

ASSET PURCHASE AGREEMENT

BETWEEN

CITY OF BUCKLEY

AND

PUGET SOUND ENERGY, INC.

Dated May 16, 2014

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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement ("Agreement"), dated this 16th day of May, 2014 ("Effective Date"), is between the City of Buckley ("Seller"), a municipal corporation of the State of Washington, and Puget Sound Energy, Inc. ("Purchaser"), a Washington corporation. Seller and Purchaser are sometimes referred to collectively as the "Parties" and individually as a "Party."

RECITALS

WHEREAS, Seller owns and operates natural gas distribution facilities located in the Service Territory (as defined below);

WHEREAS, Seller has, pursuant to Chapter 35.94 RCW, determined it advisable to sell its natural gas distribution facilities;

WHEREAS, Seller has, pursuant to Resolution No. 13-01 dated January 8, 2013, solicited bids from one or more bidders interested in purchasing Seller's natural gas distribution facilities;

WHEREAS, in response to Seller's solicitation of bids, Purchaser submitted a bid to purchase Seller's natural gas distribution facilities;

WHEREAS, by Resolution No. 13-05 dated July 9, 2013, Seller considered all bids and not less than two-thirds of Seller's legislative authority declared it advisable to accept Purchaser's bid;

WHEREAS, by Ordinance No. 08-13, Seller accepted Purchaser's bid and authorized and directed the Mayor to execute all necessary deeds, bills of sale, or other instruments reasonably necessary to effectuate the sale of Seller's natural gas distribution facilities to Purchaser;

WHEREAS, on November 5, 2013, a majority of the voters within the City of Buckley approved Ordinance No. 08-13; and

WHEREAS, in furtherance of Ordinance No. 08-13, Seller desires to sell to Purchaser, and Purchaser desires to purchase from Seller, Seller's natural gas distribution facilities located in the Service Territory, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the respective covenants and agreements contained in this Agreement (as defined below), Seller and Purchaser agree as follows:

AGREEMENT

1. Definition of Terms.

1.1 As used in this Agreement, the following terms shall have the following meanings when used with initial capitalization:

"Affiliate" means, with respect to any Person, another Person that is controlled by, controls, or is under common control with, such Person. For purposes of this definition, "control" with respect to any Person shall mean the ability to effectively control, directly or indirectly, the operations and business decisions of such Person whether by voting of securities or partnership interests or any other method.

"Agreement" shall have the meaning given it in the preamble to this Agreement. The term "Agreement" includes all Schedules and Exhibits referenced in this Agreement, and refers to this Agreement as the same may be modified, amended or supplemented from time to time in accordance with Section 25.2.

"Applicable Law" means any applicable and binding statute, law, rule, regulation, code, ordinance, judgment, decree, writ, legal requirement or order, and the written interpretations thereof, of any national, federal, state or local Governmental Authority having jurisdiction over the Parties or the performance of this Agreement. "Applicable Law" includes Environmental Laws.

"Assigned Contracts" means the contracts listed in Schedule 1.4.

"Assigned Customer Accounts" means the Customer Accounts listed in Schedule 1.5.

"Assigned Easements" means any and all easements or other interests in real property listed in Schedule 1.3 (inclusive of any updates to be provided in accordance with Section 13.1).

"Bill of Sale" means the Bill of Sale to be entered into by the Parties substantially in the form attached to this Agreement as Exhibit A.

"Claims and Warranties" means any and all (a) warranties relating to the Purchased Assets and (b) rights, claims or causes of action of Seller against a third party related to the Purchased Assets or the operation thereof, but not including such rights, claims or causes of action to the extent that the same relate to Seller's Retained Liabilities. To the extent such rights, claims or causes of action relate to both Purchaser's Assumed Liabilities and Seller's Retained Liabilities, Purchaser and Seller shall share such rights, claims or causes of action in the same proportion as their respective interests bear to the total interest relating to such causes of action.

"Closing" shall have the meaning given it in Section 17.1.

"Closing Date" means the date established for Closing in Section 17.1.

"Conditions Precedent" means those conditions set forth in Sections 15 and 16.

"Confidential Information" shall have the meaning given it in Section 23.1.

"Customer" means a Person that receives natural gas distribution service from Seller within the Service Territory prior to the Closing Date.

"Customer Accounts" means accounts maintained by Seller with its Customers for purposes of billing and payment of amounts due Seller for natural gas distribution service provided to such Customers within the Service Territory prior to the Closing Date.

"Customer Records" means, with respect to a Customer within the Service Territory as of the Customer Records Delivery Date, the following information:

- (a) Customer's name;
- (b) Customer's service address;
- (c) Customer's billing address;
- (d) Customer's payment history (for the preceding twelve (12) month period);
- (e) Customer's meter numbers; and
- (f) Such other readily available Customer-specific information as Seller is able to provide.

"Customer Records Delivery Date" means fifteen (15) days prior to the Closing Date.

"Deposit" means a deposit, in the amount of Two Hundred Seventy Thousand Dollars (\$270,000.00), made by Purchaser to Seller on June 13, 2013 in response to Seller's solicitation of bids to purchase the Purchased Assets. The Deposit shall be held by Seller in an interest-bearing account and shall be applied, together with any and all accrued interest, (a) as a credit against the Purchase Price at Closing, or (b) as otherwise provided by Section 21.2.

"Dispute" shall have the meaning given it in Section 24.1.

"Dispute Notice" shall have the meaning given it in Section 24.3.

"Effective Date" shall have the meaning given it in the preamble to this Agreement.

"Encumbrances" means any mortgages, pledges, liens, claims, charges, security interests, conditional and installment sale agreements, preferential purchase rights, activity and use limitations, easements, covenants, encumbrances, obligations, limitations, title defects, deed restrictions and any other restrictions of any kind, including restrictions on use, transfer, receipt of income or exercise of any other attribute of ownership of the applicable Purchased Assets.

"Environmental Condition" means all environmental conditions, qualities, characteristics, circumstances or other matters pertaining to, relating to or otherwise affecting the existing environmental condition of the Purchased Assets or surrounding areas, including any

environmental pollution, contamination, degradation, damage or injury related to, arising from or in connection with (a) the presence, use, handling, storage, treatment, recycling, generation, transportation, release, spilling, leaking, pumping, pouring, emptying, discharging, injecting, escaping, leaching, disposing (including the abandonment or discarding of barrels, containers and other receptacles containing any Hazardous Substances), dumping or threatened release of Hazardous Substances in connection with the ownership, possession, construction, improvement, use or operation of the Purchased Assets; (b) the offsite transport of Hazardous Substances or the treatment, storage or disposal of Hazardous Substances to another site in connection with the ownership, possession, construction, improvement, use or operation of the Purchased Assets; and (c) the release of Hazardous Substances from the Purchased Assets into the atmosphere, soil or any watercourse or body of water not included in the Purchased Assets.

"Environmental Documents" means all environmental assessments, audits, reports and studies conducted in the last five (5) years in Seller's possession or control relating to the Environmental Condition of the Purchased Assets.

"Environmental Laws" means any federal, state or local law, rule, order, regulation, ordinance or restriction relating to (a) the control of any pollutant or protection of the air, water or land; (b) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation; (c) exposure to hazardous, toxic or other harmful materials or substances; and (d) the protection and enhancement of the environment. The term "Environmental Laws" shall include, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. Section 9601 *et seq.*; the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 *et seq.*; the Clean Water Act, 33 U.S.C. Section 1251 *et seq.*; the Safe Drinking Water Act, 42 U.S.C. Section 300f *et seq.*; the Clean Air Act, 42 U.S.C. Section 7401 *et seq.*; the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101 *et seq.*; the Toxic Substances Control Act, 15 U.S.C. Section 2601 *et seq.*; the Emergency Planning and Community Right-To-Know Act, 42 U.S.C. Sections 11001 *et seq.*; the Washington State Environmental Policy Act, Ch. 43.21C RCW (SEPA); the Growth Management Act, Ch. 36.70A RCW; the Shoreline Management Act, Ch. 90.58 RCW; the State Water Code, Ch. 90.03 RCW; the Model Toxics Control Act, Ch. 70.105D RCW; the Hazardous Waste Management Act, Ch. 70.105 RCW; the Solid Waste Management Act, Ch. 70.95 RCW; the Washington Clean Air Act, Ch. 70.94 RCW; the Washington Aquifer Protection Areas Act, Ch. 36.36 RCW; the Washington Water Pollution Control Act, Ch. 90.48 RCW; and such other similar federal, state or local laws implementing or substantially equivalent to the foregoing requirements, each as amended from time to time, or any successor laws thereto, together with the rules and regulations promulgated thereunder.

"Excluded Natural Gas Assets" means the items listed in Schedule 1.6.

"Force Majeure" 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 a Party of any of its obligations 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 commercially 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. Force Majeure shall include the following, to the extent also satisfying the criteria specified above: (i) acts of nature, including volcanic eruption, landslide, earthquake, flood, lightning, tornado or other storm or environmental conditions, perils of the sea, wildfire or any other natural disaster; (ii) acts of public enemies, armed conflicts, acts of foreign enemies, 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) any form of compulsory government acquisition or condemnation, or change in Applicable Law; (iv) accidents or other casualty, explosions, fire, epidemics, quarantines or criminal acts that affect the performance of the Parties' obligations under this Agreement; (v) labor disturbances, stoppages, strikes, lock-outs or other industrial actions affecting the Parties; (vi) inability, after the use of commercially reasonable efforts, to obtain any consent or approval from any governmental authority that affects the performance of the Parties' obligations under this Agreement; (vii) inability, after the use of commercially reasonable efforts, to obtain any consent or approval from any Person required by a Party in connection with this Agreement; and (viii) third-party litigation contesting all or any portion of the right, title and interest of a Party in any property or other item to be provided to the other Party in connection with this Agreement.

"Franchise" means a non-exclusive franchise to set, erect, lay, construct, extend, support, attach, connect, maintain, repair, replace, enlarge, operate and use natural gas distribution facilities over, under, along and through the roads, streets, avenues, alleys, highways, grounds and public places of the City of Buckley, granted by Seller pursuant to RCW 35A.47.040 and accepted by Purchaser pursuant to Section 16.1.

"Governmental Authority" means any (a) federal, national, state, tribal, county, municipal or local government or any political subdivision thereof; (b) any court or administrative tribunal; or (c) any other governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body, agency, bureau or entity of competent jurisdiction.

"Hazardous Substances" means (a) any gasoline or petroleum (including crude oil or natural gas or any fraction thereof) or petroleum products, polychlorinated biphenyls, radioactive materials or friable asbestos-containing materials or (b) any gas, solid, liquid, chemical, material or substance defined as, or containing elements, characteristics or qualities that are included in the definition of, "hazardous substances," "hazardous wastes," "hazardous materials," "toxic substances," "toxic pollutants" or similar terms under any Environmental Laws.

"Indebtedness" means, with respect to any Person, (a) all indebtedness of such Person, whether contingent or not contingent or whether secured or unsecured, for borrowed money; (b) all obligations and liabilities of such Person for the deferred purchase price of property or services; (c) all indebtedness and obligations of such Person evidenced by notes, bonds, debentures, finance leases or other similar instruments and liabilities, whether contingent or not contingent, for reimbursement in respect of any letter of credit, banker's acceptance or similar credit transaction; (d) all obligations and liabilities in respect of any lease of (or other arrangements conveying the right to use) real or personal property, or a combination thereof,

which liabilities are required to be classified and accounted for under GAAP as capital leases; (e) all obligations and liabilities with respect to hedging, swaps or similar arrangements; and (f) all guarantees, pledges and grants of a security interest by such Person in respect of or securing obligations with respect to the indebtedness of others referred to in clauses (a) through (e) above.

"Material Adverse Effect" means any effect, event, development or change which, individually or in combination with other material effects, events, developments or changes, is or is reasonably likely to become materially adverse to the condition of the Purchased Assets or the operation thereof for purposes of providing natural gas distribution service within the Service Territory. For the avoidance of doubt, it shall be a Material Adverse Effect if, after the Effective Date, there occurs any effect, event, development or change which, individually or in combination with other material effects, events, developments or changes, results in a cost of more than One Hundred Thousand Dollars (\$100,000.00).

