

EXHIBIT NO. ___(EMM-5)
DOCKET NO. _____
2005 POWER COST ONLY RATE CASE
WITNESS: ERIC M. MARKELL

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

Docket No. UE-_____

**FOURTH EXHIBIT TO THE PREFILED DIRECT TESTIMONY OF
ERIC M. MARKELL (NONCONFIDENTIAL)
ON BEHALF OF PUGET SOUND ENERGY, INC.**

JUNE 7, 2005

REQUEST FOR PROPOSALS
From
All Generation Sources

February 3, 2004

Puget Sound Energy, Inc.
10885 N.E. Fourth Street
Bellevue, WA 98004-5731

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1 Introduction & Key Considerations

1.1 Introduction

This document constitutes a Request for Proposals (RFP) from qualified third parties (respondents) to supply electricity to Puget Sound Energy, Inc. (PSE or Company) from various generation technologies. It is an “All Generation Sources” RFP in that any generation source will be considered, consistent with the requirements of this RFP.

Consistent with PSE’s Least Cost Plan (LCP), PSE’s identified need is for up to approximately 355 aMW of winter (January) energy commencing in the 2005 through winter of 2007/08 period (with a preference for commencement earlier during this period). These needs are in addition to PSE’s prospective acquisition of an interest in the Frederickson 1 combined cycle generation project (approximately 125 aMW) and programmatic conservation. PSE anticipates meeting approximately 50 aMW of its 355 aMW need through the RFP for Wind Power Resources that PSE issued in November 2003. Please see (<http://www.pse.com/about/supply/rfpwindpower.html>). This All Generation Sources RFP process may result in multiple acquisitions by PSE.¹

Consistent with PSE’s LCP, it is anticipated that programmatic conservation will constitute approximately 8.6% (147 aMW) of its portfolio by 2013. The Company is addressing the acquisition of conservation through a separate process.

1.2 Key Considerations

A number of important considerations will be central to PSE’s examination of generation resource opportunities submitted by respondents to this RFP and, among others, are part of the Stage I and Stage II Evaluation Criteria (see Section 8 below and Exhibits I and II). These Key Considerations fall generally under the categories of the need to: 1) meet PSE energy requirements and 2) manage risk. Each of these Key Considerations is further discussed below:

1.2.1 Energy Requirements

PSE’s LCP as updated in August of 2003 identified an electric energy need based upon its winter (January) energy requirement. This need has been partially met through the prospective acquisition of an interest in the Frederickson 1 combined cycle generation project (approximately 125 aMW of energy). PSE’s aggressive conservation effort is also anticipated to contribute to meeting that need. Despite those efforts, PSE still requires additional generation of up to 355 aMW of winter energy commencing in the 2005 through winter 2007/08 time period. PSE anticipates that wind energy from the separately issued Wind Resources RFP will satisfy approximately 50 aMW of the identified need. PSE’s energy need has a seasonal shape (see Exhibit VI); PSE’s need is greatest in the winter and PSE generally has surpluses in summer months. Therefore, PSE, as it evaluates respondent proposals, will consider the seasonality of the basic

¹ Use of the term “acquisition” or terms of similar import in this RFP, unless the context otherwise indicates, refers interchangeably to power purchases and acquisitions of interests in generating facilities.

electric energy resource's production, the ability of PSE to control the output of the project to match PSE's needs (up to and including real-time dispatch and displacement), and contractual mechanisms to shape project output to need.

Another important consideration for meeting PSE's energy requirement is timing. PSE will place significant emphasis on acquiring resources which are already in commercial operation or that can demonstrate that they can meet a commercial operation date beginning in 2005.

1.2.2 Management of Risk

An important consideration for PSE is exposure to long-term and short-term risks and project costs in light of such risks. Within the broad category of risk management related to resource acquisition, several key elements stand out. These include stability of an acquired energy resource in PSE's portfolio over time, the ability to adjust PSE's position in a resource in the long-term, and the financial impacts and risk associated with the addition of a resource to its portfolio.

Longer lived resources can provide relative stability in resource supply and cost, which can help to provide rate stability. Resources that provide PSE with the ability to adjust its position in the asset in the longer term help protect against changes in the market place, tax laws or the regulatory environment. Resources that adversely impact PSE's financial position – by requiring PSE to impute debt, by adversely affecting PSE's financial leverage, operating leverage, credit rating, cash flow, income statement or balance sheet, or by imposing credit requirements – present increased near-term costs and risks to PSE and its customers and will have long-term effects on PSE's ability to attract capital to meet the needs of its customer base (or increase the cost of that capital), creating pressure on rates and financial risk for the Company.

With respect to proposals for facility ownership and power purchase proposals submitted in response to this RFP, opportunities that provide a cost-effective, long-term stable resource base while minimizing long-term market, regulatory, operational, technological, fuel source, environmental and financial risks are preferred. For this reason, PSE is interested in proposals which assume the risk of fuel supply, fuel price, and future environmental costs (Section 3).

2 PSE's Least Cost Plan

This RFP is intended to be consistent with the guidance provided by PSE's most recent LCP. PSE filed its LCP with the Washington Utilities and Transportation Commission (WUTC) on April 30, 2003. An update to the April LCP was filed by PSE on August 31, 2003 to incorporate a comprehensive analysis of conservation programs and update other planning assumptions. Complete versions of the April 2003 LCP and the August 2003 update may be found on the PSE web site at <http://www.pse.com/account/rates/rates.html>.

The Least Cost Plan examines PSE's electric and gas resource needs over the next 20 years, and through analysis and consideration of such factors as price, supply and risk, analyzes the mix of conservation programs and supply resources that might best meet electric or gas resource needs. PSE's LCP provides the strategic direction guiding the Company's long-term resource acquisition process. The LCP identifies key factors related to various resource decisions and provides a method for evaluating a resource acquisition in terms of cost, risk, and other factors at the time a decision needs to be made. It does not commit to or preclude the acquisition of a specific resource type, project or facility.

The overall strategy for least cost resource planning at PSE is to develop a diversified, balanced electric resource portfolio that meets customer needs, results in reasonable energy supply costs and mitigates market risks, such as those recently experienced in the region. PSE's resource needs (prior to recent acquisition activities) were for an estimated 400+ aMW of new electric resources in 2004 growing to over 1,700 aMW in 2013 due to growing load in its service territory, the loss of existing resources, and the expiration of power purchase and non utility generation contracts. A portion of those needs have been met through the prospective acquisition of the Frederickson 1 combined cycle generation project. Another portion will be met through conservation. PSE's planning standards call for adequate energy resources to serve each month's electric load under average hydro conditions, and having sufficient capacity resources to meet customer peak loads at 16 degrees Fahrenheit. Both energy and capacity resources will be shaped through various means to fill winter deficiencies, while minimizing summer surpluses.

The PSE LCP set forth a strategy for the acquisition of a diversified portfolio of energy resources. Thus, PSE has established a target of serving 10 percent of its customers' energy needs through renewable resources by 2013. The intent of this RFP is to solicit proposals representative of a broad set of resource technologies and fuel types.

PSE has also committed to continue, as part of its analysis, the on-going process of evaluating all new resource options through the integrated resource portfolio modeling approach used to develop its LCP.

3 Products Requested

This RFP seeks electric generation proposals from a wide variety of technologies and fuel sources consistent with PSE's Least Cost Plan and Key Considerations (see Sections 1.2 and 2) and Evaluation Criteria (Section 9). PSE will consider the acquisition of generation from such proposals under two potential mechanisms: (1) long-term Power Purchase Agreements (20 + years) or 2) ownership arrangements, including co-ownership arrangements in which PSE retains adequate dispatchability and rights of control.

When submitting proposals for either a Power Purchase Agreement or ownership arrangement, PSE is interested in alternatives in which the respondent fully assumes the risk of fuel supply, fuel price, and environmental cost and which quantify the cost for assuming those risk factors. Failure to provide such an alternative will not disqualify the

respondent; however, if the respondent elects not to provide a proposal for assuming such risks, PSE requests that an explanation as to the reason be provided.

3.1 Power Purchase Agreements

Any proposal for a Power Purchase Agreement must specify the generation asset underlying the agreement and provide assurances of its commercial availability within PSE's time frame requirement as defined previously in this document.

In considering Power Purchase Agreements, PSE requires proposals pursuant to which the respondent would acquire, construct, own and operate the generation asset, with PSE purchasing the output (energy and capacity) at an agreed upon delivery point and any Environmental Attributes² (see Section 6.6). A prototype Power Purchase Agreement is included as Exhibit III to this RFP.

3.2 PSE Ownership

The PSE ownership mechanism anticipates a proposal pursuant to which PSE would ultimately own the resource or a significant interest in the resource. This may be accomplished at various stages of development and using a variety of approaches such as joint development by the respondent and PSE, development by the respondent and then transfer to PSE, initial purchase of power by PSE with transfer of ownership later, or other approaches which may be mutually beneficial. Although PSE is willing to consider a wide range of arrangements, the term sheet included as Exhibit IV to this RFP presumes that PSE would acquire its ownership interest in the project prior to the commencement of construction and would fund its ownership share on a pro rata basis.

3.3 Shaping

PSE will also consider contractual or other proposals for shaping resource output to meet PSE seasonality requirements. If the respondent includes a shaping proposal, such proposal must be in conjunction with a proposal for an underlying generation asset. PSE is interested in shaping proposals that provide a stable price (e.g., are not tied to a market price index), are associated with an underlying resource proposal and are for arrangements for a term of 3 or more years. Any proposal to shape resource output contractually must be made in conjunction with a specific proposal that satisfies the criteria of this RFP (i.e., stand-alone or separate shaping proposals do not meet such criteria). Also, any such shaping provisions should be optional, to be included at PSE's election.

3.4 Fuel Supply

For proposals that are dependent upon a fuel source such as natural gas, coal, biomass or others, respondents are requested to propose, as an alternative, a long-term stable price (e.g., not tied to a market price index) and firm supply of fuel. Any proposal for fuel supply must be made in conjunction with a specific proposal that satisfies the criteria of this RFP (i.e., stand-alone or independent fuel supply proposals do not meet such

² "Environmental Attributes" means generally credits, benefits, reductions, offsets and other beneficial allowances with respect to fuel, emissions, air quality, or other environmental characteristics, resulting from the use of certain resource generation or the avoidance of emissions.

criteria). Failure to provide such an alternative will not disqualify the respondent; however, if the respondent elects not to provide a proposal for assuming such risks, PSE requests that an explanation as to the reason be provided. Also, any such fuel supply provisions should be optional, to be included at PSE's election.

3.5 Environmental Costs

Respondents are requested, as an alternative, to provide a proposal which fully assumes the present and future costs of environmental mitigation required under existing or future local, state, or federal law. If provided, such proposal should specify the environmental risks which the respondent is assuming and the cost for assuming each one. Failure to provide such an alternative will not disqualify the respondent; however, if the respondent elects not to provide a proposal for assuming such risks, PSE requests that an explanation as to the reason be provided. Also, any such environmental risk provisions should be optional, to be included at PSE's election.

4 Eligible Respondents

This RFP will accept proposals from all third party project developers or owners that meet the project requirements and comply with the process guidelines described herein. Affiliated generating companies of PSE are not eligible to respond to this RFP. However, PSE will consider proposals from other utilities or utility subsidiaries. PSE believes that consideration of proposals from other utilities and/or their affiliates may increase the number of qualified respondents and thus increase the overall creativity and competitiveness of responses to this RFP.

5 Proposal Requirements

PSE is requesting that respondents conform to the following format for presenting their bid information:

- Summary Data (Summary material to be provided as per Exhibit X of this RFP)
- Project Summary
- Resource Description
- Fuel Supply
- Legal and Financial Information
- Price
- Transmission
- Experience and Qualifications of the Project Team
- Development Status and Schedule
- Response to RFP Section 6 Requirements
- Completed RFP Exhibits or proposed modifications to RFP Exhibits, as applicable (see Section 13 of this RFP).

Information requirements for each of the above subjects is further detailed below. It is expected that respondents will provide complete information in their original submittals. Failure to provide all of the requested information will not disqualify the respondent. However, if the respondent elects not to provide the requested information, PSE requests that an explanation as to the reason be provided. (Please see Section 10 and Exhibit VII

for additional requirements regarding confidentiality.) Respondents are to provide one original and seven copies of their submittals by the submittal due date (see Section 11). **Respondents are to provide two signed originals of the Mutual Confidentiality Agreement (Exhibit VII) at least one week prior to the submittal due date.**

5.1 Project Summary

Describe the product(s) being offered in response to the RFP. Proposals must clearly specify the contract type (Power Purchase Agreement and/or PSE ownership) and energy delivery type (as produced or shaped) being offered. Proposals may contain multiple options for contract type and/or energy delivery within the same response package. Any proposal that contemplates a Power Purchase Agreement shall indicate the commencement and length of the agreement term. For PSE ownership the proposed date of transfer shall be indicated.

Include a brief description of the proposed delivery schedule, its relationship to the actual production of the project, and, if a shaped resource, the means by which the resource would be shaped. Briefly summarize the project, including key elements such as the location, total nameplate capacity (in megawatts), expected annual output (in megawatt-hours), expected monthly output, type of technology to be used, interconnection plan, transmission arrangements (if applicable), environmental issues, zoning and land use issues, permitting status along with known or probable challenges to permits, planned financing, financing commitments, proposed construction schedule, other participants in the project (such as owners of the project for tax purposes or other passive or financial participants, or other output buyers for project expansions, if any), and current status and schedule for completion of development and construction.

5.2 Project Description

The proposal should include a detailed description of the project including the project's features and the development work completed to date. Include the following information as applicable and indicate if requested information is not known:

- Project location. Identify the site where the project will be located. Provide a map showing the location of key facilities.
- Project Site Control. Provide a list of leases, easements, and/or other ownership documents that demonstrate that the respondent has control of the intended project properties and the legal rights to construct, interconnect and operate the project as described.
- Project layout, showing anticipated placement of all project facilities.
- Project size, in acreage and megawatts. If the project can be expanded, please describe the potential scope and conditions.
- A description of the site including flora and fauna, proximity to inhabited structures, proximity to areas that may be sensitive from an environmental, cultural, commercial, security or other perspective.
- The land area controlled relative to the facilities and the potential for additional development at the site.
- A description of whether the respondent is proposing that PSE take the entire output of the project or whether there are or will be other off-takers of power.

- A description of any existing or proposed procedures for, or limitations on, dispatching or displacing the project (or individual units, if applicable), on a prescheduled basis or in real time, throughout its full operating range, for economic reasons or for system reliability.
- Type of generation equipment and description including manufacturers of major equipment, date of manufacture or age of major equipment, hours of operation and major maintenance performed for any previously owned/operated equipment.
- Type of heat rejection equipment (cooling towers, ponds, etc.) and manufacturer, age, hours of operation and major maintenance as applicable.
- Type of pollution control equipment and manufacturer, age, hours of operation and major maintenance as applicable.
- Source of process and/or cooling water
- Wastewater disposal plan, equipment and underlying contracts or permits for wastewater services.
- Terms of warranties and/or guarantees on major equipment
- Estimated annual unit availability and any guaranteed minimum annual availability and level of production.
- Primary fuel supply and source including backup alternatives.
- Net capability rating and net heat rates at full load, 90%, 80%, 75%, 50% and minimum sustainable load. If output will vary with ambient temperature, bidders shall specify the net capacities and net heat rates at average annual site conditions and 95°F, 80°F, 40°F, and 20°F.
- Operating Limits – Any limits imposed on the number of startups that may be performed per year or per unit of time. Any limits on the number of hours that a unit may be operated per year or unit of time. Any minimum run times or ramp rates. Regulatory constraints must also be stated, including operating constraints that are either implicitly or explicitly embedded in the permit application or final permit conditions.
- Startup Time for Cold, Warm, and Hot starts including respondents definition of those terms. Respondent shall also specify any specific costs associated with unit startups.
- Distribution of expected annual and monthly output (in megawatt-hours) of the project. A graph showing the monthly and annual output is suggested as well as tabular values including Heavy Load Hour and Light Load Hour production should be provided in an Excel spreadsheet
- As applicable, typical hourly energy production from the project for a one-year period in electronic format. This will be used to evaluate the hourly variability of the resource.
- Estimate of emissions (air, liquid and solid wastes) in pounds per hour per pollutant and/or waste product at 100% load and tons per year per pollutant and/or waste product at a specified capacity factor as selected by the bidder. Any limits on emissions must be stated.
- Electrical interconnection (location, transmission provider, and control area).

5.3 Fuel Supply

The proposal should specify the source and pricing of fuel to be supplied to the project. Respondents should describe and document (including copies of applicable agreements) their fuel supply plan and the extent to which they propose to provide fuel and transportation and other fuel-related services, including physical and/or financial hedges. Alternatively, respondents may propose a variable cost payment or tolling fee in which PSE would be responsible for all fuel and fuel-related costs. With respect to fuel supply proposals, PSE's preference is for proposals that address its need for reliability, mitigation of fuel price risk, and flexibility for fully dispatchable plant operations.

5.4 Legal & Financial

The proposal should contain the following information as a minimum:

- A description of the structure and status of the project financing, the significant conditions on which the financing depends and the milestones that need to be achieved to secure both construction and term financing (as required) to support the project schedule.
- Identification and contact information for all legal advisors, financial advisors and capital providers (debt and equity) for the project to the extent now known or anticipated
- A description of the project structure and capitalization during the development, construction and commercial operation phases. Describe all anticipated credit support arrangements and appropriate parental, subsidiary and venture relationships pertinent to proposal.
- A description of any dependence of respondent on another entity, e.g., a fuel supplier or a steam host.
- Commitment letters or letters of undertaking from corporations, investment bankers and/or commercial bankers indicating that the project has or is able to obtain the construction and permanent financing it will require. Describe any caveats and conditions to financing commitments such parties may require.
- The qualifications of such parties to provide, arrange or assist in obtaining necessary financing and credit support arrangements.
- Audited financial statements, if available, or unaudited financial statements for the most recent 12-month period for all entities, including affiliates involved in the proposed transaction and all entities that may provide credit support, credit enhancement, surety bonds, guarantees, or security. This information is intended to provide an indication of the ability and willingness of the respondent to negotiate in good faith (and to cause its lenders and equity partners to do the same). The types of financial and control requirements PSE may require are listed in the Stage II evaluation criteria in Exhibit II.
- Clear identification of the respondent's investment advisor. The use of the term "financial advisor" or "investment advisor" in this RFP refers to third party advisors, such as investment bankers or others assisting the project developer in the placement of debt and/or equity financing. If a proposal is selected by PSE for further discussion and possible negotiation towards a Letter of Intent and potentially a

Definitive Agreement, PSE will require that the investment advisor be available to meet and discuss with PSE all aspects of project financing.

- A summary of the major project capital and operating expenses and documentation to support the reasonableness of the projections referred to below including an itemized budget with a breakdown of projected capital costs, and operating and maintenance costs and a breakdown of all costs associated with site acquisition and improvement, permitting, project construction, testing and commissioning, compliance with environmental and other applicable federal, state, or local regulations, security, and routine operation and maintenance activities.
- Pro forma financial projections showing the project cash flow, income statement, and balance sheet, sources and uses of funds, construction draw schedule, and including all financing assumptions. At a minimum the pro forma should include the following:
 - Annual energy production and assumed revenue
 - Annual operating expenses including turbine and balance-of-plant operations and maintenance costs, G&A expenses, asset management fees, land leases, property taxes, insurance and other expenses
 - Transmission and ancillary services costs (if any)
 - Debt service requirements
 - Debt coverage ratios (highest year, lowest year, average)
 - Depreciation (tax and book)
 - Income taxes and tax credits
 - Other taxes
 - Working capital requirements
 - Net income
 - Book rate of return to average equity
 - After tax unlevered internal rate of return to capital
 - After tax levered internal rate of return to capital

The pro forma should be provided in a machine-readable Excel spreadsheet file with formulas intact (generally in the form set forth in Exhibit 8 hereto) as well as in the proposal.

5.5 Price

PSE envisions several potential options for project pricing.

5.5.1 Power Purchase Agreements

For Power Purchase Agreements, respondents should provide the following information, as applicable, or other terms:

- A stable price per kWh for energy and any Environmental Attributes produced.
- Fixed annual or monthly payments associated with operation, maintenance and ownership costs.
- Fixed plus variable cost payments.
- A combination of the above or other suitable alternatives that may be proposed.

- All other things being equal, PSE prefers a pricing structure that closely mirrors the actual cost structure of the project. In this way, the developer's and PSE's interests with respect to scheduling and dispatch are aligned.

5.5.2 PSE Ownership

For PSE ownership arrangements, respondents should address the following, as applicable:

- Purchase by PSE of the development rights at the completion of the development stage with design, procurement and construction being the responsibility of PSE with the possibility of a limited continuing role for the respondent.
- Outright purchase and operation of the project by PSE at the date of commercial operation (respondent to provide training to PSE operating personnel)
- Joint development and ownership by PSE and the respondent
- Purchase of the project by PSE with respondent having principle responsibility for continued development and operation.
- Purchase of the project by PSE at commercial operation with operation by the respondent for a specified time period during which time respondent would provide training to PSE operating personnel.
- A combination of the above or other alternatives that may be proposed by the respondent.
- Price proposals must specify fixed and variable payments, escalation rates to be applied if any, and all other pricing information necessary for PSE to fully evaluate the proposal. For Power Purchase Agreements, in addition to the project pricing, please provide a schedule of termination amounts, based on the year in which termination occurs for each contract year of such Power Purchase Agreement based on the assumption that upon a notice of termination provided by PSE and PSE's exercise of such election, Seller shall immediately transfer to PSE (i) all of Seller's rights, title and interests in and to the Project (including all project equipment), the Permits, all rights of Seller to real property included in or benefiting the Site and (ii) all of Seller's rights, title and interests in, to and under any agreements related to the Project to which Seller is a party. In all cases, respondents should contemplate in their price proposal that the prototype power purchase agreement and term-sheet for PSE's purchase of an interest in the project as applicable, attached to this RFP will be the basis for any potential Definitive Agreement with PSE.

5.6 *Transmission*

PSE will accept delivery of project energy and capacity at the respondent proposed Interconnection Point or at PSE's system. PSE prefers delivery to its system (particularly at points on its system at which the deliveries may be effected and used to serve load with no or limited transmission congestion) with the respondent assuming responsibility for firm transmission on third-party transmission systems to effect delivery. In its evaluation of proposals that exclude delivery to PSE's system, PSE will include an assessment of the

likelihood of acquiring adequate transmission rights and a quantification of the costs to deliver project output to PSE.

Proposals should include a clear statement of the proposed Interconnection Point, whether or not the proposal contemplates delivery to PSE, and the proposed entity to manage control area responsibilities. For purposes of this RFP, the term “Interconnection Point” shall refer to the point at which the project is connected to the high voltage transmission system. Include all details of planned electrical interconnections and related transmission services, including:

- Planned interconnection point, including status of
 - Interconnection requests,
 - System impact studies (SIS)
 - Facility studies
 - Interconnection agreement(s),
 - A communication plan in support of control area responsibilities,
 - Potential alternatives to interconnection arrangements, if any, and
 - Contacts at the interconnecting utility that may be contacted by the review team.
- Planned transmission services to be included with proposal, including status of:
 - Transmission services secured and/or requested by developer
 - System Impact Studies
 - Facility studies
 - Expected availability of the transmission,
 - Detailed costs estimates of transmission services with supporting detail, and
 - Contact information for representatives of the transmission provider that may be contacted by the review team concerning such transmission arrangements.

Include copies of any completed System Impact Studies performed by transmission providers, and all other information/correspondences obtained from transmission providers as a result of interconnection and transmission requests and discussions that have been made to date. In the absence of formal studies, any information available concerning the transmission/interconnection costs and reliability should be provided with as much supporting documentation as possible. In any event, all available information should be provided regarding whether and to what extent firm transmission will be available, whether and to what extent the necessary transmission is subject to constraint, and the projected cost of relieving any transmission constraints.

5.7 Experience and Qualifications of the Project Team

The proposal should contain the following minimum information indicating the qualifications of the proposed project team to implement and execute a proposal in response to this RFP:

- The organizations (including organization charts) and key personnel responsible for implementing the project including identification of the project manager, his/her tenure, and scope of responsibility.
- A legal entity organization chart.
- Existing projects owned, developed and/or operated by the respondent
- The personnel or organizations responsible for the following areas:
 - Project energy resource assessment and projections
 - Project financing
 - Project design, engineering, procurement and construction specifications
 - Interconnection and substation design
 - Project environmental assessments
 - Project land use and zoning approval
 - Permits and related approvals
 - Regulatory compliance
 - Project construction and commissioning
 - Risk management and insurance
 - Project operations
 - Project maintenance
- A brief description of relevant experience of the key personnel and organizations for their responsibility area listed above.
- Contacts and references (name, title, address, telephone, e-mail and fax numbers) knowledgeable about the previous project experience of the key participants in the project.

5.8 Development Status and Schedule

The proposal should provide the following information concerning the status of project development activity.

5.8.1 Schedule

Provide, in a format such as a Gantt chart, the most accurate schedule estimates available on the various project activities covering the period from the initiation of development activities through the project's proposed commercial operation date. Include a schedule item for each significant project development, interconnection and construction activity. Provide any additional time lines applicable to the project that will demonstrate its status and plans.

Indicate what actions have been taken to ensure the schedule is met (such as placing orders for equipment with long lead times) and potential opportunities to better the schedule.

5.8.2 Site Control

Provide documentation of site control, including access road, and transmission corridor easements needed to construct, interconnect and operate the facility. Provide evidence of water rights, as applicable. Examples of such documentation include copies of letters of intent, property title or purchase agreements, lease or lease option agreements with

landowners and other documents that demonstrate the control over the intended project site and properties and the legal rights to execute the project as described.

5.8.3 Environmental Review

Please provide any draft or final Environmental Impact Statement for the proposed project.

Discuss known environmental issues relative to the development and operation of the project, including impacts to air, water, flora and fauna, energy and natural resources, environmental health, shoreline use, housing, aesthetics, recreation, historic and cultural preservation, transportation, public service and utilities.

Provide copies of all wildlife or other environmental studies and assessments that have been performed related to the site and the project. Describe methodologies for such studies and identify the person(s) or firm(s) who conducted and completed the work. If such studies are in progress, describe the scope and schedule for completion and identify the person(s) or firm(s) doing the studies and methodologies to be employed. Describe measures that will be taken to mitigate all impacts of the project.

Discuss plans to engage community and environmental stakeholders to support the proposed project.

All proposals must indicate what actions have been taken to develop support for the project from the public, local, state and federal government entities and Native American nations. Any expressions of support from these or other entities, or concerns that have been expressed, should be identified in the proposals.

5.8.4 Permits

Identify and provide copies of all project permits with special emphasis on the key permits (such as a conditional use permit or site certificate) required to build and operate the project. Discuss the current status of applications and proceedings, the schedule for obtaining key permits and approvals, and the approach to be used.

Outline the process planned to involve local residents and other affected parties in the planning/permit process.

If the project is located in an area that is ceded land or may have been historically used by a Native American tribe, describe any contacts that have been made with the tribe (include names and phone numbers) or plans to consult the tribe regarding the project.

5.8.5 Interconnection and Related Transmission

Based on the identified interconnection point to the Northwest transmission system discuss all related construction plans status and schedule for:

- new lines and facilities,
- line upgrades,
- switchyards and substation work required to complete the interconnection, and

- metering and communications, both by the developer and the interconnecting utility.
- easements, rights of way, or property controlled for any new transmission facility or otherwise to interconnect the project.

Include the status of control over required right of ways for any new transmission facility required. Include information on ownership and maintenance responsibility, and the availability of long-lead electrical equipment, such as transformers, that will be required to support the project. Metering information should include a detailed description of how the metering of actual output of the project shall be determined and how the metering configuration was included in the determination of project output.

5.8.6 Construction

Describe arrangements and commitments (contracts, letters of intent, memoranda of understanding) that have been made, if any, for the construction of the project.

Describe the contractual structure (including any existing agreements or forms of agreement) proposed for project design, procurement, and construction; i.e., turnkey, EPC, multiple lump-sum purchase, etc. For any approach other than turnkey, provide information on the organization and responsible individual for project management during this phase. If construction is completed, identify all open warranty issues.

5.8.7 Testing

Summarize the testing planned to be conducted prior to acceptance of equipment from the manufacturer and completion of the project and the testing to be conducted prior to commercial operation of the project. Possible tests should include power performance tests, SCADA acceptance, distribution system acceptance, emission and others that demonstrate performance of the project and associated facilities in accordance with applicable laws, regulations, permits and any applicable power purchase agreements.

