**JOINT OWNERSHIP AGREEMENT**

between

**Puget LNG, LLC**

and

**PUGET SOUND ENERGY, INC.**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**TACOMA LNG PROJECT**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

Made effective January 27, 2017

TABLE OF CONTENTS

ARTICLE 1 Definitions and Interpretation 1

1.1 Definitions 1

1.2 Rules of Interpretation 7

1.3 Exhibits 9

1.4 Negotiation of Agreement 9

ARTICLE 2 Term; Representations and Warranties 9

2.1 Term 9

2.2 Representations and Warranties 9

ARTICLE 3 Ownership and Purpose 10

3.1 Terms and Conditions of Ownership; Purpose 10

3.2 Ownership Interests 10

3.3 Development, Construction and Operation of the Tacoma LNG Facility 10

3.4 Undivided Ownership Interests in the Tacoma LNG Facility as Tenants in Common 11

3.5 No Partition 12

3.6 Several Liability 12

3.7 No Partnership 12

3.8 No Joint Income, Revenue or Receipts 13

3.9 Good Faith 13

3.10 Obligations In Relation to Other Opportunities 13

ARTICLE 4 Joint Operating Committee 13

4.1 Formation of Joint Operating Committee 13

4.2 Powers and Responsibilities of Joint Operating Committee 13

4.3 Matters Excluded from Joint Operating Committee and Reserved for the Parties 14

4.4 Deadlock 15

4.5 Voting 15

4.6 Quorum and Other Meeting Requirements 15

4.7 Sub-Committees 16

4.8 Annual Budget 16

ARTICLE 5 O&M Services 16

5.1 O&M Contract 16

5.2 Operator to Provide Information to Parties 17

ARTICLE 6 Accounting Procedure and Credit Support 17

6.1 Expenditures 17

6.2 Keeping of Records and Accounts 17

6.3 Puget LNG Guaranty 18

ARTICLE 7 Confidentiality 18

7.1 Confidentiality 18

7.2 Public Announcements. 18

ARTICLE 8 Insurance 19

8.1 Insurance Policies 19

ARTICLE 9 Claims and Indemnities 19

9.1 Liability Several 19

9.2 Risk of Loss of the Joint Facilities. 19

9.3 Indemnity by Party of Other Party 19

9.4 Conduct of Indemnity Claims 20

9.5 Survival of Indemnities 21

9.6 Exclusion of Consequential Loss 21

9.7 Insurance Proceeds 21

ARTICLE 10 Dispositions and Encumbrances of Ownership Interests 21

10.1 General Restriction on Disposition and Encumbrances of Ownership Interest 21

ARTICLE 11 Default and Remedies 22

11.1 Events of Default 22

11.2 Default Notice 22

11.3 Remedies 23

ARTICLE 12 Dispute Resolution 23

12.1 Dispute Resolution Process 23

12.2 Continued Performance 23

ARTICLE 13 Procedures on Termination 23

13.1 Agreed Termination 23

13.2 Disposition of Ownership Interest Upon Expiration of the Term 23

13.3 Final Accounting and Settlement 24

ARTICLE 14 Force Majeure 24

14.1 Effect of Force Majeure Event 24

14.2 Obligations Following Occurrence of Force Majeure Event 24

ARTICLE 15 Notices and Other Communications 25

15.1 Requirements for Notices and Other Communications 25

ARTICLE 16 General 25

16.1 Exercise of Rights 25

16.2 No Waiver 25

16.3 No Third Party Beneficiary 26

16.4 Rights and Remedies Cumulative 26

16.5 No Merger 26

16.6 Binding Effect 26

16.7 Further Assurances 26

16.8 Entire Agreement 26

16.9 No Other Representations or Warranties 26

16.10 Counterparts; Electronic Delivery 26

16.11 Governing Law 27

16.12 Service of Process 27

16.13 Fees and Commissions 27

16.14 Amendments 27

16.15 Survival of Rights and Obligations 27

16.16 Decision Making by Parties 28

16.17 Severability 28

16.18 No Recourse to Affiliates 28

JOINT OWNERSHIP AGREEMENT

**THIS JOINT OWNERSHIP AGREEMENT** (this “**Agreement**”) is made and entered into effective as of the 27th day of January, 2017 (the “**Effective Date**”) by and between Puget LNG, LLC, a Washington limited liability company having a business address at 10885 NE 4th Street, Bellevue, WA 98004-5591 (“**Puget LNG**”), and Puget Sound Energy, Inc., a Washington corporation having a business address at 10885 NE 4th Street, Bellevue, WA 98004-5591 (“**PSE**”). Puget LNG and PSE shall be referred to herein individually as a “**Party**” and collectively as the “**Parties**”.

RECITALS

**WHEREAS**, PSE intends to undertake the development and construction of the Tacoma LNG Facility (as defined below);

**WHEREAS**, concurrently with the execution hereof, PSE has assigned to Puget LNG (i) all of PSE’s right, title and interest in, to and under the TOTE FSA and the TOTE Letter Agreement and (ii) Puget LNG’s Ownership Interest in the Tacoma LNG Facility;

**WHEREAS**,Puget LNG and PSE each desire to own as tenants in common the Tacoma LNG Facility, as further described in this Agreement; and

**WHEREAS**, Puget LNG and PSE each desire to set forth the terms and conditions governing the ownership of their respective undivided ownership interests in the Tacoma LNG Facility and, among other things, the operation and maintenance of the Tacoma LNG Facility.

**NOW THEREFORE**, in consideration of the above matters, the mutual covenants and agreements set forth herein and for other valuable consideration, the receipt and sufficiency of which is hereby irrevocably acknowledged, the Parties hereby agree to the following:

# Definitions and Interpretation

## Definitions

Except as otherwise expressly provided herein, capitalized terms used in this Agreement (including the recitals and the Exhibits) shall have the following meanings:

“**Affected Party**” means the Party affected by a Force Majeure Event.

“**Affiliate**” means, as applied to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, such Person. For the purposes of this definition, “control” (including with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly through one or more intermediaries, of the power to either (a) elect a majority of the directors (or Persons with equivalent management power) of such Person, or (b) direct or cause the direction of the management or policies of such Person, whether through the ownership of securities or partnership, membership or other ownership interests, by contract, by operation of law or otherwise

“**Agreement**” has the meaning given in the preamble to this Agreement.

“**Annual Budget**” has the meaning given in Section 4.8.

“**Applicable Law**” means with respect to any Party or the Tacoma LNG Facility, all laws, statutes, codes, acts, treaties, ordinances, orders, judgments, writs, decrees, injunctions, rules, tariffs, regulations, governmental approvals, licenses and permits, directives and requirements of all regulatory and other governmental authorities as may be amended, in each case applicable to or binding upon such Party or the Tacoma LNG Facility (as the case may be).

“**Authority**” means any federal, provincial, state, county, municipal or local government and any political subdivision thereof, or any other governmental, quasi-governmental, executive, legislative, administrative, regulatory, judicial, public or statutory department, body, instrumentality, agency, ministry, court, commission, bureau, board, or other governmental authority having jurisdiction over the Tacoma LNG Facility or any of the Parties.

“**Bankruptcy Law**” means Title 11, United State Code and any other state or federal insolvency, reorganization, moratorium or similar law for the relief of debtors.

“**Business Day**” means: (a) in relation to any notice or other communication, a day on which commercial banks are open for business in the location specified in the notices address provided by the intended recipient; and (b) in relation to any payment or funds transfer, a day on which commercial banks are not required or permitted to be closed in the place where the relevant payor, payor account, payee account, and payee is located; and (c) for purposes of calculating a period of time during which an obligation is to be performed, any day other than a Saturday, Sunday or day on which banks, in the place where a party is required to render performance, are not permitted or required to be closed.

“**Claims**” means all claims, demands, actions, causes of action, and Proceedings, including any of the foregoing which relate to a Third Party Liability.

“**Commercial Operation Date**” means the date on which the following conditions have been fulfilled: (a) the Tacoma LNG Facility has been satisfactorily tested and commissioned, and (b) all related assets have been completed or obtained, so as to allow continuous operation of the Tacoma LNG Facility.

“**Commission**” means the Washington Utilities and Transportation Commission.

“**Continuing Party**” has the meaning given in Section 13.2.

“**Damages**” means costs, claims, awards (including arbitral awards), judgments, damages, losses, deficiencies, liabilities, fines, penalties or expenses (including reasonable attorneys’ fees and expenses) of any kind or nature (including any of the foregoing which relate to a Third Party Liability), including: (a) any of the foregoing related or attributable to property damage or personal injuries (including death); (b) any amounts paid in settlement of any of the foregoing; and (c) the amount of any deductible payable under a policy of insurance by a party suffering or incurring a damage or loss.

