This WEST OF HATWAI CAPACITY ALLOCATION AGREEMENT (Agreement), is executed by AVISTA CORPORATION (Avista), a corporation organized and existing under the laws of the State of Washington, and the UNITED STATES OF AMERICA, Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (BPA), which hereinafter may be referred to individually as “Party” or collectively as “Parties”.

RECITALS

WHEREAS, Avista and BPA own and operate interconnected transmission systems and provide Transmission Service over their respective transmission facilities, including those facilities located in Eastern Washington and Northern Idaho that make up the West of Hatwai (WOH) transmission path; and

WHEREAS, Avista and BPA provide for the general terms and conditions governing the interconnection of their respective transmission facilities under a separate agreement; and

WHEREAS, Avista and BPA are parties to a Letter Agreement dated August 9, 2004, BPA Contract No. No. 04TX-11712, Amendment No. 2 (Prior Agreement), regarding commercial and operational arrangements related to the WOH transmission path, which will expire on June 1, 2017; and

WHEREAS, Avista and BPA intend to provide for the ongoing allocation of transmission capacity across the WOH transmission path and related provisions to facilitate each Party’s ability to use, and offer Transmission Service on, its allocated capacity; and

WHEREAS, Avista and BPA are parties to Letter Agreement, Avista Contract No. AV-TR11-0303, BPA Contract No. 10TX-14771 (BPATPUD Scheduling Agreement) that addresses certain scheduling and tagging practices related to this Agreement.
NOW, THEREFORE, the Parties hereto mutually agree as follows:

1. **DEFINITIONS**

   Capitalized terms in this Agreement, whether in the singular or plural, shall have the meanings specified in the NERC Glossary of Terms unless otherwise specified below:

   **1.1 Allocated Parallel Transmission Capacity** – The allocated commercial transmission capacity, over the WOH Path, of either Party under this Agreement, whether based upon the WOH Total Transfer Capability or an interim WOH Total Transfer Capability reflecting then-current outage related operating conditions, over which either Party may offer Transmission Service to third parties.

   **1.2 Applicable Reliability Standard(s)** – The standards, requirements and criteria of NERC and WECC as applicable to each Party pursuant to its registered functional status under such standards, requirements and criteria.

   **1.3 Commission** – The Federal Energy Regulatory Commission, or its successor.

   **1.4 Good Utility Practice** – The practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a range of acceptable practices, methods or acts.

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

   **1.6 Regional Planning Organization** – As of the Effective Date, ColumbiaGrid. If at any time either Party is not a transmission planning participant in ColumbiaGrid, then the regional transmission planning organization or regional transmission process by which the Parties are able to jointly address their transmission expansion affecting the WOH TTC and associated allocation.

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

   **1.8 WOH Path** – The collection of parallel Avista and BPA transmission facilities as defined in Exhibit A.
1.9 **WOH Total Transfer Capability or WOH TTC** – The maximum amount of power that can flow across the WOH Path, in the east-to-west direction, as determined by studies performed jointly by the Parties pursuant to Applicable Reliability Standards or for purposes of establishing a WOH Total Transfer Capability under this Agreement.

2. **TERM OF AGREEMENT**

2.1 **Effective Date** – This Agreement shall be effective at 0000 hours on June 1, 2017 or, if Avista files this Agreement with the Commission, such other date as designated by the Commission without changes that are unacceptable to either party (Effective Date).

2.2 **Term and Termination** – This Agreement shall remain in effect until June 1, 2022 (Initial Term) and shall remain in effect beyond the Initial Term for no longer than thirty (30) years after the Effective Date unless the Parties extend it further by mutual agreement. After the Initial Term, this Agreement can be affirmatively terminated by either Party upon one year’s prior written notice to the other Party.

Notwithstanding the provision for an Initial Term above, and except as provided in paragraph 5.1 below, this Agreement may be terminated by either Party upon mutual agreement or upon ninety (90) days prior written notice to the other Party in the event of a material breach by the other Party.

2.3 **Termination of Prior Agreement** – The Prior Agreement shall expire under its own terms on June 1, 2017. In the event Avista files this Agreement with the Commission and the Commission establishes an Effective Date later than June 1, 2017, the Parties agree the term of the Prior Agreement shall automatically extend up to the Effective Date of this Agreement.

2.4 **Modification of the Agreement** – If as a result of new Applicable Reliability Standards the WOH transmission path is redefined; this Agreement shall be modified to reflect the new standards.