5.8.8 Operation & Maintenance

The proposal should clearly describe the operations and maintenance plan for the project including the identity of the entities or persons responsible for key activities, a listing of initial spares and their value, the procedures to assure the availability of spares and other operations, maintenance and logistics issues.

6 Other Requirements

6.1 Signatures and Certifications

The proposal must contain the signature of a duly authorized officer or agent of the respondent submitting the proposal.

The respondent's duly authorized officer or agent shall certify in writing that:

- The respondent's proposal is genuine; not made in the interest of, or on behalf of, any undisclosed person, firm, or corporation; and is not submitted in conformity with any anti-competitive agreement or rules.
- The respondent has not directly or indirectly induced or solicited any other respondent to submit a false or sham proposal.
- The respondent has not solicited or induced any other person, firm, or corporation to refrain from proposing.
- The respondent has not sought by collusion to obtain for himself/herself any advantage over any other respondent.

6.2 Production Tax Credit Risk not Borne by PSE

All proposals shall acknowledge and state that PSE disclaims and shall not assume any risk associated with the potential expiration of the Federal Production Tax Credit (PTC) or the respondent or other project entity's ability to utilize the PTC, if applicable to the resource proposed.

6.3 No Reassignment

All proposals shall state that there will be no reassignment of proposals during the evaluation or negotiation stage and that in the event respondent and PSE negotiate and execute Definitive Agreements based on respondent's proposal, the Definitive Agreements and obligations thereunder shall not be sold, transferred or assigned or pledged as security or collateral for any obligation without the prior written permission of PSE which permission shall not be unreasonably withheld. Any project lender who takes an assignment of the Definitive Agreements for security and exercises any rights under such agreements will be bound to perform such agreements to the same extent.

6.4 Conflict of Interest Disclosure

All respondents shall disclose in their proposal any and all relationships between themselves, the project and/or members of their project team and PSE or its employees.

6.5 Validity, Deadlines and Regulatory Approval

All proposals shall specify the date through which the proposal is valid. Proposals must also state the dates by which Definitive Agreements must be completed and approved by the board of directors or other management body of PSE and respondent, and applicable regulatory approvals must be provided, to support the proposed project schedule. Respondents should note that Definitive Agreements and/or regulatory approvals for resources to be acquired may not be executed or obtained until some time in 2005. PSE anticipates seeking regulatory review of its anticipated resource acquisitions as a condition precedent to any acquisition transaction. This may include receipt by PSE from the WUTC of approvals and orders, as applicable (for example, through a power cost only rate proceeding), pertaining to PSE's acquisition and the other aspects of the potential transaction, and confirming the inclusion of the full amount of any asset purchase price plus PSE's transaction costs and other amounts allocable to the construction, start-up, testing and commissioning of the project, as applicable, in PSE's

rate base, such approvals and/or orders to be in form and substance satisfactory to PSE in its sole discretion. In this regard, any proposed price may not be unilaterally changed by the respondent prior to the finalization of such agreements and approvals. It is preferred that the respondent provide proposals that remain valid for a period that allows for negotiation of Definitive Agreements and applicable management and regulatory approvals.

6.6 Environmental Attributes

All proposals must state that all Environmental Attributes associated with the project, if any, will accrue to the ownership and beneficial use of PSE.

7 Credit Requirements

PSE reserves the right to require adequate credit assurances which may include, but not be limited to, a corporate parental guaranty and/or a letter of credit in a form and amount, for a term and from a corporate parent or a financial institution acceptable to PSE. In the event PSE anticipates that additional credit assurances may be required from a respondent, PSE reserves the right to request that the respondent reply in writing regarding its intent to provide such credit assurances prior to the beginning of negotiations on any Definitive Agreement. “Adequate credit assurances” shall include, but not be limited to, security for the value associated with market-based damages for failure to perform, delays in construction, failure to meet minimum availability levels and/or other forms of default or non-performance.

The respondent should be aware that PSE may require negative control provisions (covenants restricting respondent business practices that could jeopardize respondent’s ability to perform its obligations) in the Definitive Agreements that respondent and PSE might execute in connection with respondent’s proposal, in addition to any that may be included in the prototype Power Purchase Agreement (Exhibit III) or prototype ownership term sheet (Exhibit IV). Examples of such negative control provisions are included in the prototype term sheet (Exhibit IV) under the heading “Transaction Covenants.”

PSE prefers acquisitions that do not impose credit support requirements on PSE. If any respondent intends to propose that PSE provide credit support (e.g., in the form of a letter of credit or otherwise), the respondent must describe in its proposal all desired terms and conditions regarding such credit support.

8 Evaluation Process

PSE will follow a structured evaluation process in evaluating the merits of proposals with regard to meeting PSE’s LCP requirements and the Key Considerations previously stated. This will be accomplished through a two stage process.

8.1 Stage I Evaluation

Stage I of the evaluation process is intended to screen and rank proposals which will then be further evaluated in Stage II which will examine individual proposals in more detail

and in the context of PSE's overall loads and resources. PSE will evaluate proposals for individual resources based on compliance of the proposal with this RFP (including term sheet and contractual provisions contained in this RFP) and according to the following set of primary criteria:

- Compatibility with Resource Need
- Cost
- Risk Management
- Public Benefits
- Strategic and Financial

Each of these primary criteria is further delineated with sub-criteria as detailed in Exhibit I to this RFP.

8.2 Stage II Evaluation

In Stage II, PSE will further evaluate the most attractive proposals, as identified in Stage I, based on compliance of the proposals with this RFP (including term sheet and contractual provisions contained in this RFP) and using the same primary criteria as in Stage I, analyzed at a more detailed level. In Stage II, a primary focus will be to examine the interaction of the most promising resources and combinations of resources within PSE's existing portfolio of generation.

Further elaboration of the Stage II evaluation criteria are presented in more detail in Exhibit II to this RFP. Stage I evaluation criteria continue to apply in Stage II.

As part of the evaluation of proposals, PSE may require the "short-listed" respondents to fund the fees and cost of a third party selected by PSE to perform "fatal flaw" analyses and initial due diligence of the selected projects. The maximum level of funding will be specified at the time of any such request.

At the completion of the Stage II evaluation, PSE will select proposals for further discussion with the respondent(s) and potentially move forward with negotiations of the terms and conditions of Definitive Agreements.

9 Post-Proposal Negotiations and Awarding of Contracts

It is PSE's intent to negotiate both price and non-price factors during any post-proposal negotiations with a respondent whose proposal is selected for further discussions at the completion of the Stage II evaluation. It is also PSE's intent to include any additional factors that may impact the total cost of a project and to continually update its economic and risk evaluation until such time as PSE and respondent might execute Definitive Agreements.

Definitive Agreements, if any, would be based on the outcome of these continuing evaluations and negotiations. PSE has no obligation to enter into a Definitive Agreement with any respondent to this RFP and may terminate or modify this RFP at any time without liability or obligation to any respondent. This RFP shall not be construed as preventing PSE from entering into any agreement that it deems appropriate at any time

before, during, or after this RFP process is complete. PSE reserves the right to negotiate only with those respondents and other parties who propose transactions that PSE believes, in its sole opinion, to have a reasonable likelihood of being executed substantially as proposed.

10 Confidentiality/Disclosure

A Mutual Confidentiality Agreement is included as Exhibit VII to this RFP. Respondents must sign the Confidentiality Agreement and include two signed originals with their proposal. PSE will countersign the Confidentiality Agreement and return one fully executed agreement to the respondent.

To the extent required by law or regulatory order, PSE will make available to the public a summary of all proposals received and the final ranking of all such proposals.

PSE may retain all information pertinent to this RFP process for a period of 7 years or until PSE concludes its next general electric rate case, whichever is later. PSE shall have no obligation under this RFP to provide the models and data used by PSE in its evaluation process to respondents or other third parties except to the extent required by law or regulatory order. PSE may provide such models and data to the extent consistent with its business needs.

11 Contact Information and Submission of Proposals

A sealed original and seven copies of the proposal, along with all attachments and electronic files shall be submitted via U.S. mail, courier service, or hand delivery to PSE at the address listed below. ***All such proposals must be received by no later than 5:00 PM Pacific Time on March 12, 2004. Respondents are to provide two signed originals of the Mutual Confidentiality Agreement (Exhibit VII) at least one week prior to the submittal due date.***

Questions and requests for additional information should also be directed to the individual and address listed below.

All costs to participate in this RFP process, including preparation of proposals, negotiations, etc., are the responsibility of the respondent.

Contact for proposal submittals, questions and requests:

Mr. Wayman Robinett, Director of Resource Planning
425-462-3144
425-462-3175 Fax
Wayman.Robinett@pse.com

Address for U.S. Mail:
Puget Sound Energy
P.O. Box 97034, PSE-11
Bellevue, WA 98009-9734

Address for courier or hand delivery:
Puget Sound Energy
10608 NE 4th Street, Mail Room
Bellevue, WA 98004

12 RFP Schedule

November 25, 2003	Issue Draft RFP
December 8, 2003	PSE Public Meeting on Draft RFP
January 6, 2004	End of public comment period
January 28, 2004	WUTC Approval of RFP
February 2, 2004	Issue Final RFP
February 11, 2004	Hold Pre-Proposal Conference
March 12, 2004	Responses Due
April 23, 2004	Select Short-Listed Proposals, Notify Respondents
June 4, 2004	Target Date for Executing Letter(s) of Intent

The above schedule is subject to adjustment based on WUTC review.

13 Exhibits

Exhibit I	Stage I Evaluation Criteria
Exhibit II	Stage II Evaluation Criteria
Exhibit III	Prototype Power Purchase Agreement
Exhibit IV	Prototype Ownership Term Sheet
Exhibit V	Avoided Cost Schedule
Exhibit VI	PSE Monthly Resource Need
Exhibit VII	Mutual Confidentiality Agreement
Exhibit VIII	Template for Financial Pro Forma (suggested)
Exhibit IX	Template for Energy Delivery Schedule
Exhibit X	Summary Data

Exhibit I, All Generation Source RFP – Stage I Evaluation Criteria

Evaluation Criteria		Explanation of Criteria	Summary Evaluation
Compatibility with PSE Resource Need			
	1) Timing	Proposals which are available early in the acquisition time period (2005 through winter '07/'08) are preferred. Proposals which provide substantial assurances of being commercially available in 2005 are preferred.	
	2) Resource match to monthly need	Proposals where generation from the underlying generation asset closely match PSE's monthly energy requirements or whose output can be controlled by PSE are preferred over those which rely on shaping through short- or long-term arrangements.	
	3) Match to monthly need through contract	Proposals that provide a fixed annual price to shape the underlying generation asset output to PSE monthly energy requirements are preferred. PSE will not consider proposals for contractual shaping that are tied to an energy price index. Contracts for a term of 3 or more years are preferred.	

Exhibit I, All Generation Source RFP – Stage I Evaluation Criteria

Compatibility with PSE Resource Need (Cont'd)		
	<p>4) Operational Flexibility</p>	<p>Proposals which provide PSE control of project output acceptable to PSE to respond to seasonal & real-time fluctuations in load/resource balance and system reliability events are preferred. This includes, for example, dispatch or displacement of the project in real-time and, for jointly-owned projects, the ability for PSE to elect to use for reliability purposes generation output that would otherwise have been displaced by the other owner.</p>

Exhibit I, All Generation Source RFP – Stage I Evaluation Criteria

Evaluation Criteria		Explanation of Criteria	Summary Evaluation
Cost Minimization			
	1) Resource price	PSE prefers those proposals which satisfy its other evaluation criteria at the lowest cost throughout the project life.	
	2) Transmission	PSE prefers firm delivery of energy to its service area (particularly at points on its system at which the deliveries may be effected and used to serve load with no or limited transmission congestion). In the absence of assurance at the time of proposal of such firm delivery, PSE prefers proposals that provide a high likelihood of acquiring adequate transmission rights to such points. Proposals that do not include firm transmission to such points, that would produce congestion or that would increase PSE's transmission costs will be compared unfavorably with other proposals and/or will be assessed the additional cost to PSE.	

Exhibit I, All Generation Source RFP – Stage I Evaluation Criteria

Evaluation Criteria		Explanation of Criteria	Summary Evaluation
Risk Management			
	1) Status & Schedule	All other things being equal, PSE prefers operating projects first, projects under construction second, and development projects third. With respect to development projects, respondent proposals that are able to demonstrate they have the experience and financial resources to complete the project and have made significant progress in securing necessary permits, property rights, equipment, regulatory approvals, water rights, wastewater and disposal rights, project agreements and all other rights or arrangements necessary for a completely commercially operational project within the time proposed for commercial operation are preferred.	
	2) Price Volatility	Proposals that provide significant long-term control of fixed and variable costs are preferred.	
	3) Resource Flexibility and Stability	Proposals that provide flexibility to expand to meet PSE’s growing needs or to be deferred as required are preferred. Proposals that include project agreements and all other rights and arrangements coterminous with power purchase delivery periods or project life are preferred.	

Exhibit I, All Generation Source RFP – Stage I Evaluation Criteria

Evaluation Criteria		Explanation of Criteria	Summary Evaluation
Risk Management (Cont'd)			
	4) Resource Technology	Proposals that are based on commercially proven technology with demonstrated long-term reliability and performance history are preferred. Proposals that are based on technologies whose output may be controlled are preferred.	
	5) Long-term Flexibility	Proposals that provide PSE the flexibility to adjust its position in a resource long-term up to and including termination are preferred.	
	6) Project Risk	Proposals that involve minimal risk for timely plant completion within cost projections are preferred. Proposals that minimize exposure to environmental risk or other potential liability are preferred.	

Exhibit I, All Generation Source RFP – Stage I Evaluation Criteria

Evaluation Criteria		Explanation of Criteria	Summary Evaluation
Public Benefits			
	1) Environmental Impacts	Proposals with lower environmental impacts are preferred. Environmental impacts refer to the full range of issues evaluated in an environmental impact statement (EIS) or environmental assessment (EA).	
	2) Resource Location	Proposals that are located such that they provide benefits to the regional and PSE transmission system or require minimal or no transmission upgrades are preferred. Proposals that are not dependent upon constrained transmission or fuel transportation paths are preferred. Proposals that are located such that they are within PSE’s control area are preferred.	
	3) Community Impacts	Proposals that demonstrate support from public, local, state and federal government entities and Native American nations, if applicable, are preferred.	

Exhibit I, All Generation Source RFP – Stage I Evaluation Criteria

Evaluation Criteria	Explanation of Criteria	Summary Evaluation
Strategic & Financial		
	<p>1) Capital Structure Impacts</p> <p>Proposals are preferred that do not increase PSE's exposure to adverse impact on its financial position (e.g., by requiring PSE to impute debt, by otherwise adversely affecting PSE's financial leverage, operating leverage, credit rating, cash flow, income statement or balance sheet, or by imposing credit requirements).</p> <p>2) Future exposure to environmental regulations and/or taxes.</p> <p>Proposals for resources with lower potential exposure to future environmental regulations and/or taxes are preferred.</p>	

Exhibit II, All Generation Source RFP – Stage II Evaluation Criteria
 (Stage I evaluation criteria continue to apply in Stage II.)

Evaluation Criteria		Explanation of Criteria	Summary of Evaluation
Compatibility with PSE Resource Need			
	1) Performance Within Existing PSE Generation Portfolio	Analyses in this stage of evaluation will include such factors as system dispatch and displacement, termination rights, location with respect to the regional transmission system and PSE's electric system, impacts on system reserves, load following, integration costs and other factors as appropriate.	
	2) Timing	Proposals which individually and in combination best meet PSE's need for energy from 2005 through winter '07/'08 time period are preferred. Proposals that provide flexibility in their development time-line are preferred.	
	3) Resource Mix/Diversity	The diversity of resource technology and fuel types will be considered consistent with PSE's Least Cost Plan and the RFP. Specific considerations include: <ul style="list-style-type: none"> - technology type - fuel supply type - fuel supply source - fuel supply reliability & deliverability 	

Exhibit II, All Generation Source RFP – Stage II Evaluation Criteria
 (Stage I evaluation criteria continue to apply in Stage II.)

Evaluation Criteria		Explanation of Criteria	Summary of Evaluation
Cost Minimization			
	Cost Impact	Proposals and combinations of proposals that result in the lowest impact on PSE's revenue requirements and rates when included into PSE's existing generation resource portfolio are preferred.	

Exhibit II, All Generation Source RFP – Stage II Evaluation Criteria
 (Stage I evaluation criteria continue to apply in Stage II.)

Evaluation Criteria		Explanation of Criteria	Summary of Evaluation
Risk Management			
	1) Impact on PSE Overall Risk Position	Proposals and combinations of proposals will be evaluated to determine the impact of the proposal(s) on the overall risk position with respect to PSE’s generation asset base. Risk scenarios will include such factors as hydroelectric production variation, fuel price volatility and price scenarios, and market price volatility and price scenarios. Other considerations will include exposure to transmission congestion and costs. All other factors being equal, PSE prefers proposals that result in lower generation portfolio performance risk.	
	2) Environmental and Permitting Risk	Proposals will be evaluated considering their status in acquiring needed permits and the risk associated with further environmental regulation and taxes.	
	3) Respondent Risk	PSE will consider the information received in response to Section 5.4 and Section 7 to this RFP in determining risk associated with the financial condition of and performance by a respondent and any third parties depended upon by respondent. Lower-risk respondents are preferred.	

Exhibit II, All Generation Source RFP – Stage II Evaluation Criteria
 (Stage I evaluation criteria continue to apply in Stage II.)

Risk Management (Cont'd)			
	4) Ability to Deliver As Proposed (Development Status & Schedule)	Information submitted by respondents in response to Section 5.7 will be used to evaluate the ability of the respondent to meet the commercial operation date proposed.	
	5) Ability to Deliver As Proposed (Experience & Qualification of the Project Team)	An important consideration in judging the ability of a respondent to provide a commercially operable project in the time frame proposed is the experience and qualifications of the entire project team as further detailed in Section 5.7. PSE will use the information that is provided in response to Section 5.7 to evaluate the respondent team for this criterion. PSE prefers providers that have proven track records.	
	6) Status of Transmission Rights	The ability to transmit power from the project site to one or more points on PSE's electric system is a requirement (particularly to points on its system at which the deliveries may be effected and used to serve load with no or limited transmission congestion). PSE will use information provided in Section 5.6 of the RFP to assess whether and to what extent required transmission will be available and whether and to what extent the necessary transmission paths are subject to constraint.	

Exhibit II, All Generation Source RFP – Stage II Evaluation Criteria
 (Stage I evaluation criteria continue to apply in Stage II.)

Risk Management (Cont'd)			
	7) Security & Control	<p>Proposals that supply firm, fixed price fuel supply are preferred.</p> <p>Proposals that provide for other methods of managing price volatility will be favorably considered.</p> <p>Proposals that supply firm energy and capacity are preferred.</p>	

Exhibit II, All Generation Source RFP – Stage II Evaluation Criteria
 (Stage I evaluation criteria continue to apply in Stage II.)

Evaluation Criteria		Explanation of Criteria	Summary of Evaluation
Public Benefits			
	Environmental Impacts	PSE will further consider the environmental impacts of a proposed acquisition. PSE will consider information supplied in response to Sections 5.2 and 5.8.	

Evaluation Criteria		Explanation of Criteria	Summary of Evaluation
Strategic & Financial			
	Guarantees & Security	PSE will consider the information provided in response to Section 5.4 of their proposal in determining whether it will require any additional guarantees or security pursuant to Section 7 of this RFP.	

THIS IS A WORKING DRAFT PURCHASE AGREEMENT FOR THE SALE AND PURCHASE OF THE OUTPUT OF A NEW [TYPE OF GENERATION] GENERATING FACILITY. THIS WORKING DRAFT DOES NOT CONSTITUTE A BINDING OFFER, SHALL NOT FORM THE BASIS FOR AN AGREEMENT BY ESTOPPEL OR OTHERWISE. ANY ACTIONS TAKEN BY A PARTY IN RELIANCE ON THE TERMS SET FORTH IN THIS WORKING DRAFT OR ON STATEMENTS MADE DURING NEGOTIATIONS PURSUANT TO THIS WORKING DRAFT SHALL BE AT THAT PARTY'S OWN RISK. UNTIL THE POWER PURCHASE AGREEMENT IS SIGNED BY BOTH PARTIES, NEITHER PARTY SHALL HAVE ANY LEGAL OBLIGATIONS, EXPRESSED OR IMPLIED, OR ARISING IN ANY OTHER MANNER UNDER THIS WORKING DRAFT OR IN THE COURSE OF ANY NEGOTIATIONS. PURSUANT TO THE REQUEST FOR PROPOSAL TO WHICH THIS WORKING DRAFT IS ATTACHED, "PURCHASER" WILL CONSIDER PRICING STRUCTURES THAT ARE DIFFERENT FROM THE STRUCTURE CONTAINED IN THIS WORKING DRAFT, IF PROPOSED.

**[INSERT NAME OF PROJECT] PROJECT
POWER PURCHASE AGREEMENT**

MADE

BETWEEN

[SELLER's NAME],

AS SELLER

AND

PUGET SOUND ENERGY, INC.

AS PURCHASER

DATED AS OF _____, _____

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EXHIBIT A-1	Project Description
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EXHIBIT I	Operating Procedures and Coordination
EXHIBIT J	Termination Amounts

POWER PURCHASE AGREEMENT

This Power Purchase Agreement ("**Agreement**"), dated as of this ___ day of _____, _____, is between [SELLER's NAME] a Washington [corporation][limited liability company] ("**Seller**"), and Puget Sound Energy, Inc., a Washington corporation ("**Purchaser**"). Both of Seller and Purchaser are sometimes referred to in this Agreement together as the "**Parties**"; each of Seller and Purchaser is sometimes referred to in this Agreement as "**Party**."

RECITALS

WHEREAS, Seller intends to site, develop, finance, construct, own and operate a [type of generation] electrical generation facility (as defined herein and more particularly described in **Exhibit A-1** to this Agreement, the "**Project**") on sites located in [_____] (as more particularly described in **Exhibit A-2** to this Agreement, the "**Site**"); and

WHEREAS, Seller desires to sell to Purchaser, and Purchaser desires to purchase from Seller, the entire output of Energy from the Project [and all of the Environmental Attributes related to the generation of Energy from the Project].

NOW THEREFORE, in consideration of the mutual covenants contained herein, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE 1 DEFINITIONS

Unless otherwise required by the context in which any term appears, (a) capitalized terms used in this Agreement have the meanings specified in this Article 1; (b) the singular shall include the plural and vice-versa; (c) references to "Articles," "Sections," "Schedules," "Annexes," "Appendices," or "Exhibits" (if any) shall be to articles, sections, schedules, annexes, appendices, or exhibits hereof; (d) all references to a particular entity shall include a reference to such entity's successors and permitted assigns; (e) the words "herein," "hereof," and "hereunder" shall refer to this Agreement as a whole and not to any particular article or section hereof; (f) the word "including" shall mean "including, without limitation," and the word "include" shall mean "include, without limitation," (g) all accounting terms not specifically defined herein shall be construed in accordance with GAAP; and (h) references to this Agreement shall be a reference to this Agreement and all appendices, annexes, schedules, and exhibits hereto, as the same may be amended, modified, supplemented or replaced from time to time.

"Actual Operational Hours" means, for each Generator during any Contract Year, the period (expressed in hours or portions of an hour) in such Contract Year in which such Generator actually produces power, less the sum of:

(a) any period (expressed in hours or portions of an hour) during such Contract Year in which, by reason of a System Emergency, Purchaser is unable to accept delivery of any Energy that such Generator is otherwise capable of generating; and

(b) any period (expressed in hours or portions of an hour) during such Contract Year in which such Generator is not operational as a result of a Force Majeure Event;

it being understood and agreed that for any given Contract Year for which Actual Operational Hours are calculated, the deductions from Actual Operational Hours for such period pursuant to (a) and (b) above shall be the same as the deductions from Base Hours for such period pursuant to clauses (a) and (c) of the definition of "Base Hours."

"Additional Security" means any of the following, to be provided by Seller pursuant to Section 7.4.2:

(a) a Letter of Credit in the required amount; or

(b) cash (immediately available funds) in the required amount, which cash must be delivered to a Custodian to be held thereby as security for the Party entitled to the benefits thereof pursuant to an escrow agreement satisfactory in form and substance to the Party for whose benefit such cash is being provided, which escrow agreement shall include the provisions of Section 7.4.3; or

(c) a guaranty in the required amount, for the required term, and from a Qualified Guarantor, of:

(i) Seller's obligations under this Agreement; or

(ii) Seller Guarantor's obligations under the guaranty agreement executed and delivered by Seller Guarantor hereunder;

in either case on substantially the same terms and conditions set forth in the form of Seller Guaranty Agreement attached hereto as **Exhibit G**.

"Affiliate" means, with respect to any Person, each Person that directly or indirectly controls, is controlled by, or is under common control with such designated Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of

the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"Applicable Law" means, with respect to any Person, all laws, statutes, codes, acts, treaties, ordinances, orders, judgments, writs, decrees, injunctions, rules, regulations, governmental approvals, licenses and permits, directives, and requirements of all regulatory and other governmental authorities, in each case applicable to or binding upon such Person and, in the case of Seller, the Project.

"Average Annual Output" means the average Energy output of the Project per year as measured for any Contract Year.

"Balance of Plant" means all equipment and materials and other items incorporated (or to be incorporated) in the Project, except for the Generator. Balance of Plant includes, but is not limited to, the civil, electrical and mechanical construction works (principally site preparation, foundations for transformers and Generator and cable and pipe ducting, the control works) and the Interconnection Facilities, the Seller's Meters and associated foundation, including the pad-mount transformers and the pad-mount switchgear, the communications system and the communication system cables and the electrical works (principally cables and equipment).

"Base Hours" means, for each Generator during any Contract Year, the period (expressed in hours or portions of an hour) in such Contract Year, less the sum of:

(a) any period (expressed in hours or portions of an hour) during such Contract Year in which, by reason of a System Emergency, Purchaser is unable to accept delivery of any Energy that such Generator is otherwise capable of generating;

(b) any period (expressed in hours or portions of an hour) during such Contract Year in which such Generator is not operational as a result of Scheduled Maintenance; provided, that the number of hours (or portions of an hour) that may be subtracted pursuant to this clause (b) for all Generators for a given one-year period shall not exceed a cumulative maximum equal to the product of twenty-four (24) multiplied by the number of Generator; and

(c) any hours during such Contract Year in which such Generator is not operational as a result of a Force Majeure Event.

"Business Day" means each Day that is not a weekend Day or a federal holiday Day.

[**"CAMD"** means the Clean Air Markets Division of the Environmental Protection Agency or any successor agency that is given jurisdiction over a program involving transferability of Environmental Attributes.]

"Commercial Operation Date" means the date on which all of the Generator in the Project having one hundred percent (100%) of the Required Installed Capacity, and all other

portions of the Project necessary to put the Project into operation with the Interconnection Facilities and the Transmission System, have been tested and commissioned and are both authorized under Applicable Law and able to operate and deliver Energy to the Transmission System in accordance with Prudent Utility Practices and all Permits therefor have been obtained.

"Consolidated Net Tangible Assets" means, as of the date of any determination thereof, the total amount of all assets of a Person determined on a consolidated basis in accordance with GAAP as of such date, less the sum of:

- (a) the consolidated current liabilities of such Person determined in accordance with GAAP; and
- (b) assets properly classified as intangible assets in accordance with GAAP.

For all purposes of this Agreement, the Consolidated Net Tangible Assets of a Person shall be as shown on such Person's most recent regularly prepared quarterly financial statements (if determination thereof is made during the second, third or fourth quarters of such Person's fiscal year) or audited annual financial statements (if determination thereof is made during the first quarter of such Person's fiscal year).

"Construction Permits" means all those Permits that are required to be obtained by Seller as a condition to Seller's right to construct the Project, as described in **Exhibit D**.

"Contract Capacity Rate" means the rate, expressed in dollars per MW, payable by Purchaser for capacity of the Project during the Initial Term hereof. The Contract Capacity Rate for each Contract Year during the Stub Period and the Initial Term is set forth in **Exhibit E** hereto under the column designated "Contract Capacity Rate (\$ per MW)."

"Contract Energy Rate" means the rate, expressed in dollars per MWh, payable by Purchaser for Energy (other than Test Power and Excess Output) [and Environmental Attributes] generated by the Project during the Initial Term hereof. The Contract Energy Rate for the Stub Period and each Contract Year during the Initial Term is set forth in **Exhibit E** hereto under the column designated "Contract Energy Rate (\$ per MWh)."

