

**CONTRACT
FOR
SALE OF OUTPUT FROM THE ROCKY REACH
PROJECT AND ROCK ISLAND PROJECT**

Long Term Slice Product 2

INDEX TO SECTIONS

<u>Section</u>	<u>Page</u>
Section 1. Term of Contract	1
Section 2. Definitions	1
Section 3. Purchase and Sale of Output	7
Section 4. Output Availability	7
Section 5. Purchase Price and Payments by Purchaser	9
Section 6. Delivery of Output	10
Section 7. Points of Delivery/Transmission	16
Section 8. Metering and Transmission Losses	17
Section 9. Information to be Made Available to Purchaser	18
Section 10. Environmental Attributes	18
Section 11. Liability of Parties/Disclaimer of Warranties	19
Section 12. Notices and Computation of Time	20
Section 13. District's Licenses and Mutual Support	21
Section 14. Assignment of Contract	23
Section 15. Default; Remedies on Default	23
Section 16. Termination Payment	26
Section 17. Collateral Requirements	29
Section 18. Governing Law, Venue and Attorney Fees	29
Section 19. Compliance with Law	29
Section 20. Headings	29
Section 21. Entire Agreement; Modification; Conflict in Precedence	30
Section 22. No Partnership or Third Party Rights	30
Section 23. Representations and Warranties	30
Section 24. Insurance Requirements	31
Section 25. Severability	32
Section 26. Authority to Sign	33
Appendices: Appendix A – Output, Scheduling, Planning and Transmission	
Appendix B – Purchase Price	
Appendix C – Start Cycle Tracking Methodology	

**CONTRACT
FOR
SALE OF OUTPUT FROM THE ROCKY REACH PROJECT AND ROCK ISLAND
PROJECT**

Executed by
**PUBLIC UTILITY DISTRICT NO. 1
OF CHELAN COUNTY, WASHINGTON**
And

AVISTA CORPORATION

This contract is entered into as of March 24, 2021 (“Effective Date”) between Public Utility District No. 1 of Chelan County, Washington (the “District”), a municipal corporation of the State of Washington, and Avista Corporation (the “Purchaser”), a corporation organized and existing under the laws of Washington. The District and the Purchaser are referred to as a “Party” and collectively as “Parties.”

SECTION 1. TERM OF CONTRACT AND DELIVERY TERM

Except as otherwise provided herein, this Contract shall be in full force and effect from and after the Effective Date through December 31, 2033, unless extended or sooner terminated pursuant to the terms of this Contract (“Term”). The Delivery Term, however, shall commence as of January 1, 2024, and remain in effect through HE 2400 (midnight) Pacific Prevailing Time (“PPT”) December 31, 2033, unless extended or sooner terminated pursuant to the terms of this Contract. Upon written request by either Party provided to the other Party no later than 18 months prior to the expiration of the Term stated in this Section 1, the Parties will negotiate in good faith the terms and conditions for an extension of the Term and Delivery Term. If the Parties are able to negotiate mutually agreeable terms and conditions for an extension of the Term and Delivery Term, the Term and Delivery Term stated in this Section 1 may be extended for an additional period of five years. Except as otherwise provided herein, all obligations accruing under this Contract are preserved until satisfied.

SECTION 2. DEFINITIONS

As used in this Contract, the following definitions shall apply throughout this Contract and Appendices. Other terms are defined in the text of the Contract, the Appendices and the Collateral Annex.

“Annual Contract Price” means the Purchase Price for the current calendar year divided by the number of projected MWhs in the calendar year (\$/MWh).

“Available Capacity” will be defined as the result determined by averaging the sum of the actual hourly capacity of Rocky Reach and Rock Island over each Delivery Period.

“Balancing Authority Area (BAA)” has the meaning given in the NERC glossary.

“Business Day” means any day other than a Saturday or Sunday or a national holiday (United States of America or Canadian). United States holidays shall be holidays observed by Federal Reserve member banks in New York, New York. If the Purchaser has its principal place of business in the United States, Canadian holidays shall not apply. If the Purchaser has its principal place of business in Canada, both United States and Canadian holidays shall apply. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. PPT.

“Canadian Entitlement” means the amount of energy and capacity that Rocky Reach and Rock Island are obligated to return to Bonneville Power Administration (BPA) in its capacity as the U.S. Entity for the account of the Canadian government to fulfill obligations under the U.S.-Canadian Columbia River Treaty of 1964, or successor treaty or international agreement, as defined in the Canadian Entitlement Allocation Extension Agreement.

“Canadian Entitlement Allocation Extension Agreement” means the April 1997 Canadian Entitlement Allocation Extension Agreement by and between the United States of America, acting by and through the Bonneville Power Administration, acting in the capacity of Bonneville Power Administrator and acting for and on behalf of the United States Entity, and Public Utility District No. 1 of Chelan County, Washington, or any successor agreement that imposes an obligation to return Canadian Entitlement.

“Catastrophic Event” means an unforeseen event outside the control of the District that reduces the Available Capacity of the Projects and that is caused by natural disaster, mechanical or structural failure, or generation limitations imposed to preserve the integrity of the Projects.

“Capacity” means the generation potential of Rocky Reach and Rock Island as adjusted for limitations and obligations in accordance with Appendix A.

"Change in Control" shall be deemed to have occurred if an event or series of events shall have occurred as a result of which any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act), directly or indirectly, of more than fifty percent (50%) of the combined voting power of or economic interests in the outstanding Equity Interests in Purchaser.

“COLA” means the District’s Coordinated Optimization Logic and Accounting system, which includes the energy management system, river models, project and unit dispatch models and logic, spill and other operational logic, and accounting systems for operations associated with Output.

“Collateral Annex” means the agreement entered into between the Parties entitled Collateral Annex.

“Contract” means this CONTRACT FOR SALE OF OUTPUT FROM THE ROCKY REACH PROJECT AND ROCK ISLAND PROJECT LONG TERM SLICE PRODUCT 2 in its entirety.

“Defaulting Party” means the Party who is responsible for or suffers an “Event of Default” as defined in Section 15.

“Delivery Period” means a calendar year within the Delivery Term as set forth in Exhibit B.

“Delivery Term” has the meaning set forth in Section 1.

“District Business Practices” means those policies, procedures, operating protocols, and business practices of the District that are in effect and amended from time to time.

“District Slice Operating Instructions” means those instructions and details pertaining to the Rocky Reach Project and the Rock Island Project Output and provisions contained in this Contract adopted by the District from time to time.

“District System Emergency” means a condition or situation that, in the judgment of the District or in conformance with guidelines of FERC, NERC, the WECC, the RC WEST or other entities with regulatory jurisdiction (whether by contract or operation of law) over the District concerning system emergencies, adversely affects or is likely to adversely affect or is necessary to protect: (i) public health, life or property; (ii) District’s employees, agents or property; (iii) District’s ability to maintain safe and reliable electric service to its customers; (iv) preserve, maintain or reestablish the safety, reliability, integrity or operability of the Western Interconnection and the District’s electric system and the hydroelectric projects owned and operated by the District; or (v) environmental and water quality standards and requirements.

“Dynamic Transfer Agreement” means a dynamic scheduling, pseudo tie or other agreement entered into by the Purchaser and the District.

“EIM Participation” means use of Purchaser’s Output in an organized market where Output dispatch instructions come from a market operator or similar party.

“EIM Participation Operating Agreement” means an agreement between the Purchaser and the District that describes the terms for EIM Participation with Purchaser’s Output. If Purchaser elects to take Purchaser’s Output via a pseudo tie, there will be no EIM Participation Operating Agreement between the Purchaser and the District.

“Energy” means the energy production, expressed in megawatt hours, of the Rocky Reach Project and the Rock Island Project as measured in megawatts integrated over an hour and adjusted for limitations and obligations in accordance with Appendix A.

“Environmental Attributes” means the fuel, emissions, and all other environmental characteristics, credits, allowances, claims, reductions, offsets, and benefits associated with the generation of electricity from a renewable resource of the Rocky Reach Project and the Rock Island Project, except any energy, capacity, reliability or other power attributes used to provide electricity service as defined in this Contract. Environmental Attributes, also known as non-power attributes, include but are not limited to: (1) facility’s fuel type, geographic location, vintage; (2) any avoided emissions of pollutants to the air, soil or water such as (subject to the foregoing) sulfur oxides

-(SOx), nitrogen oxides (NOx), carbon monoxide (CO) and other pollutants; and (3) any avoided emissions of carbon dioxide (CO₂), methane (CH₄) and other greenhouse gases (GHGs) that have been determined by the United Nations Intergovernmental Panel on Climate Change, or otherwise by law, to absorb infra-red radiation in the atmosphere and contribute to the actual or potential altering of the Earth's climate by trapping heat in the atmosphere.

“FERC” means the Federal Energy Regulatory Commission or its successor.

“FERC License” means the respective license for the Rocky Reach and Rock Island Hydroelectric Project issued by FERC, as applicable.

“Government Authority” means any federal, state, local, territorial or municipal government and any department, commission, board, bureau, agency, instrumentality, judicial, or administrative body thereof.

“Guarantor” means the entity providing a guarantee pursuant to a guarantee agreement, if applicable.

“Incremental Efficiency Gains” means the Energy and Capacity derived from any improvements or efficiency upgrades at Rocky Reach Project and the Rock Island Project completed after January 1, 1994, including but not limited to the installation or modification of equipment and structures or operating protocols, which the District determines result in improved or increased efficiency or capacity and/or produces incremental electricity.

“MW” means a megawatt, or one thousand (1,000) kilowatts.

“MWh” means a megawatt hour or one thousand (1,000) kilowatt hours.

“NERC” means the North American Electric Reliability Corporation or its successor responsible for ensuring a reliable, adequate, and secure bulk electric system.

“Operating Agreements” means any agreements to which the District is or may become a party, and which relate to the operation of Rocky Reach and Rock Island, including but not limited to, the Pacific Northwest Coordination Agreement and the Northwest Power Pool (NWPP) Agreement, as such agreements currently exist or hereafter may be amended.

“Output” means an amount of Energy, Capacity, and certain related rights available from the Rocky Reach Project and the Rock Island Project, as applicable, in each case to the extent described in and determined pursuant to Appendix A hereof. Output includes any Output from the Projects, including any Incremental Efficiency Gains; however, for purposes of determining Purchaser’s share of Output, all of the Purchaser’s Output will be deemed to be made available by the District pursuant to this Contract from that portion of the Rocky Reach Project and the Rock Island Project that does not produce Incremental Efficiency Gains.

“Pacific Northwest Coordination Agreement” or “PNCA” means the Agreement amongst northwest parties executed in 1997 for the coordinated operation of the Columbia River System

which became effective August 1, 2003, as such Agreement may be amended or superseded from time to time.

“Physical Start Cycle” has the meaning set forth in Appendix C.

“Point of Delivery” means one of the points of delivery described herein at Section 7(b).

“Pre-Schedule Day” means days so designated by the District pursuant to the Western Electricity Coordinating Council Interchange Scheduling and Accounting Subcommittee daily scheduling calendar.

“Price Reduction” means a percentage reduction equal to 1 minus the product of 1.5 times the ratio of Available Capacity divided by Reported Capacity of the combined Projects, all times 40 percent. Expressed as a formula, Price Reduction = $(1 - (1.5 * (\text{Available Capacity} / \text{Reported Capacity}))) * 40\%$.

“Project” means the Rocky Reach Hydroelectric Project or the Rock Island Hydroelectric Project, as applicable, and Projects means both the Rocky Reach Hydroelectric Project and the Rock Island Hydroelectric Project.

“Prudent Utility Practice” means any of the practices, methods and acts engaged in, or approved by, a significant portion of the electric utility industry in the Western Interconnection for operating facilities of a size and technology similar to the Project during the relevant time period, or any of the practices, methods and acts, which, in the exercise of reasonable judgment in light of the facts known, at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with applicable laws, longevity, reliability, safety and expedition. Prudent 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 spectrum of commonly used practices, methods and acts.

“Purchase Price” has the meaning set forth in Section 5.

“Purchaser Allowable Start Cycles” has the meaning set forth in Appendix C.

“Purchaser Start Cycles” has the meaning set forth in Appendix C.

“Purchaser’s Output” and “Purchaser’s Output Percentage” have the meanings set forth in Section 3 of this Contract.

“RC West” means the California Independent System Operator, or its successor, in its role as and fulfilling the duties of the registered Reliability Coordinator as defined by NERC, and as delegated by WECC for the District’s BAA and transmission system.

“Real Time Hourly Index Price” means the price (\$/MWh) as reported in the Powerdex Hourly Mid-Columbia Index, as published by Powerdex, Inc. except as otherwise indicated herein. If the Powerdex Hourly Mid-Columbia Index is no longer published or if Parties agree that it is not

primarily utilized by the industry, the District will select another industry recognized hourly index and notify Purchaser of the index to be used for all hours.

“RC West” means the California Independent System Operator, or its successor, in its role as and fulfilling the duties of the registered Reliability Coordinator as defined by NERC, and as delegated by WECC for the District’s BAA and transmission system.

“Renewable Energy Credit” means a tradable certificate of proof of one megawatt-hour of a renewable resource. The certificate includes all of the Environmental Attributes associated with that one megawatt-hour of electricity.

“Reported Capacity” means the sum of each Project’s generators’ net winter capacities as most recently reported by the District to the U.S. Energy Information Administration in Form EIA-860. For reference purposes only, the most recent net winter capacity for 2019 was 1757.1 MW which is the sum of 1253.9 MW for Rocky Reach and 503.2 MW for Rock Island. If Form EIA-860 is discontinued or no longer includes a substantially similar net capacity report, the District, in its sole discretion, will identify a substitute source for Reported Capacity and notify Purchaser of the substitution.

“Rock Island” means the District’s Rock Island Hydroelectric Project as currently licensed by FERC under license number 943, and any successor license, including any efficiency improvements and upgrades that increase generating capacity, in each case made by the District from time to time during the Term of this Contract. The improvements and upgrades are included in this definition only as related to the equivalent amount of Output to be delivered pursuant to the definitions in Section 3 of this Contract.

“Rocky Reach” means the District’s Rocky Reach Hydroelectric Project as currently licensed by FERC under license number 2145, and any successor license, including any efficiency improvements and upgrades that increase generating capacity, in each case, made by the District from time to time during the Term of this Contract. The improvements and upgrades are included in this definition only as related to the equivalent amount of Output to be delivered pursuant to the definitions in Section 3 of this Contract.

“Slice Contract” means any Contract(s) for Sale of Output from the Rocky Reach Project and Rock Island Project executed by the Parties.

“Slice Termination Payment” means the sum of the amounts due as described in Section 16.

“Uncontrollable Forces” means any cause reasonably beyond the control of the Party and which the Party subject thereto has made reasonable efforts to avoid, remove or mitigate, including but not limited to acts of God, fire, flood, storm, explosion, strike, sabotage, acts of terrorism, acts of the public enemy, civil or military authority, including court orders, injunctions, and orders of government agencies (other than those of the District) with proper jurisdiction, insurrection or riot, an act of the elements, failure of equipment or contractors, or inability to obtain or ship materials or equipment because of the effect of similar causes on suppliers or carriers; provided, however, that in no event shall an Uncontrollable Force excuse the Purchaser from the obligation to pay any amount when due and owing under this contract. Uncontrollable Forces shall not be based on (i)

the loss of Purchaser's markets; (ii) Purchaser's inability economically to use or resell the Output purchased hereunder; or (iii) the District's ability to sell the Output at a price greater than the Purchase Price agreed upon in this Contract. Purchaser shall not be entitled to and may not raise a claim of Uncontrollable Forces based in whole or in part on the curtailment by a third-party transmission provider.