3. **OPERATIONS, MODIFICATION AND TRANSMISSION SERVICE**

3.1 **No Effect Upon Operating Responsibilities** – No terms or conditions provided for herein shall limit or in any way be construed as restricting or superseding either Party's abilities, rights and obligations to operate and maintain its respective transmission facilities pursuant to Applicable Reliability Standards and Good Utility Practice. In the event either Party, pursuant to its Applicable Reliability Standards, determines a need to create or revise any operating or scheduling protocol which may arise out of its performance under this Agreement, the Parties shall work cooperatively to address such protocol and, if necessary, shall modify this Agreement to conform to such Applicable Reliability Standard.
3.2 **No Delegation** – By entering into this Agreement neither Party assents to the delegation to or from the other Party of any requirement or obligation pursuant to the Parties’ respective Applicable Reliability Standards.

3.3 **No Provision of Transmission Service** – This Agreement provides for an allocation of parallel transmission capacity between adjacent and interconnected transmission systems and does not provide for Transmission Service under any generally applicable tariff or rate schedule. Accordingly, the allocation of parallel transmission capacity provided for herein does not entail any reservation, scheduling, ancillary service, losses or other obligation on the part of either Party pursuant to any such generally applicable tariff or rate schedule of the other Party.

4. **EXHIBITS**

The following Exhibit is made a part of this Agreement:

Exhibit A – West of Hatwai Transmission Path

5. **ALLOCATION OF PARALLEL TRANSMISSION CAPACITY**

5.1 **Allocation of WOH Total Transfer Capability** – As of the Effective Date, the WOH TTC as set forth in the WECC Path Rating Catalog is 4277 MW. Based upon a WOH TTC of 4277 MW, Avista’s Allocated Parallel Transmission Capacity is 600 MW and BPA’s Allocated Parallel Transmission Capacity is 3677 MW.

If at any time the applicable WECC path rating process or a study process to establish a seasonal WOH TTC pursuant to Applicable Reliability Standards results in a WOH TTC that is lower than 4277 MW, Avista’s Allocated Parallel Transmission Capacity shall be 600 MW and BPA’s Allocated Parallel Transmission Capacity shall be the remainder; *provided, however*, if such WOH TTC is below 4077 MW, the Parties shall re-negotiate such allocation; and, in the absence of agreement within one-hundred and twenty (120) calendar days of such reduced WOH TTC, either Party may terminate this Agreement upon thirty (30) days prior written notice to the other Party.

5.2 **Allocation of Additional Capacity due to New Facilities** – In the event that either Party constructs or upgrades facilities that results in an increase of the WOH TTC as a result of such construction, as determined pursuant to a WECC Path Rating Process or a Regional Planning Organization process, the Party constructing such facilities shall have its Allocated Parallel Transmission Capacity increased by an amount equal to the increase in the WOH TTC.
6. TRANSMISSION OPERATIONS, MAINTENANCE, SUPPORT AND OTHER PROVISIONS

6.1 Operating Procedures – Except as provided in Section 3, Avista and BPA shall operate and maintain their respective transmission systems to maintain the WOH TTC and each Party's Allocated Parallel Transmission Capacity, consistent with Good Utility Practice. Each Party shall share its respective operating procedures that relate to the WOH Path with the other Party. Such operating procedures shall be revised from time to time as needed to reflect changed conditions and to meet Applicable Reliability Standards.

6.2 Sectionalizing of Avista Transmission System – As needed consistent with Section 6.1, Avista shall continue to operate its Big Bend area 115 kV transmission lines in an open or sectionalized configuration, as noted in Exhibit A. Avista may change or close the open points on its 115 kV transmission system as system conditions or emergency operational requirements dictate.

6.3 Support for Allocated Parallel Transmission Capacity – BPA shall, through the establishment of transmission scheduling protocols, support and facilitate Avista’s sectionalized 115 kV operations and Avista’s ability to use and/or provide Transmission Service over its Allocated Parallel Transmission Capacity and its TTC established pursuant to Section 6.4 notwithstanding actual power flow across each Party's WOH Path facilities. Examples of such scheduling protocols are the protocols established by Avista and BPA pursuant to the BPATPUD Scheduling Agreement.

Subject to any directive by an applicable Reliability Coordinator and the provisions of Section 7.2, each Party may continue to schedule Transmission Service over its Allocated Parallel Transmission Capacity notwithstanding any planned or unplanned outage on either Party’s transmission facilities.