"Contract Rate" means, collectively, the Contract Capacity Rate, as applicable, and the Contract Energy Rate for Energy, Test Power and Excess Output.

"Contract Year" means the Days from January 1 through December 31, inclusive, of any given year. The first Contract Year shall commence on the first January 1 occurring after the Commercial Operation Date.

"Cost to Cover" means, with respect to any Energy from the Project that Seller was obligated to deliver, but did not deliver, under this Agreement, an amount equal to all costs and losses incurred by Purchaser (or that would be incurred by Purchaser) to replace

undelivered Energy (including costs of energy and associated capacity), as a result of such non-delivery, reduced by the amount of payments that Purchaser would have made to Seller if such Energy had been delivered; provided, that the Cost to Cover with respect to any period shall not be less than zero dollars.

"Custodian" means a commercial bank or trust Seller organized under the laws of the United States of America or a political subdivision thereof, whose long-term senior unsecured debt is rated at least "A" by S&P or "A2" by Moody's.

"Day" means a period of 24 consecutive hours beginning at 00:00 hours Pacific time on any calendar day and ending at 24:00 hours Pacific time on the same calendar day.

"Default Notice Parties" means, in the case of an Event of Default by Seller, Seller, Seller Guarantor and Seller Lender (if any), and in the case of an Event of Default by Purchaser, Purchaser only.

"Defaulting Party" has the meaning set forth in Section 12.1.1.

"Delay Payment" has the meaning set forth in Section 6.3.2.

"Delivery Point" means the location on Purchaser's electric system shown in **Exhibit C** at which all Energy (including Test Power) is to be delivered by Seller to Purchaser hereunder.

"Due Date" has the meaning set forth in Section 5.1.1.

"Due Diligence Report" means one or more reports from consultants or other independent experts chosen by Purchaser, and reasonably acceptable to Seller, that conclude, following an analysis of the Project and plans for the Project, that:

(a) the Project has been or will be designed and constructed consistent with Prudent Utility Practices and Applicable Law;

(b) plans for Project maintenance have been established and such plans are consistent with Prudent Utility Practices;

(c) the operation of the Project after the Commercial Operation Date will comply with all Applicable Law;

(d) the Project is financially feasible and can reasonably be expected to afford Seller an adequate rate of return;

(e) the Project can reasonably be expected to be available so as to comply with Seller's obligations hereunder; and

(f) the Commercial Operation Date can reasonably be expected to occur on or before ____ Days following the execution of this Agreement.

"Earnings-to-Interest Ratio" means the ratio equal to Seller Guarantor's earnings before interest and taxes over Seller's interest expenses.

"Effective Date" has the meaning set forth in Section 2.1.

"Energy" means any and all electrical energy generated by the Project, minus station load and transmission losses up to the Delivery Point, as measured in MWh at the Delivery Point.

"Environmental Attributes" means (a) credits, benefits, reductions, offsets and other beneficial allowances, howsoever named or referred to, with respect to any and all fuel, emissions, air quality, or other environmental characteristics, resulting from the use of [type of generation] generation or the avoidance of the emission of any gas, chemical or other substance into the air, soil or water attributable to the sale of Energy generated by the Project during the Term and in which Seller has property rights or will have property rights upon such attributes coming into existence (with Seller taking only such action as required by the last sentence of Section 3.2.1), and include any of the same arising out of legislation or regulation (i) concerned with (A) oxides of nitrogen, sulfur, or carbon, (B) particulate matter, soot, or mercury, or (C) implementing the United Nations Framework Convention on Climate Change (the "UNFCCC") or the Kyoto Protocol to the UNFCCC or crediting "early action" with a view thereto, or (ii) involving or administered by the Clean Air Markets Division of the Environmental Protection Agency or its successor (collectively with any state or federal entity given jurisdiction over a program involving transferability of Environmental Attributes, the "CAMD"), and (b) all Environmental Attribute Reporting Rights, but specifically excluding from "Environmental Attributes" only the PTCs.]

"Environmental Attribute Reporting Rights" means all rights to report ownership of the Environmental Attributes to any person or entity, under Section 1605(b) of the Energy Policy Act of 1992 or otherwise.]

"Event of Default" has the meaning set forth in Section 12.1.1.

"Excess Output" has the meaning set forth in Section 3.3.3.

"Excess Output Credit Rate" means, for each Contract Year, [____]% of the Contract Rate or Renewal Rate, as applicable, for such Contract Year.

"Excess Output Credit" has the meaning set forth in Section 5.1.2.

"Federal Power Act" means the Federal Power Act, as heretofore or hereafter amended, 16 U.S.C. § 791a, *et seq.*

"FERC" means the Federal Energy Regulatory Commission or its successor.

"Force Majeure Event" means any act or event that delays or prevents a Party from timely performing obligations under this Agreement or from complying with conditions required under this Agreement, to the extent such act or event is reasonably unforeseeable and beyond the reasonable control of such Party or its Affiliates and cannot have been avoided or overcome by such Party or its Affiliates through the exercise of reasonable diligence (such act or event may include any act of God or the elements, explosion, fire, epidemic, landslide, mudslide, sabotage, lightning, earthquake, flood or similar cataclysmic event, transmission curtailment or outage, an act of public enemy, terrorism, war, blockade, civil insurrection, riot, civil disturbance or strike or labor disruption); provided, that neither of the following shall be a Force Majeure Event: (a) Seller's failure to obtain any of the Permits; or (b) the inability of such Party or any third party to obtain needed funds.

"GAAP" means generally accepted accounting principles in the United States of America, consistently applied.

"Generator" means each of the generating systems described in **Exhibit B** hereto.

"Generator Completion" means, with respect to any Generator, the completion of the construction, installation, commissioning and testing of such Generator and all other equipment and facilities necessary to connect such Generator with the Interconnection Facilities and the Transmission System and otherwise put such Generator into commercial operation for the generation and delivery of Energy in accordance with Prudent Utility Practices and for the delivery to Purchaser of a Generator Final Completion Certificate related thereto.

"Generator Final Completion" means the achievement of Generator Completion for all Generators.

"Generator Final Completion Certificate" means a duly completed and executed certificate, substantially in the form of **Exhibit H** hereto.

"Generator Final Completion Date" means the date of Generator Final Completion.

"Generator Manufacturer" means the manufacturer of the Generator.

"Guaranteed Commercial Operation Date" has the meaning set forth in Section 6.3.1.

"Guaranteed Annual Output" means [anticipated annual capacity * 0.90 * Installed Capacity * hours during the Contract Year as adjusted for any System Emergency and/or Operational Constrained Energy Period].

"Guaranteed Major Milestone Deadline" means, for each of the Major Milestones, the date as set forth below:

- (a) delivery of all Wind Turbines to the Site – [Date];

- (b) delivery and installation of all transformers at the Site – **[Date]**;
- (c) execution of the Generation Interconnection Agreement – **[Date]**;
- (d) physical and electrical interconnection the Project's Interconnection Facilities with the applicable Transmission Provider's Transmission System – **[Date]**;
- (e) acquisition of Transmission Services by Seller pursuant to Section 3.1 – **[Date]**; and
- (f) issuance of all Permits – **[Date]**.

"Indemnitees" means, with respect to either Party, such Party, its successors and assigns, and the respective directors, officers, shareholders, employees, agents and representatives of such Party and its successors and assigns.

"Initial Term" has the meaning set forth in Section 2.1.

"Installed Capacity" means the product of (a) the nominal or "nameplate" capacity (expressed in MW) of each Generator multiplied by (b) the number of Generator installed at the Project.

"Generation Interconnection Agreement" or **"GIA"** means the interconnection agreement, in a form and substance reasonably acceptable to Purchaser, between the applicable Transmission Provider and Seller pursuant to which the Interconnection Facilities will be constructed, operated, and maintained during the Term.

"Interconnection Costs" means all costs and expenses related to the Interconnection Facilities.

"Interconnection Facilities" means the facilities and control and other equipment between the Project and the Delivery Point, including control and protective devices and metering facilities, necessary to physically and electrically interconnect, and maintain the interconnection of, the Project with the applicable Transmission Provider's Transmission System in order to effectuate the purposes of this Agreement, including the Project Substation and the line connecting the Project Substation to the Transmission System.

"Letter of Credit" means an irrevocable, transferable standby letter of credit that:

- (a) is issued by a U.S. commercial bank or a foreign bank with a U.S. branch, having a credit rating of:
 - (i) "A2" or higher from Moody's; or
 - (ii) "A" or higher from S&P;

(b) names the Party (and any of its permitted transferees) in whose favor such letter of credit is issued (a "**Beneficiary Party**") as the Person entitled to demand payment and present draw requests thereunder;

(c) is in the amount required pursuant to this Agreement;

(d) entitles the Beneficiary Party to make drawings in the aggregate up to the stated face amount thereof for the purpose of paying any and all amounts owing by the other Party;

(e) additionally entitles the Beneficiary Party to draw the entire amount then available for drawings thereunder if such letter of credit is not renewed or replaced at least thirty (30) Business Days prior to its stated expiration date; and

(f) is otherwise in form and substance acceptable to the Beneficiary Party.

"**Long-Term Debt Rating**" means, with respect to any Person, the rating of such Person's long-term senior unsecured debt, as rated by S&P and Moody's.

"**Major Milestones**" means all of the following (each of which may be referred to in the singular as a "Major Milestone"):

(a) delivery of all Generator to the Site;

(b) delivery and installation of all transformers at the Site;

(c) execution of the Generation Interconnection Agreement;

(d) physical and electrical interconnection the Project's Interconnection Facilities with the applicable Transmission Provider's Transmission System;

(e) acquisition of Transmission Services by Seller pursuant to Section 3.1; and

(f) issuance of all Permits.

"**Major Milestone Deadline**" means, for each of the Major Milestones, the date as set forth below:

(a) delivery of all Wind Turbines to the Site – **[Date]**;

(b) delivery and installation of all transformers at the Site – **[Date]**;

(c) execution of the Generation Interconnection Agreement – **[Date]**;

(d) physical and electrical interconnection the Project's Interconnection Facilities with the applicable Transmission Provider's Transmission System – **[Date]**;

- (e) acquisition of Transmission Services by Seller pursuant to Section 3.1 – **[Date]**; and
- (f) issuance of all Permits – **[Date]**.

"Market Price" means for any hour an amount, stated in dollars per MWh, equal to the "Firm On-Peak," "Firm Off-Peak" or "Sunday and NERC Holidays" Dow Jones Mid-Columbia Electricity Index for the period in which such hour occurs. If any such index becomes unavailable during the Term, it shall be replaced for purposes of the preceding sentence by a replacement index that replicates as near may be the information provided by the above-described Dow Jones Mid-Columbia Electricity Indices.

"Mean Project Output" means _____ MWh per Contract Year [**Calculated by multiplying a mutually agreed upon capacity factor for the Project * the Installed Capacity * 8760**].

"Megawatt-hour" or **"MWh"** means a unit of Energy equal to one thousand kilowatt-hours.

"Meter" means an instrument or instruments meeting applicable Technical Requirements and electric industry standards used to measure and record the volume and other required delivery characteristics of the Energy delivered hereunder at the Delivery Point, as further defined in Section 8.1.

"Moody's" means Moody's Investor Services, Inc. and any successor thereto.

"MW" means a unit of power equal to one megawatt.

[**"National Broker"** means any nationally recognized firm engaged in the business of brokering Environmental Attributes. As of the date of this Agreement, such nationally recognized firms include Cantor Fitzgerald, New York, New York, NatSource, _____, _____ and Evolution Markets, _____, _____.]

"Non-Completion Termination Date" has the meaning set forth in Section 6.3.2(b).

"Operation Permits" means all of those Permits that are required to be obtained by Seller as a condition to Seller's right to operate the Project and sell Energy therefrom, as described in **Exhibit D**.

"Operational Constrained Energy Period" means any period in which Purchaser requires Seller to limit generation output or has determined that Energy may not be accepted by Purchaser due to (a) operational concerns with excess energy supply or other constraints, (b) insufficient load and energy sales or (c) effects from such acceptance that may result in operations inconsistent with Prudent Utility Practice.

"Operational Hours" means, for each Generator during any Contract Year, the period (expressed in hours or portions of an hour) in such Contract Year in which such Generator is physically and legally capable of producing power, less the sum of:

(a) any period (expressed in hours or portions of an hour) during such Contract Year in which, by reason of a System Emergency, Purchaser is unable to accept delivery of any Energy that such Generator is otherwise capable of generating; and

(b) any period (expressed in hours or portions of an hour) during such Contract Year in which such Generator is not operational as a result of a Force Majeure Event;

it being understood and agreed that for any given Contract Year for which Operational Hours are calculated, the deductions from Operational Hours for such period pursuant to (a) and (b) above shall be the same as the deductions from Base Hours for such period pursuant to clauses (a) and (c) of the definition of "Base Hours."

"Operational Reliability Period" means any period in which Purchaser requires Seller to produce generation output (a) due to operational or reliability concerns or circumstances involving insufficient generation supply or other Transmission System constraints, including (i) a significant change in load or (ii) operation of the project to provide voltage support or other system stability, or (b) to avoid effects that may result in operations inconsistent with Prudent Utility Practice.

"Permits" means all zoning approvals, permits, licenses, and other governmental approvals in final non-appealable form necessary to construct and operate the Project and sell Energy therefrom, all as contemplated by this Agreement, including the zoning approvals, permits, licenses, and other governmental approvals described in **Exhibit D**; provided, that any Permit from the Bureau of Land Management need be in final non-appealable form only to the extent that, under Applicable Law, it is possible to obtain such Permit in such form.

"Permitted Investments" means: (a) direct obligations of the United States of America, or of any agency thereof, or obligations guaranteed as to principal and interest by the United States of America, or of any agency thereof, in either case maturing not more than ninety (90) Days from the date of acquisition thereof; and (b) certificates of deposit issued by any bank or trust Seller organized under the laws of the United States of America (or any state thereof) and having capital, surplus and undivided profits of at least \$500,000,000, maturing not more than ninety (90) Days from the date of acquisition thereof.

"Person" means an individual, partnership, corporation, business trust, joint stock Seller, trust, unincorporated association, joint venture, governmental authority, limited liability Seller, or any other entity of whatever nature.

"Power Purchase Option" has the meaning set forth in Section 15.4.2.

"**Power Purchase Option Notice**" has the meaning set forth in Section 15.4.2.

"**Prime Rate**" means the rate published in *The Wall Street Journal* as the "Prime Rate" from time to time (or, if more than one rate is published, the arithmetic mean of such rates), in either case determined as of the date the obligation to pay interest arises, but in no event more than the maximum rate permitted by Applicable Law.

"**Project**" has the meaning set forth in the Recitals, as more particularly described in **Exhibit A-1** hereto and otherwise meeting the requirements of this Agreement, including having the Required Installed Capacity.

"**Project Mechanical Availability Percentage**" means, for any Contract Year and for all Generator agreed hereunder to be installed on the Site by Seller, a percentage calculated in accordance with the following formula:

$$\text{Project Mechanical Availability Percentage} = 100 \times \frac{\text{a fraction, the numerator of which equals the total actual output capability during such Contract Year for such Generator, and the denominator of which equals the Required Installed Capacity during such Contract Year for such Generator (adjusted for Scheduled Maintenance and any Force Majeure Event during such Contract Year)}}{\text{such Contract Year}}$$

"**Project Substation**" means the substation, if any, to be constructed as part of the Project as more specifically described in **Exhibit C** hereto.

"**Prudent Utility Practices**" means:

(a) those practices, methods and acts that, when engaged in, are commonly used in the United States of America in prudent electrical engineering and operations to operate [type of generation] generation electrical equipment and related electrical equipment lawfully and with safety, reliability, efficiency, economy and expedition; or

(b) in the absence of the practices, methods and acts described in the immediately preceding clause (a), those practices, methods and acts that, when engaged in, are, in the exercise of reasonable judgment considering the facts known when engaged in, could then be expected to achieve the desired result consistent with Applicable Law, safety, reliability, efficiency, economy and expedition.

Prudent Utility Practices are not limited to optimum practices, methods or acts, but rather are a range of acceptable practices, methods or acts.

"**PTCs**" means production tax credits, if any, under section 45 of the Internal Revenue Code as in effect on the date of this Agreement or any successor or other provision providing for a federal tax credit determined by reference to renewable electric energy produced from [type of generation] resources.]

"**Purchaser**" has the meaning set forth in the first paragraph of this Agreement.

"**Qualified Guarantor**" means a Person having a Long-Term Debt rating, during the term of the applicable guaranty, of at least BBB+ by S&P and at least Baa1 by Moody's.

"**Renewal Capacity Rate**" means the rate, expressed in dollars per MW, payable by Purchaser for capacity of the Project during the Renewal Term hereof. The Renewal Capacity Rate for each Contract Year during the Renewal Term is set forth in **Exhibit E** hereto under the column designated "Renewal Capacity Rate (\$ per MW)."

"**Renewal Energy Rate**" means the rate, expressed in dollars per MWh, payable by Purchaser for Energy (other than Excess Output) [and Environmental Attributes] generated by the Project during the Renewal Term hereof. The Renewal Energy Rate for each Contract Year during the Renewal Term is set forth in **Exhibit E** hereto under the column designated "Renewal Energy Rate (\$ per MWh)."

"**Renewal Notice**" has the meaning set forth in Section 2.2.

"**Renewal Rate**" means, collectively, the Renewal Capacity Rate, as applicable, and the Renewal Energy Rate for Energy and Excess Output.

"**Renewal Term**" has the meaning set forth in Section 2.2.

"**Required Installed Capacity**" means: [INSERT AMOUNT HERE] MW.

"**Scheduled Maintenance**" has the meaning set forth in Section 1.3 of **Exhibit I** hereto.

"**Security Documents**" means the Assignment and Security Agreement between Purchaser and Seller, and related documents executed as of the date hereof, whereby Purchaser is assigned and granted as security for Seller's obligations hereunder certain security interests in and to, and rights with respect to, the Project and contracts and other assets related thereto, including the rights contemplated by Section 16 hereof, subordinate only to [specified senior debt incurred or to be incurred to develop and construct the Project].

"**Seller**" has the meaning set forth in the first paragraph of this Agreement.

"**Seller Guarantor**" has the meaning set forth in Section 7.4.1.

"**Seller Lender**" means any Persons (or successors in interest thereof) lending money or extending credit (including any financing lease) to Seller for (a) construction, term or permanent financing or refinancing of the Project, (b) working capital or other ordinary business requirements of the Project (including maintenance, repair, replacement, or improvement of the Project), (c) any development financing, bridge financing, credit support, credit enhancement, or interest rate protection in connection with the Project or (d) the

purchase of more than a 50% interest (in aggregate) in the Project and the related rights from Seller.

"**Site**" has the meaning set forth in the Recitals, as more particularly described in **Exhibit A-2**.

"**S&P**" means Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.) and any successor thereto.

"**Stub Period**" means the period commencing on the Commercial Operation Date and ending on the immediately succeeding December 31; provided, however, that if the Commercial Operation Date occurs on December 31 or January 1, there shall be no Stub Period.

"**Support**" means the personnel and labor relating to, and supervision of, any of the following in connection with the procurement, construction, installation, start up and testing of the Project: subcontractors, materials, supplies, consumables, equipment, tools, construction equipment, transportation, data, drawings, plans, specifications and other goods, items, facilities and services (including technical and professional services).

"**System Emergency**" means a condition on the Transmission System (as determined by the applicable Transmission Provider), at the Project, or on transmission facilities used to deliver the Energy to or from the Delivery Point that is likely to result in imminent significant disruption of service to customers or is imminently likely to endanger life or property.

"**Taxes**" means all *ad valorem*, property, income, occupation, utility, gross receipts, sales, use, excise, and other taxes, and all governmental charges, surcharges, licenses, permits, and assessments of every type and description.

"**Technical Requirements**" means those codes, standards, and specifications for the Meters mutually agreed upon by the Parties in writing as [_____], including bi-directional measurement capabilities.

"**Term**" means the Initial Term and the Renewal Term (but only if Purchaser exercises its option with respect to the Renewal Term pursuant to Section 2.2 hereof).

"**Termination Amount**" means, with respect to any Contract Year in which Purchaser exercises its right to terminate this Agreement pursuant to Section 2.6, the amount set forth in Exhibit J hereto for such Contract Year.

"**Test Power**" means the Energy produced by the Project during the testing thereof prior to the Commercial Operation Date.

"**Test Power Rate**" means the rate, expressed in dollars per MWh, payable by Purchaser for each MWh of Test Power delivered to Purchaser pursuant to this Agreement. The Test Power Rate is set forth in Section 3.3.1.

"**Transfer Option**" has the meaning set forth in Section 15.4.1.

"**Transfer Option Notice**" has the meaning set forth in Section 15.4.1.

"**Transmission Provider**" means (a) with respect to the Transmission System facilities from the Project to the Delivery Point, _____ or any replacement regional transmission organization or other Person that operates such Transmission System facilities and (b) with respect to the Transmission System facilities from the Delivery Point to Purchaser's electric system, _____ or any replacement regional transmission organization or other Person that operates such Transmission System facilities.

"**Transmission Services**" means transmission services (which shall be, at Purchaser's election, open access network integration transmission service or open access long-term firm point-to-point transmission service), ancillary services and control area services.

"**Transmission System**" means the transmission facilities now or hereafter operated by the applicable Transmission Provider.

"**WUTC**" means the Washington Utilities and Transportation Commission or its successor.

ARTICLE 2 TERM AND TERMINATION

2.1 Term. This Agreement shall become effective on the later of (a) the date of signature by both Parties and (b) [_____] (the "**Effective Date**"). The term of this Agreement shall commence on the Effective Date and, unless earlier terminated pursuant to Section 2.4, 2.5, 2.6 or 6.3.2(b), shall continue for [_____] years from the first Day of the first Contract Year and expire at 00:00 hours on the [_____] anniversary of the first Day of the first Contract Year (the "**Initial Term**"), but subject to Purchaser's right to extend such expiration date by exercising one or more of its renewal options as provided in Section 2.2.

2.2 Renewal Terms. Seller hereby grants to Purchaser the sole option to extend the Term of this Agreement beyond the Initial Term for one ___-year period (the "**Renewal Term**"). The Renewal Term shall commence immediately following the expiration of the Initial Term and shall expire on the ___ anniversary of the first Day of the first Contract Year.

In order to exercise its option to extend the Term of this Agreement through the Renewal Term, Purchaser, not less than one hundred eighty (180) Days prior to the expiration date of the Initial Term, shall notify Seller in writing of its exercise of such option

("Renewal Notice"). Upon the giving of the Renewal Notice, the Term of this Agreement shall thereupon be extended through the Renewal Term.

2.3 Submission of Agreement to FERC. If required under Applicable Law, not later than sixty (60) Days prior to the date on which Seller will commence deliveries of Energy hereunder to Purchaser, Seller shall submit this Agreement to FERC for acceptance pursuant to the Federal Power Act.

2.4 Purchaser to Endeavor to Obtain Transmission Services. Purchaser shall use commercially reasonable efforts to secure, on or before [_____], Transmission Services from the applicable Transmission Provider necessary to schedule the Energy and the Test Power from the Delivery Point to Purchaser's electric system. Purchaser shall not be required to secure such Transmission Services (a) absent a generation integration or transmission availability reports from the applicable Transmission Provider satisfactory to Purchaser or (b) if Seller has not entered into a large Generation Interconnection Agreement with the applicable Transmission Provider. If on or before [_____], Purchaser, notwithstanding its commercially reasonable efforts, does not secure Transmission Services from the applicable Transmission Provider, then Purchaser may terminate this Agreement by giving written notice of such termination to Seller, which notice, to be effective, must be given by Purchaser to Seller and received by Seller on or before [_____]. Upon the giving of any such notice of termination, this Agreement shall automatically terminate and neither Party shall have any liability to the other.

2.5 Change in Circumstances. Upon the occurrence of any material change, as determined by Purchaser in its sole discretion, in (a) Purchaser's economic requirements or resource portfolio requirements to serve its retail load or (b) the Project such that the Project no longer meets Purchaser's resource portfolio requirements to serve its retail load, Purchaser may terminate this Agreement by giving not less than thirty (30) days' prior written notice of such termination to Seller. Upon any such termination, neither Party shall have any liability to the other, except that Purchaser shall be obligated to pay to Seller the applicable Termination Amount set forth in the attached **Exhibit J** and Seller shall, at Purchaser's election (and subject to such payment), immediately transfer to Purchaser (i) all of Seller's rights, title and interests in and to the Project (including the Turbines and the Balance of Plant), the Permits, all rights of Seller to real property included in or benefiting the Site and (ii) all of Seller's rights, title and interests in, to and under any agreements related to the Project to which Seller is a party.

2.6 Failure to Receive Due Diligence Report. If the Due Diligence Report has not been delivered to Purchaser within ninety (90) Days following the execution of this Agreement, notwithstanding the Parties' best reasonable efforts to obtain such report, then this Agreement shall automatically terminate as of such date; provided, however, if the Due Diligence Report is not delivered within such 90-Day period, Seller may provide written notice to Purchaser that it wishes to attempt to cure any deficiency in the Project that prevented the Due Diligence Report from issuing, in which event, the termination of this

Agreement shall be delayed for an additional 120 Days pending remedial actions by Seller and the final review and issuance of the Due Diligence Report.

ARTICLE 3
PURCHASE AND SALE OF ENERGY [AND ENVIRONMENTAL
ATTRIBUTES]; DELIVERY; CURTAILMENT

3.1 Purchase and Sale of Energy. In accordance with and subject to the terms and conditions hereof, commencing on the Commercial Operation Date and continuing throughout the Term, Seller shall sell and deliver to Purchaser at the Delivery Point, and Purchaser shall purchase and accept from Seller at the Delivery Point, all rights, title and interests in and to the capacity of the Project[,] Energy [and the Environmental Attributes]. Prior to the Commercial Operation Date, Seller shall sell and deliver to Purchaser at the Delivery Point, and Purchaser shall purchase and accept from Seller at the Delivery Point, all Test Power. Seller shall deliver Energy (including Test Power) to the Delivery Point at a power factor and quality consistent with the requirements of the Interconnection Agreement. Seller shall deliver the Energy (including Test Power) to Purchaser as generated at the Project. Seller shall obtain and maintain throughout the Term, at Seller's expense, all Transmission Services and related interconnection services and other services necessary to schedule the Energy (including Test Power) to the Delivery Point.

[3.2 Environmental Attributes.

3.2.1 Seller's Covenants, Representations and Warranties Concerning Environmental Attributes. Seller warrants and represents to Purchaser on a continuing basis that:

- (a) it owns or will own the Environmental Attributes as they come into existence;
- (b) it has not sold, pledged, assigned, transferred or otherwise disposed of, and will not sell, pledge, assign, transfer or otherwise dispose of, the Environmental Attributes to any Person other than Purchaser; and
- (c) all electricity generated by the Project meets one of the following standards for renewable resource generation: **[set forth mutually agreed-upon standard, e.g.,** (i) the standards promulgated under the Green-e Program developed by the Center for Resource Solutions and in effect on the date of this Agreement (http://www.greene.org/ipp/certified_products.html); or (ii) the standards promulgated under the Renew 2000 Project developed by the Northwest Environmental Advocates and in effect on the date of this Agreement (<http://www.cleanenergyguide.org/Certification/certification.htm>)].

Notwithstanding any provision of this Agreement to the contrary, Seller shall not use all or any portion of the Environmental Attributes and shall not assign, transfer, convey, encumber,

sell or otherwise dispose of all or any portion of the Environmental Attributes to any Person other than Purchaser. Seller further agrees that Seller shall make such filings and take such other actions as Purchaser may from time to time reasonably request in order to preserve and maintain the Environmental Attributes in accordance with the standards described in (c) above and to otherwise enable Purchaser to use, sell and transfer such Environmental Attributes in accordance with market standards.

3.2.2 Purchase and Sale of Environmental Attributes. For and in consideration of Purchaser's agreement herein to purchase from Seller the Energy on the terms and conditions set forth herein, Seller shall sell to Purchaser, and Purchaser shall purchase from Seller, all rights, title, and interests in and to all Environmental Attributes related to the Energy, if any, whether now existing or acquired by Seller or that hereafter come into existence or are acquired by Seller during the Term hereof. Seller shall, to the fullest extent permitted by Applicable Law, make the Environmental Attributes available to Purchaser immediately upon Seller's obtaining the Environmental Attributes.

3.2.3 Reporting of Ownership of Environmental Attributes. During the Term, Seller shall not report to any Person that the Environmental Attributes belong to any Person other than Purchaser, and Purchaser may report under any such program that the Environmental Attributes purchased hereunder belong to Purchaser.