"Unit" means each generating unit or collectively the generating units at the Projects, as applicable.

"WECC" means the Western Electricity Coordinating Council or its successor, or such other entity or entities responsible for regional reliability as determined by the District.

"Western Interconnection" means the synchronously operated electric transmission grid located in the western part of North America, including parts of Montana, Nebraska, New Mexico, South Dakota, Texas and Mexico and all of Arizona, California, Colorado, Idaho, Nevada, Oregon, Utah, Washington, Wyoming and the Canadian provinces of British Columbia and Alberta.

SECTION 3. PURCHASE AND SALE OF OUTPUT

The District shall sell and deliver, or cause to be delivered, and Purchaser shall purchase and receive, or cause to be received, Purchaser's Output Percentage at the Points of Delivery, as defined in Section 7, and Purchaser shall pay the District the Purchase Price. The District shall be responsible for costs associated with the generation of the Purchaser's Output Percentage. The District shall also only be responsible for direct costs associated with the transmission and losses of the Purchaser's Output Percentage to the Points of Delivery. Purchaser shall be responsible for any costs or charges imposed on or associated with the transmission of the Purchaser's Output Percentage from the Points of Delivery.

- (a) Purchaser's Output. The District shall make available to the Purchaser and the Purchaser shall take and purchase an amount of Output measured by and equivalent to the total applicable Output multiplied by the corresponding Purchaser's Output Percentage which amount is herein referred to as "Purchaser's Output."
- (b) Purchaser's Output Percentage for Slice Product. The Purchaser's Output Percentage shall be measured by and equivalent to five percent (5%) of the Output from Rocky Reach and Rock Island for the period starting at 00:00 hours on January 1, 2024 and ending at either (i) hour 2400 on December 31, 2033, or (ii) if the Delivery Term is extended pursuant to Section 1 of this Contract, such other date and time as the Parties mutually agree upon.

SECTION 4. OUTPUT AVAILABILITY

- (a) It is expressly acknowledged and agreed by the Parties that Output is dynamic and variable and is dependent upon a variety of factors including, without limitation, availability of water and operable Units of the Projects, electric system reliability requirements, Operating

Agreements, federal and state laws, rules, regulations, and orders affecting river flows and operation of the Projects regarding endangered species and other environmental matters, matters giving rise to curtailment and other restrictions on Output described in Appendix A, the terms of which Appendix are attached hereto and incorporated herein. Output can and will vary substantially from hour-to-hour, season-to-season and year-to-year.

The District, in its sole discretion, may enter into a coordination agreement with some or all of the other owners of the hydroelectric projects from Grand Coulee through Priest Rapids on the Columbia River. If the District enters such an agreement (which will be an Operating Agreement for purposes of this Agreement), and the agreement allows a third-party to make determinations or issue directives for operations associated with Output, those determinations and directives shall be controlling as if they had been made or issued by the District. It is expressly acknowledged and agreed by the Parties that a future coordination agreement may result in changes to Output.

- (b) The District will have exclusive control over the operation and maintenance of the Projects and all repairs, renewals, additions, improvements, retirements, decommissions of and replacements to either of the Projects, and all of the District's generation, transmission or distribution facilities, all Units and components thereof, and the financing related to such activities, including without limitation the right, in its sole discretion, to temporarily interrupt, reduce, or suspend generation and delivery (through manual operation, automatic operation or otherwise) of Output from either Project or both Projects during any one or more of the following circumstances: (i) to prevent damage to the District's system or to maintain the reliable and safe operation of the District's system; (ii) a District System Emergency; (iii) if suspension is required for relocation, repair or maintenance of facilities or to facilitate restoration of line outages; (iv) Uncontrollable Forces; (v) any Operational Constraints as described in Appendix A; (vi) negligent acts or intentional misconduct of Purchaser which are reasonably expected to present imminent threat of damage to property or personal injury; (vii) an Event of Default by the Purchaser as set forth in Section 15(a); or (viii) any other reason consistent with Prudent Utility Practice.

Any available Output during each such interruption, reduction, or suspension shall be allocated pro-rata among the District, the Purchaser and the other purchasers of Output, as applicable, except and to the extent the District determines (or had determined at any time prior to such interruption, reduction, or suspension) in its sole discretion that due to a District System Emergency such pro-rata allocation of available Output due to such interruption, reduction, or suspension is impracticable or infeasible. The District shall have the right, in its sole discretion, to reduce the pro-rata allocation of available Output to the Purchaser if the Purchaser is in default, or if the interruption, reduction, or suspension occurred due to circumstances described in subsection (b)(vi) above. The District shall give advance notice, as circumstances permit, of the need for such suspension, reduction, or interruption to employees of the Purchaser designated from time to time by the Purchaser to receive such notice. The District shall not be responsible for payment of any penalty or costs incurred by the Purchaser during or as a result of such interruption, reduction, or suspension.

- (d) If, at any time during the Term, a Catastrophic Event causes Available Capacity to be less than

60 percent of Reported Capacity for a Delivery Period, Purchaser shall be entitled to a Price Reduction in the Purchase Price for each Delivery Period during which the Available Capacity is less than 60 percent of the Reported Capacity. If Purchaser is entitled to a reduction under Section 13, the Price Reduction under this section shall be deemed to be no less than 28.6 percent. The Price Reduction will be in the form of a refund in January following the Delivery Period, per the payment terms of Section 5.

- (e) Notwithstanding any other provision of this Contract, the District shall have the right to operate the Projects in such manner as it deems to be in its best interests consistent with the FERC Licenses, applicable laws and regulations, and Prudent Utility Practice.
- (f) Notwithstanding any other provision of this Contract, the District shall have the right to restrict deliveries of Output as may be necessary to fulfill any non-power regulatory or other legal requirements and shall have the right to determine the amounts of spill required at the Projects. Any such restrictions in delivery shall be made pro-rata with all purchasers of Output and with the District's share of Output.
- (g) Notwithstanding any other provision of this Contract, the District's obligation to sell and deliver Output is expressly limited to Purchaser's Output Percentage of any Output actually produced by the Projects and available for delivery to the Points of Delivery, and the District will not be liable to the Purchaser for the failure to deliver any Output that is not otherwise available from the applicable Project, regardless of the reason for such unavailability.
- (h) Nothing contained in this Contract shall entitle the Purchaser to make any claim for damages arising from the failure to deliver Output or from the disruption of service from or in relation to the Projects. Purchaser's remedies are expressly limited to those provided in Section 15(c).

SECTION 5. PURCHASE PRICE AND PAYMENTS BY PURCHASER

- (a) The Purchase Price for the Purchaser's Output shall be in accordance with Appendix B. The Purchase Price shall not include any deduction or withholding for or on account of any tax imposed upon Purchaser.
- (b) The equal monthly payments will be determined by dividing the Purchase Price for each calendar year by twelve (the "Monthly Payment"). Monthly Payments shall not include any deduction or withholding for or on account of any tax imposed upon Purchaser. Each Monthly Payment shall be due and payable on the 20th (twentieth) calendar day of the month following the end of the month in which delivery was made. If the 20th calendar day of the month is not a Business Day, the payment will be due on the next following Business Day.
- (c) The payments set forth above shall be due and payable by electronic funds transfer to the District's account, designated in writing by the District.
- (d) If payment in full of any Monthly Payment amount set forth on a statement or revised statement is not received by the District on or before the close of business on the 20th calendar day of the month (or if the 20th calendar day of the month is not a Business Day, the

next following Business Day), amounts not paid shall be payable with interest calculated daily, at a rate equal to 200 basis points above the per annum Prime Rate reported daily in the Wall Street Journal for the period beginning on the day after the due date and ending on the day of payment, provided that such interest shall not exceed the amount permitted by law.

Additionally, if payment due to the District remains unpaid three (3) Business Days after the due date, the District may thereafter suspend delivery of the Purchaser's Output until payment in full of all amounts due and owing (including any interest) is received by the District.

- (e) The payments required under this Section 5 shall be due and owing notwithstanding the fact that the actual amount of power from the Output made available to the Purchaser is less or more than that which was anticipated by either Party at the time of execution of this Contract. The District makes no warranties of any type as to the Output that will actually be produced, available, and delivered, other than that the percentage of Output made available to the Purchaser will at all times be in accordance with Section 3(a) and Section 4(b), and Purchaser assumes all risks associated therewith. The Purchase Price is the price for the Purchaser's Output and delivery of that Output to the Points of Delivery. Except as otherwise provided in Sections 5, 6 and 16, the Purchaser shall not be obligated to pay any other amounts relating to ownership or operation of the Projects, as applicable. Purchaser is responsible for all costs of transmission from the Points of Delivery.
- (f) A Party may in good faith dispute the correctness of any invoice or any adjustment to an invoice rendered under this Contract. The District may in good faith adjust and the Purchaser may in good faith request adjustment of any invoice for any arithmetic or computational error within 12 months of the date of the invoice or adjustment. In the event an invoice is disputed, the entire invoice shall be paid with notice of the objection given to the other Party. Any invoice dispute or invoice adjustment shall be submitted to the other Party in writing within 12 months of the receipt of such invoice or adjustment and shall state the basis for the dispute or adjustment. Any invoice or adjustment shall be conclusively deemed correct unless a dispute is duly submitted within said 12-month period, and all subsequent disputes with respect thereto shall be waived. This provision does not apply to the calculation of the Slice Termination Payment, if any.
- (g) The Parties hereby agree that all payment obligations due and owing to each other pursuant to this Contract and other Slice Contracts during the monthly billing period shall be netted with and set off so that only the excess amount remaining due shall be paid by the Party owing the same. Except for the amount of the net termination payment, the determination of the net amounts due under this Contract and other Slice Contracts shall not be offset by, or take into account or include any Performance Assurance that may then be posted and in effect pursuant to the Collateral Annex between the Parties.

SECTION 6. DELIVERY OF OUTPUT

This Section 6 shall apply to the delivery of the Purchaser's Output. Subject to the provisions of this Contract, the District shall make the Purchaser's Output available to the Purchaser.

- (a) The District shall make all determinations concerning Rocky Reach's and Rock Island's capacity and minimum generation requirements, and the District shall have the unilateral right to determine the maximum allowable amount of change in Output during any time period. Purchaser's schedules shall be based on Purchaser's Output in accordance with Rocky Reach's and Rock Island's operational parameters, District Slice Operating Instructions, and the District Business Practices established by the District from time to time.
- (b) Purchaser's schedules shall not be less than Purchaser's Output Percentage of the sum of the minimum generation limits of the Projects as determined by the District, nor shall the sum of all export schedules be greater than Purchaser's Output Percentage of the sum of the maximum generation limits of the Projects as determined by the District. The Purchaser's residual reserves equals the Purchaser's maximum generation limit minus the Purchaser's aggregated schedules minus the Purchaser's Canadian Entitlement obligation and any additional reserve obligations required by standards, District Business Practices, and District Slice Operating Instructions. The Purchaser's residual reserves must be greater than or equal to zero at all times. The Purchaser shall be responsible for keeping its schedules within all Energy production limits applicable, including all limits imposed by the COLA. Purchaser's schedules are also subject to immediate curtailment in the event of an unplanned outage or other sudden reduction in the Capacity of Rocky Reach and/or Rock Island as a result of Operational Constraints or otherwise. Purchaser's net schedules are also subject to immediate increase in the event of a sudden increase in the minimum generation limits of Rocky Reach and/or Rock Island as a result of Operational Constraints or otherwise.
- (c) If the Purchaser's actual schedules after curtailments and adjustments do not comply with this Section (either above the maximum generation limit or below the minimum generation limit), for any hour or portion thereof, the District, at its sole discretion may charge to the Purchaser non-compliance fees in addition to any EIM assessed imbalance charges assessed to Purchaser as an EIM Participant by a market operator or similar entity. The amount of the non-compliance fees shall be calculated by the District for each hour using the following methodology: multiply the absolute value of the maximum 10-minute deviation in the hour (in MW), either over the maximum generation limit or under the minimum generation limit, by \$50/MW. If the Purchaser's actual hourly integrated schedules do not comply with this Section, there will also be an Energy charge for the hourly deviation. The District will enter a transaction with the Purchaser so that the Purchaser's actual integrated schedule complies with this Section. The price for the Energy that the District provides to the Purchaser pursuant to this subsection will be the greater of Real Time Hourly Index Price plus \$50/MWh or zero. The price for the Energy that the District receives from the Purchaser pursuant to this subsection will be the Real Time Hourly Index Price minus \$50/MWh. If the Real Time Hourly Index Price is no longer published or not primarily utilized by the industry, the District will select another industry recognized hourly index and notify Purchaser of the index to be used for all hours.
- (d) During the term of this Contract, the District may, at its sole discretion, join, contract with, or enable third party participation with a market operator or similar entity (e.g., joining an EIM) which would cause imbalances to be settled by a third party or pursuant to a different methodology. Purchaser shall be responsible for all charges, fees or costs attributable to

Purchaser or imposed as a result of Purchaser's conduct as determined by the District. The District will invoice Purchaser for any charges, fees or costs assessed against the District related to Purchaser's activities or conduct. In addition, the District shall be entitled to assess Purchaser non-compliance fees related to Purchaser's scheduling conduct calculated as set forth in this Section 6(d) or District Business Practices.

- (e) The amounts owing by the Purchaser to the District pursuant to this Section 6 shall be due and payable per Section 5(c) and subject to the provisions of Sections 5(d)(f) and (g) of this Contract. All commercial efforts must be taken to comply with Section 6. Persistent or repeated non-compliance with Section 6(b) shall also be an Event of Default by the Purchaser as further defined in Section 15 hereof. If Purchaser fails to comply with Section 6(b) for more than 20 hours in any month, the District may at its sole discretion collect additional penalties including tripling the amount of any applicable non-compliance fee for the remainder of the month. Non-compliance due to unexpected reductions in Capacity or increases in minimum generation limits at Rocky Reach or Rock Island may be excused. If Purchaser fails to comply with Section 6(b) for more than 60 cumulative hours in any three consecutive months of any twelve month period, the District may at its sole discretion consider this to be persistent non-compliance and an Event of Default by the Purchaser as further defined in Section 15 hereof. For the purposes of computing hourly totals in this subsection, if Purchaser fails to comply with Section 6(b) for any portion of an hour, that failure will be counted as if Purchaser had failed to comply for the whole hour.
- (f) Pond/Storage Account.
 - (1) Purchaser shall be entitled to utilize the Purchaser's Output Percentage of the Pond/Storage, as defined in Appendix A, available at Rocky Reach and Rock Island. The District shall make determinations concerning the minimum and maximum available Pond/Storage in accordance with Rocky Reach's and Rock Island's operational parameters. Purchaser shall make commercially reasonable efforts not to exceed the Purchaser's Output Percentage of Pond/Storage limits.
 - (2) If Purchaser is utilizing Pond/Storage above or below the Purchaser's Output Percentage of the Pond/Storage limits in any hour, they will be subject to a non-compliance fee for each hour the Purchaser exceeds or goes below the Purchaser's Output Percentage of Pond/Storage limits. The amount charged to the Purchaser shall be calculated by the District and will be (a) \$3 per MWh for each MWh that the Purchaser's Pond/Storage account balance exceeds 115 percent of the Purchaser's Output Percentage of the maximum Pond/Storage limit and (b) \$3 per MWh for each MWh that the Purchaser's Pond/Storage account balance is below the Purchaser's Output Percentage of the Pond/Storage minimum limit. Purchaser will not be subject to such fees if it is directed by the District to be outside Purchaser's Output Percentage of Pond/Storage limits.
 - (3) The District will establish and maintain for Purchaser a Pond/Storage account that will reflect the use of Pond/Storage by the Purchaser associated with the Purchaser's Output Percentage of Rocky Reach and Rock Island during the Contract Term. The District will

transfer 30 MWh of Pond/Storage from its Pond/Storage account to the Purchaser's Pond/Storage account in order to establish a starting balance.