"Natural Gas Assets" means any and all assets, facilities, properties and other items used by and useful to Seller for purposes of distributing natural gas to Customers located in the Service Territory, which such assets, facilities, properties and other items are listed in Schedule 1.1, as such schedule may be amended from time to time prior to the Closing Date in accordance with the terms of this Agreement. If prior to Closing a Party believes that Schedule 1.1 includes any asset, facility or property that should not be included in the Natural Gas Assets or omits any asset, facility or property (other than an Excluded Natural Gas Asset) that should be included in the Natural Gas Assets, such Party may request, by notice to the other Party, an amendment to Schedule 1.1. The standard for determining the inclusion or exclusion of any asset, facility or property in the Natural Gas Assets and Schedule 1.1 shall be whether such asset, facility or property constitutes an asset, facility or property that is primarily used by and useful to Seller for purposes of distributing natural gas to Customers located in the Service Territory. A compelling factor in determining whether an asset should be considered a Natural Gas Asset should be whether the asset was purchased by Seller prior to the Closing Date with natural gas utility funds. Upon receipt of such a request from the other Party, the Parties shall confer in good faith regarding whether to amend Schedule 1.1 to reflect all or any portion of such request. If the Parties reach agreement to include or delete any asset, facility or property from Schedule 1.1 and the Natural Gas Assets, Schedule 1.1 shall be amended accordingly. If the Parties are unable to agree, the matter shall be submitted to Dispute resolution under Section 24 and, if applicable, Schedule 1.1 shall be amended to reflect the outcome of such Dispute resolution.

"Natural Gas System Separation Plan" means the Natural Gas System Separation Plan that is to be mutually agreed upon by the Parties prior to Closing and that shall be consistent with the terms and conditions set forth on Exhibit G.

"Necessary Purchaser Approvals" means receipt by Purchaser of (a) the WUTC Orders; and (b) Purchaser's Energy Management Committee's approval of the consummation of the transactions contemplated by this Agreement.

"Notice of Credit" shall have the meaning given it in Section 4.2.

"Notifying Party" shall have the meaning given it in Section 24.3.

"Outside Date" means June 30, 2014.

"Party" and "Parties" shall have the meanings given them in the preamble to this Agreement.

"Permit" means any action, approval, consent, waiver, exemption, variance, franchise, order, judgment, decree, permit, authorization, right, registration, filing, submission, certification, plan or license of, with or from a Governmental Authority in connection with the Purchased Assets, or the distribution of natural gas to Persons located in the Service Territory, and (b) any required notice to, or any declaration or registration of, with, or by, any Governmental Authority in connection with the Purchased Assets or the distribution of natural gas to Persons located in the Service Territory.

"Permitted Encumbrances" means those Encumbrances listed in Schedule 1.7.

"Person" means an individual, partnership, cooperative, joint venture, corporation, limited liability company, trust, association or unincorporated organization, or any Governmental Authority.

"Personal Property" means any and all stores, consumables, tools, equipment, furniture and other items of personal property listed in Schedule 1.2.

"Post-Closing Environmental Conditions" shall have the meaning given it in Section 7.3.

"Pre-Closing Environmental Conditions" shall have the meaning given it in Section 7.2.

"Prudent Utility Practice" means any of the practices, methods and acts engaged in or approved by a significant portion of the natural gas utility industry in the United States of America during the relevant time period, or any of the practices, methods or acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. "Prudent Utility Practice" is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be any practice, method or act generally regarded as acceptable in the natural gas utility industry in the United States of America.

"Purchase Price" shall have the meaning given it in Section 4.1.

"Purchased Assets" means, collectively, each and all of the Natural Gas Assets, the Personal Property, the Assigned Easements, the Assigned Contracts, the Assigned Customer Accounts and the Assigned Permits.

"Purchaser" shall have the meaning given it in the preamble to this Agreement.

"Purchaser Indemnitees" means Purchaser and Purchaser's Affiliates, directors, officers, employees and representatives, and the respective successors and assigns of each and all of the foregoing.

"Purchaser's Assumed Liabilities" shall have the meaning given it in Section 5.

"Purchaser's Customers" means any Person, partnership, firm, corporation, municipality, cooperative, organization or Governmental Authority who or which is receiving retail natural gas distribution service from Purchaser.

"Purchaser's Knowledge" means the actual knowledge of any of the following individuals: Anna Mikelsen Mills, Environmental Markets Manager, Puget Sound Energy, Inc.; Larry E. Anderson, Supervising Engineer, Puget Sound Energy, Inc.; or Samuel S. Osborne; Assistant General Counsel and Assistant Secretary, Puget Sound Energy, Inc.

"Recipient Party" shall have the meaning given it in Section 24.3.

"Review Materials" shall have the meaning given it in Section 3.1.

"Seller" shall have the meaning given it in the preamble to this Agreement.

"Seller Indemnitees" means Seller and Seller's elected officials, officers, employees and representatives, and the respective successors and assigns of each and all of the foregoing.

"Seller's Knowledge" means the actual knowledge of any of the following individuals: Pat Johnson, Mayor, City of Buckley; Dave Schmidt, City Administrator, City of Buckley; John Dansby, Public Works Supervisor, City of Buckley; or Brian Burbank, Natural Gas Lead, City of Buckley.

"Seller's Retained Liabilities" shall have the meaning given it in Section 6.1.

"Service Territory" means that portion of the City of Buckley wherein, as of the Closing Date, Seller provides natural gas distribution service to Customers.

"Tax" or "Taxes" means any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security, unemployment, disability, real property, real estate excise, personal property, sales, use, transfer, registration, value-added, alternative or add-on minimum, estimated or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

"Transition Period" means the period beginning on the Effective Date and ending on the earlier of the Closing Date or the date this Agreement is terminated in accordance with Section 21.

"Transportation Agreement" means an agreement with the City of Enumclaw providing for the transportation and delivery of natural gas to the Service Territory on terms and conditions that are satisfactory to Purchaser, in Purchaser's sole discretion.

"WUTC" means the Washington Utilities and Transportation Commission or any other or successor Governmental Authority with jurisdiction over Purchaser or over the terms and conditions pursuant to which Purchaser provides natural gas distribution service to Purchaser's Customers.

"WUTC Orders" means one or more orders from the WUTC on terms and conditions that are satisfactory to Purchaser (a) granting Purchaser a Certificate of Public Convenience and Necessity for the Service Territory; (b) authorizing the purchase and acquisition of the Purchased Assets in accordance with this Agreement; and (c) addressing any and all other matters relating to the consummation of the transactions contemplated by this Agreement and the provision of natural gas distribution service by Purchaser to Purchaser's Customers within the Service Territory as may be subject to review, approval or jurisdiction of the WUTC.

1.2 This Agreement includes the Schedules and Exhibits, and any reference in this Agreement to a "Schedule" or an "Exhibit" by number or letter designation or title shall mean one of the Schedules or Exhibits identified in the table of contents. A reference to any article, section, subsection, paragraph, subparagraph or other provision shall be, unless otherwise specified, to an article, section, subsection, paragraph, subparagraph or other provision of this Agreement. Any reference in this Agreement to another agreement or document shall be construed as a reference to that other agreement or document as the same may have been, or may from time to time be, varied, amended, supplemented, substituted, novated, assigned or otherwise transferred.

1.3 Terms defined in a given number, tense or form shall have the corresponding meaning when used in this Agreement with initial capitals in another number, tense or form. References containing terms such as "hereof," "herein," "hereto," "hereinafter" and other terms of like import are not limited in applicability to the specific provision within which such references are set forth but instead refer to this Agreement taken as a whole. "Includes" or "including" shall not be deemed limited by the specific enumeration of items, but shall be deemed without limitation. The term "or" is not exclusive. The headings contained herein are not part of this Agreement and are included solely for the convenience of the Parties. Accounting terms used but not defined herein have the meanings given to them under generally accepted accounting principles in the United States consistently applied throughout the specified period and in the immediately prior comparable period.

1.4 If there is an express conflict between the provisions contained within the body of this Agreement and the provisions of any Schedule or Exhibit hereto, then the body of this Agreement shall take precedence, except with respect to technical specifications and requirements, with respect to which the conflicting Schedule or Exhibit shall take precedence.

2. Purchase and Sale of Assets.

2.1 Subject to the terms and conditions of this Agreement, at Closing Seller shall sell, convey, assign, transfer and deliver to Purchaser, and Purchaser shall purchase, assume and acquire from Seller, all of Seller's right, title and interest in and to the Purchased Assets, free and clear of all Indebtedness and free and clear of any and all Encumbrances other than the Permitted Encumbrances.

2.2 At Closing, Seller shall execute and deliver to Purchaser:

(a) An original Bill of Sale in respect of the sale by Seller of all of its right, title and interest in the Natural Gas Assets and the Personal Property;

(b) An original Assignment of Easements, in substantially the form of Exhibit B hereto (the "Assignment of Easements"), in respect of the sale by Seller of all of its right, title and interest in the Assigned Easements;

(c) An original Assignment of Contracts, in substantially the form of Exhibit C hereto (the "Assignment of Contracts"), in respect of the sale by Seller of all of its right, title and interest in the Assigned Contracts;

(d) An original Assignment of Customer Accounts, in substantially the form of Exhibit D hereto (the "Assignment of Customer Accounts"), in respect of the sale by Seller of all of its right, title and interest in the Assigned Customer Accounts;

(e) An original Assignment of Permits, in substantially the form of Exhibit E hereto (the "Assignment of Permits"), in respect of the sale by Seller of all of its right, title and interest in the Permits;

(f) An original Assignment of Claims and Warranties, in substantially the form of Exhibit F hereto (the "Assignment of Claims and Warranties"), in respect of the sale by Seller of all of its right, title and interest in the Claims and Warranties; and

(g) An original Franchise, granted and executed by Seller in accordance with RCW 35A.47.040 and offered to Purchaser for acceptance on terms and conditions that are satisfactory to Purchaser.

2.3 At Closing, Purchaser shall execute and deliver to Seller:

(a) Original counterparts of the Bill of Sale, the Assignment of Easements, the Assignment of Contracts, the Assignment of Customer Accounts, the Assignment of Permits and the Assignment of Claims and Warranties; and

(b) An original acceptance of Franchise, on terms and conditions that are satisfactory to Seller.

3. Due Diligence.

3.1 Within fifteen (15) days of the Effective Date, Seller shall make available to Purchaser for inspection all documents, maps, facility inventories, Environmental Documents, maintenance records, logs and other documents in its possession that reasonably relate to the Purchased Assets and the physical condition of the Purchased Assets (collectively, the "Review Materials"). The Review Materials shall be made available to Purchaser for inspection on business days during Seller's normal business hours and at such locations where Seller normally retains such information (as the case may be) in Seller's offices in the City of Buckley, Washington. The Parties shall cooperate as to the scheduling of such inspections. Purchaser shall have the right, at its expense, to make copies of the Review Materials and, to the extent the Review Materials are not otherwise included in the Purchased Assets, request that Seller deliver the Review Materials (or portions thereof) to Purchaser at Closing.

3.2 Purchaser may conduct, and Seller shall reasonably cooperate with Purchaser and facilitate, such other due diligence inspections and reviews during the Transition Period as Purchaser may elect to undertake, including site visits, inspections, sampling, surveying, environmental audits and environmental assessments, and any other commercially reasonable activities undertaken by or at the direction of Purchaser in order to assess the Purchased Assets. Seller hereby grants Purchaser a right of entry to all natural gas distribution properties and areas under Seller's care, custody and control for the purpose of allowing Purchaser (or its representatives) to undertake such inspections and reviews, which such right of entry shall be exercisable by Purchaser (or its representatives) at reasonable times and in a reasonable manner, upon prior notice to Seller and subject to such reasonable rules and restrictions as Seller may specify from time to time. In their access to, inspection of and review of the Purchased Assets and the Review Materials, Purchaser and its representatives shall be subject to, and Purchaser shall ensure that its representatives observe, any applicable Seller rules regarding safety and security of the Purchased Assets.

4. Purchase Price.

4.1 The purchase price for the Purchased Assets shall be Five Million Four Hundred Thousand Dollars (\$5,400,000.00) ("Purchase Price"). An amount equal to the Purchase Price, less the Deposit, shall be paid by Purchaser to Seller at Closing in U.S. Dollars by wire transfer of immediately available funds. Not less than ten (10) days prior to the Closing Date, Seller will designate the account or accounts of Seller to which the Purchase Price will be wire transferred.

4.2 Purchaser may be entitled at Closing to a credit against the Purchase Price in an amount up to, but not in excess of, Eighty Thousand Dollars (\$80,000.00) to account for minor deficiencies in the Purchased Assets revealed by due diligence inspections and reviews undertaken by Purchaser in accordance with Section 3.2. The amount of such credit or credits (if any) to be so applied at Closing shall be determined by Purchaser. If Purchaser shall determine that a credit is due to Purchaser to account for any minor deficiencies in the Purchased Assets, Purchaser shall give notice to Seller of its determination of a credit ("Notice of Credit"). Seller may object to a Notice of Credit by giving Purchaser notice of such objection within five (5)

business days of the date of Seller's receipt of a Notice of Credit. In such event, the Parties shall promptly meet and confer to resolve any differences as to a Notice of Credit, and if such differences are not so resolved within ten (10) business days of the date of Seller's objection to a Notice of Credit, then either Party may declare the matter to be a Dispute to be resolved prior to Closing in accordance with Section 24.

