

**Avista 2011 Renewables RFP
Q&A**

- 1) Question - We would like to check if Avista is interested in a REC-only purchase to achieve your renewable energy goal as it is not clear from your RFP whether this is viable. Can you confirm?

Answer - Avista will accept projects only where it obtains all RECs generated by tat project.

- 2) Question - I have an offer for bundled power -- let me know if there is anything you can do with it. Under this offer power delivery would take place at the facility's local substation.

Answer - We are interested in your power only to the extent it meets the key provisions of our RFP.

- 3) Question - _____ is thinking in presenting Avista a proposal for the acquisition of our shovel ready project before its construction:
- We think that some of the information requested in the RFP document would not be applicable. For example Section 8 – Experience and Qualifications we believe is making reference to those bidders whose are planning o present a PPA proposal and intend to operate the wind project. Should we present all the requested documentation or just a justification of the reason we are not supplying the documents?
 - Also “Section 9 – Maintenance and Operations” we think that the information requested in this section is not applicable for the purposes of our Proposal. Is Avista expecting us to provide all these information? This also would apply to some other sections (for instance section 7.6, 7.7 , 7.8,...)
 - If any information did not change from the one supplied in the 2009 RFP, can we avoid submitting it once again and refer our 2011 Proposal to the 2009 Proposal?
For instance, some Environmental and Engineering designs did not change since 2009, can we refer them to the 2009 RFP?

Answer - Please submit the information that you believe will support your proposal. If you will be submitting a proposal to purchase the rights to the project, please submit the information that we will need to analyze your bid. If sections of the RFP are not applicable, please state so. If studies or other information has not changed since your 2009 proposal please refer us to the appropriate sections in your old bid. Our intent is for you to decide what information to send in for our review. If you decide to send in only updated or new information please be clear about what information is updated, new, or superseded. We still desire one original and one paper copy of your bid package.

- 4) Question - I was wondering if Avista and/or the Washington Utilities and Transportation Commission has engaged an independent monitor/evaluator for this RFP?

Answer - Avista did not retain an independent evaluator for the 2011 Renewables RFP as we are not evaluating an Avista-owned self build project.

- 5) Question - I was just forwarded the RFP that Avista issued last week, and I had two questions. First, I was curious as to why _____ was not included in your distribution list? And second, is there any chance for an extension of the due date? Two weeks is an exceedingly short time for companies to respond, let alone the week I’m now currently facing. Quite honestly, I’m

reasonably sure we cannot respond by March 7. Even a week would help here. Please let me know if you have any flexibility.

Answer - Avista didn't have a distribution list just a press release. The RFP was distributed to short-listed bidders from our 2009 RFP that Avista believed was available for sale.

We have a short response time to capture market conditions. Avista urges bidders to send all available information by March 7.

6) Question - In relation to the AVISTA 2011 Renewables RFP that is due on March 7 I would like to ask you the following questions: [Avista answers are in blue]

- What is the exact meaning of 62 \$/MWh equivalent levelized value?
Does it make reference to the average value over the 20 years term of the PPA?
Or does it mean that 62 \$/MWh is for the first year of operation with a yearly escalation of the IRR.

Answer - If a bidder is selected, we proposed to pay a levelized price per MWh delivered to our system. This would be a constant payment per MWh delivered to our system over the term of the agreement.

- Is the 62 \$/MWh making reference to energy deliveries at Bus Bar price? or at Avista System?
Please see Section 6 in the attached RFP.
Is the 62 \$/MWh including RECs? Yes, the price includes the RECs generated from the project.
- Is Avista willing to purchase projects at any stage of development? Including before start of construction? Yes if the bidder can prove the development can be in service with a transmission solution by 2012.
If Avista purchases the project before construction, will Avista construct the project or expects the bidder to construct it? Avista will not construct the project.
- Could you please clarify what is the meaning of "Avista will not submit a self-build option during this RFP"? Avista is requesting proposals from developers and project owners, not an Avista owned project. Avista will not consider its own wind development assets in this RFP.
- Can the proposals be hand-delivered on March 7 at 10:30am? Yes

7) Question - In the RFP will Avista consider a 2012-2019 term or does it need to be 2012-2032 and can delivery take place at the facility's local substation point of interconnection and not delivered to Avista's electrical system?

Answer - Avista will consider a shorter delivery term but prefers a 20 year contract. Concerning the delivery point, please see Section 6 in the RFP. Bidders must make arrangements and pay for all costs associated with delivery of the power to Avista's system at 115kV or 230kV. We require the RECs to be generated by the project, not purchased.

8) Question - What is Avista's tolerance for exceeding 35 avg MW? We are optimizing our layouts to hit this target, but it would be helpful to know if we can exceed by a certain %.

Answer - The RFP is for approximately 35 aMW to meet 1/3 of our need by 2020. Bidders are welcome to offer project configurations exceeding 35 aMW. However, and depending on how much the project exceeds 35 aMW, Avista reserves the right to reject the bidder's project on this item alone. .

- 9) Question - The line below is taken from the Avista RFP. Can Avista provide the exact methodology for calculating the equivalent levelized value for a straight 20 year PPA? Further will Avista assign debt equivalency (or debt imputation) to the PPA price when making the equivalent levelized value calculation for a straight PPA? I assume that Avista's current WACC of 6.9% will be used for discounting purposes.

Price: Avista seeks competitive bids for Projects or Project output at the most favorable price available. Avista expects that bids should not exceed \$62/MWh (equivalent levelized value).

Answer - Use the table shown below for different 3 methods to calculate a levelized price. For the debt equivalency, we will add this cost to the \$62/MWh to arrive at an internal price per MWh, but if we had two projects with a \$62/MWh levelized price with all things equal, the tilted price (option 2 or 3) in the spreadsheet would be more favorable to the \$62/MWh flat price (option 1).

	<u>Option 1</u>	<u>Option 2</u>	<u>Option 3</u>
Levelized (\$/MWh)	\$62.00	\$62.00	\$62.00
Escalation Rate	0.0%	1.0%	2.0%
Year			
1	\$62.00	\$57.53	\$53.25
2	\$62.00	\$58.10	\$54.32
3	\$62.00	\$58.68	\$55.40
4	\$62.00	\$59.27	\$56.51
5	\$62.00	\$59.86	\$57.64
6	\$62.00	\$60.46	\$58.79
7	\$62.00	\$61.07	\$59.97
8	\$62.00	\$61.68	\$61.17
9	\$62.00	\$62.29	\$62.39
10	\$62.00	\$62.92	\$63.64
11	\$62.00	\$63.54	\$64.91
12	\$62.00	\$64.18	\$66.21
13	\$62.00	\$64.82	\$67.53
14	\$62.00	\$65.47	\$68.88
15	\$62.00	\$66.13	\$70.26
16	\$62.00	\$66.79	\$71.67
17	\$62.00	\$67.45	\$73.10
18	\$62.00	\$68.13	\$74.56
19	\$62.00	\$68.81	\$76.05
20	\$62.00	\$69.50	\$77.58

10) Question - Does this need to be submitted under RFP to be considered or can we have bilateral negotiations outside of RFP?

Answer - Developers will need to bid under the RFP for their projects to be considered.