

EXHIBIT A

TO

APPLICATION OF PUGET SOUND ENERGY FOR AN ORDER APPROVING A
SERVICE AGREEMENT WITH THE CITY OF CENTRALIA

Service Area Agreement

SERVICE AREA AGREEMENT

This Service Area Agreement ("Agreement"), dated as of June 23, 2004 is entered into by and between PUGET SOUND ENERGY, INC., a Washington corporation ("PSE") and the CITY OF CENTRALIA, a municipal corporation (the "City").

RECITALS

A. PSE is a public utility company engaged in the business of rendering electrical service to the public located in certain areas of the State of Washington (including, but not limited to, Thurston County).

B. The City is engaged in the business of rendering electrical service to the public located in certain areas of Lewis and Thurston Counties, State of Washington, in the vicinity of the City.

C. The current areas in which PSE and the City provide electrical service are contiguous and overlapping at certain locations and extension of service by the Parties in these locations can result in costly duplication of electric facilities, unnecessary hazards to public safety, discourage investment in permanent underground facilities, be unattractive and otherwise inconsistent with sound and efficient utility operation, and therefore contrary to public interest.

D. In Chapter 54.48 RCW, the legislature of the State of Washington declared that it is in the public interest for public utilities to enter into service area agreements in order to avoid or eliminate duplication of electric facilities by establishing boundaries between contiguous service areas.

E. PSE and the City desire to enter into a formal service area agreement to establish a boundary between their contiguous service areas in Lewis and Thurston Counties, State of Washington, on the terms and conditions set forth in this Agreement.

AGREEMENT

PSE and the City hereby agree as follows:

Section 1. Definitions

When used in this Agreement, the following terms shall have the following specified meanings:

1.1. "Boundary" means the boundary between Thurston County and Lewis County, more particularly described in the attached Exhibit A.

1.2. "City Service Area": As between PSE and the City, geographical areas served by the City in Lewis County shall constitute the City Service Area.

1.3. "PSE Service Area": As between PSE and the City, geographical areas within Thurston County shall constitute the "PSE Service Area."

1.4. "City Customer" means (a) any person or entity purchasing at retail or otherwise receiving electric service within the City Service Area and (b) those customers identified on Exhibit B which are in Thurston County.

1.5. "PSE Customer" means any person or entity purchasing at retail or otherwise receiving electric service within the PSE Service Area; provided that, unless and until PSE and the City may otherwise agree pursuant to Section 2.3, the persons and entities listed in the attached Exhibit C ("Excepted Customers") shall remain City Customers even though located in Thurston County, whether such Excepted Customers purchase at retail or otherwise receive electric service within Thurston County.

1.6. "Distribution Facilities" means, for purposes of this Agreement, electric distribution lines, poles and other related facilities used in connection with the delivery of electric energy at a voltage of 49,999 volts or less for PSE or 25,999 or less for the City.

1.7. "Generation Facilities" means the City's hydroelectric generation facility located at 14024 Yelm Hwy SE, Yelm, WA 98597. (See Sections 3.3 and 4.2 for reference).

1.8. "Term" means the period commencing on the date of the WUTC's written approval of this Agreement upon terms and conditions acceptable to PSE and ending (unless sooner terminated or extended pursuant to the terms hereof) upon the earlier of:

(a) the fifteenth (15) year anniversary of the date of such approval;
or

(b) the revocation, expiration or other termination of such approval (the "Initial Term").

Unless otherwise ordered by the WUTC or unless sooner terminated or extended pursuant to the terms hereof, at the end of the Initial Term, this Agreement shall automatically renew for a successive ten (10) year term unless either City or PSE

provides written notice of termination to the other party no earlier than one (1) year and no later than six (6) months prior to the expiration of the Initial Term.

1.9 "Transfer Period" means that time between execution of this Agreement and actual connection of the Customers to be transferred to PSE, which shall in no event be later than one year following approval by the WUTC unless the delay is due to causes outside the control of the parties, such as weather, permitting, strikes, action or inaction of governmental authority, availability of materials or acts of God.

1.10. "Transmission Facilities" means, for purposes of this Agreement, electric lines, poles and other related facilities used in connection with the transmission of electric energy at a voltage of 50,000 volts or greater for PSE or 26,000 volts or greater for the City.

1.11. "WUTC" means the Utilities and Transportation Commission of the State of Washington.

Section 2. Boundary

2.1 Establishment of Boundary. During the Term, the boundary line between the PSE Service Area and the City Service Area shall be the Boundary.

2.2 Transfer of City Customers' Service. Establishing the Boundary results in the transfer of service to 20 metered accounts, which are currently City Customers that will become PSE Customers.

2.2.1 Transfer of Customers' Service.

2.2.1 Transfer of Service. The City shall, prior to the expiration of the Transfer Period, transfer and assign to PSE, and PSE shall accept and assume from the City, the obligation and right subject and pursuant to appropriate tariffs to serve those Customers set forth in Exhibit B attached hereto. Upon each Customer's transfer and assignment, the City shall cease providing electric service to such Customers and PSE shall commence providing electric service to such Customers.

2.2.2 Customer Billing and Meters. Upon the transfer of service to each such Customer, representatives of the City and PSE shall jointly record the Customer's name, mailing address, service address, meter number and meter reading. On the basis of such meter reading, the City shall close such Customer's account and render a closing bill to such Customer. Credit balances, if any, shall be refunded to Customers by the City. Both PSE and the City shall maintain records of service with respect to the Customers whose service has been transferred.

2.2.3 Meters. Upon the transfer of service to each such Customer, PSE and the City shall coordinate the removal of the City's electric meters and the placement of PSE's electric meters. The City shall incur all costs to remove their old electric meters and PSE shall incur all costs to install their new electric meters. If new transformers are required for the Customers that will be transferred to PSE, City shall incur all costs to remove old transformers and PSE shall incur all costs to install new transformers.

2.3 Transfer of Distribution Facilities. Following the WUTC's written consent to the terms of this Agreement upon terms and conditions acceptable to PSE pursuant to Section 5.1, the City will transfer and convey to PSE, and PSE will accept from the City, certain electric distribution facilities, and operating rights with respect to such electric distribution facilities, on terms and conditions set forth in a separate Agreement for Transfer of Distribution Facilities, a copy of which is attached hereto as Exhibit D (the "Facilities Transfer Agreement").

2.4 Adjustments to Boundary. PSE and the City may make adjustments to the Boundary as they may agree upon from time to time in writing as appropriate so that electric service to new service locations in close proximity to the Boundary may be provided in an effective, efficient and economical manner. Any such adjustment shall be reflected by modifying Exhibit A accordingly, which when so modified and agreed to, in writing, by the Parties shall constitute amendments to this Agreement, provided such amendment(s) are approved in writing by the WUTC.

