered into this ____day of September, 2011, by and between AVISTA CORPORATION (“Avista”) and the Bonneville Power Administration (“Bonneville”), which hereinafter may be referred to individually as “Party” or collectively as “Parties”.

RECITAL
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WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 (“Tariff”); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista’s Transmission System and/or Avista’s low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to Clearwater Power Company’s loads connected to Avista’s Transmission System since January 1, 2006 and Bonneville has requested continuing service to Clearwater Power Company’s loads; and

WHEREAS, Avista has entered into an Interconnection and Operating Agreement with Clearwater Power Company, providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and Clearwater Power Company; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville's wholesale utility customers connected to Avista's Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Clearwater Power Company

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Section 1 - Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

2.1 Terms and Conditions and Incorporation of Tariff: The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.

- 2.2 Incorporation of Exhibits: The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 Completed Application: By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 System Impact and Facilities Studies: Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Section 3 - Term and Regulatory Filing

- 3.1 Effective Date and Filing: This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing ("Effective Date"). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 Cancellation Rights: If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.

3.3 Termination of Agreement: Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

4.1 Transmission Service: Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.

4.2 Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities: Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one months' notice to Bonneville prior to applying any such penalty adjustment for

the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact –
PTKT Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

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

Section 8 - Miscellaneous Provisions

- 8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 Future Changes or Additions: Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

Bonneville Power Administration – For Service to Clearwater Power Company

wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment.

A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service

Agreement shall be directed to:

Attention: Manager, Transmission Services
 Avista Corporation
 1411 East Mission Avenue
 Spokane, Washington
 99202 or
 P. O. Box 3727
 Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services –
PST Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Clearwater Power Company

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8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Clearwater Power Company

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IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Clearwater Power Company

9

**EXHIBIT
1
SPECIFICATIONS
FOR
NETWORK INTEGRATION TRANSMISSION
SERVICE**

**Designated Network
Resources**

Power Sales Agreement between Bonneville and Pacific Northwest Generation Cooperative
(for service to Clearwater Power Company) (Bonneville Contract No. 09PB-13088)

**Designated Network
Loads**

(See Exhibit
1A)

**Monthly Transmission
Charge**

(Pursuant to Section 34 of the
Tariff)

**Monthly Charges for Direct Assignment and Low Voltage
Facilities**

(See Exhibit
1B)

Power Factor Penalty

Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the Tariff)

In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service

E1 –

1

Bonneville Power Administration – Service to Clearwater Power Company

**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) Brincken's Corner Point of Delivery

Location: The point where Avista's Potlatch 115 kV Tap Transmission Line and Clearwater Power Company's (Clearwater's) Brincken's Corner 115 kV Tap Transmission Line are connected, approximately 1.4 line miles southwest of Avista's Potlatch Substation

Voltage: 115 kV

Metering: In Bonneville's Brincken's Corner Substation, in the 69 kV circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for

losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

2) **Craigmont Point of Delivery**

Location: The point approximately 2.6 miles east of Craigmont, Idaho, where the 13.2 kV

distribution facilities of Avista and Clearwater are connected

Voltage: 13.2 kV

Metering: At or near the Point of Delivery, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

3) **Juliaetta Point of Delivery**

Location: The point in Avista's Juliaetta Substation where the 13.8 kV facilities of Avista

and Clearwater are connected

Voltage: 13.8 kV

Metering: In Avista's Juliaetta Substation, in the distribution circuit(s) over which electric

power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

4) **Moscow Point of Delivery**

Location: The point in Avista's Moscow 230 kV Substation where the 24.9 kV facilities of

Avista and Clearwater are connected

Voltage: 24.9 kV

Metering: In Avista's Moscow 230 kV Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such

adjustments shall be specified in written correspondence between Avista and Bonneville.

5) **Orofino Point of Delivery**

Location: The point in Avista's Orofino Substation where the 24.9 kV facilities of Avista and Clearwater are connected

Voltage: 24.9 kV

Metering: In Avista's Orofino Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

6) **Potlatch Point of Delivery**

Location: The point In Avista's Potlatch Substation where the 24.9 kV facilities of Avista and Clearwater are connected

Voltage: 24.9 kV

Metering: In Avista's Potlatch Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

7) **Spalding Point of Delivery**

Location: The point where Avista's Clearwater-Lolo No. 1 115 kV Transmission Line and Clearwater's Spalding 115 kV Tap are connected

Voltage: 115 kV

Metering: In Clearwater's Spalding Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

8) **Sweetwater Point of Delivery**

Location: The point in Avista's Sweetwater Substation where the 24.9 kV facilities of Avista and Clearwater are connected

Voltage: 24.9 kV

Metering: In Avista's Sweetwater Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

9) **Weippe Point of Delivery**

Location: The point in Avista's Weippe Substation where the 13.8 kV facilities of Avista and Clearwater are connected

Voltage: 13.8 kV

Metering: In Avista's Weippe Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

10) **Ahsahka Point of Delivery**

Location: Clearwater's Ahsahka Substation, connected to Bonneville's portion of the Dworshak-Orofino 115 kV Transmission

Line. Voltage: 115 kV

Metering: In Clearwater's Ahsahka Substation, in the distribution circuit(s) over which electric power and energy flows

Note: Avista provides no Network Integration Transmission Service to this Point of Delivery. Clearwater's Ahsahka Substation resides in Avista's Control Area. Bonneville shall schedule power and energy associated with this Point of Delivery pursuant to the terms and conditions of this Agreement.

Exhibit 1A – Designated Network Loads

E1A –

3

Bonneville Power Administration – Service to Clearwater Power Company

**EXHIBIT
1B
DIRECT ASSIGNMENT AND
LOW-VOLTAGE SUBSTATION AND
DISTRIBUTION CHARGES
(per
month)**

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Brincken's Corner	---	---	---
Craigmont	\$1,656	\$1,274	---
Juliaetta	\$2,537	\$195	---
Moscow	\$8,979	\$712	---
Orofino	---	\$8,605	---
Potlatch	\$9	\$2,002	---
Spalding	---	---	---
Sweetwater	\$4,521	\$519	---
Weippe	\$9,938	\$332	---

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
1
Bonneville Power Administration – Service to Clearwater Power Company
Revision 1 – Effective April 1, 2016

E1B –

**EXHIBIT
2
SPECIFICATIONS AND CHARGES FOR ANCILLARY
SERVICES**

**Scheduling, System Control and Dispatch
Service**

(Pursuant to Schedule 1 of the
Tariff)

**Reactive Supply and Voltage Control from Generation
Sources**

(Pursuant to Schedule 2 of the
Tariff)

**Regulation and Frequency Response
Service**

(Pursuant to Schedule 3 of the
Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

**Energy Imbalance
Service**

(Pursuant to Schedule 4 of the
Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services

E2 –

1

Bonneville Power Administration – Service to Clearwater Power Company

Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area.

As of

the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services

E2 –

2

Bonneville Power Administration – Service to Clearwater Power Company

EXHIBIT

3

**NETWORK OPERATING
AGREEMENT**

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**NETWORK OPERATING
AGREEMENT**

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**AVISTA
CORPORATION**

**and
the**

**BONNEVILLE POWER
ADMINISTRATION**

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Bonneville Power Administration – Service to Clearwater Power Company

**NETWORK OPERATING
AGREEMENT**

**betwe
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**AVISTA
CORPORATION**

**and
the**

**BONNEVILLE POWER
ADMINISTRATION**

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

**Section 2 –
Definitions**

Unless otherwise defined herein, all capitalized terms shall have their

respective meanings as set forth in the Tariff.

2.1 NERC – The North American Electric Reliability Corporation, or its successor.

2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

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2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.

2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.

4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.

- 4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

Network Operating Agreement – September 2011

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Section 5 – Interconnection Principles and Requirements

Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE- MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities. Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.
- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless

otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Network Operating Agreement – September 2011

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Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.

7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.

7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility

Practice and on a comparable basis with service to all other affected Network Customers

Network Operating Agreement – September 2011

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and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are

within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

**Section 8 -
Scheduling**

8.1 Scheduling and Schedule Revisions – Schedules for Bonneville’s designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however*, that:

- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours

and ending at 1100 hours, Bonneville shall submit any revision to an electronic

tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior

schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.

- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to

Avista's Transmission System or to a third-party system as a Network Resource, the

Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

- 8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.
- 8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista's Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista's transmission function passing on an aggregated sum of Bonneville's schedules associated with all of its borderline wheeling loads to Avista's load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista's Standards of Conduct.

Section 9 – Metering and Communications

- 9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.
- 9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter

used to determine billing associated with the Service Agreement shall provide to the

Network Operating Agreement – September 2011

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other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System. The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring

installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters.

In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the

Network Operating Agreement – September 2011

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Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by pro-rating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.
- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista

shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.

- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made

available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

9.6 Metering and Communications Required for Integration of Network Resources –

Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All

such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP

standards or criteria and Good Utility Practice.

Network Operating Agreement – September 2011

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9.7 Metering and Communications Required for Ancillary Services – Unless

otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this

Section 9, Avista may at any time install meters or metering equipment to make any

measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.

9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:

- (a) Megawatt and megavar indications from Bonneville's supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
- (b) The following:
 - (i) Metering current transformers ("CTs") and potential transformers ("PTs"),
 - (ii) Space in Bonneville's substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function ("Avista Equipment"), to be supplied by Avista,

Network Operating Agreement – September 2011

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- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Network Operating Agreement – September 2011

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Section 11 - Miscellaneous

11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.

11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.

11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.

11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any

such

amendment shall become effective upon acceptance for filing by the Commission.

NITSA, BPA NITSA Idaho County SA T-1097, 2.0.0, A
Record Narrative Name: BPA NITSA Idaho County SA T-1097 update low voltage charges
Tariff Record ID: 21
Tariff Record Collation Value: 2146287572 Tariff Record Parent Identifier: 15
Proposed Date: 2016-04-01
Priority Order: 1
Record Change Type: CHANGE
Record Content Type: 1
Associated Filing Identifier:

Avista Contract No. AV-TR11-1097
Bonneville Contract No. 11PX-10011

**SERVICE
AGREEMENT**

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**NETWORK INTEGRATION TRANSMISSION
SERVICE**

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the **BONNEVILLE POWER
ADMINISTRATION**

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**AVISTA
CORPORATION**

und
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**AVISTA
CORPORATION'S**

**OPEN ACCESS TRANSMISSION
TARIFF FERC ELECTRIC TARIFF
VOLUME NO. 8**

-
-
-

**[For service to IDAHO COUNTY LIGHT & POWER COOPERATIVE ASSOCIATION,
INC.]**

<u>Section</u>	<u>Description</u>	<u>Page</u>
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Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT (“Service Agreement”) is made and entered into this ____day of September, 2011, by and between AVISTA CORPORATION (“Avista”) and the Bonneville Power Administration (“Bonneville”), which hereinafter may be referred to individually as “Party” or collectively as “Parties”.

RECITAL **S**

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 (“Tariff”); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista’s Transmission System and/or Avista’s low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to Idaho County Light & Power Cooperative Association, Inc.’s loads

connected to Avista's Transmission System since January 1, 2006 and Bonneville has requested continuing service to Idaho County Light & Power Cooperative Association, Inc.'s loads; and

WHEREAS, Avista has entered into an Interconnection and Operating Agreement with Idaho County Light & Power Cooperative Association, Inc., providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and Idaho County Light & Power Cooperative Association, Inc.; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville's wholesale utility customers connected to Avista's Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Idaho County Light & Power Cooperative Association, Inc.

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Section 1 - Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless

otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.

- 2.2 Incorporation of Exhibits: The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 Completed Application: By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 System Impact and Facilities Studies: Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Section 3 - Term and Regulatory Filing

- 3.1 Effective Date and Filing: This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing ("Effective Date"). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 Cancellation Rights: If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15)

business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.

- 3.3 Termination of Agreement: Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 Transmission Service: Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities: Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

- 4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista

may adjust the billing demand at such Point of Delivery. Avista shall provide one months' notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact –
PTKT Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

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

Section 8 - Miscellaneous Provisions

- 8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 Future Changes or Additions: Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement

may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement

Bonneville Power Administration – For Service to Idaho County Light & Power Cooperative Association, Inc.

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wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment.

A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service

Agreement shall be directed to:

Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington
99202 or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services –
PST Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Idaho County Light & Power Cooperative Association, Inc.

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8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Idaho County Light & Power Cooperative Association, Inc.

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IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Idaho County Light & Power Cooperative Association, Inc.

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**EXHIBIT
1
SPECIFICATIONS
FOR
NETWORK INTEGRATION TRANSMISSION
SERVICE**

**Designated Network
Resources**

Power Sales Agreement between Bonneville and Idaho County Light & Power Cooperative Association, Inc. (Bonneville Contract No. 09PB-13055)

Flat Block Market Purchase, through Northwest Electric Supply Cooperative (NESC) from Shell

Energy: 0.175 aMW 10/1/2011-9/30/2012; 0.375 aMW
10/1/2012-9/30/2013

**Designated Network
Loads**

(See Exhibit
1A)

**Monthly Transmission
Charge**

(Pursuant to Section 34 of the
Tariff)

**Monthly Charges for Direct Assignment and Low Voltage
Facilities**

(See Exhibit
1B)

**Power Factor Penalty
Adjustment**

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the
Tariff)

In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service

2

Bonneville Power Administration – Service to Idaho County Light & Power Cooperative Association, Inc.

E1 –

**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Cottonwood Point of Delivery**

Location: The point, approximately three miles north of Cottonwood, Idaho, where the 24.9 kV distribution facilities of Avista and ICL&P are connected

Voltage: 24.9 kV

Metering: At or near the Point of Delivery, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

2) **East Grangeville Point of Delivery**

Location: The point where Avista's East Grangeville 115 kV Tap of the Grangeville-Nez Perce No. 2 115 kV Transmission Line is connected to Bonneville's East Grangeville Substation 115 kV Tap

Voltage: 115 kV

Metering: In Bonneville's East Grangeville Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

3) **Kamiah Point of Delivery**

Location: The point, approximately 2.2 miles southeast of Kamiah, Idaho, where the 13.2 kV distribution facilities of Avista and ICL&P are connected

Voltage: 13.2 kV

Metering: At or near the Point of Delivery, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

4) **Kooskia Point of Delivery**

Location: The point in Avista's Kooskia 13/34.5 kV Substation where the 34.5 kV facilities of Avista and ICL&P are connected

Voltage: 34.5 kV

Metering: In Avista's Kooskia Substation, in the 13 kV circuit of the 13/34.5 kV transformer over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads

E1A –

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Bonneville Power Administration – Service to Idaho County Light & Power Cooperative Association, Inc.

**EXHIBIT
1B
DIRECT ASSIGNMENT AND
LOW-VOLTAGE SUBSTATION AND
DISTRIBUTION CHARGES**

(per
month)

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Cottonwood	\$1,836	---	\$32
East Grangeville	---	---	---
Kamiah	\$846	---	\$23
Kooskia	\$2,143	\$1,058	\$35

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
1

E1B –

Bonneville Power Administration – Service to Idaho County Light & Power Cooperative Association, Inc.
Revision 1 – Effective April 1, 2016

**EXHIBIT
2**

**SPECIFICATIONS AND CHARGES FOR ANCILLARY
SERVICES**

**Scheduling, System Control and Dispatch
Service**

(Pursuant to Schedule 1 of the
Tariff)

**Reactive Supply and Voltage Control from Generation
Sources**

(Pursuant to Schedule 2 of the
Tariff)

**Regulation and Frequency Response
Service**

(Pursuant to Schedule 3 of the
Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

**Energy Imbalance
Service**

(Pursuant to Schedule 4 of the
Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services

E2 –

1

Bonneville Power Administration – Service to Idaho County Light & Power Cooperative Association, Inc.

Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area.

As of

the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services

E2 –

2

Bonneville Power Administration – Service to Idaho County Light & Power Cooperative Association, Inc.

EXHIBIT

3

**NETWORK OPERATING
AGREEMENT**

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**NETWORK OPERATING
AGREEMENT**

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**AVISTA
CORPORATION**

**and
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**BONNEVILLE POWER
ADMINISTRATION**

**NETWORK OPERATING
AGREEMENT**

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**AVISTA
CORPORATION**

**and
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**BONNEVILLE POWER
ADMINISTRATION**

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

**Section 2 –
Definitions**

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

2.1 NERC – The North American Electric Reliability Corporation, or its successor.

2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

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2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.

2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.

4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and

operation.

- 4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

Network Operating Agreement – September 2011

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Section 5 – Interconnection Principles and Requirements

Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE- MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor.

If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.

6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista’s Control Area and/or operated in parallel with Avista’s electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista’s Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Network Operating Agreement – September 2011

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Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology

consistent with Section 33.3 of the Tariff.

7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.

7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility

Practice and on a comparable basis with service to all other affected Network Customers

Network Operating Agreement – September 2011

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and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs

Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances

outside Deviation Band 1 that are incurred for the hour in which any

such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

8.1 **Scheduling and Schedule Revisions** – Schedules for Bonneville’s designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however*, that:

- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours

and ending at 1100 hours, Bonneville shall submit any revision to an electronic

tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior

schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.

- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Parties shall develop applicable terms and conditions regarding the scheduling of

such resource and amend this Agreement accordingly.

- 8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.
- 8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista's Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista's transmission function passing on an aggregated sum of Bonneville's schedules associated with all of its borderline wheeling loads to Avista's load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista's Standards of Conduct.

Section 9 – Metering and Communications

- 9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.
- 9.2 Exchange of Metering Data – The Party owning, operating and maintaining each

meter

used to determine billing associated with the Service Agreement shall provide to the

Network Operating Agreement – September 2011

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other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System. The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters.

In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the

Network Operating Agreement – September 2011

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Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

(a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by pro-rating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party

shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.

(b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.

(i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall

provide copies of applicable test and calibration records and calculations.

Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.

- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method

of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

9.6 Metering and Communications Required for Integration of Network Resources –

Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All

such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP

standards or criteria and Good Utility Practice.

Network Operating Agreement – September 2011

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9.7 Metering and Communications Required for Ancillary Services – Unless

otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this

Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.

9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:

- (a) Megawatt and megavar indications from Bonneville’s supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
- (b) The following:
 - (i) Metering current transformers (“CTs”) and potential transformers (“PTs”),
 - (ii) Space in Bonneville’s substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function (“Avista Equipment”), to be supplied by Avista,

Network Operating Agreement – September 2011

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- (iii) Voltage and current indications from Bonneville’s CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise

temporarily suspend service at the Points of Delivery:

- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

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Section 11 - Miscellaneous

11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff

and this Agreement, the language of the Tariff shall govern.

11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.

11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.

11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any

such

amendment shall become effective upon acceptance for filing by the Commission.

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Record Content Description, Tariff Record Title, Record Version Number, Option Code:

NITSA, BPA NITSA Inland SA T-1098, 2.0.0, A

Record Narrative Name: BPA NITSA Inland SA T-1098 update low voltage charges

Tariff Record ID: 22

Tariff Record Collation Value: 2146387572 Tariff Record Parent Identifier: 15

Proposed Date: 2016-04-01

Priority Order: 1

Record Change Type: CHANGE

Record Content Type: 1

Associated Filing Identifier:

Avista Contract No. AV-TR11-1098
Bonneville Contract No. 11PX-10012

**SERVICE
AGREEMENT**

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**NETWORK INTEGRATION TRANSMISSION
SERVICE**

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the **BONNEVILLE POWER
ADMINISTRATION**

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**AVISTA
CORPORATION**

und
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**AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8**

[For service to INLAND POWER & LIGHT CO.]

<u>Section</u>	<u>Description</u>	<u>Page</u>
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Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT (“Service Agreement”) is made and entered into this ____day of September, 2011, by and between AVISTA CORPORATION (“Avista”) and the Bonneville Power Administration (“Bonneville”), which hereinafter may be referred to individually as “Party” or collectively as “Parties”.

RECITAL
S

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 (“Tariff”); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista’s Transmission System and/or Avista’s low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to Inland Power & Light Co.’s loads connected to Avista’s Transmission System since January 1, 2006 and Bonneville has requested continuing service

to Inland Power & Light Co.'s loads; and

WHEREAS, Avista has entered into an Interconnection and Operating Agreement with Inland Power & Light Co., providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and Inland Power & Light Co.; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville's wholesale utility customers connected to Avista's Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Inland Power & Light Co.

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Section 1 - Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to

a filing by Avista.

- 2.2 Incorporation of Exhibits: The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 Completed Application: By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 System Impact and Facilities Studies: Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Section 3 - Term and Regulatory Filing

- 3.1 Effective Date and Filing: This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing ("Effective Date"). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 Cancellation Rights: If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and

have no further force and effect.

