

EXHIBIT NO. ____ (RG-3HC)
DOCKET NO. UE-07 ____
2007 PSE PCORC
WITNESS: ROGER GARRATT

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

Docket No. UE-07 ____

**SECOND EXHIBIT (HIGHLY CONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF
ROGER GARRATT
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**REDACTED
VERSION**

MARCH 20, 2007

2005 All-Source RFP Evaluation

Phase I

Puget Sound Energy
Resource Planning and Acquisition

June 16, 2006

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I. OVERVIEW

A. 2005 All-Source RFP

PSE issued a request for proposals for all generation sources ("All-Source RFP") on November 1, 2005 to address the significant need identified in its 2005 Least Cost Plan (LCP). For this 2005 All-Source RFP, PSE defined its need period as commencing winter 2006 to 2015. PSE's LCP identified an energy need of approximately 233 aMW in the 2006/07 winter period increasing to over 1,500 aMW by the 2014/15 winter period.¹ Because a part of PSE's capacity need will be met with the winter generation of energy resources, PSE's capacity need is calculated as incremental to PSE's average energy requirements and is estimated to be nearly 1,000 MW in the winter of 2006/07 growing to over 1,600 MW by 2015.

As a result, PSE's All-Source RFP sought proposals for both energy and capacity generation resources, from power purchase agreements ("PPAs") of varying contract lengths, exchange agreements (e.g., locational and seasonal), or ownership of power projects. Yet-to-be constructed generation resources with commercial operation dates out to 2015 were also sought to allow resources with long lead times and those with associated potential transmission solutions to participate. To support the Company's desire to continue to build a well-diversified portfolio of resources, the All-Source RFP encouraged qualified respondents of all fuel types and technologies, small-scale as well as large-scale projects, to participate in the 2005 RFP.

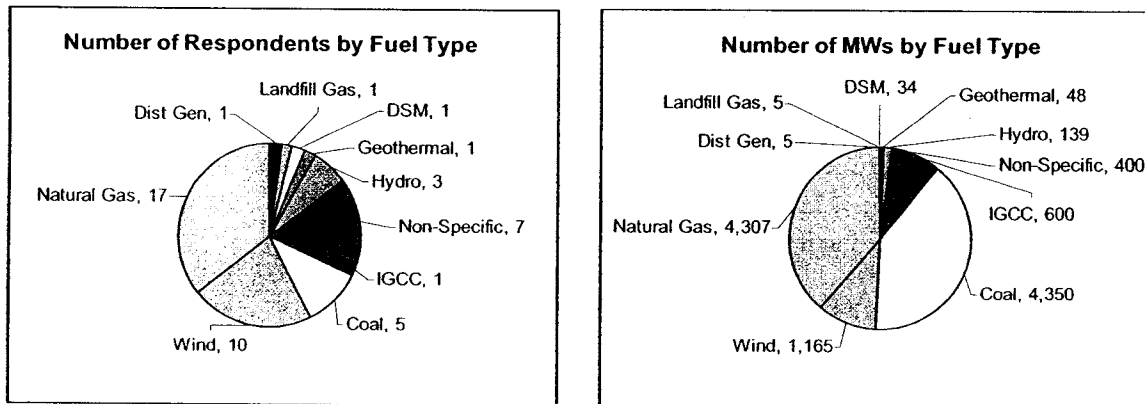
The Washington Utilities and Transportation Commission ("WUTC") approved the All-Source RFP on October 26, 2005. A pre-proposal conference was held on December 2, 2005. Proposals in response to the RFP were due on January 13, 2006.

B. RFP Proposals

PSE received 48 project proposals from 38 different owners/developers in response to the 2005 All Source RFP. Many of the All-Source proposals contained multiple offers such as PPAs, asset ownership, and hybrid options. For a complete list of these proposals, refer to Attachment 2.

Figure 1.1 shows a break out of the proposals by fuel type and total megawatts.

Figure 1.1



¹ A portion of this need may be met with short-term purchases.

C. Unsolicited Offers

In addition to the 48 RFP responses, seven additional proposals were either received by PSE prior to PSE's RFP solicitation or during the first phase of the RFP evaluation process. These "unsolicited" proposals were evaluated alongside the RFP proposals to determine the best resource options for PSE. For a complete list of unsolicited proposals under evaluation during Phase I of the 2005 RFP, refer to Attachment 3.