5. Purchaser's Assumed Liabilities.

5.1 On the Closing Date, Purchaser shall assume and be fully responsible and liable for the following obligations and liabilities to the extent such obligations and liabilities relate to events, facts, circumstances or conditions first existing after the Closing Date ("Purchaser's Assumed Liabilities"):

(a) All obligations and liabilities arising from Purchaser's ownership, possession, use and operation of the Purchased Assets, the Assigned Contracts, the Assigned Customer Accounts, the Assigned Easements and the Permits;

(b) All obligations and liabilities for Taxes (except as otherwise specifically provided by this Agreement);

(c) All obligations and liabilities arising from any Post-Closing Environmental Conditions caused by Purchaser after the Closing Date; and

(d) All obligations of Purchaser arising under this Agreement that are to be performed by Purchaser after the Closing Date.

5.2 For avoidance of doubt, Purchaser's Assumed Liabilities are strictly limited to the obligations and liabilities identified in Section 5.1 and do not include any of Seller's Retained Liabilities or any other obligations and liabilities of Seller arising under Applicable Law.

6. Seller's Retained Liabilities.

6.1 Seller shall retain and be fully responsible and liable for all obligations and liabilities of Seller that accrue from, relate to or arise out of events, facts, circumstances or conditions existing at or prior to Closing in connection with its ownership, possession, use and operation of a natural gas distribution system within the Service Territory ("Seller's Retained Liabilities"), including:

(a) All obligations and liabilities arising from Seller's ownership, possession and use of the Purchased Assets, the Excluded Natural Gas Assets, the Assigned Contracts, the Customer Accounts, the Customer Records, the Assigned Easements and the Permits;

(b) All obligations and liabilities for Taxes (except as otherwise specifically provided by this Agreement);

(c) All obligations and liabilities arising from any Pre-Closing Environmental Conditions caused by Seller prior to or at the Closing Date; and

(d) All obligations of Seller arising under this Agreement that are to be performed by Seller after the Closing Date.

6.2 For avoidance of doubt, Seller's Retained Liabilities are strictly limited to the obligations and liabilities identified in Section 6.1 and do not include any of Purchaser's Assumed Liabilities or any other obligations and liabilities of Purchaser arising under Applicable Law.

7. Risk of Loss; Environmental Conditions.

7.1 Seller shall bear the risk of loss with regard to the Purchased Assets prior to Closing. The risk of loss for the Purchased Assets shall pass to Purchaser at Closing.

7.2 Seller shall be liable for and shall indemnify Purchaser from any harm, damage, liability, claim, lien, suit, action, order, cost, expense, investigation, removal, remediation or cleanup attributable to any Environmental Conditions caused by Seller prior to or at the Closing Date ("Pre-Closing Environmental Conditions").

7.3 Purchaser shall be liable for and indemnify Seller from any harm, damage, liability, claim, lien, suit, action, order, cost, expense, investigation, removal, remediation or cleanup attributable to any Environmental Conditions caused by Purchaser after the Closing Date ("Post-Closing Environmental Conditions").

7.4 With respect to any investigation, removal, remediation or cleanup of any Environmental Condition by a Party, the other Party shall grant such Party, upon reasonable request and upon such reasonable terms and conditions as the Parties may agree, a right of entry upon the applicable property, together with the right to take reasonable steps to investigate, remove, remediate and clean up such Environmental Condition consistent with Environmental Laws.

8. Taxes, Utilities and Third-Party Revenue.

The Parties share, in equal portions, the expense of any sales, transfer, purchase, excise, use or similar Tax that may be payable by reason of the sale of all or a portion of the Purchased Assets. Real property and personal property Taxes, water and other utilities, rent and other income and expense items related to the Purchased Assets shall be prorated as of Closing. General installments of local improvement district assessments falling due after the Closing Date shall be paid by Purchaser. General installments of local improvement district assessments that are due prior to the Closing Date shall be paid by Seller. Upon the request of either Party, adjustments shall be made between the Parties after Closing for the actual amount of any prorations made on the basis of estimates as of Closing. Seller shall be responsible for and pay all such Taxes and expense items attributable to any period prior to or on the Closing Date, and Purchaser shall be responsible for and pay for all such Taxes and expense items attributable to any period after the Closing Date. Neither Party shall be liable for any penalty or interest owing

as a result of an untimely property Tax or expense payment by the other Party. The Parties shall cooperate to minimize each Party's and their respective Affiliates' Taxes resulting from or arising with respect to the transactions contemplated under this Agreement.

9. Customer Records and Customer Accounts.

9.1 Seller shall compile, transfer and deliver the Customer Records to Purchaser on or before the Customer Records Delivery Date. If the Customer Records Delivery Date shall be more than thirty (30) days prior to the Closing Date, Seller shall, within thirty (30) days from and after the Closing Date, provide Purchaser with an update of the Customer Records so as to be current as of the Closing Date. The Customer Records shall be reasonably complete, accurate and sufficient, as determined by reference to Prudent Utility Practices and in consideration of the purpose or purposes for which such Customer Records are intended.

9.2 Except for the Assigned Customer Accounts, all Customer Accounts shall be closed by Seller on or before the Closing Date.

9.3 At Closing, Seller shall provide Purchaser with true and complete copies of all books and records kept by Seller, in accordance with generally accepted accounting principles applied on a consistent basis, evidencing the original cost of the Purchased Assets, less depreciation and amortization as shown on Seller's books and records. If Seller is unable to provide true and complete copies of all such books and records, then in lieu thereof, Seller shall provide Purchaser, at Closing, an affidavit stating that Seller was unable to locate, by diligent inquiry, any such books and records that are not so provided to Purchaser.

10. Natural Gas System Separation Plan.

Each Party shall exercise commercially reasonable efforts to fully and satisfactorily perform its respective obligations arising under the Natural Gas System Separation Plan. In carrying out such responsibilities, the Parties shall cooperate in good faith so as to facilitate the efficient transition of natural gas distribution service for the Service Territory from Seller to Purchaser.

11. Representations and Warranties of Seller.

11.1 Seller represents and warrants that as of the Effective Date and the Closing Date:

(a) Seller has good, valid and marketable title to the Purchased Assets, free and clear of all Encumbrances and Indebtedness, other than the Permitted Encumbrances.

(b) Seller is a duly organized and validly existing municipal corporation in good standing under the laws of the State of Washington. Seller has all requisite corporate power and authority to own, lease, operate and sell the Purchased Assets in accordance with the terms and conditions of this Agreement and Applicable Law.

(c) Seller has the requisite power and authority to execute this Agreement and to perform fully its obligations under this Agreement. Seller has taken all necessary action to authorize, effect and approve the transactions set forth herein. This Agreement has been duly executed and delivered by Seller to Purchaser at or before Closing and constitutes the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with this Agreement's terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting the enforcement of creditors' rights generally or by general principles of equity relating to enforceability (regardless of whether considered in a proceeding at law or in equity).

(d) The execution, delivery and performance of this Agreement by Seller will not, to Seller's Knowledge, result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of amendment, termination, cancellation or acceleration) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which Seller is a party or by which it is bound.

(e) Seller is not, and has not received written or, to Seller's Knowledge, oral notice that it is, infringing on any intellectual property right of any other Person in connection with the Purchased Assets or Seller's use and operation thereof in connection with providing natural gas distribution service within the Service Territory. To Seller's Knowledge, any intellectual property right included among the Purchased Assets is not being infringed by any other Person.

(f) No consent, authorization, approval or declaration of, registration or filing with, or notice to any Person is required to be obtained or made by Seller, to Seller's Knowledge, in connection with Seller's execution, delivery and performance of this Agreement or the consummation of the transactions contemplated by this Agreement.

(g) Other than as set forth in the Permitted Encumbrances, Seller has not, to Seller's Knowledge, received any written notice of any litigation, claim, action, suit, proceeding or governmental investigation pending, and there is no pending or, to Seller's Knowledge, threatened litigation, claim, action, suit, proceeding or governmental investigation related to the Purchased Assets or Seller's use and operation thereof in connection with providing natural gas distribution service within the Service Territory.

(h) Other than as set forth in the Permitted Encumbrances, there are no liens for Taxes on the Purchased Assets, to Seller's Knowledge, other than for Taxes not yet due and payable as of the Closing Date. To Seller's Knowledge, there are no pending or threatened proceedings with respect to Taxes relating to Seller or the Purchased Assets. To Seller's Knowledge, there are no matters under discussion between Seller and any Governmental Authority with respect to Taxes relating to Seller or the Purchased Assets, and no extensions of any applicable statute of limitations have been either requested or granted with respect to Taxes relating to Seller or the Purchased Assets.

(i) Except as otherwise disclosed by Seller on Schedule 1.8, with regard to the Purchased Assets or Seller's use and operation thereof in connection with providing natural gas distribution service within the Service Territory, Seller has, to Seller's Knowledge, complied in all material respects with, and is in compliance in all material respects with, all Applicable Law. Except as otherwise disclosed by Seller on Schedule 1.8, to Seller's Knowledge, Seller has not received any notice or other communication (whether oral or written) from any Governmental Authority or any other Person regarding any actual, alleged, possible or potential violation of, or failure to comply with, any Applicable Law relating to the Purchased Assets or Seller's use and operation thereof in connection with providing natural gas distribution service within the Service Territory.

(j) The Customer Records and the Review Materials are, to Seller's Knowledge, substantially complete and correct in all material respects.

(k) Other than as set forth in the Review Materials, to Seller's Knowledge, there are no Environmental Conditions relating to the Purchased Assets or Seller's use and operation thereof in connection with providing natural gas distribution service within the Service Territory that, in each case that could reasonably be expected to have a Material Adverse Effect, have not been disclosed in writing by Seller to Purchaser prior to the Closing Date.

(l) During the Transition Period, Seller, to Seller's Knowledge, made available to Purchaser all material information in its possession as of the Effective Date that reasonably relates to Seller's title to the Purchased Assets and the physical condition of the Purchased Assets. As of the Effective Date, to Seller's Knowledge, no additional material information has come into Seller's possession that would contradict or cause the information made available by Seller to Purchaser during the Transition Period to be materially inaccurate. Other than as set forth in the Review Materials, to Seller's Knowledge, there are no other material adverse facts or conditions relating to the Purchased Assets or any other portion thereof that, in each case that could reasonably be expected to have a Material Adverse Effect, have not been disclosed in writing by Seller to Purchaser prior to the Closing Date.

11.2 Seller's liability to Purchaser for breach of any one or more of the warranties and representations made by Seller pursuant to Section 11.1 shall be limited to an amount, in the aggregate, that does not exceed the amount of the Purchase Price.

11.3 During the Transition Period, Seller shall promptly give Purchaser notice of (a) any event, condition or fact within Seller's Knowledge that would cause any of its representations and warranties in this Agreement to be untrue in any material respect or (b) any other event or condition of any kind within Seller's Knowledge pertaining to and materially and adversely affecting the Purchased Assets or Seller's use and operation thereof in connection with providing natural gas distribution service within the Service Territory. The representations and warranties set forth in this Section 11 shall survive for a period of two (2) years after the Closing Date.

11.4 Except for representations and warranties as expressly set forth in this Agreement and all other documents executed between Seller and Purchaser in furtherance of the

sale of the Purchased Assets, Seller makes no other representation or warranty, express or implied, at law or in equity, in respect of the Purchased Assets or any other items sold to Purchaser by operation of this Agreement, including with respect to merchantability or fitness for any particular purpose, and any such other representations or warranties are hereby expressly disclaimed. Purchaser hereby acknowledges and agrees that, except for the representations and warranties specifically set forth in this Agreement and all other documents executed between Seller and Purchaser in furtherance of the sale of the Purchased Assets, Purchaser is purchasing the Purchased Assets on an "as-is, where-is" basis. Purchaser has satisfied itself on all aspects, without limitation, of the Purchased Assets and is not relying on any representation of Seller in connection therewith except for the representations and warranties set forth in this Agreement and other documents executed between Seller and Purchaser in furtherance of the Purchased Assets.