- 3.3 Termination of Agreement: Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 Transmission Service: Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities: Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

- 4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide

one months' notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact –
PTKT Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

All payments to Avista shall be submitted via electronic funds transfer to the account

specified on each billing invoice.

Section 8 - Miscellaneous Provisions

- 8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 Future Changes or Additions: Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment.

A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service

Agreement shall be directed to:

Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington
99202 or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services –
PST Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Inland Power & Light Co.

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8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Inland Power & Light Co.

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IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Inland Power & Light Co.

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**EXHIBIT
1
SPECIFICATIONS
FOR
NETWORK INTEGRATION TRANSMISSION
SERVICE**

**Designated _____ Network
Resources**

Power Sales Agreement between Bonneville and Inland Power & Light Company (Bonneville
Contract No. 09PB-13057)

**Designated _____ Network
Loads**

(See Exhibit
1A)

**Monthly _____ Transmission
Charge**

(Pursuant to Section 34 of the
Tariff)

**Monthly Charges for Direct Assignment and Low Voltage
Facilities**

(See Exhibit
1B)

**Power Factor Penalty
Adjustment**

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the
Tariff)

In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service
1
Bonneville Power Administration – Service to Inland Power & Light Co.

E1 –

**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Airway Heights Point of Delivery**

Location: The point in Avista's Airway Heights Substation where the 13.8 kV facilities
of

Avista and Inland are connected

Voltage: 13.8 kV

Metering: In Avista's Airway Heights Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

2) **Armstrong Point of Delivery**

Location: The point where Avista's Shawnee-South Pullman 115 kV Transmission Line and Inland's Armstrong Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Inland's Armstrong Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

3) **Chambers Point of Delivery**

Location: The point where Avista's Shawnee-Sunset 115 kV Transmission Line and Inland's Chambers Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Inland's Chambers Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

4) **Cheney Point of Delivery**

Location: The point near Cheney, Washington, where Avista's South Fairchild 115 kV Tap of the Sunset-Westside 115 kV Transmission Line and Bonneville's Cheney 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In the City of Cheney's Cheney Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

5) **East Colfax Point of Delivery**

Location: The point in Avista's East Colfax Substation where the 13.8 kV facilities of Avista and Inland are connected

Voltage: 13.8 kV

Metering: In Avista's East Colfax Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

6) **Ewan Point of Delivery**

Location: The point in Avista's Ewan Substation where the 13.8 kV facilities of Avista and Inland are connected

Voltage: 13.8 kV

Metering: In Avista's Ewan Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

7) **Four Lakes Point of Delivery**

Location: The point near Cheney, Washington, where Avista's South Fairchild 115 kV Tap of the Sunset-Westside 115 kV Transmission Line and Bonneville's Cheney 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In Four Lakes Substation, which is jointly owned by the City of Cheney and Inland, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

8) **Gaffney Point of Delivery**

Location: The point where Avista's Devil's Gap-Lind 115 kV Transmission Line and Inland's Gaffney 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In Inland's Gaffney Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

9) **Hangman Point of Delivery**

Location: The point where Avista's Shawnee-Sunset 115 kV Transmission Line and Inland's Hangman 115kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In Inland's Hangman Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

10) **Hayford Point of Delivery**

Location: The point where Avista's South Fairchild 115 kV Tap Transmission Line and Inland's Hayford Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Inland's Hayford Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

11) Hoodoo Point of Delivery

Location: The point where Avista's Pine Street-Rathdrum 115 kV Transmission Line and

Inland's Hoodoo Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Inland's Hoodoo Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

12) Hopkins Point of Delivery

Location: The point where Avista's 8th & Fancher-Latah 115 kV Transmission Line and

Inland's Hopkins Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Inland's Hopkins Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

13) Irby Point of Delivery

Location: The point where Avista's Devil's Gap-Stratford 115 kV Transmission Line and

Inland's Irby 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In Inland's Irby Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

14) **Mica Point of Delivery**

Location: The point where Avista's 8th & Fancher-Latah 115 kV Transmission Line and Inland's Mica Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Inland's Mica Substation, in the distribution circuit(s) over which electric power and energy flows

Exhibit 1A – Designated Network Loads

E1A –

4

Bonneville Power Administration – Service to Inland Power & Light Co.

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

15) **Milan Point of Delivery**

Location: The point in Avista's Milan Substation where the 13.8 kV facilities of Avista and Inland are connected

Voltage: 13.8 kV

Metering: In Avista's Milan Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

16) **Milan / Eloika Lake Point of Delivery**

Location: The point at the end of Avista's Milan 12F1 13.8 kV feeder where it connects to Inland's 13.8 kV facilities near Eloika Lake, Washington, (Sections 2 and 3, T. 29 N., R. 43

E.W.M.) Voltage: 13.8

kV

Metering: On the supply side of Inland's 13.8/12.5 kV autotransformer, in the 13.8 kV circuit over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

17) **Moab Point of Delivery**

Location: The point where Avista's Otis Orchards-Rathdrum 115 kV Transmission Line and Inland's Moab Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Inland's Moab Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads

E1A –

5

Bonneville Power Administration – Service to Inland Power & Light Co.

18) **Odessa Point of Delivery**

Location: The point where Avista's Devils Gap-Stratford 115 kV Transmission Line and Bonneville's Odessa Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Bonneville's Odessa Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

19) **Rosalia Point of Delivery**

Location: The point in Avista's Rosalia Substation, where the 13.8 kV facilities of Avista and Inland are connected

Voltage: 13.8 kV

Metering: In Avista's Rosalia Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

20) **Spangle Point of Delivery**

Location: The point in Avista's Spangle Substation where the 13.8 kV facilities of Avista and Inland are connected

Voltage: 13.8 kV

Metering: In Avista's Spangle Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

21) **Wagner Lake Point of Delivery**

Location: The point near Wilbur, Washington, where Avista's Wilbur 115 kV Tap Transmission Line and Bonneville's Wagner Lake 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In Bonneville's Wagner Lake Substation, in the distribution circuit(s) over which electric power and energy flows

Exhibit 1A – Designated Network Loads

E1A –

6

Bonneville Power Administration – Service to Inland Power & Light Co.

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

22) **West Plains Point of Delivery**

Location: The point near Airway Heights, Washington, where Avista's Airway Heights- Devil's Gap 115 kV Transmission Line and Inland's West Plains Substation 115 kV Tap are connected

Voltage: 115 kV

Metering: In Inland's West Plains Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for

losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads

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Bonneville Power Administration – Service to Inland Power & Light Co.

E1A –

**EXHIBIT
1B**

**DIRECT ASSIGNMENT AND
LOW-VOLTAGE SUBSTATION AND
DISTRIBUTION CHARGES**

**(per
month)**

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Airway Heights	\$3,749	\$153	---
Armstrong	---	---	---
Chambers	---	---	---
Cheney	---	---	---
East Colfax	\$1,395	\$241	---
Ewan	\$1,881	\$336	---
Four Lakes	---	---	---
Gaffney	---	---	---
Hangman	---	---	---
Hayford	---	---	---
Hoodoo	---	---	---
Hopkins	---	---	---
Irby	---	---	---
Mica	---	---	---
Milan	\$76	\$10,359	---
Milan / Eloika Lake	---	---	---
Moab	---	---	---
Odessa	---	---	---
Rosalia	\$3,157	\$895	---
Spangle	\$817	\$524	---
Wagner Lake	---	---	---
West Plains	---	---	---

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges

1

Bonneville Power Administration – Service to Inland Power & Light Co.

Revision 1 – Effective April 1, 2016

E1B –

EXHIBIT**2**

SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES

Scheduling, System Control and Dispatch Service

(Pursuant to Schedule 1 of the Tariff)

Reactive Supply and Voltage Control from Generation Sources

(Pursuant to Schedule 2 of the Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve

Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services

E2 –

1

Bonneville Power Administration – Service to Inland Power & Light Co.

Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area.

As of

the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services

2

Bonneville Power Administration – Service to Inland Power & Light Co.

E2 –

EXHIBIT

3

**NETWORK OPERATING
AGREEMENT**

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**NETWORK OPERATING
AGREEMENT**

**betwe
en**

**AVISTA
CORPORATION**

**and
the**

**BONNEVILLE POWER
ADMINISTRATION**

Exhibit 3 – Network Operating Agreement

1

Bonneville Power Administration – Service to Inland Power & Light Co.

E3 –

**NETWORK OPERATING
AGREEMENT**

**betwe
en**

**AVISTA
CORPORATION**

**and
the**

BONNEVILLE POWER ADMINISTRATION

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

- 2.1 NERC – The North American Electric Reliability Corporation, or its successor.
- 2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

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- 2.3 Tariff - Avista’s Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.

- 2.4 WECC – The Western Electricity Coordinating Council, or its successor.

**Section 3 –
Term**

This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

- 4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville’s wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.
- 4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.
- 4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista’s calculation of available transmission capability on Avista’s Transmission System and for Avista’s implementation of redispatch, curtailment, load shedding and congestion management procedures.

Section 5 – Interconnection Principles and Requirements

Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE- MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be

parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.

6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard

FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Network Operating Agreement – September 2011

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Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.
- 7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the

Transmission System.

- 7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility

Practice and on a comparable basis with service to all other affected Network Customers

Network Operating Agreement – September 2011

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and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

- 8.1 Scheduling and Schedule Revisions – Schedules for Bonneville's designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement

of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however*, that:

- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours and ending at 1100 hours, Bonneville shall submit any revision to an electronic

tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.

(c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Network Operating Agreement – September 2011

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Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to

separate schedules.

- 8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista's Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista's transmission function passing on an aggregated sum of Bonneville's schedules associated with all of its borderline wheeling loads to Avista's load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista's Standards of Conduct.

Section 9 – Metering and Communications

- 9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.
- 9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter

used to determine billing associated with the Service Agreement shall provide to the

other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events

which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System. The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters. In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the

Network Operating Agreement – September 2011

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Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by pro-rating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.
- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.
- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville

Program, in which case Bonneville shall pay for the test.

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Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

9.6 Metering and Communications Required for Integration of Network Resources –

Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System

or within Avista's Control Area.

All

such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

Network Operating Agreement – September 2011

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- 9.7 Metering and Communications Required for Ancillary Services – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.
- 9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.
- 9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and

Bonneville shall provide either of the following to Avista:

- (a) Megawatt and megavar indications from Bonneville's supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
- (b) The following:
 - (i) Metering current transformers ("CTs") and potential transformers ("PTs"),
 - (ii) Space in Bonneville's substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function ("Avista Equipment"), to be supplied by Avista,

Network Operating Agreement – September 2011

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- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency

operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Network Operating Agreement – September 2011

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Section 11 - Miscellaneous

- 11.1 **Supremacy of Tariff** – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.
- 11.2 **Notices** – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.
- 11.3 **Assignment** – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.
- 11.4 **Amendment** – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such

amendment.

Any

such

amendment shall become effective upon acceptance for filing by the Commission.

Network Operating Agreement – September 2011

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Record Content Description, Tariff Record Title, Record Version Number, Option Code:

NITSA, BPA NITSA Kootenai SA T-1099, 2.0.0, A

Record Narrative Name: BPA NITSA Kootenai SA T-1099 update low voltage charges

Tariff Record ID: 23

Tariff Record Collation Value: 2146487572 Tariff Record Parent Identifier: 15

Proposed Date: 2016-04-01

Priority Order: 1

Record Change Type: CHANGE

Record Content Type: 1

Associated Filing Identifier:

Avista Contract No. AV-TR11-1099
Bonneville Contract No. 11PX-10013

**SERVICE
AGREEMENT**

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**NETWORK INTEGRATION TRANSMISSION
SERVICE**

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**the BONNEVILLE POWER
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**AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8**

- - -

[For service to KOOTENAI ELECTRIC COOPERATIVE, INC.]

<u>Section</u>	<u>Description</u>	<u>Page</u>
1.	Definitions	3
2.	Standard Provisions	3
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4.	Network Integration Transmission Service	4
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Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT ("Service

Agreement”) is made and entered into this ____day of September, 2011, by and between AVISTA CORPORATION (“Avista”) and the Bonneville Power Administration (“Bonneville”), which hereinafter may be referred to individually as “Party” or collectively as “Parties”.

RECITAL

§

WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 (“Tariff”); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista’s Transmission System and/or Avista’s low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to Kootenai Electric Cooperative, Inc.’s loads connected to Avista’s Transmission System since January 1, 2006 and Bonneville has requested continuing service to Kootenai Electric Cooperative, Inc.’s loads; and

WHEREAS, Avista has entered into an Interconnection and Operating Agreement with Kootenai Electric Cooperative, Inc., providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and Kootenai Electric Cooperative, Inc.; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville’s wholesale utility customers connected to Avista’s Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Kootenai Electric Cooperative, Inc.

2

Section 1 - Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

- 2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.
- 2.2 **Incorporation of Exhibits:** The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 **Completed Application:** By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 **System Impact and Facilities Studies:** Study Agreements for a System Impact

Study and/or a Facilities Study are not required for Avista to provide continuing Network

Integration Transmission Service to Bonneville.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Kootenai Electric Cooperative, Inc.

3

Section 3 - Term and Regulatory Filing

- 3.1 **Effective Date and Filing:** This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing (“Effective Date”). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 **Cancellation Rights:** If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 **Termination of Agreement:** Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service

Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 Transmission Service: Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities: Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Kootenai Electric Cooperative, Inc.

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- 4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one months' notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit

2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact –
PTKT Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Kootenai Electric Cooperative, Inc.

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

Section 8 - Miscellaneous Provisions

- 8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 Future Changes or Additions: Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any

transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.

- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any

other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment.

A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service

Agreement shall be directed to:

Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington
99202 or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services –
PST Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall

arrange.

IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the

date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

**EXHIBIT
1
SPECIFICATIONS
FOR
NETWORK INTEGRATION TRANSMISSION
SERVICE**

Designated Network Resources

Power Sales Agreement between Bonneville and Kootenai Electric Cooperative, Inc.
(Bonneville
Contract No.
09PB-13060)

Designated Network Loads

(See Exhibit
1A)

Monthly Transmission Charge

(Pursuant to Section 34 of the
Tariff)

Monthly Charges for Direct Assignment and Low Voltage Facilities

(See Exhibit
1B)

Power Factor Penalty Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the

Tariff)

In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service

E1 –

1

Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.

**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Athol Point of Delivery**

Location: The point near Spirit Lake, Idaho, where Avista's Pine Street-Rathdrum 115 kV Transmission Line and Kootenai Electric Cooperative, Inc.'s (KEC) Athol 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In Athol Substation, which is jointly owned by KEC and Northern Lights Inc., in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

2) **Coeur d'Alene 15th Street Point of Delivery**

Location: The point in Avista's Coeur d'Alene 15th Street Substation where the 13.8 kV facilities of Avista and KEC are connected

Voltage: 13.8 kV

Metering: In Avista's 15th Street Substation, in the distribution circuit(s) over which

electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

3) **Dower Point of Delivery**

Location: The point where Avista's Dower-Post Falls 115 kV Tap Transmission Line and

KEC's Dower-Post Falls 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In KEC's Dower Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads

E1A –

1

Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.

4) **Hayden Point of Delivery**

Location: The point where Avista's Coeur d'Alene-Ramsey 115 kV Transmission Line and KEC's Hayden 115 kV Tap are connected

Voltage: 115 kV

Metering: In KEC's Hayden Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

5) **Julia Street Point of Delivery**

Location: The point where Avista's Appleway-Ramsey 115 kV Transmission Line and KEC's Julia Street 115 kV Tap are connected

Voltage: 115 kV

Metering: In KEC's Julia Street Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

6) **O'gara Point of Delivery**

Location: The point in Avista's O'Gara Substation where the 13.8 kV facilities of Avista and KEC are connected

Voltage: 13.8 kV

Metering: On KEC's distribution pole adjacent to Avista's O'Gara Substation in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

7) **Pleasant View Point of Delivery**

Location: The point in Avista's Pleasant View Substation where the 13.8 kV facilities of Avista and KEC are connected

Voltage: 13.8 kV

Metering: In Avista's Pleasant View Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

8) **Plummer Point of Delivery**

Location: The point in Avista's Plummer Substation where the 13.8 kV facilities of Avista and KEC are connected

Voltage: 13.8 kV

Metering: In Avista's Plummer Substation, in the distribution circuit(s) over which

electric
power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

9) **Prairie Point of Delivery**

Location: The point in the jointly-owned Prairie Substation, at the supply side of KEC's 115kV fused disconnects, where the 115kV facilities of Avista and KEC are connected

Voltage: 115 kV

Metering: In KEC's portion of the jointly-owned Prairie Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

10) **Rathdrum Point of Delivery**

Location: The point in Avista's Rathdrum Substation where the 13.8 kV facilities of Avista and KEC are connected

Voltage: 13.8 kV

Metering: In Avista's Rathdrum Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

11) **Scarcello Point of Delivery**

Location: The point where Avista's Pine Street-Rathdrum 115 kV Transmission Line is connected to KEC's Scarcello Substation 115 kV Tap

Voltage: 115 kV

Metering: In KEC's Scarcello Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

12) **Setters Point of Delivery**

Location: The point where Avista's 8th and Fancher-Latah Junction 115 kV Transmission Line is connected to KEC's Setters Substation 115 kV Tap Transmission Line

Voltage: 115 kV

Metering: In KEC's Setters Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads

E1A –

4

Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.
Revision 1 – Effective April 1, 2016

**EXHIBIT
1B
DIRECT ASSIGNMENT AND
LOW-VOLTAGE SUBSTATION AND
DISTRIBUTION CHARGES
(per
month)**

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Athol	---	---	---
Coeur d'Alene 15 th Street	\$1,386	\$312	---
Dower	---	\$8076	---
Hayden	---	---	---
Julia Street	---	---	---
O'Gara	\$2,740	\$308	---
Pleasant View	\$3,426	\$283	---
Plummer	\$1,433	\$570	---
Prarie	---	---	---
Rathdrum	\$2,309	\$164	---
Rockford	---	---	---
Scarcello	---	---	---
Setters	---	---	---

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
1
Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.
Revision 1 – Effective April 1, 2016

E1B –

**EXHIBIT
2
SPECIFICATIONS AND CHARGES FOR ANCILLARY
SERVICES**

**Scheduling, System Control and Dispatch
Service**

(Pursuant to Schedule 1 of the
Tariff)

**Reactive Supply and Voltage Control from Generation
Sources**

(Pursuant to Schedule 2 of the
Tariff)

**Regulation and Frequency Response
Service**

(Pursuant to Schedule 3 of the
Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

**Energy Imbalance
Service**

(Pursuant to Schedule 4 of the
Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services

E2 –

1

Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.

Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area.

As of

the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services

E2 –

2

Bonneville Power Administration – Service to Kootenai Electric Cooperative, Inc.

EXHIBIT

3

**NETWORK OPERATING
AGREEMENT**

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**NETWORK OPERATING
AGREEMENT**

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**AVISTA
CORPORATION**

**and
the**

**BONNEVILLE POWER
ADMINISTRATION**

**NETWORK OPERATING
AGREEMENT**

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**AVISTA
CORPORATION**

**and
the**

**BONNEVILLE POWER
ADMINISTRATION**

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

**Section 2 –
Definitions**

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

2.1 NERC – The North American Electric Reliability Corporation, or its successor.

2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

1

2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.

2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.

4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and

operation.

- 4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

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Section 5 – Interconnection Principles and Requirements

Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE- MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor.

If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.

6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista’s Control Area and/or operated in parallel with Avista’s electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista’s Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

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Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology

consistent with Section 33.3 of the Tariff.

7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.

7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility

Practice and on a comparable basis with service to all other affected Network Customers

Network Operating Agreement – September 2011

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and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs

Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances

outside Deviation Band 1 that are incurred for the hour in which any

such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

8.1 **Scheduling and Schedule Revisions** – Schedules for Bonneville’s designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however*, that:

- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours

and ending at 1100 hours, Bonneville shall submit any revision to an electronic

tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior

schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.

- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to

Avista's Transmission System or to a third-party system as a Network Resource, the

Parties shall develop applicable terms and conditions regarding the scheduling of

such resource and amend this Agreement accordingly.

- 8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.
- 8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista's Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista's transmission function passing on an aggregated sum of Bonneville's schedules associated with all of its borderline wheeling loads to Avista's load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista's Standards of Conduct.

Section 9 – Metering and Communications

- 9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.
- 9.2 Exchange of Metering Data – The Party owning, operating and maintaining each

meter

used to determine billing associated with the Service Agreement shall provide to the

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other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System. The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters.

