

**REQUIREMENT B - COGENERATION AND SMALL POWER PRODUCTION
GENERATOR INTERCONNECTION AGREEMENT**

**COGENERATION AND SMALL POWER PRODUCTION
ELECTRIC GENERATING FACILITIES OF 300 KILOWATTS OR LESS**

This Cogeneration and Small Power Production Generator Interconnection Agreement is executed in duplicate this _____ day of _____, 200_ between _____ (hereinafter referred to as "Interconnection Customer"), _____ (hereinafter referred to as "Interconnecting Utility"). This Agreement governs the terms and conditions under which the Interconnection Customer's Generating Facility will interconnect with, and Operate in Parallel with, the Interconnecting Utility's electric system. Both parties, who may be herein further referred to collectively as "Parties" and individually as "Party", agree as follows:

I. INTERCONNECTION CUSTOMER ELECTRIC GENERATING FACILITY

1. The Interconnection Customer has elected to operate either a fuel cell, solar, wind or hydropower electric Generating Facility, with a generating capacity of not more than three hundred kilowatts, in parallel with the Interconnecting Utility's transmission and/or distribution facilities.
2. Arrangement for the sale of the output of the Interconnection Customer's electric generating facility is intended to be made under a separate agreement. Should the Interconnection Customer decide to offset part or all of the Interconnection Customer's retail load with the generator output, the Interconnection Customer shall execute a separate Net Metering Interconnection Agreement.
3. The Interconnecting Utility will not provide wheeling or other transfer services for the Interconnection Customer under this agreement.
4. The initial installation is identified by the Interconnecting Utility with the following designators: Transformer No. (feeder and phase) _____; Interconnection Customer's generator meter No. _____.
5. A separate agreement shall be entered into for each additional generation unit installed at the Interconnection Customer's location(s).
6. The electrical Generating Facility used by the Interconnection Customer shall be located on the Interconnection Customer's premises. It shall include all equipment necessary to meet applicable safety, power quality, and interconnection requirements established by the National Electrical Code (Articles 690 and 705), National Electrical Safety Code, the Institute of Electrical and Electronics Engineers, Underwriters Laboratories, and Avista's Interconnection Standards for Generating Facilities 300 Kilowatts or Less in effect at the time of construction, and other applicable national and state codes and standards, as set forth in the interconnection process.

7. The Interconnecting Utility shall have the sole authority to determine which interconnection requirements set forth herein are applicable to the Interconnection Customer's proposed Generating Facility.
8. Nothing in this Agreement is intended to affect any other agreement between the Interconnecting Utility and the Interconnection Customer.

II. PAYMENT FOR ENERGY

This Agreement does not constitute an agreement to purchase or deliver the Interconnection Customer's generator output. The purchase or delivery of generator output and other service that the Interconnection Customer may require shall be covered under separate agreements, if any are needed. The Interconnection Customer shall be responsible for separately making all necessary arrangement for delivery of output.

III. INTERRUPTION OR REDUCTION OF DELIVERIES

1. The Interconnecting Utility may require the Interconnection Customer to interrupt or reduce deliveries when, pursuant to the Interconnecting Utility's sole determination:
 - a. necessary in order to construct, install, maintain, repair, replace, remove, investigate, or inspect any of its equipment or part of its system; or
 - b. the Interconnecting Utility determines that curtailment, interruption, or reduction is necessary because of emergencies, force or compliance with prudent electrical practices.
2. Whenever possible, the Interconnecting Utility shall give the Interconnection Customer reasonable notice of the possibility that interruption or reduction of deliveries may be required.
3. Notwithstanding any other provision of this Agreement, if at any time the Interconnecting Utility determines that either:
 - a. the Generating Facility may endanger the Interconnecting Utility's personnel, or
 - b. the continued operation of the Interconnection Customer's generating facility may endanger the integrity of the Interconnecting Utility's electric system,

The Interconnecting Utility shall have the right to temporarily disconnect the Interconnection Customer's Generating Facility from the Interconnecting Utility's electric system. The Interconnection Customer's Generating Facility shall remain disconnected until such time as the Interconnecting Utility is satisfied that the condition(s) referenced in (a) or (b) of this section III.3 have been corrected.

IV. INTERCONNECTION

1. The Interconnection Customer shall deliver energy to the Interconnecting Utility at a point other than on the Interconnection Customer's side of a retail load meter.

[A Net Metering Interconnection agreement is required to allow energy delivery to the Interconnecting Utility on the Interconnection Customer's side of a retail meter.]