2.5 Parcels Divided by Boundary. Where a parcel of property is divided by the Boundary, the point of delivery (i.e. the point at which electric service will be metered) as designated by the person or entity with the authority to make decisions for electrical service for that parcel (the "Boundary Parcel Holder") shall be used in determining which party is to provide service to the Boundary Parcel Holder. Such Boundary Parcel Holder may use electric service at any point within such parcel of property irrespective of the Boundary established in this Agreement.

Section 3. PSE Service Area.

3.1 PSE's Rights. Except as otherwise mutually agreed by the Parties in writing), as between PSE and the City, PSE shall have the sole and exclusive right to own and operate Distribution Facilities and to provide electric service to any and all PSE Customers during the Term. Without limiting the generality of the foregoing, the City shall not construct or install any new Distribution Facilities or expand, extend, upgrade or otherwise materially improve any Distribution Facilities existing on the date of this Agreement (if any) in the PSE Service Area without the prior written consent of PSE.

3.2 PSE's Right to Purchase City Distribution Facilities located in PSE Service Area. Upon written approval of this Agreement by the WUTC, PSE shall have the right to acquire the City's Distribution Facilities within the PSE Service Area pursuant to the terms of the Facilities Transfer Agreement.

Section 4. City Service Area.

Except as otherwise mutually agreed by the Parties in writing (e.g., with respect to the City Customers identified on Exhibit C), as between PSE and the City, the City shall have the sole and exclusive right to own and operate Distribution Facilities and to provide electric service to any and all City Customers during the Term. Without limiting the generality of the foregoing, PSE shall not construct or install any new Distribution Facilities or expand, extend, upgrade or otherwise materially improve the Distribution Facilities existing on the date of this Agreement (if any) in the City Service Area to serve City Customers without the prior written consent of the City.

Section 5. Miscellaneous

5.1 Necessary Approvals. This Agreement, and PSE's obligations under this Agreement other than those set forth in this Section 5.1, are contingent and shall become effective only upon the WUTC's written consent to this Agreement upon terms and conditions acceptable to PSE. Upon execution of this Agreement, PSE shall apply for such written consent. The City shall provide notification of the proceeding and the proposed transfer of customers' service to affected Customers and, if and to the extent requested by PSE, the City shall otherwise cooperate with PSE's efforts to obtain such consent. If PSE does not find the terms and conditions of any WUTC order requested by PSE under this Section 5.1 to be acceptable to PSE, PSE shall notify the City within thirty (30) days following the issuance of such WUTC order. If PSE gives the City such notice within such time period, and this Agreement, the Facilities Transfer Agreement and all other agreements contemplated by this Agreement shall terminate and be of no further force or effect.

5.2 No Partnership. This Agreement shall not be interpreted or construed to create an association, joint venture or partnership between the City and PSE or to impose any partnership, obligation or liability upon either party.

5.3 Implementation. The City and PSE shall each take such action (including, without limitation, the execution, acknowledgment and delivery of documents) as may reasonably be requested by the other party for the implementation or continuing performance of this Agreement or to obtain approval of this Agreement by the WUTC. Upon implementation and approval of this Agreement, all future

responsibility for mapping and similar efforts relating to the City Distribution Facilities to be transferred to PSE shall be the responsibility of PSE.

5.4 Specific Performance. The City and PSE agree that it would be difficult, if not impossible, to measure in money the damages that will accrue to either party by reason of a failure by the other party to comply with the provisions of this Agreement relating to their sole and exclusive rights to serve City Customers or PSE Customers, respectively. If either City or PSE hereto shall institute an action or proceeding to specifically enforce the provisions of Sections 3 or 4, the party against whom such action or proceeding is brought hereby waives the claim or defense in such action that the party bringing such action has an adequate remedy at law or in damages, and will not raise in any such action or proceeding the claim or defense that such remedy at law or in damages exists.

5.5 Successors and Assigns. This Agreement shall be fully binding upon, inure to the benefit of the Parties hereto and be enforceable by the City, PSE and their respective successors, assigns and legal representatives.

5.6 Nonwaiver. The failure of either the City or PSE to insist upon or enforce performance of any of the provisions of this Agreement shall not be construed as a waiver or relinquishment to any extent of such party's right to assert or rely upon any such provisions or rights in that or any other instance; rather, the same shall be and remain in full force and effect.

5.7 Entire Agreement. This Agreement sets forth the entire agreement of City and PSE and supersedes any and all prior agreements with respect to their respective service area boundaries. No change, amendment or modification of any provisions of this Agreement shall be valid unless set forth in a written instrument signed by both the City and PSE.

5.8 No Third-Party Beneficiary. There are no third-party beneficiaries of this Agreement. This Agreement shall not confer any right or remedy upon any person or entity other than the Parties and their respective successors and assigns. No action may be commenced or prosecuted against any party by any third party claiming as a third-party beneficiary of this Agreement or the transactions contemplated hereby. This Agreement shall not release or discharge any obligation or liability of any third party to any party or given any third party any right of subrogation or action over or against any party.

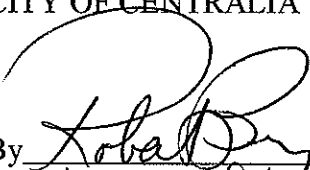
5.9 Governing Law/Interpretation. This Agreement shall be interpreted, construed and enforced in accordance with the laws of the State of Washington or the laws of the United States of America, whichever is applicable, as if executed and to be performed wholly within the State of Washington. The venue of any legal action


taken by either party under this Agreement shall be in the courts of Thurston County, Washington. Prior drafts of this and related Agreements are not admissible, by addition, deletion or other modification, as evidence of the intent of the Parties in any proceeding to interpret this Agreement, and neither this Agreement nor any provision of this Agreement shall be interpreted for or against a Party because that Party may have proposed the language at issue, but rather the Agreement and its provisions shall be interpreted fairly.

EXECUTED as of the day and year first above written.


CITY OF CENTRALIA

PUGET SOUND ENERGY, INC.

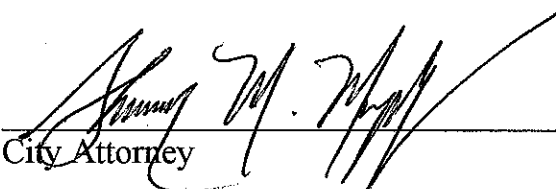
By 
Title: Acting City Manager
Date Signed: 6-23-04

By 
Title: Vice President
Date Signed: 6/30/04

ATTEST:


City Clerk

APPROVED AS TO FORM:


City Attorney

STATE OF WASHINGTON)
) ss.
COUNTY OF King)

On this 30 day of June 2004, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared William A. Gaines, to me known to be the person who signed as Vice President, Engineering and Contracting, of PUGET SOUND ENERGY, INC., the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that he was duly elected, qualified and acting as said officer of the corporation that he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.