In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the

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Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

(a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by pro-rating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party

shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.

(b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.

(i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall

provide copies of applicable test and calibration records and calculations.

Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.

- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method

of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

9.6 Metering and Communications Required for Integration of Network Resources –

Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All

such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP

standards or criteria and Good Utility Practice.

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9.7 Metering and Communications Required for Ancillary Services – Unless

otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this

Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.

9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:

- (a) Megawatt and megavar indications from Bonneville’s supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
- (b) The following:
 - (i) Metering current transformers (“CTs”) and potential transformers (“PTs”),
 - (ii) Space in Bonneville’s substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function (“Avista Equipment”), to be supplied by Avista,

Network Operating Agreement – September 2011

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- (iii) Voltage and current indications from Bonneville’s CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise

temporarily suspend service at the Points of Delivery:

- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

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Section 11 - Miscellaneous

11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff

and this Agreement, the language of the Tariff shall govern.

11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.

11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.

11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any

such

amendment shall become effective upon acceptance for filing by the Commission.

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Record Content Description, Tariff Record Title, Record Version Number, Option Code:
NITSA, BPA NITSA Northern Lights SA T-1101, 2.0.0, A
Record Narrative Name: BPA NITSA Northern Lights SA T-1101 update low voltage charges
Tariff Record ID: 25
Tariff Record Collation Value: 2146687572 Tariff Record Parent Identifier: 15
Proposed Date: 2016-04-01
Priority Order: 1
Record Change Type: CHANGE
Record Content Type: 1
Associated Filing Identifier:

Avista Contract No. AV-TR11-1101
Bonneville Contract No. 11PX-10015

**SERVICE
AGREEMENT**

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**NETWORK INTEGRATION TRANSMISSION
SERVICE**

betwe
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the **BONNEVILLE POWER
ADMINISTRATION**

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**AVISTA
CORPORATION**

und
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**AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8**

[For service to NORTHERN LIGHTS INC.]

<u>Section</u>	<u>Description</u>	<u>Page</u>
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Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT (“Service Agreement”) is made and entered into this ____day of September, 2011, by and between AVISTA CORPORATION (“Avista”) and the Bonneville Power Administration (“Bonneville”), which hereinafter may be referred to individually as “Party” or collectively as “Parties”.

RECITAL

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WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 (“Tariff”); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista’s Transmission System and/or Avista’s low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to Northern Lights Inc.’s loads connected to Avista’s Transmission System since January 1, 2006 and Bonneville has requested continuing service to Northern

Lights Inc.'s loads; and

WHEREAS, Avista has entered into an Interconnection and Operating Agreement with Northern Lights Inc., providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and Northern Lights Inc.; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville's wholesale utility customers connected to Avista's Transmission System.

NOW THEREFORE, the Parties agree as follows:

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Northern Lights Inc.

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Section 1 - Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.

- 2.2 Incorporation of Exhibits: The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 Completed Application: By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 System Impact and Facilities Studies: Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Section 3 - Term and Regulatory Filing

- 3.1 Effective Date and Filing: This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing ("Effective Date"). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 Cancellation Rights: If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.

3.3 Termination of Agreement: Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

4.1 Transmission Service: Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.

4.2 Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities: Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one month's notice to Bonneville prior to applying any such penalty adjustment for

the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact –
PTKT Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

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

Section 8 - Miscellaneous Provisions

- 8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 Future Changes or Additions: Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

Bonneville Power Administration – For Service to Northern Lights Inc.

wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment.

A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service

Agreement shall be directed to:

Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington
99202 or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services –
PST Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Northern Lights Inc.

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8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to Northern Lights Inc.

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**EXHIBIT
1
SPECIFICATIONS
FOR
NETWORK INTEGRATION TRANSMISSION
SERVICE**

**Designated Network
Resources**

Power Sales Agreement between Bonneville and Pacific Northwest Generation Cooperative
(for service to Northern Lights Inc.) (Bonneville Contract No. 09PB-13088)

**Designated Network
Loads**

(See Exhibit
1A)

**Monthly Transmission
Charge**

(Pursuant to Section 34 of the
Tariff)

**Monthly Charges for Direct Assignment and Low Voltage
Facilities**

(See Exhibit
1B)

Power Factor Penalty

Adjustment

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the Tariff)

In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service

E1 –

1

Bonneville Power Administration – Service to Northern Lights Inc.

**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) Athol Point of Delivery

Location: The point near Spirit Lake, Idaho, where Avista's Pine Street-Rathdrum 115 kV Transmission Line and Kootenai Electric Cooperative, Inc.'s Athol 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In Athol Substation, which is jointly owned by Northern Lights and Kootenai Electric Cooperative, Inc., in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for

losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

2) **Cabinet Gorge Point of Delivery**

Location: The point in Avista's Cabinet Gorge 115/13 kV Substation where the 13.8 kV facilities of Avista and Northern Lights are connected

Voltage: 13.8 kV

Metering: In the immediate vicinity of Avista's Cabinet Gorge 115/13 kV Substation, in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

3) **Noxon (Construction) Substation Point of Delivery**

Location: The point in Avista's Noxon 230/13 kV (Construction) Substation where the 13.8 kV facilities of Avista and Northern Lights are connected

Voltage: 13.8 kV

Metering: In Avista's Noxon 230/13 kV (Construction) Substation, in the distribution circuit(s) over which electric power and energy flows

**EXHIBIT
1B**

**DIRECT ASSIGNMENT AND
LOW-VOLTAGE SUBSTATION AND
DISTRIBUTION CHARGES**

**(per
month)**

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Athol	---	---	---
Cabinet Gorge	\$2,752	\$381	---
Noxon (Construction)	\$11,852	\$614	---

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges
 1
 Bonneville Power Administration – Service to Northern Lights Inc.
 Revision 1 – Effective April 1, 2016

E1B –

EXHIBIT

SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES

Scheduling, System Control and Dispatch Service

(Pursuant to Schedule 1 of the Tariff)

Reactive Supply and Voltage Control from Generation Sources

(Pursuant to Schedule 2 of the Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve

Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services

E2 –

1

Bonneville Power Administration – Service to Northern Lights Inc.

Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area.

As of

the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services
2
Bonneville Power Administration – Service to Northern Lights Inc.

E2 –

**EXHIBIT
3
NETWORK OPERATING
AGREEMENT**

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**NETWORK OPERATING
AGREEMENT**

**betwe
en**

**AVISTA
CORPORATION**

**and
the**

**BONNEVILLE POWER
ADMINISTRATION**

Exhibit 3 – Network Operating Agreement

1

Bonneville Power Administration – Service to Northern Lights Inc.

E3 –

**NETWORK OPERATING
AGREEMENT**

**betwe
en**

**AVISTA
CORPORATION**

**and
the**

BONNEVILLE POWER ADMINISTRATION

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

- 2.1 NERC – The North American Electric Reliability Corporation, or its successor.
- 2.2 NWPP – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

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- 2.3 Tariff - Avista’s Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.

- 2.4 WECC – The Western Electricity Coordinating Council, or its successor.

**Section 3 –
Term**

This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

- 4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville’s wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.
- 4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.
- 4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista’s calculation of available transmission capability on Avista’s Transmission System and for Avista’s implementation of redispatch, curtailment, load shedding and congestion management procedures.

Section 5 – Interconnection Principles and Requirements

Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE- MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be

parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.

6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard

FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Network Operating Agreement – September 2011

3

Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.
- 7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the

Transmission System.

- 7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility

Practice and on a comparable basis with service to all other affected Network Customers

Network Operating Agreement – September 2011

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and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

- 8.1 Scheduling and Schedule Revisions – Schedules for Bonneville's designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement

of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however*, that:

- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours and ending at 1100 hours, Bonneville shall submit any revision to an electronic

tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.

(c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Network Operating Agreement – September 2011

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Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to

separate schedules.

- 8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista's Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista's transmission function passing on an aggregated sum of Bonneville's schedules associated with all of its borderline wheeling loads to Avista's load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista's Standards of Conduct.

Section 9 – Metering and Communications

- 9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.
- 9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter

used to determine billing associated with the Service Agreement shall provide to the

other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events

which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System. The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters. In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the

Network Operating Agreement – September 2011

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Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by pro-rating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.
- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.
- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville

Program, in which case Bonneville shall pay for the test.

Network Operating Agreement – September 2011

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Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

9.6 Metering and Communications Required for Integration of Network Resources –

Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System

or within Avista's Control Area.

All

such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

Network Operating Agreement – September 2011

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- 9.7 Metering and Communications Required for Ancillary Services – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.
- 9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.
- 9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and

Bonneville shall provide either of the following to Avista:

- (a) Megawatt and megavar indications from Bonneville's supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
- (b) The following:
 - (i) Metering current transformers ("CTs") and potential transformers ("PTs"),
 - (ii) Space in Bonneville's substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function ("Avista Equipment"), to be supplied by Avista,

Network Operating Agreement – September 2011

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- (iii) Voltage and current indications from Bonneville's CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency

operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Network Operating Agreement – September 2011

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Section 11 - Miscellaneous

- 11.1 **Supremacy of Tariff** – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.
- 11.2 **Notices** – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.
- 11.3 **Assignment** – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.
- 11.4 **Amendment** – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such

amendment.

Any

such

amendment shall become effective upon acceptance for filing by the Commission.

Network Operating Agreement – September 2011

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Record Content Description, Tariff Record Title, Record Version Number, Option Code:

NITSA, BPA NITSA Plummer SA T-1102, 2.0.0, A

Record Narrative Name: BPA NITSA Plummer SA T-1102 update low voltage charges

Tariff Record ID: 26

Tariff Record Collation Value: 2146787572 Tariff Record Parent Identifier: 15

Proposed Date: 2016-04-01

Priority Order: 1

Record Change Type: CHANGE

Record Content Type: 1

Associated Filing Identifier:

Avista Contract No. AV-TR11-1102
Bonneville Contract No. 11PX-10016

**SERVICE
AGREEMENT**

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**NETWORK INTEGRATION TRANSMISSION
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**AVISTA CORPORATION'S
OPEN ACCESS TRANSMISSION TARIFF
FERC ELECTRIC TARIFF VOLUME NO. 8**

- - -

[For service to CITY OF PLUMMER]

<u>Section</u>	<u>Description</u>	<u>Page</u>
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3.	Term and Regulatory Filing	4
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6.	Construction of Facilities	5
7.	Billing and Payment	5
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Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT ("Service

Agreement”) is made and entered into this ____day of September, 2011, by and between AVISTA CORPORATION (“Avista”) and the Bonneville Power Administration (“Bonneville”), which hereinafter may be referred to individually as “Party” or collectively as “Parties”.

RECITAL
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WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 (“Tariff”); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista’s Transmission System and/or Avista’s low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to City of Plummer’s loads connected to Avista’s Transmission System since January

1, 2006 and Bonneville has requested continuing service to City of Plummer’s loads; and

WHEREAS, Avista has entered into an Interconnection and Operating Agreement with City of Plummer, providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and City of Plummer; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville’s wholesale utility customers connected to Avista’s Transmission System.

NOW THEREFORE, the Parties agree as follows:

Section 1 - Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

- 2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.
- 2.2 **Incorporation of Exhibits:** The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 **Completed Application:** By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 **System Impact and Facilities Studies:** Study Agreements for a System Impact

Study and/or a Facilities Study are not required for Avista to provide continuing Network

Integration Transmission Service to Bonneville.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Plummer

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Section 3 - Term and Regulatory Filing

- 3.1 **Effective Date and Filing:** This Service Agreement shall be effective on the Service Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing (“Effective Date”). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.
- 3.2 **Cancellation Rights:** If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 **Termination of Agreement:** Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's

right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

4.1 Transmission Service: Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.

4.2 Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities: Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Plummer

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4.3 Power Factor Penalty Adjustment: Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one months' notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are

listed in Exhibit

2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact –
PTKT Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621
Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Plummer

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

Section 8 - Miscellaneous Provisions

8.1 Interconnection with Other Systems: Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.

8.2 Future Changes or Additions: Future changes or additions that increase

Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.

- 8.3 Waivers: Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 Effect of Section Headings: Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this Service Agreement.
- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement,

implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment.

A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service

Agreement shall be directed to:

Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington
99202 or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service Agreement shall be directed to:

Attention: Manager, Transfer Services –
PST Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time

shall

arrange.

IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to

be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

**EXHIBIT
1
SPECIFICATIONS
FOR
NETWORK INTEGRATION TRANSMISSION
SERVICE**

**Designated _____ Network
Resources**

Power Sales Agreement between Bonneville and City of Plummer (Bonneville Contract No. 09PB-1309
2)

**Designated _____ Network
Loads**

(See Exhibit
1A)

**Monthly _____ Transmission
Charge**

(Pursuant to Section 34 of the
Tariff)

**Monthly Charges for Direct Assignment and Low Voltage
Facilities**

(See Exhibit
1B)

**Power _____ Factor _____ Penalty
Adjustment**

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

**Loss
es**

(Pursuant to Section 28.5 of the Tariff)

In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

Exhibit 1 – Specifications for Network Integration Transmission Service

E1 –

1

Bonneville Power Administration – Service to City of Plummer

**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Plummer Point of Delivery**

Location: The point in Avista's Plummer Substation where the 13.8 kV facilities of Avista and the City of Plummer are connected

Voltage: 13.8 kV

Metering: In Avista's Plummer Substation in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads

1

Bonneville Power Administration – Service to City of Plummer

E1A –

**EXHIBIT
1B
DIRECT ASSIGNMENT AND
LOW-VOLTAGE SUBSTATION AND
DISTRIBUTION CHARGES
(per
month)**

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Plummer	\$6,319	\$570	---

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges

E1B –

1

Bonneville Power Administration – Service to City of Plummer

Revision 1 – Effective April 1, 2016

EXHIBIT

2

**SPECIFICATIONS AND CHARGES FOR ANCILLARY
SERVICES**

**Scheduling, System Control and Dispatch
Service**

(Pursuant to Schedule 1 of the
Tariff)

**Reactive Supply and Voltage Control from Generation
Sources**

(Pursuant to Schedule 2 of the

Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its

scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services

E2 –

1

Bonneville Power Administration – Service to City of Plummer

Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area.

As of

the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services
2
Bonneville Power Administration – Service to City of Plummer

E2 –

**EXHIBIT
3
NETWORK OPERATING
AGREEMENT**

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**NETWORK OPERATING
AGREEMENT**

**betwe
en**

**AVISTA
CORPORATION**

**and
the**

**BONNEVILLE POWER
ADMINISTRATION**

Exhibit 3 – Network Operating Agreement
1
Bonneville Power Administration – Service to City of Plummer

E3 –

**NETWORK OPERATING
AGREEMENT**

**betwe
en**

**AVISTA
CORPORATION**

**and
the**

**BONNEVILLE POWER
ADMINISTRATION**

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

Section 2 – Definitions

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

- 2.1 **NERC** – The North American Electric Reliability Corporation, or its successor.
- 2.2 **NWPP** – The Northwest Power Pool, or its successor.

Network Operating Agreement – September 2011

1

- 2.3 **Tariff** - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.
- 2.4 **WECC** – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

- 4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville’s wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.
- 4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and operation.
- 4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista’s calculation of available transmission capability on Avista’s Transmission System and for Avista’s implementation of redispatch, curtailment, load shedding and congestion management procedures.

Section 5 – Interconnection Principles and Requirements

Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE- MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties’ interconnected electric facilities. Principles and requirements associated with the

interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor. If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.
- 6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

- 7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology consistent with Section 33.3 of the Tariff.
- 7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.
- 7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility

Practice and on a comparable basis with service to all other affected Network Customers

Network Operating Agreement – September 2011

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and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances outside Deviation Band 1 that are incurred for the hour in which any such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

- 8.1 Scheduling and Schedule Revisions – Schedules for Bonneville's designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however*, that:
- (a) Bonneville shall submit schedule revisions during the normal schedule

revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours

and ending at 1100 hours, Bonneville shall submit any revision to an electronic

tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.
- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour

schedule adjustments are submitted by Bonneville.

8.2 Scheduling of Network Resources – Bonneville’s designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville’s Control Area on behalf of, Bonneville’s wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to

Avista’s Transmission System or to a third-party system as a Network Resource, the

Network Operating Agreement – September 2011

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Parties shall develop applicable terms and conditions regarding the scheduling of such resource and amend this Agreement accordingly.

8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.

8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista’s Control Area and pursuant to 18 C.F.R. §358.7(c) and

§358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista’s transmission function passing on an aggregated sum of Bonneville’s schedules associated with all of its borderline wheeling loads to Avista’s load-serving entity and control area balancing function, which function has been identified as an

energy or marketing affiliate for purposes of Avista's Standards of Conduct.

Section 9 – Metering and Communications

9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.

9.2 Exchange of Metering Data – The Party owning, operating and maintaining each meter

used to determine billing associated with the Service Agreement shall provide to the

Network Operating Agreement – September 2011

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other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided

under the Service Agreement, available to Avista via Bonneville's Meter Data Management System. The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

- 9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters. In the event that a single set of meters are utilized, tests of such meters shall be conducted jointly by the

Network Operating Agreement – September 2011

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Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

- (a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by pro-rating metered amounts to the number of days in such month. In the event a recording metering device is installed,

actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.

- (b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.
- (i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.
- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

(c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

9.6 Metering and Communications Required for Integration of Network Resources – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

- 9.7 Metering and Communications Required for Ancillary Services – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.
- 9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.
- 9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:
- (a) Megawatt and megavar indications from Bonneville's supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
 - (b) The following:
 - (i) Metering current transformers ("CTs") and potential transformers ("PTs"),
 - (ii) Space in Bonneville's substation control house or cabinet for an Avista

remote terminal unit or such other equipment that performs a comparable function (“Avista Equipment”), to be supplied by Avista,

Network Operating Agreement – September 2011

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- (iii) Voltage and current indications from Bonneville’s CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 **Maintenance Scheduling and Continuity of Service** – Avista may Curtail or otherwise temporarily suspend service at the Points of Delivery:

- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 **Emergency Planning and Operation** – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista’s Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;

- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

Network Operating Agreement – September 2011

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**Section 11 -
Miscellaneous**

- 11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff and this Agreement, the language of the Tariff shall govern.
- 11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.
- 11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.
- 11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any such amendment shall become effective upon acceptance for filing by the Commission.

Network Operating Agreement – September 2011

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Record Content Description, Tariff Record Title, Record Version Number, Option Code:

NITSA, BPA NITSA Chewelah SA T-1094, 2.0.0, A

Record Narrative Name: BPA NITSA Chewelah SA T-1094 update low voltage charges

Tariff Record ID: 27

Tariff Record Collation Value: 2146887572 Tariff Record Parent Identifier: 15

Proposed Date: 2016-04-01

Priority Order: 1

Record Change Type: CHANGE

Record Content Type: 1

Associated Filing Identifier:

Avista Contract No. AV-TR11-1094
Bonneville Contract No. 11PX-10008

**SERVICE
AGREEMENT**

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**NETWORK INTEGRATION TRANSMISSION
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**AVISTA
CORPORATION**

und

er
**AVISTA CORPORATION'S
 OPEN ACCESS TRANSMISSION TARIFF
 FERC ELECTRIC TARIFF VOLUME NO. 8**

- - -

[For service to CITY OF CHEWELAH]

<u>Section</u>	<u>Description</u>	<u>Page</u>
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Exhibit 1: Specifications for Network Integration Transmission Service

Exhibit 2: Specifications and Charges for Ancillary Services

Exhibit 3: Network Operating Agreement

This NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT ("Service Agreement") is made and entered into this ____day of September, 2011, by and between AVISTA CORPORATION ("Avista") and the Bonneville Power Administration ("Bonneville"), which hereinafter may be referred to individually as "Party" or collectively as "Parties".

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WHEREAS, Avista provides Network Integration Transmission Service over its Transmission System under Avista's Open Access Transmission Tariff – FERC Electric Tariff Volume No. 8 (“Tariff”); and

WHEREAS, Bonneville has historically purchased transmission service to serve its wholesale federal power customers connected to Avista’s Transmission System and/or Avista’s low-voltage substation and distribution facilities; and

WHEREAS, Avista has provided Network Integration Transmission Service to Bonneville for service to the City of Chewelah’s loads connected to Avista’s Transmission System since January 1, 2006 and Bonneville has requested continuing service to the City of Chewelah’s loads; and

WHEREAS, Avista has entered into an Interconnection and Operating Agreement with the City of Chewelah, providing for, among other things, the operation and maintenance of the interconnected electric facilities of Avista and the City of Chewelah; and

WHEREAS, Avista and Bonneville have entered into or are entering into follow-on agreements, of which this Service Agreement is one, wherein, collectively, Bonneville purchases transmission service from Avista for service to all of Bonneville’s wholesale utility customers connected to Avista’s Transmission System.