3.2.4 Further Assurances. At Purchaser's request and expense, the Parties shall execute all such documents and instruments necessary or desirable to evidence the Environmental Attributes of to effect or evidence transfer of the Environmental Attributes to Purchaser or its designees. In the event of the promulgation of a scheme involving Environmental Attributes administered by CAMD, upon notification by CAMD that any transfers contemplated by this Agreement will not be recorded, the Parties shall promptly cooperate in taking all reasonable actions necessary so that such transfer can be recorded. Each Party shall promptly give to the other Party copies of all documents it submits to the CAMD to effectuate or record any transfers.]

3.3 Purchase Price. The purchase price for the capacity of the Project[,] Energy [and Environmental Attributes] and the total compensation to Seller under this Agreement shall be as follows:

3.3.1 Test Power Rate. The purchase price for Test Power [and all Environmental Attributes related thereto] shall be \$_____ per MWh of Test Power.

3.3.2 After Commercial Operation Date. During the period from and including the Commercial Operation Date through the remainder of the Initial Term, the purchase price for all capacity of the Project shall be the Contract Capacity Rate for each MW of such capacity, and the purchase price for all Energy [and Environmental Attributes related thereto] shall be the Contract Energy Rate for each MWh of such Energy.

3.3.3 Credit for Excess Output. During the period from and including the first Contract Year through the remainder of the Term, Purchaser shall be entitled to a credit against (reduction of) the Contract Energy Rate or the Renewal Energy Rate, as applicable, paid for all Energy [and related Environmental Attributes] delivered or deemed delivered hereunder during each Contract Year for each MWh of such Energy that is in excess of 110% of the Mean Project Output ("**Excess Output**"). The amount of such credit for each Contract Year shall be equal to the Excess Output Credit calculated in accordance with Section 5.1.2 and **Exhibit F** hereto. Excess Output Credits from Seller to Purchaser shall be made available pursuant to Section 5.1.2 at the end of each Contact Year.

3.3.4 Prior Notice of Test Power Deliveries and Commercial Operation Dates. Seller shall give Purchaser prior written notice of the date on which deliveries of Test Power are expected to commence, which notice shall be given at the earliest practicable time but in no event less than ten (10) Days before such date.

Seller shall give Purchaser notice of the date upon which Commercial Operation Date is expected to occur, which notice shall be given at the earliest practicable time but in no event less than ninety (90) Days before such date. Seller shall also give Purchaser notice of the date upon which Commercial Operation Date is expected to occur not less than sixty (60) Days before such date and thirty (30) Days before such date.

3.3.5 Purchase Price During Renewal Term. In the event Purchaser exercises its option to extend the term of this Agreement for the Renewal Term, then during the Renewal Term the purchase price for all capacity of the Project shall be the Renewal Capacity Rate for each MW of such capacity, and the purchase price for all Energy [and all Environmental Attributes related thereto] shall be the Renewal Energy Rate for each MWh of such Energy.

3.3.6 Standard of Review. Absent the agreement of both of the Parties to any proposed change, the standard of review for changes to this Section 3.3 proposed by any Party, a non-Party 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) (*Mobile-Sierra doctrine*).

3.4 Allocation of Taxes. Seller shall pay or cause to be paid all Taxes on or with respect to the Project and on or with respect to the delivery and sale of Energy [and/or Environmental Attributes] to Purchaser that are imposed before or upon the delivery of Energy at the Delivery Point. Purchaser shall pay or cause to be paid all Taxes (other than any Taxes for which Seller is liable under this Section 3.4) on or with respect to the delivery and sale of Energy [and/or Environmental Attributes] to Purchaser that are imposed after the delivery of the Energy to Purchaser after the Delivery Point. If a Party is required to remit or pay Taxes that are the other Party's responsibility hereunder, such responsible Party shall reimburse the other for such Taxes upon request therefor. Both Parties shall use reasonable efforts to administer this Agreement and implement its provisions so as to minimize Taxes.

In the event any of the sales of Energy [or Environmental Attributes] hereunder are to be exempted from or not subject to any particular Tax(es), Purchaser shall, promptly upon Seller's request therefor, provide Seller with all necessary documentation to evidence such exemption.

3.5 Curtailment.

3.5.1 Curtailment Due to Transmission System Emergency. Seller and Purchaser each acknowledge that System Emergencies may only be declared by the applicable Transmission Provider, and not by Seller or the merchant function of Purchaser. Purchaser shall curtail or acquiesce in the curtailment of deliveries of Energy if notified by the applicable Transmission Provider that a System Emergency exists, but such curtailment shall only continue for the duration of such System Emergency and then only to the extent required by such Transmission Provider. Seller shall take such actions as may be required by remedial action schemes (if any) specified in the Generation Interconnection Agreement to cause such curtailment and resume deliveries of Energy as soon after curtailment as is reasonably possible, safe and in accordance with Prudent Utility Practices.

3.5.2 Curtailment Due to Operational Concerns. Seller shall reduce the generation of the project when Purchaser has declared an Operational Constrained Energy Period. Purchaser shall notify Seller of the maximum amount of Energy generation, if any, during the Operational Constrained Energy Period and Seller shall ensure that the generation does not exceed such amount. Purchaser may provide such notices to Seller via telephone. Purchaser may not declare Operational Constrained Energy Periods during more than [_____] hours in any calendar year.

3.5.3 Dispatch During Operational Reliability Period. Seller shall dispatch the project "on" to the extent requested by Purchaser when Purchaser has declared an Operational Reliability Period. Purchaser shall notify Seller of the amount of Energy generation, if any, during the Operational Reliability Period, and Seller shall ensure that Energy generation meets such amount. Purchaser shall provide such fuel as may be necessary to dispatch the project "on" pursuant to such request by Purchaser during the Operational Reliability Period, and Purchaser shall pay Seller its reasonable operation and maintenance costs incurred on account of such dispatch. Any Energy produced by the project during an Operational Reliability Period shall be delivered to Purchaser at no charge (except as otherwise provided in this Section 3.5.3) at the Delivery Point pursuant to Section 3.1.

ARTICLE 4 CONSTRUCTION AND PURCHASER'S RIGHT TO MONITOR CONSTRUCTION

4.1 Design, Permitting, Construction, Financing, Operation and Maintenance of the Project. Seller shall site, develop, finance, permit and construct the Project. Seller agrees to provide to Purchaser monthly reports as to the status of the siting, development,

financing, permitting and construction of the Project and other matters reasonably related to Purchaser's interest in the Project and this Agreement.

Seller represents, warrants and covenants throughout the Term that:

(a) the Project will be designed, engineered, constructed, installed, operated and maintained in such a manner as to have a reasonably expected useful life of not less than twenty-five (25) years; and

(b) the Project will be designed, engineered, constructed and installed, and Energy will be sold by Seller to Purchaser, in compliance with all Permits and Applicable Law and in accordance with Prudent Electrical Practices.

It is understood and agreed by the Parties that the warranty and covenant set forth in (a) above is not a warranty and covenant that the Project will, in fact, have a useful life of not less than twenty-five (25) years, but only a warranty and covenant that Project will be designed, engineered, operated and maintained in accordance with Prudent Utility Practice to have an expected useful life of not less than twenty-five (25) years if maintained in accordance with the manufacturer's specifications.

4.2 Right to Monitor. During the design, procurement, construction, installation, start-up, testing, operation and maintenance of the Project, Seller shall permit Purchaser and its advisors and consultants to:

(a) monitor the construction of the Project, including the design and engineering, the procurement and installation of the Generator, start-up and testing, operation and maintenance of the Project, and Support necessary or desirable for the accomplishment of these tasks;

(b) monitor the design, engineering, construction and installation of the Project to determine whether it meets the specification of having a reasonably expected useful life of not less than twenty-five (25) years;

(c) prior to the Commercial Operation Date and as a condition precedent to the achievement of the Commercial Operation Date:

(i) review and monitor the contractors' performance and achievement of all initial performance tests and all other tests required under the Project construction contracts that must be performed in order to achieve completion, with respect to which the construction contracts shall provide that at least ten (10) Days before such tests begin the contractors shall deliver to Purchaser a schedule for the performance of such tests;

(ii) be present to witness the such initial performance tests and review the results thereof;

(d) perform such detailed examinations, inspections, quality surveillance and tests as, in the judgment of Purchaser, are appropriate and advisable to determine that:

(i) the Generator have been designed, engineered and installed in accordance with this Agreement;

(ii) the Balance of Plant has been designed, engineered, constructed and installed in accordance with this Agreement; and

(iii) that all performance guarantees pursuant to this Agreement have been met;

(e) verify that the following are paid when due:

(i) all real property Taxes imposed before the Commercial Operation Date on real property included in or benefiting the Site;

(ii) Taxes imposed with respect to any Generator before its transfer to Seller;

(iii) Taxes based on or measured by Seller's net or gross income; and

(iv) any retail sales, use or similar Tax on the transfer, sale or use of the Project or any part thereof to or by Seller or any contractor of Seller ;

(f) review and discuss periodic status reports on the progress of the design, construction and installation of the Project, which reports shall be provided by Seller to Purchaser not less frequently than once a month; and

(g) be provided with a list of recommended operating spare parts lists for all equipment supplied.

4.3 No Warranty, Representation or Endorsement. No monitoring, review, consent, verification, advice, recommendation, authorization, notice, witness, inspection, test or any other act by Purchaser (and no delay or failure by Purchaser to monitor, review, approve, consent, verify, advise, recommend, authorize, notify, witness, inspect, test or otherwise act) regarding the procurement, construction, installation, start-up, testing, operation or maintenance of the Project shall constitute or be interpreted or construed as, or be relied upon or held out by Seller or any other Person as, any waiver, warranty, representation, covenant or endorsement by Seller.

ARTICLE 5 BILLING AND PAYMENTS

5.1 Billing and Payment. Billing and payment for the capacity of the Project[,] Energy (including Test Power) [and all associated Environmental Attributes] sold and purchased under this Agreement and any other amounts due and payable hereunder shall be as set forth in this Section 5.1.

5.1.1 Calculation of Available Capacity, Energy Delivered or Deemed Delivered; Invoices and Payment. For each calendar month during the Term, commencing with the first calendar month in which Energy is delivered by Seller to Purchaser in accordance with the terms of this Agreement, Seller shall calculate:

- (a) the amount of the available capacity of the Project and of Energy delivered to Purchaser during such calendar month as determined from recordings produced by Meters at or near 2400 hours on the last Day of the calendar month in question; and
- (b) any credits owed to Purchaser as a result of hourly forecasts errors pursuant to Section 7.2.

Not later than the tenth Day of each calendar month (commencing with the calendar month next following the calendar month in which Energy is first delivered by Seller to Purchaser in accordance with the terms of this Agreement), Seller shall deliver to Purchaser an invoice showing the available capacity of the Project and the amount of such Energy delivered to Purchaser by Seller [and PTC's related thereto] during the immediately preceding calendar month and Seller's computation of the amount due Seller in respect thereof.

Not later than the later to occur of the following (herein called the "**Due Date**"):

- (i) the twentieth (20th) Day of the calendar month immediately following the calendar month to which Seller's invoice relates (or the next succeeding Business Day, if such twentieth Day is not a Business Day); or
- (ii) the tenth (10th) Day after receipt by Purchaser of Seller's monthly invoice (or the next succeeding Business Day, if such tenth Day is not a Business Day);

Purchaser shall pay to Seller, by wire transfer of immediately available funds to an account specified in writing by Seller for such purpose or by any other means agreed to by the Parties in writing from time to time, the amount set forth in such monthly invoice that is due and owing to Seller. In no event shall Purchaser be obligated to pay Seller for any capacity of the Project that is in excess of the Installed Capacity.

5.1.2 Excess Output. At the end of each Contract Year, Seller shall calculate the amount of Excess Output, if any, delivered or deemed delivered to Purchaser

hereunder during such Contract Year, which determination shall be made from recordings produced by the Meters through 2400 hours on the last Day of each Contract Year.

Not later than 10 Days after the end of such Contract Year, Seller shall deliver to Purchaser an invoice showing the amount, if any, of Excess Output delivered to Purchaser by Seller pursuant hereto during such Contract Year and Seller's computation of the Excess Output Credit, which Excess Output Credit shall be calculated in accordance with the formula set forth in **Exhibit F** hereto ("**Excess Output Credit**").

If an Excess Output Credit is owing, Purchaser shall have the right under Section 5.1.4 to set off such credit from one or more subsequent invoices payable to Seller.

5.1.3 Disputed Invoices. Within one hundred twenty (120) Days after receipt of any invoice, Purchaser may provide written notice to Seller of any alleged error therein. If Seller notifies Purchaser in writing within thirty (30) Days of receipt of such notice that Seller disagrees with the allegation of error in the invoice, the Parties shall meet, by telephone conference call or otherwise, within five (5) Business Days following Seller's response, for the purpose of attempting to resolve the dispute. If the Parties do not resolve the dispute within thirty (30) Days after such initial meeting, either Party may proceed to seek whatever remedy may be available to such Party at law or in equity. If Seller is found to be in error, Seller shall refund to Purchaser the amount that Purchaser paid in excess of the amount that Purchaser actually owed plus interest on such excess payment from the date the same was paid by Purchaser to (but not including) the date of refund thereof is actually received by Purchaser from Seller, such interest to be at an annual rate equal to the Prime Rate in effect as of the date such payment was made by Purchaser plus two percent (2%), but in no event shall such interest exceed the maximum interest rate permitted by Applicable Law.

The rights of the Parties set forth in this Section 5.1.3 are in addition to, and not in lieu of, the rights set forth in Section 7.4.

5.1.4 Setoffs and Deductions. Purchaser shall have the right to set off any amount due Seller under this Agreement against any amount due Purchaser from Seller hereunder.

5.1.5 Interest on Past Due Amounts. Any payment not made within the time limits specified in this Section 5.1 shall bear interest from the Due Date of such payment through (but not including) the date such payment is actually received by Seller or Purchaser, as the case may be. Such interest shall accrue at an annual rate equal to the Prime Rate then in effect plus two percent (2%), but in no event shall such interest exceed the maximum interest rate permitted by Applicable Law.

5.1.6 Form and Transmittal of Invoices. Statements or invoices shall be sent to Purchaser by mail or facsimile to the address or facsimile number designated in Section 11.1. All invoices must be accompanied with certified telemetry or other metering

information as required in Section 8.1.1. Purchaser may change the address or facsimile number by providing written notice thereof to Seller. Each invoice shall be in a form and substance reasonably acceptable to both Seller and Purchaser.

ARTICLE 6
INTERCONNECTION, CONSTRUCTION, OPERATION AND
PERFORMANCE GUARANTEES

6.1 Interconnection.

6.1.1 Generation Interconnection Agreement and Interconnection Facilities. Seller shall enter into and shall maintain throughout the Term a Generation Interconnection Agreement (GIA) with the applicable Transmission Provider. Pursuant to the GIA, such Transmission Provider and Seller shall design, finance, install, maintain, and operate the Interconnection Facilities as required under the Interconnection Agreement.

6.1.2 Purchaser's Right of Review of the Generation Interconnection Agreement; Date for Required Completion of Interconnection Facilities; Payment of Interconnection Costs. Before Seller enters into the Generation Interconnection Agreement, Seller agrees to provide to Purchaser with the final draft of such Agreement as and when such draft is made available to Seller. Purchaser shall have the right to comment on such draft within ten (10) Business Days after the same is provided to Purchaser by or on behalf of Seller and Seller shall use reasonable efforts to cause Purchaser's comments to be incorporated into the GIA as executed and delivered by the parties thereto. Notwithstanding anything expressed or implied herein to the contrary:

(a) the Generation Interconnection Agreement shall provide for the completion of all Interconnection Facilities no later than _____; and

(b) As between Seller and Purchaser, Purchaser shall have no liability for the payment of any Interconnection Costs.

6.2 Operation and Maintenance.

6.2.1 General. Seller shall submit a written annual maintenance plan for the coming year no later than 60 Days prior to the start of each Contract Year. Such plan shall be subject to Purchaser's acceptance. Any and all changes to such plan shall be immediately communicated to Purchaser in writing and shall be subject to Purchaser's acceptance. Seller agrees to operate and maintain the Project, the Interconnection Facilities, its Meters (if any), and all other equipment and systems interconnecting with the Interconnection Facilities or the interconnected Transmission System in accordance with the applicable manufacturer's specifications and in a manner that is reasonably likely to:

(a) maximize the output of Energy [and Environmental Attributes] from the Project consistent with Prudent Utility Practices; and

(b) result in an expected useful life for such facilities of not less than twenty-five (25) years;

all in compliance with all Permits and applicable laws, ordinances, rules, regulations, orders and other requirements, now or hereafter in effect, of any governmental authority, and in accordance with Prudent Utility Practice.

6.2.2 Operation and Maintenance Plan. Seller shall inspect, maintain and repair the Project and the components thereof in accordance with Prudent Utility Practices, and shall keep records with respect to inspections, maintenance, and repairs thereto. Upon request by Purchaser, Seller shall make available to Purchaser during Seller's regular business hours all plans and records of such inspections, maintenance, and repairs.

6.2.3 Coordination of Project Operation. Seller shall operate the Project on a continuous, reliable and sustained basis until the end of the Term, subject to curtailments pursuant to Section 3.5 and outages in accordance with **Exhibit I** hereto. The Parties shall coordinate operation of the Project with Purchaser's electric system in accordance with such **Exhibit I**. In addition, Seller shall strive to cooperate in good faith with Purchaser's reasonable maintenance scheduling requests consistent with Prudent Utility Practices so as to maximize Purchaser's return on its third-party sales of the Energy [and Environmental Attributes].

6.3 Commercial Operation Date Guarantee; Per Generator Delay Payments.

6.3.1 Guaranteed Commercial Operation Date. Seller shall cause the Commercial Operation Date to occur, including causing each Generator to achieve Generator Completion by, [_____] (the "**Guaranteed Commercial Operation Date**").

6.3.2 Delay Payments.

(a) For each Day after the Guaranteed Commercial Operation Date that the Commercial Operation Date has failed to occur, Seller agrees to pay Purchaser *per diem* delay liquidated damages on a per Generator basis in an amount calculated as provided below (the "**Delay Payment**"). Except as provided below in this Section 6.3.2, Delay Payments on a per Generator basis shall be paid by Seller to Purchaser for each Day that each Generator is late in achieving Generator Completion, commencing with the Day after the Guaranteed Commercial Operation Date through (but not including) the Commercial Operation Date.

The Delay Payment for each Generator that has failed to achieve Generator Completion by the Guaranteed Commercial Operation Date shall be an amount equal to the

product of (x) _____ dollars (\$_____) multiplied by (y) the number of Days from (and including) the Day after the Guaranteed Commercial Operation Date to (but not including) the date upon which such Generator achieves Generator Completion.

Purchaser shall not be entitled to any Delay Payment hereunder with respect to any Generator to the extent Seller's delay in achieving Generator Completion with respect to such Generator was caused by:

- (i) Purchaser;
- (ii) a delay due to a Force Majeure Event; or
- (iii) the failure of Purchaser to secure Transmission Services from the applicable Transmission Provider.

In the event Seller's delay in achieving Generator Completion with respect to a Generator is caused by any of the events described in (i), (ii) or (iii) above, then with respect to the affected Generator(s) the Guaranteed Commercial Operation Date shall be extended by a number of Days equal to the period of such delay. Except as otherwise provided herein, Purchaser and Seller agree that the remedies provided for in this Section 6.3.2(a) shall be the exclusive remedies of Purchaser for Seller's breach of its obligation under Section 6.3.1.

The maximum liquidated damages payable by Seller in connection with delays in achieving the Commercial Operation Date by the Guaranteed Commercial Operation Date shall be _____ dollars (\$_____). Seller shall pay such amount (i.e., _____ (\$_____)) to Purchaser as liquidated damages upon any termination of the Project or this Agreement pursuant to Section 6.3.2(b).

(b) If for reasons other than the termination of this Agreement pursuant to Section 2.4 or 2.5, Seller fails to complete a Major Milestone by the Guaranteed Major Milestone Deadline therefor or fails to achieve the Commercial Operation Date as of a date that is [_____] Days after the Guaranteed Commercial Operation Date (the "**Non-Completion Termination Date**"), Purchaser may at any time prior to the Commercial Operation Date terminate this Agreement; provided, that if the delay in achieving the Commercial Operation Date is caused by any of the events (i), (ii), and (iii) in Section 6.3.2(a), then the Non-Completion Termination Date shall be extended by a number of Days equal to the period of such delay, but in no case to a date later than [_____]. Following such termination, Seller shall owe Purchaser the Delay Payments as set out in Section 6.3.2(a) [**THE INITIAL NONCOMPLETION TERMINATION DATE SHOULD BE THE DATE AS OF WHEN THE MAXIMUM DELAY PAYMENTS PERMITTED UNDER THE AGREEMENT WILL HAVE BEEN INCURRED, PURSUANT TO SECTION 6.3.2(a).**]

6.3.3 Security for Delay Payments. Concurrent with execution of this Agreement, Seller has provided to Purchaser a Letter of Credit, available for drawings solely

for a default in Seller's obligation to pay Delay Payments as set forth in this Section 6.3. Such Letter of Credit is in the amount of **[the maximum amount of delay damages as set forth in Section 6.3.2(a)]**. Seller shall cause such Letter of Credit to remain in place until each of the following has occurred: (a) the Commercial Operation Date has occurred and (b) Purchaser has certified to the issuer of the Letter of Credit that any Delay Payment due from Seller has been paid.

ARTICLE 7 PROJECT GUARANTEES

7.1 Annual Output Guarantee. Seller warrants and covenants that the Energy output for each Contract Year, as calculated immediately following the end of such Contract Year, shall have been no less than the Guaranteed Annual Output. For each MWh that the actual Energy output during the Contract Year is less than the Guaranteed Annual Output for such Contract Year, Seller shall pay Purchaser liquidated damages in the amount of the Cost to Cover for such MWh of Energy. Notwithstanding the foregoing, Purchaser shall not be entitled to any liquidated damages under this Section 7.1 to the extent Seller's failure to meet the Guaranteed Annual Output was caused by a Transmission Provider, Purchaser or a Force Majeure Event.

7.2 Hourly Guarantee. Not later than forty-five (45) minutes prior to the start of each hour during the Contract Term, Seller shall provide to Purchaser a forecast of the Project output for the next schedule hour to be delivered to the Delivery Point. If the Project output actually delivered to the Delivery Point in such hour is less than the forecast amount supplied by Seller by more than twenty percent (20%), Purchaser shall be entitled to a credit, against amounts otherwise due and owing by Purchaser to Seller, in an amount equal to the product of (a) the amount of Energy greater than twenty percent (20%) of the forecast amount not delivered to the Delivery Point multiplied by (b) the difference between the Market Price for such amount of Energy in such hour and the purchase price for such amount of Energy pursuant to Section 3.3.

7.3 Project Availability Guarantee.

7.3.1 Guaranteed Project Availability. Seller warrants and covenants that for each Contract Year during the Initial Term, as calculated at the beginning of the next succeeding Contract Year, the Project Mechanical Availability Percentage shall not be less than ninety-eight percent (98%) of the Required Installed Capacity for such Contract Year.

7.3.2 Payment of Amounts Owing for Failure of Project Mechanical Availability Percentage to Meet Project Availability Guarantee. For each percentage point (rounded to the nearest 1/100 of one percent) by which the Project Mechanical Availability Percentage for any Contract Year is less than ninety-eight percent (98%) of the Required Installed Capacity for such Contract Year, Seller shall pay Purchaser liquidated damages in an amount equal to the product of (a) the amount of such percentage points (as so

rounded) multiplied by (b) the Required Installed Capacity multiplied by (c) the Contract Capacity Rate.

7.3.3 Payment of Amounts Owing for Failure to Meet Project Availability Guarantee. For the second Contract Year and for each Contract Year thereafter, no later than the thirtieth (30th) Day of such Contract Year, Seller shall deliver to Purchaser an invoice showing Seller's computation of the actual Energy output and the Project Mechanical Availability Percentage for the immediately preceding Contract Year and the amount of liquidated damages due Purchaser in respect thereof, if any. Seller shall pay to Purchaser, by wire transfer of immediately available funds to the account specified in writing by Purchaser for such purpose or by any other means agreed to by the Parties in writing from time to time, the amount set forth as due in each such invoice. Any disputed invoices shall be treated as set forth in Section 5.1.3.

7.4 Seller Guaranty; Additional Security; Financial Statements.

7.4.1 Delivery of Guaranty for Output Obligations. With respect to the obligations of Seller set forth in Sections 6.3, 7.1, 7.2 and 7.3, Seller shall cause one or more of its respective Affiliates (each a "**Seller Guarantor**") having an Earnings-to-Interest Ratio of at least 2.00, to execute and deliver to Purchaser prior to the Commercial Operation Date a guaranty in favor of Purchaser, in the form attached as **Exhibit G**, under the terms of which Seller Guarantor unconditionally guarantees the full and prompt payment of Seller's payment obligations of this Agreement, in a maximum aggregate amount not to exceed _____ dollars (_____). Such Guaranty shall remain in effect for the Term and thereafter until Purchaser has certified to the Guarantor that no damages are owed by Seller.

7.4.2 Additional Security. In lieu of the obligation to provide a guaranty as set forth in Section 7.4.1, or in the event that such a guaranty has been provided and at any time subsequent thereto Seller Guarantor shall no longer have an Earnings-to-Interest Ratio of at least 2.00 as determined at the end of any calendar quarter during the Term based on the Seller Guarantor's interest coverage at the end of the twelve (12)-month ending with such calendar quarter, then Seller shall provide to Purchaser Additional Security in the amount of _____ dollars (\$_____) and for the term of the guaranty described in Section 7.4.1(a). In the event Seller fails to provide such Additional Security within five (5) Business Days, then an Event of Default shall be deemed to have occurred pursuant to Section 12.1.1(f) hereof, and Purchaser shall be entitled to exercise any of the remedies set forth in Article 12 hereof.

7.4.3 Cash As Additional Security. If such Additional Security consists of cash, the escrow agreement with the applicable Custodian (to which Seller, Seller Guarantor and Purchaser shall be parties) shall provide, without limitation, that:

- (a) such cash shall be invested by the Custodian at the direction of Seller in such Permitted Investments as Seller shall select; and

(b) Seller shall be entitled, on a current basis, to all investment earnings derived from all investments of such cash.

The fees and expenses of such Custodian shall be paid by Seller.

7.5 Financial Statements.

Seller shall provide to Purchaser the following:

(a) within forty-five (45) Days after the close of each calendar quarter (commencing with the calendar quarter ending _____), the unaudited financial statements of Seller Guarantor for the calendar quarter just ended; and

(b) within one hundred and twenty (120) Days after the close of each fiscal year (commencing with the fiscal year ending _____), the unaudited financial statements of Seller Guarantor for the fiscal year just ended; provided, that if Seller Guarantor otherwise has audited financial statements prepared for the fiscal year in question, then such audited financial statements of Seller Guarantor shall be provided in lieu of the aforementioned unaudited financial statements.

ARTICLE 8 MEASUREMENT AND METERING; PROJECT DATA

8.1 Metering Equipment.

Seller shall provide and cause to be installed, all metering (including meters at any Project substation identified as the Delivery Point) and data processing equipment needed for the registration, recording, and transmission of information regarding the Energy generated from the Generator and delivered to the Delivery Point, real and reactive power output, voltage output, current output, and other related parameters that are required for computing the payments due to Seller from Purchaser ("**Meters**"). Upon installation, the Meters shall become the property of Purchaser. Purchaser shall operate and maintain all such equipment in accordance with Prudent Utility Practices. All Meters and data processing equipment shall meet or exceed the Technical Requirements.

8.2 Measurements. Readings of the Meters shall be conclusive as to the amount of Energy delivered under this Agreement; provided, that if the Meters are discovered to be inaccurate pursuant to Section 8.3 below and the Parties do not agree on the actual energy delivered during the period when the Meters were registering inaccurately, the period to be used for purposes of calculating measurements pursuant to this Section 8.2 shall be one-half of the period from the date of the last previous test of the Meter through the date of the test that found the Meters to be inaccurate, but in no event more than one hundred eighty (180) Days from the date of the last previous test of such the Meters.