Carol A Nelson
NOTARY PUBLIC in and for the State of
Washington, residing at 17407 NE 34 ST, Redmond WA 97052
My appointment expires 7-20-05

STATE OF WASHINGTON)
) ss.
COUNTY OF Lewis)

On this 23rd day of June 2004, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Robert Berg and Deena Bilodeau, to me known to be the persons who signed as Acting City Manager and City Clerk, respectively, of the CITY OF CENTRALIA, the municipal corporation that executed the within and foregoing instrument and acknowledge said instrument to be the free and voluntary act and deed of said municipal corporation for the uses and purposes therein mentioned, and on oath stated that they were duly elected, qualified and acting as said officers of the municipal corporation, that they were authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said municipal corporation.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.

Caron Anne R
NOTARY PUBLIC in and for the State of
Washington, residing at Centralia, WA
My appointment expires 2/28/05

EXHIBIT A to Service Area Agreement

Legal Description of the Boundary

Beginning at the Southeast corner of Section 19, Township 15 North, Range 5 East of the W.M.; thence west along the section lines to the Southwest corner of Section 23, Township 15 North, Range 4 West of the W.M. and the terminus of said description.

EXHIBIT C to Service Area Agreement

List of Excepted Customers in Thurston County

Customer	Service Address
REDACTED	REDACTED
REDACTED	REDACTED
REDACTED	REDACTED
REDACTED	REDACTED

Confidential per WAC 480-07-160

EXHIBIT D to Service Area Agreement
Copy of Agreement for
Transfer of Distribution Facilities

AFTER RECORDING RETURN TO:

Steve Botts
Puget Sound Energy, Inc.
The PSE Building
10885 NE 4th Street
Bellevue, WA 98004

Document Title(s) (or transactions contained therein):

1. **Agreement for Transfer of Distribution Facilities**

Reference Number(s) of Documents assigned or released:
(on page ___ of document(s))

Grantor(s) (Last name first, then first name and initials):

1. **City of Centralia, a Washington municipal corporation**
 Additional names on page ___ of document.

Grantee(s) (Last name first, then first name and initials):

1. **Puget Sound Energy, Inc., a Washington corporation**
 Additional names on page ___ of document.

Legal Description (abbreviated: i.e., lot, block, plat or section, township, range)

Ptns. of Sec. 30, 31, Twnshp 16 N, Rng 1 E, WM, also Ptns. of Sec. 6, 7, Twnshp 15 N, Rng 1 E, WM, also Ptns. of Sec 12, Twnshp 15 N, Rng 1 W, WM.

Additional legal on Attachment 1 of document.

Assessor's Property Tax Parcel/Account Number(s)

21630130000, 21630400000, 21630430000, 21631100000, 21506120300, 21506120000, 21506120200, 21506210100, 21506240300, 21506240100, 21506240200, 21506120100, 21506310400, 21506310100, 21506310300, 21506330000, 21507220000, 11512140000, 11512100000, 11512130200, 11512130100

AGREEMENT FOR TRANSFER OF DISTRIBUTION FACILITIES

This Agreement ("Agreement"), dated as of June 23, 2004, is made and entered into by and between PUGET SOUND ENERGY, INC., a Washington corporation ("PSE") and the CITY OF CENTRALIA, a municipal corporation (the "City").

RECITALS

- A. PSE is a public utility company engaged in the business of rendering electrical service to the public located in certain areas of the State of Washington (including, but not limited to, Thurston County).
- B. The City is engaged in the business of rendering electrical service to the public located in certain areas of Thurston and Lewis Counties, State of Washington, in and around the vicinity of the City Centralia.
- C. The parties have entered into a service area agreement, a copy of which is attached hereto as Attachment 1 (the "Service Area Agreement"), to establish each party's service area and transfer electric service to certain customers from the City's system to PSE's system.
- D. Centralia desires to transfer and convey certain Distribution Facilities and assign Operating Rights relating to such Distribution Facilities to PSE.

AGREEMENT

PSE and the City hereby agree as follows:

Section 1. Definitions

When used in this Agreement, the following terms shall have the following specified meaning.

1.1 "City Distribution Facilities" means the City's Distribution Facilities within the PSE Service Area that are depicted on Attachment 2 attached hereto and more particularly described on Attachment 3 attached hereto.

1.2 "Operating Rights" means the City's legal rights, including but not limited to easements, licenses, and permits, for the construction, operation, repair and maintenance of the Distribution Facilities. Operating Rights shall also mean the permission granted by the City to PSE to attach its Distribution Facilities to the City's

poles that are necessary to serve the Customers transferred pursuant to the Service Area Agreement.

Capitalized terms not otherwise defined in the Agreement have the same meaning as they have in the Service Area Agreement.

Section 2. Transfer of City Distribution Facilities/Assignment of Operating Rights

2.1 General. The City hereby transfers, assigns, conveys, and warrants to PSE, and PSE hereby accepts from the City, the City Distribution Facilities; provided, however, that the City may continue to operate, repair, rebuild, replace and maintain the City Distribution Facilities and to use the City Distribution Facilities as necessary to serve its Customers in the PSE Service Area until service to such Customers is transferred to PSE pursuant to the Service Area Agreement. The City will provide notification to affected Customers.

2.2 Assignment of Operating Rights. The City hereby conveys, warrants, assigns and apports to PSE, the right to operate an electrical distribution system and related appurtenances over, under, along, across and through the easement areas described in Attachment 4, attached hereto and incorporated herein by reference ("Operating Rights"). PSE shall also have the right of access to the land upon which the easement areas described in Attachment 4 are located for the purpose of constructing, maintaining, repairing, altering, patrolling or improving its electrical system and related appurtenances. The City does not, by this Agreement or otherwise, transfer or convey to PSE (and disclaims that it has transferred or conveyed to PSE) any rights in excess of those granted to the City by the easement documents referenced in attachment 4. The City shall have no responsibility to PSE regarding actions by Customers or other third parties with respect to PSE's use of the Operating Rights, other than those arising under the terms of this Agreement.

2.3 Condition of the City Distribution Facilities.

2.3.1 Inspection. PSE represents and warrants that it has fully inspected and satisfied itself as to the nature, characteristics, condition, quality and other aspects of the City Distribution Facilities.

2.3.2 Disclaimer. The City Distribution Facilities are transferred, assigned, and conveyed pursuant to this Agreement "AS IS," "WHERE IS" and "WITH ALL FAULTS." The City makes no warranties or representations, express or implied of any kind. Any descriptions of the City Distribution Facilities contained in

this Agreement are solely for identification purposes and do not constitute any warranty or representation that the same conform to any such description.