NOW THEREFORE, the Parties agree as follows:

**Section 1 -
Definitions**

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff. Bonneville shall be the Transmission Customer as such term is used in the Tariff and Avista shall be the Transmission Provider as such term is used in the Tariff.

Section 2 - Standard Provisions

- 2.1 **Terms and Conditions and Incorporation of Tariff:** The terms and conditions under which Network Integration Transmission Service is offered and accepted are pursuant to this Service Agreement and to the Tariff. The Tariff is hereby incorporated by this reference and made a part of this Service Agreement. Unless otherwise mutually agreed by the Parties, Avista may change the terms and conditions of the Tariff upon, and only upon, approval by the Commission pursuant to a filing by Avista.
- 2.2 **Incorporation of Exhibits:** The following exhibits are incorporated herein and made a part of this Service Agreement: Exhibit 1, including Exhibits 1A and 1B (Specifications for Network Integration Transmission Service), Exhibit 2 (Specifications and Charges for Ancillary Services), and Exhibit 3 (Network Operating Agreement).
- 2.3 **Completed Application:** By receipt of Bonneville's request for transmission service dated September 27, 2010, Avista has determined that Bonneville has provided a Completed Application for Network Integration Transmission Service under the Tariff.
- 2.4 **System Impact and Facilities Studies:** Study Agreements for a System Impact Study and/or a Facilities Study are not required for Avista to provide continuing Network Integration Transmission Service to Bonneville.

Section 3 - Term and Regulatory Filing

- 3.1 **Effective Date and Filing:** This Service Agreement shall be effective on the Service

Commencement Date of October 1, 2011, or such other date as may be designated by the Commission when accepted for filing (“Effective Date”). Avista shall file this Service Agreement with the Commission as a Service Agreement under the Tariff.

- 3.2 Cancellation Rights: If the Commission determines that any part of this Service Agreement must be changed, Avista shall offer an amended Service Agreement reflecting such changes to Bonneville. In the event such amended Service Agreement is not executed by Bonneville within fifteen (15) business days after it is offered by Avista, this Service Agreement shall be void and have no further force and effect.
- 3.3 Termination of Agreement: Except as provided in Section 3.2, this Service Agreement shall remain in effect through September 30, 2028.

Section 4 - Network Integration Transmission Service

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, Network Integration Transmission Service pursuant to the Tariff. Avista's obligation to provide Network Integration Transmission Service shall be subject to Avista's right to Curtail or Interrupt schedules pursuant to the Tariff. Exhibit 1 to this Service Agreement lists Bonneville's designated Network Resources and Network Loads.

- 4.1 Transmission Service: Section 34 of the Tariff and Exhibit 1 describe the applicable rates and charges methodology for Network Integration Transmission Service.
- 4.2 Direct Assignment Facilities and Low-voltage Substation and Distribution Facilities: Exhibit 1 (specifically, Exhibit 1B) describes the applicable rates and charges for any Direct Assignment facilities and for transfer service over any low-voltage substation and distribution facilities.

4.3 **Power Factor Penalty Adjustment:** Power delivered at each Point of Delivery shall be at a power factor greater than or equal to 0.95, leading or lagging, unless otherwise mutually agreed upon by the Parties. To compensate for deliveries made to a Point of Delivery at a power factor of less than 0.95, leading or lagging, Avista may adjust the billing demand at such Point of Delivery. Avista shall provide one months' notice to Bonneville prior to applying any such penalty adjustment for the first time at a Point of Delivery. Exhibit 1 describes the methodology for a power factor penalty adjustment.

Section 5 - Other Services

Commencing on the Effective Date Avista shall provide, and Bonneville shall take and pay for, all applicable Ancillary Services. The amounts of such services, specific terms and conditions associated with such services and the charges for such services are listed in Exhibit 2 to this Service Agreement.

Section 6 - Construction of Facilities

As of the Service Commencement Date, no construction of new or additional Direct Assignment Facilities or Network Upgrades are required for Network Integration Transmission Service to be provided pursuant to this Service Agreement.

Section 7 - Billing and Payment

Billing and payment for all services provided under this Service Agreement shall be pursuant to Section 7 of the Tariff. Bills sent to Bonneville shall be sent to:

Attention: Transfer Scheduling & After the Fact –
 PTKT Bonneville Power Administration
 P. O. Box 3621
 Portland, Oregon 97208-3621
 Facsimile No. (503) 230-3266

Network Integration Transmission Service Agreement
 Bonneville Power Administration – For Service to City of Chewelah

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

Section 8 - Miscellaneous Provisions

- 8.1 **Interconnection with Other Systems:** Nothing contained in this Service Agreement shall restrict or limit either Party from establishing, altering or terminating interconnection points with any entity not a party to this Service Agreement or amending or entering into such agreements.
- 8.2 **Future Changes or Additions:** Future changes or additions that increase Avista's Transmission System capability shall not obligate Avista to provide any transmission or other services in addition to those services provided under this Service Agreement, except by separate Application pursuant to Section 31.2 of the Tariff or pursuant to Avista's responsibilities under Section 28.2 of the Tariff.
- 8.3 **Waivers:** Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this Service Agreement shall not be considered a waiver with respect to any other default of the same or any other matter.
- 8.4 **Effect of Section Headings:** Section headings appearing in this Service Agreement are inserted for convenience of reference only and shall not be

construed to be interpretations of the text of this Service Agreement.

- 8.5 Assignment: Avista may assign this Service Agreement only upon the prior written consent of Bonneville, provided, however, that Bonneville hereby consents to assignment of this Service Agreement to a successor where such successor acquires all or substantially all of Avista's electric transmission assets. Bonneville and Bonneville's wholesale utility customer that receives energy delivered under this Service Agreement may request an assignment of this Service Agreement from Bonneville to Bonneville's

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Chewelah

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wholesale utility customer. This assignment shall include all rights and post-assignment obligations associated with this Service Agreement. Such assignment shall require mutual agreement by Avista and Bonneville, provided that Avista shall not unreasonably withhold such agreement. When notice of such assignment is provided to Avista, Bonneville, Avista and Bonneville's wholesale utility customer shall work in good faith to make any necessary modifications to this Service Agreement and the Network Operating Agreement, implement metering modifications, ensure compliance with the Tariff, and make any other adjustments necessary to allow such assignment to proceed. If Avista withholds agreement to such assignment, Avista shall provide a detailed written explanation as to why it is withholding agreement and shall include a detailed list of remedies that would allow Avista to agree to such assignment.

A Party requesting assignment shall provide at least six months' prior notice to the other Party. Subject to the foregoing restrictions on assignment, this Service Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successors and assigns.

8.6 Notices: Any formal written notice or request made to Avista under this Service

Agreement shall be directed to:

Attention: Manager, Transmission Services
Avista Corporation
1411 East Mission Avenue
Spokane, Washington
99202 or
P. O. Box 3727
Spokane, Washington 99220-3727

Any formal written notice or request made to Bonneville under this Service

Agreement shall be directed to:

Attention: Manager, Transfer Services –
PST Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

8.7 Notices of an Operating Nature: Any notice or request pertaining to matters of an operating or maintenance nature, or of a routine character pertaining to delivery or receipt of power, shall be given in such manner as the Parties from time to time shall arrange.

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Chewelah

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IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above.

AVISTA CORPORATION

By: /s/ J. A. Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 23 day of September, 2011

BONNEVILLE POWER ADMINISTRATION

By: /s/ Robert A. Rogers

Robert A. (Joe) Rogers

Manager, Transfer Services

Signed this 27 day of September, 2011

Network Integration Transmission Service Agreement
Bonneville Power Administration – For Service to City of Chewelah

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EXHIBIT
1
SPECIFICATIONS
FOR
NETWORK INTEGRATION TRANSMISSION
SERVICE

Designated Network
Resources

Power Sales Agreement between Bonneville and City of Chewelah (Bonneville Contract No. 09PB-1301
8)

**Designated Network
Loads**

(See Exhibit
1A)

**Monthly Transmission
Charge**

(Pursuant to Section 34 of the
Tariff)

**Monthly Charges for Direct Assignment and Low Voltage
Facilities**

(See Exhibit
1B)

**Power Factor Penalty
Adjustment**

Subject to the one-month notice provision contained in Section 4.3, in Avista's determination of Bonneville's Monthly Transmission Charge and Monthly Charges for Direct Assignment and Low Voltage Facilities, Avista may adjust the monthly billing demand applicable to a Point of Delivery with a power factor of less than 0.95, leading or lagging. Such adjustment shall be made by multiplying the monthly demand by 0.95 and dividing the result by the monthly average power factor at such Point of Delivery.

Losses

(Pursuant to Section 28.5 of the
Tariff)

In addition to the transmission loss factor specified in Section 28.5 of the Tariff, Avista shall specify low-voltage loss factors for applicable substation and distribution facilities at each Point of Delivery. Avista shall provide at least thirty (30) days' prior written notice to Bonneville of any revision to a low-voltage loss factor, including appropriate background information supporting such revision. Any such revision to a low-voltage loss factor shall be made effective on the first day of a specified month.

Bonneville shall return losses concurrent with its scheduled power deliveries to Avista. Any deviation amounts associated with such return of losses shall be settled pursuant to the terms and conditions specified for Energy Imbalance Service.

Bonneville and Avista may from time to time agree to terms for financial settlement of losses. Any change between physical return and financial settlement of losses shall have a term of at least one year and shall be preceded by at least six-months' notice, unless otherwise mutually agreed upon by the Parties.

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Bonneville Power Administration – Service to City of Chewelah

**EXHIBIT 1A DESIGNATED
NETWORK LOADS (POINTS OF
DELIVERY)**

1) **Chewelah Point of Delivery**

Location: The point in Avista's Chewelah Substation where the 13.8 kV facilities of Avista and the City of Chewelah are connected

Voltage: 13.8 kV

Metering: In Avista's Chewelah Substation in the distribution circuit(s) over which electric power and energy flows

Metering Location Adjustment: Avista will adjust metered hourly demand amounts for losses between Avista's Transmission System and the metering point. Such adjustments shall be specified in written correspondence between Avista and Bonneville.

Exhibit 1A – Designated Network Loads

E1A –

1

Bonneville Power Administration – Service to City of Chewelah

**EXHIBIT
1B****DIRECT ASSIGNMENT AND
LOW-VOLTAGE SUBSTATION AND
DISTRIBUTION CHARGES****(per
month)**

<u>Point of Delivery</u>	<u>Joint-Use Substation</u>	<u>Sole-Use Substation</u>	<u>Low-Voltage Facilities</u>
Chewelah	\$4,198	\$544	---

Exhibit 1B – Direct Assignment and Low-Voltage Substation and Distribution Charges

E1B –

1

Bonneville Power Administration – Service to City of Chewelah

Revision 1 – Effective April 1, 2016

EXHIBIT

2

SPECIFICATIONS AND CHARGES FOR ANCILLARY SERVICES

Scheduling, System Control and Dispatch Service

(Pursuant to Schedule 1 of the Tariff)

Reactive Supply and Voltage Control from Generation Sources

(Pursuant to Schedule 2 of the Tariff)

Regulation and Frequency Response Service

(Pursuant to Schedule 3 of the Tariff)

The monthly Regulation and Frequency Response Service obligation shall be 2.0% of Bonneville's monthly peak Network Load.

Energy Imbalance Service

(Pursuant to Schedule 4 of the Tariff)

Bonneville has elected to financially settle imbalances within Deviation Band 1.

Operating Reserve - Spinning Reserve Service

(Pursuant to Schedule 5 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Spinning Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Spinning Reserve Service with its scheduled energy deliveries under this Service Agreement to Avista's Control Area and not purchase Spinning Reserve Service from Avista for those Network Resources located outside Avista's Control Area. As of the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Spinning Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Spinning Reserve Service by Bonneville.

Operating Reserve - Supplemental Reserve Service

(Pursuant to Schedule 6 of the Tariff)

As of the Effective Date, applicable minimum operating criteria stipulate that operating reserves associated with Supplemental Reserve Service are applied to a Control Area's on-line generation. Accordingly, Bonneville, as a certified Control Area, may elect to include the provision of Supplemental Reserve Service with its scheduled energy deliveries under this

Exhibit 2 – Specifications and Charges for Ancillary Services

E2 –

1

Bonneville Power Administration – Service to City of Chewelah

Service Agreement to Avista's Control Area and not purchase Supplemental Reserve Service from Avista for those Network Resources located outside Avista's Control Area.

As of

the Effective Date and until further notice, Bonneville has so elected.

Should applicable minimum operating criteria for operating reserves no longer stipulate as noted above, but instead stipulate that operating reserves associated with Supplemental Reserve Service are applied to load served within a Control Area, this Exhibit 3 shall be revised to reflect the appropriate charge or, in the alternative, applicable requirements for self-provision of Supplemental Reserve Service by Bonneville.

Exhibit 2 – Specifications and Charges for Ancillary Services
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Bonneville Power Administration – Service to City of Chewelah

E2 –

**EXHIBIT
3
NETWORK OPERATING
AGREEMENT**

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**NETWORK OPERATING
AGREEMENT**

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**AVISTA
CORPORATION**

**and
the**

**BONNEVILLE POWER
ADMINISTRATION**

**NETWORK OPERATING
AGREEMENT**

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**AVISTA
CORPORATION**

**and
the**

**BONNEVILLE POWER
ADMINISTRATION**

This NETWORK OPERATING AGREEMENT (“Agreement”) is attached to the Network Integration Transmission Service Agreement (“Service Agreement”) between Avista and Bonneville and incorporated therein.

Section 1 – Purpose of Network Operating Agreement

The purpose of this Agreement is to provide for terms and conditions associated with technical and operational issues necessary for the implementation of Network Integration Transmission Service under the Tariff. The Parties shall adhere to Good Utility Practice, including all applicable NERC, WECC and NWPP reliability criteria, subject to the Agreement Limiting Liability Among Western Interconnected Systems, so long as both Avista and Bonneville are parties to such agreement.

**Section 2 –
Definitions**

Unless otherwise defined herein, all capitalized terms shall have their respective meanings as set forth in the Tariff.

2.1 NERC – The North American Electric Reliability Corporation, or its successor.

2.2 NWPP – The Northwest Power Pool, or its successor.

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2.3 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.

2.4 WECC – The Western Electricity Coordinating Council, or its successor.

Section 3 – Term

This Agreement shall become effective and remain effective concurrent with the term of the Service Agreement.

Section 4 – Network Operating Committee

4.1 Membership – The Network Operating Committee shall be composed of representatives from Avista, Bonneville and Bonneville's wholesale utility customer(s) that receive(s) energy delivered under the Service Agreement.

4.2 Responsibilities – The Network Operating Committee shall meet at least once per year to: (i) adopt rules and procedures consistent with this Agreement and the Tariff governing operating and technical requirements necessary for implementing Network Integration Transmission Service under the Tariff; (ii) review Network Resources and Network Loads on an annual basis in order to assess the adequacy of the Transmission System, and (iii) obtain from Avista its operating policies, procedures, and guidelines for network interconnection and

operation.

- 4.3 General Customer Information Requirement – Bonneville shall, when requested by Avista, provide load forecasts, generation forecasts, schedules and any other information necessary for Avista's calculation of available transmission capability on Avista's Transmission System and for Avista's implementation of redispatch, curtailment, load shedding and congestion management procedures.

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Section 5 – Interconnection Principles and Requirements

Avista and Bonneville are parties to the Exchange Agreement (BPA Contract No. DE- MS79-86BP91948) providing for, among other things, the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Principles and requirements associated with the interconnection of the Parties' electric facilities shall be pursuant to the Exchange Agreement or its successor.

If at any time Avista and Bonneville shall fail to be parties to the Exchange Agreement or its successor, Avista may amend this Agreement to provide for the ownership, operation and maintenance of the Parties' interconnected electric facilities.

Section 6 – Interconnection of Network Resources

- 6.1 Interconnection with Avista's Transmission System – Terms and conditions for the connection of a Network Resource to Avista's Transmission System shall be pursuant to the applicable Large Generation Interconnection Procedures or Small Generation Interconnection Procedures under the Tariff.

6.2 Interconnection with Non-Avista Facilities within Avista Control Area – Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the connection of any generation resource, to be designated a Network Resource under the Service Agreement, to non-Avista facilities within Avista's Control Area and/or operated in parallel with Avista's electric system. Such costs shall include, but not be limited to, those costs associated with system protection requirements and revisions. All such interconnections shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice. All Network Resources shall be operated to avoid disturbances or interference with the safe and reliable operation of the

Network Operating Agreement – September 2011

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Transmission System and shall be operated and maintained in accordance with NERC, WECC and NWPP standards and criteria and Good Utility Practice.

Section 7 – Redispatch and Curtailment of Network Resources

7.1 Redispatch to Manage Transmission System Constraints – In the event that Avista requires redispatch of Network Resources pursuant to Section 33.2 of the Tariff, Avista shall determine the least cost redispatch that effectively removes the constraint without regard to ownership or purchaser of the output of such Network Resources. At such time as Avista develops a formal redispatch protocol, Avista shall provide such protocol and any applicable accounting measures necessary to identify such redispatch costs to Bonneville. Such redispatch costs shall be borne by Avista and its Network Customers based upon a load ratio share methodology

consistent with Section 33.3 of the Tariff.

7.2 Curtailment of Network Resources Pursuant to Section 33 of the Tariff – Consistent with Section 33 of the Tariff, Avista may direct specific operation of a Network Resource, including Curtailment, without prior notice to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System. Avista may direct specific operation of a Network Resource, including Curtailment, on a planned basis with prior notice to facilitate maintenance on the Transmission System or to respond to a condition which may impair or degrade the reliability of the Transmission System.

7.3 Curtailment of Contract Resources – Unless otherwise specified by Avista, designated contract Network Resources scheduled to Avista's system at a Point of Receipt shall not be available for redispatch. Pursuant to Section 33 of the Tariff, Avista may require the Curtailment of scheduled deliveries from contract Network Resources at a specified Point of Receipt. In the event of such Curtailment Avista shall, pursuant to Good Utility

Practice and on a comparable basis with service to all other affected Network Customers

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and Avista's bundled retail Native Load Customers, accept scheduled deliveries up to an amount equal to the Curtailment at any other available Point of Receipt on Avista's system. Unless Avista directs

Bonneville to incur additional transmission cost by providing a specific redirect instruction, any costs incurred by Bonneville to redirect or otherwise move its schedules to such other available Point(s) of Receipt due to such Curtailment shall not be treated as redispatch cost. Any Energy Imbalances

outside Deviation Band 1 that are incurred for the hour in which any

such Curtailment is implemented shall be settled as if such Energy Imbalances are within Deviation Band 1. If no alternative Point of Receipt is available to Bonneville for the following hour or hours during such Curtailment, any resulting Energy Imbalances shall continue to be settled as if they are within Deviation Band 1.

Section 8 - Scheduling

8.1 **Scheduling and Schedule Revisions** – Schedules for Bonneville’s designated Network Resources shall be submitted to Avista on the scheduling day prior to commencement of service and no later than the earlier of 10:00 a.m. or such other reasonable time that is generally accepted within the region and consistently adhered to by Avista. Schedules shall be stated in increments of one megawatt per hour. Electronic tag or schedule revisions for Network Integration Transmission Service will be permitted up to twenty (20) minutes prior to the start of the hour in which such scheduled power flows, *provided, however*, that:

- (a) Bonneville shall submit schedule revisions during the normal schedule revision time period ending eighty (80) minutes prior to the start of the hour in which such scheduled power flows. For example, for the flow hour beginning at 1000 hours

and ending at 1100 hours, Bonneville shall submit any revision to an electronic

tag or schedule for such hour prior to 0840 hours. Bonneville may further revise such electronic tag or schedule prior to 0940 hours.

- (b) Bonneville shall make best efforts to ensure that its 80-minutes prior schedule revision is as accurate as possible and that any 20-minutes prior

schedule revision is minimized. In determining its 80-minutes prior schedule revision, Bonneville shall incorporate the same load forecasting tools, including, but not limited to, assumptions, measurements, algorithms and calculations, that it uses in determining any 20-minutes prior schedule revision. Bonneville shall not place any bounds or restrictions on its determination of its 80-minutes prior schedule revision that will limit the accuracy or otherwise restrict its 80-minutes prior schedule revision for a given hour with respect to any such determination of its 20-minutes prior schedule revision for such hour.