6.4 Avista TTC in the West-to-East Direction – For purposes of Avista determining its TTC and ATC in the non-prevailing flow direction (west to east) of the WOH Path to comply with Applicable Reliability Standards, including MOD-029-2a or its successor, Avista may establish such TTC or ATC for its sole use pursuant to applicable studies or other terms of such standard; provided however, this section does not establish a path for determining TTC or ATC for BPA in the west to east direction for purposes of Applicable Reliability Standards, and does not establish an allocation of west to east transfer capability for either Party under this Agreement.
6.5 Remedial Action Schemes – The Parties agree to utilize and maintain the Remedial Action Schemes (RAS) identified in the applicable planning studies establishing the WOH TTC. Any revision to such RAS shall be subject to the applicable WECC process.

As of the Effective Date, WOH RAS arming approved by WECC includes the following output functions:

(a) Libby generator dropping
(b) Dworshak generator dropping
(c) Hungry Horse generator dropping
(d) Lancaster generator dropping
(e) Boundary generator dropping (for 500 kV line outage conditions only)
(f) Garrison reactor tripping
(g) Miles City DC Tie tripping

7. OUTAGE COORDINATION AND REDUCTIONS TO ALLOCATED CAPACITY

7.1 Outage Coordination – For any planned outage to a transmission facility of either Party that may affect WOH TTC, the Parties shall coordinate their outage planning consistent with Applicable Reliability Standards and Good Utility Practice.

7.2 Reduced Allocations due to Contingencies – If either Party has a planned or unplanned outage of a facility that reduces the WOH TTC, then the Allocated Parallel Transmission Capacity of the Party experiencing the outage shall be reduced by the amount the resulting WOH TTC is reduced, provided, however, if the outage is on the Avista system, Avista’s Allocated Parallel Transmission Capacity shall not be reduced to an amount less than 0 MW. In such case if Avista reduces it netted transactions across the WOH Path to zero and further actions are required to operate the system reliably, BPA shall make all additional required adjustments.

If both Parties have simultaneous planned or unplanned outages of facilities that reduce the WOH TTC or if a third party has a planned or unplanned outage that reduces the WOH TTC, then the Parties’ respective Allocated Parallel Transmission Capacities shall be reduced on a pro rata basis during such outage(s).

8. MISCELLANEOUS

8.1 Amendments – No amendment of this Agreement shall be of any force or effect unless set forth in a written instrument signed by authorized representatives of each Party.
8.2 **Assignment** – This Agreement is binding on any successors and assigns of the Parties. Neither Party may otherwise transfer or assign this Agreement, in whole or in part, without the other Party’s written consent. Such consent shall not be unreasonably withheld.

8.3 **Entire Agreement** – This Agreement, including documents expressly incorporated by reference, constitutes the entire agreement between the Parties. It supersedes all previous communications, representations, or contracts, either written or oral, which purport to describe or embody the subject matter of this Agreement.

8.4 **No Third Party Beneficiaries** – This Agreement is made and entered into for the sole benefit of the Parties, and the Parties intend that no other person or entity shall be a direct or indirect beneficiary of this Agreement.

8.5 **Uncontrollable Forces** – The Parties shall not be in breach of their respective obligations to the extent the failure to fulfill any obligation is due to an Uncontrollable Force. “Uncontrollable Force” means an event beyond the reasonable control of, and without the fault or negligence of, the Party claiming the Uncontrollable Force, which prevents that Party from performing its contractual obligations under this Agreement and which, by exercise of that Party’s reasonable care, diligence and foresight, such Party was unable to avoid. Uncontrollable Forces include, but are not limited to:

(a) strikes or work stoppage;

(b) floods, earthquakes, or other natural disasters; terrorist acts; and

(c) final orders or injunctions issued by a court or regulatory body having competent subject matter jurisdiction which the Party claiming the Uncontrollable Force, after diligent efforts, was unable to have stayed, suspended, or set aside pending review by a court of competent subject matter jurisdiction.

Neither the unavailability of funds or financing, nor conditions of national or local economies or markets shall be considered an Uncontrollable Force. The economic hardship of either Party shall not constitute an Uncontrollable Force. Nothing contained in this provision shall be construed to require either Party to settle any strike or labor dispute in which it may be involved.