2.3.3 Indemnity. [Intentionally Omitted]

2.4 PSE Attachment to City Poles. The City shall also provide Operating Rights to PSE to allow PSE to attach those Distribution Facilities necessary to serve the Customers transferred to PSE under this Agreement to City utility poles. Such rights and obligations are more particularly set forth in a Pole Attachment Agreement to be executed by the parties hereto that will be in the form attached hereto as Attachment 5.

Section 3. Miscellaneous

3.1. No Partnership. This Agreement shall not be interpreted or construed to create an association, joint venture or partnership between the City and PSE or to impose any partnership obligation or liability upon either party.

3.2. Specific Performance. The City and PSE agree that it would be difficult, if not impossible, to measure in money the damages that will accrue to either party by reason of a failure by the other party to comply with the provisions of this Agreement relating to their sole and exclusive rights to serve Customers in their respective service areas described herein. If either the City or PSE hereto shall institute an action or proceeding to specifically enforce the provisions of Section 2, the party against whom such action or proceeding is brought hereby waives the claim or defense in such action that the party bringing such action has an adequate remedy at law or in damages, and will not raise in any such action or proceeding the claim or defense that such remedy at law or in damages exists.

3.3. Successors and Assigns. This Agreement shall be fully binding upon, inure to the benefit of and be enforceable by the City, PSE and their respective successors, assigns and legal representatives.

3.4. Non Waiver. The failure of either the City or PSE to insist upon or enforce performance of any of the provisions of this Agreement shall not be construed as a waiver or relinquishment to any extent of such party's right to assert or rely upon any such provisions or rights in that or any other instance; rather, the same shall be and remain in full force and effect.

3.5. Entire Agreement. This Agreement sets forth the entire agreement of the City and PSE with respect to the transfer of certain property and transfer of the Customers. No change, amendment or modification of any provision of this

Agreement shall be valid unless set forth in a written instrument signed by both the City and PSE, and consented to by the WUTC, if such consent is required.

3.6. No Third-Party Beneficiary. There are no third-party beneficiaries of this Agreement. This Agreement shall not confer any right or remedy upon any person or entity other than the parties and their respective successors and assigns. No action may be commenced or prosecuted against any party by any third party claiming as a third-party beneficiary of this Agreement or the transactions contemplated hereby. This Agreement shall not release or discharge any obligation or liability of any third party to any party or give any third party any right of subrogation or action over or against any party.

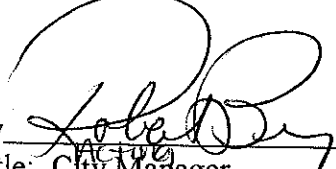
3.7. Governing Law/Interpretation. This Agreement shall be interpreted, construed and enforced in accordance with the laws of the State of Washington or the laws of the United States of America, whichever is applicable, as if executed and to be performed wholly within the State of Washington. The venue of any legal action taken by either party under this Agreement shall be in the courts of Thurston County, Washington. Prior drafts of this and related Agreements are not admissible, by addition, deletion or other modification, as evidence of the intent of the Parties in any proceeding to interpret this Agreement, and neither this Agreement nor any provision of this Agreement shall be interpreted for or against a Party because that Party may have proposed the language at issue, but rather the Agreement and its provisions shall be interpreted fairly.

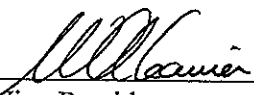
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EXECUTED as of the day and year first above written.


CITY OF CENTRALIA

PUGET SOUND ENERGY, INC.

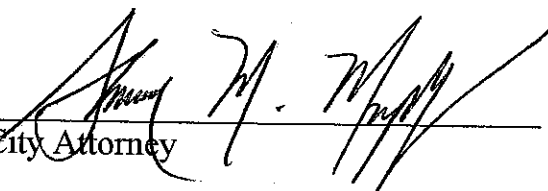
By 
Title: City Manager
Date Signed: 6-23-04

By 
Title: Vice President
Date Signed: 6/29/04

ATTEST:


City Clerk

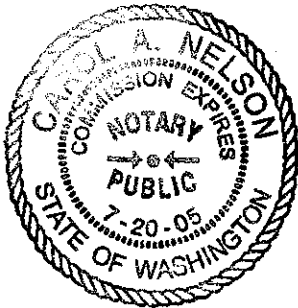
APPROVED AS TO FORM:


City Attorney

STATE OF WASHINGTON)
) ss.
COUNTY OF King)

On this 30 day of June 2004, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared William A. Gaines, to me known to be the person who signed as Vice President, Engineering and Contracting of PUGET SOUND ENERGY, INC., the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that he was duly elected, qualified and acting as said officer of the corporation that he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.



Carol A. Nelson
NOTARY PUBLIC in and for the State of
Washington, residing at 17409 NE 34 ST, Redmond WA 98052
My appointment expires 7-20-05

STATE OF WASHINGTON)
) ss.
COUNTY OF Lewis)

On this 23rd day of June 2004, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Robert Berg and Deena Bilodeau, to me known to be the persons who signed as Acting City Manager and City Clerk, respectively, of the CITY OF CENTRALIA, the municipal corporation that executed the within and foregoing instrument and acknowledge said instrument to be the free and voluntary act and deed of said municipal corporation for the uses and purposes therein mentioned, and on oath stated that they were duly elected, qualified and acting as said officers of the municipal corporation, that they were authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said municipal corporation.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.

Carol M. Samuel
NOTARY PUBLIC in and for the State of
Washington, residing at Centralia, WA
My appointment expires 2/28/05

**ATTACHMENT 1 to Agreement for Transfer of Distribution
Facilities**

Copy of Service Area Agreement

SERVICE AREA AGREEMENT

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B. The City is engaged in the business of rendering electrical service to the public located in certain areas of Lewis and Thurston Counties, State of Washington, in the vicinity of the City.

C. The current areas in which PSE and the City provide electrical service are contiguous and overlapping at certain locations and extension of service by the Parties in these locations can result in costly duplication of electric facilities, unnecessary hazards to public safety, discourage investment in permanent underground facilities, be unattractive and otherwise inconsistent with sound and efficient utility operation, and therefore contrary to public interest.

D. In Chapter 54.48 RCW, the legislature of the State of Washington declared that it is in the public interest for public utilities to enter into service area agreements in order to avoid or eliminate duplication of electric facilities by establishing boundaries between contiguous service areas.

E. PSE and the City desire to enter into a formal service area agreement to establish a boundary between their contiguous service areas in Lewis and Thurston Counties, State of Washington, on the terms and conditions set forth in this Agreement.

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1.8. "Term" means the period commencing on the date of the WUTC's written approval of this Agreement upon terms and conditions acceptable to PSE and ending (unless sooner terminated or extended pursuant to the terms hereof) upon the earlier of:

(a) the fifteenth (15) year anniversary of the date of such approval;

or

(b) the revocation, expiration or other termination of such approval (the "Initial Term").