8.3 Testing and Correction.

8.3.1 Required Testing by Seller; Purchaser's Right to Conduct Tests; Testing of Purchaser's Meters. The accuracy of Meters shall be tested and verified not less than annually and at Seller's expense. Such annual testing and verification shall be performed within thirty (30) Days following the beginning of each Contract Year by a third party selected by Purchaser and approved in writing by Seller. In addition, at Seller's option, the accuracy of the Meters may be tested and verified at Seller's expense at more frequent intervals. Seller shall provide to Purchaser at least twenty (20) Days' prior written notice of the date upon which any such test is to occur. Purchaser and its consultants and representatives shall have the right to be present at and observe each such test. Seller shall prepare a written report setting forth the results of each such test, and shall provide Purchaser with copies of such written report not later than thirty (30) Days after completion of such test.

8.3.2 Standard of Meter Accuracy; Resolution of Disputes as to Accuracy. The following steps shall be taken to resolve any disputes regarding the accuracy of any Meter:

(a) If Seller disputes a Meter's accuracy or condition, it shall so advise the Purchaser in writing.

(b) Purchaser shall, within fifteen (15) Days after receiving such notice, advise Seller in writing as to its position concerning the Meter's accuracy and reasons for taking such position.

(c) If the Parties are unable to resolve the dispute through reasonable negotiations, then either Party may cause an unaffiliated third-party engineering Seller mutually acceptable to the Parties to test the Meter that is the subject of dispute.

(d) If such Meter is found to be inaccurate by more than two percent (2%) or if such Meter is for any reason out of service or fails to register, then the Parties shall use their best efforts to estimate the correct amounts of energy delivered during the periods affected by such inaccuracy, service outage or failure to register by the best available means. In the event that, as a result of such estimate: (i) the amount of Energy credited to Purchaser is decreased, Seller shall reimburse Purchaser for any overpayment made by Purchaser, such reimbursement to be in the form of (A) a deduction from the next succeeding payment or payments by Purchaser for electrical energy due Seller pursuant to Section 3.3 or (B) cash, if no such succeeding payments in an amount exceeding the amount of such overpayment are or shall be due; or (ii) the amount of Energy credited to Purchaser is increased, Purchaser shall pay Seller for such increased credit for Energy, if any, at the purchase price set forth in Section 3.3 which is effective for the periods during which such Energy is estimated to have been delivered. Notwithstanding the foregoing, if, upon test, Purchaser's

meters for determining amounts of energy delivered under this Agreement are found to be inaccurate by not more than two percent (2%), then any previous recordings of such meters shall be deemed accurate. Purchaser shall promptly cause meters found to be inaccurate to be adjusted to correct to the extent practicable such inaccuracy.

8.4 Real Time Data; Other Project Data.

8.4.1 Real Time Data. Seller shall make available to Purchaser on a real-time, Generator-by-Generator basis, (a) the information and data referred to in Section 8.1, and (b) any other data from the Project that Seller receives on a real time basis. Seller shall provide such real time data to Purchaser on the same basis as the basis on which Seller receives the data (e.g., if Seller receives the data in four second intervals, Purchaser shall also receive the data in four second intervals). Seller shall present the real-time data in an electronic form that interacts seamlessly with real-time electronic data received by Purchaser from any other [type of generation] project operated by Seller or an Affiliate of Seller. For the purpose of receiving the real-time data contemplated in this Section 8.4.1, Seller shall provide to Purchaser either a terminal or a direct interface with Seller's equipment at the Site.

8.4.2 Other Project Data. Within thirty (30) Days after the end of each calendar month, Seller shall provide to Purchaser a monthly report in electronic format acceptable to Purchaser, which report shall include information on the Actual Operational Hours of the Generator, summaries of production of the Generator, any other significant events related to the operation of the Generator and any supporting information that Purchaser may reasonably request. In addition, Seller shall maintain an electronic fault log of operations of the Project (including all information reasonably required to confirm Project and Generator availability) during each hour of the Term beginning as of the Commercial Operation Date and shall provide such log to Purchaser on a monthly basis. Without limiting the foregoing, Seller shall promptly furnish Purchaser with copies of such plans, specifications, records and other information and data relating to the Project, any construction and installation activities, the arrangements between Seller and the applicable Transmission Provider, the ownership, operation, use or maintenance of the Project, or Seller Guarantor's Earnings-to-Interest Ratio, as may be reasonably requested by Purchaser from time to time. Purchaser shall maintain the confidentiality of Seller's confidential and proprietary information provided pursuant to this section in accordance with the terms and provisions of a confidentiality agreement mutually agreed to by the Parties.

ARTICLE 9 RECORDS; REPORTS AND REVIEWS

9.1 Maintenance of Records; Quarterly Reports.

9.1.1 Maintenance of Records. Each Party shall keep complete and accurate records, and shall maintain such data as may be necessary for the purpose of ascertaining the accuracy of each statements of charges submitted hereunder for a period of two (2) years from the date the applicable statement was delivered.

9.1.2 Quarterly Reports. Within thirty (30) Days after the end of each calendar quarter, Seller shall provide to Purchaser a written quarterly report, which shall include:

- (a) information on the Average Annual Output;
 - (b) summaries of production of the Generator;
 - (c) any other significant events related to the operation of the Generator;
- and
- (d) any supporting information that Purchaser may reasonably request.

9.2 Right To Review.

9.2.1 Review Rights. Purchaser shall have the right, upon reasonable notice to Seller and during Seller's regular business hours and without materially interfering with the conduct of Seller's business, to access and review all of Seller's records, reports, data, calculations and statements, maintained by Seller pursuant to Section 9.1.1, that Seller provides or is obligated to provide to Purchaser under this Agreement. Purchaser shall bear Purchaser's costs of performing such review, provided that Seller cooperates with such review. Purchaser shall not be obligated to pay or reimburse Seller for any costs (including the cost of photocopies) that Seller may incur as a result of such review.

9.2.2 Refunds of Overpayments and Underpayments. Should any review performed pursuant to Section 9.2.1 reveal a billing error or errors that resulted in an overpayment by Purchaser, Seller shall refund to Purchaser the amount of the overpayment plus interest thereon from the date such overpayment was made by Purchaser to (but not including) the date Purchaser actually receives the refund thereof from Seller, such interest to be calculated at an annual rate equal to the Prime Rate in effect on the date such overpayment was made by Purchaser plus two percent (2%), but not in excess of the highest interest rate permitted under Applicable Law. Should any review performed pursuant to Section 9.2.1 reveal a billing error or errors that resulted in an underpayment by Purchaser, Purchaser shall refund to Seller the amount of the underpayment plus interest thereon from the Due Date of the applicable payment to (but not including) the date Seller actually receives the refund thereof from Purchaser, such interest to be at an annual rate equal to the Prime Rate in effect on the date such overpayment was made by Purchaser plus two percent (2%), but not in excess of the highest interest rate permitted under Applicable Law.

**ARTICLE 10
RELEASE AND INDEMNITY; INSURANCE**

10.1 Release and Indemnity. Each Party releases and shall defend, indemnify and hold harmless each of the Indemnitees of the other Party from and against all claims, losses, harm, suits, liabilities, obligations, damages, penalties, costs and expenses (including, but not

limited to, reasonable attorneys' fees and any incremental taxes payable by the Indemnitees on the amount of any indemnities paid by the indemnifying Party to the Indemnitees pursuant to this Section 10.1) of whatsoever kind and nature (including, without limitation, relating to the injury to or death of any person, including employees of the indemnifying Party) which may at any time or from time to time be imposed on, incurred by or asserted against the Indemnitees, arising out of or in connection with the construction, installation, start up and testing of the Project, the Interconnection Facilities and the Meters, the delivery of energy from the Project to the Delivery Point, the ownership, operation, use or maintenance of the Project, or, in the case of Seller as indemnifying Party, the failure of Seller to have observed or performed any of Seller's obligations or liabilities under this Agreement. To the fullest extent permitted by applicable law, the foregoing shall apply regardless of any fault, negligence, strict liability or product liability of the Indemnitees and shall apply to any claim, action, suit or proceeding brought by any employee of the indemnifying Party. However, the indemnifying Party shall not be required to so defend, indemnify or hold harmless such any Indemnitee from any claim, loss, harm, liability, damage, cost or expense to the extent the same is caused by or results from the negligence of such Indemnitee.

10.2 Insurance.

10.2.1 Insurance During Construction. During the construction of the Project, Seller shall, at Seller's expense, maintain or cause to be maintained property damage insurance covering all properties at the Site on an "all-risk" basis (including earthquake, tornado and flood), for the full replacement value of such properties.

10.2.2 Insurance During Commercial Operation. From and after the Commercial Operation Date, Seller shall, at Seller's expense, maintain or cause to be maintained property and casualty loss insurance for the full replacement value of the Project and other appropriate insurance for the Project in accordance with Prudent Utility Practices, including the following:

(a) Commercial general liability insurance including all the usual coverages known as Premises/Operations Liability, Products/Completed Operations, Personal/Advertising Injury, Contractual Liability, Independent Contractors Liability, Stop Gap/Employers Liability, Explosion, Collapse, or Underground (XCU), Broad Form Property Damage and Fire Damage Legal. Such insurance coverages must provide the following minimum limits:

(i) Bodily Injury, Property Damage, Personal Injury & Advertising Injury:

(A) \$1,000,000 General Aggregate;

(B) \$1,000,000 Products & Completed Operations Aggregate;

- (C) \$1,000,000 Personal & Advertising Injury;
 - (D) \$5,000,000 Each Occurrence;
 - (E) \$500,000 Fire Damage Legal;
- (ii) Stop Gap Employers Liability:
- (A) \$1,000,000 Each Accident;
 - (B) \$1,000,000 Disease - Policy Limit;
 - (C) \$1,000,000 Disease - Each Employee;

(b) All-risk property insurance including earthquake, tornado, hurricane and other high wind weather conditions, and flood, subject to appropriate sublimits, covering physical loss or damage to all real and personal property located at the Site;

(c) Such insurance as provided under item (a) above shall be endorsed to include Puget Sound Energy, Inc., its officers, directors, employees and agents as additional insureds and shall not be reduced or canceled without sixty (60) Days' prior written notice to Purchaser. In addition, Seller's insurance shall be primary as respects Purchaser, and any other insurance maintained by Purchaser shall be excess of and not contributing insurance with Seller's insurance.

All insurance policies required to be obtained hereunder shall provide insurance for occurrences throughout the Term. All insurance coverage pursuant hereto shall be issued by an insurer with a Best's Rating of not less than "A-" or such other insurer as is reasonably acceptable to Purchaser. Upon Purchaser's request, Seller shall provide to Purchaser (1) a copy of the insurance policy's declaration pages, showing the insuring Seller, policy effective dates, limits of liability and the schedule of forms and endorsements, (2) a copy of the endorsement naming Puget Sound Energy, Inc., its officers, directors, employees and agents as additional insureds, showing the policy number, and signed by an authorized representative of the insurance Seller, (3) a copy of the "endorsements form list" to the insurance policy showing endorsements issued on the policy, and including any Seller-specific or manuscript endorsements and (4) a copy of an endorsement stating that the coverages provided by the policy to Purchaser or any other additional insured shall not be terminated, reduced or otherwise materially changed without providing at least sixty (60) Days' prior written notice to Purchaser, a copy of a "separation of insureds" or "severability of interests" clause, indicating essentially that - except with respect to the limits of insurance, and any rights or duties specifically assigned to the first named insured - the insurance applies as if each insured were the only named insured, and separately to each insured against whom claim is made or suit is brought (Commercial General Liability Insurance).

ARTICLE 11
NOTICES

Any notice or other communication required, permitted or contemplated hereunder shall be in writing, shall be addressed to the Party to be notified at the address set forth below or at such other address as a Party may designate for itself from time to time by notice hereunder:

To Purchaser:

Puget Sound Energy, Inc.

Phone: 425-

Fax: 425-

To Seller:

Phone: _____

Fax: _____

Each notice required, permitted, or contemplated hereunder shall be deemed to have been validly served, given or delivered as follows:

- (a) if received by first class, registered, or certified United States mail or overnight delivery service, return receipt requested, postage prepaid;
- (b) if sent by a regularly scheduled overnight delivery carrier with delivery fees either prepaid or paid through an arrangement with such carrier, the next Business Day after the same is delivered by the sending Party to such carrier;
- (c) if sent by fax and if concurrently with the transmittal of such fax the sending Party contacts the receiving Party at the phone number set forth above to indicate such fax has been sent (which indication by phone made be done by leaving a voicemail for the receiving Party at such phone number), at the time such fax is transmitted by the sending Party as shown by the fax transmittal confirmation of the sending Party; or
- (d) if delivered in person, upon receipt by the receiving Party.

Either Party may from time to time change the recipient or its address by giving the other Party notice of the change in accordance with this section.

ARTICLE 12
DEFAULTS AND REMEDIES

12.1 Events of Defaults and Rights Upon Event of Default.

12.1.1 Events of Default. If either Party (a "**Defaulting Party**"), or Seller Guarantor pursuant to clauses (c) and (d) below:

(a) fails to pay any amount due hereunder, when, after notice by the non-defaulting Party to the Default Notice Parties is delivered in accordance with Article 11, and such failure is not cured, by payment of the amount due plus interest at an annual rate equal to the Prime Rate then in effect plus 2% from the date due until paid (but in no event more than the maximum rate permitted by Applicable Law), within ten (10) Business Days after the date that such notice is received by the Defaulting Party;

(b) otherwise defaults (other than pursuant to Section 12.1.1(c), (d), (e) or (f)) in the performance of its obligations under this Agreement if such default has not been cured by the Defaulting Party within sixty (60) Days after the date of receipt by the Default Notice Parties of written notice from the non-defaulting Party setting forth, in reasonable detail, the nature of such default; provided, that in the case of a default that is not reasonably capable of being cured within the sixty (60)-Day cure period, the Defaulting Party shall have additional time to cure the default if it commences to cure the default within such sixty (60)-Day cure period, it diligently pursues such cure, and such default is capable of being cured by the Defaulting Party and is in fact cured within no more than one hundred eighty (180) Days after receiving such notice; provided, further, that the Defaulting Party shall not be relieved of its duty to pay amounts due under this Agreement during the cure period, whether the amount due arises from the Event of Default or otherwise;

(c) is subject to any involuntary bankruptcy, insolvency, reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar proceeding (whether under any present or future statute, law, or regulation), including the involuntary appointment of any trustee, receiver, custodian, or the like of such Defaulting Party or all or any substantial part of its assets, and such proceeding has not been terminated or dismissed within thirty (30) Days after the commencement thereof; commences any voluntary bankruptcy, insolvency, reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar proceeding (whether under any present or future statute, law, or regulation), including the appointment, with the consent or acquiescence of the Defaulting Party, of any trustee, receiver, custodian, or the like of such Defaulting Party or all or any substantial part of its assets; or Seller Guarantor commences or is subject to any bankruptcy, insolvency, reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar proceeding (whether under any present or future statute, law, or regulation) with respect to Seller Guarantor (in which event Seller

shall be deemed to be the Defaulting Party), the provider of any Letter of Credit given pursuant to Section 6.3.3 (in which event Seller shall be deemed to be the Defaulting Party), unless the guaranty or Letter of Credit provided by such Person is replaced in form and substance and by an entity satisfactory to the non-defaulting Party within five (5) Business Days after the commencement of such proceeding;

(d) Seller Guarantor defaults under the guaranty issued by Seller Guarantor hereunder, in which event Seller shall be deemed to be the Defaulting Party;

(e) breaches Section 6.3.3; or

(f) breaches Article 7,

such failure, default or breach by the Defaulting Party described above shall be deemed to be an "**Event of Default**" under this Agreement.

Notwithstanding anything expressed or implied herein to the contrary:

(i) upon the occurrence of an Event of Default by Seller, Purchaser shall give any notice of such Event of Default to each of the Default Notice Parties; provided, that Purchaser shall only be required to give such notice to Seller Lender if, prior to the occurrence of such default, Seller or Seller Lender has provided to Purchaser written notice of the address, telephone number and fax number to which notices to Seller Lender are to be sent;

(ii) upon the occurrence of an Event of Default by Purchaser, Seller shall give any notice of such Event of Default to each of the Default Notice Parties.

12.1.2 Rights Upon Event of Default. Upon the occurrence of an Event of Default by a Defaulting Party and after any cure period applicable to such Event of Default as provided in Section 12.1.1, the non-defaulting Party shall have the following rights, which rights the non-defaulting party may exercise individually or in any combination:

(a) to terminate this Agreement by written notice to the Defaulting Party and to recover in connection with such termination its Cost to Cover pursuant to Section 7.1 and based on the remainder of the Term;

(b) to suspend performance of its obligations and duties hereunder upon written notice to the Defaulting Party;

(c) if the non-defaulting Party is Purchaser, to exercise all rights as a secured party under the Security Documents, including: (i) the right to foreclose on the security interests granted therein, or any portion thereof, and apply the net

proceeds resulting therefrom against Purchaser's Cost to Cover and (ii) enter into possession of the Project and operate and maintain the Project for the account, and at the expense, of Seller, including producing and delivering Energy to Purchaser in accordance with the terms of this Agreement; and

(d) to pursue any other right or remedy under this Agreement or now or hereafter existing at law, in equity or otherwise.

12.2 Specific Performance and Injunctive Relief. Each Party shall be entitled to seek a decree compelling specific performance with respect to, and shall be entitled, without the necessity of filing any bond, to enjoin any actual or threatened breach of any material obligation of the other Party under this Agreement. The Parties agree that specific performance is proper in the event of any actual or threatened breach of any material obligation of the other Party under this Agreement. The Parties in any action for specific performance agree that all expenses incurred by the prevailing Party in such proceeding, including reasonable attorneys' fees at trial and upon appeal, shall be awarded to the prevailing Party in such proceeding.

ARTICLE 13 LIMITATION OF LIABILITY

EXCEPT TO THE EXTENT INCLUDED IN THE COST TO COVER OR OTHER AMOUNTS SPECIFICALLY PROVIDED HEREIN TO BE PAID, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY SPECIAL, INCIDENTAL, EXEMPLARY, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF A PARTY'S PERFORMANCE OR NON-PERFORMANCE UNDER THIS AGREEMENT, WHETHER BASED ON OR CLAIMED UNDER CONTRACT, TORT (INCLUDING SUCH PARTY'S OWN NEGLIGENCE), STRICT LIABILITY OR ANY OTHER THEORY AT LAW OR IN EQUITY. IT IS EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES THAT ANY AMOUNTS OWING BY SELLER TO PURCHASER PURSUANT TO SECTIONS 6.3 AND 7.3 HEREOF ARE NOT INTENDED, NOR SHALL THEY BE INTERPRETED OR CONSTRUED, TO CONSTITUTE SPECIAL, INCIDENTAL, EXEMPLARY, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES FOR PURPOSES OF THIS ARTICLE 13.

ARTICLE 14 CONSENT TO JURISDICTION

Any disputes arising out of, in connection with, or with respect to this Agreement, the subject matter hereof, or the performance or nonperformance of any obligation hereunder shall be adjudicated in a state or federal court of competent civil jurisdiction sitting in the State of Washington and nowhere else. Each of the Parties irrevocably consents and agrees that any legal action or proceedings with respect to this Agreement may be brought in any of the state or federal courts located in King County, State of Washington, and that, by execution and delivery of this Agreement, each Party:

(a) accepts the exclusive jurisdiction of the aforesaid courts;

(b) irrevocably agrees to be bound by any final judgment (after any and all appeals) of any such court with respect to such documents;

(c) irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any suit, action, or proceedings with respect to this Agreement brought in any such court, and further irrevocably waives, to the fullest extent permitted by law, any claim that any such suit, action, or proceeding brought in any such court has been brought in any inconvenient forum;

(d) agrees that service of process in any such action may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Party at its notice address set forth herein, or at such other address of which the other Parties hereto shall have been notified, and

(e) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by Applicable Law.

ARTICLE 15 ASSIGNMENT

15.1 Restriction on Assignments. Except as otherwise provided below, neither Party may assign or transfer this Agreement, or any of its rights, title or interests herein, hereto or hereunder, and Seller shall not assign or transfer any of its rights, title or interests in or to the Project or any part thereof (either directly or through the transfer of interests in Seller), without the other Party's prior written consent, which consent shall not be unreasonably withheld. The non-assigning Party may withhold its consent (without limitation) if the other Party proposes to assign or transfer its rights or delegate its duties under this Agreement to any party that has a credit rating by S&P of "BBB+" or less or has a credit rating by Moody's of "Baa1" or less. [Purchaser may, without the consent of Seller, sell, transfer, assign, convey, encumber or otherwise dispose of all or any portion of the Environmental Attributes.] Any assignment in violation of this provision shall be void.

15.2 Assumption by Assignee; No Release from Liabilities. Seller shall cause any permitted assignee or transferee of Seller's interests in, to or under this Agreement to assume all existing and future obligations of Seller to be performed under this Agreement. Upon any permitted assignment or transfer of this Agreement, the assigning or transferring Party shall nevertheless continue to be and shall remain liable for the performance of its obligations hereunder in accordance with the terms hereof.

15.3 Binding Effect. Subject to the other provisions of this Article 15, this Agreement shall bind and inure to the benefit of the Parties and their permitted successors and assigns.

15.4 Purchaser's Options

15.4.1 Purchaser shall have an option (the "**Transfer Option**") to purchase all of the interests that are the subject of any proposed assignment or transfer permitted under this Article 15 on terms not less advantageous to Seller or Purchaser than those that Seller is willing to accept from the proposed transferee. The Transfer Option shall be exercisable at any time within sixty (60) Days after Purchaser receives written notice of the Transfer Option (the "**Transfer Option Notice**") from Seller. The Transfer Option Notice shall contain (a) a clear and concise statement that it is an offer to sell to Purchaser the interests in the Project that are the subject of the proposed assignment or transfer, (b) a description of the proposed assignment or transfer, (c) the name and address of the prospective transferee, (d) all of the terms of the proposed assignment or transfer (including, but not limited to, the purchase price and terms of payment), and (e) a representation, warranty and covenant that no other assignment or transfer is being considered by Seller as of the date of the Transfer Option Notice and that no other assignment or transfer shall be considered or effected by Seller until the six-month period referred to below in this Section 15.4.1 has elapsed. Seller shall give the Transfer Option Notice at least sixty (60) Days in advance of the proposed date of the proposed assignment or transfer. Purchaser shall have the right to exercise the Transfer Option by giving Seller written notice of such exercise within the applicable sixty (60)-Day period. If the Transfer Option is not exercised in accordance with this Section 15.4.1, Seller may assign or transfer the specified interests to the prospective transferee named in the Transfer Option Notice, provided that such assignment or transfer is made in strict accordance with the terms of the proposed assignment or transfer set forth in the Transfer Option Notice and is completed within six (6) months after the expiration of the right to exercise the Transfer Option. After such six-month period has elapsed, any assignment or transfer by Seller shall again be subject to the restrictions on assignment set forth in this article and to the Transfer Option.

15.4.2 Purchaser shall have an option (the "**Power Purchase Option**") for a period of five (5) years after the end of the Term to purchase all of the net electrical output from the Project that is the subject of any proposed sale of such output on the same terms as those which Seller is willing to accept from the proposed purchaser of such output. The Power Purchase Option shall be exercisable at any time within sixty (60) Days after Purchaser receives written notice of the Power Purchase Option (the "**Power Purchase Option Notice**") from Seller. The Power Purchase Option Notice shall contain (i) a clear and concise statement that it is an offer to sell to Purchaser all of the net electrical output from the Project that is the subject of any proposed sale of such output, (ii) a description of the proposed purchase and sale, (iii) the name and address of the prospective purchaser, (iv) all of the terms of the proposed purchase and sale of such output (including, but not limited to, the purchase price and terms of payment), and (v) a representation, warranty and covenant that no other purchase and sale of such output is being considered by Seller as of the date of the Power Purchase Option Notice and that no other purchase and sale of such output shall be considered or effected by Seller until the six-month period referred to below in this Section 15.4.2 has elapsed. Seller shall give the Power Purchase Option Notice at least sixty (60) Days in advance of the proposed date of the proposed purchase and sale transaction. Purchaser shall have the right to exercise the Power Purchase Option by giving Seller written

notice of such exercise within the applicable sixty (60)-Day period. If the Power Purchase Option is not exercised in accordance with this Section 15.4.2, Seller may sell such output to the prospective purchaser named in the Power Purchase Option Notice, provided that such purchase and sale is made in strict accordance with the terms set forth in the Power Purchase Option Notice and is completed within six (6) months after the expiration of the right to exercise the Power Purchase Option. After such six-month period has elapsed, any purchase and sale of such output by Seller shall again be subject to the Power Purchase Option.

15.5 Purchase Pursuant to Options

15.5.1 If the Transfer Option is exercised in accordance with Section 15.4.1, Purchaser shall purchase from Seller, and Seller shall sell and transfer to Purchaser, the interests in the Project specified in the Transfer Option Notice in accordance with the terms of the proposed assignment or transfer set forth in the Transfer Option Notice. If the terms of the proposed assignment or transfer include consideration other than money, Purchaser shall have the right to substitute for such consideration the monetary equivalent thereof. If the Parties cannot agree upon such monetary equivalent, then the monetary equivalent shall be determined by appraisal. In such event, the Parties shall select an appraiser who shall, within sixty (60) Days after his appointment, determine the monetary equivalent of the nonmonetary consideration. If the Parties cannot agree upon an appraiser within sixty (60) Days after the exercise of the Transfer Option, then the Parties shall, within ten (10) Days thereafter, each select an appraiser and the two appraisers so selected shall, within thirty (30) Days after their selection, select a third appraiser. If the two appraisers cannot agree upon a third appraiser, then either Party may petition the American Arbitration Association to appoint a third appraiser. Within sixty (60) Days after the appointment of the last of the appraisers to be appointed, the three appraisers shall determine by majority vote the monetary equivalent of the nonmonetary consideration.

15.5.2 If the Power Purchase Option is exercised in accordance with Section 15.4.2, Purchaser shall purchase from Seller, and Seller shall sell to Purchaser, all of the net electrical output from the Project specified in the Power Purchase Option Notice in accordance with the terms set forth in the Power Purchase Option Notice.

15.6 Closing. Unless otherwise agreed by the Parties, the closing of any sale pursuant to the exercise of a Transfer Option or Power Purchase Option shall take place at the principal office of Purchaser on the first regular business Day following a period of sixty (60) Days after the determination of the terms of such transfer or sale in accordance with Sections 15.4 and 15.5.

15.7 Survival. Sections 15.4, 15.5 and 15.6 (and the Transfer Option and the Power Purchase Option) shall survive the expiration of the Term.

ARTICLE 16 FINANCING LIENS

Seller, without the consent of Purchaser, may grant a security interest in its interests in, to and under this Agreement to Seller Lender as security for any loan made for the purpose of financing or refinancing the construction and/or operation of the Project and the Interconnection Facilities. [Notwithstanding the foregoing or anything else expressed or implied herein to the contrary, Seller shall not assign, transfer, convey, encumber, sell or otherwise dispose of all or any portion of the Environmental Attributes to Seller Lender.] Promptly after granting such security interest, Seller shall notify Purchaser in writing of the name, address, and telephone and facsimile numbers of each Seller Lender to which Seller's interest under this Agreement has been encumbered. Such notice shall include the names of the account managers or other representatives of Seller Lender to whom all written and telephonic communications are to be addressed. After giving Purchaser such initial notice, Seller shall promptly give Purchaser notice of any change in the information provided in the initial notice or any revised notice.

If Seller encumbers its interest under this Agreement as permitted by this Article 16, the following provisions shall apply:

(a) Seller Lender shall have the right, but not the obligation, to perform any act required to be performed by Seller under this Agreement to prevent or cure an Event of Default by Seller, and such act performed by Seller Lender shall be as effective to prevent or cure an Event of Default as if done by Seller.

(b) Purchaser shall give Seller Lenders notice of, and the opportunity to cure as provided in clause (a) above, any breach or default of this Agreement by Seller.

(c) if the Seller Lender forecloses or takes a deed in lieu of foreclosure, (i) Purchaser shall, at Lender's request, continue to perform all of its obligations hereunder, and Seller Lender or its nominee may perform in the place of Seller; provided, that to the extent that Seller Lender or its nominee exercises any right under this Agreement, the terms and conditions of this Agreement shall apply to and be binding upon Seller Lender to the same extent as Seller, (ii) Purchaser shall accept performance in accordance with this Agreement by Seller Lender or its nominee and (iii) Purchaser shall make representations to Seller Lender as set forth in Section 17.2.

(d) Upon the receipt of a written request from Seller or any Seller Lender, Purchaser shall execute or arrange for the delivery of such certificates, consents, opinions, and other documents as may be reasonably required by Seller Lender for Seller to consummate any financing or refinancing of the Project or any part thereof; provided, however, that any such agreement shall not constitute a modification hereof unless Purchaser, in its sole discretion, otherwise so agrees in writing.