“**Default Notice**” has the meaning given in Section 11.2.

“**Defaulting Party**” has the meaning given in Section 11.1.

“**Development Costs**” has the meaning given in Section 3.3(d).

“**Dispose**” or “**Disposition**” means to assign, transfer or otherwise dispose of an Ownership Interest, either in whole or part, whether by sale, lease, declaration or creation of a trust or otherwise

“**Dispute**” has the meaning given in Section 12.1.

“**Effective Date**” has the meaning given in the preamble to this Agreement.

“**Encumber**” means to create or allow the existence of an Encumbrance.

“**Encumbrance**” means (a) any mortgage, charge, lien, pledge, hypothecation, title retention arrangement or other security interest, as or in effect as security for the payment of a monetary obligation or the observance of any other obligation; (b) any easement, servitude, restrictive covenant, equity or interest in the nature of an encumbrance, garnishee order, writ of execution, right of set‑off, lease, license to use or occupy, assignment of income or monetary claim; and (c) any agreement to create any of the foregoing or allow any of the foregoing to exist.

“**Event of Default**” has the meaning given in Section 11.1.

“**Exiting Party**” has the meaning given in Section 13.2.

“**First and Refunding Mortgage**” means the First Mortgage by and between PSE and The Bank of New York Mellon Trust Company, N.A.,, as Trustee, dated as of April 1, 1957, as supplemented and modified by all indentures supplemental thereto.

“**Force Majeure Event**” means any event or circumstance (or combination thereof) and the continuing effects of any such event or circumstance (whether or not such event or circumstance was foreseeable or foreseen by the Parties) that delays or prevents performance by the Affected Party of any obligation under this Agreement, but only to the extent that and for so long as: (a) the event or circumstance is beyond the reasonable control of the Affected Party; (b) despite the exercise of reasonable diligence, the event or circumstance cannot be prevented, avoided or stopped by the Affected Party; and (c) the Affected Party has taken all reasonable measures to avoid the effect of the event or circumstance on the Affected Party’s ability to perform its obligations hereunder and to mitigate the consequences of the event or circumstance. Force Majeure Events may include the following: (i) acts of nature, including volcanic eruption, landslide, earthquake, flood, lightning, tornado or other unusually severe storm or environmental conditions, perils of the sea, wildfire or any other natural disaster; (ii) acts of public enemies, armed conflicts, act of foreign enemy, acts of terrorism (whether domestic or foreign, state-sponsored or otherwise), war (whether declared or undeclared), blockade, insurrection, riot, civil disturbance, revolution or sabotage; (iii) acts or omissions of any Authority, including any form of compulsory government acquisition or condemnation of all or part of the Tacoma LNG Facility, export or import restrictions, customs delays, rationing or allocations that affect the Tacoma LNG Facility; (iv) environmental or hazardous waste contamination at the Tacoma LNG Facility; (v) accidents, damage or loss during transportation, explosions, epidemics, quarantine or criminal acts affecting the Tacoma LNG Facility; and (vi) labor disturbances, stoppages, strikes, lock-outs or other industrial action affecting the Parties, or any of their Subcontractors, employees or agents, including any of the foregoing caused by any of the events listed herein.

“**GAAP**” means United States generally accepted accounting principles for financial reporting as in effect on the date of the preparation of any such report.

“**Guaranty**” has the meaning given in Section 6.3.

“**Indemnity Claim**” has the meaning given in Section 9.4.

“**Indemnified Party**” has the meaning given in Section 9.3.

“**Indemnifying Party**” has the meaning given in Section 9.3.

“**Initial Annual Budget**” has the meaning given in Section 4.8.

“**Insolvency Event**” means, with respect to any Person: (a) such Person institutes a voluntary case, files a petition or consents or otherwise institutes any similar proceedings seeking liquidation, reorganization, dissolution, winding-up, to be adjudicated a bankrupt or for any other relief under the Bankruptcy Law, or consents to the institution of an involuntary case thereunder against it; (b) such Person makes a general assignment for the benefit of creditors; (c) such Person applies under Bankruptcy Law for, or by its consent or acquiescence there shall be an appointment of, a receiver, liquidator, sequestrator, trustee or other officer with similar powers with regard to such Person or to any material part of such Person’s property; (d) such Person admits in writing its inability to pay its debts generally as they become due; (e) an involuntary case or any similar proceeding shall be commenced under the Bankruptcy Law against such Person and (A) the petition commencing the involuntary case or similar proceeding is not timely challenged, (B) the petition commencing the involuntary case or similar proceeding is not dismissed within sixty (60) days of its filing, (C) an interim trustee is appointed to take possession of all or a portion of the property, and/or to operate all or any part of the business of such Person and such appointment is not vacated within sixty (60) days of such appointment or (D) an order for relief shall have been issued or entered therein; or (f) a court adjudges such Person to be bankrupt or makes an order requiring the liquidation, dissolution or winding up of such Person.

“**Joint Operating Committee**” has the meaning given in Section 4.1.

“**LNG**” means liquefied natural gas.

“**LNG Sale Purposes**” has the meaning given in Section 3.3(b).

“**Moratorium Period**” has the meaning given in Section 11.1.

“**Non-Defaulting Party**” has the meaning given in Section 11.1.

“**O&M Contract**” means the Operations and Maintenance Contract between the Parties for the management, operation and maintenance of the Tacoma LNG Facility.

“**Operations and Maintenance Costs**” has the meaning given in Section 3.3(e).

“**Operator**” means the operator appointed by the Parties pursuant to Section 5.1 of this Agreement and any successor thereof appointed by the Parties in accordance with the O&M Contract.

“**Ownership Interests**” means, at any given point in time, the undivided ownership interest of a Party in all rights and obligations with respect to the Tacoma LNG Facility arising under or in connection with this Agreement, including the right, title and interest of such Party in and to all property, whether real, personal or mixed, which is at any time subsequent to the Effective Date owned, leased, held, developed, discovered, constructed or acquired solely for or in connection with the ownership, operation, maintenance and decommissioning of the Tacoma LNG Facility (including the design, development, construction and commissioning of the Tacoma LNG Facility), and the undertaking of those matters included in the Project Purposes in accordance with the principles given in this Agreement.

“**Party**” or “**Parties**” has the meaning given in the preamble to this Agreement.

“**Permitted Transfer**” has the meaning given in Section 10.1.

“**Person**” means and includes any natural person, corporation, limited partnership, general partnership, joint stock company, joint venture, association, company, limited liability company, trust, bank, trust company, land trust, business trust or other organization, whether or not a legal entity, and any Authority.

“**Proceeding**” means any action, arbitration, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Authority or arbitrator instituted by a Third Party.

“**Project Operations**” means all operations and activities carried out in accordance with this Agreement by the Parties.

“**Project Purposes**” has the meaning given in Section 3.1.

“**Proposed Annual Budget**” has the meaning given in Section 4.8.

“**Prudent Utility Practice**” means the practices, methods and standards of professional care, skill and diligence engaged in or approved by a significant portion of the LNG industry for LNG facilities of similar size, type, and design, that, in the exercise of reasonable judgment, in light of the facts known at the time, would have been expected to accomplish results consistent with Applicable Law, reliability, safety, environmental protection and standards of economy and expedition.

“**PSE**” has the meaning given in the preamble to this Agreement.

“**PSE-Owned Development Assets**” means those assets and rights associated with the Tacoma LNG Facility that the Parties have or may from time to time agree shall be held in PSE’s name during the Term, including the site lease and various permits for the Tacoma LNG Facility, all as further described in and contemplated by Section 3.4 hereof.

“**Puget LNG**” has the meaning given in the preamble to this Agreement.

“**Regulated Purposes**” has the meaning given in Section 3.3(b).

“**Representative**” has the meaning given in Section 4.1.

“**Special Meeting**” means a meeting of the Joint Operating Committee (other than a Scheduled Meeting) convened in accordance with Section 4.6(d) of this Agreement.

“**Tacoma LNG Facility**” means the LNG liquefaction and fueling terminal under development by PSE at the Port of Tacoma, Washington, capable of receiving approximately 21,000 Decatherms per day of natural gas from which it will produce approximately 250,000 gallons of LNG when liquefying at nameplate capacity and which will be capable of storing approximately 8,000,000 gallons of LNG, together with any additions, expansions, improvements and variations thereto from time to time as provided for in this Agreement and including all property, whether real, personal or mixed, which is at any time subsequent to the Effective Date owned, leased, held, developed, discovered, constructed or acquired solely for or in connection with the ownership, operation, maintenance and decommissioning of the Tacoma LNG Facility (including the design, development, construction and commissioning of the Tacoma LNG Facility), and the undertaking of those matters included in the Project Purposes in accordance with the principles given in this Agreement, including the PSE-Owned Development Assets.