12. Representations and Warranties of Purchaser.

12.1 Purchaser represents and warrants that as of the Effective Date and the Closing Date:

(a) Purchaser is a duly organized and validly existing corporation in good standing under the laws of the State of Washington. Purchaser has all requisite corporate power and authority to purchase the Purchased Assets in accordance with the terms and conditions of this Agreement and Applicable Law.

(b) Purchaser has the requisite power and authority to execute this Agreement and to perform fully its obligations under this Agreement. Purchaser has taken all necessary action to authorize, effect and approve the transactions set forth herein. This Agreement has been duly executed and delivered by Purchaser to Seller at or before Closing and constitutes the legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with this Agreement's terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting the enforcement of creditors' rights generally or by general principles of equity relating to enforceability (regardless of whether considered in a proceeding at law or in equity).

(c) The execution, delivery and performance of this Agreement by Purchaser will not, to Purchaser's Knowledge, result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of amendment, termination, cancellation or acceleration) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which Purchaser is a party or by which it is bound.

(d) Other than the Necessary Purchaser Approvals, no consent, authorization, approval or declaration of, registration or filing with, or notice to, any Person is required to be obtained or made by Purchaser, to Purchaser's Knowledge, in connection with Purchaser's execution, delivery and performance of this Agreement or the consummation of the transactions contemplated by this Agreement.

(e) Other than as set forth in the Permitted Encumbrances, Purchaser has not, to Purchaser's Knowledge, received any written notice of any litigation, claim, action, suit, proceeding or governmental investigation pending, and there is no pending or, to Purchaser's Knowledge, threatened litigation, claim, action, suit, proceeding or governmental investigation related to the consummation by Purchaser of the transactions contemplated by this Agreement.

12.2 Purchaser's liability to Seller for breach of any one or more of the warranties and representations made by Purchaser pursuant to Section 12.1 shall be limited to an amount, in the aggregate, that does not exceed the amount of the Purchase Price.

12.3 During the Transition Period, Purchaser shall promptly give Seller notice of any event, condition or fact within Purchaser's Knowledge that would cause any of its representations and warranties in this Agreement to be untrue in any material respect or any other event or condition of any kind within Purchaser's Knowledge pertaining to and materially and adversely affecting the consummation by Purchaser of the transactions contemplated by this Agreement. The representations and warranties set forth in this Section 12 shall survive for a period of two (2) years after the Closing Date.

13. Covenants of Seller.

13.1 Seller covenants and agrees as follows:

(a) During the Transition Period, Seller shall maintain the Purchased Assets in a condition that is substantially the same as the condition the Purchased Assets are in as of the Effective Date, normal wear and tear excepted.

(b) Seller shall not, during the Transition Period, engage in any material transactions relating to the Purchased Assets or the Service Territory that (i) limit or impair Seller's ability to sell the Purchased Assets to Purchaser in accordance with this Agreement or (ii) would materially and adversely affect Purchaser's post-Closing use of the Purchased Assets for purposes of providing natural gas service in the Service Territory.

(c) Seller shall not, during the Transition Period, encourage, initiate or solicit any proposals to sell to any third party, nor shall Seller engage in negotiations concerning the sale of or sell the Purchased Assets to any Person other than Purchaser.

(d) During the Transition Period, Seller shall maintain insurance with such coverage and in such amounts as are consistent with Prudent Utility Practices. Seller shall maintain the following minimum coverage requirements:

(i) Workers' compensation insurance in such forms and amounts as are required by Applicable Law;

(ii) Commercial general liability insurance, including premises and operations, products and completed operations, blanket contractual liability, stop-gap for monopolistic workers' compensation states, property damage, independent contractors, personal and advertising injury, broad form property damage, cross-

liability, hostile fire, underground and explosion and collapse coverages, with a combined single limit of Two Million Dollars (\$2,000,000.00) per occurrence, including primary and excess liability policies;

(iii) Automobile liability insurance covering use of all owned, nonowned and hired vehicles with minimum combined single limits of liability for bodily injury and property damage of Two Million Dollars (\$2,000,000.00) per occurrence; and

(iv) Commercial umbrella liability insurance with limits of not less than One Million Dollars (\$1,000,000.00).

The insurance policies required under this Section 13.1(d) (with the exception of those for workers' compensation) shall be endorsed to name Purchaser as an additional insured. The insurance must be primary coverage without right of contribution from any other insurance. To the extent permitted by Applicable Law, Seller agrees to waive rights of subrogation against Purchaser for purposes of all the insurance coverages listed in this Section 13.1(d). All insurers must have at least a Best's rating of A minus (A-) or better or, if unrated, demonstrate reasonably equivalent financial capability. Upon request, Seller shall deliver to Purchaser certificates of insurance (in a form reasonably satisfactory to Purchaser) evidencing that policies of insurance providing such provisions, coverages and limits as set forth above are in full force and effect.

(e) If the assignment of any one or more of the Assigned Contracts, the Assigned Customer Accounts, the Assigned Easements, the Permits, or the Claims and Warranties shall require the consent, approval, authorization, agreement or permission of any Person, then assignor shall exercise commercially reasonable efforts to obtain such consents, approvals, authorizations, agreements or permissions from such Person on or before the Closing Date.

(f) Schedule 1.3 (as of the Effective Date) is a preliminary list of the easements or other interests in real property to be assigned by Seller to Purchaser at Closing pursuant to the Assignment of Easements. Not less than fifteen (15) days prior to the Closing Date, Seller shall provide Purchaser with an update to Schedule 1.3, identifying all easements and other interests in real property to be assigned by Seller to Purchaser at Closing pursuant to the Assignment of Easements. Purchaser's review and approval of such updated Schedule 1.3 is a condition precedent to Purchaser's obligation to consummate the transactions contemplated under this Agreement, as more specifically provided in Section 16.1.

(g) Subject to the terms of this Agreement, Seller shall do such commercially reasonable acts and things as may reasonably be required to carry out Seller's obligations hereunder and to consummate Seller's transactions contemplated under this Agreement. Without limiting the generality of the foregoing, Seller shall cooperate with Purchaser, if and as Purchaser may reasonably request, in Purchaser's filing for and obtaining approval from the WUTC of the WUTC Orders.

14. Covenants of Purchaser.

14.1 Purchaser covenants and agrees as follows:

(a) In conducting due diligence investigations in accordance with Section 3, Purchaser and its agents and representatives shall not (i) interfere with the operation, use and maintenance of the Purchased Assets by Seller for purposes of providing natural gas service to its Customers in the Service Territory; (ii) damage any part of the Purchased Assets or any property owned by Seller; (iii) injure or otherwise cause bodily harm to Seller or any of its employees, contractors or agents; or (iv) permit any lien, claim, encumbrance or right of any other party to attach to the Purchased Assets by reason of the exercise of such due diligence investigations.

(b) Purchaser shall use commercially reasonable efforts to prepare and execute all filings that are required to secure the WUTC Order on or before the Closing Date.

(c) Purchaser shall not, during the Transition Period, engage in any material transactions that (i) limit or impair Purchaser's ability to consummate its transactions contemplated under this Agreement or (ii) would materially and adversely affect Seller's pre-Closing use of the Purchased Assets for purposes of providing natural gas service in the Service Territory.

(d) Subject to the terms of this Agreement, Purchaser shall do such commercially reasonable acts and things as may reasonably be required to carry out Purchaser's obligations hereunder and to consummate Purchaser's transactions contemplated under this Agreement.

15. Conditions Precedent to Seller's Obligation to Close.

15.1 Seller's obligation to consummate the transactions contemplated under this Agreement at Closing is subject to the fulfillment, prior to or at Closing, of each of the following conditions, unless waived by Seller in writing in its sole discretion:

(a) All representations and warranties made in this Agreement by Purchaser shall be true and correct in all material respects as of the Closing Date as fully as though such representations and warranties had been made on and as of the Closing Date, except for representations and warranties specifically referring to another date, which shall be true and correct in all material respects as of such date. As of the Closing Date, Purchaser shall have complied in all material respects with all covenants made by it in this Agreement that by their terms are to be performed prior to Closing.

(b) At the Closing Date, there shall not be in effect any order, decree or injunction of a court of competent jurisdiction restraining, enjoining or prohibiting the consummation of the transactions contemplated under this Agreement. Additionally, no Governmental Authority shall have taken any action, and no statute, rule or regulation shall have been enacted, that would prevent the consummation of such transactions.

(c) Purchaser shall have delivered funds to Seller in an amount equivalent to the sum of (i) the Purchase Price, less the Deposit and less any credit due Purchaser in accordance with Section 4.2, plus (ii) any other amounts as then may be due and owing to Seller by Purchaser at Closing pursuant to the terms and conditions of this Agreement.

(d) Purchaser shall have executed and delivered to Seller all other documents, instruments, affidavits, certificates and other items reasonably required of Purchaser by this Agreement in order to close the transactions contemplated by this Agreement.

16. Conditions Precedent to Purchaser's Obligation to Close.

16.1 Purchaser's obligation to consummate the transactions contemplated under this Agreement at Closing is subject to the fulfillment, prior to or at Closing, of each of the following conditions, unless waived by Purchaser in writing in its sole discretion:

(a) All representations and warranties made in this Agreement by Seller shall be true and correct in all material respects as of the Closing Date as fully as though such representations and warranties had been made on and as of the Closing Date, except for representations and warranties specifically referring to another date, which shall be true and correct in all material respects as of such date. As of the Closing Date, Seller shall have complied in all material respects with all covenants made by it in this Agreement that by their terms are to be performed prior to Closing.

(b) All Necessary Purchaser Approvals shall have been obtained and be in effect on the Closing Date.

(c) A Transportation Agreement shall have been obtained by Purchaser on terms and conditions that are satisfactory to Purchaser.

(d) At the Closing Date, there shall not be in effect any order, decree or injunction of a court of competent jurisdiction restraining, enjoining or prohibiting the consummation of the transactions contemplated under this Agreement. Additionally, no Governmental Authority shall have taken any action, and no statute, rule or regulation shall have been enacted, that would prevent the consummation of such transactions.

(e) Seller shall have executed and delivered to Purchaser originals of each and all of the following, in accordance with the requirements of Section 2.2: the Bill of Sale, the Assignment of Easements, the Assignment of Contracts, the Assignment of Customer Accounts, the Assignment of Permits, and the Assignment of Claims and Warranties.

(f) A Franchise shall have been granted by Seller to Purchaser on terms and conditions that are satisfactory to Purchaser.

(g) Easements for the Natural Gas Assets, at such locations as may be determined by the Parties, shall have been granted to Purchaser on terms and conditions that are satisfactory to Purchaser.

(h) Purchaser shall have approved the update to Schedule 1.3 to be provided to Purchaser by Seller in accordance with section 13.1(f), listing all easements and other interests in real property to be assigned by Seller to Purchaser at Closing pursuant to the Assignment of Easements.

(i) Seller shall have executed and delivered to Purchaser all other documents, instruments, affidavits, certificates and other items reasonably required of Seller by this Agreement in order to close the transactions contemplated by this Agreement.

(j) There shall not have occurred a Material Adverse Effect upon the Purchased Assets or any change that could materially impair the ability of the Parties to consummate the transactions contemplated under this Agreement.

17. Closing.

17.1 Subject to satisfaction or waiver of the Conditions Precedent, the closing of the transactions contemplated under this Agreement (the "Closing") shall occur as soon as reasonably possible on a date to be determined by the Parties, upon the request of either Party (the "Closing Date"), but in no event later than the Outside Date. Closing shall be held at such place as the Parties may mutually agree.

17.2 From time to time after Closing, each Party, upon the request of the other Party, shall, without further consideration, execute, deliver and acknowledge all such further instruments of transfer and conveyance and do and perform all such other acts and things as either Party may reasonably request to accomplish the transfer of the Purchased Assets from Seller to Purchaser and to effectively carry out the intent of this Agreement.

17.3 At Closing, Seller's obligations to provide natural gas distribution service to its Customers in the Service Territory shall cease, and Purchaser shall assume full and complete responsibility for providing natural gas distribution service to Purchaser's Customers.

18. Indemnification by Seller.

18.1 Seller agrees to defend, indemnify and hold harmless each and all of the Purchaser Indemnitees from and against any and all claims, liens, demands, actions, costs, losses, expenses, harm, damages and liability (including, but not limited to, attorneys' fees) of any kind or character now or hereafter asserted or arising directly or indirectly from, on account of, or in connection with:

(a) Any breach or default in the performance by Seller of any covenant or agreement of Seller contained in this Agreement;

(b) Any negligent, grossly negligent or willful acts or omissions of Seller (and Seller's agents, servants, employees, consultants, contractors, subcontractors (of any tier) or representatives) in connection with the exercise of any of Seller's rights arising under this Agreement;

- Agreement:
- (c) Any breach of warranty or representation made by Seller in this Agreement;
 - (d) Any one or more of the Pre-Closing Environmental Conditions; or
 - (e) Any one or more of Seller's Retained Liabilities.