ARTICLE 17
REPRESENTATIONS, COVENANTS, AND WARRANTIES

17.1 Seller's Representations and Warranties. Seller represents and warrants throughout the Term as follows:

(a) Seller is a [corporation][limited liability company], duly organized and validly existing and is currently active under the laws of the state of Washington.

(b) Seller has the power and authority to enter into and perform this Agreement and the Security Documents and is not prohibited from entering into this Agreement or the Security Documents or discharging and performing all covenants and obligations on its part to be performed under and pursuant to this Agreement or the Security Documents, except where such failure does not have a material adverse effect on Seller's performance under this Agreement or the Security Documents.

(c) Seller has obtained, or will obtain prior to commencement of deliveries of Test Power hereunder, all regulatory approvals required by any governmental authority, whether federal, state or local, in order to perform its obligations hereunder and under the Security Documents.

(d) The execution and delivery of this Agreement and the Security Documents, consummation of the transactions contemplated herein and in the Security Documents, and fulfillment of and compliance by Seller with the provisions of this Agreement and the Security Documents will not conflict with or constitute a breach of or a default under or require any consent, license, or approval that has not been obtained pursuant to any of the terms, conditions, or provisions of any law, rule, or regulation; any order, judgment, writ, injunction, decree, determination, award, or other instrument or legal requirement of any court or other agency of government; the documents of formation of Seller or any contractual limitation, restriction, or outstanding trust indenture, deed of trust, mortgage, loan agreement, lease, other evidence of indebtedness, or any other agreement or instrument to which Seller is a party or by which it or any of its property is bound and will not result in a breach of or a default under any of the foregoing.

(e) Seller has no reason to believe that the Construction Permits and Operational Permits will not be obtained in the ordinary course of business.

(f) Seller has taken all such action necessary to authorize the execution and delivery of, and the performance by Seller of its obligations under, this Agreement and the Security Documents.

(g) [THIS SECTION 17.1(g) IS APPLICABLE ONLY TO QUALIFYING FACILITIES] the Project is a "qualifying small power production facility" or a "qualifying cogeneration facility" within the meaning of

Section 3(17)(C) or 3(18)(B), respectively, of the Federal Power Act, as amended by Section 201 of the Public Utility Regulatory Policies Act of 1978 (PURPA), and pursuant to notice filed with FERC under 18 C.F.R. Section 292.207(a), Seller has certified that the Project is a "qualifying facility" within the meaning of 18 C.F.R. Section 292.101(b)(1); the representations and statements set forth in such certification are true, accurate and complete as the date of the certification and the date of this Agreement; and such certification has not been revoked, terminated or cancelled and is in full force and effect on the date of this Agreement.

(h) Seller owns, will own or has all rights necessary to produce and sell to Purchaser the Energy using the Turbines and the Balance of Plant as contemplated by this Agreement free from any claim of infringement, misappropriation or violation of the rights of others;

(i) [THIS SECTION 17.1(g) IS APPLICABLE ONLY TO QUALIFYING FACILITIES] Seller shall furnish Purchaser with such documentation and information as Purchaser may request to verify Seller's representations and warranties set forth in (g) above (including, but not limited to, copies of the application and certification referred to in (g) above, together with copies of any correspondence or other communication to or from FERC).

17.2 Purchaser's Representations and Warranties. Purchaser represents and warrants throughout the Term as follows:

(a) Purchaser is a corporation duly organized, validly existing, and is currently active under the laws of the State of Washington, authorized to conduct business in each jurisdiction where necessary for the conduct of its business, except where such failure does not have a material adverse effect on Purchaser's performance under this Agreement.

(b) Purchaser has the power and authority to enter into and perform this Agreement and is not prohibited from entering into this Agreement or discharging and performing all covenants and obligations on its part to be performed under and pursuant to this Agreement.

(c) The execution and delivery of this Agreement, the consummation of the transactions contemplated herein, and the fulfillment of and compliance by Purchaser with the provisions of this Agreement will not conflict with or constitute a breach of or a default under or require any consent, license, or approval that has not been obtained pursuant to any of the terms, conditions or provisions of any law, rule, or regulation; any order, judgment, writ, injunction, decree, determination, award, or other instrument or legal requirement of any court or other agency of government; the documents of formation of Purchaser or any contractual limitation, restriction, or outstanding trust indenture, deed of trust, mortgage, loan agreement, lease, other evidence of indebtedness, or any other Agreement or instrument to which Purchaser

is a party or by which it or any of its property is bound and will not result in a breach of or a default under any of the foregoing.

(d) Purchaser has taken all such action necessary or advisable to authorize the execution and delivery of, and the performance by Purchaser of its obligations under, this Agreement.

(e) This Agreement is a legal, valid, and binding obligation of Purchaser enforceable in accordance with its terms, except as limited by laws of general applicability limiting the enforcement of creditors' rights or by the exercise of judicial discretion in accordance with general principles of equity.

ARTICLE 18 MISCELLANEOUS

18.1 Liquidated Damages. With respect to any provisions herein providing for the payment of liquidated damages by Seller to Purchaser, the Parties acknowledge and agree that it is extremely impractical and difficult to assess actual damages in the event that Seller fails to perform under such provisions, and Seller therefore agrees that each method of calculating liquidated damages (including the Cost to Cover) as provided in such provisions is a fair and reasonable calculation of actual damages to Purchaser in the event that Seller fails to perform under such Sections 6.3, 7.1, 7.2 and 7.3.

18.2 Severability. The invalidity, in whole or in part, of any of the articles or section of this Agreement shall not affect the validity of the remainder of such articles or sections.

18.3 Amendment. No modification, amendment, or other change to this Agreement shall be effective unless agreed to in writing by each of the Parties.

18.4 No Waiver. Failure or forbearance by any Party to exercise any of its rights or remedies under this Agreement shall not constitute a waiver of such rights or remedies in that or any other instance. No Party shall be deemed to have waived any right or remedy resulting from such failure to perform unless it has made such waiver specifically in writing.

18.5 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall be deemed to constitute one and the same instrument.

18.6 No Third-Party Beneficiaries. There are no third-party beneficiaries to this Agreement, and this Agreement is not intended to impart any rights enforceable by any Person that is not a Party. No review, approval, consent, advice, recommendation, authorization, notice, inspection, test or other act by a Party regarding the construction, ownership, operation, use, or maintenance of the Project or the delivery of Energy under this

Agreement shall constitute or be interpreted as or be relied upon by any other Person not a Party as a warranty, representation, or endorsement by such Party.

18.7 Time. Unless otherwise specified in this Agreement, all references to specific times under this Agreement shall be references to Pacific standard or Pacific daylight savings time, whichever is then prevailing.

18.8 Headings, Captions; Construction; Conflict Between Agreement and Exhibits. All indexes, titles, subject headings, section titles and similar items are provided for the purpose of reference and convenience and are not intended to affect the meaning, content or scope of this Agreement. The Parties collectively have prepared this Agreement, and none of the provisions hereof shall be construed against one Party on the ground that such Party is the author of this Agreement or any part hereof. Because both Parties have participated in the drafting of this Agreement, the usual rule of contract construction that resolves ambiguities against the drafter shall not apply.

18.9 Forward Contract. The Parties acknowledge and agree that this Agreement and the transactions consummated under this Agreement constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Seller is a "forward contract merchant" within the meaning of the United States Bankruptcy Code.

18.10 Governing Law. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Washington, without regard to such state's choice of law principles.

18.11 No Agency. This Agreement is not intended, and shall not be construed, to create any association, joint venture, agency relationship, franchise or partnership between the Parties or to impose any such obligation or liability upon either Party. Neither Party shall have any right, power or authority to enter into any agreement or undertaking for, act as or be an agent or representative of, or otherwise to bind the other Party.

18.12 Waiver of Jury Trial. Each of the Parties knowingly, voluntarily, and intentionally waives the right it may have to a trial by jury in respect of any litigation based hereon, or arising out of, under, or in connection with this Agreement and any agreement contemplated hereunder, or any course of conduct, course of dealing, statements (whether verbal or written), or actions of the Parties. Furthermore, each of the Parties waives any right to consolidate any action in which a jury trial has been waived with any other action in which a jury trial cannot be or has not been waived. This provision is a material inducement for the Parties to enter into this Agreement.

18.13 Effect of Force Majeure Event. Notwithstanding any other provision of this Agreement, each Party's obligations under this Agreement shall be suspended by a Force Majeure Event but only to the extent that the Force Majeure Event prevents the affected Party from performing its obligations under this Agreement. The affected Party's time for performance shall be extended by a period of time reasonably necessary to compensate for

the delay caused by the Force Majeure Event; provided, that the affected Party shall use diligent efforts to remedy or overcome the Force Majeure Event. The occurrence and continuation of a Force Majeure Event shall not suspend or excuse the obligation of a Party to make any payments required to be made hereunder.

18.14 Rights and Remedies Cumulative. Except as otherwise expressly provided in this Agreement, all rights and remedies of either Party under this Agreement and at law and in equity shall be cumulative and not mutually exclusive and the exercise of one right or remedy shall not be deemed a waiver of any other right or remedy. Nothing contained in any provision of this Agreement shall be construed to limit or exclude any right or remedy of either Party (arising on account of the breach or default by the other Party or otherwise) now or hereafter existing under any other provision of this Agreement, at law or in equity.

18.15 Governmental Authority. This Agreement is subject to the rules, regulations, orders and other requirements, now or hereafter in effect, of all governmental authorities (including the WUTC and FERC) having jurisdiction over the Project, this Agreement, the Parties or either of them. Upon execution of this Agreement, Purchaser shall submit this Agreement to the WUTC for review and shall subsequently notify Seller as to whether, within thirty (30) Days following such submission, the WUTC has raised any issues with respect to this Agreement. If (a) the WUTC raises any issues with respect to this Agreement, and (b) Purchaser does not, within one hundred twenty (120) Days following the submission of this Agreement to the WUTC for review, otherwise notify Seller in writing that this Agreement is effective, then either Party shall have the right to terminate this Agreement by giving the other Party written notice of such termination, whereupon this Agreement shall be void *ab initio* and of no force or effect. In no event shall either Party incur any liability (whether for lost revenue or lost profits or otherwise) as a result of such termination. All laws, ordinances, rules, regulations, orders and other requirements, now or hereafter in effect, of governmental authorities that are required to be incorporated in agreements of this character are by this reference incorporated in this Agreement.

18.16 Entire Agreement. This Agreement (including the attached Exhibits, which are incorporated by this reference) and all amendments to this Agreement contain the complete Agreement between Seller and Purchaser with respect to the matters contained in this Agreement and supersede all other agreements and understandings, whether written or oral, with respect to the matters contained in this Agreement.

In Witness Whereof, the Parties have caused this Agreement to be executed and delivered as of the date first set forth above.

PUGET SOUND ENERGY, INC.
a Washington corporation

By: _____
Name: _____
Title: _____
Date: _____

[Insert Name of Seller]
a [_____]

By: _____
Name: _____
Title: _____
Date: _____

EXHIBITS

EXHIBIT A-1	Project Description
EXHIBIT A-2	Site Description
EXHIBIT B	Description of Generator
EXHIBIT C	Location of Delivery Point and Project Substation
EXHIBIT D	Description of the Permits
EXHIBIT E	Contract Rate and Renewal Rate
EXHIBIT F	Example of Calculation of Excess Output Payment under Section 5.1.2
EXHIBIT G	Form of Guaranty of Seller Guarantor
EXHIBIT H	Form of Generator Final Completion Certificate
EXHIBIT I	Operating Procedures and Coordination
EXHIBIT J	Termination Amounts

EXHIBIT A-1
PROJECT DESCRIPTION

EXHIBIT A-2
SITE DESCRIPTION

EXHIBIT B
DESCRIPTION OF GENERATORS

EXHIBIT C

LOCATION OF DELIVERY POINT AND PROJECT SUBSTATION

This Exhibit C is to be completed following the execution and delivery of this agreement as provided in Section 2.1 hereof.

EXHIBIT D
DESCRIPTION OF THE PERMITS

EXHIBIT E

Contract Capacity Rate (\$ per MW)	Contract Energy Rate (\$ per MWh)	Renewal Capacity Rate (\$ per MW)	Renewal Energy Rate (\$ per MWh)
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EXHIBIT F

EXAMPLE OF CALCULATION OF EXCESS OUTPUT CREDIT

UNDER SECTION 5.1.2

The sample calculation set forth below is based on the following assumed facts:

(1) Contract Year in which the total Energy delivered or deemed delivered to Purchaser Under this Agreement was $_{[150]}$ MWhs.

(2) The annual Mean Project Output equals $[100]$ MWh. 110% of the Mean Project Output for the Contract Year in reference equals $[110]$ MWh (100 MWh times 1.10).

(3) The Excess Output for the Contract Year in question equals $[40]$ MWh (150 MWh of Energy delivered or deemed delivered during the Contract Year in reference , minus 110 MWh [being 110% of the Mean Project Output for the Excess Output Calculation Period in question]).

(4) The Excess Output Credit Rate for the Contract Year in reference shall be as set forth in the definition thereof.

Given the above assumed facts, the Excess Output Payment for the Contract Year in reference would be calculated as follows:

$$\text{Excess Output} = 150 - [100 * 110\%] = 40 \text{ MWhs}$$

$$\text{Excess Output Credit} = [40] * [\text{Contract Rate or Renewal Rate, as applicable}] * 15\%$$

EXHIBIT G

FORM OF GUARANTY OF SELLER GUARANTOR

[Form to be provided.]

EXHIBIT H

FORM OF GENERATOR FINAL COMPLETION CERTIFICATE

GENERATOR FINAL COMPLETION CERTIFICATE

DATE OF ISSUANCE _____

OWNER: _____

CONTRACTOR: _____

Project: _____

OWNER's Contract No. _____ CONTRACTOR's Project No. _____

Capitalized terms used herein shall have the meaning set forth in the _____ Power Purchase Agreement dated _____, 2003, between _____, as Seller, and Puget Sound Energy, Inc., as Purchaser.

_____, as Contractor under that certain *[insert description of Contract]* hereby certifies that Generator Completion for all _____ Generator has been achieved.

Executed by Contractor on _____

Date

_____, as Contractor

By: _____
(Authorized Signature)

_____, as Seller and owner of the Project, hereby concurs in Contractor's certification as set forth above and accepts this Generator Final Completion Certificate.

_____, as
Seller and owner of the Project

By: _____
(Authorized Signature)

Date: _____

EXHIBIT I

OPERATING PROCEDURES AND COORDINATION

The Parties hereby agree as follows:

1. Definitions

All capitalized terms not specifically defined below shall have the meaning as set forth in this Agreement, unless the specific application clearly indicates a different meaning.

1.1 "Dispatchers(s)" means Purchaser's representative or representatives responsible for monitoring and operating Purchaser's electric resources.

1.2 "Immediate Outage" means the occurrence of an immediate reduction or suspension of the electrical output from any Generator in response to an abnormal operating condition. An Immediate Outage is distinguished from an Unplanned Required Outage in that the abnormal condition causing an Immediate Outage requires prompt shutdown or curtailment of one or more Generator.

1.3 "Scheduled Maintenance" means the occurrence of reduced or suspended Project or Generator operation for the purpose of performing routine or regular maintenance to the Project in accordance with Prudent Utility Practices. Scheduled Maintenance is distinguished from Immediate Outages and Unplanned Required Outages in that the duration and timing of Scheduled Maintenance can be reasonably forecast.

1.4 "Scheduler(s)" means Purchaser's representative or representatives responsible for day-to-day resource planning and scheduling.

1.5 "Unplanned Required Outage" means the occurrence of reduced or suspended Project or Generator operation caused by abnormal operating conditions that require corrective action. An Unplanned Required Outage is distinguished from an Immediate Outage in that the required repair or maintenance for an Unplanned Required Outage can be delayed or scheduled.

2. Designation of Operating Representatives

2.1 Purchaser shall notify Seller of designated Dispatchers and Schedulers. Seller shall notify Purchaser of designated Operators. The Dispatchers, Schedulers, and Operators so designated shall be authorized to administer the terms of this **Exhibit I**. Each Party shall notify the other of any changes to operating representatives.

2.2 Each Party shall maintain a 24-hour telephone number that can be used to contact operating representatives designated under this **Exhibit I**. Each Party shall notify the other of any changes to the telephone number.

3. Notification

Notification under this **Exhibit I** shall be by telephone or facsimile unless explicitly stated otherwise for a particular application. Prior notification of an event or situation to be made by Seller to Dispatcher or Scheduler pursuant to this **Exhibit I** shall be given to Dispatcher or Scheduler, respectively, a reasonable amount of time in advance of such event or situation.

4. Outages

4.1 Scheduled Maintenance

(a) **Submittal of Proposed Scheduled Maintenance.** At least sixty (60) Days prior to the commencement of each Year, Seller shall submit to Purchaser in writing a proposed forecast of Scheduled Maintenance for such Year and the six months immediately following such Year. In such proposed forecast, Seller shall endeavor to confine Scheduled Maintenance to the months of May and June. Such proposed forecast shall set forth the reason, timing, expected duration, and impact upon project output, and the scheduling flexibility of each Scheduled Maintenance.

(b) **Review of Proposed Scheduled Maintenance.** Purchaser shall have thirty (30) Days to review the proposed forecast of Scheduled Maintenance. Following this review, Purchaser may submit in writing to Seller comments and suggested starting dates for Scheduled Maintenance.

(c) **Final Forecast of Scheduled Maintenance.** Following good faith consideration of Purchaser's suggested timing of Scheduled Maintenance, Seller shall establish the final forecast of Scheduled Maintenance and send such written forecast to Purchaser prior to the commencement of the Year. Such final forecast shall confine Scheduled Maintenance to the months of May and June, unless Purchaser reasonably requests otherwise pursuant to (b) above and Seller agrees to such request, such agreement not to be unreasonably withheld.

(d) **Updates to Forecast.** Seller shall notify Purchaser of any change to the Scheduled Maintenance forecast as soon as practicable.

(e) **Notification to Purchaser.** Not less than seven (7) Days prior to a Scheduled Maintenance, Seller shall notify the Scheduler of the timing, expected duration and the impact upon the Project output. Prior to reducing the Project output for a Scheduled Maintenance, Seller shall notify the Dispatcher of the latest information regarding the timing, the rate at which the Project will be removed, or ramped down, from service, expected duration and the impact upon Project output. During the Scheduled Maintenance, Seller shall notify the Dispatcher of any changes to the expected duration of the Scheduled Maintenance outage as soon as practicable.

(f) **Start-up.** Seller shall notify the Dispatcher prior to returning the Project to service following a Scheduled Maintenance outage. Such notification shall include the timing of the start-up and the rate at which the Project will be returned, or ramped up, to service.

4.2 **Unplanned Required Outage**

(a) **Notification to Purchaser.** Upon the occurrence of an event necessitating an Unplanned Required Outage, Seller shall notify the Scheduler of the reason, timing, expected duration, the impact upon Project output, and the scheduling flexibility of each Unplanned Required Outage. The Scheduler and Seller shall agree upon a schedule for the Unplanned Required Outage, which schedule shall minimize the impact upon Purchaser's electric system and Project operations. If the Scheduler and Seller cannot agree, Seller shall schedule the Unplanned Required Outage and give the Scheduler and Dispatcher prior notice of such schedule. Unless otherwise agreed to by Seller and Scheduler, Seller shall use reasonable efforts to confine all Unplanned Required Outages to weekends, holidays, and, to the extent necessary, non-holiday weekdays other than between the hours of 7 a.m. to 10 a.m. and 4 p.m. to 7 p.m. local time.

(b) **Updates.** During the Unplanned Required Outage, Seller shall notify the Dispatcher of any changes to the expected duration of the outage as they become known.

(c) **Start-up.** Seller shall not return the Project to service following a full or partial shutdown without prior notice to Dispatcher. Such notification shall include the timing of the start-up and the ramp up rate of that portion of the Project returning to service.

4.3 **Immediate Outage**

(a) **Notification to Purchaser.** As soon as practicable after the occurrence of an Immediate Outage, Seller shall notify the Dispatcher, to the extent information is available, of the reason, timing, expected duration and the impact upon Project output of each Immediate Outage.

(b) **Updates.** During an extended Immediate Outage, Seller shall notify the Dispatcher of any changes to the expected duration of the outage as they become known.

(c) **Start-up.** Seller shall notify the Dispatcher prior to returning the Project to service following an Immediate Outage. Such notification shall include the timing of the start-up and the ramp up rate of that portion of the Project returning to service. In the event Seller is able to initiate an immediate restart following an

Immediate Outage, Seller shall notify Dispatcher of the above information as soon as practicable.

4.4 Outage Reports

Purchaser may from time-to-time request, and Seller shall provide, a report of the cause of any Project outage and the actions taken by Seller to correct the situation.

EXHIBIT J

TERMINATION AMOUNTS

Contract Year

Termination Amount

Exhibit IV

PROTOTYPE OWNERSHIP TERM SHEET

Background

This Prototype Ownership Term Sheet (“Term Sheet”) sets forth the current requirements of PSE that should be addressed by or incorporated into a proposal providing for a PSE ownership arrangement, and is intended to identify certain elements of a potential transaction that would be embodied in Definitive Agreements (as defined herein). PSE reserves the right at any time and from time to time to modify, change, supplement or delete any and all provisions of this Term Sheet and to withdraw and cancel the RFP.

PSE has attempted to set forth herein provisions that would be applicable generally to all Respondents and relevant to any potential transaction arising out of a proposed PSE ownership arrangement involving the sale of the Project to PSE. PSE recognizes, however, that the particular facts and circumstances of individual Respondents and generation projects that are the subject of their proposals may vary substantially from and not strictly conform with the transaction structure described in this Term Sheet, with the result that certain proposals in response to the RFP may not incorporate all elements of a PSE ownership arrangement outlined in this Term Sheet.

PSE further recognizes that certain Respondents, for reasons including, among others, legal ownership structure, regulatory requirements or limitations and financing requirements, may submit proposals regarding PSE ownership arrangements that propose that PSE purchase equity interests (such as limited liability company interests or limited partnership interests) in a project company that owns a generation project.

PSE would prefer the submission of proposals consistent with the PSE ownership arrangement described in this Term Sheet. PSE is willing to review and evaluate such alternative proposals on the basis set forth in the RFP, taking into consideration, however, the different or additional economic, legal, regulatory, tax, risk management, financing, credit support, contractual and other implications presented by such alternative proposals.

Respondent acknowledges that the RFP, including this Term Sheet, has been prepared by PSE in connection with an ongoing process of integrated resource planning and that PSE is considering alternative arrangements for the procurement of generation resources. This Term Sheet is an integral part of, and subject to, the terms and conditions of the RFP. This Term Sheet shall not be interpreted as or deemed to be an offer, agreement or commitment by PSE to acquire any generation resource and shall not limit, restrict or obligate PSE in any way with regard to the conduct of such integrated resource planning process, the

potential implementation of any plan or program of resource procurement or the actual procurement of any generation resources. PSE may, in its sole and absolute discretion, reject any and all proposals received in response to the RFP, request the submission of different proposals for other generation resources and/or seek to acquire generation resources from one or more parties other than any Respondent.

General Ownership Structure

The PSE ownership scenario anticipates a proposal pursuant to which PSE would ultimately own the resource. This may be accomplished at various stages of development and using a variety of approaches such as joint development by the respondent and PSE, development by the respondent followed by the transfer to PSE, initial purchase of power by PSE with transfer of ownership later, or other approaches which may be mutually beneficial. Although PSE is willing to consider a wide range of arrangements, this Term Sheet presumes that PSE would acquire an ownership interest in either (i) a Project (as defined below under “*Respondent and the Project*”) prior to the commencement of construction or (ii) a Project that has already commenced commercial operations. If the respondent includes a proposal to shape its resource to PSE’s seasonal resource requirements such proposal should provide a fixed price (e.g., not tied to a market price index) and should be for a longer-term arrangement (3, 5 or 7 years).

This Term Sheet sets forth certain terms and conditions which would be embodied in a purchase and sale agreement (the “PSA”) pursuant to which PSE would acquire 100% of all assets, properties and rights of the Project from the Respondent.¹

A proposal for a PSE ownership arrangement scenario, in addition to containing the other submissions required by the RFP, shall set forth detailed proposals and supporting documents, information and data regarding the timing, price, terms and conditions of a proposed sale of the Project to PSE and a budget, schedule and other information regarding the funding of construction, operation and maintenance of the Project.

¹ Such assets, properties and rights of the Project would include all of the associated real and personal property, tangible and intangible property, assets, equipment, components, facilities, interconnections, systems, spare and replacement parts, permits, intellectual property, and contractual, expansion and other rights currently held or acquired in the future that are necessary, useful, held for use or appropriate for the ownership, planning, development, permitting, design, engineering, construction, interconnection, transmission, use, operation, maintenance, repair and expansion of the Project.

Respondent and the Project

This Term Sheet assumes that Respondent is the owner of a generation project currently operating or under development and having a nameplate capacity of not less than 25 MW (the “Project”).

In its response to the RFP, in addition to the other submissions that should accompany a proposal that contemplates the sale of all of the Project to PSE, Respondent shall comprehensively demonstrate to PSE that the Project, as proposed to be owned, financed, permitted, constructed, operated and maintained, is capable of being “placed in service” on or before [December 31, 2005],² in full compliance with all technical, performance and operating criteria and standards and the requirements of the RFP, applicable laws, regulations, permits and governmental authorities having jurisdiction over the parties or the Project.

Certain Definitive Agreements

PSE currently contemplates that the agreements associated with the potential transaction described in this Term Sheet (the “Definitive Agreements”) would include, among other agreements: (1) a PSA for the sale by Respondent to PSE of all of the Project and (2) if Respondent itself is not sufficiently creditworthy, a guaranty by an affiliate of Respondent acceptable to PSE (the “Guarantor”) of the obligations of Respondent and affiliates of Respondent under the Definitive Agreements (the “Respondent Guaranty”).

The execution and delivery of the Definitive Agreements would be subject, among other things, to PSE’s satisfactory completion of its due diligence as described herein and the approval of such agreements on behalf of each party by all necessary boards of directors or other appropriate management bodies.

Closing

The Closing would occur after receipt by the parties of all consents, authorizations and approvals and satisfaction or waiver of conditions precedent specified in the Definitive Agreements. At the Closing, PSE would purchase the Project from Respondent, free and clear of all liens, charges, encumbrances, and conflicting or competing claims.

Transaction Taxes

Respondent would be responsible for the payment of all sales, conveyance, transfer, real estate excise, business and occupation or similar transaction taxes assessed with respect to or imposed on either party relating to PSE’s purchase of the Project or otherwise in connection with a potential transaction. Respondent and PSE would agree to cooperate to minimize each party’s respective transaction taxes

² PSE’s preference is that the Project would be placed in service on or before [December 31, 2005]; however, PSE will evaluate proposals that contemplate a later placed in service date.

resulting from or arising with respect to such potential transaction.

**Regulatory
Approvals**

PSE currently anticipates that the following regulatory approvals, among others, might be required prior to Closing to implement a proposed transaction:

- (1) Receipt of FERC approval under Section 203 of the Federal Power Act required for the transfer of an interest in FERC-jurisdictional facilities included as part of the Project;
- (2) Expiration of any waiting period (or obtaining of any approval required) under Hart-Scott-Rodino; and
- (3) Receipt by PSE from the Washington Utilities and Transportation Commission (the “WUTC”) of approvals and orders, as applicable, pertaining to PSE’s acquisition of the Project and the other aspects of the potential transaction, and confirming the inclusion of the full amount of the purchase price plus all or substantially all of PSE’s transaction costs and other amounts allocable to the construction, start-up, testing and commissioning of the Project in PSE’s rate base, such approvals and/or orders to be in form and substance satisfactory to PSE in its sole discretion.

**Transaction
Representations &
Warranties**

The Definitive Agreements would contain customary representations and warranties by Respondent and PSE for transactions similar to the transaction relating to, among other things:

- (1) Receipt by the parties of regulatory and other approvals necessary to consummate the potential transaction;
- (2) The financial condition of each of Respondent, Guarantor and any affiliate that is a party to a Definitive Agreement and PSE;
- (3) The nature and extent of Respondent's right, title and interest in and to the Project and the condition of the Project (including with respect to environmental matters);
- (4) The sufficiency of the assets, properties, equipment and rights constituting the Project, including permits and governmental authorizations, for the construction, operation, maintenance and repair of the Project and for the full operation, utilization and maintenance of the Project in accordance with the requirements of the RFP;
- (5) The Project’s compliance with the requirements of applicable law;
- (6) Labor and employment matters; and
- (7) Other appropriate representations and warranties as may reasonably

be required by PSE or Respondent.