If an Uncontrollable Force prevents a Party from performing any of its obligations under this Agreement, such Party shall: (1) immediately notify the other Party of such Uncontrollable Force by any means practicable and confirm such notice in writing as soon as reasonably practicable; (2) use its best efforts to mitigate the effects of such Uncontrollable Force, remedy its inability to perform, and resume full performance of its obligation hereunder as soon as reasonably practicable; (3) keep the other Party apprised of such
efforts on an ongoing basis; and (4) provide written notice of the resumption of performance. Written notices sent under this section must comply with Section 9, Notices.

8.6 **Waivers** – No waiver of any provision or breach of this Agreement shall be effective unless such waiver is in writing and signed by the waiving Party, and any such waiver shall not be deemed a waiver of any other provision of this Agreement or any other breach of this Agreement.

9. **NOTICES**
Any notice required under this Agreement shall be in writing and shall be delivered in person; or with proof of receipt by a nationally recognized delivery service or by United States Certified Mail. Notices are effective when received. Either Party may change the address for receipt of notice by providing notice of such change. The Parties shall deliver notices to the following person and address:

**If to Avista:**
Attention: Manager, Transmission Services
Phone: (509) 489-0500

If by First Class Mail:
Avista Corporation
P. O. Box 3727
Spokane, WA  99220-3727

If by Overnight Delivery Service:
Avista Corporation
1411 East Mission Avenue
Spokane, WA  99202

**If to BPA:**
Attention: Transmission Account Executive for Avista Corporation – TSE/TPP-2
Phone: (360) 619-6016
Fax:  (360) 619-6940

If by First Class Mail:
Bonneville Power Administration
P.O. Box 61409
Vancouver, WA  98666-1409

If by Overnight Delivery Service:
Bonneville Power Administration – TSE/TPP-2
905 NE 11th Avenue
Portland, OR  97232
10. **SIGNATURES**

This Agreement may be executed in several counterparts, all of which taken together will constitute one single agreement, and the Agreement may be executed and delivered electronically. The Parties have executed this Agreement as of the last date indicated below.

**AVISTA CORPORATION**

By: /s/ J A Schlect   2017.05.31  
Title: Sr Manager, Transmission Services

**UNITED STATES OF AMERICA**

Department of Energy  
Bonneville Power Administration  
By: /s/ Angela DeClerck   2017.06.01  
Title: Senior Transmission Account Executive

If opting out of the electronic signature:

By:  
Name:  
(Print/Type)  
Title:  
Date:  

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BPA 17TX-16524, Avista Corporation AV-TR17-0360  
West of Hatwai Capacity Allocation Agreement  
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EXHIBIT A
WEST OF HATWAI TRANSMISSION PATH

The WOH transmission path, as defined in the WECC Path Rating Catalog, is comprised of a series of parallel transmission lines transferring power primarily from east to west across the BPA and Avista transmission systems.

<table>
<thead>
<tr>
<th>Transmission Facility</th>
<th>Ownership</th>
<th>Metered Point</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hatwai-Lower Granite 500 kV line</td>
<td>BPA</td>
<td>Hatwai</td>
</tr>
<tr>
<td>Bell-Coulee 500 kV line</td>
<td>BPA</td>
<td>Bell</td>
</tr>
<tr>
<td>Bell-Coulee #3 230 kV line</td>
<td>BPA</td>
<td>Bell</td>
</tr>
<tr>
<td>Bell-Coulee #5 230 kV line</td>
<td>BPA</td>
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</tr>
<tr>
<td>Bell-Creston 115 kV line</td>
<td>BPA</td>
<td>Bell</td>
</tr>
<tr>
<td>Westside-Coulee 230 kV line</td>
<td>BPA</td>
<td>Westside</td>
</tr>
<tr>
<td>N. Lewiston-Tucannon River 115 kV line</td>
<td>BPA</td>
<td>N. Lewiston</td>
</tr>
<tr>
<td>Dry Creek-Talbot 230 kV line</td>
<td>Avista</td>
<td>Dry Creek</td>
</tr>
<tr>
<td>*Lind-Warden 115 kV line</td>
<td>Avista</td>
<td>Lind</td>
</tr>
<tr>
<td>*Devil’s Gap-Stratford 115 kV line</td>
<td>Avista</td>
<td>Harrington</td>
</tr>
<tr>
<td>Dry Gulch 115/69kV transformer</td>
<td>Avista</td>
<td>Dry Gulch 115kV</td>
</tr>
</tbody>
</table>

* Denotes Avista Big Bend area 115 kV transmission line designated for sectionalized operation. Sectionalized operation of both the Devil’s Gap-Lind and Shawnee-Lind 115 kV lines may be substituted for sectionalized operation of the Lind-Warden 115 kV line.