- (c) If at any such time Avista determines that Bonneville's 20-minutes prior schedule revisions are too large, Avista may request that the Parties meet to address the issue. In such event, Avista shall document and justify its concerns and the Parties shall work in good faith to address the issue.

Bonneville shall not submit any intra-hour scheduling adjustments until such time as, pursuant to a filing by Avista that is accepted by the Commission, Avista may settle imbalances for the same intra-hour time period for which intra-hour schedule adjustments are submitted by Bonneville.

8.2 Scheduling of Network Resources – Bonneville's designated Network Resources under the Service Agreement amount to the purchase of system power from the Federal Columbia River Power System by, or third-party resources scheduled through Bonneville's Control Area on behalf of, Bonneville's wholesale utility customer. At such time as Bonneville intends to designate a specific generation resource connected to Avista's Transmission System or to a third-party system as a Network Resource, the

Parties shall develop applicable terms and conditions regarding the scheduling of

such resource and amend this Agreement accordingly.

- 8.3 Combining Schedules from Multiple Agreements – For purposes of administratively simplifying scheduling and imbalance calculation requirements, Avista may consent, and as of the Effective Date has consented, to the combining of schedules for multiple agreements for Network Integration Transmission Service and the Parties shall agree upon any such combination of schedules. Avista shall retain the right to require scheduling to be performed separately under separate agreements, *provided, however*, that Avista shall provide a minimum of six months notice prior to implementing any such transition from combined schedules to separate schedules.
- 8.4 Sharing of Aggregate Schedule Information – For purposes of reliable and economic operation of Avista's Control Area and pursuant to 18 C.F.R. §358.7(c) and §358.7(h)(2)(ii) (as published April 1, 2011), Bonneville consents to Avista's transmission function passing on an aggregated sum of Bonneville's schedules associated with all of its borderline wheeling loads to Avista's load-serving entity and control area balancing function, which function has been identified as an *energy or marketing affiliate* for purposes of Avista's Standards of Conduct.

Section 9 – Metering and Communications

- 9.1 Meters and Meter Reading – Avista and/or Bonneville shall own and maintain all meters used to determine any billing associated with the Service Agreement. As of the Effective Date, meters at the Points of Delivery are provided by Bonneville. Meters at the Point(s) of Delivery shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Section 9.5.
- 9.2 Exchange of Metering Data – The Party owning, operating and maintaining each

meter

used to determine billing associated with the Service Agreement shall provide to the

Network Operating Agreement – September 2011

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other Party all hourly meter readings and any more frequent readings, if existing, from each such meter. All meter reading information for a given month shall be validated and made available to the other Party in the succeeding month by 10:00 a.m. of the fifth (5th) working day of such succeeding month. All meter reading records and scheduled amounts shall be exchanged electronically between the Parties on a monthly basis. Either Party shall notify the other as soon as practicable in the event of system configuration changes or other events which may affect meter readings or access to meter reading information including, but not limited to, advance notice of planned line and substation outages and planned communications outages.

9.3 Use of Bonneville's Meter Reading Information – Consistent with Section 9.2 above, Bonneville shall make its real and reactive power metering data at the Points of Delivery, and any other point that Avista reasonably deems appropriate for purposes of accounting for the transmission service provided under the Service Agreement, available to Avista via Bonneville's Meter Data Management System. The meter reading information made available to Avista via Bonneville's Meter Data Management System shall be the same meter reading information used by Bonneville in its billings to its wholesale utility customers served via the Points of Delivery. In the event Bonneville revises or replaces its Meter Data Management System, Bonneville shall make provision to continue to provide such data to Avista in a format compatible with that previously provided by the Meter Data Management System and used by Avista in its billing systems.

9.4 Tests of Metering Installations – Each Party shall, at its expense, test its measuring installations associated with this Agreement and the Service Agreement in accordance with the Meter Reading and Meter Test Procedures outlined in Section 9.5, attached hereto. The Parties may mutually agree to use a single set of meters.

In the event that

a single set of meters are utilized, tests of such meters shall be conducted jointly by the

Network Operating Agreement – September 2011

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Parties in accordance with Section 9.5 and shall be witnessed and agreed to by representatives of each Party.

9.5 Meter Reading and Meter Test Procedures

(a) Meter Readings – Meter readings associated with the delivery of electric power to the Point(s) of Delivery shall be the responsibility of the Party owning such meters. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by pro-rating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual hourly and monthly energy deliveries shall be determined from the record developed. Each Party

shall permit representatives of the other Party to inspect all of the records relating to the delivery or transmission of electric power under the Service Agreement.

(b) Meter Testing – Avista and/or Bonneville shall own and maintain all meters used to determine any billing under the Service Agreement.

(i) Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by Bonneville, Avista shall

provide copies of applicable test and calibration records and calculations.

Avista shall permit representatives of Bonneville, and/or Bonneville's wholesale utility customer to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by Bonneville. Reasonable costs for such requested test shall be paid by Bonneville unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.

- (ii) Bonneville's meters shall be tested and inspected in accordance with Bonneville's meter testing program ("Bonneville Program"). If requested by Avista, Bonneville shall provide copies of applicable test and calibration records and calculations. Bonneville shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, Bonneville shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Bonneville shall pay for the test.

Each Party shall give reasonable notice of the time when any such test or inspection is to be made to the other Party who may have representatives present at such tests or inspections. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

- (c) Adjustments – If any meter fails to register, or if the measurement made by such meter during a test made as provided below fails to meet the standards of such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made. Should any metering equipment at any time fail to register, or should registration thereof be so erratic as to be meaningless, the capacity, energy and reactive power delivered shall be determined from the best available data. If an estimate is required due to metering equipment malfunction, the method

of estimating capacity, energy and reactive power delivered shall be made available and agreed upon by both Parties. The approval process shall not delay billings. Such corrected measurements shall be used to re-calculate billed amounts under the Service Agreement.

9.6 Metering and Communications Required for Integration of Network Resources –

Unless otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation and maintenance of any metering, communications and SCADA equipment necessary for the integration of any generation resource to be designated a Network Resource under the Service Agreement and connected to Avista's Transmission System or within Avista's Control Area. All

such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP

standards or criteria and Good Utility Practice.

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9.7 Metering and Communications Required for Ancillary Services – Unless

otherwise agreed upon with a third party, Bonneville shall be responsible for all costs associated with the installation, operation, and maintenance of any metering, communications and SCADA equipment necessary for the provision of Ancillary Services by Bonneville or by a third party. All such installations shall be pursuant to Avista's Facility Connection Requirements as set forth under NERC Standard FAC-001 and any other applicable NERC, WECC and NWPP standards or criteria and Good Utility Practice.

9.8 Installation and Use of Avista Meters – Notwithstanding any other provision in this

Section 9, Avista may at any time install meters or metering equipment to make any measurements for any Point of Delivery required for any computation or determination mentioned in this Agreement or the Service Agreement. If such meters or metering equipment are so installed, such measurements shall be used thereafter in such computation or determination.

9.9 Real-Time Data Acquisition – For the purpose of enabling Avista to monitor the loads on its transmission system, Avista may require the acquisition of real-time load data (megawatts and megavars) at Points of Delivery that have meters and metering equipment owned by Bonneville. The Parties shall facilitate such data acquisition pursuant to Good Utility Practice and Bonneville shall provide either of the following to Avista:

- (a) Megawatt and megavar indications from Bonneville’s supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties, or
- (b) The following:
 - (i) Metering current transformers (“CTs”) and potential transformers (“PTs”),
 - (ii) Space in Bonneville’s substation control house or cabinet for an Avista remote terminal unit or such other equipment that performs a comparable function (“Avista Equipment”), to be supplied by Avista,

Network Operating Agreement – September 2011

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- (iii) Voltage and current indications from Bonneville’s CTs and PTs to the Avista Equipment, and
- (iv) Space for any conduit needed by Avista for its communications out of the substation.

Section 10 - Operation and Maintenance

10.1 Maintenance Scheduling and Continuity of Service – Avista may Curtail or otherwise

temporarily suspend service at the Points of Delivery:

- (a) pursuant to Section 33.7 of the Tariff; and
- (b) without prior notice of such Curtailment or temporary suspension as may be necessary due to Force Majeure pursuant to Section 10 of the Tariff. Consistent with Section 33.7 of the Tariff, Avista shall use reasonable efforts to repair the cause of any such Curtailment or temporary suspension comparable to such reasonable efforts Avista uses with respect to its bundled retail Native Load Customers.

10.2 Emergency Planning and Operation – As the Transmission Provider, Avista is responsible for planning, coordinating and implementing emergency operation schemes applicable to Avista's Transmission System. Examples of such schemes include NWPP programs related to underfrequency load shedding, undervoltage load shedding and system restoration. Other schemes may be developed to meet NERC, WECC or NWPP reliability planning and operations objectives. Bonneville shall:

- (a) participate in the development and implementation of such load shedding and other programs to facilitate system reliability and security;
- (b) install and maintain or, in the alternative, require its wholesale utility customer served via the Service Agreement to install and maintain, any required load shedding relays, including underfrequency and undervoltage relays; and
- (c) participate in system restoration planning.

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Section 11 - Miscellaneous

11.1 Supremacy of Tariff – In the event of any irreconcilable difference between the Tariff

and this Agreement, the language of the Tariff shall govern.

11.2 Notices – Any formal notice to be served, given or made in connection with this Agreement shall be in writing and shall be directed as provided in the Service Agreement. Notices of an operating nature shall be given as provided in the Service Agreement.

11.3 Assignment – Any assignment of this Agreement shall be pursuant to the terms of assignment in the Service Agreement.

11.4 Amendment – From time to time Avista may amend this Agreement. Avista shall provide reasonable prior notice of any such amendment to Bonneville and the Parties shall work in good faith to reach consensus on the content of such amendment. Any

such

amendment shall become effective upon acceptance for filing by the Commission.

RATE BASE

Distribution Plant Investment	
Gross Distribution Plant Investment	\$1,356,920,741
Less Accumulated Depreciation	<u>-427,080,299</u>
Net Distribution Plant Investment	\$929,840,442

Credit for Accumulated Deferred Income Tax	
Total Accumulated Deferred Income Tax (A/C 282) - Electric	-\$389,834,132
Allocation Factor based on Distribution Plant <u>3/</u>	<u>38.27%</u>
Total Accumulated Deferred Income Taxes - Distribution	<u>-\$149,204,284</u>

Total Distribution-Related Rate Base	\$780,636,158
Fixed Charge Rate <u>6/</u>	<u>10.39%</u>

RETURN ON DISTRIBUTION RATE BASE \$81,089,792

General and Intangible Plant	
Gross General and Intangible Plant	\$205,277,614
Less Accumulated Depreciation	<u>-61,327,750</u>
Net General and Intangible Plant	\$143,949,864
Allocation Factor based on Distribution Wages and Salaries <u>1/</u>	<u>27.90%</u>
General and Intangible Plant Allocated to Distribution	<u>\$40,163,082</u>

Common Plant	
Gross Common Plant	\$291,766,445
Less Accumulated Depreciation	<u>-78,657,464</u>
Net Common Plant	\$213,108,981
Allocation to Electric Function <u>2/</u>	\$160,406,696
Allocation Factor based on Distribution Wages and Salaries <u>1/</u>	<u>27.90%</u>
Common Plant Allocated to Distribution	<u>\$44,754,660</u>

Deferred Income Tax	
Total Accumulated Deferred Income Tax (A/C 282) - Electric	-\$389,834,132
Allocation Factor based on General, Intangible, & Common Plant <u>4/</u>	<u>3.34%</u>
Accumulated Deferred Income Tax Allocated to Distribution	<u>-\$13,035,230</u>

Total General, Intangible and Common Plant Allocated to Distribution	\$71,882,512
Fixed Charge Rate <u>6/</u>	<u>10.39%</u>
RETURN ON GENERAL, INTANGIBLE AND COMMON PLANT	<u>\$7,466,907</u>

Other Rate Base	
Materials and Supplies	\$359,649
Cash Working Capital - Distribution and A&G (1/8 Distribution O&M)	<u>6,118,091</u>
Total Other Rate Base	\$6,477,740
Fixed Charge Rate <u>6/</u>	<u>10.39%</u>
RETURN ON OTHER RATE BASE	<u>\$672,885</u>

TOTAL RETURN ON RATE BASE \$89,229,585

EXPENSES

Distribution Operations and Maintenance	\$32,653,367
Administrative and General Expense	\$58,390,420
Allocation Factor based on Distribution Wages and Salaries <u>1/</u>	27.90%
Administrative and General Expenses Allocated to Distribution	<u>\$16,291,361</u>
Net Distribution Related Operations and Maintenance Expense	<u>\$48,944,728</u>

Depreciation Expense	
Distribution	\$38,330,263
General and Intangible	\$5,997,658
Allocation based on Distribution Wages and Salaries <u>1/</u>	\$1,673,391
Common - Electric	\$19,551,286
Allocation based on Distribution Wages and Salaries <u>1/</u>	\$5,454,954
Net Depreciation Expense	<u>\$45,458,608</u>

Taxes Other Than Income Tax	
Electric Property Taxes (2014)	\$27,726,502
Allocation Factor based on Distribution-Related Plant <u>5/</u>	41.62%
Property Taxes Allocated to Distribution	<u>\$11,539,098</u>

TOTAL EXPENSES	<u>\$105,942,434</u>
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ANNUAL DISTRIBUTION REVENUE REQUIREMENT	<u>\$195,172,019</u>
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GROSS DISTRIBUTION PLANT	<u>\$1,356,920,741</u>
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Distribution Annual Cost Ratio	<u>14.383%</u>
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Divided by Washington Excise Tax Gross-Up Factor <u>7/</u>	0.98769
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Final Distribution Annual Cost Ratio	<u>14.563%</u>
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O&M ONLY

Without Depreciation Expense	4.457%
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WA Excise Tax Gross-Up Factor	0.98769
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O&M ACR	<u>4.513%</u>
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1/ Distribution Wages and Salaries Allocator

		7,946,431 /28,481,073=	0.27901
Production	10,113,212		
Transmission	2,951,554		
Distribution	7,946,431		
Customer Accounts	6,799,031		
Customer Service and Info	670,845		
Sales	0		
Total Excluding A&G	<u>28,481,073</u>		

2/ Electric Wages and Salaries Allocator (Applied to Total Common Plant)

		44,235,899 /58,769,787=	0.75270
Electric	44,235,899		
Gas	<u>14,533,888</u>		
Total	<u>58,769,787</u>		

3/ Distribution Plant Allocator (Applied to Deferred Income Tax)

		1,356,920,741 /3,545,300,478=	0.38274
Intangible		62,013,658	
Production		1,161,049,366	
Transmission		602,440,748	
Distribution		1,356,920,741	
General		143,263,956	
Common Allocated to Electric	291,766,445 *0.75270=	<u>219,612,009</u>	
Total electric		<u>3,545,300,478</u>	

4/ General, Intangible & Common Plant Allocator

		118,547,362 /3,545,300,478=	0.03343789
Intangible		62,013,658	
General		143,263,956	
Common Allocated to Electric		<u>219,612,009</u>	
Total		<u>424,889,623</u>	
Allocate to Distribution <u>1/</u>		<u>0.27901</u>	
Distribution-Related		<u>118,547,362</u>	

5/ Distribution Plant Allocator (Applied to Property Taxes and Investment Tax Credit)

		1,475,468,103 /3,545,300,478=	0.41618
Distribution Plant		1,356,920,741	
Distribution-related General, Intangible & Common		<u>118,547,362</u>	
Total Distribution-Related Plant		1,475,468,103	
Total Electric Plant		3,545,300,478	

6/ Fixed Charge Calculation

Rate of Return	Amounts	Ratio	Cost	Weighted Cost
Long Term Debt	1,437,903,465	0.5007	5.37%	2.69%
Common	1,433,924,929	0.4993	9.75%	4.87%
	<u>2,871,828,394</u>	<u>1.0000</u>		<u>7.56%</u>

Composite Income Tax

Federal rate	35.00%
State rate	2.682%
Overall Tax on Equity Return	2.829%

7/ Washington State Excise Tax Gross-Up Calculation

Washington Borderline Distribution Revenue as a Percent of Total Borderline Distribution Revenue in 2010

	<u>Amounts</u>	<u>Percent</u>
Washington	\$43,287	31.787%
Idaho	\$77,293	56.758%
Montana	\$15,599	11.455%
Total	136,179	100.000%

Washington Utility Excise Tax Rate	3.8734%
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Gross-Up Factor = $1 - [(.03873) \times (.36364)]$	0.98769
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Proxy Cost for (1) Feeder Bay Installed

Material costs + Pro rata % share of additional charges

All costs and charges are pulled from PowerPlant accounting using the distribution project num

▶ 13.8kV Feeder with Regulators 2014 Costs

	Materials +	% of Addt Charges =	Total
LMR	\$70,139	\$56,866	\$127,005
NLW	\$61,339	\$48,901	\$110,240
		Average	\$118,623

▶ 13.8kV F

▶ 13.8kV Feeder without Regulators 2014 Costs

	Materials +	% of Addt Charges =	Total
LMR	\$30,712	\$24,900	\$55,612
NLW	\$24,424	\$19,472	\$43,896
LKY	\$27,632	\$24,742	\$52,374
		Average	\$50,627

Specific Sta

▶ 24kV Feeder with Regulators 2014 Costs

	Materials +	% of Addt Charges =	Total
M23	\$78,238	\$35,039	\$113,277

▶ 24 kV Re

▶ 24kV Feeder without Regulators 2014 Costs

	Materials +	% of Addt Charges =	Total
M23	\$40,557	\$18,163	\$58,720

Proxy Cost for 20 MVA Xfmr

▶ 115/13.8kV 20MVA Xfmr 2014 Costs

	Size	Xfmr 2012	Xfmr 2014
LMR	30 MVA	NA	\$409,905
BLU	20 MVA		\$329,665
		Net	-\$74,873

number provided by Substation Engineering

Regulators & Stands 2014 Costs

	Materials
LMR	\$39,427
NLW	\$36,915
Average	\$38,171

Locations with Additional Proxy Calculations

Milan
Rathdrum

Regulators & Stands 2014 Costs

	Materials
M23	\$37,682

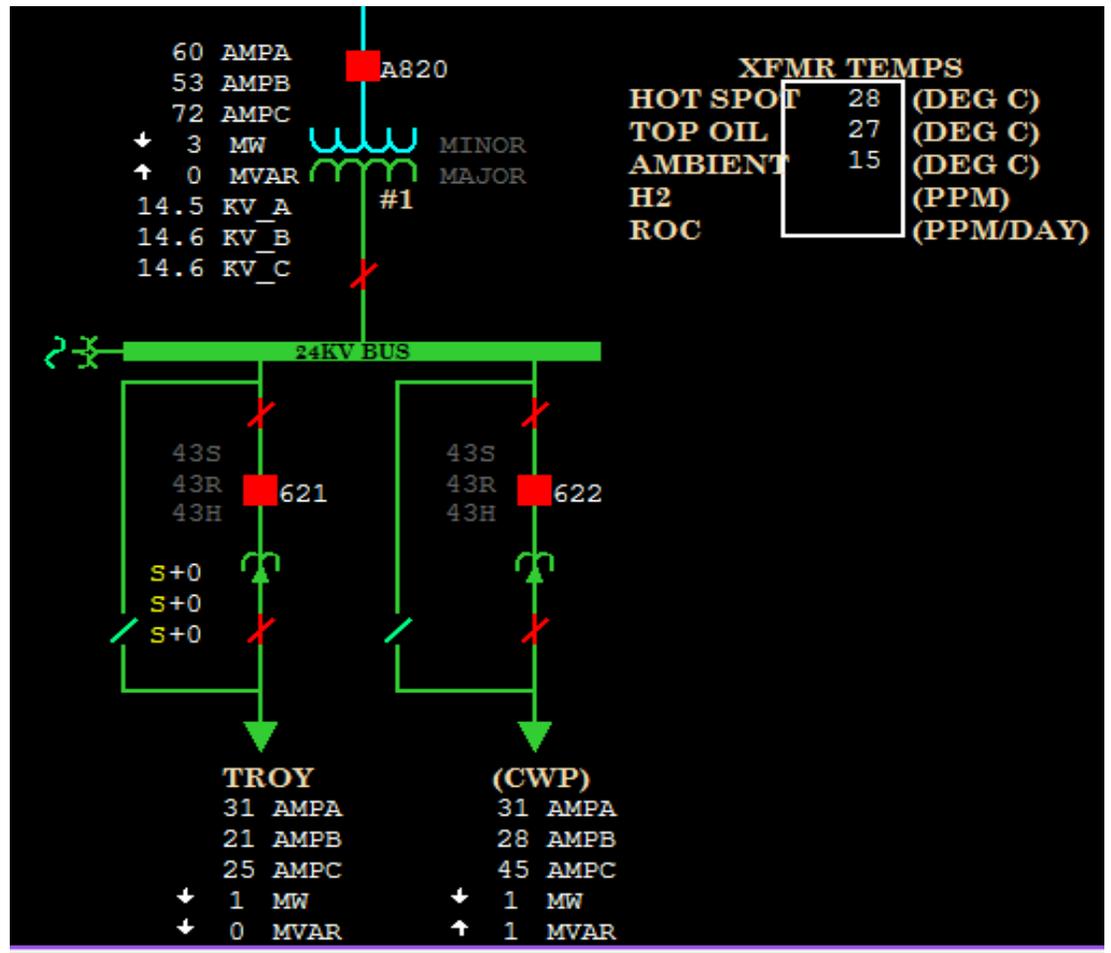
Project Total Cost \$341,296

	Quantity	Total \$	(1) FDR Bay	Year	
	3	12,081.87	\$36,246		REGULATOR, SUBSTATION-TYPE, 14.4 KV, 200A
	2	51,520.00	\$25,760		VCB SQD FVR 27KV 125VDC
	3	4,965.84	\$4,966		CT JKW-6A 25 KV 300:5A
	9	4,554.46	\$1,518		SW DIS SPTT BE 600A 25KV SPO-857
	1	2,855.78	\$2,856		REL SEL035172A2E52XX1 2RU
	1	1,436.17	\$1,436		VOLTAGE REGULATOR STAND, COOPER, TALL
	36	45.09	\$1,623		Pipe, 2" IPS, copper, ETP Alloy 110 STD pipe size
	9	4,710.69	\$1,570		SW DIS SPST SC 600A 25KV 14723
	51	2,393.46	\$1,197		INSLTR POST STA 24KV GRAY
	3	502.95	\$503		CN CU TEE 2" TO 600-1500
	12	833.97	\$417		CN CU TEE 2" TO 4-600
	6	439.82	\$147		ARRESTER, KIT 18KV FOR 14.4/24.9KV DIST
Material Only Total			\$78,238	2013	22.92%