- (4) The Purchaser must have a minimum Pond/Storage balance of 30 MWh on the last hour of the term of this Contract, which will then be transferred to the District's Pond/Storage account. If the Purchaser's Pond/Storage balance is less than 30 MWh, then the District will invoice the Purchaser for the shortage quantity (MWh) at an hourly price equal to the Real Time Hourly Index Price or other recognized hourly index for the last hour of the Contract term. The Purchaser shall make payment pursuant to Sections 5(c), (d), (f), and (g) above. The Purchaser may schedule more than its share of Rocky Reach and Rock Island hourly inflows, determined in accordance with Section 6(b), if the Purchaser has sufficient amount of Energy in its Pond/Storage account. The amount of the Energy scheduled from the Pond/Storage account shall not exceed the Purchaser's Output Percentage of the sum of the maximum Capacity of the Projects.
 - (5) As allowed under COLA, the Purchaser may buy and/or sell pond from other Rocky Reach and Rock Island purchasers in order to manage their pond balance. The pond transaction/transfer may be made in accordance with COLA. COLA transfers from one account to another as directed by the Purchaser and supported by proper documentation. The Purchaser will be solely responsible to make all commercial arrangements for these transactions.
- (g) During any hour that spill occurred at either Project due to any reason, the spill will be allocated to purchasers and the District according to COLA.
- (h) Purchaser Allowable Start Cycles
- (1) The generating units at the Projects were designed for a limited number of Physical Start Cycles. The Purchaser shall be allocated 412 Purchaser Allowable Start Cycles per calendar year, which is its pro-rata allocation of allowable Physical Start Cycles at the Projects. The Purchaser Allowable Start Cycles per calendar year may increase over the Term of the Contract from 412 per calendar year in 2024 as units are rehabilitated.
 - (2) The District shall provide the Purchaser a monthly assessment of its Purchaser Start Cycles. If the Purchaser Start Cycles exceed the Purchaser Allowable Start Cycles, as determined by the methodology in Appendix C, after each calendar year for the prior year, or at any time at the Purchaser's request for any period, the Parties shall meet to discuss conditions contributing to the frequency of Purchaser Start Cycles and potential solutions to reduce the frequency of Purchaser Start Cycles without unduly impairing the value of this Contract.
- (i) The District may establish new or additional District Business Practices and District Slice Operating Instructions that the District considers necessary. Changes may also be made to conform to mandatory reliability standards and any applicable business practices, criteria, and procedures of NERC, WECC, RC WEST, NWPP, and transmission service providers.

- (j) In the event the Purchaser determines or has reason to believe that an error has occurred in the District's after-the-fact COLA accounting, the Purchaser shall notify the District immediately. The District will assist the Purchaser in determining if an error occurred and if so, assist in correcting the error. Any error correction as a result of such errors shall not include or give rise to any monetary compensation or other adjustments to the payments by the Purchaser.
- (k) Purchaser shall provide to the District, on a real time basis, an estimate of Purchaser's projected hourly generation requests for Energy from the Projects at xx:20 PPT for the proceeding 96 hours. The accuracy of these hourly generation estimates shall meet the District's suggested targets.
- (l) During the Term of this Contract, the District will allow up to eight tags sourced at its BAA during the Pre-Schedule Day time frame and up to three additional tags sourced at its BAA per hour during real-time.
- (m) Tags that sink in the District's BAA will only be allowed for the purpose of pond account management during real-time as defined by the District's Business Practice. One tag per hour is the limit for real-time tags. No preschedule tags that sink in the District's BAA area are allowed.
- (n) It is the Purchaser's responsibility to follow all applicable RC WEST/WECC/NERC standards, guidelines, and criteria for scheduling and tagging. Further, it is Purchaser's responsibility to follow all District Slice Operating Instructions and District Business Practices.
- (o) New real-time schedules and adjustments to existing schedules may be made upon request by the Purchaser but must be communicated and tagged by the Purchaser at least 30 minutes prior to the start of each hour except when specifically allowed by District Business Practices or directed by the District.
- (p) Purchaser must provide sufficient reserves to meet the applicable WECC and NERC reliability standards, NWPP Reserve Sharing Agreement obligations, District Business Practices, and District Slice Operating Instructions. The Purchaser's Output Percentage of the maximum Capacity of the Projects will be reduced by the reserve obligation as described in the District Slice Operating Instructions.
- (q) The hourly Canadian Entitlement obligation associated with Purchaser's Output Percentage shall be counted toward meeting the Purchaser's Output Percentage of the minimum generation limits of the Projects.
- (r) Scheduling Purchaser's Output with Hourly or Sub-hourly Schedules
 - (1) Scheduling of Purchaser's Output shall be as requested by the Purchaser, or its designated scheduling agent, and shall be subject to the limitations set forth in this Contract. Purchaser must schedule its Purchaser's Output by the use of hourly schedules unless a

Dynamic Transfer Agreement or EIM Participation Operating Agreement is executed with the District as is described in Section 6 (s) (t) and (u).

- (2) The Purchaser, or its designated scheduling agent, shall provide the District each Pre-Schedule Day, in conformance with prevailing scheduling procedures for scheduling generating resources in the WECC region, hourly schedules of desired Purchaser's Output deliveries for the following day or days. The schedules will be completed in a time frame consistent with standard industry practices in the WECC region and this Section 6. Such schedules shall be based on the Purchaser's rights to, and the limits of, Capacity and Output, and on the probable water supply based on the District's forecasts of Rocky Reach and Rock Island inflow. The scheduling limits shall be as described in the District Slice Operating Instructions and the District Business Practices, as may be amended by the District from time to time.

(s) Scheduling Purchaser's Output with Dynamic Signal

- (1) Purchaser may schedule all or a portion of Purchaser's Output via a dynamic schedule. Dynamic schedules require Purchaser to execute a Dynamic Transfer Agreement with the District. Terms and conditions of the Dynamic Transfer Agreement and timeline for implementation shall be at the sole discretion of the District, and Purchaser shall reimburse the District for all costs associated with setup and implementation of the Dynamic Transfer Agreement.
- (2) Purchaser may schedule all or a portion of Purchaser's Output by dynamic signal in accordance with applicable NERC, WECC, and RC WEST reliability criteria and in accordance with the requirements of this Section 6 and a Dynamic Transfer Agreement.

(t) EIM Participation

If the District chooses to become an EIM participant during the term of this Agreement, Purchaser's Output will be subject to the terms of any EIM agreements with the market operator. The decision to join any EIM, the terms and conditions of any EIM agreements, and the timeline for implementation shall be at the sole discretion of the District.

(u) Delivery of Output via a Pseudo Tie

- (1) Purchaser may elect to take Purchaser's Output via a pseudo tie with a host BA. A pseudo tie requires Purchaser to execute a Dynamic Transfer Agreement with the District. Terms and conditions of the Dynamic Transfer Agreement and timeline for implementation shall be at the sole discretion of the District and Purchaser shall reimburse the District for all costs associated with setup and implementation of the Dynamic Transfer Agreement.
- (2) The Purchaser shall preschedule and deliver Purchaser's share of the Canadian Entitlement from Purchaser's Output and not from an alternate source. The District may request documentation of the source of such schedules.

- (3) If Purchaser elects to take Purchaser's Output via a pseudo tie with a host BA, Purchaser shall preschedule and deliver its share of the Canadian Entitlement obligation from the Purchaser's host BAA to the District's BAA. This Canadian Entitlement Energy schedule shall be supplied by the Purchaser's Output and not from an alternate source. The District may request documentation of the source of such schedules.
- (v) Purchaser shall be solely responsible for any and all carbon, and/or carbon mitigation costs and obligations caused by Purchaser's schedules, imports or other activity impacting the District's BAA for any purpose. Purchaser shall reimburse the District for all costs and expenses incurred by the District as a result of any carbon, and/or carbon mitigation costs and obligations caused by Purchaser's schedules, imports or other activity impacting the District's BAA. Any amounts owing by the Purchaser to the District pursuant to this provision shall be due and payable per Section 5(c) and subject to the provisions of Sections 5(d)(f) and (g) of this Contract.

SECTION 7. POINTS OF DELIVERY/TRANSMISSION

- (a) Output power supplied hereunder shall be approximately 230 kV or 115 kV, three-phase, alternating current, at approximately 60 hertz.
- (b) The Energy to be delivered hereunder shall be made available to the Purchaser, at its option subject to transmission limitations as determined by the District, exercisable from time to time, at any one or more of the following Points of Delivery:
- (1) Cascade (formerly White River) – Rocky Reach 230 kV Transmission Line (Puget Sound Energy interconnection)
Location: The point(s) where the Chelan Transmission System interconnects with Puget's Cascade – Rocky Reach 230 kV transmission line in the vicinity of the Rocky Reach Switchyard
Voltage: 230 kV
 - (2) Maple Valley – Rocky Reach 230/345 kV Transmission Line (BPA interconnection)
Location: The point(s) where the Chelan Transmission System interconnects with BPA's 230/345 kV step-up transformer facilities that in turn feed BPA's Maple Valley – Rocky Reach 230/345 kV transmission line in the vicinity of the Rocky Reach Switchyard
Voltage: 230 kV
 - (3) Rocky Reach – Columbia #2 230 kV Transmission Line (BPA interconnection)
Location: The point(s) where the Chelan Transmission System interconnects with BPA's 230 kV bus in the vicinity of BPA's Columbia Substation
Voltage: 230 kV
 - (4) Chelan Rocky Reach – Columbia #2 230 kV Transmission Line (Grant contractual interconnection)

Location: The point(s) where the Chelan Transmission System interconnects with Grant County PUD's Columbia – Wanapum 230 kV line in the vicinity of BPA's Columbia Substation
Voltage: 230 kV

(5) Rocky Reach – Columbia #1 230 kV Transmission Line (BPA interconnection)

Location: The point(s) where the Chelan Transmission System interconnects with BPA's Rocky Reach – Columbia 230 kV line in the vicinity of the Rocky Reach Switchyard
Voltage: 230 kV

(6) Rocky Reach – Douglas 230 kV Tie Line (Douglas PUD interconnection)

Location: The point(s) where the Chelan Transmission System interconnects with Douglas County PUD's 230 kV system in the vicinity of the Rocky Reach Switchyard
Voltage: 230 kV

(7) Valhalla Substation (Rock Island) (BPA interconnection)

Location: The point(s) where the Chelan Transmission System interconnects with BPA at 115kV in the vicinity of the BPA 115kV Switchyard and McKenzie 115kV Switchyard.
Voltage: 115 kV

(8) At any other location mutually agreed to by the District and Purchaser.

- (c) Purchaser is responsible for obtaining all necessary transmission capacity and for arranging, scheduling, and paying associated costs of transmission service to transmit all Energy obtained from its Purchaser's Output Percentage from the Points of Delivery to Purchaser's system or any alternate point of receipt.
- (d) The District warrants that it will deliver to Purchaser the Purchaser's Percentage of Output free and clear of all liens, security interests, claims, encumbrances, or any interest therein or thereby to any person arising prior to the Points of Delivery.

SECTION 8. METERING

- (a) Metering Installation. Metering devices are installed at each Point of Delivery to record the energy generated by the applicable Projects. The District may from time to time install additional or replacement metering devices to measure energy from the applicable Projects. All such metering devices, as so designated by the District from time to time ("Meters"), shall be used to measure Energy for all purposes of this contract and for purposes of any other agreement between the Parties related to the delivery of Energy.
- (b) Measurements. Except as may otherwise be provided in a contract between the Parties governing a specific transaction between them, all power flow and reactive power flow measurements from the Units shall be based on the measurement automatically recorded by the Meters.
- (c) Meter Testing. The District shall arrange for the Meters to be inspected, tested, and adjusted,

if necessary, at least once every two years. The District shall provide Purchaser with reasonable advance notice of, and permit a representative of Purchaser to witness and verify, such inspections, tests, and adjustments.

- (d) Recalculations. If any of the District's metering devices are found to be defective or inaccurate by more than +/- 0.2%, it shall be adjusted, repaired, replaced, and/or re-calibrated to bring the metering device to within the specifications provided for herein. If any of the District's metering devices are not found to be defective or inaccurate by more than the variances stated herein, then such Meters shall not be re-calibrated unless the District determines to do so.
- (e) Adjustment for Inaccurate Metering. If any Meter fails to register, or if the measurement made by such Meter during a test varies by more than +/- 0.2% from the measurement made by the standard meter used in such test, or if an error in meter reading occurs, adjustment shall be made to correct all measurements for the period during which such inaccurate measurements were made, if such period can be determined. If such period cannot be determined, the adjustment shall be made for the period immediately preceding the test of such Meter which is equal to the lesser of (a) one-half the time from the date of the last preceding test of such Meter, or (b) six months. Such corrected measurements shall be used to recompute the amounts of Energy delivered by the District to Purchaser during the period of adjustment. Such adjustment shall not include or give rise to any monetary compensation or other adjustments to the payments by Purchaser.

SECTION 9. INFORMATION TO BE MADE AVAILABLE TO THE PURCHASER

- (a) The Purchaser, upon at least thirty (30) days advance written notice to the District, shall have the right at its sole cost and expense to examine operating records relating to the Purchaser's Output Percentage during the District's normal business hours. All reasonable costs incurred by the District associated with such examination of operating records, including, but not limited to, District labor, materials, and reproduction services, shall be promptly reimbursed to the District by the Purchaser.
- (b) The District shall exercise commercially reasonable efforts to provide to the Purchaser estimates and information reasonably necessary for the Purchaser to exercise its rights under this Contract. Purchaser may from time to time request that the District provide Purchaser with available operating data related to the Projects, including planned outages, Fish Spill estimates and other anticipated events or circumstances that might affect Output over the ensuing 12 months. The District shall use commercially reasonable efforts to comply with such requests, to the extent such information is in the District's possession; provided, however, that the District shall not be liable to the Purchaser for any inaccuracies in such information or the failure of the District to deliver it in a timely manner. The Parties anticipate that the technology for the transfer of such information and the information required to operate Purchaser's Output Percentage will change over time. The Parties agree to transfer operating information reasonably needed by Purchaser to operate its Purchaser's Output by means of a technology that is both cost-effective and timely.