“**Tax**” means each federal, state, provincial, county, local and other (a) net income, gross income, gross receipts, sales, use, ad valorem, business or occupation, transfer, franchise, profits, withholding, payroll, employment, excise, property or leasehold excise, tax, (b) customs, duty or other fee, assessment or charge of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amount with respect thereto.

“**Term**” has the meaning given in Section 2.1.

“**Third Party**” means any Person other than a Party or an Affiliate of a Party.

“**Third Party Liability**” has the meaning given in Section 9.4(b).

“**TOTE**” means Totem Ocean Trailer Express, Inc.

“**TOTE FSA**” means that certain LNG Fuel Supply Agreement, dated October 27, 2014, between TOTE and PSE (as may be amended or modified from time to time).

“**TOTE Letter Agreement**” means that certain letter agreement, dated July 9, 2015, between TOTE and PSE pertaining to the interim supply of LNG to TOTE pending commencement of commercial operations of the Tacoma LNG Facility (as may be amended or modified from time to time).

## Rules of Interpretation

In this Agreement, unless expressly provided otherwise:

### the words “herein,” “hereunder” and “hereof” refer to the provisions of this Agreement and a reference to a recital, Article, Section, subsection or paragraph of this Agreement or any other agreement is a reference to a recital, Article, Section, subsection or paragraph of this Agreement or other agreement in which it is used unless otherwise stated;

### references to this Agreement, or any other agreement or instrument, includes any schedule, exhibit, annex or other attachment hereto or thereto;

### a reference to a paragraph also refers to the subsection in which it is contained, and a reference to a subsection refers to the Section in which it is contained;

### a reference to this Agreement, any other agreement or an instrument or any provision of any of them includes any amendment, variation, restatement or replacement of this Agreement or such other agreement, instrument or provision, as the case may be;

### a reference to a statute or other law (including any Applicable Law) or a provision of any of them includes all regulations, rules, subordinate legislation and other instruments issued or promulgated thereunder as in effect from time to time and all consolidations, amendments, re-enactments, extensions or replacements of such statute, law or provision;

### the singular includes the plural and vice versa;

### a reference to a Person includes a reference to the Person’s executors and administrators (in the case of a natural person) and successors, substitutes (including Persons taking by novation) and permitted assigns;

### words of any gender shall include the corresponding words of the other gender;

### “including” means “including, but not limited to,” and other forms of the verb “to include” are to be interpreted similarly;

### references to “or” shall be deemed to be disjunctive but not necessarily exclusive, (i.e., unless the context dictates otherwise, “or” shall be interpreted to mean “and/or” rather than “either/or”);

### where a period of time is specified to run from or after a given day or the day of an act or event, it is to be calculated exclusive of such day; and where a period of time is specified as commencing on a given day or the day of an act or event, it is to be calculated inclusive of such day;

### a reference to a day is a reference to a period of time commencing at midnight and ending the following midnight;

### a reference to a Business Day is a reference to a period of time commencing at 9:00 a.m. local time on a Business Day and ending at 5:00 p.m. local time on the same Business Day;

### if the time for performing an obligation under this Agreement expires on a day that is not a Business Day, the time shall be extended until that time on the next Business Day;

### a reference to (i) a day (other than a Business Day) is a reference to a calendar day, (ii) a month is a reference to a calendar month and (iii) a year is a reference to a calendar year;

### where a word or phrase is specifically defined, other grammatical forms of such word or phrase have corresponding meanings;

### a reference to time is a reference to the time in effect in Seattle, Washington on the relevant date;

### if a payment prescribed under this Agreement to be made by a Party on or by a given Business Day is made after 2:00 pm on such Business Day, it is taken to be made on the next Business Day;

### all accounting terms used but not defined in this Agreement have the meanings given to them under GAAP (U.S.) as consistently applied by the Person to which they relate, except to the extent such Person is organized under the laws of a province of Canada, in which case such accounting terms shall have the meanings given to them under GAAP (Canada) as consistently applied to such Person; and

### headings and the table of contents are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

## Exhibits

The following exhibits (the “**Exhibits**”) are attached hereto and form a part of this Agreement:

Exhibit A – Ownership Interests

Exhibit B – Development Costs

Exhibit C – Operations and Maintenance Costs

If any term or condition, express or implied, of any Exhibit conflicts or is at variance with any term or condition in the body of this Agreement, the term or condition in the body of this Agreement shall control and prevail.

## Negotiation of Agreement

This Agreement is the result of negotiations between, and has been reviewed by, the Parties and their respective legal counsel. Accordingly, this Agreement shall be deemed to be the product of each Party, and there shall be no presumption that an ambiguity, if any, should be construed in favor of or against a Party solely as a result of such Party’s actual or alleged role in the drafting of this Agreement.

# Term; Representations and Warranties

## Term

The term of this Agreement (the “**Term**”) shall commence on the Effective Date and shall continue until the earliest of: (a) the cessation of operations of the Tacoma LNG Facility and the completion of the decommissioning of the Tacoma LNG Facility by the Parties; (b) the date of termination of this Agreement by agreement, in writing, between the Parties, or (c) the ownership by one Party of one hundred percent (100%) of the Ownership Interests.

## Representations and Warranties

As of the Effective Date, each Party represents and warrants to the other Party that, as to itself, each of the following statements is true and accurate as it applies to the Party making such representation and warranty: (a) such Party is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization; (b) such Party has full power and authority to enter into, perform and observe its obligations and duties under this Agreement; (c) such Party’s execution, delivery and performance of this Agreement has been duly and validly authorized by all necessary corporate, limited partnership, limited liability company or other requisite action; (d) this Agreement is a legal, valid and binding agreement of such Party and is enforceable against it in accordance with its terms, except as such enforcement may be limited by any Bankruptcy Law or by general equitable principles (regardless of whether enforcement is sought in a proceeding in equity or at law); and (e) the entering into of this Agreement by such Party does not, and the performance by it of its obligations hereunder and the transactions contemplated hereby will not result in a violation or breach of any Applicable Law or any provision of the organizational or governance documents of such Party or any agreement to which it is a party or by which it is bound.

# Ownership and Purpose

## Terms and Conditions of Ownership; Purpose

The Parties hereby establish terms and conditions upon which they shall jointly own and operate the Tacoma LNG Facility, including with respect to the ownership, operation and maintenance, on a tenant-in-common basis, of the Tacoma LNG Facility and any other purposes the Parties may from time to time, in accordance with the terms of this Agreement, determine to incorporate within the purposes of the Tacoma LNG Facility, all of which are collectively referred to in this Agreement as the “**Project Purposes**.”

## Ownership Interests

Except as provided below, the respective Ownership Interests of the Parties as of the Effective Date are as set forth on Exhibit A.Such Ownership Interests are based upon the expected costs associated with the development and construction of the Tacoma LNG Facility as set forth in Exhibit B. Promptly after the Commercial Operation Date, in accordance with Exhibit A and Exhibit B, there shall be a true-up of the component ownership share for PSE and Puget LNG that is allocated to common costs based upon the Development Costs (as defined below) actually incurred, whereby the Parties shall mutually agree on revised versions of Exhibit A and Exhibit B.

## Development, Construction and Operation of the Tacoma LNG Facility

### PSE intends to undertake the development and construction of the Tacoma LNG Facility. Each Party hereby appoints PSE as the manager with respect to the development and construction of the Tacoma LNG Facility.

### Subject to the other provisions of this Agreement, the Parties agree to jointly undertake the ownership, operation and maintenance of the Tacoma LNG Facility, on a tenant-in-common basis.

### PSE intends to utilize its allocable share of the Tacoma LNG Facility in order to provide peak-day supply for PSE’s retail natural gas customers (the “**Regulated Purposes**”). Puget LNG intends to utilize its allocable share of the Tacoma LNG Facility for unregulated sales of LNG fuel, including sales to TOTE pursuant to the TOTE FSA (“**LNG Sale Purposes**”).

### Each Party will be obligated to pay its share of all costs and expenses incurred in connection with the engineering, design, development and construction of the Tacoma LNG Facility (the “**Development Costs**”). An estimate of such Development Costs is attached hereto as Exhibit B. Such Development Costs will be allocable generally on the basis of each Party’s respective Ownership Interest, provided that if any such Development Costs relate solely to Regulated Purposes, PSE shall bear one hundred percent (100%) of such Development Costs, and provided, further that if any such Development Costs relate solely to LNG Sale Purposes, Puget LNG shall bear one hundred percent (100%) of such Development Costs. By way of example, Puget LNG will be obligated to pay all Development Costs associated with the marine bunkering capabilities of the Tacoma LNG Facility and PSE will be obligated to pay all Development Costs associated with the vaporization facilities. Concurrently with the execution of this Agreement, Puget LNG shall reimburse PSE for Puget LNG’s share of any such Development Costs already incurred by PSE.