2. Interconnection Customer shall pay for designing, installing, inspecting, operating, and maintaining the electric generating facility in accordance with all applicable laws and regulations and shall comply with Avista's Interconnection Standards for Generating Facilities 300 Kilowatts or Less set forth in the interconnection process.
 - a. The Interconnection Customer shall be responsible for the time and materials of all Interconnecting Utility design, materials and construction required to interconnect the Interconnection Customer's facilities.
 - b. The Interconnection Customer shall pay all invoiced amounts within 30 calendar days of the bill mailing date (the "Due Date"). If the Interconnection Customer fails to pay Avista the entire amount of any bill by the Due Date, the Interconnection Customer shall be assessed a charge for late payment equal to the lesser of one and one-half percent (1.5%) per whole or partial month, or the maximum rate allowed by the laws of the State of Washington per whole or partial month multiplied by the overdue amount.
3. The Interconnection Customer shall pay for the Interconnecting Utility's dedicated generator metering and electrical hook-up, if not already present.
4. The Interconnection Customer shall not commence Parallel Operation of the Generating Facility until written approval of the Interconnection Facilities has been given by the Interconnecting Utility. Such approval shall not be unreasonably withheld. The Interconnecting Utility shall have the right to have representatives present at the initial testing of the Interconnection Customer's protective apparatus. The Interconnection Customer shall notify the Interconnecting Utility when testing is to take place.

V. MAINTENANCE AND PERMITS

1. The Interconnection Customer shall:
 - a. maintain the electric Generating Facility and Interconnection Facilities in a safe and prudent manner and in conformance with all applicable laws and regulations including, but not limited to, Avista's Interconnection Standards for Customer Electric Generating Facilities of 300 Kilowatts or Less, and
 - b. obtain any governmental authorizations and permits required for the construction and operation of the electric Generating Facility and Interconnection Facilities, including electrical permit(s), and
 - c. reimburse the Interconnecting Utility for any and all losses, damages, claims, penalties, or liability it incurs as a result of the Interconnection Customer's failure to obtain or maintain any governmental authorizations

and permits required for construction and operation of the Interconnection Customer's generating facility or failure to maintain the Interconnection Customer's generating facility as required in (a) of this Section V.

VI. ACCESS TO PREMISES

1. The Interconnecting Utility may enter the Interconnection Customer's premises or property to:
 - a. inspect, with prior notice, at all reasonable hours, the Interconnection Customer's generating facility's protective devices; and
 - b. read metering equipment; and
 - c. disconnect at the Interconnecting Utility's meter or transformer, without notice, the generating facilities if, in the Interconnecting Utility's sole determination, a hazardous condition exists and such immediate action is necessary to protect persons, or the Interconnecting Utility's facilities, or property of others from damage or interference caused by the Interconnection Customer's electric Generating Facilities, or lack of properly operating protective devices or inability to inspect the same.

VII. INDEMNITY AND LIABILITY

1. The Interconnection Customer assumes the risk of all damages, loss, cost and expense and agrees to indemnify the Interconnecting Utility, its successors and assigns, and its respective directors, officers, employees and agents, from and against any and all claims, losses, costs, liabilities, damages and expenses including, but not limited to, reasonable attorney fees, resulting from or in connection with performance of this agreement or which may occur or be sustained by the Interconnecting Utility on account of any claim or action brought against the Interconnecting Utility for any reason including but not limited to loss to the electrical system of the Interconnection Customer caused by or arising out of an electrical disturbance.
2. Such indemnity, protection, and hold harmless includes any demand, claim, suit or judgment for damages, death or bodily injury to all persons, including officers, employees or agents, and subcontractors of either Party hereto including payment made under or in connection with any Worker's Compensation Law or under any plan for employees' disability and death benefits or property loss which may be caused or contributed to by the connection, maintenance, operation, use, presence, or removal of the Interconnection Customer's equipment. The only exception will be liability occasioned by the sole negligence or willful misconduct of the Interconnecting Utility or its employees acting within the scope of their employment and liability occasioned by a partial negligence of the Interconnecting Utility or its employees acting within the scope of their employment to the extent that such partial liability is fixed by a court of competent jurisdiction.

3. The provisions of Section VII shall not be construed to relieve any insurer of its obligations to pay any insurance claims in accordance with the provisions of any insurance policy.
4. The Interconnecting Utility shall have no liability, ownership interest, control or responsibility for the Interconnection Customer's electric Generating Facility or its interconnection with the Interconnecting Utility's electric system, regardless of what the Interconnecting Utility knows or should know about the Interconnection Customer's electric Generating Facility or its Interconnection.
5. The Interconnection Customer recognizes that it is waiving immunity under Washington Industrial Insurance law, Title 51 RCW, and further agrees that this indemnification clause has been mutually negotiated. This indemnification shall extend to and include attorney's fees and the costs of establishing the right of indemnification hereunder in favor of the Interconnecting Utility.