18.2 The Purchaser Indemnitees shall promptly notify Seller in writing of any matter arising under the foregoing indemnification provision. Seller may contest and defend in good faith any claim of third parties covered by this Section 18, provided such contest is made without cost or prejudice to the Purchaser Indemnitees and provided that, within thirty (30) days of Seller's receipt of notice of such claim, Seller notifies the Purchaser Indemnitees of its desire to defend and contest such claim. The Purchaser Indemnitees shall reasonably cooperate with Seller in its investigation of and response to any third-party claim.

18.3 As between the Parties and solely for the purpose of the indemnities contained in this Section 18, Seller expressly waives any immunity, defense or protection that may be granted to it under the Washington State Industrial Insurance Act, Title 51 RCW, or any other industrial insurance, workers' compensation or similar laws of the State of Washington to the fullest extent permitted by Applicable Law. This Section 18 shall not be interpreted or construed as a waiver of Seller's right to assert such immunity, defense or protection directly against any of its own employees or such employee's estate or other representatives. This Section 18 has been mutually negotiated by the Parties.

19. Indemnification by Purchaser.

19.1 Purchaser agrees to defend, indemnify and hold harmless each and all of the Seller Indemnitees from and against any and all claims, liens, demands, actions, costs, losses, expenses, harm, damages and liability (including, but not limited to, attorneys' fees) of any kind or character now or hereafter asserted or arising directly or indirectly from, on account of, or in connection with:

- (a) Any breach or default in the performance by Purchaser of any covenant or agreement of Purchaser contained in this Agreement;
- (b) Any negligent, grossly negligent or willful acts or omissions of Purchaser (and Purchaser's agents, servants, employees, consultants, contractors, subcontractors (of any tier) or representatives) in connection with the exercise of any of Purchaser's rights arising under this Agreement;
- (c) Any breach of warranty or representation made by Purchaser in this Agreement;
- (d) Any one or more of the Post-Closing Environmental Conditions; or
- (e) Any one or more of Purchaser's Assumed Liabilities.

19.2 The Seller Indemnitees shall promptly notify Purchaser in writing of any matter arising under the foregoing indemnification provision. Purchaser may contest and defend in good faith any claim of third parties covered by this Section 19, provided such contest is made without cost or prejudice to the Seller Indemnitees and provided that, within thirty (30) days of Purchaser's receipt of notice of such claim, Purchaser notifies the Seller Indemnitees of its desire to defend and contest such claim. The Seller Indemnitees shall reasonably cooperate with Purchaser in its investigation of and response to any third-party claim.

19.3 As between the Parties and solely for the purpose of the indemnities contained in this Section 19, Purchaser expressly waives any immunity, defense or protection that may be granted to it under the Washington State Industrial Insurance Act, Title 51 RCW, or any other industrial insurance, workers' compensation or similar laws of the State of Washington to the fullest extent permitted by Applicable Law. This Section 19 shall not be interpreted or construed as a waiver of Purchaser's right to assert such immunity, defense or protection directly against any of its own employees, or such employee's estate or other representatives. This Section 19 has been mutually negotiated by the Parties.

20. Consequential Losses.

20.1 EXCEPT WITH RESPECT TO THIRD-PARTY CLAIMS AS TO WHICH THE PARTIES HAVE ASSUMED INDEMNIFICATION OBLIGATIONS ARISING UNDER SECTIONS 18 AND 19, AND NOTWITHSTANDING ANYTHING ELSE IN THIS AGREEMENT TO THE CONTRARY, NEITHER PARTY SHALL BE LIABLE AS A RESULT OF ANY ACTION OR INACTION UNDER THIS AGREEMENT OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, NEGLIGENCE OR OTHER FAULT, STRICT LIABILITY WITHOUT REGARD TO FAULT, BREACH OF CONTRACT OR WARRANTY, FOR ANY LOSS OF PROFITS OR LOSS OF REVENUE OR ANY CONSEQUENTIAL, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR INDIRECT LOSSES OR SIMILAR DAMAGES OF ANY NATURE WHATSOEVER, WHETHER ARISING UNDER THE LAW OF CONTRACTS, TORTS (INCLUDING, WITHOUT LIMITATION, NEGLIGENCE OF EVERY KIND AND STRICT LIABILITY, WITHOUT FAULT) OR PROPERTY, OR AT COMMON LAW OR IN EQUITY, IRRESPECTIVE OF WHETHER SUCH LOSSES OR SIMILAR DAMAGES ARE REASONABLY FORESEEABLE AND IRRESPECTIVE OF WHETHER SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OR EXISTENCE OF SUCH DAMAGES. THIS SECTION 20 HAS BEEN MUTUALLY NEGOTIATED BY THE PARTIES AND SHALL SURVIVE THE EXPIRATION OR TERMINATION OF THIS AGREEMENT.



Seller's Initials



Purchaser's Initials

21. Termination.

21.1 This Agreement shall terminate if at any time prior to Closing:

- (a) The Parties agree in writing to terminate this Agreement.

(b) Purchaser delivers a written notice of termination to Seller to the effect that Seller has defaulted in a material respect under one or more of its covenants and agreements contained herein (which shall be specified in detail in such notice), and such condition or conditions have not been satisfied or such default or defaults have not been remedied (or waived by Purchaser) within fifteen (15) days after the date such notice is delivered by Purchaser to Seller, or if such breach is not capable of being cured within such fifteen (15) day period (as determined by Purchaser in its sole discretion), Seller (i) fails to commence to cure such breach within such fifteen (15) day period or (ii) fails to thereafter diligently proceed to cure such breach in a manner reasonably satisfactory to Purchaser.

(c) Purchaser delivers a written notice of termination to Seller, on or before the expiration of the Transition Period, stating that Purchaser has reasonably determined that based upon its due diligence inquiries, the transactions contemplated under this Agreement present an unanticipated and previously unknown material risk to Purchaser that shall be described by Purchaser in such notice.

(d) Seller delivers a written notice of termination to Purchaser to the effect that Purchaser has defaulted in a material respect under one or more of its covenants and agreements contained herein (which shall be specified in detail in such notice), and such condition or conditions have not been satisfied or such default or defaults have not been remedied (or waived by Seller) within fifteen (15) days after the date such notice is delivered by Seller to Purchaser, or if such breach is not capable of being cured within such fifteen (15) day period (as determined by Seller in its sole discretion), Purchaser (i) fails to commence to cure such breach within such fifteen (15) day period or (ii) fails to thereafter diligently proceed to cure such breach in a manner reasonably satisfactory to Seller.

(e) This Agreement shall automatically terminate if Closing has not occurred on or before the Outside Date.

21.2 In the event of the termination of this Agreement as provided in this Section 21, written notice thereof shall be given to the nonterminating Party and shall specify the provision of this Agreement pursuant to which such termination is made, and this Agreement shall forthwith become null and void, except that (a) Sections 18, 19, 20, 23 and 24 shall each survive termination of this Agreement at any time; and (b) nothing shall relieve either Party from liability for fraud or any breach of this Agreement. Except as to forfeiture of the Deposit, termination of this Agreement in accordance with this Section 21 shall be the sole and exclusive remedy of a Party in the event of an unexcused failure by the other Party to close the transactions contemplated under this Agreement in accordance with the terms and conditions hereof, and such other Party shall have no other liability with regard to such unexcused failure. In the event of the termination of this Agreement as provided in this Section 21.1(b), Seller shall refund the Deposit to Purchaser, together with any and all accrued interest thereon, within fifteen (15) days of the date of termination. Seller shall also refund the Deposit to Purchaser, together with any and all accrued interest thereon, within fifteen (15) days of the date of termination, if Closing does not occur on or before the Outside Date due to (i) an event or circumstance of Force Majeure, (ii) failure to acquire a required government approval for the sale of the Purchased Assets for which Purchaser and Seller have taken reasonable steps to secure; or (iii) invalidation of the

Agreement for reasons that are not attributable to the actions or inaction of Purchaser. Failure of Purchaser to execute a Transportation Agreement shall not serve as grounds for a refund of the Deposit. The Deposit shall be forfeited for any other reason the Agreement is terminated.

22. Assignment.

Any assignment of this Agreement or rights and obligations hereunder by either Party shall be void without the written consent of the other Party. No assignment of this Agreement by either Party shall operate to discharge the assignor of any duty or obligation hereunder without the written consent of the other Party. Without limiting this Section 22, this Agreement shall be binding upon the successors and assigns of an assigning Party.

23. Confidential Information.

23.1 All information, documents, data, work product, notes, files, drafts, samples, models, plans, correspondence, maps, drawings, evaluations, summaries, studies, assessments, impressions, calculations, reports and other communications (in any written, electronic or other form) provided by a Party to the other Party pursuant to this Agreement and marked "Confidential" or otherwise identified as confidential at the time of disclosure ("Confidential Information") shall be treated as confidential and proprietary material of the disclosing Party and shall be kept confidential by the receiving Party and used solely for purposes relating to this Agreement to the extent authorized by Applicable Law. "Confidential Information" shall not include (a) information that is or becomes available to the public through no breach of this Agreement; (b) information that was previously known by the receiving Party without any obligation to hold it in confidence; (c) information that the receiving Party receives from a third party who may disclose that information without breach of Applicable Law or an agreement with such third party; (d) information that the receiving Party develops independently without using the Confidential Information; (e) information that the disclosing Party approves for release in writing; and (f) information that is required to be disclosed by operation of state law, including the Public Records Act, Chapter 42.56 RCW. A Party shall not remove or obliterate markings (if any) on the Confidential Information provided by the other Party.

23.2 A Party shall protect and prevent Confidential Information from any use, disclosure, copying, dissemination or distribution not authorized by this Agreement. Except as otherwise provided by Applicable Law or as specifically authorized by this Agreement, a Party shall not disclose, copy, disseminate or distribute any Confidential Information without the prior written consent of the other Party unless required by Applicable Law. The Parties acknowledge and agree that this Agreement, and any Confidential Information made available by a Party to this Agreement, (a) does not constitute an admission by any Party with regard to any matter and (b) does not constitute a release, waiver, assignment or transfer of any right, title, interest or privilege with respect to such information (including, but not limited to, any privileges, including attorney-client and attorney-work-product privileges, which would otherwise attach to any information either before or after the initiation of litigation). In the event of any improper disclosure or loss of Confidential Information, the receiving Party will promptly notify the disclosing Party.

23.3 Notwithstanding the foregoing, the Parties may provide Confidential Information (a) to the WUTC or in any regulatory proceedings arising from or related to the transactions contemplated by this Agreement; (b) on a need-to-know basis to agents, trustees, employees, representatives, consultants, accountants, financial advisors, experts, legal counsel or other professional advisors to the Parties; and (c) as required by state law, provided that in the case of clause (b), such Persons have been informed of the confidential nature of the information and have agreed to keep such information confidential. In the event that Confidential Information is the subject of a subpoena from a third party, the receiving Party may disclose such Confidential Information on the advice of its counsel in compliance with the subpoena, provided that such receiving Party shall provide notice thereof to the disclosing Party and make reasonable efforts to afford the disclosing Party an opportunity to obtain a protective order or other relief to prevent or limit disclosure of the Confidential Information. The obligation to provide confidential treatment to Confidential Information shall not be affected by the inadvertent disclosure of Confidential Information by either Party.

23.4 Seller is a municipal corporation of the State of Washington and is subject to Chapter 42.56 RCW, the Public Records Act, regarding disclosure of public records. In the event a third party submits a request to Seller pursuant to the Public Records Act requesting Confidential Information, Seller shall notify Purchaser of such request within five (5) days of Seller's receipt of such request and of whether such information will be disclosed or, in the alternative, that a specified amount of time will be necessary to determine whether the information will be disclosed. Five days after notice of a decision to disclose is submitted to Purchaser, Seller may disclose any Confidential Information that it in good faith believes may be required to be disclosed by the Public Records Act. The disclosure of information under these circumstances shall not be considered a breach of this Agreement. Purchaser may seek a court order enjoining any disclosure of its Confidential Information as authorized by RCW 42.56.540.