215 Employee Business Meals	\$5,145.11	\$1,179.46
230 Employee Lodging	\$5,371.13	\$1,231.27
235 Employee Misc Expenses	\$115.28	\$26.43
320 Overtime Pay - NU	19.29	\$4.42
325 Overtime Pay - Union	18,731.48	\$4,293.99
340 Regular Payroll - NU	7,580.23	\$1,737.68
345 Regular Payroll - Union	52,808.59	\$12,105.79
405 Inventory Returns	-33,775.77	-\$7,742.73
420 Salvage	-12,081.87	-\$2,769.64
505 Capital Overhead - A & G	1,172.27	\$268.73
510 Payroll Benefits loading	32,021.67	\$7,340.62
512 Incentive Loading-NU	983.89	\$225.55
515 Payroll Tax loading	6,360.30	\$1,458.03
520 Payroll Time Off loading	9,785.78	\$2,243.28
525 Small Tools loading	4,341.43	\$995.23
530 Stores/Material Loading	6,580.57	\$1,508.52
532 Materials Tax/Fght Loading	1,765.09	\$404.63
535 AFUDC - Debt	4,311.62	\$988.39
540 AFUDC - Equity	6,469.95	\$1,483.17
560 Road Vehicles	939.3	\$215.32
565 Small Vehicles	7,924.00	\$1,816.49
570 Work Vehicles	604	\$138.46
710 Rental Expense - Vehicle	4,635.29	\$1,062.59
720 Vehicle Fuel Gasoline	387.9	\$88.92
721 Vehicle Fuel Diesel	34.34	\$7.87
880 Materials & Equipment	6,955.93	\$1,594.57
920 Rental Expense - Equipment	11,115.19	\$2,548.04
925 Rental Expense - Other	2,545.74	\$583.58
Labor & Other		\$35,039

Fdr Bay Total Costs

\$113,277



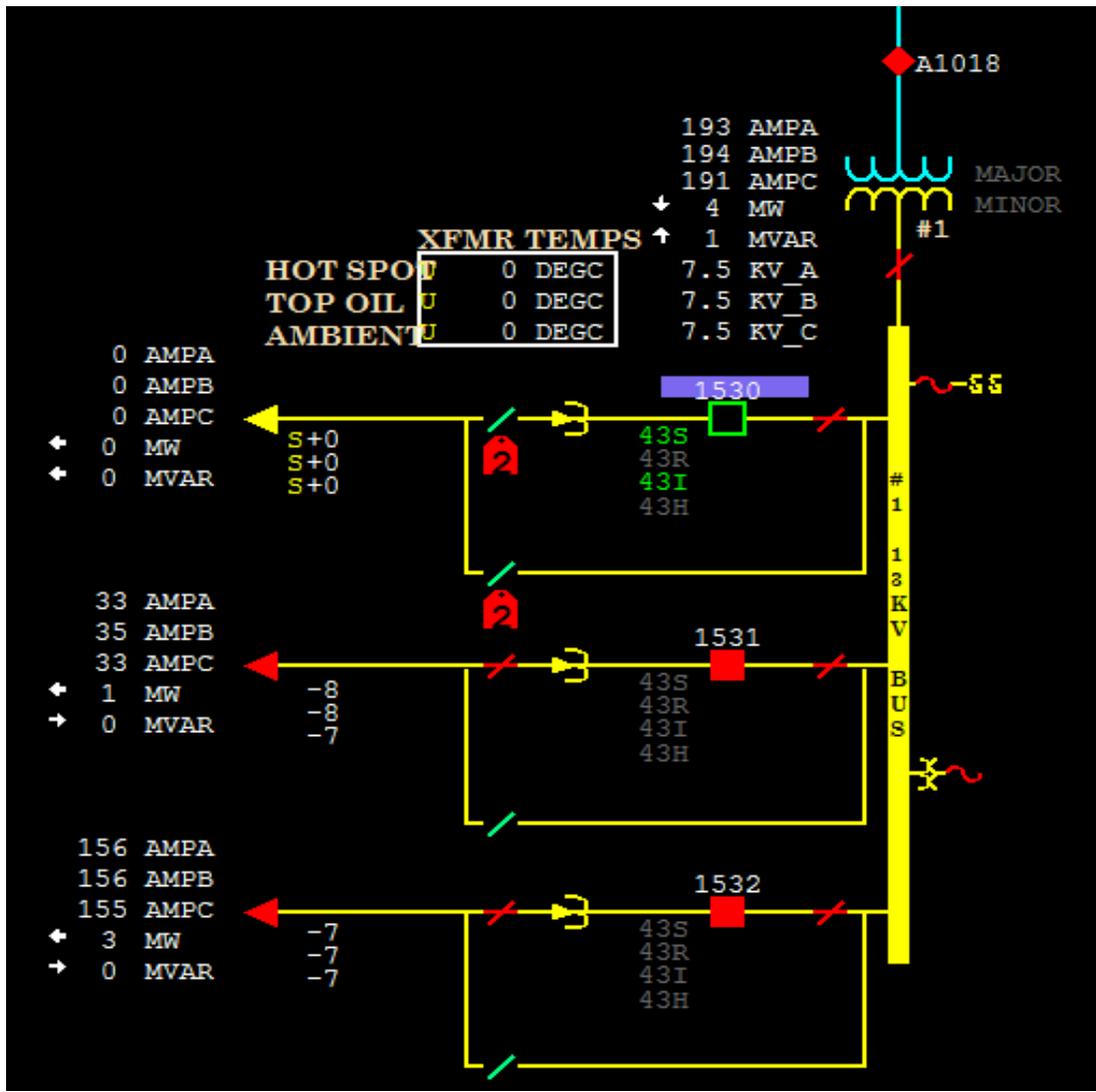
Project Total Cost \$1,542,082

Quantity	Total \$	(1) FDR Bay	Year	
1	37,914.85	\$37,915		REGULATOR, SUBSTATION-TYPE, 7.62 KV, 438A
3	54,952.22	\$18,317		VCB SQD FVR 15KV 48VDC
6	6,173.10	\$3,087		CT JCW-5 15 KV 1200:5A
9	3,996.69	\$1,332		SW DIS SPTT BE 600A 15KV
1	2,855.78	\$2,856		REL SEL035172A2E52XX1 2RU
1	1,512.63	\$1,513		VOLTAGE REGULATOR STAND, COOPER, TALL
36	45.09	\$1,623		Pipe, 2" IPS, copper, ETP Alloy 110 STD pipe size
9	4,178.89	\$1,393		SW DIS SPST SC 600A 15KV 14722
66	2,565.30	\$855		INSLTR POST STA 15KV GRAY
9	1,555.47	\$778		CN CU TEE 2" TO 600-1500
15	1,058.94	\$353		CN CU TEE 2" TO 4-600
6	352.91	\$118		ARRESTER, KIT 10KV FOR 7.6/13.2KV DIST

Material Only Total \$70,139.19 2013 4.55%

010 General Services	10.77	\$0.49
015 Construction Services	224,842.03	\$10,226.59
210 Employee Auto Mileage	320.31	\$14.57
215 Employee Business Meals	19,823.48	\$901.64
220 Employee Car Rental	25.93	\$1.18
230 Employee Lodging	37,294.80	\$1,696.30
235 Employee Misc Expenses	291.85	\$13.27
325 Overtime Pay - Union	71,389.88	\$3,247.06
340 Regular Payroll - NU	63,983.18	\$2,910.18
345 Regular Payroll - Union	168,603.69	\$7,668.68
405 Inventory Returns	-27,838.25	-\$1,266.18
505 Capital Overhead - A & G	3,091.88	\$140.63
506 Cap Overhead - Functional	114,384.96	\$5,202.62
508 Cap Overhd - Safety Clthng	2,895.24	\$131.69
510 Payroll Benefits loading	109,131.63	\$4,963.68
512 Incentive Loading-NU	10,051.26	\$457.17
514 Incentive Loading-Union	3,054.67	\$138.94
515 Payroll Tax loading	24,451.83	\$1,112.15
520 Payroll Time Off loading	38,913.56	\$1,769.92
525 Small Tools loading	12,152.42	\$552.73
530 Stores/Material Loading	28,811.81	\$1,310.46
532 Materials Tax/Fght Loading	3,956.13	\$179.94
535 AFUDC - Debt	21,429.58	\$974.69
540 AFUDC - Equity	32,184.55	\$1,463.86
560 Road Vehicles	24,152.10	\$1,098.52
565 Small Vehicles	4,311.75	\$196.11
570 Work Vehicles	384	\$17.47
710 Rental Expense - Vehicle	1,722.73	\$78.36
715 Vehicle - Other	85.86	\$3.91
720 Vehicle Fuel Gasoline	617.69	\$28.09

725 Vehicle Parts & Supplies	96	\$4.37
880 Materials & Equipment	207,858.56	\$9,454.12
920 Rental Expense - Equipment	45,272.02	\$2,059.13
925 Rental Expense - Other	2,505.04	\$113.94
Labor & Other		\$56,866
Fdr Bay Total Costs		\$127,005



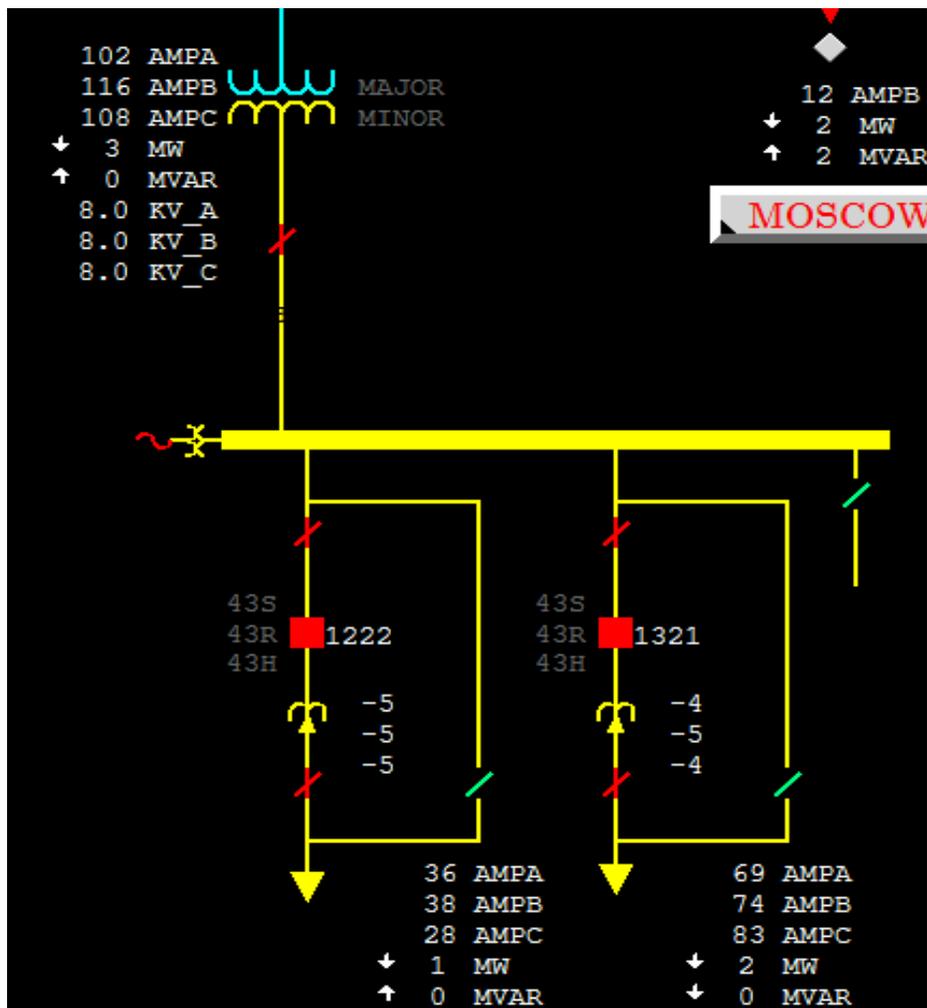
Project Total Cost \$911,031

Quantity	Total \$	(1) FDR Bay	Year	
6	71,025.35	\$35,513		REGULATOR, SUBSTATION-TYPE, 7.62 KV, 438A
2	37,126.57	\$12,376		VCB SQD FVR 15KV 48VDC
6	6,173.10	\$3,087		CT JCW-5 15 KV 1200:5A
6	2,661.58	\$1,331		SW DIS SPTT BE 600A 15KV
1	3,015.63	\$3,016		REL SEL035172A2E52XX1 2RU
6	2,804.35	\$1,402		VOLTAGE REGULATOR STAND, COOPER, TALL
36	40.14	\$1,445		Pipe, 2" IPS, copper, ETP Alloy 110 STD pipe size
6	2,663.19	\$1,332		SW DIS SPST SC 600A 15KV 14722
42	1,613.29	\$807		INSLTR POST STA 15KV GRAY
3	502.95	\$503		CN CU TEE 2" TO 600-1500
15	1,058.94	\$353		CN CU TEE 2" TO 4-600
6	352.92	\$176		ARRESTER, KIT 10KV FOR 7.6/13.2KV DIST

Material Only Total \$61,339 2013 6.73%

015 Construction Services	4,160.00	\$280.09
215 Employee Business Meals	11,780.54	\$793.17
230 Employee Lodging	20,040.39	\$1,349.30
235 Employee Misc Expenses	78.87	\$5.31
325 Overtime Pay - Union	29,453.29	\$1,983.06
340 Regular Payroll - NU	41,674.43	\$2,805.90
345 Regular Payroll - Union	142,984.29	\$9,627.00
405 Inventory Returns	-3,436.29	-\$231.36
420 Salvage	-20,160.62	-\$1,357.40
505 Capital Overhead - A & G	1,713.86	\$115.39
506 Cap Overhead - Functional	63,203.63	\$4,255.44
508 Cap Overhd - Safety Clthng	535.79	\$36.07
510 Payroll Benefits loading	117,162.80	\$7,888.47
512 Incentive Loading-NU	3,958.35	\$266.51
514 Incentive Loading-Union	2,106.91	\$141.86
515 Payroll Tax loading	18,497.46	\$1,245.42
520 Payroll Time Off loading	30,216.38	\$2,034.44
525 Small Tools loading	8,449.44	\$568.89
530 Stores/Material Loading	28,805.58	\$1,939.45
532 Materials Tax/Fght Loading	2,736.33	\$184.23
535 AFUDC - Debt	18,701.45	\$1,259.15
540 AFUDC - Equity	28,082.80	\$1,890.79
560 Road Vehicles	44,103.75	\$2,969.47
565 Small Vehicles	8,178.70	\$550.66
570 Work Vehicles	6,344.00	\$427.14
710 Rental Expense - Vehicle	109.51	\$7.37
720 Vehicle Fuel Gasoline	36.28	\$2.44
725 Vehicle Parts & Supplies	18.02	\$1.21
880 Materials & Equipment	83,872.10	\$5,647.03
885 Miscellaneous	127.1	\$8.56

890 Office Supplies	138.44	\$9.32
920 Rental Expense - Equipment	32,358.03	\$2,178.64
925 Rental Expense - Other	266.33	\$17.93
Labor & Other		\$48,901
Fdr Bay Total Costs		\$110,240

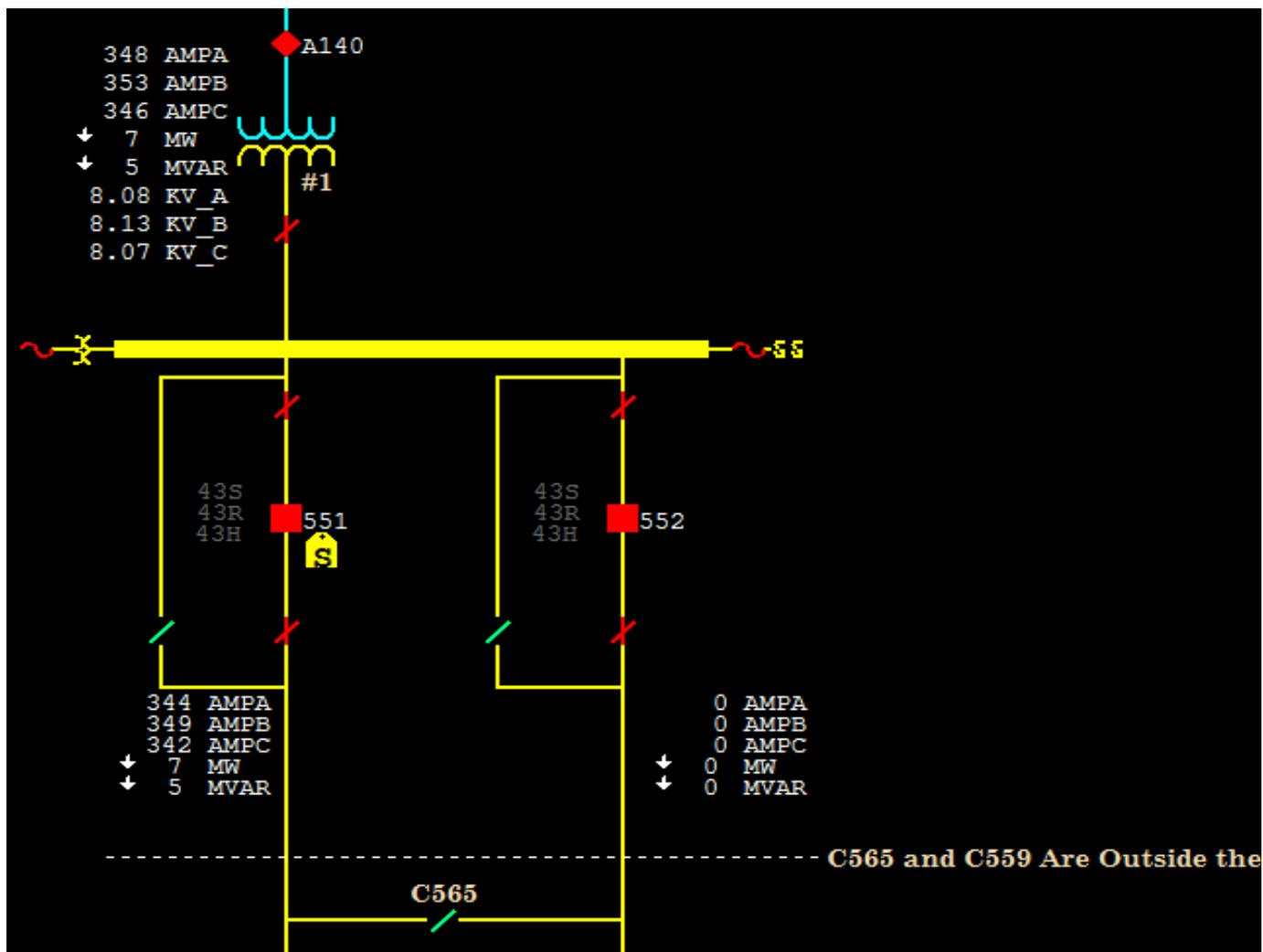


Project Total Cost \$1,309,913

	Quantity	Total \$	(1) FDR Bay	Year	
	2	36,650.88	\$18,325		REGULATOR, SUBSTATION-TYPE, 7.62 KV, 438A
	3	3,573.93	\$1,191		VCB SQD FVR 15KV 48VDC
	3	1,330.94	\$1,331		CT JCW-5 15 KV 1200:5A
	1	2,855.78	\$2,856		SW DIS SPTT BE 600A 15KV
					REL SEL035172A2E52XX1 2RU
	33	41.97	\$1,385		VOLTAGE REGULATOR STAND, COOPER, TALL
	3	1,300.35	\$1,300		Pipe, 2" IPS, copper, ETP Alloy 110 STD pipe size
	45	1,732.77	\$577.6		SW DIS SPST SC 600A 15KV 14722
	6	977.69	\$489		INSLTR POST STA 15KV GRAY
	6	352.91	\$176		CN CU TEE 2" TO 600-1500
					ARRESTER, KIT 10KV FOR 7.6/13.2KV DIST
Material Only Total			27,631.59	2013	2.11%