VIII. INSURANCE

1. The Interconnection Customer shall maintain, during the term of this Agreement, General Comprehensive Personal Liability Insurance for personal injury and property damage with a combined single limit in an amount equal to that required by RCW 80.60 et. seq. Such insurance shall, by endorsement to the policy or policies, provide for thirty (30) calendar days written notice to the Interconnecting Utility prior to cancellation, termination, attention, or material change of such insurance.
2. The Interconnecting Utility shall be named as an additionally insured party and shall have the right to inspect or obtain a copy of the original policy or policies of insurance.

IX. INDEPENDENT CONTRACTORS

The Parties hereto are independent contractors and shall not be deemed to be partners, joint ventures, employees, franchisees or franchisers, servants or agents of each other for any purpose whatsoever under or in connection with this Agreement.

X. GOVERNING LAW

This Agreement shall be interpreted, governed, and constructed under the laws of the State of Washington as if executed and to be performed wholly within the State of Washington. Venue of any action arising hereunder or related to this agreement shall lie in Spokane County, Washington.

XI. FUTURE MODIFICATION OR EXPANSION

Any future modification or expansion of the Interconnection Customer's Generating Facility shall require engineering review and approval by the Interconnecting Utility. The Interconnecting Utility reserves the right to require the Interconnection Customer, at the Interconnection Customer's expense, to provide modifications or additions to existing electrical devices including, but not limited to, protection devices and meters, in the event

of changes to government or industry regulation and/or standards. Additional agreements may also need to be executed.

XII. AMENDMENTS, MODIFICATIONS OR WAIVER

Any amendments or modifications to this Agreement shall be in writing and agreed to by both Parties. The failure of any Party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by any Party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, shall be deemed to be construed as a further or continuing waiver of any such breach or waiver of the breach of any other term or covenant unless such waiver is in writing.

XIII. ASSIGNMENT

The Interconnection Customer shall not assign its rights under this Agreement without the express written consent of the Interconnecting Utility, which shall not be unreasonably withheld. The Interconnecting Utility may impose reasonable conditions on any such assignment to ensure that all of the Interconnection Customer's obligations under this Agreement are met and that none of the Interconnection Customer's obligations under this Agreement are transferred to the Interconnecting Utility as a result of default, bankruptcy, or any other cause.

XIV. ATTACHMENTS

The Interconnection Customer's Application for Interconnection of Cogeneration or Small Power Production Electric Generating Facilities of 300 Kilowatts or Less is Requirement A

Avista's Interconnection Process Document for Generating Facilities of 300 Kilowatts or Less is hereby incorporated as Attachment B to this agreement.

XV. NOTICES

Any written notice or request made to the Interconnecting Utility under this Agreement shall be directed to:

Attention: Manager, Transmission Services
Avista Corporation
1411 E Mission Ave
Spokane, WA 99202-1902

Any written notice or request made to the Interconnection Customer under this Agreement shall be directed to:

Attention: _____

XVI. EFFECTIVE DATE AND TERM OF AGREEMENT

1. “Effective Date” – This Agreement shall become effective upon execution by both Parties subject to acceptance by any regulatory body of competent jurisdiction (if applicable). The Interconnecting Utility shall promptly file this Agreement with any regulatory body of competent jurisdiction upon execution, if required.
2. Term of Agreement – This Agreement shall remain in effect for a period of ten (10) years from the Effective Date unless terminated in accordance with the Termination provision of this Agreement. This Agreement shall remain in effect beyond the initial ten-year period unless affirmatively terminated in writing upon thirty (30) calendar days prior notice by either Party to the other Party.
3. Early Termination – The Interconnection Customer may terminate this Agreement at any time by providing thirty (30) calendar day’s prior written notice to the Interconnecting Utility.
4. No termination shall become effective until the Parties have complied with all laws and regulations applicable to such termination, including the filing with any regulatory body of competent jurisdiction of a notice of termination of this Agreement (if required), which notice has been accepted for filing by the regulatory body of competent jurisdiction.
5. Upon termination of this Agreement, the Interconnection Customer will be disconnected from the Interconnecting Utility’s electric system. All costs required to effect such disconnection shall be borne by the terminating Party.
6. The termination of this Agreement shall not relieve either Party of its liabilities and obligations owed or continuing at the time of the termination.
7. The provisions of this Section shall survive termination or expiration of this Agreement.

XVII. SIGNATURES

IN WITNESS WHEREOF, the Parties hereto have caused two originals of this Agreement to be executed by their duly authorized representatives.

INTERCONNECTION CUSTOMER

By: _____

Name: _____

Title: _____

Signed this ____ day of _____, 20__

AVISTA CORPORATION

By: _____

Name: _____

Title: _____

Signed this ____ day of _____, 20__