Unless otherwise ordered by the WUTC or unless sooner terminated or extended pursuant to the terms hereof, at the end of the Initial Term, this Agreement shall automatically renew for a successive ten (10) year term unless either City or PSE

provides written notice of termination to the other party no earlier than one (1) year and no later than six (6) months prior to the expiration of the Initial Term.

1.9. "Transfer Period" means that time between execution of this Agreement and actual connection of the Customers to be transferred to PSE, which shall in no event be later than one year following approval by the WUTC unless the delay is due to causes outside the control of the parties, such as weather, permitting, strikes, action or inaction of governmental authority, availability of materials or acts of God.

1.10. "Transmission Facilities" means, for purposes of this Agreement, electric lines, poles and other related facilities used in connection with the transmission of electric energy at a voltage of 50,000 volts or greater for PSE or 26,000 volts or greater for the City.

1.11. "WUTC" means the Utilities and Transportation Commission of the State of Washington.

Section 2. Boundary

2.1. Establishment of Boundary. During the Term, the boundary line between the PSE Service Area and the City Service Area shall be the Boundary.

2.2. Transfer of City Customers' Service. Establishing the Boundary results in the transfer of service to 20 metered accounts, which are currently City Customers that will become PSE Customers.

2.2.1 Transfer of Customers' Service.

2.2.1 Transfer of Service. The City shall, prior to the expiration of the Transfer Period, transfer and assign to PSE, and PSE shall accept and assume from the City, the obligation and right subject and pursuant to appropriate tariffs to serve those Customers set forth in Exhibit B attached hereto. Upon each Customer's transfer and assignment, the City shall cease providing electric service to such Customers and PSE shall commence providing electric service to such Customers.

2.2.2 Customer Billing and Meters. Upon the transfer of service to each such Customer, representatives of the City and PSE shall jointly record the Customer's name, mailing address, service address, meter number and meter reading. On the basis of such meter reading, the City shall close such Customer's account and render a closing bill to such Customer. Credit balances, if any, shall be refunded to Customers by the City. Both PSE and the City shall maintain records of service with respect to the Customers whose service has been transferred.

2.2.3 Meters. Upon the transfer of service to each such Customer, PSE and the City shall coordinate the removal of the City's electric meters and the placement of PSE's electric meters. The City shall incur all costs to remove their old electric meters and PSE shall incur all costs to install their new electric meters. If new transformers are required for the Customers that will be transferred to PSE, City shall incur all costs to remove old transformers and PSE shall incur all costs to install new transformers.

2.3 Transfer of Distribution Facilities. Following the WUTC's written consent to the terms of this Agreement upon terms and conditions acceptable to PSE pursuant to Section 5.1, the City will transfer and convey to PSE, and PSE will accept from the City, certain electric distribution facilities, and operating rights with respect to such electric distribution facilities, on terms and conditions set forth in a separate Agreement for Transfer of Distribution Facilities, a copy of which is attached hereto as Exhibit D (the "Facilities Transfer Agreement").

2.4 Adjustments to Boundary. PSE and the City may make adjustments to the Boundary as they may agree upon from time to time in writing as appropriate so that electric service to new service locations in close proximity to the Boundary may be provided in an effective, efficient and economical manner. Any such adjustment shall be reflected by modifying Exhibit A accordingly, which when so modified and agreed to, in writing, by the Parties shall constitute amendments to this Agreement, provided such amendment(s) are approved in writing by the WUTC.

2.5 Parcels Divided by Boundary. Where a parcel of property is divided by the Boundary, the point of delivery (i.e. the point at which electric service will be metered) as designated by the person or entity with the authority to make decisions for electrical service for that parcel (the "Boundary Parcel Holder") shall be used in determining which party is to provide service to the Boundary Parcel Holder. Such Boundary Parcel Holder may use electric service at any point within such parcel of property irrespective of the Boundary established in this Agreement.

Section 3. PSE Service Area.

3.1 PSE's Rights. Except as otherwise mutually agreed by the Parties in writing), as between PSE and the City, PSE shall have the sole and exclusive right to own and operate Distribution Facilities and to provide electric service to any and all PSE Customers during the Term. Without limiting the generality of the foregoing, the City shall not construct or install any new Distribution Facilities or expand, extend, upgrade or otherwise materially improve any Distribution Facilities existing on the date of this Agreement (if any) in the PSE Service Area without the prior written consent of PSE.

3.2 PSE's Right to Purchase City Distribution Facilities located in PSE Service Area. Upon written approval of this Agreement by the WUTC, PSE shall have the right to acquire the City's Distribution Facilities within the PSE Service Area pursuant to the terms of the Facilities Transfer Agreement.

Section 4. City Service Area.

Except as otherwise mutually agreed by the Parties in writing (e.g., with respect to the City Customers identified on Exhibit C), as between PSE and the City, the City shall have the sole and exclusive right to own and operate Distribution Facilities and to provide electric service to any and all City Customers during the Term. Without limiting the generality of the foregoing, PSE shall not construct or install any new Distribution Facilities or expand, extend, upgrade or otherwise materially improve the Distribution Facilities existing on the date of this Agreement (if any) in the City Service Area to serve City Customers without the prior written consent of the City.

Section 5. Miscellaneous

5.1 Necessary Approvals. This Agreement, and PSE's obligations under this Agreement other than those set forth in this Section 5.1, are contingent and shall become effective only upon the WUTC's written consent to this Agreement upon terms and conditions acceptable to PSE. Upon execution of this Agreement, PSE shall apply for such written consent. The City shall provide notification of the proceeding and the proposed transfer of customers' service to affected Customers and, if and to the extent requested by PSE, the City shall otherwise cooperate with PSE's efforts to obtain such consent. If PSE does not find the terms and conditions of any WUTC order requested by PSE under this Section 5.1 to be acceptable to PSE, PSE shall notify the City within thirty (30) days following the issuance of such WUTC order. If PSE gives the City such notice within such time period, and this Agreement, the Facilities Transfer Agreement and all other agreements contemplated by this Agreement shall terminate and be of no further force or effect.

5.2 No Partnership. This Agreement shall not be interpreted or construed to create an association, joint venture or partnership between the City and PSE or to impose any partnership, obligation or liability upon either party.

5.3 Implementation. The City and PSE shall each take such action (including, without limitation, the execution, acknowledgment and delivery of documents) as may reasonably be requested by the other party for the implementation or continuing performance of this Agreement or to obtain approval of this Agreement by the WUTC. Upon implementation and approval of this Agreement, all future

responsibility for mapping and similar efforts relating to the City Distribution Facilities to be transferred to PSE shall be the responsibility of PSE.