020 Professional Services	\$12.19	\$0.26
025 Temporary Labor	\$5.10	\$0.11
035 Workforce - Contract	\$1,366.11	\$28.82
210 Employee Auto Mileage	\$68.37	\$1.44
215 Employee Business Meals	\$22,951.77	\$484.15
230 Employee Lodging	\$50,505.46	\$1,065.37
235 Employee Misc Expenses	\$810.95	\$17.11
305 Incentive/Bonus Pay	\$2,000.00	\$42.19
325 Overtime Pay - Union	\$61,841.78	\$1,304.50
340 Regular Payroll - NU	\$31,530.07	\$665.10
345 Regular Payroll - Union	\$224,741.31	\$4,740.74
405 Inventory Returns	-\$7,961.61	-\$167.94
505 Capital Overhead - A & G	\$2,845.34	\$60.02
506 Cap Overhead - Functional	\$92,657.88	\$1,954.54
508 Cap Overhd - Safety Clthng	\$1,121.64	\$23.66
510 Payroll Benefits loading	\$162,400.92	\$3,425.72
512 Incentive Loading-NU	\$2,327.77	\$49.10
515 Payroll Tax loading	\$27,675.30	\$583.79
520 Payroll Time Off loading	\$42,371.72	\$893.80
525 Small Tools loading	\$10,827.21	\$228.39
530 Stores/Material Loading	\$32,897.88	\$693.95
532 Materials Tax/Fght Loading	\$1,877.39	\$39.60
535 AFUDC - Debt	\$12,823.04	\$270.49
540 AFUDC - Equity	\$19,243.20	\$405.92
560 Road Vehicles	\$81,631.50	\$1,721.95
565 Small Vehicles	\$21,802.50	\$459.91
570 Work Vehicles	\$35,152.50	\$741.51
710 Rental Expense - Vehicle	\$336.75	\$7.10
720 Vehicle Fuel Gasoline	\$580.32	\$12.24
725 Vehicle Parts & Supplies	\$195.01	\$4.11
840 Freight Costs	\$4,149.39	\$87.53

880 Materials & Equipment	\$184,852.81	\$3,899.32
885 Miscellaneous	\$2,584.08	\$54.51
920 Rental Expense - Equipment	\$44,096.77	\$930.19
925 Rental Expense - Other	\$627.52	\$13.24
Labor & Other		\$24,742
Fdr Bay Total Costs		\$52,374





Sub

Calculation	
LMR	
30 MVA Xfmr in 2014	\$409,905
BLU	
20 MVA Xfmr in 2012	\$329,665
Handy & Whitman in 2014	\$335,032
Reduction for 20 MVA =	(\$74,873)
30 MVA, (3) Fdr Bays - 2014 Costs	
LMR Entire Distribution Project	\$1,542,082
(1) 13.8 kV Fdr with Regulators	(\$118,623)
(1) Regulator & Stands	(\$38,171)
Reduction for 20 MVA =	(\$74,873)
	\$1,310,415
Handy & Whitman to 1979 \$	\$348,946

Equipment

Xfmr #2	Year	Install	Size	Original Purchase Price	LMR Purchase Price
115/13.8 KV	1980	2006	20 MVA	\$175,869.91	\$409,905

Feeders	Year	Install	Regulators	Original Purchase Price	LMR Purchase Price
13 kV	1981	2006	IP&L	\$10,800.00	\$18,317
13 kV	1981	2006	IP&L	\$10,800.00	\$18,317
13.8kV Proxy without Regulators in 2014 \$ =					\$50,627

LMR

30 MVA Xfmr in 2014	\$409,905
---------------------	-----------

BLU

20 MVA Xfmr in 2012	\$329,665
Handy & Whitman in 2014	\$335,032
Reduction for 20 MVA =	(\$74,873)

Calculation	
30 MVA, (3) Fdr Bays - 2014 Costs	
LMR Entire Distribution Project	\$1,542,082
(1) 13.8 kV Fdr with Regulators	(\$118,623)
(2) Regulators & Stands	(\$76,342)
Remove 2014 \$ Xfmr PP	(\$409,905)
Remove 2014 \$ BRKs PP	(\$36,635)
	\$900,577
Handy & Whitman to 2006 \$	\$656,277
Add 1980 \$ PP Xfmr	\$175,870
Add 1981 \$ PP BRKs	\$21,600
	\$853,747

Substation Ending Balances Plant Accounts 361 and 362 Accounting Period : 201412

Accounting Period:201412

				Plant Acct	360000
Facility Id	Facility Id Desc	Plant Ledger Location	GI Jurisdiction		
AIR	AIRWAY HEIGHTS SUBSTA	028	WA		5,000.00
CDA	CDA 15TH ST SUBSTA NEW	038	ID		-
CFD	CRITCHFIELD 115/13 KV SUB	028	WA		45,325.00
CGC	CABINET GORGE 115 SUB	038	ID		-
CHW	CHEWELAH 115 SUBSTA	028	WA		152,450.00
COT	COTTONWOOD SUBSTA	038	ID		1,000.00
CRG	CRAIGMONT SUBSTA	038	ID		300.00
ECL	EAST COLFAX SW STA	028	WA		1,670.00
EWN	EWAN SUBSTA	028	WA		100.00
JUL	JULIAETTA SUBSTA	038	ID		200.00
KAM	KAMIAH SUBSTA	038	ID		1,250.00
KOO	KOOSKIA SUBSTA	038	ID		710.00
L&R	LEE & REYNOLDS SUBSTA	028	WA		2,485.00
M23	MOSCOW 230 KV SUBSTA	038	ID		950.00
MGO	MARENGO SUBSTA	028	WA		25.00
MLN	MILAN SUBSTA	028	WA		12,500.00
NRC	NOXON 230/13KV SUBSTA	048	MT		-
OGA	OGARA SUBSTA	038	ID		-
ORO	OROFINO SUBSTA	038	ID		73.00
POT	POTLATCH 115 KV SUBSTA	038	ID		2,500.00
PVW	PLEASANT VIEW SUBSTA	038	ID		10.00
PLM	PLUMMER SUBSTA	038	ID		600.00
RAT	RATHDRUM 230 KV SUBSTA	038	ID		127,380.00
ROX	ROXBORO SUBSTA	028	WA		1,000.00
RSA	ROSALIA SUBSTA	028	WA		485.00
SPA	SPANGLE SUBSTA	028	WA		10.00
SWT	SWEETWATER SUBSTA	038	ID		30,541.00
WEI	WEIPPE SUBSTA	038	ID		1,250.00

361000	362000	397000	Total
Ending Balance SUM	Ending Balance SUM	Ending Balance SUM	Ending Balance
333,513.69	1,052,076.26	64,307.30	1,449,897.25
85,885.08	993,233.24	103,905.46	1,183,023.78
988,620.17	726,104.88	155,612.67	1,870,337.72
9,423.53	291,625.38		301,048.91
129,539.37	1,022,590.36	80,532.59	1,232,662.32
13,143.54	470,117.80	5,972.26	489,233.60
163,702.08	726,446.94	78,814.09	968,963.11
27,075.59	399,833.99	42,554.61	469,464.19
5,529.19	266,244.16	68,923.21	340,696.56
74,645.60	450,117.48	24,532.22	549,295.30
39,912.37	332,365.09		372,277.46
5,243.81	520,874.76	68,297.99	594,416.56
148,064.49	753,157.20	125,650.80	1,026,872.49
-	371,945.65		371,945.65
1,782.52	122,035.62		123,818.14
143,439.79	1,219,095.26	94,189.09	1,456,724.14
15,880.70	719,914.36	523,609.72	1,259,404.78
17,949.36	301,889.73	1,878.14	321,717.23
64,035.18	1,654,256.42	74,322.04	1,792,613.64
214,119.24	370,919.80	745.89	585,784.93
134,463.43	758,180.39	176,752.99	1,069,396.81
49,963.92	1,079,948.29	68,309.06	1,198,221.27
18,972.23	1,134,425.55		1,153,397.78
10,487.65	413,140.34		423,627.99
64,132.76	519,449.11	20,178.82	603,760.69
4,262.93	223,900.75	48,428.13	276,591.81
92,651.26	843,360.45	172,445.27	1,108,456.98
273,344.43	734,655.14	2,808.94	1,010,808.51

**SUMMARY OF USE OF FACILITIES CHARGES
ASSOCIATED WITH
NETWORK INTEGRATION TRANSMISSION SERVICE
BY AVISTA CORPORATION FOR
BONNEVILLE POWER ADMINISTRATION**

BPA Customer	Point of Delivery	Monthly		Proposed Increase
		1996 Total	2016 Total	
Asotin				
	DryGulch	\$440		
	Pound Lane	\$2,177	\$2,756	
	Critchfield		\$2,432	
	Total	\$2,617	\$5,188	\$2,571
Big Bend Electric Coop.				
	Delight			
	Lee and Reynolds	\$4,204	\$4,880	
	Marengo	\$944	\$1,503	
	Ralston			
	Ritzville			
	Roxboro	\$3,277	\$3,405	
	Total	\$8,425	\$9,788	\$1,363
City of Chewelah				
	Chewelah	\$1,016	\$4,742	
	Total	\$1,016	\$4,742	\$3,726
City of Plummer				
	Plummer	\$558	\$6,889	
	Total	\$558	\$6,889	\$6,331
Clearwater Power				
	Brincken's Corner			
	Craigmont	\$661	\$2,930	
	Juliaetta	\$1,951	\$2,732	
	Moscow	\$1,433	\$9,691	
	Orofino	\$8,918	\$8,605	
	Potlatch	\$2,075	\$2,011	
	Spalding			
	Sweetwater	\$2,372	\$5,040	
	Weippe	\$9,458	\$10,270	
	Total	\$26,868	\$41,279	\$14,411
Idaho County Power & Light				
	Cottonwood	\$384	\$1,868	
	East Grangeville			
	Kamiah	\$567	\$869	
	Kooskia	\$1,379	\$3,236	
	Total	\$2,330	\$5,973	\$3,643

Inland Power & Light			
Airway Heights	\$3,229	\$3,902	
Armstrong			
Chambers			
Cheney			
East Colfax	\$1,441	\$1,636	
Ewan	\$2,545	\$2,217	
Four Lakes			
Gaffney			
Hangman			
Hayford			
Hoodoo			
Hopkins			
Irby			
Mica			
Milan	\$2,997	\$10,510	
Milan / Eloika Lake			
Moab			
Odessa			
Rosalia	\$461	\$4,052	
Spangle	\$889	\$1,341	
Wagner Lake			
West Plains			
Total	\$11,562	\$23,658	\$12,096
Kootenai Electric Cooperative			
Athol			
Beck Road			
Coeur d'Alene 15th St	\$1,885	\$1,698	
Hayden			
Julia Street			
O'Gara	\$1,239	\$3,048	
Pleasant View	\$4,403	\$3,708	
Plummer	\$277	\$2,003	
Prairie			
Rathdrum	\$1,270	\$2,473	
Scarcello			
Setters			
Total	\$9,074	\$12,930	\$3,856
Northern Lights			
Athol			
Cabinet Gorge	\$603	\$3,133	
Noxon (Construction)	\$1,753	\$12,466	
Total	\$2,356	\$15,599	\$13,243

AVISTA CORPORATION
 Calculation of Low Voltage Facilities Charges
 For
 Bonneville Power Administration Service to Asotin
 County PUD

Pound Lane

AVA Annual Distribution Revenue Requirement	=	\$203,938,029
AVA Distribution System Peak Load	=	1,715,000 kW
Asotin PUD Peak Demand	=	2,257 kW
Load Ratio Share of Revenue Requirement	=	\$268,432
Annual Charge to Bonneville (Asotin)	=	\$26,843
Monthly Charge to Bonneville (Asotin)	=	\$2,237
(Discounted due to close proximity to substation facilities)		

Critchfield

AVA Annual Distribution Revenue Requirement	=	\$203,938,029
AVA Distribution System Peak Load	=	1,715,000 kW
Asotin PUD Peak Demand	=	779 kW
Load Ratio Share of Revenue Requirement	=	\$92,587
Annual Charge to Bonneville (Asotin)	=	\$9,258.67
Monthly Charge to Bonneville (Asotin)	=	\$772
(Discounted due to close proximity to substation facilities)		
Joint Use Distribution Annual Total	=	\$36,102
Joint Use Distribution Monthly Total	=	\$3,008

Sole Use of Facilities Charges – 2- three phase 1000 kVA Service Transformers	=	\$25,532
Annual Cost Ratio (ACR)	=	0.1456
Annual Sole Use Charges	=	\$3,717
Monthly Sole Use Charges	=	\$310
Critchfield Total Sole Use Charges	=	\$1,081

Total Annual Low Voltage Facilities Charges	=	\$39,819
Total Monthly Low Voltage Facilities Charges	=	\$3,318

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
ASOTIN COUNTY PUD
AT
CRITCHFIELD SUBSTATION , WA

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A Calculation of Joint Use Substation Charges

Account 361 + 362 + 397 Investment	=	\$1,870,338
Account 360 Land	=	\$45,325
less (1) AVA fdrs in 2008 \$	-	(\$101,267)
Net Joint Use Investment	=	\$1,814,396

Asotin Peak Demand	=	779 kw
Transformer Peak Demand	=	12,400 kw

Adjustment for Losses	=	2.56%
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Share = $[(779 \times 1.0214) / (12,400 \times 1.05)] (1,814,396) (0.1456)$

= \$16,202/yr

= \$1,350/mo

B Calculation of Sole Use of Facilities Charges - None

Total Joint and Sole Use = \$1,350/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
ASOTIN COUNTY PUD
AT
POUND LANE SUBSTATION , WA

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A. Calculation of Joint Use Substation Charges

Account 361 + 362 + 397 Investment	=	\$608,773
Account 360 Land	=	\$9,075
less (2) AVA fdrs in 1974 \$	-	(\$41,554)
Net Joint Use Investment	=	\$576,294

Asotin Peak Demand	=	2,257 kw
Substation Peak Demand	=	29,740 kw

Adjustment for Losses	=	2.68%
-----------------------	---	-------

Share = $[(2,257 \times 1.0268) / (29,740 \times 1.05)](576,294)(0.1456)$

= \$6,228/yr

= \$519/mo

B Calculation of Sole Use of Facilities Charges - None

Total Joint and Sole Use = \$519/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
BIG BEND ELECTRIC COOP
AT
LEE & REYNOLDS ROAD, OTHELLO

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A. Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	= \$ 1,026,872
Account 360 Land	= \$2,485
less (2) AVA fdrs in 1998 \$	- (\$125,675)
less (2) BBEC fdrs in 1998 \$	- (\$53,637)
Net Joint Use Investment	= \$850,045

Big Bend Peak Demand	= 7,060 kw
Transformer Peak Demand	= 16,400 kw

Share = $[(7,060)/(16,400 \times 1.05)](850,045)(0.1456)$

= \$50,743/yr

= \$4,229/mo

B. Calculation of Sole Use of Facilities Charges - (2) 13 kV fdr position BBEC owned Regs

Sole Use Investment = \$ 53,637

Sole Use Charges = $\$53,637 \times 0.1456 = \$7,810/\text{yr}$

= \$651/mo

Total Monthly Substation = \$4,879/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
BIG BEND ELECTRIC COOP
AT
MARENGO, WA

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

- A. Calculation of Joint Use Substation & Distribution Charges - None
- B. Calculation of Sole Use of Facilities Charges - 115/24 kV substation

Sole Use Investment = \$123,818

Account 360 Land = \$25

Net Joint Use Investment = \$123,843

Sole Use Charges = \$123,843 x 0.1456 = \$18,032/yr

= \$1,503/mo

Total of Sole Use = \$1,503/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
BIG BEND ELECTRIC COOP
AT
ROXBORO, WA

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	=	\$423,628
Account 360 Land	=	\$1,000
less (1) AVA fdrs in 1977 \$	-	(\$26,454)
less (1) BBEC fdrs in 1977 \$	-	(\$13,713)
Net Joint Use Investment	=	\$384,461
Big Bend Peak Demand	=	17,320 kw
Transformer Peak Demand	=	23,760 kw

$$\text{Share} = [(17,320)/(23,760 \times 1.05)](384,461)(0.1456)$$

$$= \$38,862/\text{yr}$$

$$= \$3,239/\text{mo}$$

B Calculation of Sole Use of Facilities Charges 24 kV Feeder Position

Sole Use Investment = \$13,713

Sole Use Charges = \$13,713 x 0.1456 = \$1,997/yr

$$= \$166/\text{mo}$$

TOTAL \$3,405/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
CITY OF CHEWELAH
AT
CHEWELAH, WA

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	=	\$1,232,662
Account 360 Land	=	\$152,450
less (3) AVA fdrs in 2009 \$	-	(\$314,948)
less (1) CofC fdrs in 2009 \$	-	(\$44,806)
Net Joint Use Investment	=	\$1,025,358

Chewelah Peak Demand	=	5,130 kw
Transformer Peak Demand	=	14,480 kw

Share = $[(5,130)/(14,480 \times 1.05)](1,025,358)(0.1456)$

= \$50,373/yr

= \$4,198/mo

B Calculation of Sole Use of Facilities Charges 13 kV fdr position City of Chewelah owned Regs

Sole Use Investment = \$44,806

Sole Use Charges = \$44,806 x 0.1456 = \$6,524/yr

= \$544/mo

TOTAL \$4,741/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
CITY OF PLUMMER
AT
PLUMMER, ID

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	=	\$1,198,221
Account 360 Land	=	\$1
less (1) Cogen fdrs in 2010 \$	-	(\$47,004)
less (1) CofP fdrs in 2010 \$	-	(\$47,004)
less (1) KEC fdrs in 2010 \$	-	(\$47,004)
Net Joint Use Investment	=	\$1,057,210

City Peak Demand	=	8,380 kw
Transformer Peak Demand	=	16,200 kw

Share = $[(8,380)/(16,200 \times 1.05)](1,057,210)(0.1456)$

= \$75,834/yr

= \$6,319/mo

B Calculation of Sole Use of Facilities Charges - 13 kV feeder position CoP furnished regs

Sole Use Investment =	\$47,004	
Sole Use Charges =	\$47,004 x 0.1456 =	\$6,844/yr
		= \$570/mo
Total Joint and Sole Use		= \$6,890/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
CLEARWATER POWER
AT
CRAIGMONT, ID

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A. Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	= \$	968,963
Account 360 Land	=	\$300
less (2) AVA fdrs in 2009 \$	-	(\$209,966)
less (1) CWP fdrs in 2009 \$	-	(\$104,983)
Net Joint Use Investment	=	\$654,314

Cclearwater Peak Demand	=	1,051 kw
Transformer Peak Demand	=	4,800 kw

Share = $[(1,051)/(4,800 \times 1.05)](654,314)(0.1456)$

= \$19,866/yr

= \$1,656/mo

B. Calculation of Sole Use of Facilities Charges - 13 kV feeder position

Sole Use Investment = \$104,983

Sole Use Charges = \$104,983 x 0.1456 = \$15,286/yr

= \$1,274/mo

Total Joint & Sole Use = \$2,929/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
CLEARWATER POWER
AT
JULIAETTA, ID