### Each Party will be obligated to pay its share of all costs and expenses incurred in connection with the ownership, operation and maintenance of the Tacoma LNG Facility (the “**Operations and Maintenance Costs**”). An estimate of such Operations and Maintenance Costs is attached hereto as Exhibit C. Such Operations and Maintenance Costs will be allocable generally on the basis of each Party’s respective Ownership Interest, provided that if any such Operations and Maintenance Costs relate solely to Regulated Purposes, PSE shall bear one hundred percent (100%) of such Operations and Maintenance Costs, and provided, further that if any such Operations and Maintenance Costs relate solely to LNG Sale Purposes, Puget LNG shall bear one hundred percent (100%) of such Operations and Maintenance Costs.

### If a Party has incurred and paid any Development Costs and/or Operations and Maintenance Costs that are subject to cost-sharing pursuant to this Agreement, it may submit an invoice on or before the fifth (5th) Business Day of any month setting forth the amount of such Development Costs and/or Operations and Maintenance Costs, together with reasonable supporting documentation for such Development Costs and/or Operations and Maintenance Costs and payment thereof by the claiming Party. The other Party shall remit payment for its share of such Development Costs within ten (10) Business Days after receipt of such invoice.

## Undivided Ownership Interests in the Tacoma LNG Facility as Tenants in Common

### During the Term, PSE shall hold all right title to and interest in the PSE-Owned Development Assets. To the greatest extent permitted by Applicable Law, and otherwise in equity, PSE will hold such portion of the PSE-Owned Development Assets that are allocable to Puget LNG, as bare trustee for Puget LNG in proportion to Puget LNG’s respective Ownership Interest. Upon the reasonable request of Puget LNG, PSE will reasonably cooperate with Puget LNG to transfer into Puget LNG’s name such portion of the PSE-Owned Development Assets that are allocable to Puget LNG.

### To the greatest extent permitted by Applicable Law, and otherwise in equity, the Tacoma LNG Facility (excluding PSE-Owned Development Assets, TOTE FSA and TOTE Letter Agreement) shall be owned and held by the Parties as tenants in common in proportion to their respective Ownership Interests. Where any portion of the Tacoma LNG Facility cannot be held directly by both of the Parties due to pre-existing legal or contractual restrictions that cannot be altered or satisfied or where effectuating such ownership structure would result in unreasonable additional expense to the Parties, such portion of the Tacoma LNG Facility shall be held by PSE in bare trust for itself and Puget LNG in proportion to their respective Ownership Interests. If the ownership of any portion of the Tacoma LNG Facility is registered or recorded in the name of one of the Parties, and notwithstanding the Parties’ efforts such portion of the Tacoma LNG Facility cannot be held directly by both Parties or by PSE as contemplated above, then such Party in whose name ownership is registered or recorded shall hold such portion of the Tacoma LNG Facility in bare trust for itself and the other Party in proportion to their respective Ownership Interests.

### Unless otherwise agreed by the other Party, each Party shall execute all documents and do all things necessary or appropriate to register or record the Tacoma LNG Facility in the names of the Parties in proportion to their respective Ownership Interests.

## No Partition

Each Party waives any rights it may have under Applicable Law to bring an action for partition or division of the Tacoma LNG Facility and agrees that it shall not (a) seek partition or division of the Tacoma LNG Facility or (b) take any action, whether by way of any court order or otherwise, for physical partition or judicial sale in lieu of partition of the Tacoma LNG Facility.

## Several Liability

The rights, duties, obligations and liabilities of each Party under this Agreement or arising out of or in connection with the Project Operations are, in each case, intended to be several and not joint or collective. Except as otherwise provided, all risk, loss and damage arising out of the Project Operations shall be borne by the Parties in proportion to their respective Ownership Interests.

## No Partnership

### No Party shall hold itself out to any Person as a partner of, or principal or agent or trustee for, the other Party, except to the extent expressly authorized in Section 3.4, or in a writing by such other Party. The Parties do not intend to create, and this Agreement shall not be construed to create, a partnership or joint venture between the Parties. No Party shall have the right to share, in whole or in part, the income and profits from, or be responsible for the losses and expenses with respect to, the other Party’s undivided Ownership Interest in the Tacoma LNG Facility. The income and profits produced by each Party’s undivided Ownership Interest in the Tacoma LNG Facility shall belong solely to such Party. Each Party shall elect, pursuant to Section 761(a) of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations promulgated thereunder, to be excluded from all of the provisions of Subchapter K, Chapter 1, Subtitle A of the Code. The Parties shall take all steps necessary and appropriate to evidence this election, including filing the statement described in Treas. Reg. Section 1.761-2(b)(2)(i). In making such election, each Party agrees and shall state that the income derived by it from the operations under this Agreement can be adequately determined without the computation of partnership taxable income.

## No Joint Income, Revenue or Receipts

The Parties shall not be considered to derive income, revenue or receipts jointly as a result of the activities undertaken pursuant to this Agreement and a Party shall not have any right or interest in any income, revenue or receipts derived from the Ownership Interest of the other Party.

## Good Faith

Each Party shall act in good faith towards the other Party, including: (a) acting in good faith in all activities and dealings with the other Party in relation to the Tacoma LNG Facility; (b) attending diligently to the conduct of all activities in relation to the Tacoma LNG Facility in which the Parties are involved; and (c) accounting promptly for all funds, including negotiable instruments, received by it on behalf of the Parties in connection with the Tacoma LNG Facility.

## Obligations In Relation to Other Opportunities

Neither Party, by reason of such Party’s interest in the Tacoma LNG Facility or appointment of a representative of such Party as a Representative of the Joint Operating Committee, shall be precluded from engaging in any activities similar to those to be conducted by the Parties in respect of the Tacoma LNG Facility or any activities incidental or related thereto, or any other activities whatsoever, nor shall either Party have any obligation, by reason of such Party’s interest in the Tacoma LNG Facility or appointment of a representative of such Party as a Representative of the Joint Operating Committee, to make available to any other Person any other opportunity that such Party may have to develop, construct, own, operate, maintain or finance any other project of any kind or nature, including any facility similar to the Tacoma LNG Facility.

# Joint Operating Committee

## Formation of Joint Operating Committee

The Parties hereby form a Joint Operating Committee (the “**Joint Operating Committee**”), which shall have the powers and functions provided in this Agreement. Each Party shall appoint two (2) representatives to the Joint Operating Committee (each such representative, a “**Representative**”). At least one (1) Representative appointed by each Party shall have prior experience with LNG projects similar to the Tacoma LNG Facility. Subject to the restrictions set forth in this Section 4.1, each Party may, by notice to the other Party, at any time, remove a Representative appointed by it and appoint a replacement.

## Powers and Responsibilities of Joint Operating Committee

Except as expressly provided in Section 4.3, all matters concerning the carrying out of the this Agreement in accordance with the Project Purposes shall be deemed to be delegated to the Joint Operating Committee and the Joint Operating Committee shall have the power to make all decisions regarding the day-to-day operations of the Tacoma LNG Facility. All decisions of the Joint Operating Committee shall be taken by resolution. All resolutions within the Joint Operating Committee’s power are binding on both Parties as from the effective date of such resolution and each Party is obligated to carry each resolution into effect in accordance with its terms.

## Matters Excluded from Joint Operating Committee and Reserved for the Parties

Notwithstanding Sections 4.2, for so long as a Party holds, directly or indirectly, twenty percent (20%) or more of the Ownership Interest, the Joint Operating Committee does not have the power to make any decisions regarding, and may not make any resolutions with respect to, any of the following matters, the specified matters being reserved for determination by the written agreement of the Parties:

### approval of the Annual Budget and any changes thereto;

### any decision to acquire or dispose of any portion of the Tacoma LNG Facility in excess of $100,000 in any single transaction, except as included in the Annual Budget;

### any incurrence of indebtedness for which the Parties shall be jointly liable, other than as contemplated by the Annual Budget or in the ordinary course of business;

### placing of any Encumbrance on the Tacoma LNG Facility, other than as contemplated in the Annual Budget or other than a lien of PSE’s First and Refunding Mortgage indenture, which shall automatically attach;

### the making of a guarantee by the Parties on a joint and several basis of payment obligations or performance of other obligations of Third Parties, other than as contemplated by the Annual Budget or in the ordinary course of business;

### entering into any contract pertaining to the Tacoma LNG Facility having either a current market value or a total remaining cost of greater than $250,000, or amending or modifying in any material respect or terminating such a contract, except as consistent with the Annual Budget;

### any decision to initiate or settle any litigation pertaining to the Tacoma LNG Facility having a value in excess of $100,000;

### other than routine filings and notifications, the making of any filing with or notification to any Authority have jurisdiction over the Tacoma LNG Facility or the Parties’ activities with respect thereto;

### the appointment of any agents or intermediaries with authority to act in the name of or otherwise bind the Parties with respect to the Tacoma LNG Facility;

### entry into, or amendment or modification in any material respect of, any transaction pertaining to the Tacoma LNG Facility with any Party or with an affiliate of any Party, other than on fair and reasonable terms substantially as favorable to the Parties or the Tacoma LNG Facility as would be obtainable at the time in a comparable arm’s length transaction; and

### Any decision to grant to any Person rights to use real property rights acquired for the Tacoma LNG Facility.

## Deadlock

Any Disputes between the Parties, regarding any matter referred to in Section 4.2 where the vote of the Joint Operating Committee results in a deadlock, shall be referred to the Dispute Resolution procedures set forth in Article 12; provided, that the Parties acknowledge and agree that the matters described in Section 4.3 shall not be subject to dispute resolution (whether hereunder or otherwise).