5.4 Specific Performance. The City and PSE agree that it would be difficult, if not impossible, to measure in money the damages that will accrue to either party by reason of a failure by the other party to comply with the provisions of this Agreement relating to their sole and exclusive rights to serve City Customers or PSE Customers, respectively. If either City or PSE hereto shall institute an action or proceeding to specifically enforce the provisions of Sections 3 or 4, the party against whom such action or proceeding is brought hereby waives the claim or defense in such action that the party bringing such action has an adequate remedy at law or in damages, and will not raise in any such action or proceeding the claim or defense that such remedy at law or in damages exists.

5.5 Successors and Assigns. This Agreement shall be fully binding upon, inure to the benefit of the Parties hereto and be enforceable by the City, PSE and their respective successors, assigns and legal representatives.

5.6 Nonwaiver. The failure of either the City or PSE to insist upon or enforce performance of any of the provisions of this Agreement shall not be construed as a waiver or relinquishment to any extent of such party's right to assert or rely upon any such provisions or rights in that or any other instance; rather, the same shall be and remain in full force and effect.

5.7 Entire Agreement. This Agreement sets forth the entire agreement of City and PSE and supersedes any and all prior agreements with respect to their respective service area boundaries. No change, amendment or modification of any provisions of this Agreement shall be valid unless set forth in a written instrument signed by both the City and PSE.

5.8 No Third-Party Beneficiary. There are no third-party beneficiaries of this Agreement. This Agreement shall not confer any right or remedy upon any person or entity other than the Parties and their respective successors and assigns. No action may be commenced or prosecuted against any party by any third party claiming as a third-party beneficiary of this Agreement or the transactions contemplated hereby. This Agreement shall not release or discharge any obligation or liability of any third party to any party or given any third party any right of subrogation or action over or against any party.

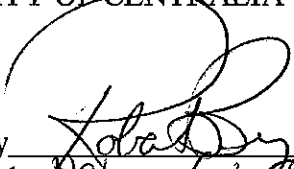
5.9 Governing Law/Interpretation. This Agreement shall be interpreted, construed and enforced in accordance with the laws of the State of Washington or the laws of the United States of America, whichever is applicable, as if executed and to be performed wholly within the State of Washington. The venue of any legal action


taken by either party under this Agreement shall be in the courts of Thurston County, Washington. Prior drafts of this and related Agreements are not admissible, by addition, deletion or other modification, as evidence of the intent of the Parties in any proceeding to interpret this Agreement, and neither this Agreement nor any provision of this Agreement shall be interpreted for or against a Party because that Party may have proposed the language at issue, but rather the Agreement and its provisions shall be interpreted fairly.

EXECUTED as of the day and year first above written.

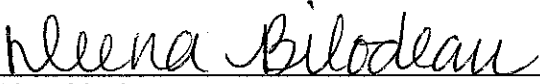
CITY OF CENTRALIA

PUGET SOUND ENERGY, INC.

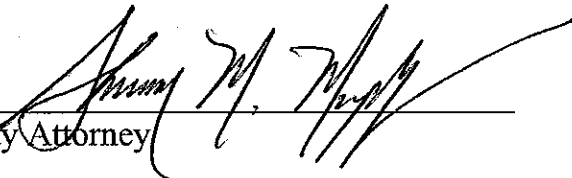
By 
Title: Acting City Manager
Date Signed: 6-23-04

By 
Title: Vice President
Date Signed: 6/30/04

ATTEST:


City Clerk

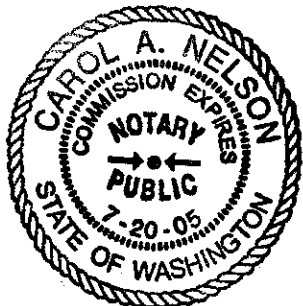
APPROVED AS TO FORM:


City Attorney

STATE OF WASHINGTON)
) ss.
COUNTY OF King)

On this 30 day of June 2004, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared William A. Gaines, to me known to be the person who signed as Vice President, Engineering and Contracting, of PUGET SOUND ENERGY, INC., the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that he was duly elected, qualified and acting as said officer of the corporation that he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.

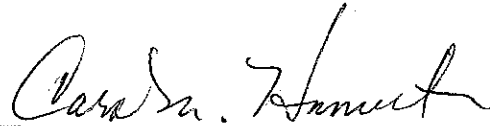


Carol A. Nelson
NOTARY PUBLIC in and for the State of
Washington, residing at 17407 NE 34 St, Redmond WA 9805
My appointment expires 7-20-05

STATE OF WASHINGTON)
) ss.
COUNTY OF Lewis)

On this 23rd day of June 2004, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Robert Berg and Deena Bilodeau, to me known to be the persons who signed as Acting City Manager and City Clerk, respectively, of the CITY OF CENTRALIA, the municipal corporation that executed the within and foregoing instrument and acknowledge said instrument to be the free and voluntary act and deed of said municipal corporation for the uses and purposes therein mentioned, and on oath stated that they were duly elected, qualified and acting as said officers of the municipal corporation, that they were authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said municipal corporation.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.



NOTARY PUBLIC in and for the State of Washington, residing at Centralia, WA
My appointment expires 2/28/05

EXHIBIT A to Service Area Agreement

Legal Description of the Boundary

Beginning at the Southeast corner of Section 19, Township 15 North, Range 5 East of the W.M.; thence west along the section lines to the Southwest corner of Section 23, Township 15 North, Range 4 West of the W.M. and the terminus of said description.

EXHIBIT C to Service Area Agreement

List of Excepted Customers in Thurston County

Customer	Service Address
REDACTED	REDACTED
REDACTED	REDACTED
REDACTED	REDACTED
REDACTED	REDACTED