SECTION 10. ENVIRONMENTAL ATTRIBUTES

The Purchaser receives for its own use and benefit the Environmental Attributes associated with or related to the Purchaser's Output Percentage of the Projects as provided herein. Any Renewable Energy Credits created and associated with the Purchaser's Output will be transferred to the Purchaser on a mutually agreeable basis, but no more frequently than on a quarterly basis.

The Purchaser who receives the Environmental Attributes shall retain without limitation all reporting rights and use of these avoided emissions and/or renewable resources in any present or future federal or state compliance or voluntary program(s).

The District does not represent or provide any warranty whatsoever regarding the eligibility or use of the Environmental Attributes in any program or market. The District, upon the reasonable request of the Purchaser, will perform any further acts and execute and deliver such documents that may be necessary to carry out the intent and purpose hereof. If the Purchaser requests reasonable actions that require the District to expend substantial time or retain outside expertise, in the District's sole discretion, the Purchaser shall be required to pay those costs in advance of the work being started.

SECTION 11. LIABILITY OF PARTIES/DISCLAIMER OF WARRANTIES/RISK OF LOSS/NO DEDICATION

- (a) The Purchaser is purchasing Output from or attributable to the Projects as available and scheduled by the Purchaser. The Purchaser acquires no interest in or rights to any facilities.
- (b) The District represents and warrants only that it will deliver the Output sold hereunder to Purchaser free and clear of all liens, claims and encumbrances arising prior to the delivery of such Output to a Point of Delivery. Purchaser shall bear all risk of all occurrences of any nature from the Point of Delivery, including any occurrences affecting any interconnection facilities, substations, transmission lines and other facilities serving Purchaser. For the avoidance of doubt, the risk of loss pursuant to the foregoing shall not reduce or otherwise affect the Purchaser's Monthly Payments as described in this Contract.
- (c) Except as expressly provided for herein, the District shall not be liable to Purchaser for any damages or losses sustained by Purchaser or its customers or third parties as a result of the curtailment, reduction, or interruption of Output or the transmission of Output to Purchaser's designated Points of Delivery.
- (d) The District disclaims any and all warranties beyond the express terms hereof, including any implied warranties of merchantability or fitness for a particular purpose, and all other warranties with regard to all Energy and Capacity and other Output made available to Purchaser pursuant to this Contract are hereby expressly disclaimed.

THE FOREGOING IS IN LIEU OF ALL OTHER WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, IN FACT OR BY LAW WITH

**RESPECT TO THE OUTPUT PROVIDED HEREUNDER. DISTRICT HEREBY
DISCLAIMS ANY AND ALL OTHER WARRANTIES WHATSOEVER.**

- (e) The Parties confirm that the express remedies and the express limitations as to remedies and damages provided in this Contract satisfy the essential purposes hereof. For breach of any provision hereof for which an express remedy or measure of damages is provided, such express remedy or measure of damages shall be the sole and exclusive remedy, the obligor's liability shall be limited as set forth in such provision and all other remedies or damages at law or in equity are waived.
- (f) Neither Party nor any Affiliate thereof may make application to FERC, or any other Government Authority having jurisdiction over this Contract, seeking any change in this Contract pursuant to the provisions of Sections 205 or 206 of the Federal Power Act or under any other statute, regulation, or other provision promulgated by a Government Authority, nor support any such application by a third party. Absent the agreement of the Parties to any proposed change, the standard of review for changes to any section of this Contract (to the extent that the waiver above is unenforceable or ineffective), whether proposed by a Party, a nonparty or FERC acting sua sponte shall be the "public interest" standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956) and clarified by *Morgan Stanley Capital Group, Inc. v. Public Util. Dist. No. 1 of Snohomish*, 554 U.S. 527, 128 S. Ct. 2733 (2008) (the "Mobile-Sierra Doctrine"). The Parties, for themselves and their successors and assigns, (i) agree that this "public interest" standard shall apply to any proposed changes in any other documents, instruments, or other agreements executed or entered into by the Parties in connection with this Contract and (ii) hereby expressly and irrevocably waive any rights they can or may have to the application of any other standard of review, including the "just and reasonable" standard.
- (g) The protections afforded by and the provisions of this section shall survive the termination, expiration or cancellation of this Contract, and shall apply to the fullest extent permitted by law.
- (h) No undertaking under any provision of this Contract shall constitute a dedication of any portion of the District's electric system or the Projects to the public or to Purchaser.

NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, CONNECTED WITH OR ARISING OR RESULTING FROM THE PERFORMANCE OR NON-PERFORMANCE OF THIS CONTRACT OR ANYTHING DONE IN CONNECTION THEREWITH. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS OF DAMAGES CONTAINED IN THIS CONTRACT AND THE MEASURE OF DAMAGES DESCRIBED HEREIN ARE MATERIAL TERMS OF THIS CONTRACT.

SECTION 12. NOTICES AND COMPUTATION OF TIME

- (a) Any notice, demand or request provided for in this Contract shall be, unless otherwise specified herein, in writing and may be delivered by hand delivery, United States mail, Canadian mail, overnight courier, or electronic mail, except notice of default pursuant to Section 15 shall not be made by electronic mail. Notice by courier, electronic mail, or hand delivery shall be effective at the close of business on the day actually received, if received during business hours on a regular Business Day, and otherwise shall be effective on the close of business on the next regular Business Day. All notices by United States mail or Canadian mail shall be sent certified, postage prepaid, return receipt requested and shall be effective three (3) Business Days after mailing as determined by subsection (b) hereof.

All notices, demands or requests shall be directed to:

To District: Public Utility District No. 1 of Chelan County
Attn: General Manager
P.O. Box 1231
327 N. Wenatchee Avenue
Wenatchee, Washington 98807

Public Utility District No. 1 of Chelan County
Attn: General Counsel
P. O. Box 1231
327 N. Wenatchee Avenue
Wenatchee, WA 98807
slicecontract@chelanpud.org

To Purchaser: Avista Corporation
Attn: Vice President Energy Resources
1411 E Mission
PO Box 3727
Spokane, WA 99220-3727
Wholesalepower@avistacorp.com

- (b) In computing any period of time from a mailed notice, such period shall commence at HE 2400 (midnight) PPT on the date mailed.
- (c) The designations of the name, address, and email address to which any such notice or demand is directed may be changed at any time by either Party giving written notice as provided above.

SECTION 13. DISTRICT'S LICENSES AND MUTUAL SUPPORT

It is recognized by the Parties that the District, in its operation of the Projects, must comply with the requirements of the FERC Licenses together with amendments thereof from time to time made, and the Purchaser acknowledges that compliance with such requirements in a manner

determined necessary and appropriate by the District may adversely affect the Output of the Projects. If such actions will affect the Output of the Projects, the District will provide written notice to the Purchaser as soon as is practicable under the circumstances.

The District's current FERC license for Rocky Reach expires on January 31, 2052; and its current FERC license for Rock Island expires on December 31, 2028. The District intends to seek a new license for Rock Island. In light of the fact that the Output determined in relation to each of the Projects is material to this Contract, Purchaser covenants and agrees to support the District's efforts to obtain a new license for each of the Projects, at such times during the term and in such manner as the District shall reasonably request in writing. Such support may include, but shall not be limited to, providing letters or other written statements of support and written or oral testimony before FERC or in other administrative or legal proceedings, and participation in and statements of support at public meetings.

Purchaser acknowledges that, because the term of this Contract extends beyond the expiration date of the FERC license for Rock Island, this Contract is subject to FERC approval under Section 22 of the Federal Power Act, 16 U.S.C. § 815. The District will petition FERC for such approval in a commercially reasonable manner. If FERC does not approve of this Contract after the District's commercially reasonable effort, this Contract is void *ab initio*. Purchaser covenants and agrees to support the District's efforts to obtain Section 22 approval at such times and in such a manner as the District reasonably requests in writing.

If the District is unable to operate Rock Island due to the inability to obtain a new license for Rock Island, Purchaser shall be entitled to a reduction equal to 28.6 percent of the Purchase Price for the remaining Delivery Periods. Purchaser shall not be entitled to this 28.6 percent reduction of the Purchase Price for a Delivery Period for which the District has received an annual license, or similar approval and/or authorization that permits operation of Rock Island. Purchaser shall not be entitled this 28.6 percent reduction of the Purchase Price if Purchaser does not support the District's licensing efforts in the manner required by this Section.

The District is engaged in activities to reduce the Canadian Entitlement it is required to return under the Canadian Entitlement Allocation Extension Agreement. Purchaser covenants and agrees to provide reasonable support for the District's efforts to obtain a reduction in Canadian Entitlement at such times and in such a manner as the District reasonably requests in writing.

Purchaser may need to seek approval of this Contract from one or more regulatory agencies of competent jurisdiction, including the Idaho Public Utilities Commission. Upon Purchaser's request, the District shall provide Purchaser reasonable cooperation in obtaining such approval(s). If Purchaser applies to the Washington Utilities and Transportation Commission for a rate of return on expense incurred under this agreement, the District covenants and agrees to provide reasonable support for Purchaser's efforts to obtain any return permitted by law, at such times during the term and in such manner as Purchaser shall reasonably request in writing. Such support may include, but shall not be limited to, providing letters or other written statements of support and written or oral testimony before the Washington Utilities and Transportation Commission or in other administrative or legal proceedings, and participation in and statements of support at public meetings.

The District and Purchaser each further agree to provide reasonable support for the efforts of the other in proceedings and forums that improve the value of the Agreement when such support can be reasonably provided. Examples of opportunity for such mutual support include proceedings or forums related to use of renewable energy, resource adequacy, and market formation. If a Party requests support in writing, the Parties will meet and confer to determine whether support is appropriate and form of action the support should include. The Parties are not required to present joint or unified comments or positions in common proceedings or forums. Neither Party shall be required to take a position or make a statement that it determines is contrary to its interests.

SECTION 14. ASSIGNMENT OF CONTRACT

Neither the Purchaser nor the District shall, by contract, operation of law, or otherwise, assign this Contract or any right or interest in this Contract without the prior written consent of the other Party; provided, however, that the District may without the consent of the Purchaser (and without relieving itself from any obligations hereunder) pledge or encumber this Contract or the accounts, revenues, or proceeds hereof in connection with any financings or other financial arrangements. The District may not unreasonably withhold or delay its consent to assignment.

SECTION 15. DEFAULT; REMEDIES ON DEFAULT

(a) An "Event of Default" means with respect to a Party ("Defaulting Party"):

- (1) the failure by the Defaulting Party to make, when due, any payment required pursuant to this Contract if such failure is not cured within two (2) Business Days after written notice of such failure is given to the Defaulting Party by the other Party (the "Non-Defaulting Party"); or
- (2) the District's willful or intentional failure to deliver Purchaser's Output to the Purchaser as provided in this Contract and such failure is not cured within three (3) Business Days after written notice thereof from the Purchaser to the District; or
- (3) the failure of the Purchaser to perform its obligations to take the Energy under Section 3 of this Contract and such failure is not cured within three (3) Business Days after written notice thereof to the Purchaser; or
- (4) the failure of the Purchaser to (i) perform its obligations under Section 6 of this Contract (other than 6(b)), (ii) comply with Section 6(b) for more than 60 cumulative hours in any three consecutive months of any twelve month period or (iii) comply with a Dynamic Transfer Agreement or EIM Participation Operating Agreement between the Parties and such failure under (i) or (iii) is not cured within three (3) Business Days after written notice thereof to the Purchaser, without regard to whether the Purchaser has paid penalties for such violations as provided in this Contract, an EIM Participation Operating Agreement or a Dynamic Transfer Agreement. For the purposes of computing

hourly totals in this subsection, if Purchaser fails to comply with Section 6(b) for any portion of an hour, that failure will be counted as if Purchaser had failed to comply for the whole hour; or

- (5) the failure by the Defaulting Party to have made accurate representations and warranties as required in Section 23 of this Contract and such failure is not cured within three (3) Business Days after written notice thereof to the Defaulting Party; or
- (6) the institution, with respect to the Defaulting Party, by the Defaulting Party, or by another person or entity, of a bankruptcy, reorganization, moratorium, liquidation, receivership or similar insolvency proceeding or other relief under any bankruptcy or insolvency law affecting creditors' rights or a petition is presented or instituted for its winding-up or liquidation; or
- (7) the occurrence of any default, Event of Default, or Letter of Credit Default (however defined) under any Collateral Annex; or
- (8) the occurrence of an event of default, however defined, in respect to any Slice Contracts between the Parties, or
- (9) such Party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all of its assets to another entity and/or assigns to another entity without the express written consent of the other party pursuant to Section 14 or, in the case of Purchaser, Purchaser suffers a Change in Control with respect to which the District has not expressly consented within 30 days following the occurrence thereof;
- (10) with respect to Purchaser's Guarantor, if any, an Event of Default means:
 - (i) if a material representation or warranty made by a Guarantor in connection with this Contract, or any transaction entered into hereunder, is false or misleading in any material respect when made or when deemed made or repeated; or
 - (ii) the failure of a Guarantor to make any payment required or to perform any other material covenant or obligation in any guarantee made in connection with this Contract, including any transaction entered into hereunder, and such failure shall not be remedied within three (3) Business Days after written notice; or
 - (iii) the institution, with respect to the Guarantor, by the Guarantor, or by another person or entity, of a bankruptcy, reorganization, moratorium, liquidation, receivership or similar insolvency proceeding or other relief under any bankruptcy or insolvency law affecting creditors' rights or a petition is presented or instituted for its winding-up or liquidation; or
 - (iv) the failure, without written consent of the other Party, of a Guarantor's guarantee to be in full force and effect for purposes of this Contract (other than in accordance with its terms) prior to the satisfaction of all obligations of such Party