23.5 In the event that (a) the transactions contemplated by this Agreement shall not close or (b) a Party shall terminate this Agreement pursuant to Section 21, then in such event and upon the request of the disclosing Party, the receiving Party will return or destroy, at its option, all Confidential Information of the disclosing Party to the extent consistent with Chapter 40.14 RCW. Seller shall not be considered in breach of this subsection if it refuses to destroy a confidential public record upon a good faith belief that such destruction would violate Chapter 40.14 RCW. Upon the disclosing Party's request for records required to be destroyed by this subsection, the receiving Party will have an officer certify that the disclosing Party's Confidential Information has been destroyed.

23.6 Each Party acknowledges that any breach of any provision of this Section 23 by either Party may cause immediate and irreparable injury to the nonbreaching Party, and in the event of a breach, the injured Party will be entitled to seek injunctive relief and other legal or equitable remedies. This Section 23 shall survive the expiration or termination of this Agreement.

24. Dispute Resolution.

24.1 Any and all other claims, controversies or disputes arising out of or relating to or in connection with this Agreement (collectively, a "Dispute") arising between the Parties shall be resolved in accordance with the Dispute resolution procedures as set forth in this Section 24.

24.2 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 a Dispute required to be resolved in accordance with this Dispute resolution procedure. The initial mechanism to resolve Disputes will involve negotiations between the Parties' representatives, so designated by the Parties by notice given pursuant to Section 25.4.

24.3 If the Parties cannot resolve a Dispute satisfactorily within ten (10) days after receipt of the initial notice in accordance with Section 24.2, any Party (the "Notifying Party") may deliver to the other Party (the "Recipient Party") notice of the Dispute with a detailed description of the underlying circumstances of such Dispute (a "Dispute Notice"). The Dispute Notice shall include a schedule of the availability of the Notifying Party's senior officers or officials duly authorized to settle the Dispute during the thirty (30) day period following the delivery of the Dispute Notice.

24.4 The Recipient Party shall, within three (3) business days following receipt of the Dispute Notice, provide to the Notifying Party a parallel schedule of availability of the Recipient Party's senior officers or officials duly authorized to settle the Dispute. Following delivery of the respective senior officers' or officials' schedules of availability, the senior officers or officials of the Notifying Party and the Recipient Party shall meet and confer, as often as they deem reasonably necessary during the remainder of the thirty (30) day period, in good faith negotiations to resolve the Dispute to the satisfaction of each Party.

24.5 In the event a Dispute is not resolved pursuant to the procedures set forth in Section 24.4, then either Party may commence and pursue such remedies as may be provided by this Agreement or Applicable Law.

24.6 Pending resolution of any Dispute, the Parties shall continue performance of their respective obligations under this Agreement. Each Party shall be responsible for its own costs incurred in connection with any Dispute resolution proceedings undertaken pursuant to this Section 24.

25. Miscellaneous.

25.1 If performance of this Agreement or of any obligation hereunder is prevented or substantially restricted or interfered with by reason of an event or circumstance of Force Majeure, the affected Party, upon giving notice to the other Party, shall be excused from such performance to the extent of and for the duration of such prevention, restriction or interference. The affected Party shall use its reasonable efforts to avoid or remove such causes of nonperformance and shall continue performance hereunder whenever such causes are removed.

25.2 This Agreement may be amended only by an instrument in writing executed by the Parties that expressly refers to this Agreement and states that it is an amendment hereto.

25.3 Any of the terms or conditions of this Agreement may be waived at any time and from time to time, in a signed writing, by the Party or Parties entitled to the benefit of such terms or conditions. Any waiver given by a Party shall be narrowly construed to specifically waive in time and subject only the express matter contained in such waiver.

25.4 This Agreement shall be governed by, subject to and construed under the laws of the State of Washington, without regard to principles of conflict of laws that would call for the application of any laws other than the laws of the State of Washington.

25.5 All notices, requests, demands and other communications given by either Party shall be in writing and shall be deemed to have been duly given (a) when sent via facsimile as evidenced by a printed confirmation page of successful transmission; (b) when delivered personally or delivered by a recognized courier service that provides a receipt of delivery; or (c) three (3) days after being deposited as certified or registered mail, postage prepaid, into the United States mail, to the following addresses or numbers:

If to Seller:

Dave Schmidt
City Administrator
PO Box 1960
Buckley, WA 98321
Email: dschmidt@cityofbuckley.com

With a copy to:

Buckley City Clerk
PO Box 1960
Buckley, WA 98321
Email: city@cityofbuckley.com

If to Purchaser:

Harry Shapiro
Director Gas Operations
Puget Sound Energy, Inc.
10885 N.E. Fourth Street
Bellevue, Washington, 98009
Email: Harry.Shapiro@pse.com

With a copy to:

Steve Secrist
Vice President General Counsel
& Chief Ethics Comply Officer
Puget Sound Energy, Inc.

10885 N.E. Fourth Street
Bellevue, Washington, 98009
Email: Steve.Secretist@pse.com

or to such other address as the Parties may designate in writing.

25.6 Each Party shall bear its own legal, accounting, consulting, regulatory, Tax and other professional fees and expenses and other transaction costs regardless of whether the transactions contemplated under this Agreement are consummated.

25.7 This Agreement constitutes the entire agreement between the Parties and supersedes all other prior agreements and understandings, oral and written, between the Parties with respect to the subject matter hereof.

25.8 Any provision of this Agreement that is prohibited or rendered unenforceable by any law shall be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement. Upon such determination that any term or other provision is prohibited or rendered unenforceable, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that transactions contemplated under this Agreement are fulfilled to the greatest extent possible.

25.9 This Agreement shall create no rights, responsibilities and/or obligations in, to or from any parties other than Purchaser and Seller.

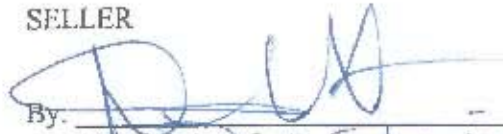
25.10 Time is of the essence in the performance of all terms and conditions of this Agreement in which time is an element.

25.11 This Agreement may be executed in several counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

25.12 This Agreement has been negotiated on an arm's-length basis by the Parties and their respective counsel and shall be interpreted fairly in accordance with its terms and without any strict construction in favor of or against either Party.

IN WITNESS WHEREOF, the Parties have signed this Agreement as of the Effective Date.

SELLER

By: 
Name: David D. Schmitt
Title: City Administrator
City of Buckley

PURCHASER

By: 
Daniel A. Doyle
Sr. Vice President & Chief Financial Officer
Puget Sound Energy, Inc.

SCHEDULES

SCHEDULES TO ASSET PURCHASE AGREEMENT

07772-0009.0 EGAI.27837701.13

Schedule 1.1

Natural Gas Assets

1. All 23.9 lineal miles (more or less) of cathodically protected and coated steel gas main, including 19.97 lineal miles (more or less) of such steel gas main 2 inches or less in diameter and 3.93 lineal miles (more or less) measuring over 2 inches thru 4 inches in diameter, located within the City of Buckley as of the Effective Date, which such facility is further described in the "Annual Report for Calendar Year 2013" submitted by the City of Buckley to USDOT Pipeline and Hazardous Materials Safety Administration (the "Annual Report").
2. All 12.83 lineal miles (more or less) of plastic gas main, including 12.69 lineal miles (more or less) of PE gas main measuring 2 inches or less in diameter and 0.14 of PE gas main measuring 2 inches thru 4 inches in diameter, located within the City of Buckley as of the Effective Date, which such facility is further described in the Annual Report.
3. All 1420 (more or less) services located within the City of Buckley as of the Effective Date, including:
 - A. All 880 (more or less) services served by steel pipe, including 869 services served by steel pipe measuring one inch or less in diameter, 10.0 services measuring over one inch thru two inches in diameter and 1.0 service measuring over two inches thru four inches in diameter, located within the City of Buckley as of the Effective Date, which such services are further described in the Annual Report.
 - B. All 540 (more or less) services served by plastic PE pipe measuring one inch or less in diameter, located within the City of Buckley as of the Effective Date, which such services are further described in the Annual Report.
4. All 85 (more or less) excess flow valves located within the City of Buckley as of the Effective Date, which such services are further described in the Annual Report.

Schedule 1.2

Personal Property

Item Type	Item Description	Quantity as of Effective Date
Equipment	NDT International Thickness Gauge	1
Equipment	Fluke Multi-Meter	2
Equipment	Heath Tech Odorator	1
Equipment	Atkins Thermocouple Thermometer	1
Equipment	Miller Current Interrupter	1
Equipment	Universal Cathodic Protector Rectifier	1
Equipment	Crystal Digital Test Gauge	1
Equipment	Mini AC/DC Clamp Meter	1
Equipment	Swain Meter	1
Equipment	Small Pressure Gauges	Multiple
Equipment	Equipment Calibration Regulators	Multiple
Equipment	Heath CGI Gas Indicator	1
Equipment	Cad weld Shots	Multiple
Equipment	Mini Mac Fusion Machines	2
Equipment	Tinker and Razor Holiday Detector	1
Equipment	Heath Detecto Pak CGI	1
Equipment	Acetylene Pipe Cutter	1
Equipment	Calibration Gases	Multiple
Equipment	Spare Recording Charts	Multiple
Equipment	Chart Recorder Motors	Multiple
Equipment	4" Sidewinder Fusion Iron	1
Equipment	4" Butt Fusion Equipment	1
Equipment	Ford F-550 Gas Service Truck	1
Equipment	Mobil Gas Welding Hose and Valves	1
Equipment	Torpedo Levels	2
Equipment	Ratchets and Sockets	Multiple
Equipment	Hand Tools	Multiple
Equipment	Cad Weld Kit	1
Equipment	Hand Help Grinder	2
Equipment	Wheel Grinder Heads	Multiple
Equipment	Hydraulic Squeeze Tools	1
Equipment	Portable Cable Air Compressor	1
Equipment	Mustang Squeeze Tools	5
Equipment	Reciprocating Saw	1

SCHEDULE 1.2 TO ASSET PURCHASE AGREEMENT

Item Type	Item Description	Quantity as of Effective Date
Equipment	Extension Cords	3
Equipment	Power Drill	1
Equipment	Hand Pipe Threader	1
Equipment	4" Hand Wheel Cutter	1
Equipment	300ft Tape Measure (Soft)	1
Equipment	Mueller No Blo Valve Changer	1
Equipment	Miller Trail Blazer Welder/Generator	1
Equipment	Kuhlman Manometer	1
Equipment	Dwyer Manometer	1
Equipment	Mueller D-5 Tapping/Stopping	1
Equipment	Val-Tex Foot pump Grease Gun	1
Equipment	8" Variable Speed Bench Grinder	1
Parts	Stainless Tube Fittings	Multiple
Parts	Meter Indexes	Multiple
Parts	Spare Reg Station Regulator Springs	Multiple
Parts	6 Inch Spare Meter Turbine	1
Parts	Bolt and Flange Kits	Multiple
Parts	Safeco Gas Filter	1
Parts	Sensus Service Regulators	62
Parts	Greenline Wrap	Multiple
Parts	Tar	Multiple
Parts	Mooney Regulator mounting spools	4
Parts	Spare Turbine Meter for Reg Station	1
Parts	Fisher High Pressure Shut off Valves	5
Parts	In-Line Main Valves	Multiple
Parts	Protecto Wrap Primer	Multiple
Parts	Protecto Wrap	Multiple
Parts	17lb Anode	1
Parts	4 Inch PE to Steel Transition	2
Parts	Meter Index Covers	Multiple
Parts	Continental Fittings (Various Sizes)	Multiple
Parts	Tracer Wire (14 gauge)	4
Parts	½" Butt End Cap (Fusion)	30
Parts	¾" Butt End Cap (Fusion)	30
Parts	1" Butt End Cap (Fusion)	20
Parts	2" Purging Caps (PE)	4
Parts	2" Butt End Caps (Fusion)	18
Parts	4" Butt End Caps (Fusion)	2