## Voting

### All matters decided by the Joint Operating Committee shall require the unanimous approval of all of the Representatives present at a duly convened meeting of the Joint Operating Committee in which a quorum is present. Each Representative shall each be entitled to cast one vote.

## Quorum and Other Meeting Requirements

### Quorum. The presence of one (1) Representative appointed by PSE and one (1) Representative appointed by Puget LNG shall constitute a quorum for the transaction of business at any meeting of the Joint Operating Committee.

### Location. All meetings of the Joint Operating Committee shall be held at such places, dates and times as may be fixed by mutual agreement of PSE and Puget LNG.

### Scheduled Meetings. Scheduled Meetings of the Joint Operating Committee shall be held at least once every quarter. A notice convening a Scheduled Meeting must be in writing and given to the Parties at least fourteen (14) days before the date of the Scheduled Meeting, which notice may be given by electronic communication.

### Special Meetings. In addition to Scheduled Meetings, Special Meetings of the Joint Operating Committee may be called by any Representative upon seven (7) days’ prior written notice to each Representative, which notice may be given by electronic communication and shall identify the purpose of the special meeting or the business to be transacted.

### Telephone Meetings and Written Resolutions. Unless an in-person meeting is requested by a Representative, meetings of the Joint Operating Committee may, in addition to taking place in-person, take place by or include one or more Representatives present through conference telephone, videoconference, or similar communications equipment. A resolution in writing or by electronic transmission approved by the signature (which shall include an electronic signature, in the case of an electronic transmission) of each Representative who would be eligible to vote on the subject matter of the resolution if it were put to vote at a meeting of the Joint Operating Committee is as valid and effectual as if the resolution had been passed by the required vote at a duly convened meeting of the Joint Operating Committee on the date when the resolution is last signed. A written resolution may consist of one or more documents in like terms. Each reference in this Agreement to a vote includes a reference to the execution of, or the failure to execute, a written or electronic resolution.

### Costs. Each Party shall bear the costs associated with the attendance of its Representatives at meetings of the Joint Operating Committee.

## Sub-Committees

The Parties may create such other committees as they may deem necessary or appropriate, each of which is to be comprised of one Representative appointed by each Party, provided that the Joint Operating Committee shall retain decisional power over any subject matter delegated to the said created committees for study or consultation. Each Party shall bear the costs associated with its sub-committee members.

## Annual Budget

At least sixty (60) days prior to the anticipated Commercial Operation Date, the Joint Operating Committee shall prepare the initial budget detailing the expected capital and operating costs required for the Tacoma LNG Facility for the then-current calendar year and the first full calendar year thereafter (the “**Initial Annual Budget**”). At least sixty (60) days prior to (i) December 31st of calendar year in which the Initial Annual Budget expires and (ii) each calendar year thereafter, the Joint Operating Committee shall review and provide an updated budget (the “**Proposed Annual Budget**”). The Parties, in accordance with Section 4.3(a), shall have the right to approve, revise and approve, or reject each such Proposed Annual Budget. If such Proposed Annual Budget is approved by the Parties, or is revised and approved by the Parties, such Proposed Annual Budget, as so approved, shall become the “**Annual Budget**” hereunder (thereby superseding any the Initial Annual Budget or any prior Annual Budget, as applicable). If such Proposed Annual Budget is rejected by the Parties or is otherwise not approved by the Parties, the Parties shall direct the Joint Operating Committee to prepare and, within fifteen (15) Business Days, submit to the Parties a revised Proposed Annual Budget. This process shall continue until an Annual Budget for such period is approved or revised and approved by the Parties. In the event that no Annual Budget is approved prior to the first day of each year of the Term, the Annual Budget for the immediately preceding year shall continue in effect until the approval of a new Annual Budget in accordance herewith.

# O&M Services

## O&M Contract

### Each Party hereby appoints PSE, as the Operator, to operate, manage, supervise and conduct the business of the Tacoma LNG Facility on behalf of such Party in accordance with the terms and conditions of this Agreement, and PSE hereby accepts such appointment and agrees to assume the obligations and liabilities of the Operator in accordance with the terms and conditions of this Agreement. The Operator shall serve in such capacity for the Term, subject only to replacement pursuant to the terms and conditions of the O&M Contract.

### Each Party agrees to enter into the O&M Contract as soon as reasonably practicable and in any event prior to the Commercial Operation Date, in the form approved by the Joint Operating Committee. The O&M Contract shall include terms and conditions substantially similar to the terms and conditions set forth in Section 5.1(c). Each Party agrees that it shall not take any action with respect to the operation of the Tacoma LNG Facility unless such action is authorized or permitted by the O&M Contract or this Agreement or is agreed to by the other Party.

### The Parties anticipate that the O&M Contract will continue for the life of the Tacoma LNG Facility and shall provide for a cost of service based pricing structure pursuant to which PSE shall allocate costs incurred in providing services under the O&M Contract and shall bill Puget LNG for its allocable share of such costs. The scope of services under the O&M Contract will contemplate the implementation by PSE of capital improvements funded by the Parties in accordance with the Annual Budget. All work under the O&M Contract shall be in accordance with Prudent Utility Practice. Costs of service shall be reasonable and prudent. If Third Party services are utilized, the cost of such services shall be consistent with market pricing for such services. If market pricing is not available then the prices must be demonstrably reasonable.

## Operator to Provide Information to Parties

Operator shall keep the Parties informed as to the exercise of the Operator’s powers and the performance of its functions under this Agreement. Operator shall provide the Parties with reports in a form agreed between the Operator and the Joint Operating Committee and shall otherwise reasonably cooperate with the Parties to provide to the Parties such information as may be reasonably necessary for the Parties to account for their respective Ownership Interests in the Tacoma LNG Facility.

# Accounting Procedure and Credit Support

## Expenditures

Costs, charges and expenditures shall be attributable to the Parties in accordance with their respective Ownership Interests.

## Keeping of Records and Accounts

Each Party shall keep comprehensive, true and accurate records and accounts of the Project Operations, all in accordance with GAAP consistently applied, including accounting records required by any Authority, to enable the separate accounting by each Party of such Party’s allocable share of all receipts, expenditures and other transactions undertaken on behalf of each Party. PSE will report charges PSE incurs in excess of the amount of its ownership interest or charges to Puget LNG in excess of the amount of its ownership interests, if any, under this Agreement as part of its annual affiliated transactions report to the Commission.

## Puget LNG Guaranty

Concurrent with the execution of this Agreement, and in support of its obligations hereunder, Puget LNG has delivered to PSE a parental guaranty of Puget Energy, Inc. to secure all of Puget LNG’s obligations under this Agreement (as executed and delivered, the “**Guaranty**”).

# Confidentiality

## Confidentiality

### Except as hereinafter provided, each Party shall treat as confidential, and not disclose to any Third Party not authorized by the other Party to receive such confidential information, any information obtained either directly or indirectly from the other Party unless such information (a) was already in the possession of the receiving Party at the time it obtained such confidential information hereunder, (b) was or is published or otherwise is or becomes generally available to the public through no fault of such receiving Party, (c) is developed independently by the receiving Party, (d) is required by Applicable Law to be disclosed, including information required to be disclosed to the Commission, (e) is provided to such Party’s employees, officers, agents, attorneys, accountants and professional advisors on a need-to-know basis and such Person has been advised of the confidential nature of such information, or (f) in the case of PSE, if PSE reasonably determines, based upon its status as a regulated public utility, that disclosure to an Authority is necessary or appropriate in connection with any submission or application to, or response from, any authorities regarding the obligations of PSE under this Agreement, the effect thereof on PSE’s rates, investment return, proprietary business information or similar matters. Notwithstanding the foregoing, in no event shall customer-specific information of Puget LNG be disclosed to any Third Party not authorized by Puget LNG to receive such confidential information. The obligations of the Parties pursuant to this Section 7.1 shall survive the term of this Agreement for a period of two (2) years, irrespective of the manner in which this Agreement is terminated. The Parties agree that no adequate remedy at law exists for a material breach or threatened material breach of any of the provisions of this Section 7.1, the continuation of which unremedied will cause the injured Party to suffer irreparable harm. Accordingly, the Parties agree that the injured Party shall be entitled, in addition to other remedies which may be available to it, to immediate injunctive relief from any material breach of any of the provisions of this Section 7.1 and to specific performance of its rights hereunder, as well as to any other remedies available at law or in equity.