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A. Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	=	\$549,295
Account 360 Land	=	\$200
less (2) AVA fdrs in 1981 \$	-	(\$75,338)
less (1) CWP fdrs in 1981 \$	-	(\$16,077)
Net Joint Use Investment	=	\$458,080

Clearwater Peak Demand	=	5,072 kw
Transformer Peak Demand	=	10,584 kw

Share = $[(5,072)/(10,584 \times 1.05)](458,080)(0.1456)$

= \$30,440/yr

= \$2,537/mo

B. Calculation of Sole Use of Facilities Charges - 13 kV feeder position no regulators

Sole Use Investment = \$16,077

Sole Use Charges = $\$16,077 \times 0.1456 = \$2,341/\text{yr}$

= \$195/mo

Total Joint & Sole Use = \$2,732/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
CLEARWATER POWER
AT
MOSCOW, ID

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A. Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	=	\$1,392,740
Account 360 Land	=	\$238
less (1) AVA fdrs in 2013 \$	-	(\$113,277)
less (1) CWP fdrs in 2013 \$	-	(\$58,720)
Net Joint Use Investment	=	\$1,220,981

Clearwater Peak Demand	=	6,140 kw
Transformer Peak Demand	=	9,648 kw

Share = $[(6,140)/(9,648 \times 1.05)](1,220,981)(0.1456)$

= \$107,749/yr

= \$8,979/mo

B. Calculation of Sole Use of Facilities Charges - 24 kV feeder position CPC furnished Regs

Sole Use Investment =	\$58,720
Sole Use Charges =	\$58,720 x 0.1456 = \$8,550/yr
	= \$712/mo
Total Joint & Sole Use	= \$9,692/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
CLEARWATER POWER
AT
OROFINO, ID

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A. Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	=	\$0
Account 360 Land	=	\$73
Inland Peak Demand	=	6,150 kw
Transformer Peak Demand	=	16,460 kw
Share = [(6,150)/(16,460x1.05)](73)(0.1456)		
	=	\$4/yr
	=	\$/mo

C. Calculation of Sole Use of Facilities Charges - 115/24 kV Xfmr (2) Fdrs, CPC furnished Regs

Sole Use Investment =	\$709,181	
Sole Use Charges =	\$709,181 x 0.1456 =	\$103,257/yr
		= \$8,605/mo
Total Sole Use		= \$8,605/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
CLEARWATER POWER
AT
POTLATCH, ID

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A. Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	=	\$0
Account 360 Land	=	\$2,500

Clearwater Peak Demand	=	6,700 kw
Transformer Peak Demand	=	20,602 kw

Share = $[(6,700)/(20,602 \times 1.05)](2,500)(0.1456)$

= \$113/yr

= \$9/mo

Sole Use Investment = \$165,005

Sole Use Charges = $\$165,005 \times 0.1456 = \$24,025/\text{yr}$

= \$2,002/mo

Total Joint & Sole Use = \$2,011/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
CLEARWATER POWER
AT
SWEETWATER, ID

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A. Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	= \$ 1,108,457
Account 360 Land	= \$30,541
less (1) AVA fdrs in 2006 \$	- (\$82,548)
less (1) CWP fdrs in 2006 \$	- (\$42,791)
Net Joint Use Investment	= \$ 1,013,659

Clearwater Peak Demand	= 3,860 kw
Transformer Peak Demand	= 10,000 kw

Share = $[(3,860)/(10,000 \times 1.05)](1,013,659)(0.1456)$

= \$54,256/yr

= \$4,521/mo

B. Calculation of Sole Use of Facilities Charges - 24 kV feeder position CWP furnished Regs

Sole Use Investment = \$42,791

Sole Use Charges = \$42,791 x 0.1456 = \$6,230/yr

= \$519/mo

Total Joint & Sole Use = \$5,041/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
CLEARWATER POWER
AT
WEIPPE, ID

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A. Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	= \$ 1,010,809
Account 360 Land	= \$1,250
less (1) AVA fdrs in 2000 \$	- (\$64,020)
less (1) CWP fdrs in 2000 \$	- (\$27,324)
Net Joint Use Investment	= \$ 920,715

Clearwater Peak Demand	= 3,923 kw
Transformer Peak Demand	= 4,200 kw

Share = $[(3,923)/(4,200 \times 1.05)](920,715)(0.1456)$

= \$119,252/yr

= \$9,938/mo

C. Calculation of Sole Use of Facilities Charges - 13 kV feeder position CPC furnished Regs

Sole Use Investment = \$27,324

Sole Use Charges = \$27,324 x 0.1456 = \$3,978/yr

= \$332/mo

Total Joint & Sole Use = \$10,269/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
IDAHO COUNTY POWER AND LIGHT
AT
COTTONWOOD, ID

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A Calculation of Joint Use Substation & Distribution Charges

Feeder Investment	=	\$3,750
Idaho Peak Demand	=	2,778 kw
Feeder Peak Demand	=	3,753 kw
Loss Adjustment = 1.25 mi x 0.92 %/mi	=	1.15%
Share of investment = [(2,778 x 1.0115) / (3,753 x 1.05)] (3,750)	=	\$2,674
\$2,674 x 0.1456	=	\$389
	=	\$32/mo
Total 361, 362, 397 Investment	=	\$489,234
Account 360 Land	=	\$1,000
less (2401) AVA fdrs in 2003 \$	-	(\$62,748)
Net Joint Use Investment	=	\$427,486
Idaho Peak Demand	=	2,778 kw
Substation Peak Demand	=	7,560 kw
Loss Adjustment = 1.25 mi x 0.92 %/mi	=	1.15%
Share of investment = [(2,778 x 1.0115) / (7,560 x 1.05)] (427,486)	=	\$151,324
\$151,324 x 0.1456	=	\$22,033
	=	\$1,836/mo
Total Investment Share	=	\$153,999
\$153,999 x 0.1456	=	\$22,422/yr
	=	\$1,869/mo

C. Calculation of Sole Use of Facilities Charges - None

Total Joint & Sole Use = \$1,901/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
IDAHO COUNTY POWER AND LIGHT
AT
KAMIAH, ID

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A. Calculation of Joint Use Substation & Distribution Charges

Feeder Investment	=	\$3,709
Idaho Peak Demand	=	3,445 kw
Feeder KAM1293 Peak Demand	=	6,698 kw
Loss Adjustment = 2.20 mi x 1.76 %/mi	=	3.87%
Share of investment = [(3,445 x 1.0387) / (6,698 x 1.05)] (3,709)	=	\$1,887
\$1,887 x 0.1456	=	\$275
	=	\$23/mo
Total 361, 362, 397 Investment	=	\$372,277
Account 360 Land	=	\$1,250
less (1291, 1292) AVA fdrs in 1978 \$	=	(\$59,121)
Net Joint Use Investment	=	\$314,406
Idaho Peak Demand	=	3,445 kw
Substation Peak Demand	=	15,372 kw
Loss Adjustment = 2.20 mi x 1.76 %/mi	=	3.87%
Share of investment = [(3,445 x 1.0387) / (15,372 x 1.05)] (314,406)	=	\$69,704
\$69,704 x 0.1456	=	\$10,149
	=	\$846/mo
Total Investment Share	=	\$71,592
\$71,592 x 0.1456	=	\$10,424/yr
	=	\$869/mo

C. Calculation of Sole Use of Facilities Charges - None

Total Joint Use = \$869/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
IDAHO COUNTY POWER AND LIGHT
AT
KOOSKIA, ID

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A. Calculation of Joint Use Substation & Distribution Charges*

Feeder Investment	=	\$5,710
Idaho Peak Demand	=	3,457 kw
Feeder KOO1299 Peak Demand	=	6,639 kw
Loss Adjustment = 1.00 mi x 1.76 %/mi	=	1.76%
Share of investment = [(3,457 x 1.0176) / (6,639 x 1.05)] (5,710)	=	\$2,882
\$2,882 x 0.1456	=	\$420
	=	\$35/mo
Total 361, 362, 397 Investment	=	\$594,417
Account 360 Land	=	\$710
less (1298) AVA fdrs in 2010 \$	=	(\$110,135)
Net Joint Use Investment	=	\$484,992
Idaho Peak Demand	=	3,457 kw
Substation Peak Demand	=	9,200 kw
Loss Adjustment = 1.00 mi x 1.76 %/mi	=	1.76%
Share of investment = [(3,457 x 1.0176) / (9,200 x 1.05)] (484,992)	=	\$176,617
\$176,617 x 0.1456	=	\$25,715
	=	\$2,143/mo
Total Investment Share	=	\$179,499
\$179,499 x 0.1456	=	\$26,135/yr
	=	\$2,178/mo

B. Calculation of Sole Use of Facilities Charges - 13/34 kV substation

Sole Use Investment =	\$87,197
Sole Use Charges =	\$87,197 x 0.1456 = \$12,696/yr
	= \$1,058/mo
Total Joint and Sole Use	= \$3,236/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
INLAND POWER AND LIGHT
AT
AIRWAY HEIGHTS, WA

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A. Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	= \$1,449,897
Account 360 Land	= \$5,000
less (2) AVA fdrs in 1978 \$	- (\$59,121)
less (1) AVA fdrs in 2008 \$	- (\$79,898)
less (1) IPL fdrs in 1978 \$	- (\$12,616)
Net Joint Use Investment	= \$1,303,262
Airway Hts Peak Demand	= 7,150 kw
Transformer Peak Demand	= 28,720 kw

$$\text{Share} = [(7,150)/(28,720 \times 1.05)](1,303,262)(0.1456)$$

$$= \$44,991/\text{yr}$$

$$= \$3,749/\text{mo}$$

B. Calculation of Sole Use of Facilities Charges - 13 kV feeder position

Sole Use Investment = \$12,616

Sole Use Charges = \$12,616 x 0.1456 = \$1,837/yr

$$= \$153/\text{mo}$$

Total Joint and Sole Use = \$3,902/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
INLAND POWER AND LIGHT
AT
EAST COLFAX, WA

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A. Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	=	\$469,464
Account 360 Land	=	\$1,670
less (2) AVA fdrs in 1988 \$	-	(\$93,243)
less (1) IPL fdrs in 1988 \$	-	(\$19,898)
Net Joint Use Investment	=	\$357,993

Inland Peak Demand	=	4,080 kw
Transformer Peak Demand	=	12,100 kw

Share = $[(4,080)/(12,100 \times 1.05)](357,993)(0.1456)$

= \$16,739/yr

= \$1,395/mo

B. Calculation of Sole Use of Facilities Charges - 13 kV feeder position IP&L furnished Regs

Sole Use Investment = \$19,898

Sole Use Charges = \$19,898 x 0.1456 = \$2,897/yr

= \$241/mo

Total Joint & Sole Use = \$1,636/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
INLAND POWER AND LIGHT
AT
EWAN, WA

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A. Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	=	\$340,697
Account 360 Land	=	\$100
less (1) AVA fdrs in 1998 \$	-	(\$62,838)
less (1) IPL fdrs in 1998 \$	-	(\$27,655)
Net Joint Use Investment	=	\$250,304

Inland Peak Demand	=	2,823 kw
Transformer Peak Demand	=	4,340 kw

Share = $[(2,823)/(4,340 \times 1.05)](250,304)(0.1456)$

= \$22,577/yr

= \$1,881/mo

B. Calculation of Sole Use of Facilities Charges - 13kV fdr bay IP&L furnished regs

Sole Use Investment = \$27,655

Sole Use Charges = $\$27,655 \times 0.1456 = \$4,027/\text{yr}$

= \$336/mo

Total Joint & Sole Use = \$2,217/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
INLAND POWER AND LIGHT
AT
MILAN, WA

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

B. Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment = \$0
Account 360 Land = \$12,500

Inland Peak Demand = 8,940 kw
Transformer Peak Demand = 17,940 kw

Share = [(8,940)/(17,940)](12,500)(0.1456)

= \$907/yr

= \$76/mo

C. Calculation of Sole Use of Facilities Charges - Xfmr #2 and (2) 13 kV fdrs IP&L furnished Regs

Sole Use Investment = \$853,747

Sole Use Charges = \$853,747 x 0.1456 = \$124,306/yr

= \$10,359/mo

Total Joint & Sole Use = \$10,434/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
INLAND POWER AND LIGHT
AT
ROSALIA, WA

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A. Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	=	\$603,761
Account 360 Land	=	\$485
less (1) AVA fdrs in 2006 \$	-	(\$86,444)
less (1) IPL fdrs in 2006 \$	-	(\$73,787)
Net Joint Use Investment	=	\$444,015

Inland Peak Demand	=	4,184 kw
Transformer Peak Demand	=	6,800 kw

Share = $[(4,184)/(6,800 \times 1.05)](444,015)(0.1456)$

= \$37,884/yr

= \$3,157/mo

B. Calculation of Sole Use of Facilities Charges - Two 13 kV feeder positions IP&L furnished Regs

Sole Use Investment = \$73,787

Sole Use Charges = $\$73,787 \times 0.1456 = \$10,743/\text{yr}$

= \$895/mo

Total Joint & Sole Use = \$4,052/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
INLAND POWER AND LIGHT
AT
SPANGLE, WA

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A. Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	=	\$276,592
Account 360 Land	=	\$10
less (1) AVA fdrs in 1979 \$	-	(\$86,444)
less (1) IPL fdrs in 2008 \$	-	(\$101,267)
Net Joint Use Investment	=	\$88,891

Inland Peak Demand	=	5,815 kw
Transformer Peak Demand	=	7,308 kw

Share = $[(5,815)/(7,308 \times 1.05)](88,891)(0.1456)$

= \$9,808/yr

= \$817/mo

B. Calculation of Sole Use of Facilities Charges - 13 kV feeder position and regulators

Sole Use Investment = \$43,219

Sole Use Charges = $\$43,219 \times 0.1456 = \$6,293/\text{yr}$

= \$524/mo

Total Joint & Sole Use = \$1,342/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
KOOTENAI ELECTRIC COOP
AT
COEUR D'ALENE 15TH STREET, ID

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A. Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	=	\$1,183,024
Account 360 Land	=	\$1
less (5) AVA fdrs in 1997 \$	-	(\$301,519)
less (1) KEC fdrs in 1997 \$	-	(\$25,737)
Net Joint Use Investment	=	\$855,769

Kootenai Peak Demand	=	5,770 kw
Transformer Peak Demand	=	41,160 kw

Share = $[(5,770)/(41,160 \times 1.05)](855,769)(0.1456)$

= \$16,635/yr

= \$1,386/mo

B. Calculation of Sole Use of Facilities Charges - 13 kV feeder position KEC furnished regs

Sole Use Investment = \$25,737

Sole Use Charges = $\$25,737 \times 0.1456 = \$3,747/\text{yr}$

= \$312/mo

Total Joint & Sole Use = \$1,699/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
KOOTENAI ELECTRIC COOP
AT
O'GARA, ID

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A. Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	=	\$321,717
Account 360 Land	=	\$1
less (1) AVA fdrs in 1996 \$	-	(\$60,304)
less (1) KEC fdrs in 1996 \$	-	(\$25,737)
Net Joint Use Investment	=	\$235,677
 Kootenai Peak Demand	=	2,789 kw
Transformer Peak Demand	=	2,772 kw

$$\text{Share} = [(2,789)/(2,772 \times 1.05)](235,677)(0.1456)$$

$$= \$32,881/\text{yr}$$

$$= \$2,740/\text{mo}$$

B. Calculation of Sole Use of Facilities Charges - 13 kV feeder position KEC furnished Regs

$$\text{Sole Use Investment} = \$25,377$$

$$\text{Sole Use Charges} = \$25,377 \times 0.1456 = \$3,695/\text{yr}$$

$$= \$308/\text{mo}$$

$$\text{Total Joint \& Sole Use} = \$3,048/\text{mo}$$

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
KOOTENAI ELECTRIC COOP
AT
PLEASANT VIEW SUBSTATION

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A. Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	=	\$1,069,397
Account 360 Land	=	\$10
less (1) AVA fdrs in 1989 \$	-	(\$50,169)
less (1) AVA fdrs in 1997 \$	-	(\$60,304)
less (1) KEC fdrs in 1992 \$	-	(\$23,286)
Net Joint Use Investment	=	\$935,648

KEC Peak Demand	=	3,726 kw
Transformer Peak Demand	=	11,760 kw

Share = $[(3,726)/(11,760 \times 1.05)](935,648)(0.1456)$

= \$41,107/yr

= \$3,426/mo

B. Calculation of Sole Use of Facilities Charges - 13 kV feeder position KEC furnished regs

Sole Use Investment = \$23,286 = \$50,627 @ HW 1992

Sole Use Charges = \$23,286 x 0.1456 = \$3,390/yr

= \$283/mo

Total Joint and Sole Use = \$3,708/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
KOOTENAI ELECTRIC COOP
AT
PLUMMER, ID

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A. Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	= \$1,198,221
Account 360 Land	= \$1
less (1) Cogen fdrs in 2010 \$	- (\$47,004)
less (1) CofP fdrs in 2010 \$	- (\$47,004)
less (1) KEC fdrs in 2010 \$	- (\$47,004)
Net Joint Use Investment	= \$1,057,210

Kootenai Peak Demand	= 1,900 kw
Transformer Peak Demand	= 16,200 kw

Share = $[(1,900)/(16,200 \times 1.05)](1,057,210)(0.1456)$

= \$17,194/yr

= \$1,433/mo

B. Calculation of Sole Use of Facilities Charges - 13 kV feeder position no regs

Sole Use Investment =	\$47,004
Sole Use Charges =	\$47,004 x 0.1456 = \$6,844/yr
	= \$570/mo
Total Joint and Sole Use	= \$2,003/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
KOOTENAI ELECTRIC COOP
AT
RATHDRUM, ID

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

B. Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	=	\$348,946
Account 360 Land	=	\$31,845
less (1) AVA fdrs in 1979 \$	-	(\$31,588)
less (1) KEC fdrs in 1979 \$	-	(\$13,481)
Net Joint Use Investment	=	\$335,722

KEC Peak Demand	=	6,070 kw
Transformer Peak Demand	=	10,200 kw

Share = $[(6,070)/(10,200 \times 1.05)](335,722)(0.1456)$

= \$27,704/yr

= \$2,309/mo

C. Calculation of Sole Use of Facilities Charges - 13 kV feeder position KEC furnished regs

Sole Use Investment = \$13,481

Sole Use Charges = \$13,481 x 0.1456 = \$1,963/yr

= \$164/mo

Total Joint & Sole Use = \$2,472/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
NORTHERN LIGHTS
AT
CABINET GORGE, ID

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A. Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	=	\$301,049
Account 360 Land	=	\$1
less (1) AVA fdrs in 2004 \$	-	(\$31,432)
less (1) NL fdrs in 2004 \$	-	(\$31,432)
Net Joint Use Investment	=	\$238,186

Northern Lights Peak Demand	=	3,405 kw
Transformer Peak Demand	=	3,405 kw

Share = $[(3,405)/(3,405 \times 1.05)](238,186)(0.1456)$

= \$33,028/yr

= \$2,752/mo

B. Calculation of Sole Use of Facilities Charges - 13 kV feeder position, no regs

Sole Use Investment = \$31,432

Sole Use Charges = \$31,432 x 0.1456 = \$4,576/yr

= \$381/mo

Total Joint and Sole Use = \$3,134/mo

USE OF FACILITIES CHARGE
FOR
AVISTA CORPORATION
TRANSFER TO
BONNEVILLE POWER ADMINISTRATION
FOR
NORTHERN LIGHTS
AT
NOXON CONSTRUCTION SUB, MT

Effective Date: April 1, 2016

Annual Cost Ratio (ACR) = 14.56%

A Calculation of Joint Use Substation & Distribution Charges

Account 361 + 362 + 397 Investment	= \$1,259,405
Account 360 Land	= \$1
less (1) AVA fdrs in 2014 \$	- (\$50,627)
less (1) NL fdrs in 2014 \$	- (\$50,627)
Net Joint Use Investment	= \$1,158,152

Northern Lights Peak Demand	= 2,260 kW
Transformer Peak Demand	= 2,552 kW

Share = $[(2,260)/(2,552 \times 1.05)](1,158,152)(0.1456)$

= \$142,222/yr

= \$11,852/mo

B Calculation of Sole Use of Facilities Charges - 13 kV feeder position, no regs

Sole Use Investment = \$50,627

Sole Use Charges = \$50,627 x 0.1456 = \$7,371/yr

= \$614/mo

Total Joint and Sole Use = \$12,466/mo

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