D. Self-build Option

The responses to PSE's 2005 All-Source RFP included several self-build alternatives. The self-build proposals can be divided into two types—each requiring different levels of PSE involvement in both the development activities and the construction build-out. The two types of proposals offered are those in which:

- i) PSE plays a key role in the remaining development activities and funds the cost of completing the project with the developer; or
- ii) PSE purchases the existing development assets from the developer and PSE completes the project on its own.

Both types of self-build proposals result in PSE ownership of the project. In some cases project ownership is transferred to PSE early in the development stage and in other cases the ownership transfer occurs at the completion of the project.

As defined by the RFP evaluation criteria, the self-build proposals were evaluated in the same manner as all other proposals. However, greater diligence was observed when analyzing the costs of the remaining development activities and construction build-out. PSE relied on costs supplied by the developer. Where costs were not defined, PSE solicited pricing from the original equipment manufacturers (OEMs). Where feasible, PSE used costs based on its existing operational experience from recent asset purchases including a half interest in EPCOR's combined cycle gas plant, Frederickson I, and more recently, PSE's acquisition of two wind farms. Also, additional costs that PSE would be required to fund in order to self-build the project were added to the project economics during the quantitative evaluation.

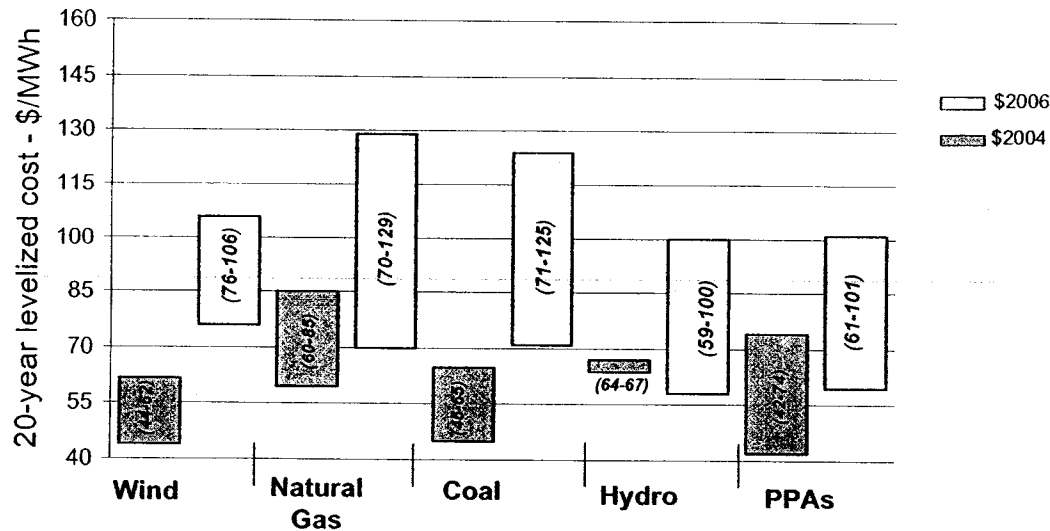
Of the thirteen projects that were included on the "candidate" short list, nine of the projects could be considered self-build.

For more information about the self-build proposals and the evaluation of those proposals, refer to Attachment 5.

E. Current Market Conditions and Challenges

There are a number of external market forces that have significant impact on PSE's resource selection. For example, greater competition with China and India for raw materials such as steel, concrete and copper has pushed prices to unprecedented levels. Natural gas and power prices have increased as oil prices set record highs. As illustrated in Figure 1.2 below, resource costs are significantly higher than they were during the 2004 RFP.

Figure 1.2 Resource costs 2004 vs. 2006



Note: 1. PPA range represents fixed price offers inclusive of imputed debt and exclusive of credit
2. 2004 levelized costs do not include transmission from Mid-C to PSE's system

Environmental regulation continues to be more restrictive. On March 15, 2005, EPA issued the Clean Air Mercury Rule to permanently cap and reduce mercury emissions from coal-fired power plants for the first time ever. This rule makes the United States the first country in the world to regulate mercury emissions from utilities. On March 10, 2005, in a separate but related action, EPA issued the Clean Air Interstate Rule (CAIR), a rule that will dramatically reduce air pollution that moves across state boundaries. Together the Clean Air Mercury Rule and the Clean Air Interstate Rule create a multi-pollutant strategy to reduce emissions throughout the United States.

Absent federal policy on greenhouse gases (GHG), we are seeing city and state governments implementing their own greenhouse gas (GHG) policies. To guide PSE's evaluation for a potential carbon penalty, PSE used the National Commission on Energy Policy's report and the Jeffords Clean Power Act. Both of these represent two very different carbon futures beginning 2010. The first uses \$5/ton; the second, \$21/ton.