## Public Announcements.

No press releases or other public announcements concerning this Agreement or the Tacoma LNG Facility shall be made by either Party without prior consultation with and consent of the other Party, except for any communication by either Party required by Applicable Law or stock exchange regulations and then, to the extent practicable, only with prior consultation with the other Party.

# Insurance

## Insurance Policies

Each Party shall, with the approval of the Joint Operating Committee, obtain as of the Effective Date and thereafter maintain continuously until otherwise instructed by the Joint Operating Committee, adequate insurance as the Joint Operating Committee may require. Adequate insurance means insurance the nominal value of which reflects the size, value, and scope of the Tacoma LNG Facility and its operations.

# Claims and Indemnities

## Liability Several

The liability of each Party hereunder or with respect to the Tacoma LNG Facility shall be several, not joint or collective, and except as otherwise provided herein, in proportion to each Party’s Ownership Interest. For sake of clarity, if for any reason whatsoever the Parties are or become jointly or jointly and severally liable to any Third Party for any obligation related to this Agreement or the Tacoma LNG Facility, notwithstanding the provisions of Sections 3.5, 3.6 and 3.7 hereof, the respective liability of each of the Parties, as between themselves, shall be limited severally to their respective Ownership Interest, provided that, notwithstanding anything to the contrary in this Agreement, in no event will a Party be liable for the Taxes of the other Party.

## Risk of Loss of the Joint Facilities.

Except for occurrences for which the Operator is liable under the O&M Contract, at all times during the development and operation of the Tacoma LNG Facility, each Party shall be responsible for the risk of loss of the Tacoma LNG Facility or any portion thereof, to the extent not covered by insurance, in proportion to the Parties’ respective Ownership Interests and in accordance with the respective percentages set forth on Exhibit A, regardless of the name or names in which legal title to all or any part of the Tacoma LNG Facility may be held. By way of example, if any such loss arises out of or is related to liquefaction facilities, PSE shall bear ten percent (10%) of such loss and Puget LNG shall bear ninety (90%) of such loss. Notwithstanding the foregoing, if any loss, Claim or Damages are caused by actions performed exclusively for Puget LNG or actions performed exclusively for PSE, then Puget LNG or PSE, as applicable, will be fully responsible for such loss, Claim or Damages.

## Indemnity by Party of Other Party

Subject to the limitations on Damages provided for in this Agreement, each Party (the “**Indemnifying Party**”) hereby agrees to indemnify, defend and hold harmless the other Party and the Representatives of such other Party (each, an “**Indemnified Party**”) from and against any and all Damages and Claims arising from or attributable to: (a) any joint or joint and several liability described in Section 9.1 in excess of the Indemnified Party’s respective allocation thereof; (b) any breach or non‑fulfillment in the performance of any of the covenants or agreements of the Indemnifying Party under this Agreement; (c) any breach of any of the representations and warranties given by such Indemnifying Party under this Agreement; (d) the gross negligence or willful misconduct of the Indemnifying Party; and (e) all Party Taxes incurred by the Indemnifying Party or to which the Indemnifying Party is subject. In addition to the foregoing, Puget LNG (in such capacity, an Indemnifying Party) hereby agrees to indemnity, defend and hold harmless PSE and its Representatives (in such capacity, an Indemnified Party) from and against any and all Damages and Claims arising from or attributable to the TOTE FSA or the TOTE Letter Agreement.

## Conduct of Indemnity Claims

The following provisions shall apply to any claim for indemnification pursuant to this Agreement, including pursuant to this Article 9 (each, an “**Indemnity Claim**”):

### Promptly after becoming aware of any matter that may give rise to an Indemnity Claim, the Indemnified Party shall provide to the Indemnifying Party notice of the Indemnity Claim specifying (to theextent such information is available) a reasonably detailed description of the basis for its potential claim for indemnification with respect to such Indemnity Claim; provided that failure to give such notice shall not relieve the Indemnifying Party of any indemnification obligation it may have under this Article 9 unless and only to the extent that such failure shall materially diminish the ability of the Indemnifying Party to respond to the Indemnity Claim or to defend the Indemnified Party.

### If an Indemnity Claim relates to an alleged liability to a Third Party (a “**Third Party Liability**”), including any Authority, the Indemnifying Party shall have the right to assume the conduct and control of the defense of or any negotiations in connection with the compromise or settlement of any Proceeding in respect of the Third Party Liability; provided that the Indemnified Party shall have the right and shall be given the opportunity to: (i) participate in the defense of such Proceeding, subject to the Indemnifying Party’s control; (ii) consult with the Indemnifying Party in the settlement of the Third Party Liability and the conduct of the Proceeding (including consultation with the Indemnifying Party’s counsel); (iii) disagree on reasonable grounds with the selection and retention of the Indemnifying Party’s counsel, in which case counsel satisfactory to the Indemnifying Party and the Indemnified Party shall be retained by the Indemnifying Party; and (iv) retain, at the Indemnified Party’s sole cost and expense, its own counsel to monitor the progress and status of the Indemnity Claim; provided further, however, that if the Indemnified Party reasonably concludes that there may be legal defenses available to it which are different from or additional to those available to the Indemnifying Party, the Indemnified Party shall have the right to select separate counsel to assert such legal defenses and participate in the defense, at the Indemnifying Party’s sole cost and expense.

### No compromise or settlement of such Third Party Claim may be effected by the Indemnifying Party without the Indemnified Party’s consent unless (i) there is no finding or admission of any violation of Applicable Law, (ii) such compromise or settlement does not involve the entry by the Indemnified Party of a consent order or similar agreement with any Authority, (iii) there is no effect on or precedent established with respect to any other Third Party Claims that may be made against the Indemnified Party, and (iv) the sole relief provided is monetary damages that are paid in full by the Indemnifying Party; and

## Survival of Indemnities

The Parties agree that the indemnities, waivers and disclaimers of liability, releases from liability and limitations on liability set forth in this Agreement shall survive the termination or expiration of this Agreement and shall apply (whether in contract, equity, tort, statute or otherwise) even in the event of the fault, negligence, strict liability or breach of warranty of the Party indemnified, released or whose liabilities are limited.

## Exclusion of Consequential Loss

Notwithstanding any other provision of this Agreement (except to the extent indemnification payments are made pursuant to Section 9.4(b) as a result of an Indemnified Party’s obligation to pay special, indirect, incidental, punitive or consequential damages to a Third Party as a result of actions included in the protection afforded by the indemnification set forth in Section 9.4), neither Party nor its Representatives shall be liable for special, indirect, incidental, punitive, exemplary, or indirect damages, lost profits or other business interruption damages or consequential damages under, arising out of, due to, or in connection with its performance or non-performance of this Agreement or any of its obligations herein, whether based on contract, tort (including, without limitation, negligence), strict liability, warranty, indemnity or otherwise.

## Insurance Proceeds

### Any amount payable to an Indemnified Party for an Indemnity Claim hereunder shall be net of any insurance proceeds paid to such Indemnified Party under insurance policies maintained by the Indemnified Party, the Indemnifying Party or its or their respective Affiliates. The provisions of this Article 9 shall not be construed so as to relieve any insurer of its obligation to pay any insurance proceeds in accordance with the terms and conditions of valid and collectible insurance policies.

# Dispositions and Encumbrances of Ownership Interests

## General Restriction on Disposition and Encumbrances of Ownership Interest

Except for the lien of the First and Refunding Mortgage, which shall automatically attach to PSE’s Ownership Interest hereunder, neither Party may Dispose to any Person, nor Encumber in favor or for the benefit of any Person, such Party’s Ownership Interest, without the prior written consent of the other Party, which approval shall not be unreasonably withheld, conditioned or delayed by such other Party (a “**Permitted Transfer**”). It shall be considered reasonable for a Party to withhold consent to a proposed Disposition until such time as the proposed transferee demonstrates its financial or operational capabilities, as appropriate, to the reasonable satisfaction of such Party. Any Disposition or Encumbrance or attempted Disposition or Encumbrance that is not a Permitted Transfer shall be void *ab initio*. Prior to any such transfer, PSE must give notice to the Commission. Puget LNG agrees to cooperate with PSE in connection with such notice. In the case of any Disposition or Encumbrance made that is not a Permitted Transfer and that cannot be treated as void under applicable Law, the transferee shall have only such rights as it is required to have under Applicable Law.