SCHEDULE 1.2 TO ASSET PURCHASE AGREEMENT

Item Type	Item Description	Quantity as of Effective Date
Parts	1" PE Tees In-Line (Fusion)	10
Parts	2" PE Tees In-Line (Fusion)	12
Parts	¾" PE In-Line Tees (Fusion)	31
Parts	1"x¾" PE Reducers (Fusion)	40
Parts	PE Fusion Practice Tees (Various Sizes)	76
Parts	2"x1/2" PE Permalock Saddle	3
Parts	PE Fusion Service Tees (Various Sizes)	Multiple
Parts	¾"x1/2" PE Butt Fusion Reducers	Multiple
Parts	2" PE 90Deg (Fusion)	24
Parts	1" PE 90Deg (Fusion)	16
Parts	½" Dresser EFV (Fusion)	100
Parts	¾" Dresser EFV (Fusion)	50
Parts	1" Perfection EFV (Stab)	7
Parts	½" Perfection EFV (Stab)	15
Parts	1" Permasert Coupler	7
Parts	¾" Permasert Coupler	7
Parts	½" Permasert Coupler	18
Parts	1" PE In-Line Valves (Fusion)	14
Parts	2" PE In-Line Valves (Fusion)	2
Parts	¾" PE In-Line Valves (Fusion)	9
Parts	In-Line Gas Filters for Reg Stations	Multiple
Parts	Spare Chart Recorders	2
Parts	2" Steel to PE Transition Fittings	5
Parts	1" Steel to PE Transition Fittings	10
Parts	Trenton Wax Tape	30
Parts	Wax Tape Premier	1
Parts	Meter Spud Gaskets (Various Sizes)	Multiple
Parts	1" x Close Black Iron (BI) Nipples	25
Parts	1"x2" Nipple (BI)	31
Parts	1"x3" Nipple (BI)	37
Parts	1"x2 ½" Nipple (BI)	16
Parts	1"x4" Nipple (BI)	29
Parts	1"X5" Nipple (BI)	22
Parts	1"x6" Nipple (BI)	19
Parts	¾"x1" Muller Auto Perf Tees	13
Parts	¾" Muller Auto Perf Tees	8
Parts	1" Threaded 90Deg (BI)	17
Parts	¾" Threaded 90Deg (BI)	33
Parts	¾"x1" Threaded 90Deg (BI)	45

SCHEDULE 1.2 TO ASSET PURCHASE AGREEMENT

Item Type	Item Description	Quantity as of Effective Date
Parts	¾" x Close Nipples (BI)	30
Parts	¾" x 3" Nipples (BI)	41
Parts	¾" x 4" Nipples (BI)	30
Parts	¾" x 5" Nipples (BI)	35
Parts	¾" x 6" Nipples (BI)	27
Parts	Direct Bury Splice	Multiple
Parts	1" Steel Threaded Plugs	22
Parts	¾" Steel Threaded Plugs	14
Parts	¾" x 2" Nipples (BI)	14
Parts	¾" x 1" Bushings (BI)	13
Parts	Direct Bury Lug Wire Splice Kit	100
Parts	¾" x 12" Nipples (BI)	7
Parts	1 ¼" Steel Threaded Nipples (Various Sizes)	Multiple
Parts	1 ½" Steel Threaded Nipples (Various Sizes)	Multiple
Parts	2" Steel Threaded Nipples (Various Sizes)	Multiple
Parts	4" x Closed Steel Threaded Nipples	Multiple
Parts	1 ¼" Meter Valve (McDonald)	1
Parts	1" Meter Valve (Mueller)	Multiple
Parts	1" Meter Spud (Insulated)	Multiple
Parts	1" Meter Spud (Uninsulated)	Multiple
Parts	Meter Spud Swivel	Multiple
Parts	1" Steel Threaded Tee	29
Parts	¾" Steel Threaded Tee	16
Parts	Black Steel Weld on Line Stoppers	Multiple
Parts	Stainless Valve Grease Plugs	Multiple
Parts	Black Steel Bell Reducers	Multiple
Parts	Steel Threaded Tee Reducers	Multiple
Parts	Steel 90deg Elbow Reducers	Multiple
Parts	Steel Unions (Insulated)	Multiple
Parts	Steel Unions (Uninsulated)	Multiple
Parts	Butt Weld Steel Fittings ¾"-4"	Multiple
Parts	1 ¼" Meter Spuds and Swivel	Multiple
Parts	1 ½" Meter Spuds and Swivel	Multiple
Parts	Rockwell 750 Gas Meter	1
Parts	½" Yellow Stripe PE Pipe 8300	9 Rolls
Parts	¾" Yellow Stripe PE Pipe 8300	1 Roll
Parts	1" Yellow Stripe PE Pipe 8300	1 Roll
Parts	2" Yellow Stripe PE Pipe 8300	1 Roll
Parts	¾" Anode less Riser	7

SCHEDULE 1.2 TO ASSET PURCHASE AGREEMENT

Item Type	Item Description	Quantity as of Effective Date
Parts	1" Anode less Riser	13
Parts	½" Anode less Riser	10
Parts	2" Black Steel Pipe (20ft)	1
Parts	2lb Sacrificial Anode	5
Meter	Sensus 250 Qubix Meter	31
Meter	Eqimeter 275 Meter	80
Meter	Sensus R415 Meter	7
Meter	Rockwell 5000 Meter	1

SCHEDULE 1.2 TO ASSET PURCHASE AGREEMENT

Schedule 1.3

Assigned Easements
(Preliminary)

- 1.) GRANTOR:
ROBERT GODWIN AND GARY L. SCOTT

GRANTEE:
CITY OF BUCKLEY

PIERCE COUNTY RECORDING NUMBER: 8501250182

- 2.) GRANTOR:
LLOYD BOWLER AND VANITTA BOWLER

GRANTEE:
TOWN OF BUCKLEY

PIERCE COUNTY RECORDING NUMBER: 2500176

- 3.) ORDINANCE NUMBER 2297202

GRANTEE:
TOWN OF BUCKLEY

PIERCE COUNTY RECORDING NUMBER: 2297202

- 4.) GRANTOR:
CLYDE G. RAU AND SONJA A. RAU

GRANTEE:
TOWN OF BUCKLEY

PIERCE COUNTY RECORDING NUMBER: 2428978

True and complete copies of all recorded easement documents shall be delivered by Seller to Purchaser no later than fifteen (15) days prior to the Closing Date.

SCHEDULE 1.3 TO ASSET PURCHASE AGREEMENT

Schedule 1.4

Assigned Contracts

1. The Natural Gas Contract dated April 11, 1972, as first amended on September 13, 1983, and further amended on December 28, 1994, between the Town of Buckley and the City of Enumclaw under which the City of Enumclaw transports natural gas owned by the Town of Buckley on the City of Enumclaw's pipeline system.

2. The Base Contract for Sale and Purchase of Natural Gas dated June 2, 2009, and the Addendum Asset Management Arrangement dated June 2, 2009, as amended on August 11, 2010 between the City of Buckley and IGI Resources, Inc., under which IGI Resources, Inc., supplies natural gas to the City of Buckley and manages the City of Buckley's gas transportation capacity.

3. The Contract No. 100021, Rate Schedule TF-1 Service Agreement dated July 7, 1993, as restated and amended on July 19, 2007, between the Northwest Pipeline Corporation and the City of Buckley, Washington, under which Northwest Pipeline Corporation provides natural gas transportation service to Buckley, shall be released by Buckley to Puget Sound Energy, Inc. pursuant to a pre-arranged permanent capacity release at the maximum tariff rate as of the effective date of transfer of the Buckley assets to Puget Sound Energy, Inc.

Schedule 1.5

Assigned Customer Accounts

None

Schedule 1.6

Excluded Natural Gas Assets

1. City Hall and all equipment and fixtures within City Hall that are not transferred to Purchaser by operation of this Agreement.
2. City of Buckley Public Works Office, and all equipment and fixtures within the Public Works Office that are not transferred to Purchaser by operation of this Agreement.
3. City of Buckley Multipurpose Center, and all equipment and fixtures within the Multipurpose Center that are not transferred to Purchaser by operation of this Agreement.
4. Natural gas that is consumed by Buckley residents prior to Closing.

Schedule 1.7

Permitted Encumbrances

None

Schedule 1.8

Seller's Disclosures

None

EXHIBITS

EXHIBITS TO ASSET PURCHASE AGREEMENT

07772-0009/LEGAL27837701.13

EXHIBIT A

BILL OF SALE

This Bill of Sale, dated as of _____, 2014, is made and entered into by and between the City of Buckley, a municipal corporation of the State of Washington ("Seller"), and Puget Sound Energy, Inc., a Washington corporation ("Purchaser").

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Seller does hereby sell, convey, transfer, assign and deliver to Purchaser, and Purchaser hereby accepts, all of Seller's right, title and interest in and to the property described in the attached Schedules I(A) and I(B) (collectively, the "Property").

This Bill of Sale is being delivered in connection with the Asset Purchase Agreement, dated as of _____, 2014, by and between Purchaser and Seller ("Agreement"). This Bill of Sale is subject to each and all of the terms and conditions of the Agreement.

This Bill of Sale shall be binding upon and inure to the benefit of Purchaser and Seller and their respective successors and assigns.

IN WITNESS WHEREOF, this Bill of Sale has been duly executed and delivered by the authorized officer of each Party as of the date first above written.

Seller:

City of Buckley,
a municipal corporation of the State of
Washington

By: _____
Its: _____

Purchaser:

Puget Sound Energy, Inc., a Washington
corporation

By: _____
Its: _____

SCHEDULE 1(A)

Natural Gas Assets

[Insert Schedule 1.1 of the APA, updated as of Closing.]

SCHEDULE I(B)

Personal Property

[Insert Schedule 1.2 of the APA, updated as of Closing.]

EXHIBIT B

ASSIGNMENT OF EASEMENTS

Return Address _____ _____ _____ Attn: _____

Document Title(s) (or transactions contained therein): 1. Assignment of Easements
Reference Number(s) of Documents assigned or released: (on page ___ of document(s))
Grantor(s) (Last name first, then first name and initials): 1. The City of Buckley, a municipal corporation of the State of Washington <input type="checkbox"/> Additional names on page ___ of document.
Grantee(s) (Last name first, then first name and initials): 1. Puget Sound Energy, Inc., a Washington corporation <input type="checkbox"/> Additional names on page ___ of document.
Legal description (abbreviated: i.e. lot, block, plat or section, township, range) (X) Full legal is on page 2 of document.
Assessor's Property Tax Parcel/Account Number

ASSIGNMENT OF EASEMENTS

This Assignment of Easements ("Assignment") is made as of this ____ day of _____, 2014 ("Assignment Effective Date") by and between the City of Buckley, a municipal corporation of the State of Washington ("Assignor"), and Puget Sound Energy, Inc., a Washington corporation ("Assignee"). This Assignment is made with reference to the following facts.

RECITALS

A. Pursuant to an Asset Purchase Agreement by and between Assignor and Assignee, dated as of _____, 2014 ("Asset Purchase Agreement"), Assignor and Assignee have agreed to undertake certain obligations to facilitate the efficient transfer of natural gas distribution facilities from Assignor to Assignee.

B. In furtherance of such transaction, Assignor is willing to assign, and Assignee is willing to accept, the easements more particularly described in the attached Schedule I ("Assigned Easements").

AGREEMENT

IN CONSIDERATION of the mutual covenants hereinafter set forth, and for other good and valuable consideration, it is agreed as follows:

1. Assignment of Easements. As of the Assignment Effective Date, Assignor hereby assigns to Assignee all of Assignor's right, title and interest in, to and under the Assigned Easements. Assignee hereby accepts said assignment.

2. Terms of Assignment. This Assignment is subject to each and all of the terms and conditions of the Asset Purchase Agreement. All capitalized terms used in this Assignment but not defined herein shall have the meanings given to them in the Asset Purchase Agreement. In the event of any conflict or inconsistency between the terms of this Assignment and the Asset Purchase Agreement, the terms of the Asset Purchase Agreement shall govern and control.

3. Binding Effect. This Assignment shall inure to the benefit of and shall be binding upon the Parties hereto and their respective successors and assigns.

[Signatures on Next Page.]

IN WITNESS WHEREOF, the Parties hereto have executed this Assignment on the date first set forth above.

Assignor:

City of Buckley, a municipal corporation of the State of Washington

By: _____
Its: _____

Assignee:

Puget Sound Energy, Inc., a Washington corporation

By: _____
Its: _____

Schedule I

ASSIGNED EASEMENTS

*[Insert legal description of easements listed on Schedule 1.3 of the APA,
updated as of Closing]*

EXHIBIT C

ASSIGNMENT OF CONTRACTS

This Assignment of Contracts ("Assignment") is made as of this ____ day of _____, 2014 ("Assignment Effective Date") by and between the City of Buckley, a municipal corporation of the State of Washington ("Assignor"), and Puget Sound Energy, Inc., a Washington corporation ("Assignee"). This Assignment is made with reference to the following facts:

RECITALS

A. Pursuant to an Asset Purchase Agreement by and between Assignor and Assignee, dated as of _____, 2014 (the "Asset Purchase Agreement"), Assignor and Assignee have agreed to undertake certain obligations to facilitate the efficient transfer of natural gas distribution facilities from Assignor to Assignee.