under each transaction to which such guarantee shall relate; or

- (v) an act by Guarantor to repudiate, disaffirm, disclaim, or reject, in whole or in part, or challenge the validity of, any guarantee.
- (11) With respect to Purchaser's LC Issuer, a Letter of Credit Default as defined in the Collateral Annex will necessitate a Replacement Letter of Credit be provided in accordance with Section 6 of the Collateral Annex.
- (b) District's Remedies. The District may, upon default of the Purchaser, immediately suspend deliveries of Output to Purchaser and sell such Output to third parties and permanently retain funds received from such sales for the suspension period until the default is cured or becomes an Event of Default. If the price received for the Output is less than the Contract Price as defined in Appendix A to the Collateral Annex, the Purchaser shall pay the District the difference. If an Event of Default by the Purchaser occurs, the District may elect to: (i) terminate some or all transactions between the Parties, including this Contract and other Slice Contracts and calculate a Slice Termination Payment as set forth in Section 16 below and any termination payment and other payments due upon termination as described in this Contract and other terminated agreements or transactions; or (ii) seek specific performance or maintain successive proceedings for payment of amounts due. If the District chooses to terminate this Contract, the District may terminate all transactions between the Parties and payments due and owing or accrued shall be netted and set off. If the District terminates this Contract and (a) uses the Quotation Methodology in Section 16(b) to calculate the Slice Termination Payment, the District shall calculate and include in the net termination payment any gain or loss incurred for the period between the Event of Default and the first delivery date stated in the Replacement Slice Contract; or (b) uses the Alternative Determination Methodology in Section 16(c) to calculate the Slice Termination Payment, the District shall calculate and include any gain or loss incurred for the period between the Event of Default and the calculation date in the net termination payment. In either event (as described in (a) and (b) above), the gains or losses, will be calculated by comparing the Annual Contract Price to the Intercontinental Exchange (ICE) Day Ahead Mid-C Peak and Off-Peak Index price for the respective hours. If the ICE Day Ahead Mid-C Peak and Off-Peak Index is no longer published or primarily utilized by the industry, the District will select another industry recognized index and notify Purchaser of the index to be used for this calculation. Payment of these amounts by Purchaser shall be subject to the provisions of Sections 5(c) and (g) and 16(h).
- (c) Purchaser's Remedies. If an Event of Default by the District occurs, the Purchaser may elect to: (i) terminate all transactions between the Parties, including this Contract and other Slice Contracts and calculate a Slice Termination Payment as set forth in Section 16 below and any termination payment or other payments due upon termination as described in this Contract and other terminated agreements or transactions; or (ii) seek specific performance or maintain successive proceedings for enforcement of the District's obligations. If the Purchaser chooses to terminate this Contract, Purchaser must terminate all transactions between the Parties and the payments due and owing or accrued shall be netted and set off. The Purchaser, as calculation agent, shall use the Alternative Determination Methodology in Section 16(c) to

calculate the Slice Termination Payment and calculate and include any gain or loss incurred for the period between the Event of Default and the calculation date in the net termination payment. The gains or losses will be calculated by comparing the Annual Contract Price to the Intercontinental Exchange (ICE) Day Ahead Mid-C Peak and Off-Peak Index price for the respective hours. If the ICE Day Ahead Mid-C Peak and Off-Peak Index is no longer published or primarily utilized by the industry, the Purchaser will select another industry recognized index and notify the District of the index to be used for this calculation. If the Purchaser chooses to continue the Contract and obtains an order requiring the District to perform or the District agrees to continue the Contract, the Purchaser shall be entitled to receive from the District a payment reflecting the market price of the Purchaser's Percentage of Output for the period of time that deliveries did not occur. The market price of that Output shall be calculated at a rate equal to the Intercontinental Exchange (ICE) Day Ahead Mid-C Peak and Off-Peak Index price for the respective hours. If the ICE Day Ahead Mid-C Peak and Off-Peak Index is no longer published or utilized by the industry, the Purchaser will select another industry recognized index and notify the District of the index to be used for this calculation. Payment by the District shall be subject to the provisions of Sections 5(c) and (g) and 16(h).

- (d) Failure of either Party to insist at any time on the strict observance or performance by the other Party of any of the provisions of this Contract shall not impair any right or remedy nor be construed as a waiver or relinquishment thereof in the future.

SECTION 16. TERMINATION PAYMENT

A Slice Termination Payment as referenced in this Contract shall be calculated in accordance with the protocol set forth in this section. For purposes of this Contract, the "*Slice Termination Payment*" shall mean the sum of (i) the amount calculated pursuant to clauses (b) or (c) below, as the case may be, plus (ii) all amounts then due and owing by either Party under this Contract as of the date of termination, whether or not billed or demanded as of that date, plus (iii) the Non-Defaulting Party's Costs. "*Costs*" for purposes of this Contract means all reasonable fees, costs and expenses incurred by a Non-Defaulting Party as a direct result of the other Party's non-performance or breach of its obligations hereunder, including, without limitation, administrative and overhead costs, brokerage fees, commissions and other third party transaction costs and expenses, other fees, charges, costs and expenses including court costs and reasonable fees of attorneys (external and internal), consultants and other professionals, incurred in connection with calculating the Slice Termination Payment, obtaining quotations, and in enforcing the Non-Defaulting Party's rights hereunder. "*Costs*" shall not include indirect incidental, consequential, or punitive damages arising from the Defaulting Party's breach.

- (a) Calculation Agent. The calculation of the Slice Termination Payment will be performed by the District; provided, however, that in the event there is an Event of Default by the District, then Purchaser shall be the Calculation Agent. Purchaser shall use the Alternative Determination Methodology described in subsection (c) below in determining the Slice Termination Payment. The determination of the Slice Termination Payment pursuant to the criteria set forth below shall be binding on the Parties and conclusive, absent manifest error.

- (b) Quotation Methodology. As soon as reasonably practical after termination, the District shall determine whether to calculate the Slice Termination Payment by obtaining quotations (either firm or indicative) for a Replacement Slice Contract or to use the Alternative Determination Methodology. If the District determines obtaining quotations is appropriate, then the District will endeavor to obtain quotations from three or more third parties selected by the District who, in the District's reasonable discretion, are creditworthy, are qualified to enter into a Replacement Slice Contract, and are parties to a WSPP Agreement (each a "*Qualified Bidder*"). Bids or quotations for less than the full remaining term or containing material conditions or deviations from this contract shall not be considered. If more than three quotations are received, the high and low quotation shall be disregarded and the Slice Termination Payment shall be calculated using the average of the remaining quotations, as compared to the total forecasted Purchase Price for the remaining years in the Contract term. If three or fewer quotations are received, the Slice Termination Payment shall be calculated using the average of the quotations received. It is expressly agreed that the District shall not be required to enter into a Replacement Slice Contract or any replacement transactions in order to determine the value of Purchaser's Output for the purposes of calculating the Slice Termination Payment under this section.

"*Replacement Slice Contract*" means a slice contract containing substantially the same terms and conditions as this contract, for the same Purchaser's Output Percentage, and for a contemplated term commencing with the first delivery of Output as determined by the District in its sole discretion pursuant to the Replacement Slice Contract and continuing for the remaining nominal term hereof.

- (c) Alternative Determination Methodology. If the District does not elect to obtain or does not receive any bids or indicative quotations pursuant to the procedures set forth in clause (b) above, or if Purchaser is the Calculation Agent pursuant to subsection (a) above, the Slice Termination Payment shall be determined by the District or the Purchaser, using commercially reasonable procedures in order to produce a commercially reasonable result utilizing the base methodology outlined in Appendix A to the Collateral Annex.
- (d) Present Value. The Slice Termination Payment calculated pursuant to clause (b) or (c) above shall be discounted to present value using the Present Value Rate as of the time of termination. The "*Present Value Rate*" shall mean the sum of 0.50% plus the yield reported on page "UISD" of the Bloomberg Financial Markets Services Screen (or if not available, any other nationally recognized trading screen reporting on-line intraday trading in United States government securities) at 8:00 a.m. PPT for the United States government securities having a maturity that matches the average remaining term of this Contract.
- (e) Payment of Termination Amount. The Calculation Agent shall provide the other Party with written notification of the Slice Termination Payment, as calculated pursuant to this Section 16, as soon as practical after such amounts have been determined and shall provide the other Party with supporting documentation showing in reasonable detail the bids, quotations and other factors used in making such calculations. The amount owed after netting and setoff pursuant to subsection (g) below shall be due within three (3) Business Days of delivery of such notice and payment shall bear interest at the Present Value Rate from the effective date

of the notice of termination until the amount is paid in full. Payment shall be made in conformance with subsections 5(c) and (g) of this Contract.

- (f) Additional Payment to District if Purchaser Defaults. If in the Event of Default by Purchaser, the District terminates the Contract and obtains quotations or requests bids for a Replacement Slice Contract, the Purchaser shall pay to the District the agreed upon sum of \$200,000 to cover the expenses of the District. The Parties specifically agree that the District shall not be required to track the specific costs associated with the tasks that are taken in order to obtain those quotations of bids and that the amount agreed upon is a reasonable estimate of the costs to be incurred by the District.
- (g) Setoff and Netting. The Calculation Agent shall aggregate or set off any or all other amounts owing between the Parties under all terminated agreements including other Slice Contracts, any Dynamic Transfer Agreement, EIM Participation Operating Agreement and this Contract so that all such amounts are aggregated and/or netted into a single liquidated termination payment.
- (h) Election to Pay Over Time. If the District is the Defaulting Party and the Purchaser owes monies after set offs and netting of all terminated agreements then notwithstanding the three (3) Business Day payment requirement detailed above, the Purchaser may elect to pay the District the monies owed under this Section 16 over the remaining life of the Contract with the first payment being due on the Slice Termination Payment due date as provided in Section (16)(e). Payments shall be made in equal monthly installments. The Purchaser shall give written notice to the District of this election within two (2) Business Days of the notice provided in Section 16(e). The written notice will include a payment schedule. If the Purchaser is the Defaulting Party and the Purchaser owes the District monies after set offs and netting, payment by Purchaser shall be due within the three (3) Business Day payment requirement.

If the District is the Non-Defaulting Party and it owes the Purchaser monies after set offs and netting of all terminated agreements, then notwithstanding the three (3) Business Day payment requirement detailed above, the District may elect to make payments to the Purchaser the monies owed under this Section 16 after set offs and netting of all terminated agreements over the remaining life of the Contract with the first payment being due on the Slice Termination Payment due date as provided in Section (16)(e). Payments shall be made in equal monthly installments. The District shall give written notice to the Purchaser of this election with two (2) Business Days of the notice provided in Section 16(e). The written notice will include a payment schedule. If the District is the Defaulting Party and the District owes the Purchaser monies after set offs and netting, payment by District shall be due within the three (3) Business Day payment requirement.

If the Party owing money ("Owing Party") elects to make payments over time to the other Party ("Receiving Party"), the Present Value Rate referenced in Section 16(d) in this or another Slice Contract shall not be reflected in determining the amounts to be paid.

This provision and the rights and obligations under it shall survive termination of any applicable transactions or agreements.

If the Owing Party fails to make a payment under this subsection 16(h), then the Receiving Party shall have the right, by providing written notice to the Owing Party at any time after the Owing Party fails to pay, to require payment of all monies owed under all of the contracts subject to this Section within three (3) Business Days of receipt of the written notice. The monies to be paid under this accelerated payment provision shall be the remaining amounts to be paid under the contracts or agreements reflecting a discount using the Present Value Rate from the date of the written notice.

SECTION 17. COLLATERAL REQUIREMENTS

The obligations and rights of the Parties under this Contract to call for and post collateral are set forth in the Collateral Annex and Cover Sheet Elections executed by the Parties.

SECTION 18. GOVERNING LAW, VENUE, AND ATTORNEY FEES

The Parties agree that the laws of the State of Washington shall govern this Contract. Venue of any action filed to enforce or interpret the provisions of this Contract shall be exclusively in the United States District Court for the Eastern District of Washington or the Superior Court of the State of Washington for Chelan County, and the Parties irrevocably submit to the exclusive jurisdiction of any such court. In the event of litigation to enforce the provisions of this Contract, the prevailing Party shall be entitled to reasonable attorney's fees in addition to any other relief allowed. Each Party waives its respective right to any jury trial with respect to any litigation arising under or in connection with this Contract.

SECTION 19. COMPLIANCE WITH LAW

- (a) The Parties understand and acknowledge that operation of the Projects must conform to and comply with all applicable laws, rules, regulations, license conditions or restrictions promulgated by the FERC, the State of Washington or any other governmental agency or entity having jurisdiction over the Projects. The Purchaser shall take whatever actions are reasonably necessary to cooperate fully with the District in meeting such requirements. Obligations of the District contained in this Contract are hereby expressly made subordinate and subject to such compliance.
- (b) RCW 54.16.040 contains provisions relating to the District's sale of electric energy. The Parties understand and acknowledge that the District must comply with RCW 54.16.040 to the extent applicable to this Contract and the District's obligations and performance of this Contract are hereby expressly made subordinate and subject to such compliance.

SECTION 20. HEADINGS

The headings of sections and paragraphs of this Contract are for convenience of reference only and are not intended to restrict, affect, or be of any weight in the interpretation or construction of the provisions of such sections and paragraphs.

SECTION 21. ENTIRE AGREEMENT; MODIFICATION; CONFLICT IN PRECEDENCE

This Contract constitutes the entire agreement between the Parties with respect to the subject matter of this Contract, and supersedes all previous communications between the Parties, either verbal or written, with respect to such subject matter. No modifications of this Contract shall be binding upon the Parties unless such modifications are in writing signed by each Party.

SECTION 22. NO PARTNERSHIP OR THIRD PARTY RIGHTS

- (a) This Contract shall not be interpreted or construed to create an association, joint venture, or partnership between the Parties, or to impose any partnership obligations or liability upon any Party.
- (b) This Contract shall not be construed to create rights in or grant remedies to any third party as a beneficiary of this Contract.
- (c) This Contract is for the sale of Output only. Nothing in this Contract is intended to grant Purchaser any rights or interest in any specific District project, facility or resource.

SECTION 23. REPRESENTATIONS AND WARRANTIES

At the time of the Effective Date of this Contract, each Party represents and warrants to the other Party that:

- (a) It is duly organized, validly existing, and in good standing under the laws of the jurisdiction of its formation.
- (b) It has full legal right, power, and authority to execute, deliver, and perform its obligations under this Contract; it has taken all appropriate and necessary action to authorize the execution, delivery, and performance of this Contract including, without limitation, the approval by its Board of Commissioners or Board of Directors, as the case may be; this Contract has been duly and validly executed and delivered by it; and this Contract does not violate any of the terms or conditions in its governing documents, any contract to which it is a party, or any law, rule, regulation, order, writ, judgment, decree, or other legal or regulatory determination applicable to it.
- (c) This Contract constitutes a legally valid and binding obligation enforceable against it in accordance with its terms, subject to equitable defenses and applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally.
- (d) There are no bankruptcy, insolvency, reorganization, receivership, or other arrangements or proceedings pending or being contemplated by it, or to its knowledge threatened against it.

- (e) It is acting for its own account and has made its own independent decision to enter this Contract, and this Contract is appropriate or proper for it based upon its own judgment. It is not relying upon the advice or recommendations of the other Party in so doing, and it is capable of assessing the merits of and understanding, and understands and accepts, the terms, conditions, and risks of the Contract.
- (f) It has entered into this Contract in connection with the conduct of its business, and it has the capacity or ability to make or take delivery of the Output referred to in this Contract.
- (g) It acknowledges and agrees that this Contract is a “forward contract” and that each Party is a “forward contract merchant” in each case as those terms are used in the United States Bankruptcy Code.
- (h) Notwithstanding anything contained to the contrary in the laws of the State of Washington, the District irrevocably agrees that it will not claim immunity on the grounds of sovereignty in any proceeding. The District represents that it is subject to the filing of claims, service of process and suit for damages pursuant to and in accordance with the laws of the State of Washington.