Confidential per WAC 480-07-160

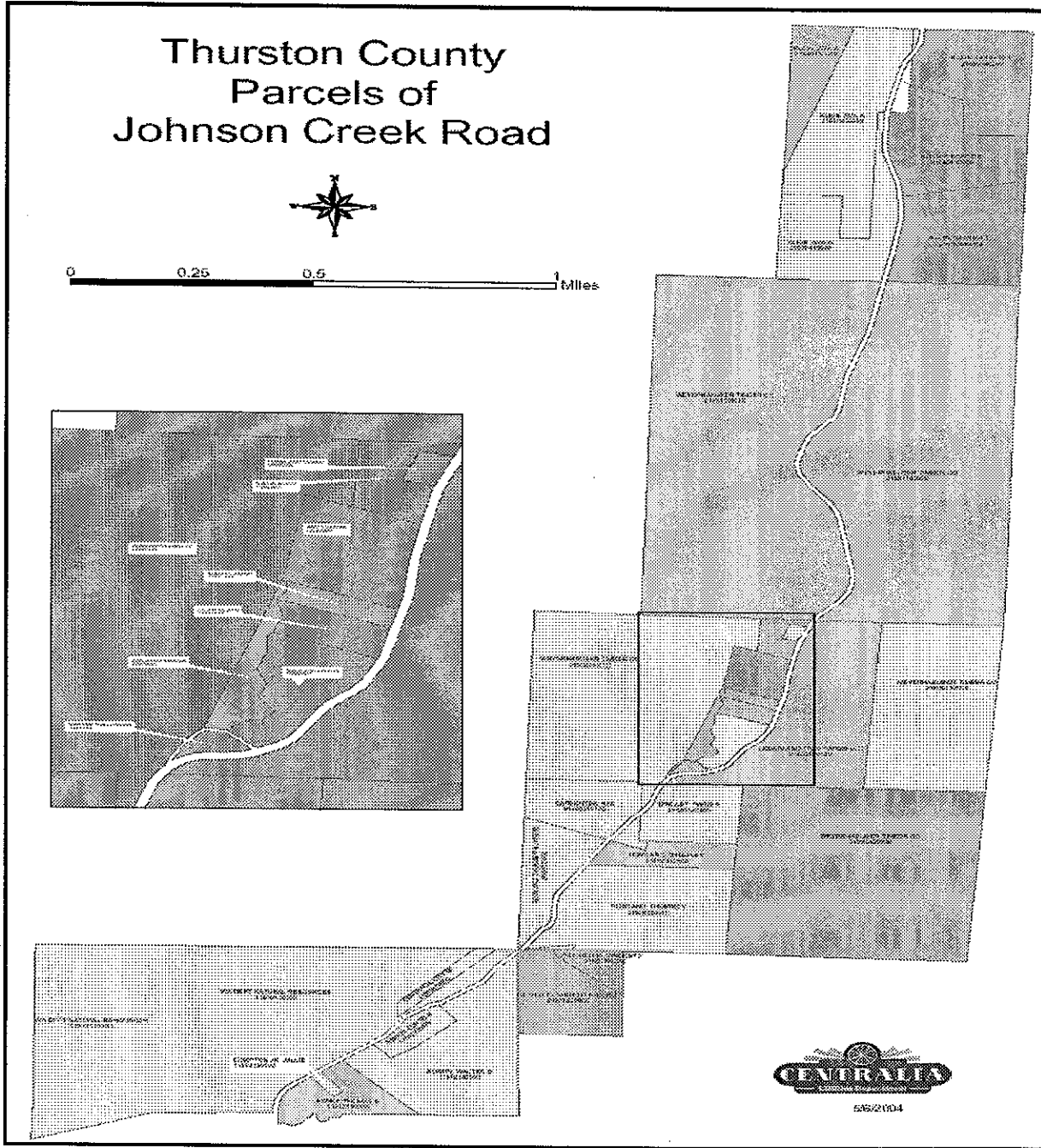
EXHIBIT D to Service Area Agreement

Copy of Agreement for

Transfer of Distribution Facilities

**ATTACHMENT 2 to Agreement for Transfer of Distribution
Facilities**

Map showing City Distribution Facilities to be transferred to PSE



**ATTACHMENT 3 to Agreement for Transfer of Distribution
Facilities**

List of Parts and Equipment transferred to PSE

Poles

- 10 40 to 45 foot high distribution poles
- 4 30 foot high service poles

Wire

36,624 feet of #2 ACSR

All related equipment including but not limited to:

- Crossarms
- Insulators
- Deadends
- Service wire

Centralia to remove and take custody of its transformers and meters.

**ATTACHMENT 4 to Agreement for Transfer of Distribution
Facilities**

EASEMENT AREAS

The easement areas as described in the following documents:

221154, recorded at Volume 137 of Deeds, Page 243, Records of Thurston County

225449, recorded at Volume 137 of Deeds, Page 570, Records of Thurston County

225453, recorded at Volume 137 of Deeds, Page 573, Records of Thurston County

230738, recorded at Volume 138 of Deeds, Page 328, Records of Thurston County

230739, recorded at Volume 138 of Deeds, Page 329, Records of Thurston County

578291, recorded at Volume 306 of Deeds, Page 747, Records of Thurston County

**ATTACHMENT 5 to Agreement for Transfer of Distribution
Facilities**

Pole Attachment Agreement

POLE ATTACHMENT AGREEMENT

This Agreement, dated as of June 23, 2004, made by and between the City of Centralia, a municipality within the State of Washington (the "City"), and Puget Sound Energy, Inc., a Washington corporation ("PSE").

City and PSE agree as follows:

Section 1. Scope

Pursuant to the terms and conditions of this Agreement, City grants to PSE the right to attach its electric distribution equipment, including electric distribution lines, cross-arms, guys and anchors, transformers, and related equipment (collectively, the "Equipment"), to the City's utility poles (individually a "Pole," collectively the "Poles").

Section 2. Attachment

2.1 PSE shall not attach any high voltage (i.e., for purposes of this agreement, greater than 49,999 volts) Equipment to any Pole without City's prior written consent, which consent shall not be unreasonably withheld.

2.2 PSE may attach with City's prior written consent, which consent shall not be unreasonably withheld, any low voltage (i.e., for the purposes of this agreement, equal to or less than 49,999 volts) to Equipment poles numbered 155 to 205.

Section 3 Maintenance

PSE shall maintain all Equipment attached to the Poles so they are in compliance with PSE's normal maintenance standards.

Section 4. Emergencies

In the event of an emergency, each party shall contact the other at the below phone number for instructions on how to proceed. If either party is unable to contact the other at the below numbers, such party may take reasonable action as may be necessary under the circumstances to remedy the emergency.

The parties' respective emergency phone numbers are as follows:

City:	360-330-7512 During normal working hours 360-736-7040 After 3:30, Saturday's, Sundays, and holidays
PSE:	888-225-5773

Each party shall promptly notify the other of any change in such party's emergency phone number.

Section 5. Relocation, Replacement, or Removal of Poles

If City plans to relocate or replace any Pole to which Equipment is attached, City shall provide PSE written notification regarding such relocation or replacement at least ninety (90) days prior to any relocation or replacement of any Pole. Notification requirement would not apply to storm or other emergency responses. If City replaces a Pole to which Equipment is attached, then (i) City shall perform such work without disturbing or interrupting the delivery of electric service to PSE's customers, and (ii) PSE shall be responsible for moving its Equipment from the replaced pole to the new pole, at its sole cost and expense.

Section 6. Abandonment of Poles

6.1 If City desires at any time to abandon their use and ownership of a Pole to which PSE's Equipment is attached (the "Abandoned Pole"), the City shall give PSE written notice by certified mail of such abandonment ("Abandonment Notice"). The Abandonment Notice shall provide:

- (a) City's intention to abandon the use and ownership of the Abandoned Pole; and
- (b) the date on which the City shall have removed all of its equipment from the Abandoned Pole, which date shall be not less than thirty (30) days from receipt of Abandonment Notice; and
- (c) a description of any communications attachments or other attachments to the Abandoned Pole.