**Transaction
Covenants**

The Definitive Agreements would contain covenants of Respondent and PSE customary for similar transactions.

The Definitive Agreements may, depending upon certain factors including the financial condition and experience of the Respondent and Guarantor, the status of development and completion of the Project, the nature of existing contractual arrangements, the capacity, equipment and other technical characteristics of the Project, and the details of Respondent's proposal and potential alternatives to the PSE ownership arrangement described in this Term Sheet, set forth covenants and commitments of Respondent to refrain from taking certain actions, including but not limited to the following:

(1) making any loans, advances or contributions to any person or furnishing a guaranty of the obligations of any person;

(2) amending, modifying, supplementing or changing its organizational and governing documents or reorganizing into any other legal form, entering into any joint venture or partnership, or consolidating, converting or merging with or acquiring any other entity;

(3) engaging in any business other than the management, administration, operation and maintenance of the Project;

(4) incurring any indebtedness, other than, if the proposed transaction contemplates the sale of less than all of the Project to PSE, project financing for the construction, operation and maintenance of its undivided interest in the Project, including any:

(a) indebtedness (other than trade liabilities incurred in the ordinary course of business) for money borrowed or for the deferred purchase price of money or services in excess of an aggregate of [\$ _____]³ outstanding at any one time;

(b) reimbursement obligation under any letter of credit or banker's acceptance;

(c) obligation under any capital lease; and

³ Amount to depend on facts pertaining to the particular Project, including but not limited to the Project's size and cost.

(d) obligation with respect to interest rate or currency swap or similar hedging agreement, in excess of an aggregate of [\$______]⁴ outstanding at any one time;

(5) settling any third party claim relating to the Project without the prior written consent of PSE, which consent would not be unreasonably withheld, delayed or conditioned; and

(6) Liquidating, dissolving, or reorganizing, or seeking the appointment of a receiver, trustee or administrator.

**Terms and
Conditions
Relating to Projects
Under
Development**

In the event that the proposed transaction contemplates a Project that has not yet commenced commercial operations, PSE is willing to entertain proposals that contemplate Definitive Agreements that provide either (i) for the transfer to PSE of responsibility for the completion, start-up and commissioning of the Project or (ii) for the retention by Respondent of responsibility for the completion, start-up and commissioning of the Project.

In either such case, the Definitive Agreements would include a schedule that provides in reasonable detail the status of the design, engineering and construction of the Project, including performance and technical specifications of the Project; performance guarantees; major equipment and systems and vendors; major subcontractors; the status of permit applications; the status of contractors' and vendors' obligations and warranties; the schedule for completion of the Project and other related information and data.

The Definitive Agreements would also provide that prior to Final Completion (defined below) of the Project, Respondent (and its affiliates) would, subject to their respective reasonable policies and procedures applicable to the presence of third parties at the Project, provide to certain designated PSE employees, representatives and agents access to the Project for the purpose of observing and monitoring the manufacture, fabrication, assembly, installation, construction, start-up, testing and commissioning of the Project and any parts or components thereof. PSE's employees, representatives and agents would be permitted access to the Project and specified areas therein and the premises of contractors, vendors and consultants and attend meetings and review and copy (subject to provisions of any applicable confidentiality agreement between the parties) information, data and documents in connection with its due diligence review. PSE's employees, representatives and agents would be subject to and would be

⁴ Amount to depend on facts pertaining to the particular Project, including but not limited to the Project's size and cost.

required to observe Respondent's (and contractors') rules regarding safety, security and confidentiality and would not interfere with or hinder the construction of the Project.

In the event that Respondent retains responsibility for the completion, start-up and commissioning of the Project, PSE currently contemplates that the following additional terms and conditions would apply to the proposed transaction:

Purchase Price

The portion of the purchase price allocable to the cost of completion of the Facility would be payable in predetermined installment amounts through Final Completion (as defined below) as set forth in a funding schedule to be incorporated in the Definitive Agreements, with the first such payment due at Closing. The procedure for invoicing and payment of such incremental amounts would be in accordance with agreed procedures set forth in the Definitive Agreements.

Respondent's Completion of the Project

Subject to certain approval rights of PSE, Respondent would be responsible for the direction of, and the cost and expense necessary, incidental to or appropriate for, the construction, completion, start-up and commissioning of the Project, including mobilization, design, engineering, procurement, supply, supervision, and testing expenses (with the exception of such expenses related to fuel for certain tests as set forth below). Guarantor would unconditionally guarantee Respondent's payment, performance, warranty and other obligations with respect to the design, engineering, construction and completion of the Project in accordance with the criteria set forth in the Definitive Agreements. Respondent would cause construction of the Project to be performed or supervised by an EPC contractor experienced in the design, engineering and construction of electric generating facilities similar to the Project and in accordance with applicable laws, regulations, permits, the standards and criteria of original equipment manufacturers, good industry practices and insurance requirements.

In completing the construction of the Project, Respondent would notify PSE in writing, in advance of making any proposed change order or any

⁵ Amount to depend on facts pertaining to the particular Project, including but not limited to the Project's size and cost.

⁶ Amount to depend on facts pertaining to the particular Project, including but not limited to the Project's size and cost.

other modification to the design, component parts or equipment or operational characteristics of the Project which (A) (i) involves individually an amount in excess of \$[]⁵ or (ii) is proposed after the aggregate value of prior change orders or modifications is \$[]⁶, or (B) which would reasonably be expected to adversely affect the operational characteristics, reliability or costs of operation and maintenance of the Project. PSE would have (x) ten (10) days to notify Respondent in writing that it does not consent to the proposed change order or modification described by Respondent in such notice; otherwise PSE would be deemed to concur with the proposed change order or modification, provided, however, that such change orders or modifications shall not operate to modify the design, component parts, warranties, or equipment or operational characteristics of the Project except as expressly set forth in the proposed change order or modification as consented, or deemed consented, to by PSE. Subject to the foregoing, Respondent shall have the right, without PSE's consent, to make such substitutions of parts, materials and/or equipment in completing the construction of the Project as would not be reasonably expected to adversely affect the operational characteristics, reliability or costs of operation or maintenance of the Project. Respondent shall provide PSE with a list of such substitutions on a monthly basis and at Substantial Completion and Final Completion (each as defined below). In the event Respondent fails to provide timely notice to PSE of any proposed change order or modification of the nature or effect described in the first sentence of this paragraph, and such change order or modification results in a material adverse change to the operational characteristics, reliability or costs of operation and maintenance of the Project, the Definitive Agreements would set forth the mutually agreed upon rights and remedies therefor.

For purposes of this Term Sheet, (i) “Substantial Completion” means the completion of the Project, the completion of the facilities necessary to interconnect the Project to the electric grid and to receive water, fuel supplies and other supplies and services, and the delivery of all permits, interim manuals sufficient for interim operations during the period between Substantial Completion and Final Completion, and other deliverables necessary for PSE to operate the Project on a commercial basis in accordance with the requirements of the Definitive Agreements at an electrical output not less than and heat rate not greater than certain “Minimum Performance Guarantees” to be agreed to in the Definitive Agreements and (ii) “Final Completion” shall mean the final completion by Respondent of all items of work remaining at Substantial Completion, delivery of all outstanding deliverables, including manuals and lien releases from contractors and vendors, clean-up of the site and removal of all equipment.

No later than at Final Completion, and at all times consistent with the

normal and customary requirements (for transactions and projects of this nature) of any financing obtained by PSE in connection with the transaction, Respondent would provide PSE with statutory lien releases from the EPC contractor and its subcontractors furnishing services, equipment or goods used in the design, engineering, equipping, construction and completion of the Project, evidencing that all amounts due to such parties have been paid or bonded around, such that PSE and the Project would not be liable for payment of any such amounts owed therefor.

Subsequent to Closing, PSE would be the owner of and receive one hundred percent (100%) of all energy products produced in connection with the start-up, testing and commissioning of the Project. PSE would be responsible for (i) the procurement, cost and delivery to the Project of all fuel and station power necessary for the start-up, testing, and commissioning of the Project, and (ii) the receipt of such energy products from the Project and the cost of any associated electric transmission service for such energy products. PSE would schedule such fuel deliveries and electric transmission at such times and in such manner as set forth in a plan and schedule for the conduct of such start-up, testing and commissioning of the Project agreed upon by Respondent and PSE no later than one (1) month prior to the commencement of such testing, consistent with the schedule for achievement of Substantial Completion. Respondent shall not be liable under the Definitive Agreements for any schedule delays attributable to PSE's failure to have such fuel, station power and electric transmission available for the start-up, testing and commissioning of the Project in accordance with such plan and schedule.

PSE would provide Respondent and its designees access to the Project as required or deemed desirable to Respondent and its designees after Substantial Completion, consistent with all safety and similar practices as reasonably requested by PSE, for the purpose of achieving Final Completion and performing warranty work. PSE shall ensure that a sufficient number of qualified operators are available to support such start-up, testing and commissioning activities, all as recommended by Respondent.

Title and Risk of Loss

PSE would take title to the Project upon the closing of the transaction. Notwithstanding the passage of title to the Project at the closing, risk of loss with respect to the Project would transfer to PSE only upon the achievement of Substantial Completion of the Project.

Liquidated Damages and Performance Bonuses

Respondent would be liable for schedule liquidated damages based on Respondent's failure to achieve Substantial Completion of the Project by an agreed upon date, as set forth in the Definitive Agreements, and performance liquidated damages for non-attainment of the Minimum Performance Guarantees agreed to in the Definitive Agreements.

Respondent would have the right, as set forth in the Definitive Agreements, to earn a performance bonus in the event that the Project achieves Substantial Completion earlier than the scheduled date therefor and exceeded performance standards for capacity and heat rate of the Project specified in the Definitive Agreements.

Additional Representations, Warranties and Covenants of Respondent

PSE currently contemplates that the Definitive Agreements would include the following additional representations, warranties and covenants in the event that Respondent retains responsibility for the completion, start-up and commissioning of the Project:

- (1) Respondent would cause the Project to be designed, engineered, equipped and constructed in accordance with the provisions of the Definitive Agreements so as to meet the Minimum Performance Guarantees and other criteria set forth in the Definitive Agreements and be Substantially Complete and commercially operable on or before a guaranteed Substantial Completion date;
- (2) Respondent shall provide a full "wrap" of obligations with respect to the Project and all equipment warranties and cause Guarantor to guarantee Respondent's obligations in respect of the foregoing;
- (3) Respondent would at all times maintain sufficient rights and entitlements to such services and facilities as may be necessary to develop, construct and complete the Project such that upon Substantial Completion the Project may be operated on a commercial basis;
- (4) Respondent would obtain and maintain during the construction of the Project, at its cost and expense, builder's risk insurance, the terms, conditions, limits of coverage and other provisions of which are normal and customary;
- (5) Respondent, with PSE's commercially reasonable cooperation and assistance, would at its cost be responsible for applying for, obtaining and maintaining and complying with all permits and other governmental authorizations necessary or appropriate for the construction, start-up, testing, ownership, occupancy, use, operation and maintenance of the

Project; and

(6) Respondent would cause all equipment warranties, the terms and conditions of which shall be acceptable to PSE, to be in full force with the respective contractors and vendors and fully assignable to PSE in respect of the Project and shall so assign such warranties to PSE as of Substantial Completion of the Project.

Project Managers and Independent Engineer

PSE and Respondent would each designate a construction project manager no later than the date of Closing. Notices, correspondence and other communication required or contemplated by the Definitive Agreements relating to the construction of the Project would be made through PSE's and Respondent's respective construction project managers, except as otherwise provided in the Definitive Agreements.

An independent engineer would be retained to verify that performance levels and other criteria associated with the Respondent's achievement of the requirements of Substantial Completion and Final Completion under the Definitive Agreements have been attained. The fees and expenses of such independent engineer would be shared equally by Respondent and PSE. PSE and Respondent would select an independent engineer from a mutually agreed list of qualified engineers included in the Definitive Agreements.

**Respondent
Guaranty
Requirements**

If Respondent itself is not sufficiently creditworthy, Respondent would be required to cause Guarantor to provide the Respondent Guaranty to PSE, pursuant to which Guarantor would guarantee the performance by Respondent (and its affiliates) of its obligations to or for the benefit of PSE under the Definitive Agreements and the payment of any damages, losses, liabilities, costs and expenses incurred by PSE and payable by Respondent (and its affiliates) under the Definitive Agreements. The parties would address in the Definitive Agreements the circumstances, if any, in which PSE might require adequate assurance by the Respondent (or Respondent's Guarantor) of Respondent's performance of its obligations under the Definitive Agreements, and the nature of such assurance.

**Conditions
Precedent**

The Definitive Agreements shall contain customary conditions precedent for transactions of this type including, but not limited to, those set forth in this Term Sheet and the following:

(1) Delivery of all instruments, consents, assignments, certificates and opinions required by the Definitive Agreements, including, but not limited to, customary opinions regarding (a) the satisfaction of requisite regulatory approvals and requirements and (b) if applicable, the absence

of any conflict with any legal, regulatory, contractual or other limitation applicable to any of the parties resulting from granting of a security interest in respect of the undivided interest of a party in the Project to any designated third party lender;

(2) No material adverse change in the financial condition or business and operations of Respondent, Guarantor, any affiliate of Respondent that is a party to a Definitive Agreement or PSE;

(3) No material adverse change in the budget, schedule, permit and legal requirements, technical requirements and plans relating to construction, operation, maintenance and repair of the Project, or in the performance levels, operability, output and condition of the Project;

(4) Receipt by PSE of the approvals or orders discussed above under “*Regulatory Approvals*”; and

(5) Such other customary conditions precedent as the parties in good faith determine are reasonably necessary taking into account the obligations of the parties in connection with a potential transaction, including appropriate provisions to address the consequences of material adverse changes in the physical condition and performance of the Project prior to the Closing.

Limitations on Liability

The Definitive Agreements shall provide that notwithstanding anything to the contrary, in the event of a breach of the obligations of one of the parties or otherwise, such party would be liable for direct damages only and under no circumstances shall such party be liable to the other party for consequential (including, without limitation, lost profits, business interruption and the like), incidental, punitive, exemplary or similar damages.

Indemnification

Respondent would indemnify, hold harmless and defend PSE and its affiliates, directors, officers, employees, representatives, and agents from and against any claims, damages, loss, liability, judgment, award, fine, penalty, cost or expense, including reasonable fees of attorneys arising out of, relating to or in connection with any event, occurrence, circumstance, condition, action or omission prior to Closing. The Definitive Agreements would also set forth provisions by which each party would indemnify, hold harmless and defend the other party and its affiliates, directors, officers, employees, representatives and agents from and against certain losses with respect to false or inaccurate representations and warranties or breaches of covenants and obligations under the Definitive Agreements.

Due Diligence

For a specified period commencing on the date of notice by PSE to Respondent that it has been selected for negotiation of the terms and

conditions of a potential transaction (such period, including any extension thereof to which the parties may agree, the “Due Diligence Period”), PSE would be entitled to conduct, and Respondent would fully cooperate (and cause its affiliates to fully cooperate) with PSE and facilitate an in-depth due diligence review of the Project, Respondent, Guarantor and any affiliate of Respondent that would be a party to a Definitive Agreement and matters relating thereto, including without limitation a review of technical matters relating to the Project, construction, engineering and transmission agreements, any other commercial arrangements relating to the Project, legal and regulatory matters (including the availability and terms of all required permits and licenses), information systems, human resources (subject to applicable legal confidentiality and other restrictions), insurance matters and arrangements, and any other matters associated with the development, permitting, design, engineering, construction, interconnection, start-up, commissioning, operation and maintenance of the Project, provided that any such review shall not unreasonably disrupt the business of Respondent (or its affiliates) or its directors, officers, employees and agents. The Due Diligence Period would terminate automatically in the event of the termination of the Term Sheet by either party.

During the Due Diligence Period, Respondent (and its affiliates) would, subject to their respective reasonable policies and procedures applicable to the presence of third parties at the Project, provide to certain designated PSE employees, representatives and agents access to the Project for the purpose of observing and monitoring the manufacture, fabrication, assembly, installation, construction, start-up, testing and commissioning of the Project and any parts or components thereof. PSE’s employees, representatives and agents would be permitted access to the Project and specified areas therein and the premises of contractors, vendors and consultants and attend meetings and review and copy (subject to provisions of any applicable confidentiality agreement between the parties) information, data and documents in connection with its due diligence review. PSE’s employees, representatives and agents would be subject to and would be required to observe Respondent’s (and contractors’) rules regarding safety, security and confidentiality and would not interfere with or hinder the construction of the Project.

Dispute Resolution

The Definitive Agreements would contain provisions for the resolution of disputes, including, if appropriate, provisions for the attempted resolution of disputes by alternative dispute resolution. The forum for the resolution of any dispute arising under or in connection with this Term Sheet or the Definitive Agreements would be King County, Washington.

Expenses Each party shall bear its own legal, accounting, regulatory and other professional fees and expenses and other costs associated with the RFP and a potential transaction, regardless of whether a transaction is consummated.

Assignability The parties would not be permitted to assign the Definitive Agreements or their respective rights and obligations thereunder without the prior written consent of the other party, such consent not to be unreasonably withheld or delayed.

This Term Sheet is for discussion purposes only to facilitate PSE's evaluation and assessment of proposals submitted in response to the RFP relating to a potential transaction for the acquisition of rights and interest in a generation project. It is not intended to create a binding or enforceable agreement, contract or commitment or to be complete and all inclusive of the terms and conditions of a potential transaction. This is not an offer, agreement or a commitment of PSE, Respondent or Guarantor or any parent company or affiliate of any of them. The potential transaction described above would be subject to further review and approval of the board of directors of each of PSE, Respondent or Guarantor, the conduct and completion of due diligence by PSE to its satisfaction and the execution of the Definitive Agreements containing all appropriate provisions, including, but not limited to, those relating to credit, limitation of damages, indemnification, remedies and force majeure.

Exhibit V

Avoided Costs Schedule

Table V.1 provides an annual schedule for 2004 – 2023 of forecasted electricity prices, consistent with the August 2003 Least Cost Plan Update, reflecting the market-based forecasts of natural gas prices for 2004 – 2005 as used in the Power Cost Only Rate Case, Docket No.UE-031725. The forecasts are based on assumptions about natural gas prices, regional demand, new resource development, and developer financing costs that are consistent with assumptions made in the August 2003 Least Cost Plan Update. The estimated prices are derived using the AURORA model and do not include system integration, shaping, or transmission costs. Table V.2 provides the nominal price forecast on a monthly basis for flat load.

Note: This schedule is an estimate based on generic assumptions for loads and resources in the West for the next twenty years. The purpose of the schedule is only to provide general information to potential bidders. Proposals will be evaluated and ranked against each other based on the criteria listed in the Request for Proposals from All Generation Sources.

Table V.1 (Nominal \$/MWH)

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Nominal \$/MWH	37.99	38.78	38.45	38.66	38.58	39.73	40.36	41.90	44.65	45.54
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Nominal \$/MWH	47.32	45.39	45.39	47.59	51.43	53.16	55.27	53.65	55.73	58.08

Table V.2 (Nominal \$/MWH)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2004	39.18	39.40	36.95	33.33	25.43	24.47	38.75	45.32	47.74	42.10	41.22	41.99
2005	41.50	39.48	37.60	34.90	27.75	27.04	37.02	42.33	46.03	42.19	44.07	45.40
2006	37.32	35.83	32.40	32.18	27.90	26.84	36.67	44.08	48.97	45.18	45.81	48.00
2007	36.95	35.90	32.29	32.28	27.65	27.47	36.63	44.61	50.03	45.62	45.82	48.46
2008	35.65	34.20	31.32	30.78	27.06	27.40	36.05	45.29	58.71	44.47	44.92	47.10
2009	35.72	34.39	31.38	30.98	27.45	27.54	36.17	51.41	63.56	44.68	45.43	47.75
2010	36.13	35.37	31.29	31.24	28.02	27.98	37.10	54.90	63.73	44.89	45.56	47.86
2011	36.27	36.17	32.52	31.43	28.20	28.67	38.21	65.52	64.01	45.93	46.29	49.16
2012	37.58	37.14	33.37	32.52	29.42	29.42	37.94	74.75	76.52	48.28	47.87	50.75
2013	38.78	37.90	34.17	33.03	29.32	29.17	39.86	81.65	77.17	46.28	48.01	50.61
2014	38.03	38.32	34.64	32.28	29.14	28.89	37.89	94.78	89.42	46.28	47.32	50.22
2015	39.19	38.92	34.17	32.79	29.61	29.18	36.97	75.70	80.43	46.59	48.92	51.91
2016	40.10	40.52	35.46	34.26	30.63	31.01	38.16	77.11	66.34	47.36	50.29	53.10
2017	42.41	41.61	36.37	35.50	32.77	32.09	39.98	83.25	70.12	49.02	52.12	55.17
2018	41.83	42.20	36.61	34.53	31.57	31.35	40.16	110.53	92.30	50.36	51.02	53.93
2019	44.23	45.03	38.74	36.12	33.06	33.02	43.21	103.23	96.81	54.21	53.33	56.37
2020	47.69	49.25	41.20	38.72	36.17	35.43	44.35	99.24	95.07	57.97	57.44	60.47
2021	46.17	45.46	40.21	37.59	33.72	34.77	43.07	97.47	91.07	59.48	55.65	58.46
2022	49.51	48.23	41.19	38.94	35.46	35.86	44.33	107.95	86.07	61.92	57.35	61.14
2023	51.51	48.71	42.48	40.09	37.55	36.63	46.07	107.63	94.20	69.39	59.09	62.64

KEY ASSUMPTIONS FOR THE AURORA MARKET POWER PRICE FORECAST

Natural Gas

In anticipation of the August 2003 Least Cost Plan Update, PSE determined that a review of the PIRA gas-price forecast was warranted in light of the gas market's volatility in early 2003, which resulted in a significant run-up in near-term gas prices. Growing concern in the industry regarding an imbalance in supply and demand suggested that near-term prices would stay relatively high until equilibrium in the markets was re-established.

Upon reviewing additional PIRA gas-price data (including previously missing years), the underlying assumptions regarding the availability of new resources at certain high gas-price points resulted in a return to lower-equilibrium price levels. These lower price levels reflect the cyclical pricing from boom-and-bust gas-supply development (as opposed to the smooth price curve previously developed from the data). Revised annual gas-price projections were developed ("PIRA-Revisited" forecast) using the cyclical pattern from new PIRA data, including the outer years of the planning period (2015 to 2023).

PSE then acquired access to Cambridge Energy Research Associates' (CERA) December 2002 long-range gas-price scenarios for North America, provided under CERA's North American Gas and Power Advisory Service. CERA's long-term, regionally specific price scenarios provide average annual market prices by supply basin or trading hub through the year 2020. PSE extended the CERA data from 2020 to 2023 based on the average annual gas-price change from 2006-2020. The four available CERA supply/price scenarios were reviewed for applicability based on the underlying economic and supply-development assumptions of each scenario. CERA's four scenarios are described as follows:

- **Rear-View Mirror** - The economy recovers from the recession in late -2002(3?), but economic uncertainty remains, and a crisis of confidence emerges.
- **Technology Enhanced** - The recession proves to be mild and short-lived, and the North American economies return to a sustained period of economic growth as new technological developments abound.
- **World in Turmoil** - The current recession is not a short detour. Instead, the North American economy mirrors the recent performance of the Japanese economy.

- **Shades of Green** - The economy recovers steadily and the environment becomes an increasing concern. Some international agreements are reached to control greenhouse-gas emissions.

Two scenarios, World in Turmoil and Technology Enhanced (including their associated supply- and infrastructure-development assumptions) were judged the most apt descriptors of the range of economics in the western U.S. markets affecting PSE. In particular, these two scenarios anticipate more aggressive development of new resources in the Western Canadian Sedimentary Basin of Alberta and British Columbia, and the emergence of gas supplies from the McKenzie Delta prior to the end of the decade.

Rather than relying on a single forecast or scenario to predict long-term gas prices, PSE elected to average four of the known forecasts used in the region, including the two previously mentioned CERA scenarios. The four forecasts are:

- NPCC Medium Gas Price Forecast
- PIRA "Revisited" (including cyclical shaping data)
- CERA - World in Turmoil Scenario
- CERA - Technology Enhanced Scenario

While the average of the four gas-price scenarios provided an adequate representation of long-term regional gas prices based on objective, independent research and analysis, PSE determined that none of the four scenarios (or their average) adequately considered the recent run-up in market prices. Such consideration would have shown a more profound price impact on near-term resource planning. Therefore, the forecasted gas-price results for 2004 were replaced with currently available market-price quotes from June 2003.

In order to consider the impacts of extremes in gas pricing, PSE chose a High Price forecast (defined as the NPCC Medium Price Forecast) and a Low Price forecast (defined as the PIRA straight-line forecast used as the base-case forecast in the April 30, 2003, LCP analyses).