SECTION 24. INSURANCE REQUIREMENTS

- (a) Insurance. The District shall obtain and maintain the following insurance in force over the Term of this Agreement. All insurance policies required to fulfill the requirements of this Section 24 shall include language requiring that any notice of cancellation or notice of change in policy terms be sent to Purchaser by the insurance carrier(s) at least sixty (60) days prior to any change or termination of the policies.
 - (1) General Liability. The District shall carry commercial general liability insurance for bodily injury and property damage with a minimum limit equal to \$5,000,000 (United States dollars) for each occurrence. The deductible shall not exceed the District’s financial ability to cover claims.
 - (2) Property. The District shall carry all-risk property insurance for repair or replacement of the Projects. The limit of property insurance shall be consistent with Prudent Utility Practices. The deductible shall not exceed the District’s financial ability to fund the cost of losses.
 - (3) Notice of Loss or Lapse of Insurance by the District. If the insurance coverage required by this Section 24 is lost or lapses for any reason, the District will immediately notify Purchaser in writing of such loss or lapse. Such notice shall advise Purchaser of (i) the reason for such loss or lapse and (ii) the steps the District is taking to replace or reinstate coverage.
 - (4) Employers' Liability and Workers' Compensation Insurance providing statutory benefits in accordance with the laws and regulations of the State of Washington.
- (b) Qualifying Insurance. The insurance coverage required by subsection (a) of this Section shall be obtained from an insurance company(ies) rated AM Best A-, VII or better. Commercial

general liability insurance shall include an endorsement naming Purchaser as an additional insured and loss payee as applicable.

- (c) Continuing Obligations. For the Term of this Agreement, the District will, upon Purchaser's request, provide Purchaser evidence of compliance with the provisions of subsection (a) of this Section. If the District fails to comply, such failure will be a material breach and may only be cured by the District promptly supplying evidence that the required insurance coverage has been replaced or reinstated.

SECTION 25. SEVERABILITY

If any term or provision of this Contract or the application thereof to any Party, or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Contract, or the application of such term or provision to the Parties or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Contract shall be valid and enforceable to the fullest extent permitted by law. If any clause or provision of this Contract shall be deemed invalid or unenforceable, the Parties will promptly engage in good faith negotiations to modify such clause or provision to each Party's commercially reasonable satisfaction to alleviate the grounds for invalidity or enforceability and to preserve the respective rights and obligations of the Parties intended to be conferred by this Contract to the greatest extent reasonably practicable.

SECTION 26. AUTHORITY TO SIGN

Each of the individuals executing this Contract warrant that they are the authorized signatory of the entity for which they are signing and have sufficient corporate authority to execute this Contract.

PUBLIC UTILITY DISTRICT NO. 1
OF CHELAN COUNTY, WASHINGTON



By: Steve Wright

Title: General Manager

Date: 3/25/2021

AVISTA CORPORATION



By: Dennis Vermillion

Title: President and CEO

Date: March 24, 2021

APPENDIX A

OUTPUT, SCHEDULING, PLANNING AND TRANSMISSION

This Appendix A shall govern the determination of the Output to be made available to Purchaser under this Contract.

Definitions

In addition to the terms elsewhere defined in this Contract, the following terms used in this Appendix A shall have the meanings ascribed to them below.

Biological Opinion – Any opinion issued by a Government Authority authorized to do so under the Endangered Species Act (ESA) that reviews and assesses whether the operating plan submitted by BPA, the U.S. Army Corps of Engineers and the Bureau of Reclamation will jeopardize the survival of any creature or creatures that have been determined to be threatened or endangered pursuant to the ESA.

Black Start Capability – The ability of generators to self-start without any source of off-site electric power and maintain adequate voltage and frequency while energizing isolated transmission facilities and auxiliary loads of other generators.

Bonneville Power Administration (BPA) - The Federal power marketing agency responsible for selling the output of all Columbia River Federal project generation, and for ownership, operation, and maintenance of a major share of the northwest high-voltage transmission system.

Fish Spill – The required spill of water for the passage of fish past the Projects as required by FERC order, the District's HCP, spill for studies, or other Regulatory Authorities.

Habitat Conservation Plans (HCP) - The plans approved as part of the Projects' licenses to protect anadromous fish passing upstream and downstream at the Projects.

Hanford Reach Fall Chinook Protection Program (Vernita Bar) - The agreement which defines the Mid-Columbia projects' (Grand Coulee, Chief Joseph, Wells, Rocky Reach, Rock Island, Wanapum, and Priest Rapids) operational obligations for the fresh water life cycle protection of the Hanford Reach Fall Chinook, which has been signed by the District, National Oceanic and Atmospheric Administration's Department of Fisheries (NOAA Fisheries), Washington Department of Fish and Wildlife, PUD No. 2 of Grant County, and PUD No. 1 of Douglas County.

Immediate Spill Replacement - The energy received from the Federal government for the purpose of moving spill from the Federal system to reduce total dissolved gas levels downstream from Federal reservoirs.

Load Following/Regulation - The ability to adjust generation within an hour (or pursuant to dynamic scheduling) to follow variations in load. Load Following/Regulation is limited and constrained by the number of Units available, any limitations on the Units, Ramp Rate, and any other power or non-power restrictions.

Non-Spinning Operating Reserves – Those reserves that may be available at any time from all Units of Rocky Reach and Rock Island not then connected to the system but capable of being connected and serving demand within a specified time.

Operational Constraints – Constraints on the operation of the Units or a Project that are needed to meet any requirement due to the HCP, regulations, laws, court orders, authority, safety, or Operating Agreements, or to minimize equipment wear, maintain equipment, or repair/replace equipment, or that are due to any other event or circumstance described in this Appendix A or in the Contract.

Pacific Northwest Coordination Agreement (PNCA) – The agreement among Northwest parties for the coordinated operation of the Columbia River system on a seasonal and monthly basis. The PNCA defines the firm energy output of Rocky Reach and Rock Island as well as other rights and obligations, including provisional energy, interchange energy, in-lieu energy, and others defined in the contract. The PNCA does not allow resources above the head works of Bonneville Dam to be removed from coordination, and currently all Capacity and Energy of Rocky Reach and Rock Island are included in PNCA planning. PNCA serves as a settlement of the Federal Power Act Section 10(f) obligation to reimburse upstream Federal projects for energy gains as a result of the storage provided, as well as a FERC approved settlement among all Non-Federal parties for upstream benefit payments.

Pond/Storage – The volume of water, expressed in MWh, that can be stored behind a Project between its minimum and maximum headwater elevations.

Ramp Rate – The rate of change in the level of generation for a specified period within all applicable Operational Constraints as determined by the District in its sole discretion. The maximum Ramp Rate is a variable quantity based upon these limitations.

Remedial Action Schemes (RAS) – Any action implemented by the District utilizing Rocky Reach and Rock Island, as applicable, to maintain the transfer capabilities and stability of the Western Interconnection and employed consistent with the definition of RAS in the NERC glossary.

Spinning Operating Reserves – The difference at any time between total available Capacity of all Units of Rocky Reach and Rock Island then on-line and the sum of the then current generation level of those on-line Units.

Unit - Each generating unit or collectively, the generating units at the Projects. The Units currently consist of the eleven generating Units at Rocky Reach and eighteen generating Units at Rock Island plus the house unit. Unit may also include any other generating Units installed in the Rocky Reach and Rock Island Projects (for example attraction water turbines).

Voltage Support / MegaVars (MVARs) – Shall mean reactive power supplied or absorbed by Rocky Reach and Rock Island as required to maintain voltage at adjacent switchyards. Under certain operating conditions, the MVARs output from the Units may cause a reduction in the Capacity of Rocky Reach and Rock Island.

OUTPUT

Section 1. Rocky Reach and Rock Island Output

- (A) **Capacity and Energy Component.** Output (and Purchaser's Output Percentage as defined in Section 3 of this Contract) includes the amount of deliverable electric Capacity and Energy from Rocky Reach and Rock Island net of the following adjustments with respect thereto:
- (i) adjustments for receipt and delivery of all upstream and downstream encroachments, adjustment for station service and losses to the Points of Delivery;
 - (ii) adjustments for Energy delivery or consumption obligations that are a Project responsibility under applicable laws or agreements (including, but not limited to, fish hatcheries);
 - (iii) adjustments for Capacity and Energy receipt obligations with the Federal system associated with Immediate Spill Replacement;
 - (iv) Capacity and Energy delivery obligations related to Canadian Entitlement. If the Canadian Entitlement obligation associated with the Rocky Reach and Rock Island projects changes during the Term of this Contract due to the Canadian Entitlement Allocation Extension Agreement being revised, replaced, or terminated, Purchaser's Canadian Entitlement obligation under this Contract will become the Purchaser's pro-rata share of the new Canadian Entitlement obligation associated with the Rocky Reach and Rock Island projects.
 - (v) Purchaser adjustments for Energy delivery rights that are a Project right under applicable laws or agreements (including, but not limited to, PNCA);
 - (vi) adjustments due to limitations imposed by and rights under the FERC Licenses, COLA, HCP, Biological Opinion, Hanford Reach Fall Chinook Protection Program, and Immediate Spill Replacement; and
 - (vii) adjustments due to limitations set by District Business Practices.
- (B) **Pond/Storage.** Output includes access to and the ability to use 100% of the Purchaser's Output Percentage of Pond/Storage of Rocky Reach and Rock Island, as applicable.
- (C) **Load Following and Regulation.** Output includes Load Following/Regulation services only if Purchaser provides scheduling information via a dynamic electronic signal per Section 6(s) and 6(u) of the Contract.

(D) Frequency Response. If Purchaser elects to take delivery of Purchaser's Output via a pseudo tie, frequency response is included in Purchaser's Output as part of the real-time control error, which occurs in response to frequency events, and is allocated to purchasers. Purchaser maintains responsibility for frequency response obligations within Purchaser's BA.

(E) Rocky Reach and Rock Island Rights and Obligations. Output includes the rights and obligations from Canadian Entitlement, COLA, PNCA, HCP, Biological Opinion, Hanford Reach Fall Chinook Protection Program, and Immediate Spill Replacement.

(F) Output Limitations. Output is subject to limitation or adjustments due to:

- i. planned or unplanned outages for maintenance or repair;
- ii. any reductions due to fishery programs, including but not limited to, spill for fish bypass and capability reductions for a bypass system;
- iii. any reductions or limitations due to the Hanford Reach Fall Chinook Protection Program and the Biological Opinion or any other limitations imposed by Government Authorities;
- iv. any reductions or limitations due to the HCP;
- v. reductions or interruptions reasonably necessary to promote and support national, regional, and local electric system stability and reliability (including, but not limited to, MVAR support of the transmission system);
- vi. minimum generation limitations due to minimum flow requirements;
- vii. other operational limitations lawfully imposed;
- viii. Uncontrollable Forces;
- ix. Reserve obligations associated with the generation in the District's BAA, which must be provided to meet the applicable WECC and NERC reliability standards, NWPP Reserve Sharing Agreement obligations, District Business Practices, and District Slice Operating Instructions; and
- x. Any other Operational Constraints.

(G) Excluded Products and Services. Output does not include the following:

- i. Black Start Capability;
- ii. RAS;
- iii. Voltage Support/MegaVars (MVARs);

- iv. All other items not specifically included in Clauses (A) through (F) of this Section 1, except as otherwise described in Clause (H) below. It is Purchaser's responsibility to provide any additional ancillary services required to comply with safety and reliability standards in connection with Purchaser's receipt and use of Output.

(H) Spinning Operating Reserves and Non-Spinning Operating Reserves. The Purchaser's ability to utilize Output for purposes of Spinning Operating Reserves and Non-Spinning Operating Reserves shall be limited to and as provided in District Slice Operating Instructions, District Business Practices, and COLA. The District reserves the right to refuse to place unloaded Units on-line for the sole purpose of meeting Purchaser's Spinning Operating Reserve obligations. This provision and Purchaser's ability to utilize Output for purposes of Spinning Operating Reserves and Non-Spinning Operating Reserves only applies if Purchaser has a pseudo-tie agreement to dynamically transfer the Output into another BA. The attaining BA of the pseudo-tie dynamic transfer could then utilize Spinning Operating Reserves and Non-spinning Operating Reserves and would also have the associated WECC/NERC compliance responsibility.

- (I) **Implementation.** The reduction of Capacity deliveries to Purchaser will be imposed pro-rata such that reductions of Capacity for Purchaser at any time will equal Purchaser's Output Percentage of the total reductions of Capacity at such time. Energy reductions shall be allocated according to procedures in COLA. The Purchaser shall have the ability to utilize its full Purchaser's Output Percentage at any point in time, subject to the availability of Units, the amount of water available, FERC limitations, maximum Ramp Rates, and any other Operational Constraints.

MEASUREMENT OF ENERGY

Section 2. Measurement of Energy Made Available. The amount of electric Energy made available hereunder from time to time shall be deemed to be the amount of Energy delivered in accordance with this Appendix, as measured in accordance with Section 8 of the Contract, that was not interrupted or curtailed due to conditions set forth herein or in the Contract.

MANAGEMENT

Section 3. Management of Rocky Reach and Rock Island. Purchaser shall have access to and the ability to use its Purchaser's Output Percentage, inflow, and 100% of the Purchaser's Output Percentage of Pond/Storage components of Output as it sees fit, subject to all limitations set forth in this Contract, including this Appendix A, the District's Business Practices and District Slice Operating Instructions, and COLA in effect at the time. Rocky Reach and Rock Island have a limited amount of Pond/Storage available each day for daily shaping use. All Pond/Storage at Rocky Reach and Rock Island shall be accounted for and controlled pursuant to the terms of this Contract.

- (A) The Purchaser shall be responsible for monitoring storage levels and adjusting Energy requests as required to stay within this Contract and COLA limits. All expenses associated with acquisition, operation and maintenance of hardware and software on the Purchaser's system necessary to meet Purchaser's obligations under this Contract shall be Purchaser's

responsibility. In the event the District must intervene to correct a contractual deficiency on behalf of Purchaser, Purchaser shall reimburse the District for all resulting costs and penalties incurred by the District as a result thereof on a monthly basis as a line item on billings.

- (B) The Purchaser shall manage its Energy requests, subject to the terms of this Contract, so as not to exceed its total Capacity entitlement at the Projects. Purchaser shall not make any request for Energy that would cause its COLA Pond/Storage account for the Projects to go outside its contractual Pond/Storage limits. An account shall be kept for the Purchaser, based on the information provided. Purchaser's Pond/Storage account will reflect Purchaser's Output Percentage of allocated inflow being added each hour and Purchaser's previous hour's energy subtracted. Purchaser shall not violate any contract, COLA and/or District Business Practice limitation. In the event Purchaser's Pond/Storage account for Rocky Reach and Rock Island goes outside its contractual Pond/Storage and COLA limits, expressed in MWh, the District may implement penalties per Section 6 of this Contract and may immediately reduce Capacity associated with Purchaser's Output Percentage available from Rocky Reach and Rock Island to an amount approximating Purchaser's Output Percentage of allocated inflow until the Purchaser's Pond/Storage account balance has returned to within Purchaser's contractual Pond/Storage and COLA limits.

PLANNING DATA

Section 4. Planning Data. The District shall from time to time supply, as soon as practicable after it is available to the District, estimates of planned outages and planned Fish Spill to enable Purchaser to estimate future Output.

APPENDIX B
PURCHASE PRICE

In accordance with Section 5, the Purchase Price is shown in the table below for each Delivery Period.