Further, states have sought to adopt renewable portfolio standards in an effort to reduce emissions. Washington state's RPS initiative will likely be on the ballot in November 2006 and most believe that passage appears likely. At the same time, PSE received fewer renewable resource offers in response to the current All-Source RFP. Among the 48 total proposals, ten wind, one landfill gas and two geothermal projects were submitted. There were no biomass offers submitted during this cycle.

Further complicating the renewables picture is the fact that wind turbine manufacturers, such as GE, Vestas, Gamesa, Siemens and Suzlon, have sold out of their inventory through 2007. With production tax credits (PTCs) set to expire at the end of 2007, projects unable to procure turbines in time to complete their projects by December 2007 involve significant financial risk. Only five of the ten wind projects proposed to PSE have secured turbines for 2007.

More broadly, transmission continues to be a challenge. PSE has asked respondents to consider creative solutions to transmission constraints, as it is unlikely that significant investment in the

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Pacific Northwest transmission grid will occur for some time. Only nine of the 48 proposed projects were identified as being able to interconnect to PSE's system. Five of these are capacity generation projects.

Credit remains a significant barrier to long term contracting of PPAs as most counterparties require credit provisions that generally include collateral posting and/or margining. However, given the shorter tenor of the PPA's received in response to this RFP, the potential exists to meet the credit concerns of both PSE and the counterparty.

PPAs are subject to FASB review for derivative accounting (FAS 133/149), accounting treatment for variable interest entities (FIN46R) as well as mark to market impacts. Each of these have potential to significantly impact PSE's financial situation adversely.

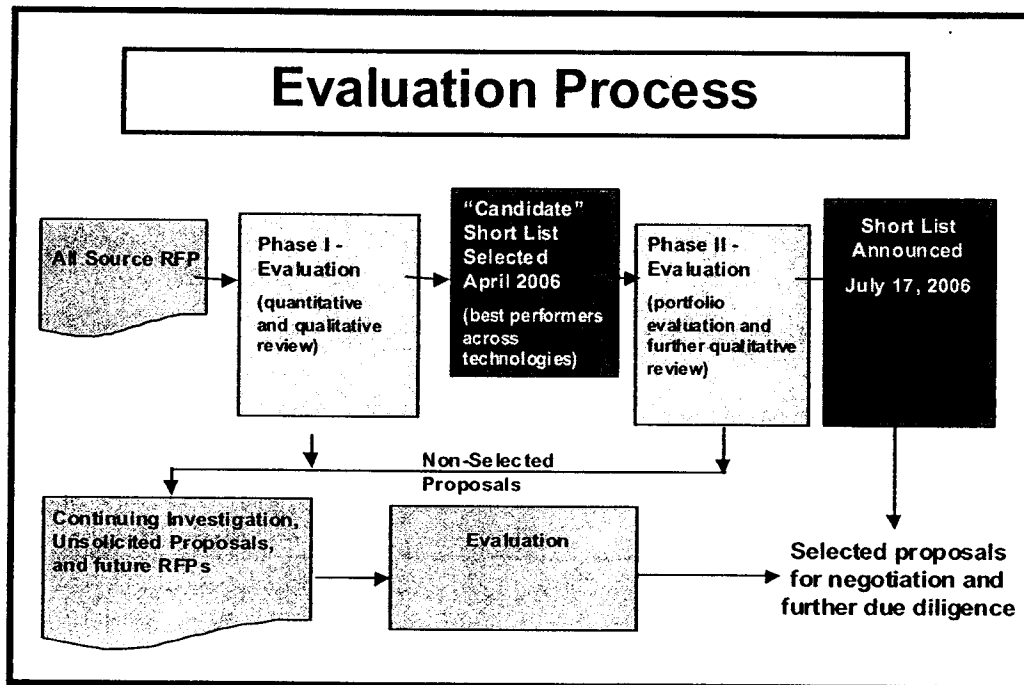
New technologies such as IGCC and GE's LMS 100's, a new high-efficiency, simple cycle gas turbine were offered in this RFP. Although these technologies appear to be very promising, they still pose large risks for PSE at this time. PSE will continue to monitor these technologies.

F. Evaluation Process

PSE's RFP evaluation process is a cooperative effort involving 40-50 individuals representing approximately 16 different areas of expertise across the company, all working to screen and rank individual proposals by evaluating their merits with regard to meeting the Company's need. For a complete list of teams, refer to Attachment 4.