The four forecast scenarios, the resulting average of the four, and the adopted High and Low price strip for the three main trading hubs affecting PSE's supply costs are depicted in Charts V.1 to V.3:

Chart V.1
Sumas Gas Price (\$/Dth)

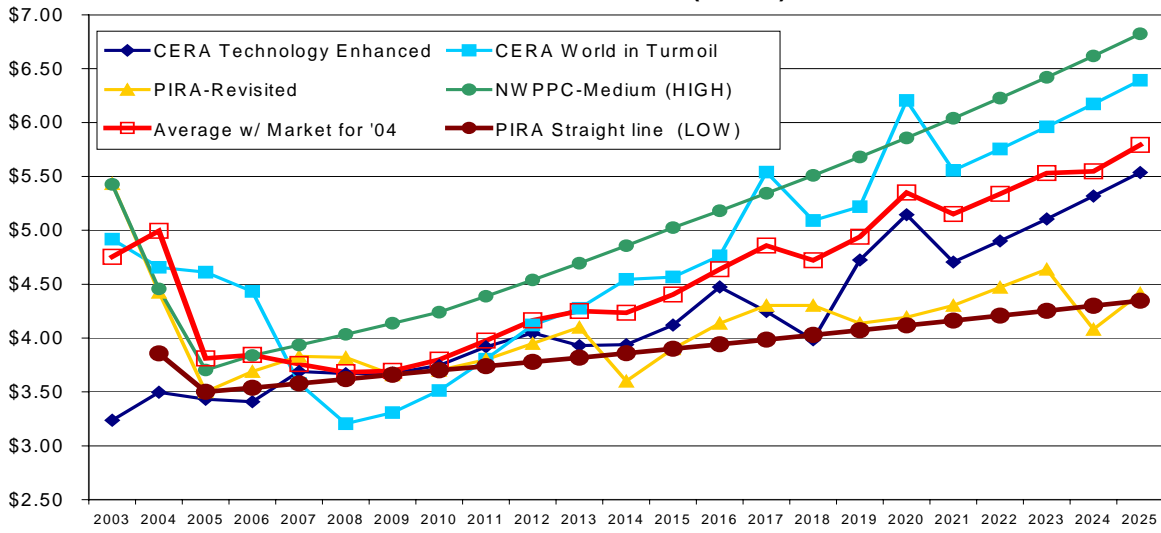
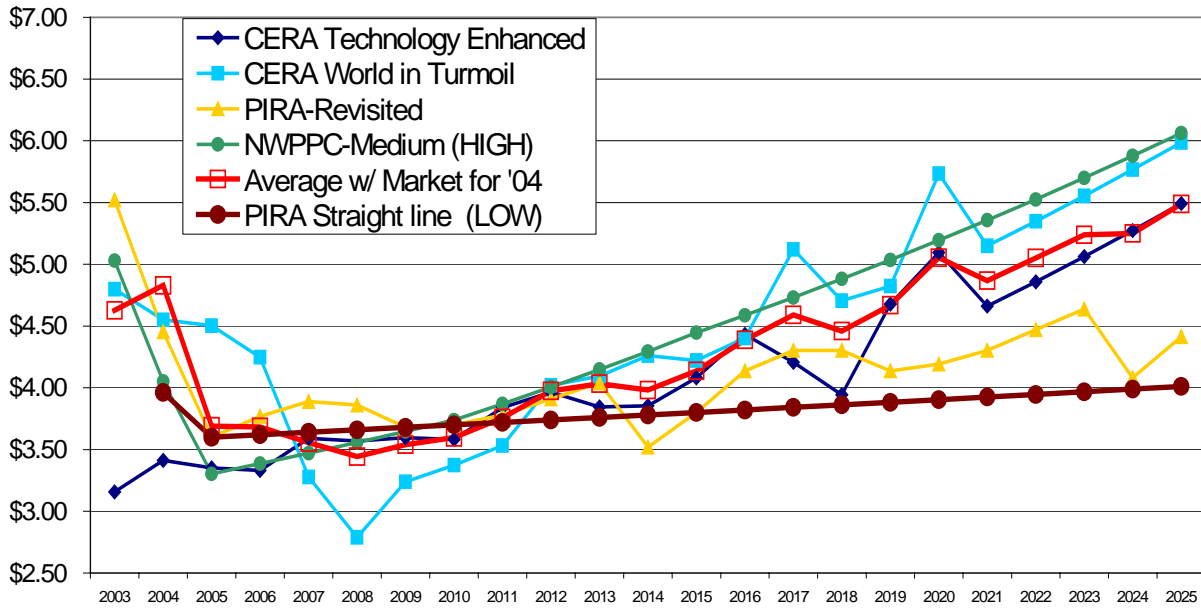
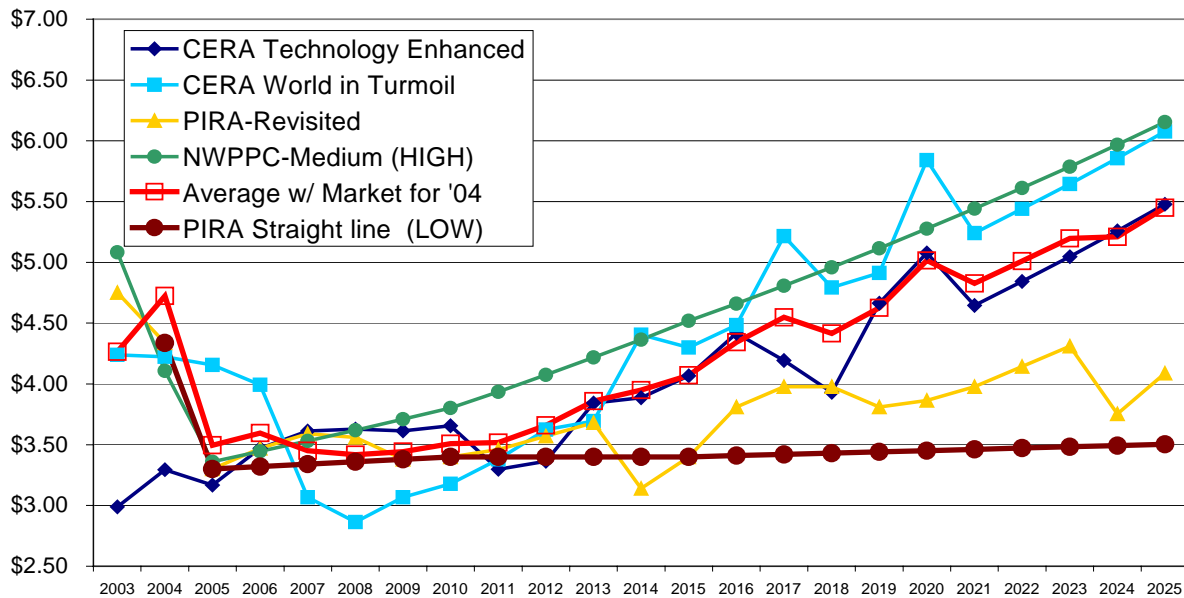


Chart V.2
AECO Gas Price (\$/Dth)



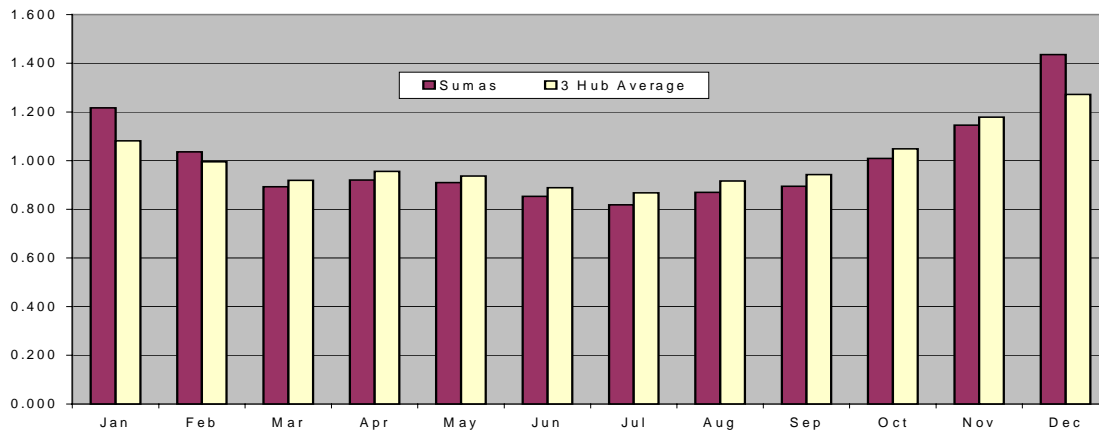
**Chart V.3
 Rockies Gas Price (\$/Dth)**



As discussed previously, PSE considered a number of gas-price forecast scenarios and sources including PIRA, CERA, and the NPCC. Each annual price requires that a monthly shape factor be applied to generate 12 monthly prices. The monthly shape factors are the average of the three Northwest hubs – Sumas, AECO, and Rockies – for the years 1991-1999. More recent data do not have any consistent pattern and the prices show extreme volatility and randomness.

Chart V.4 illustrates the traditional pattern of higher prices in the winter and lower prices in the summer. The three-hub average was applied to all eight hubs in the model other than Henry Hub, which has its own monthly shaping.

**Chart V.4
Monthly Shaping**



Electricity Demand

AURORA divides the WECC into 13 subregions with individual growth rates. Table V.3 lists the regions along with the long-run regional growth rates. The growth rates were adopted from the NPCC, “Draft Forecast of Electricity Demand of the 5th Pacific Northwest Conservation and Electric Power Plan,” August 2, 2002. Short-run demand was adjusted downward to take into account the current recession, following the assumptions in the NPCC’s 5th Draft of Wholesale Electric Price Forecast. Intermediate-term growth rates were increased so that the long-run growth rate was unchanged.

Table V.3 Regional Growth Rates

Region	Annual Increase (%)
OR / WA / No. ID	1.50
No. California	1.71
So. California	1.87
British Columbia	1.53
Idaho South	1.71
Montana	0.90
Wyoming	0.23
Colorado	1.22
New Mexico	2.43
Arizona / So. Nevada	1.39
Utah	2.32
No. Nevada	1.65
Alberta	1.53

New Northwest Resources

In 2002 there were over 8,000 MW of new resources under development. Most of the proposed projects, however, did not make it beyond the planning stage. PSE currently assumes that 2,055 MW of new natural gas-fired resources will be available in the region. Presently four plants have been completed, with two under construction to be on line by mid-2004. Table V.4 lists those plants.

Table V.4 New Natural Gas-Fired Resources

Plant	Owner/Developer	Capacity MW)	Online Date
Coyote Springs II	Avista-Mirant	260	Online
Hermiston	Calpine	530	Online
Goldendale	Calpine	248	Q2/04
Big Hanaford	TransAlta	248	Online
Frederickson I	EPCOR	249	Online
Chehalis	Tractebel	520	Q3/03

Other well-known gas-fired resources that once were expected to be developed, such as the Duke Grays Harbor plant, have not been assumed into the model. Wind resources that could be built in 2003, or later, were not assumed to be built. The AURORA database includes 473 MW of wind generation, which their developers listed as going on line in 2002.

New California and Arizona Resources

Demand from California has a significant impact on Northwest energy prices during the summer peak, hence an accurate representation of the resources serving California was included in the model. Significant resources, primarily natural gas combined-cycle and simple-cycle plants, have been completed recently in California and Arizona. The database in AURORA has been updated with information provided by Henwood Consulting, dated 4/29/03. Plants added to the database include those listed as “completed” and those “under construction,” with on-line dates in 2003. For California and Arizona together the data set includes 33 new plants of approximately 10,000 MW total capacity.

Known plant retirements were also taken into account. The California ISO published a list of plants which have been recently retired or have a retirement date reported to the California ISO. These plants total approximately 2,500 MW for California and Arizona for the period 2004-2006.

New AURORA Resources

A driver in the AURORA model is the expected return on capital invested in new generation assets for the Western Power Market. This expected return is derived through estimates of the future developer mix, the developers' respective capital structures, and their average cost of equity and debt over the forecast period.

AURORA requires an input assumption regarding who will develop future plants in the region. PSE has assumed that these plants will be developed by publicly owned utilities (Public), investor-owned utilities (IOUs), independent power producers (IPPs), or independent power producers with power purchase agreement(s) in place with an IOU (IPP/IOU). PSE's assumption for the relative contribution from each developer type is outlined in Table V.5.

Table V.5 Developer Mix

Asset Type	Public	IOUs	IPPs	IPP/IOU
CCCT	20%	30%	20%	30%
SCCT	20%	30%	20%	30%
Wind	20%	30%	20%	30%
Coal	20%	35%	10%	35%

These allocations are reasonable estimates for future developer mix and assume that in the near-term, continued weakness in the IPP credit market will require IOUs to self-build to meet load-growth demands. Additionally, as credit markets recover, financing will be easier for IPPs that have signed long-term PPAs with credit-worthy counterparties, such as IOUs. Pure merchant IPPs will still be present in the market, but their market share of new projects is expected to be far smaller than previously experienced.

The capital structure for these four developer types is identified in Table V.6. Capital structure for the IPP/IOU developer has been estimated at 70/30 debt/equity, and reflects the potential for increased leverage on projects with credit-worthy counterparties.

Table V.6 Capital Structure

Asset Type	Public	IOUs	IPPs	IPP/IOU
Debt	100%	55%	50%	70%
Equity	0%	45%	50%	30%

The cost of capital for these four developer types is identified in Table V.7. The expected returns on debt and equity for IPP/IOU developers have been estimated at 7.5 percent and 17 percent respectively, and appear valid given the returns identified for other developers. The cost of debt at 7.5 percent mirrors that of an IOU and is based on the assumption that the ultimate counterparty risk lies with the power purchaser or IOU. However, the equity return for an IPP/IOU would not be expected to match that of an IOU, since the risk profile for an IOU investor will differ from that of an IPP/IOU investor. In addition, IPP/IOU investors are likely to demand a higher rate of return to offset the greater risk associated with a highly leveraged investment.

Table V.7 Cost of Capital

Asset Type	Public	IOUs	IPPs	IPP/IOU
Debt	6.5%	7.5%	8.7%	7.5%
Equity	0%	11.5%	20%	17%

Timing and Limits of New Resource Development

In AURORA, new plants are brought online at the optimal time without regard to planning horizons. To replicate realistic planning needs, certain limits need to be placed on the rate of development on the various technologies for the 20-year analysis. Coal plants were excluded from development in the Washington/Oregon area and limited to one plant in the northern and southern California areas. Coal plants require a long development time, so they likely could come online in California in 2010 and in 2007 in other areas. Wind was restricted to one new plant per year in each region, and could be developed immediately. Natural gas-fired combined-cycle and simple-cycle turbines also have quick development times and required no limitations.

Cost of Various Technologies

The AURORA model selects new resources for addition from a set of generic resources that will result in lowest overall cost. The cost and performance characteristics were provided by Tenaska for the combined-cycle and simple-cycle gas plants, as well as the coal plant. The wind data were provided by Navigant Consulting, Inc. and confirmed by other sources, while the solar data are from the NPCC.

The capacity of most new generation resources (i.e., the capacity of individual projects in MWs) can be scaled to meet the specific needs of the developer, hence there is not one correct size or correct cost estimate for each technology. Furthermore, with shared ownership, even greater flexibility of capacity can be achieved for a utility. PSE, in collaboration with Tenaska, selected a representative plant for each gas and coal technology based both on economies of scale and on current development practices. Table V.8 provides a list of the primary characteristics.

Table V.8 Cost and Performance Characteristics

Technology	Capacity (mw)	Heat Rate (btu/kwh)	All-In Cost (\$/kw)	Fixed O&M (\$/kw)	Fixed Fuel (\$/kw)	Variable O&M (\$/mwh)
CCCT	516	6,900	710	11.00	15.55	2.00
SCCT	168	11,700	441	3.00	15.74	2.00
Coal	900	9,425	1,500	20.0	0	2.00
Wind	100	0	1,003	26.10	0	0
Solar	20	0	6,000	15.00	0	0.80

The CCCT represents a two-by-one configuration – two turbines with a heat-recovery system. These plants typically are scaled by increments of about 250 MW, with variations around those figures depending on specific configurations. The \$710/KW all-in cost is based on an analysis of PSE’s Frederickson site.

The SCCT represents a lower-cost traditional peak using “frame” FA or EA gas turbines in simple cycle. More expensive aero-derivative plants are available that have a better heat rate at a much higher cost. Throughout the industry and its literature, one can find a wide variety of capacities, heat rates, and costs for the numerous simple-cycle options. The least-cost option is site- and application-dependent. The costs provided by Tenaska are based on the same assumptions as the combined-cycle and coal plants, which allows for a fair comparison between the technologies. For example, the listed SCCT starts with an EPC cost (engineering, procurement and construction) of \$327/kw before taking into account “soft” costs such as insurance, contingencies, and costs related to financing, start-up, spares, etc., before arriving at a total installed-capacity cost of \$441/kW.

The coal plant represents a new site with a supercritical boiler design. An alternative would be a plant with 2 percent to 4 percent lower costs but with a 2 percent to 4 percent higher heat rate. Again, the least-cost option depends upon the site and application.

The wind plant is based on the assumption that 100 MW is necessary to achieve economies of scale.

Improved Efficiency

Over time the heat rate of the various thermal plants is expected to improve. Starting with the heat rates listed above, PSE adopted the performance improvements provided by the Energy Information Administration in the "Annual Energy Outlook 2003." Through 2010, coal-plant performance improves by 0.4 percent per year, combined-cycle performance improves by 1.1 percent per year, and simple-cycle performance improves by 0.6 percent per year. After 2010, improvements are assumed to be quite small (0.2 percent) or zero in the later years.

2004 – 2005 Updates

The AURORA modeling discussed above was conducted in early July, 2003 for the August 2003 Least Cost Plan Update. As part of the Power Cost Only Rate Case filed on October 24, 2003, the power price forecasts for 2004 and 2005 were updated based on the natural gas forward market as of mid-September 2003, and are reflected in Tables V.1 and V.2.

Exhibit VI

Monthly Energy Need

The table below provides the company's monthly energy needs for twenty years. These values were updated since the Least Cost Plan Update of August, 2003 and are based on the load after conservation and PSE's recent acquisition of the Frederickson #1 combined cycle project are considered.

Energy (aMW)	January	February	March	April	May	June	July	August	September	October	November	December
2004	376	265	124	0	43	0	0	0	198	109	9	226
2005	280	197	42	0	5	0	0	0	221	147	80	232
2006	322	226	185	40	67	0	0	0	233	156	102	257
2007	343	248	101	31	44	0	0	0	251	176	118	271
2008	355	198	112	0	58	0	0	0	262	191	132	286
2009	490	338	128	0	125	0	0	0	112	212	281	498
2010	563	409	215	0	186	0	0	0	166	273	361	589
2011	705	548	336	129	306	0	0	0	282	400	491	728
2012	1199	988	836	613	533	416	282	462	746	872	970	1205
2013	1375	1214	1009	782	699	589	448	628	916	1046	1144	1380
2014	1419	1257	1048	816	731	612	478	659	945	1075	1183	1424
2015	1471	1305	1094	858	769	657	515	697	981	1121	1230	1476
2016	1536	1314	1151	909	816	702	560	743	1029	1174	1288	1540
2017	1605	1432	1213	964	867	752	609	792	1079	1224	1458	1716
2018	1785	1604	1330	1075	920	795	659	843	1129	1277	1523	1788
2019	1859	1674	1395	1133	974	855	711	896	1182	1340	1590	1861
2020	1935	1697	1462	1193	1029	909	764	950	1236	1400	1658	1936
2021	2014	1821	1533	1256	1087	965	819	1007	1293	1457	1730	2015
2022	2101	1903	1610	1325	1151	1027	880	1069	1356	1530	1808	2102
2023	2191	1988	1689	1396	1216	1090	943	1133	1420	1596	1889	2190

MUTUAL CONFIDENTIALITY AGREEMENT

This Agreement, dated as of _____, 2004, is entered into between Puget Sound Energy, Inc., (“PSE”) and _____ (“_____”). PSE and _____ are sometimes referred to in this Agreement as “Party,” and collectively as “Parties.”

1. The Parties intend to enter into discussions regarding one or more potential transactions between the Parties involving the acquisition of electrical generation output or an interest in power generation facilities in _____ (or both). In the course of these discussions, each Party may disclose Confidential Information to the other. For the purposes of this Agreement, “Confidential Information” means any information or data disclosed in connection with such discussions in any form or media whatsoever by either Party (the “Disclosing Party”) to the other Party (the “Receiving Party”) which (a) if in tangible form, or other media that can be converted to readable form, is clearly and conspicuously marked as proprietary, confidential or private on each page thereof when disclosed; or (b) if oral or visual, is identified in writing as proprietary, confidential or private at the same time it is disclosed. “Confidential Information” includes all originals, copies, notes, correspondence, conversations and other manifestations, derivations and analysis of the foregoing.

2. Confidential Information shall not include information that (a) is or becomes generally available to the public other than by reason of the Receiving Party’s breach of this Agreement; (b) the Receiving Party can reasonably demonstrate (i) was known by the Receiving Party, prior to its disclosure by the Disclosing Party, without any obligation to hold it in confidence, (ii) is received from a third party free to disclose such information without restriction, (iii) is independently developed by the Receiving Party without the use of Confidential Information of the Disclosing Party; (c) is approved for release by written authorization of the Disclosing Party, but only to the extent of such authorization; or (d) is related to the transmission of power, including but not limited to, any information which must be disclosed to the transmission function of a Party as part of any transmission request or information exchange that is required to be made public pursuant to FERC rules and regulations. Notwithstanding anything to the contrary set forth in this Agreement, the Receiving Party shall not be obligated to keep confidential any Confidential Information that (A) is required by law or regulation to be disclosed (including, without limitation, any summary or ranking of any proposal by the Disclosing Party constituting Confidential Information that PSE is required by law to make available to the public), but only to the extent and for the purposes of such required disclosure or (B) is disclosed in response to a valid order or request of a court or other governmental authority having jurisdiction or in pursuance of any procedures for discovery or information gathering in any proceeding before any such court or governmental authority, but only to the extent of and for the purposes of such order, provided that the Receiving Party, who is subject to such order or discovery, give the Disclosing Party reasonable advance notice (e.g., so as to afford the Disclosing Party an opportunity to appear, object and obtain a protective order or other appropriate relief regarding such disclosure). The Receiving Party, who is subject to such order or discovery, shall, at the Disclosing Party’s expense, use reasonable efforts to assist the Disclosing Party’s efforts to obtain a

protective order or other appropriate relief; provided, that the Disclosing Party acknowledges and agrees that the Receiving Party shall have no obligation or responsibility to appear before, or to make any showing to, any court or any other governmental authority in connection with protecting any Confidential Information from disclosure by such court or governmental authority, and such responsibility shall be solely that of the Disclosing Party.

3. The Parties acknowledge that PSE is a public utility regulated by the Washington Utilities and Transportation Commission (“Commission”) and that its decisions regarding one or more potential transactions between the Parties involving the acquisition of electrical generation output or an interest in power generation facilities, together with related Confidential Information, may be subject to review by the Commission. Notwithstanding the provisions of Section 2, in the event that such PSE decisions are at issue in a proceeding before the Commission, PSE will seek, at its own expense, a protective order from the Commission with “highly confidential provisions” to protect against the disclosure of Confidential Information to competitors and the public. Disclosure of Confidential Information by either of the Parties to the Commission, its staff or its advisors in connection with any such proceeding will not violate this Agreement.

4. Each party acknowledges and agrees that it has no proprietary or exclusive right to any tax matter, tax idea, tax structure or tax treatment related to any potential transaction or transaction between the Parties and that no such tax matter, tax idea, tax structure or tax treatment shall be deemed to be the Confidential Information of either Party.

5. The Receiving Party shall, subject to the other provisions of this Agreement, (a) use the Confidential Information only for purposes of evaluating one or more potential transactions between the Parties involving power generation facilities; (b) restrict disclosure of the Confidential Information to employees, advisors and active or potential investors or lenders of the Receiving Party and affiliates with a “need to know” and not disclose it to any other person or entity without prior written consent of the Disclosing Party; (c) advise such employees, advisors, investors and lenders who access the Confidential Information of their obligations with respect thereto; and (d) copy the Confidential Information only as necessary for those employees or advisors who are entitled to receive it, and ensure that all confidential notices are reproduced in full on such copies. A “need to know” means that the employee or advisors require the Confidential Information to perform their responsibilities in evaluating or pursuing one or more potential transactions between the Parties involving power generation facilities.

6. Confidential Information shall be deemed to be the property of the Disclosing Party. This Agreement shall not be interpreted or construed as granting any license or other right under or with respect to any patent, copyright, trademark, trade secret or other proprietary right. The Receiving Party shall, within 30 days of a written request therefor by the Disclosing Party, either return all of the Disclosing Party’s Confidential Information (or any designated portion thereof) to the Disclosing Party or destroy all such

Confidential Information (or any designated portion thereof) and provide an officer's certificate as to the destruction of such Confidential Information; provided, that PSE, as a Receiving Party, shall not be obligated to return to the Disclosing Party any proposal by the Disclosing Party, or any information related thereto, constituting Confidential Information, and PSE may retain all such proposal and information for a period of at least 7 years or until PSE concludes its next general electric rate case, whichever is later.

7. Neither this Agreement nor any discussions or disclosure hereunder shall (a) be deemed a commitment to any business relationship or contract for future dealing with another Party or (b) prevent either Party from conducting similar discussions with any third party, so long as such discussions do not result in the use or disclosure by the Receiving Party of Confidential Information protected by this Agreement. If the Parties elect to proceed with any transaction, then all agreements, representations, warranties, covenants and conditions with respect thereto shall be only as set forth in a separate written agreement to be negotiated and executed by the Parties.

8. Each of the Parties acknowledges that the Confidential Information received from another Party constitutes valuable confidential, commercial, business and proprietary information of the Disclosing Party and serious commercial disadvantage or irreparable harm may result for the Disclosing Party if the Receiving Party breaches its nondisclosure obligations under this Agreement. In such event or the threat of such event, the Disclosing Party shall be entitled to injunctive relief, specific performance and other equitable relief without proof of monetary damages. In any action to enforce this Agreement or on account of any breach of this Agreement, the prevailing Party shall be entitled to recover, in addition to all other relief, its reasonable attorneys' fees and court costs associated with such action.

9. This Agreement may not be assigned by either Party without the prior written consent of the other Party. No permitted assignment shall relieve the Receiving Party of its obligations hereunder with respect to Confidential Information disclosed to it prior to such assignment. Any assignment in violation of this Paragraph 8 shall be void. This Agreement shall be binding upon the Parties' respective successors and assigns.

10. This Agreement shall be deemed to be effective as of the date first above written, and shall continue thereafter for a period of seven (7) years or, if later, upon the conclusion of PSE's next general electric rate case.

11. No Party shall be liable to another Party for any consequential, indirect, incidental, special, exemplary or punitive damages arising out of or related to this Agreement.

12. This Agreement shall be interpreted, construed and enforced in accordance with the laws of the state of Washington, without regard to such state's choice of law principles to the contrary. Each of the Parties irrevocably consents to the exclusive jurisdiction and venue of any state or federal court located in King County, Washington, with regard to any legal or equitable action or proceeding related to this Agreement.

13. This Agreement represents the entire understanding between the Parties with respect to the confidentiality, use, control and proprietary nature of any information disclosed by the Disclosing Party to the Receiving Party and the subject matter hereof and supersedes all prior communications, agreements and understandings relating thereto. The provisions of this Agreement shall not be modified, amended or waived, except by a written instrument duly executed by both of the Parties.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of _____
_____, 2004.

PUGET SOUND ENERGY, INC.

By _____

Its _____

[OTHER PARTY]

By _____

Its _____

Exhibit VIII

Financial Pro forma Template - Operating Expenses

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Generation																					
Nameplate Capacity	Mw	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Annual Availability Factor	%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Capacity Factor	%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Annual Generation	GWH	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenues																					
Nameplate Capacity	Mw	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Annual Generation	GWH	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proposed Capacity Rate	\$/kW-yr.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proposed Energy Rate	\$/MWh	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Gross Revenues	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expense																					
Turbine O&M (Service Agreement)	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Turbine O&M (Owner)	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Labor	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance - Substation	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance - Site	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parasitic Power	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Spare Parts	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
O&M Fee	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total O&M	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General & Administration Expense																					
Project Administration	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Services	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Labor	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Tax	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Letter of Credit Fees	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decommission Surety Bond	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Royalty to Land Owner	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asset Management Fee	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total G&A	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Incremental Capital Expenditures	\$000's	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Exhibit VIII

Financial Pro forma Template - Capital Costs

Project Capital Cost

<u>Capital Costs</u>	<u>\$000</u>
Land	-
Development Costs	-
Salaries	-
Travel Expenses	-
Preliminary Engineering	-
Permitting	-
Public Affairs	-
Legal	-
Market Assessment	-
Development Fees	-
Other	-
Overhead	-
Site Preparation	-
Facility Costs	-
Major equipment	-
Balance of plant equipment	-
Substations	-
Computer equipment	-
Transmission Interconnection	-
Cables	-
Building and structures	-
Other	-
Start-up Testing	-
Credit for sales of start-up test power	-
Construction G&A	-
O&M Mobilization	-
Initial Spare Parts	-
Title Insurance	-
Property Taxes during construction	-
Insurance during construction	-
Initial Debt Service Reserve Fund	-
Initial Working Capital	-
Contingency	-
Total Capital Costs	-
<u>Financing Costs</u>	
Construction Loan Closing Costs/Fees	-
Non-Recourse Loan Interest	-
Equity Bridge Loan Interest	-
Lenders Closing Costs	-
Construction Loan Commitment Fees	-
Working Capital Facility Commitment Fee Construction	-
Debt Service Reserve Commitment Fee	-
Term Loan Fees	-
Total Financing Costs	-
Total Project Costs	-

Exhibit VIII

Financial Pro forma Template - Capital Structure

Capital Structure

<u>Construction Financing (\$ in thousands):</u>	<u>% of Total</u>	<u>\$ 000</u>	<u>Rate</u>	<u>Term</u>
Senior Debt	-	-	-	-
Equity	-	-	-	-
Total Project Cost	-	-		
 <u>Permanent Financing (\$ in thousands):</u>				
Senior Debt	-	-	-	-
Equity	-	-		
Total Project Cost	-	-		

Exhibit IX

Energy Delivery, MWh/h

Hour	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Mean
1													
2													
3													
4													
5													
6													
7													
8													
9													
10													
11													
12													
13													
14													
15													
16													
17													
18													
19													
20													
21													
22													
23													
24													
Mean													

SUMMARY DATA
Puget Sound Energy - Draft Request For Proposals
From
All Generation Sources
December, 2003

Please provide the following information:

Project Name _____

Location _____

Developer(s) _____

Owners(s) _____

Expected Commercial Operation Date _____

Asset Sale or Power Purchase Agreement? _____

Technical Information

Proposal Technology Type (e.g. gas turbine, hydro, biomass) _____

Size (Capacity) of Generation Source (MW) & Number & Size of Units (for either asset sale or power purchase) _____

Estimated Annual Energy (aMW) _____

Winter Energy Production (aMW) _____

Heat Rate (state whether HHV or LHV) _____

Fuel Type _____

Fuel Transportation _____

Transportation Secured? _____

Expected Equivalent Availability Factor _____

Cost Information

Estimated Capital cost including Interest
During Construction and other financing
costs and taxes (U.S. \$s)

Remaining Capital Investment Required

Estimated Fixed Annual O&M cost and
escalation (U.S. \$s)

Estimated Variable O&M cost and
escalation (U.S. \$s)

Average Annual Fuel Cost and escalation
(U.S. \$s)

Power Purchase Agreement Price (U.S. \$s)

Other Annual Costs and escalation (U.S.
\$s) Please Include all taxes

Transmission

Transmission Interconnection Pt.

Transmission Annual Cost

Energy Delivered to PSE Service Area?

Other

Permits still outstanding or other approvals
required

Other Matters of Note