# Default and Remedies

## Events of Default

A Party shall be deemed to be in default hereunder if any of the following events occur (each of the following events to be referred to as an “**Event of Default**,” the Party in default to be referred to as the “**Defaulting Party**” and the Party not in default to be referred to as the “**Non-Defaulting Party**”):

### a Party fails to advance funds or make any payment (including any indemnity amount) as and when due and payable in accordance with the terms of this Agreement and such failure is not remedied within thirty (30) days after receipt of notice thereof by such Party from the other Party;

### a Party fails to perform any material obligation imposed upon such Party under this Agreement and such failure is not remedied within sixty (60) days after such Party receives notice thereof from the other Party; provided that, if such sixty (60) day period is not sufficient to enable the remedy or cure of such failure in performance, and such Party shall have upon receipt of the initial notice promptly commenced and diligently continues thereafter to remedy such failure, then such Party shall have a reasonable additional period of time; or

### a Party or any Person providing a Guaranty on behalf of such Party in accordance with Section 6.3 experiences an Insolvency Event.

Each of the cure periods set forth in Section 11.1(a) and 11.1(b) above are referred to herein as the “**Moratorium Period**.” Notwithstanding the foregoing a Party shall not be in default of its obligations hereunder to the extent such failure is (A) caused by or is otherwise attributable to a breach by the other Party of its obligations under this Agreement, or (B) occurs as a result of a Force Majeure Event declared by a Party in accordance with Article 14.

## Default Notice

If either Party reasonably believes that an event has occurred which, if not remedied within the applicable Moratorium Period, would result in an Event of Default by or affecting the other Party, the Non-Defaulting Party shall give the Defaulting Party a notice (a “**Default Notice**”), which shall specify and provide particulars of the alleged Event of Default. If the Defaulting Party cures the alleged Event of Default before the expiration of the later of the Moratorium Period or the cure period specified in the Default Notice, then the Default Notice shall be inoperative with respect to the alleged Event of Default that has been so cured or remedied.

## Remedies

### If an Event of Default occurs and continues uncured following the applicable Moratorium Period, the Non-Defaulting Party shall have such remedies as may be available to it at law or in equity.

# Dispute Resolution

## Dispute Resolution Process

The Parties shall inform one another promptly following the occurrence or discovery of any item or event that would reasonably be expected to result in any claim, controversy or dispute arising out of or relating to or in connection with this Agreement (a “**Dispute**”). The initial mechanism to resolve a Dispute will involve negotiations at the Joint Operating Committee level. In the event a Dispute is not resolved within sixty (60) days following the initial notice to the Joint Operating Committee, then such Dispute may be submitted for resolution in any state or federal courts located in the State of Washington. Each Party submits itself and its property to the personal jurisdiction of the federal and state courts located in the state of Washington, in any such action. In this connection, each Party waives any objection that it now or in the future may have to the venue of any such action and any right to assert that the court is inconvenient, and agrees not to raise any such objection or assertion. Each Party shall be responsible for its own costs incurred in connection with any Dispute resolution proceedings.

## Continued Performance

Subject to the rights of the Non-Defaulting Party to exercise any remedies available to such Non-Defaulting Party under Section 11.3, during the continuation of any Dispute arising under this Agreement, the Parties shall continue to perform their obligations under this Agreement.

# Procedures on Termination

## Agreed Termination

This Agreement shall terminate at the end of the Term.

## Disposition of Ownership Interest Upon Expiration of the Term

If one Party desires to continue operating the Tacoma LNG Facility beyond the expiration of the Term (the “**Continuing Party**”) and the other Party (the “**Exiting** **Party**”) desires to cease operations and decommission the Tacoma LNG Facility at the end of the Term, the Parties shall negotiate in good faith towards a mutually acceptable transfer of the Ownership Interests of the Exiting Party to the Continuing Party. Prior to any such transfer, PSE must give notice to the Commission. Puget LNG agrees to cooperate with PSE in connection with such notice. If the Parties fail to agree on such transfer then the provisions of Section 13.3 shall apply.

## Final Accounting and Settlement

Upon termination of this Agreement, a final accounting of the operations of the Tacoma LNG Facility, including a balance sheet and a listing of the assets and liabilities of the Tacoma LNG Facility, shall be prepared and submitted to each Party. After paying or providing for payment of all liabilities, including liabilities to the Parties, after establishing reserves for contingent liabilities in the amounts that the Joint Operating Committee shall determine, after disposing or arranging for the disposition of all non-cash assets and property of the Tacoma LNG Facility, any funds remaining to the credit of the Tacoma LNG Facility shall be distributed to the Parties in accordance with their respective Ownership Interest. Whenever the Joint Operating Committee determines that all or any part of any reserve for contingent liabilities established by the Tacoma LNG Facility is no longer required for such purpose, the reserve or part thereof shall be distributed to the Parties in accordance with their respective Ownership Interests.

# Force Majeure

## Effect of Force Majeure Event

An Affected Party is excused from performance and shall not be deemed in breach of this Agreement for so long as, and to the extent that, any failure to perform its obligations under this Agreement is due to a Force Majeure Event; provided, however, that under no circumstances will a Force Majeure Event excuse the Affected Party from any obligation to make payment of any amounts due hereunder (whether accruing prior to or after the occurrence of the Force Majeure Event). Suspension of any obligation as a result of a Force Majeure Event shall not affect any rights or obligations which may have accrued prior to such suspension or, if the Force Majeure Event affects only some rights and obligations, any other rights or obligations of the Affected Party. To the extent that the non-Affected Party is prevented, hindered or delayed from performing its obligations under this Agreement as a result of the Affected Party’s failure to perform its obligations as the result of the Force Majeure Event, such non-Affected Party shall be relieved of its obligations to the extent such non-Affected Party has been prevented, hindered or delayed by the Affected Party’s failure in performance. No Party shall be obliged to settle any strike or other labor actions, labor disputes or labor disturbances of any kind, except on terms wholly satisfactory to it.

## Obligations Following Occurrence of Force Majeure Event

The Affected Party shall (a) provide prompt notice to the other Party of the Force Majeure Event, giving an estimate of its expected duration and the probable impact on the performance by the Affected Party of its obligations hereunder; (b) exercise all reasonable efforts to continue to perform its obligations hereunder; (c) expeditiously act to correct or cure the Force Majeure Event to the extent such action is within the power of the Affected Party; (d) exercise all reasonable efforts to mitigate or limit Damages to the other Party to the extent such action will not adversely affect its own interests; and (e) provide prompt notice to the other Party of the cessation of the Force Majeure Event.

# Notices and Other Communications

## Requirements for Notices and Other Communications

Each notice, request, demand, statement or routine communication required or permitted under this Agreement, or any notice or communication that either Party may desire to deliver to the other, shall be in writing and shall be considered delivered effective: (a) if sent by personal courier, overnight courier, or mail, two (2) Business Days after it was sent or such earlier time as is confirmed by the receiving Party; or (b) if sent be facsimile or email, when verified by automated receipt or electronic logs if sent by facsimile or email. Each such notice must be addressed to the other Party at its address indicated below or at such other address and by means as either Party may designate for itself in a written notice to the other Party in accordance with this Section 15.1.

If to PSE: Puget Sound Energy, Inc.
 10885 NE 4th Street
 Bellevue, WA 98004-5591
 Attn: Steve R. Secrist
 Email: steve.secrist@pse.com
 Telephone: 425-462-3178

If to Puget LNG: Puget LNG, LLC
 10885 NE 4th Street

 Bellevue, WA 98004-5591
 Attn: Roger Garratt
 Email: roger.garratt@pse.com
 Telephone: 425-462-3470

# General

## Exercise of Rights

Subject to the express provisions of this Agreement, a Party may exercise a right or remedy at its discretion, and separately or concurrently with any other right or remedy. A single or partial exercise of a right or remedy by a Party does not prevent a further exercise of that or of any other right or remedy.

## No Waiver

No delay or forbearance by a Party in exercising any right or remedy accruing to such Party upon the occurrence of any breach or default (including an Event of Default) by the other Party under this Agreement shall impair any such right or remedy of such Party, nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver on the part of either Party hereto of any provision or condition of this Agreement, must be in writing signed by the Party to be bound by such waiver and shall be effective only to the extent specifically set forth in such writing and shall not limit or affect any rights with respect to any other or future circumstance.