Delivery Period	Purchase Price
2024	\$21,068,644
2025	\$21,487,781
2026	\$21,915,301
2027	\$22,351,371
2028	\$22,796,162
2029	\$23,249,850
2030	\$23,712,611
2031	\$24,184,627
2032	\$24,666,083
2033	\$25,157,169

APPENDIX C
START CYCLE TRACKING METHODOLOGY

DEFINITIONS

In addition to the terms elsewhere defined in this Contract, the following terms used in this Appendix C shall have the meanings ascribed to them below.

“Physical Start Cycle” means any physical unit start at either Project.

“Purchaser Allowable Start Cycles” means the number of allowable Purchaser Start Cycles per year.

“Purchaser Start Cycles” means the count of Physical Start Cycles attributed to the Purchaser as determined by the methodology in this Appendix C.

“Virtual to Physical Factor” means the sum of the Physical Start Cycles divided by the sum of the Virtual Start Cycles for all purchasers for a given period.

“Virtual Start Cycle(s)” means the number of 28 MW thresholds crossed by an average 5-minute generation request signal increase.

METHODOLOGY

Virtual Start Cycles will be tracked and counted for all purchasers for a given period. The Virtual to Physical Factor will be determined for that period. The Virtual to Physical Factor will be multiplied by the Purchaser’s Virtual Start Cycles to determine the Purchaser Start Cycles for that period. Purchaser Start Cycles will be compared to the Purchaser Allowable Start Cycles pursuant to Section 6(h).

Example Purchaser Start Cycles calculation for a 5% slice purchaser for Dec 2019 to Nov 2020

Step 1. Determine the Virtual Start Cycles for all purchasers. Sum the Virtual Start Cycles for all purchasers for each month. See Table 1 below.

	Virtual Start Cycles for all purchasers							Sum of Virtual Start Cycles
	Purch 1	Purch 2	Purch 3	5% Purch	Purch 4	Purch 5	Purch 6	
Dec-19	628	239	28	91	145	54	0	▼ 1185
Jan-20	671	223	36	250	359	175	0	▼ 1714
Feb-20	651	61	37	68	278	109	49	▼ 1253
Mar-20	1022	455	41	125	318	315	154	▼ 2430
Apr-20	1005	451	44	150	321	279	127	▼ 2377
May-20	571	4	37	25	208	53	9	▼ 907
Jun-20	400	0	4	33	171	92	6	▼ 706
Jul-20	510	5	13	38	219	105	42	▼ 932
Aug-20	803	105	35	110	314	210	69	▼ 1646
Sep-20	976	599	54	115	271	272	117	▼ 2404
Oct-20	934	663	48	158	294	249	127	▼ 2473
Nov-20	816	58	79	143	272	161	76	▼ 1605
Sum	8987	2863	456	1306	3170	2074	776	▼ 19632

Table 1: Virtual Start Cycles for all purchasers for the Dec 2019 to Nov 2020 period

Step 2. Sum the Physical Start Cycles at Rocky Reach and Rock Island for each month. For each month, calculate the Virtual to Physical Factor by dividing the sum of the Physical Start Cycles by the sum of the Virtual Start Cycles for all purchasers from Step 1. For each month, calculate the Purchaser Start Cycles by multiplying the Virtual to Physical Factor and the Purchaser's Virtual Start Cycles from Step 1.

	Physical Start Cycles	Physical Start Cycles	Sum of Physical Start Cycles	Virtual to Physical Factor	Purchaser Start Cycles
	RR	RI	RR&RI		5% Purch
Dec-19	71	68	139	12%	10.7
Jan-20	117	63	180	11%	26.3
Feb-20	51	29	80	6%	4.3
Mar-20	279	104	383	16%	19.7
Apr-20	278	125	403	17%	25.4
May-20	21	14	35	4%	1.0
Jun-20	7	14	21	3%	1.0
Jul-20	39	24	63	7%	2.6
Aug-20	90	29	119	7%	8.0
Sep-20	237	166	403	17%	19.3
Oct-20	247	160	407	16%	26.0
Nov-20	77	37	114	7%	10.2
Sum	1514	833	2347		154

Table 2: Physical Start Cycles for Rocky Reach and Rock Island, Virtual to Physical Factors, and monthly and annual Purchaser Start Cycles

For this example, the Purchaser Start Cycles is 154 for this 12-month period and the Purchaser Allowable Start Cycles is 412. This means this 5% purchaser used 37% of the Purchaser Allowable Start Cycles.

**FIRST AMENDMENT TO
DYNAMIC TRANSFER AGREEMENT**

This FIRST AMENDMENT TO DYNAMIC TRANSFER AGREEMENT (“First Amendment”) is executed by and between Public Utility District No. 1 of Chelan County, Washington (the “District”), a municipal corporation of the State of Washington, and Avista Corporation (the “Purchaser”), a corporation organized and existing under the laws of Washington. The District and the Purchaser are referred to as a “Party” and collectively as “Parties.”

RECITALS

WHEREAS, the Parties entered into a Dynamic Transfer Agreement dated October 15, 2020 (the “Contract”), and

WHEREAS, it has been determined by the Parties that Exhibit A to the Contract should be amended;

NOW, THEREFORE, in recognition of the foregoing recitals, which are hereby incorporated into this First Amendment and in consideration of the covenants herein, the Parties agree for the Term of this First Amendment as follows:

1. Exhibit A shall be deleted in its entirety and replaced with the following:

**EXHIBIT A
to
Dynamic Transfer Agreement**

OUTPUT CONTRACT(S)

Slice Product	Percentage	Last Delivery Date
Slice Product 22	5.0% of Rocky Reach Output and 5% of Rock Island Output	December 31, 2020
Long Term Slice Product 1	5.0% of Rocky Reach Output and 5% of Rock Island Output	December 31, 2030
Long Term Slice Product 2	5.0% of Rocky Reach Output and 5% of Rock Island Output	December 31, 2033

ATTAINING BALANCING AUTHORITY

AVA (Avista BA)

NATIVE BALANCING AUTHORITY

CHPD (Chelan BA)

TRANSMISSION PROVIDER(S)

Not Applicable

TRANSMISSION SERVICE AGREEMENTS


Yearly/Monthly/Daily/Hourly Firm Transmission to be purchased as required

WORK ORDER

N/A

2. Each of the individuals executing this First Amendment warrant that they are the authorized signatory of the entity for which they are signing and have sufficient corporate authority to execute this Amendment.

PUBLIC UTILITY DISTRICT NO. 1 OF
CHELAN COUNTY, WASHINGTON

By: 
Title: General Manager
Date: 3/25/2021

AVISTA CORPORATION

By: 
Title: President and CEO
Date: March 24, 2021

**SECOND AMENDMENT TO
CONTRACT FOR SALE OF OUTPUT FROM THE ROCKY REACH PROJECT AND
ROCK ISLAND PROJECT
(Long Term Slice Product)**

This SECOND AMENDMENT TO CONTRACT FOR SALE OF OUTPUT FROM THE ROCKY REACH PROJECT AND ROCK ISLAND PROJECT (“Second Amendment”) is executed by and between Public Utility District No. 1 of Chelan County, Washington (the “District”), a municipal corporation of the State of Washington, and Avista Corporation (the “Purchaser”), a corporation organized and existing under the laws of Washington. The District and the Purchaser are referred to as a “Party” and collectively as “Parties.”

RECITALS

WHEREAS, the Parties entered into a Contract for Sale of Output from the Rocky Reach Project and Rock Island Project dated June 23, 2017, as amended by amendment dated April 3, 2019 (collectively, the “Contract”), and

WHEREAS, it has been determined by the Parties that the definitions in Section 2 and Sections 6, 7, 10, 12(a), 12(c), 15(b) and (c), 16(h) and (g) and Appendix A of the Contract should be amended;

NOW, THEREFORE, in recognition of the foregoing recitals, which are hereby incorporated into this Second Amendment and in consideration of the covenants herein, the Parties agree for the Term of this Second Amendment as follows:

1. In Section 2 of the Contract, the definitions “Agreement for the Hourly Coordination of Projects on the Mid-Columbia River”, “PEAK RC” and “Powerdex Real Time Hourly Index Price” shall be deleted and the following definitions shall be added:

“COLA” means the District’s Coordinated Optimization Logic and Accounting system, which includes the energy management system, river models, project and unit dispatch models and logic, spill and other operational logic, and accounting systems for operations associated with Output.

“EIM Participation” means use of Purchaser’s Output in an organized market where Output dispatch instructions come from a market operator or similar party.

“EIM Participation Operating Agreement” means an agreement between the Purchaser and the District that describes the terms for EIM Participation with Purchaser’s Output. If Purchaser elects to take Purchaser’s Output via a pseudo tie, there will be no EIM Participation Operating Agreement between the Purchaser and the District.

“RC West” means the California Independent System Operator, or its successor, in its role as and fulfilling the duties of the registered Reliability Coordinator as defined by NERC, and as delegated by WECC for the District’s balancing authority area and

transmission system.

“Real Time Hourly Index Price” means the price (\$/MWh) as reported in the Powerdex Hourly Mid-Columbia Index, as published by Powerdex, Inc. except as otherwise indicated herein. If the Powerdex Hourly Mid-Columbia Index is no longer published or if Parties agree that it is not primarily utilized by the industry, the District will select another industry recognized hourly index and notify Purchaser of the index to be used for all hours.

“Renewable Energy Credit” means a tradable certificate of proof of one megawatt-hour of a renewable resource. The certificate includes all of the Environmental Attributes associated with that one megawatt-hour of electricity.

2. The definition of “Annual Contract Price” shall be modified by replacing “hours” with “projected MWhs”.
3. The definition of “District System Emergency” shall be modified by replacing “PEAK RC” with “RC West”.
4. The definition of “Incremental Efficiency Gains” shall be modified by adding “and Capacity” after “Energy”.
5. The definition of “Operating Agreements” should be modified to delete “, the Agreement for the Hourly Coordination of Projects on the Mid-Columbia River, the Western Electricity Coordination Council Agreement,”.
6. The definitions “Canadian Entitlement” and “Canadian Entitlement Allocation Extension Agreement” shall be deleted and replaced with following:

“Canadian Entitlement” means the amount of energy and capacity that Rocky Reach and Rock Island are obligated to return to Bonneville Power Administration (BPA) in its capacity as the U.S. Entity for the account of the Canadian government to fulfill obligations under the U.S.-Canadian Columbia River Treaty of 1964, or successor treaty or international agreement, as defined in the Canadian Entitlement Allocation Extension Agreement.

“Canadian Entitlement Allocation Extension Agreement” means the April 1997 Canadian Entitlement Allocation Extension Agreement by and between the United States of America, acting by and through the Bonneville Power Administration, acting in the capacity of Bonneville Power Administrator and acting for and on behalf of the United States Entity, and Public Utility District No. 1 of Chelan County, Washington, or any successor agreement that imposes an obligation to return Canadian Entitlement.

7. The definition of “Output” shall be deleted and replaced with following:

“Output” means an amount of Energy, Capacity, and certain related rights available from the Rocky Reach Project and the Rock Island Project, as applicable, in each case to the extent described in and determined pursuant to Appendix A hereof. Output includes any Output from the Projects, including any Incremental Efficiency Gains; however, for purposes of determining Purchaser’s share of Output, all of the Purchaser’s Output will be deemed to be made available by the District pursuant to this Contract from that portion of the Rocky Reach Project and the Rock Island Project that does not produce Incremental Efficiency Gains

8. Section 6 shall be deleted in its entirety and replaced with the following:

SECTION 6. DELIVERY OF OUTPUT

This Section 6 shall apply to the delivery of the Purchaser’s Output. Subject to the provisions of this Contract, the District shall make the Purchaser’s Output available to the Purchaser.

- (a) The District shall make all determinations concerning Rocky Reach’s and Rock Island’s capacity and minimum generation requirements, and the District shall have the unilateral right to determine the maximum allowable amount of change in Output during any time period. Purchaser’s schedules shall be based on Purchaser’s Output in accordance with Rocky Reach’s and Rock Island’s operational parameters, District Slice Operating Instructions, and the District Business Practices established by the District from time to time.
- (b) Purchaser’s schedules shall not be less than Purchaser’s Output Percentage of the sum of the minimum generation limits of the Projects as determined by the District, nor shall the sum of all export schedules be greater than Purchaser’s Output Percentage of the sum of the maximum generation limits of the Projects as determined by the District. The Purchaser’s residual reserves equals the Purchaser’s maximum generation limit minus the Purchaser’s aggregated schedules minus the Purchaser’s Canadian Entitlement obligation and any additional reserve obligations required by standards, District Business Practices, and District Slice Operating Instructions. The Purchaser’s residual reserves must be greater than or equal to zero at all times. The Purchaser shall be responsible for keeping its schedules within all Energy production limits applicable, including all limits imposed by the COLA. Purchaser’s schedules are also subject to immediate curtailment in the event of an unplanned outage or other sudden reduction in the Capacity of Rocky Reach and/or Rock Island as a result of Operational Constraints or otherwise. Purchaser’s net schedules are also subject to immediate increase in the event of a sudden increase in the minimum generation limits of Rocky Reach and/or Rock Island as a result of Operational Constraints or otherwise.
- (c) If the Purchaser’s actual schedules after curtailments and adjustments do not comply with this Section (either above the maximum generation limit or below the

minimum generation limit), for any hour or portion thereof, the District, at its sole discretion may charge to the Purchaser non-compliance fees in addition to any EIM assessed imbalance charges assessed to Purchaser as an EIM participant by a market operator or similar entity. The amount of the non-compliance fees shall be calculated by the District for each hour using the following methodology: multiply the absolute value of the maximum 10-minute deviation in the hour (in MW), either over the maximum generation limit or under the minimum generation limit, by \$50/MW. If the Purchaser's actual hourly integrated schedules do not comply with this Section, there will also be an Energy charge for the hourly deviation. The District will enter a transaction with the Purchaser so that the Purchaser's actual integrated schedule complies with this Section. The price for the Energy that the District provides to the Purchaser pursuant to this subsection will be the greater of Real Time Hourly Index Price plus \$50/MWh or zero. The price for the Energy that the District receives from the Purchaser pursuant to this subsection will be the Real Time Hourly Index Price minus \$50/MWh. If the Real Time Hourly Index Price is no longer published or not primarily utilized by the industry, the District will select another industry recognized hourly index and notify Purchaser of the index to be used for all hours.

- (d) During the term of this Contract, the District may, at its sole discretion, join, contract with, or enable third party participation with a market operator or similar entity (e.g., joining an EIM) which would cause imbalances to be settled by a third party or pursuant to a different methodology. Purchaser shall be responsible for all charges, fees or costs attributable to Purchaser or imposed as a result of Purchaser's conduct as determined by the District. The District will invoice Purchaser for any charges, fees or costs assessed against the District related to Purchaser's activities or conduct. In addition, the District shall be entitled to assess Purchaser non-compliance fees related to Purchaser's scheduling conduct calculated as set forth in this Section 6(d) or District Business Practices.
- (e) The amounts owing by the Purchaser to the District pursuant to this Section 6 shall be due and payable per Section 5(c) and subject to the provisions of Sections 5(d)(f) and (g) of this Contract. All commercial efforts must be taken to comply with Section 6. Persistent or repeated non-compliance with Section 6(b) shall also be an Event of Default by the Purchaser as further defined in Section 15 hereof. If Purchaser fails to comply with Section 6(b) for more than 20 hours in any month, the District may at its sole discretion collect additional penalties including tripling the amount of any applicable non-compliance fee for the remainder of the month. Non-compliance due to unexpected reductions in Capacity or increases in minimum generation limits at Rocky Reach or Rock Island may be excused. If Purchaser fails to comply with Section 6(b) for more than 60 cumulative hours in any three consecutive months of any twelve month period, the District may at its sole discretion consider this to be persistent non-compliance and an Event of Default by the Purchaser as further defined in Section 15 hereof. For the purposes of computing hourly totals in this subsection, if Purchaser fails to comply with Section

6(b) for any portion of an hour, that failure will be counted as if Purchaser had failed to comply for the whole hour.