6.2 PSE shall have the right of first refusal to acquire title to some or all of the Abandoned Pole(s). If PSE elects to exercise such right and accept title to some or all of the Abandoned Pole(s), PSE shall deliver written notice to the City prior to the Abandonment Date. If PSE exercises such right, title to the Abandoned Pole(s) shall automatically transfer from City to PSE upon the later of (i) the close of business on the Abandonment Date, or (ii) the date the City has removed all of its equipment from the Abandoned Pole(s), which shall in no event be later than sixty (60) days after the Abandonment Date.

Section 7. Term

7.1 The Term of this Agreement shall commence on the date of this Agreement and shall continue for fifteen (15) years thereafter (the "Initial Term"), unless sooner terminated or extended pursuant to the terms hereof. At the end

of the Initial Term, this Agreement shall automatically renew for successive ten (10) year terms unless either City or PSE provides written notice of termination to the other party no earlier than one (1) year and no later than six (6) months prior to the expiration of the Initial Term or any subsequent ten (10) year term(s). If this Agreement is terminated by such notice, the parties agree to negotiate a new agreement.

7.2 The City shall give written notice to PSE of any default or breach of this Agreement. Failure of PSE to correct such default or breach within sixty (60) days of the written notice will entitle the City to terminate this Agreement. Such sixty (60) day correction period will be extended as reasonably necessary to permit PSE to complete the corrections so long as PSE commences corrections within the sixty (60) day period and thereafter continuously and diligently pursues and completes such corrections.

7.3 If the City terminates this Agreement, PSE shall remove all of its Equipment from the Poles within One-hundred-eighty (180) days after receipt of notice of termination.

Section 8. Performance of Work

8.1 The attachment, maintenance, repair, relocation, and removal of Equipment to and from the Poles and other work performed in connection with this Agreement shall be referred to herein as the "Work".

8.2 PSE shall furnish all personnel, supervision, labor, transportation, tools, equipment and materials for performance of the Work. PSE shall expeditiously and efficiently perform the Work in accordance with the provisions of this Agreement.

8.3 PSE shall perform the Work pursuant to PSE's normal work standards and applicable law.

Section 9. Protection of Property and Persons

PSE shall take reasonable precautions so that the City's transmission line is not damaged, altered, removed or interrupted in connection with the performance of the Work or the operation of the Equipment. Except for emergency repairs necessitating a temporary outage, if PSE requires a temporary outage of the transmission line, PSE shall request City's approval thereof at least seventy-two (72) hours in advance of the time it requires the outage. PSE shall perform the Work requiring the outage only after such approval has been obtained and on such days and at such hours as the City may reasonably direct.

Section 10. Cooperation and Coordination

If any part of the Work depends upon the results of other work by City or others, PSE shall, prior to commencing such Work, notify City of any actual or apparent deficiencies or defects in such other work that render it unsuitable for performance of the Work.

Section 11. Compliance with Law

In the performance of the Work and this Agreement, PSE shall comply with all applicable:

- (a) Laws, ordinances, rules, regulations, orders, licenses, permits and other requirements, now or hereafter in effect, of any governmental authority; and
- (b) Industry standards and codes.

Section 12. Taxes

PSE shall pay (except as otherwise required by law) all taxes applicable to or incurred in connection with the Work, the Equipment or the system of which the Equipment constitutes a part ("PSE's System").

Section 13. Permits

PSE shall obtain and comply with all permits, licenses, franchises, rights-of-way, easements and other rights required to perform the Work and operate the Equipment and PSE's System in accordance with this Agreement.

Section 14. Release, Indemnity; and Hold Harmless

PSE shall defend, indemnify and hold harmless City from any and all third party claims, losses, costs, liabilities, damages and expenses (including, but not limited to, reasonable attorneys' fees), to the extent such claim is caused by the negligence or willful misconduct of PSE in its performance of the Work or the operation of the Equipment or PSE's System. However, PSE shall not be required to defend, indemnify, or hold harmless the City from any and all claims, losses, costs, liabilities, damages, or expenses arising from the fault, negligence or willful misconduct of the City, its respective directors, officers, employees, contractors, subcontractors, and agents.

Section 15. Risk of Loss

PSE shall be responsible for and shall bear any and all risk of loss, deterioration, theft, vandalism or destruction of or damage to PSE's Equipment and anything used (or to be used or consumed) in connection with the Work.

Section 16. Notices and Other Communications

Any notice, request, approval, consent, instruction, direction or other communication given by either party to the other party shall be in writing and shall be delivered in person or mailed, properly addressed and stamped with the required postage, to the intended recipient at the address and to the attention of the person specified next to the parties' respective signatures at the end of this Agreement. Either party may from time to time change such address by giving the other party notice of such change in accordance with the provisions of this section.

Section 17. Regulatory Approvals

If this Agreement is subject to the authority of regulatory agencies having jurisdiction over the parties, or either of them, with respect thereto, then each party shall promptly submit this Agreement to the regulatory agencies having such jurisdiction over such party and shall take such additional action as may be reasonably be required to promptly obtain any required approvals or other action by such agencies.

Section 18. Miscellaneous

18.1 The rights and obligations of the parties hereunder shall be subject to and governed by this Agreement. This Agreement sets forth the entire agreement of the parties, and supersedes any and all prior agreements, with respect to the attachment of the Equipment to the Poles.

18.2 This Agreement may not be modified except by a writing executed contemporaneously herewith or subsequent hereto signed by both parties.

18.3 Each party shall take such action (including, but not limited to, the execution, acknowledgment and delivery of documents) as may reasonably be requested by the other party for the implementation or continuing performance of this Agreement.

18.4 The invalidity or unenforceability of any provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

18.5 The headings of sections and paragraphs of this Agreement are for convenience of reference only and are not intended to restrict, effect or be of any

weight in the interpretation or construction of the provisions of such sections or paragraphs.

Section 19. Applicable Law

This Agreement shall in all respects be interpreted, construed and enforced in accordance with the laws of the State of Washington.

<p>City: City of Centralia</p> <p>By: <u><i>Robert Berg</i></u> J.D. Fouts Robert Berg</p> <p>Its: ^{Acting} City Manager</p> <p>Date Signed: <u>6/23/04</u></p> <p>Address: 118 West Maple Street P.O. Box 609 Centralia, WA 98531</p>	<p>PSE: Puget Sound Energy, Inc.</p> <p>By: <u><i>Marty O'Connor</i></u> Marty O'Connor</p> <p>Its: Manager Communications & Siting Services</p> <p>Date Signed: <u>6/29/04</u></p> <p>Address: Attn. Joint Facilities Administrator P.O. Box 90868 GEN-02W Bellevue, WA 98009-0868</p>
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