## No Third Party Beneficiary

This Agreement is for the sole and exclusive benefit of the Parties and shall not create a third party beneficiary relationship with, or cause of action in favor of, any Third Party, except a Person entitled to indemnification by a Party under this Agreement.

## Rights and Remedies Cumulative

Except where inconsistent with the express provisions set forth in this Agreement, the rights and remedies provided in this Agreement are cumulative with and not exclusive of the rights or remedies provided by law independently of this Agreement.

## No Merger

The warranties, undertakings and indemnities in this Agreement do not merge on the execution of this Agreement.

## Binding Effect

This Agreement and the rights and obligations of the Parties hereunder shall inure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns.

## Further Assurances

Each of the Parties shall from time to time execute and deliver all further documents and instruments and do all things and acts as the other Party may reasonably require to effectively carry out, clarify or more completely evidence or perfect the full intent and meaning of this Agreement.

## Entire Agreement

This Agreement constitutes the entire agreement of the Parties in connection with the matters included in the Project Purposes and all previous agreements, understandings and negotiations (whether written or oral) on those subject matters are hereby superseded and shall have no further effect after the Effective Date; provided that in the event of any conflict between (a) this Agreement in connection with the Project Purposes and the Project Operations, this Agreement shall control and prevail.

## No Other Representations or Warranties

Each Party acknowledges that in entering into this Agreement it has not relied on any representations or warranties about its subject matter except for the representations and warranties as expressly provided in this Agreement.

## Counterparts; Electronic Delivery

This Agreement may be executed in one or more counterparts and the counterparts taken together shall constitute one and the same agreement. The delivery of an executed counterpart of this Agreement by electronic exchange of .pdf documents or facsimile shall be deemed to be a valid delivery thereof.

## Governing Law

This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Washington without regard to its conflicts of law principles; provided that, with respect to matters of law concerning the internal affairs of any corporation, limited partnership, limited liability company or similar entity which is a party to this Agreement, the law of the jurisdiction under which the respective entity derives its powers shall govern such matters.

## Service of Process

Without preventing any other mode of service, any document in an action (including any writ of summons or other originating process or any third or other party notice) may be served on either Party by being delivered to or left for such Party (by hand) at its address for service of notices set forth in Section 15.1.

## Fees and Commissions

Each of the Parties shall pay its own legal and accounting costs and expenses incurred in connection with the preparation, execution and delivery of this Agreement and all documents and instruments executed pursuant hereto and any other costs and expenses whatsoever and howsoever incurred and hereby agree to indemnify and hold harmless the other Party from and against any claim for any broker’s, finder’s or placement fee or commission alleged to have been incurred as a result of any action by it in connection with the transactions hereunder.

## Amendments

Except as provided herein, no amendment or variation of the provisions of this Agreement shall be binding upon the Parties hereto unless evidenced in a writing which indicates that such writing is intended to amend the terms of this Agreement and is signed by duly authorized officers of each Party. The Parties agree that this Agreement shall not be amended in any manner by any course of dealing among the Parties.

## Survival of Rights and Obligations

Upon the expiration or termination of this Agreement, this Agreement shall have no further force and effect, except that any rights and remedies that have arisen or accrued to either Party prior to such expiration or termination, or any obligations or liabilities that have arisen or accrued before such expiration or termination and that expressly survive such expiration or termination pursuant to this Agreement, shall in each case survive expiration or termination. The rights, remedies and obligations set out in (a) Articles 7 (Confidentiality), 9 (Claims and Indemnities), 11 (Default and Remedies), 12 (Dispute Resolution), 15 (Notices) and 16 (Miscellaneous), shall survive in full force and effect the expiration or termination of this Agreement to the extent necessary to enable a Party to exercise any of such accrued rights and remedies.

## Decision Making by Parties

Except where this Agreement expressly provides for a different standard, whenever this Agreement provides for a determination, decision, permission, consent or approval of a Party, the Party shall make such determination, decision, grant or withholding of permission, consent or approval in a commercially reasonable manner and without unreasonable delay. Any denial of an approval, permission, decision, determination or consent required to be made in a commercially reasonable manner shall include in reasonable detail the reason for such denial or aspect of the request that was not acceptable.

## Severability

Any provision of this Agreement that shall be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. In the event any such provision of this Agreement is so held invalid, the Parties shall, within seven (7) days of such holding, commence to renegotiate in good faith new provisions to restore this Agreement as nearly as possible to its original intent and effect. To the extent permitted by Applicable Law, the Parties hereby waive any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

## No Recourse to Affiliates

This Agreement is solely and exclusively between the Parties, and any obligations created herein on the part of a Party shall be the obligations solely of such Party. Neither Party shall have recourse to any parent, subsidiary, partner, Affiliate, director or officer of the other Party for performance of such obligations unless such obligations were assumed in writing by the Person against whom recourse is sought (which shall include the Guaranty provided in accordance with the terms of Section 6.3).

**[SIGNATURE PAGE FOLLOWS THIS PAGE]**

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written.

|  |  |
| --- | --- |
| **PUGET SOUND ENERGY, INC.** | **PUGET LNG, LLC** |
| By: Name: Steve R. SecristTitle: Senior Vice President,General Counsel, andChief Ethics & Compliance Officer | By: Name: Roger GarrattTitle: Manager |

**EXHIBIT A**

**OWNERSHIP INTERESTS**

|  |  |  |
| --- | --- | --- |
| **Component Ownership Share** | **PSE** | **Puget LNG** |
| Liquefaction | 10% | 90% |
| Storage | 79% | 21% |
| Bunkering | 0% | 100% |
| Truck Loading | 5% | 95% |
| Vaporization | 100% | 0% |
| Common | 43% | 57% |

\* The component ownership shares for PSE and Puget LNG for liquefaction, storage, bunkering, truck loading and vaporization are fixed at the percentage ownership interests set forth above.

\* The component ownership shares for PSE and Puget LNG for common facilities is initially set at the percentage ownership set forth above, but shall be adjusted following the Commercial Operation Date in accordance with Section 3.2 and Exhibit B.

**EXHIBIT B**

**DEVELOPMENT COSTS**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Component Ownership Share** | **PSE** | **Puget LNG** | **Projected Capital Expenditures (No AFUDC)** | **Projected Capital Expenditures Allocated to PSE** | **Projected Capital Expenditures Allocated to Puget LNG** |
| Liquefaction | 10% | 90% | $88,546,234 | $8,854,623 | $79,691,611 |
| Storage | 79% | 21% | $96,237,245 | $76,027,424 | $20,209,821 |
| Bunkering | 0% | 100% | $29,671,922 | $0 | $29,671,922 |
| Truck Loading | 5% | 95% | $6,229,252 | $311,463 | $5,917,789 |
| Vaporization | 100% | 0% | $17,135,822 | $17,135,822 | $0 |
| Common | 43% | 57% | $72,884,330 | $31,340,262 | $41,544,068 |
| **TOTAL** | **N/A** | **N/A** | **$310,704,805** | **$133,669,593** | **$177,035,212** |

\* The component ownership share for “Common” for PSE shall equal the quotient of (i) the sum of the values for liquefaction, storage, bunkering, truck loading, and vaporization in the column “Projected Capital Expenditures Allocated to PSE,” divided by (ii) the sum of the values for liquefaction, storage, bunkering, truck loading, and vaporization in the column “Projected Capital Expenditures (No AFUDC)” rounded to the nearest whole number.

\*\* The component ownership share for “Common” for Puget LNG shall equal the quotient of (i) the sum of the values for liquefaction, storage, bunkering, truck loading, and vaporization in the column “Projected Capital Expenditures Allocated to Puget LNG,” divided by (ii) the sum of the values for liquefaction, storage, bunkering, truck loading, and vaporization in the column “Projected Capital Expenditures (No AFUDC)” rounded to the nearest whole number.

\*\*\* Following the Commercial Operation Date this Exhibit B shall be updated to reflect the actual capital expenditures for the Tacoma LNG Facility and the component ownership shares for “Common” for PSE and Puget LNG shall be recalculated to reflect such actual capital expenditures and to allocate responsibility for the actual capital expenditures for common facilities to PSE and to Puget LNG.

**EXHIBIT C**

**OPERATIONS AND MAINTENANCE COSTS**

The following fixed operating costs represent the projected annual fixed operating costs for all operations for calendar year 2020 other than bunkering station costs and are not allocated between regulated and non-regulated operations of the Tacoma LNG Facility:

**Fixed Operating Costs 2020**

 Maintenance $751,249

 Staff $ $3,157,852

 Incremental Insurance $864,769

 Allocated Corporate Overheads $1,812,388

 Lease $2,613,074

**TOTAL $9,199,332**