(f) Pond/Storage Account.

- (1) Purchaser shall be entitled to utilize the Purchaser's Output Percentage of the Pond/Storage, as defined in Appendix A, available at Rocky Reach and Rock Island. The District shall make determinations concerning the minimum and maximum available Pond/Storage in accordance with Rocky Reach's and Rock Island's operational parameters. Purchaser shall make commercially reasonable efforts not to exceed the Purchaser's Output Percentage of Pond/Storage limits.
- (2) If Purchaser is utilizing Pond/Storage above or below the Purchaser's Output Percentage of the Pond/Storage limits in any hour, they will be subject to a non-compliance fee for each hour the Purchaser exceeds or goes below the Purchaser's Output Percentage of Pond/Storage limits. The amount charged to the Purchaser shall be calculated by the District and will be (a) \$3 per MWh for each MWh that the Purchaser's Pond/Storage account balance exceeds 115 percent of the Purchaser's Output Percentage of the maximum Pond/Storage limit and (b) \$3 per MWh for each MWh that the Purchaser's Pond/Storage account balance is below the Purchaser's Output Percentage of the Pond/Storage minimum limit. Purchaser will not be subject to such fees if it is directed by the District to be outside Purchaser's Output Percentage of Pond/Storage limits.
- (3) The District will establish and maintain for Purchaser a Pond/Storage account that will reflect the use of Pond/Storage by the Purchaser associated with the Purchaser's Output Percentage of Rocky Reach and Rock Island during the Contract term. The District will transfer 30 MWh of Pond/Storage from its Pond/Storage account to the Purchaser's Pond/Storage account in order to establish a starting balance.
- (4) The Purchaser must have a minimum Pond/Storage balance of 30 MWh on the last hour of the term of this Contract, which will then be transferred to the District's Pond/Storage account. If the Purchaser's Pond/Storage balance is less than 30 MWh, then the District will invoice the Purchaser for the shortage quantity (MWh) at an hourly price equal to the Real Time Hourly Index Price or other recognized hourly index for the last hour of the Contract term. The Purchaser shall make payment pursuant to Sections 5(c), (d), (f), and (g) above. The Purchaser may schedule more than its share of Rocky Reach and Rock Island hourly inflows, determined in accordance with Section 6(b), if the Purchaser has sufficient amount of Energy in its Pond/Storage account. The amount of the Energy scheduled from the Pond/Storage account shall not exceed the Purchaser's Output Percentage of the sum of the maximum Capacity of the Projects.

- (5) As allowed under COLA, the Purchaser may buy and/or sell pond from other Rocky Reach and Rock Island purchasers in order to manage their pond balance. The pond transaction/transfer may be made in accordance with COLA. COLA transfers from one account to another as directed by the Purchaser and supported by proper documentation. The Purchaser will be solely responsible to make all commercial arrangements for these transactions.
- (g) During any hour that spill occurred at either Project due to any reason, the spill will be allocated to purchasers and the District according to COLA.
- (h) The District may establish new or additional District Business Practices and District Slice Operating Instructions that the District considers necessary. Changes may also be made to conform to mandatory reliability standards and any applicable business practices, criteria, and procedures of NERC, WECC, RC WEST, NWPP, and transmission service providers.
- (i) In the event the Purchaser determines or has reason to believe that an error has occurred in the District's after-the-fact COLA accounting, the Purchaser shall notify the District immediately. The District will assist the Purchaser in determining if an error occurred and if so, assist in correcting the error. Any error correction as a result of such errors shall not include or give rise to any monetary compensation or other adjustments to the payments by the Purchaser.
- (j) Purchaser shall provide to the District, on a real time basis, an estimate of Purchaser's projected hourly generation requests for Energy from the Projects at xx:20 PPT for the proceeding 96 hours. The accuracy of these hourly generation estimates shall meet the District's suggested targets.
- (k) During the term of this Contract, the District will allow up to eight tags sourced at its BAA during the Pre-Schedule Day time frame and up to three additional tags sourced at its BAA per hour during real-time.
- (l) Tags that sink in the District's BAA will only be allowed for the purpose of pond account management during real-time as defined by the District's Business Practice. Two tags per hour is the limit for real-time tags. No preschedule tags that sink in the District's BAA area are allowed.
- (m) It is the Purchaser's responsibility to follow all applicable RC WEST/WECC/NERC standards, guidelines, and criteria for scheduling and tagging. Further, it is Purchaser's responsibility to follow all District Slice Operating Instructions and District Business Practices.
- (n) New real-time schedules and adjustments to existing schedules may be made upon request by the Purchaser but must be communicated and tagged by the Purchaser at least 30 minutes prior to the start of each hour except when specifically allowed by District Business Practices or directed by the District.

- (o) Purchaser must provide sufficient reserves to meet the applicable WECC and NERC reliability standards, NWPP Reserve Sharing Agreement obligations, District Business Practices, and District Slice Operating Instructions. The Purchaser's Output Percentage of the maximum Capacity of the Projects will be reduced by the reserve obligation as described in the District Slice Operating Instructions.
- (p) The hourly Canadian Entitlement obligation associated with Purchaser's Output Percentage shall be counted toward meeting the Purchaser's Output Percentage of the minimum generation limits of the Projects.
- (q) Scheduling Purchaser's Output with Hourly or Sub-hourly Schedules
 - (1) Scheduling of Purchaser's Output shall be as requested by the Purchaser, or its designated scheduling agent, and shall be subject to the limitations set forth in this Contract. Purchaser must schedule its Purchaser's Output by the use of hourly schedules unless a Dynamic Transfer Agreement or EIM Participation Operating Agreement is executed with the District as is described in Section 6 (r) (s) and (t).
 - (2) The Purchaser, or its designated scheduling agent, shall provide the District each Pre-Schedule Day, in conformance with prevailing scheduling procedures for scheduling generating resources in the WECC region, hourly schedules of desired Purchaser's Output deliveries for the following day or days. The schedules will be completed in a time frame consistent with standard industry practices in the WECC region and this Section 6. Such schedules shall be based on the Purchaser's rights to, and the limits of, Capacity and Output, and on the probable water supply based on the District's forecasts of Rocky Reach and Rock Island inflow. The scheduling limits shall be as described in the District Slice Operating Instructions and the District Business Practices, as may be amended by the District from time to time.
- (r) Scheduling Purchaser's Output with Dynamic Signal
 - (1) Purchaser may schedule all or a portion of Purchaser's Output via a dynamic schedule. Dynamic schedules require Purchaser to execute a Dynamic Transfer Agreement with the District. Terms and conditions of the Dynamic Transfer Agreement and timeline for implementation shall be at the sole discretion of the District, and Purchaser shall reimburse the District for all costs associated with setup and implementation of the Dynamic Transfer Agreement.
 - (2) Purchaser may schedule all or a portion of Purchaser's Output by dynamic signal in accordance with applicable NERC, WECC, and RC WEST reliability criteria and in accordance with the requirements of this Section 6 and a Dynamic Transfer Agreement.

(s) EIM Participation

If the District chooses to become an EIM participant during the term of this Agreement, Purchaser's Output will be subject to the terms of any EIM agreements with the market operator. The decision to join any EIM, the terms and conditions of any EIM agreements, and the timeline for implementation shall be at the sole discretion of the District.

(t) Delivery of Output via a Pseudo Tie

(1) Purchaser may elect to take Purchaser's Output via a pseudo tie with a host BA. A pseudo tie requires Purchaser to execute a Dynamic Transfer Agreement with the District. Terms and conditions of the Dynamic Transfer Agreement and timeline for implementation shall be at the sole discretion of the District and Purchaser shall reimburse the District for all costs associated with setup and implementation of the Dynamic Transfer Agreement.

(2) The Purchaser shall preschedule and deliver Purchaser's share of the Canadian Entitlement from Purchaser's Output and not from an alternate source. The District may request documentation of the source of such schedules.

(3) If Purchaser elects to take Purchaser's Output via a pseudo tie with a host BA, Purchaser shall preschedule and deliver its share of the Canadian Entitlement obligation from the Purchaser's host BAA to the District's BAA. This Canadian Entitlement Energy schedule shall be supplied by the Purchaser's Output and not from an alternate source. The District may request documentation of the source of such schedules.

(u) Purchaser shall be solely responsible for any and all carbon, and/or carbon mitigation costs and obligations caused by Purchaser's schedules, imports or other activity impacting the District's BAA for any purpose. Purchaser shall reimburse the District for all costs and expenses incurred by the District as a result of any carbon, and/or carbon mitigation costs and obligations caused by Purchaser's schedules, imports or other activity impacting the District's BAA. Any amounts owing by the Purchaser to the District pursuant to this provision shall be due and payable per Section 5(c) and subject to the provisions of Sections 5(d)(f) and (g) of this Contract.

9. Subsection 7(e) shall be deleted in its entirety.

10. In Section 10, the following sentence shall be inserted after the first sentence:

"Any Renewable Energy Credits created and associated with the Purchaser's Output will be transferred to the Purchaser on a mutually agreeable basis, but no more frequently than on a quarterly basis."

11. The first four sentences of Section 12(a) up to the first colon shall be deleted and replaced with:

“Any notice, demand or request provided for in this Contract shall be, unless otherwise specified herein, in writing and may be delivered by hand delivery, United States mail, Canadian mail, overnight courier, or electronic mail, except notice of default pursuant to Section 15 shall not be made by electronic mail. Notice by courier, electronic mail, or hand delivery shall be effective at the close of business on the day actually received, if received during business hours on a regular Business Day, and otherwise shall be effective on the close of business on the next regular Business Day. All notices by United States mail or Canadian mail shall be sent certified, postage prepaid, return receipt requested and shall be effective three (3) Business Days after mailing as determined by subsection (b) hereof.

All notices, demands or requests shall be directed to:”

12. The following email addresses are hereby designated under Section 12(a) for delivery of notices to the District and Purchaser:

To District: Email: slicecontract@chelanpud.org

To Purchaser: Email: Wholesalepower@avistacorp.com

13. Section 12(c) shall be deleted and replaced with the following:

“The designations of the name, address, and email address to which any such notice or demand is directed may be changed at any time by either Party giving written notice as provided above.”

14. In Section 15(a)(4)(iii), “or EIM Participation Operating Agreement between the Parties and such failure under (i) or (iii) is not cured within three (3) Business Days after written notice thereof to the Purchaser,” shall be inserted after the first “Agreement” and “, an EIM Participation Operating Agreement” shall be inserted after “Contract”.
15. In Section 15(b), “some or” shall be inserted after “terminate” in the third sentence and “must” shall be replaced with “may” in the fourth sentence.
16. In Sections 15(b) and 15(c), the references to “Sections 5(d) and 5(h)” in the last sentences shall be replaced with “Sections 5(c) and 5(g)”.
17. Section 16(g) shall be deleted and replaced with the following:

Setoff and Netting. The Calculation Agent shall aggregate or set off any or all other amounts owing between the Parties under all terminated agreements including other Slice Contracts, any Dynamic Transfer Agreement, EIM Participation Operating

Agreement and this Contract so that all such amounts are aggregated and/or netted into a single liquidated termination payment.

18. In Section 16(h), "Agreements (as defined in the Collateral Annex)" shall be deleted from the first sentence of the first and second paragraphs and replaced with "terminated agreements". In addition, "Agreements" when used after "netting of all" shall be replaced with "terminated agreements" in the second paragraph.
19. In Appendix A, Section 1(A), "Article" shall be replaced with "Section".
20. In Appendix A, Section 1(A)(vi), "MCHC" shall be replaced with "COLA".
21. In Appendix A, Section 1(C), "(c)" shall be replaced with "(r) and (t)".
22. Appendix A, Section 1(D) shall be deleted in its entirety and replaced with:


(D) Frequency Response. If Purchaser elects to take delivery of Purchaser's Output via a pseudo tie, frequency response is included in Purchaser's Output as part of the real-time control error, which occurs in response to frequency events, and is allocated to purchasers. Purchaser maintains responsibility for frequency response obligations within Purchaser's BA.
23. In Appendix A, Section 1(E), "MCHC" shall be replaced with "COLA".
24. In Appendix A, Section 1(H), "MCHC and its related operating protocols" shall be replaced with "District Slice Operating Instructions, District Business Practices, and COLA".
25. In Appendix A, Section 1(I), "the MCHC" shall be replaced with "COLA".
26. In Appendix A, Section 3, the first occurrence of "the MCHC" shall be replaced with "COLA" and "the MCHC and" shall be deleted.
27. In Appendix A, Section 3(A), the first occurrence of "MCHC" shall be replaced with "COLA", "and the MCHC" and "MCHC problem or" shall be deleted.
28. Appendix A Section 3(B) shall be deleted and replaced with the following:

(B) The Purchaser shall manage its Energy requests, subject to the terms of this Contract, so as not to exceed its total Capacity entitlement at the Projects. Purchaser shall not make any request for Energy that would cause its COLA Pond/Storage account for the Projects to go outside its contractual Pond/Storage limits. An account shall be kept for the Purchaser, based on the information provided. Purchaser's Pond/Storage account will reflect Purchaser's Output Percentage of allocated inflow being added each hour and Purchaser's previous hour's energy subtracted. Purchaser shall not violate any contract, COLA and/or District Business Practice limitation. In the

event Purchaser's Pond/Storage account for Rocky Reach and Rock Island goes outside its contractual Pond/Storage and COLA limits, expressed in MWh, the District may implement penalties per Section 6 of this Contract and may immediately reduce Capacity associated with Purchaser's Output Percentage available from Rocky Reach and Rock Island to an amount approximating Purchaser's Output Percentage of allocated inflow until the Purchaser's Pond/Storage account balance has returned to within Purchaser's contractual Pond/Storage and COLA limits.

29. The Term of this Second Amendment to the Contract shall begin as of the date executed by both Parties and shall be coterminous with the Contract. Except as otherwise modified herein, all other terms and conditions set forth in the Contract shall continue to be binding on the Parties and remain in full force and effect. This Second Amendment and the Contract constitute the entire agreement between the Parties regarding this subject matter, and supersedes all proposals and prior agreements, oral or written, and all other communications between them relating to the subject matter herein.
30. Each of the individuals executing this Second Amendment warrant that they are the authorized signatory of the entity for which they are signing and have sufficient corporate authority to execute this Amendment.

PUBLIC UTILITY DISTRICT NO. 1 OF
CHELAN COUNTY, WASHINGTON

By: 
Title: General Manager
Date: 3/25/2021

AVISTA CORPORATION

By: 
Title: President and CEO
Date: March 24, 2021