B. In furtherance of such transaction, Assignor is willing to assign, and Assignee is willing to accept, the contracts more particularly described in the attached Schedule I ("Assigned Contracts").

AGREEMENT

IN CONSIDERATION of the mutual covenants hereinafter set forth, and for other good and valuable consideration, it is agreed as follows:

1. Assignment of Assigned Contracts. As of the Assignment Effective Date, Assignor hereby assigns to Assignee all of Assignor's right, title and interest in, to and under the Assigned Contracts. Assignee hereby accepts said assignment. By this Assignment, Assignee assumes no obligations under the Assigned Contracts to the extent such obligations accrue from, relate to or arise from or out of events, facts, circumstances or conditions existing at or prior to the Assignment Effective Date. Assignor hereby acknowledges and agrees that all such prior obligations remain obligations of Assignor and are included among Seller's Retained Liabilities pursuant to the Asset Purchase Agreement.

2. Terms of Assignment. This Assignment is subject to each and all of the terms and conditions of the Asset Purchase Agreement. All capitalized terms used in this Assignment but not defined herein shall leave the meanings given to them in the Asset Purchase Agreement. In the event of any conflict or inconsistency between the terms of this Assignment and the Asset Purchase Agreement, the terms of the Asset Purchase Agreement shall govern and control.

3. Binding Effect. This Assignment shall inure to the benefit of and shall be binding upon the Parties hereto and their respective successors and assigns.

[Signatures on Next Page.]

IN WITNESS WHEREOF, the Parties hereto have executed this Assignment on the date first set forth above.

Assignor:

City of Buckley, a municipal corporation of the State of Washington

By: _____
Its: _____

Assignee:

Puget Sound Energy, Inc., a Washington corporation

By: _____
Its: _____

CONSENT AND AGREEMENT TO ASSIGNMENT:

The CITY OF ENUMCLAW, a municipal corporation, hereby confirms its consent and agreement to the forgoing assignment of the "Natural Gas Contract" more particularly described in SCHEDULE I of this Assignment.

CITY OF ENUMCLAW

By: _____
Name: _____
Its: _____

IGI RESOURCES, INC., a _____ corporation, hereby confirms its consent and agreement to the forgoing assignment of the "Base Contract for Sale and Purchase of Natural Gas" more particularly described in SCHEDULE I of this Assignment.

IGI RESOURCES, INC

By: _____
Name: _____
Its: _____

NORTHWEST PIPELINE CORPORATION, a _____ corporation, hereby confirms its consent and agreement to the forgoing assignment of the "Contract No. 100021, Rate Schedule TF-1 Service Agreement" more particularly described in SCHEDULE I of this Assignment.

NORTHWEST PIPELINE CORPORATION

By: _____
Name: _____
Its: _____

SCHEDULE I

Assigned Contracts

1. The "Natural Gas Contract" dated April 11, 1972, as first amended on September 13, 1983, and further amended on December 28, 1994, between the Town of Buckley and the City of Enumclaw under which the City of Enumclaw transports natural gas owned by the Town of Buckley on the City of Enumclaw's pipeline system.
2. The "Base Contract for Sale and Purchase of Natural Gas" dated June 2, 2009, and the Addendum Asset Management Arrangement dated June 2, 2009, as amended on August 11, 2010 between the City of Buckley and IGI Resources, Inc., under which IGI Resources, Inc., supplies natural gas to the City of Buckley and manages the City of Buckley's gas transportation capacity.
3. The "Contract No. 100021, Rate Schedule TF-1 Service Agreement" dated July 7, 1993, as restated and amended on July 19, 2007, between the Northwest Pipeline Corporation and the City of Buckley, Washington, under which Northwest Pipeline Corporation provides natural gas transportation service to Buckley, shall be released by Buckley to Puget Sound Energy, Inc. pursuant to a pre-arranged permanent capacity release at the maximum tariff rate as of the effective date of transfer of the Buckley assets to Puget Sound Energy, Inc.

EXHIBIT D

ASSIGNMENT OF CUSTOMER ACCOUNTS

This Assignment of Customer Accounts ("Assignment") is made as of this ____ day of _____, 2014 ("Assignment Effective Date") by and between the City of Buckley, a municipal corporation of the State of Washington ("Assignor"), and Puget Sound Energy, Inc., a Washington corporation ("Assignee"). This Assignment is made with reference to the following facts.

RECITALS

A. Pursuant to an Asset Purchase Agreement by and between Assignor and Assignee, dated as of _____, 2014 ("Asset Purchase Agreement"), Assignor and Assignee have agreed to undertake certain obligations to facilitate the efficient transfer of natural gas distribution facilities from Assignor to Assignee.

B. In furtherance of such transaction, Assignor is willing to assign, and Assignee is willing to accept, the Customer Accounts more particularly described in the attached Schedule I ("Assigned Customer Accounts").

AGREEMENT

IN CONSIDERATION of the mutual covenants hereinafter set forth, and for other good and valuable consideration, it is agreed as follows:

1. Assignment of Customer Accounts. As of the Assignment Effective Date, Assignor hereby assigns to Assignee all of Assignor's rights, title and interest in, to and under the Assigned Customer Accounts. Assignee hereby accepts said assignment.

2. Terms of Assignment. This Assignment is subject to each and all of the terms and conditions of the Asset Purchase Agreement. All capitalized terms used in this Assignment but not defined herein shall have the meanings given to them in the Asset Purchase Agreement. In the event of any conflict or inconsistency between the terms of this Assignment and the Asset Purchase Agreement, the terms of the Asset Purchase Agreement shall govern and control.

3. Binding Effect. This Assignment shall inure to the benefit of and shall be binding upon the Parties hereto and their respective successors and assigns.

[Signatures on Next Page.]

IN WITNESS WHEREOF, the Parties hereto have executed this Assignment on the date first set forth above.

Assignor:

City of Buckley, a municipal corporation of
the State of Washington

By: _____
Its: _____

Assignee:

Puget Sound Energy, Inc.,
a Washington corporation

By: _____
Its: _____

SCHEDULE I

Assigned Customer Accounts

None

EXHIBIT E

ASSIGNMENT OF PERMITS

This Assignment of Permits ("Assignment") is made as of this ____ day of _____, 2014 ("Assignment Effective Date") by and between the City of Buckley, a municipal corporation of the State of Washington ("Assignor"), and Puget Sound Energy, Inc., a Washington corporation ("Assignee"). This Assignment is made with reference to the following facts:

RECITALS

A. Pursuant to an Asset Purchase Agreement by and between Assignor and Assignee, dated as of _____, 2014 ("Asset Purchase Agreement"), Assignor and Assignee have agreed to undertake certain obligations to facilitate the efficient transfer of natural gas distribution facilities from Assignor to Assignee.

B. In furtherance of such transaction, Assignor is willing to assign, and Assignee is willing to accept, the Permits in accordance the terms and conditions of this Assignment.

AGREEMENT

IN CONSIDERATION of the mutual covenants hereinafter set forth, and for other good and valuable consideration, it is agreed as follows:

1. Assignment of Permits. As of the Assignment Effective Date, Assignor hereby assigns to Assignee all of Assignor's rights, title and interest in, to and under the Permits. Assignee hereby accepts said assignment. For avoidance of doubt, the assigned Permits include, but are not limited to, the following Permits:

- a. [Identify any specific Permits to be assigned to Assignee]
- b.
- c.
- d.
- e.

2. Terms of Assignment. This Assignment is subject to each and all of the terms and conditions of the Asset Purchase Agreement. All capitalized terms used in this Assignment but not defined herein shall have the meanings given to them in the Asset Purchase Agreement. In the event of any conflict or inconsistency between the terms of this Assignment and the Asset Purchase Agreement, the terms of the Asset Purchase Agreement shall govern and control.

3. Binding Effect. This Assignment shall inure to the benefit of and shall be binding upon the Parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the Parties hereto have executed this Assignment on the date first set forth above.

Assignor:

City of Buckley, a municipal corporation of
the State of Washington

By: _____
Its: _____

Assignee:

Puget Sound Energy, Inc.,
a Washington corporation

By: _____
Its: _____

EXHIBIT F

ASSIGNMENT OF CLAIMS AND WARRANTIES

This Assignment of Claims and Warranties ("Assignment") is made as of this ____ day of _____, 2014 ("Assignment Effective Date") by and between the City of Buckley, a municipal corporation of the State of Washington ("Assignor"), and Puget Sound Energy, Inc., a Washington corporation ("Assignee"). This Assignment is made with reference to the following facts:

RECITALS

A. Pursuant to an Asset Purchase Agreement by and between Assignor and Assignee, dated as of _____, 2014 ("Asset Purchase Agreement"), Assignor and Assignee have agreed to undertake certain obligations to facilitate the efficient transfer of natural gas distribution facilities from Assignor to Assignee.

B. In furtherance of such transaction, Assignor is willing to assign, and Assignee is willing to accept, the Claims and Warranties in accordance with the terms and conditions of this Assignment.

AGREEMENT

IN CONSIDERATION of the mutual covenants hereinafter set forth, and for other good and valuable consideration, it is agreed as follows:

1. **Claims.** "Claims" means and includes any and all claims, demands, actions, liens, causes of action and rights of Assignor against any third-party as may now exist or may subsequently arise with respect to the Purchased Assets. "Excluded Claims" means and includes any and all claims, demands, actions, liens, causes of action or other rights against third-parties that relate solely to Seller's Retained Liabilities. If and to the extent that any Claim shall relate to both Purchaser's Assumed Liabilities and Seller's Retained Liabilities, the term "Claims" shall include any and all such portions of such Claim that relate to Purchaser's Assumed Liabilities. For avoidance of doubt, Claims include, but are not limited to, the following Claims:

- a. [Identify any specific Claims to be assigned to Assignee]
- b.
- c.
- d.
- e.

2. Assignment of Claims. As of the Assignment Effective Date, Assignor hereby assigns to Assignee all of Assignor's right, title and interest in, to and under the Claims. Assignee hereby accepts said assignment.

3. Warranties. "Warranties" means and includes any and all third-party warranties, representations and guarantees made or arising with respect to the Purchased Assets, including but not limited to, any and all such Warranties (whether express or implied) as may relate to the title, merchantability, fitness for a particular purpose, or any other quality or characteristic of the Purchased Assets. For avoidance of doubt, Warranties include, but are not limited to, the following Warranties:

- a. [Identify any specific Warranties to be assigned to Assignee]
- b.
- c.
- d.
- e.

4. Assignment of Warranties. As of the Assignment Effective Date, Assignor hereby assigns to Assignee all of Assignor's right, title and interest in, to and under the Warranties. Assignee hereby accepts said assignment.

5. Terms of Assignment. This Assignment is subject to each and all of the terms and conditions of the Asset Purchase Agreement. All capitalized terms used in this Assignment but not defined herein shall have the meanings given to them in the Asset Purchase Agreement. In the event of any conflict or inconsistency between the terms of this Assignment and the Asset Purchase Agreement, the terms of the Asset Purchase Agreement shall govern and control.

6. Binding Effect. This Assignment shall inure to the benefit of and shall be binding upon the Parties hereto and their respective successors and assigns.

[Signatures on Next Page.]

IN WITNESS WHEREOF, the Parties hereto have executed this Assignment on the date first set forth above.

Assignor:

City of Buckley, a municipal corporation of
the State of Washington

By: _____
Its: _____

Assignee:

Puget Sound Energy, Inc.,
a Washington corporation

By: _____
Its: _____

EXHIBIT G

NATURAL GAS SYSTEM SEPARATION PLAN

The Parties shall jointly and corporately develop a Natural Gas System Separation Plan. The plan shall address such items that are necessary to facilitate the efficient transition of natural gas distribution service for the Service Territory from Seller to Purchaser, including the following:

Customer billing. Seller to provide information from Seller's Customer billing system to convert current Seller gas customers to Purchaser gas customers.

Mapping transition. Seller to provide source material sufficient to add Seller's gas system to Purchaser's geographic information system (GIS). Source materials may include a combination of Seller's mapping system and as-built records.

Leak survey. Purchaser to perform a leak survey for Seller's entire gas system. The survey is to be conducted prior to Closing. Seller to perform any required remedial action.

Regulator Station Maintenance: A joint inspection of district regulator stations will be performed by the Parties prior to Closing.

Meter reading. Existing meters should be read by Seller taken as close in time to the Closing Date as may be reasonably practicable. Seller to provide post-Closing meter reading services, on a cost per meter basis, until existing meters are replaced by Purchaser. Parties to work cooperatively to develop a method for splitting bills between Seller and Purchaser during the transition.

Public awareness programs. Parties to jointly develop and implement public awareness programs and emergency responders classes.