In addition to its internal staff, PSE used outside consultants Global Energy Concepts to analyze and validate the wind projects for their wind energy assessment, general technical review, and project feasibility. Altera Energy assisted in the business and commercial review of all the proposals.

Figure 1.3 RFP Evaluation Process



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As shown in the chart above, there are two phases to the evaluation process. Selection of a "candidate" shortlist in Phase I of this process was adopted for the 2005 RFP cycle to allow for greater efficiency in order to screen to a candidate shortlist sooner and focus on the most favorable projects for Phase II. Phase I is described in greater detail below.

Phase II is designed to test each project in a variety of portfolios. A Monte Carlo simulation is performed to test variability in the portfolio. Proposals providing the greatest benefit to PSE's portfolio are then selected for inclusion on the final shortlist. PSE anticipates the release of its final shortlist in mid to late July. PSE will pursue further discussion with shortlisted respondents and may proceed to negotiations of the terms and conditions of Definitive Agreements.

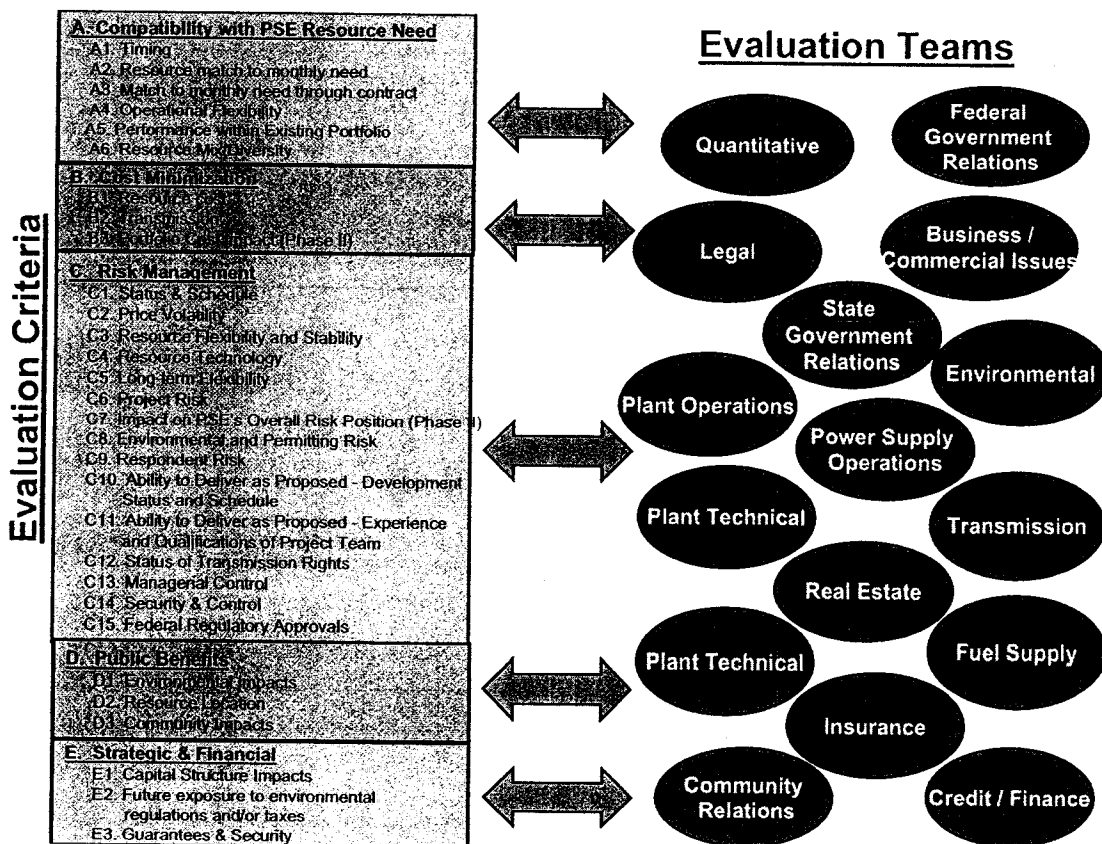
II. PHASE I

PSE has now completed Phase I of its evaluation process in April 2006. During this first phase, PSE evaluated proposals based on an individual proposal cost and on specific qualitative criteria. This process was designed to screen out proposals with high costs, unacceptable risks, and/or feasibility constraints with the goal of creating a "candidate" shortlist.

A. Criteria

Proposals were screened on a stand-alone basis against five primary criteria. Each of these primary criteria is further delineated with sub-criteria as shown in the figure below.

Figure 1.4 Evaluation Criteria and Teams



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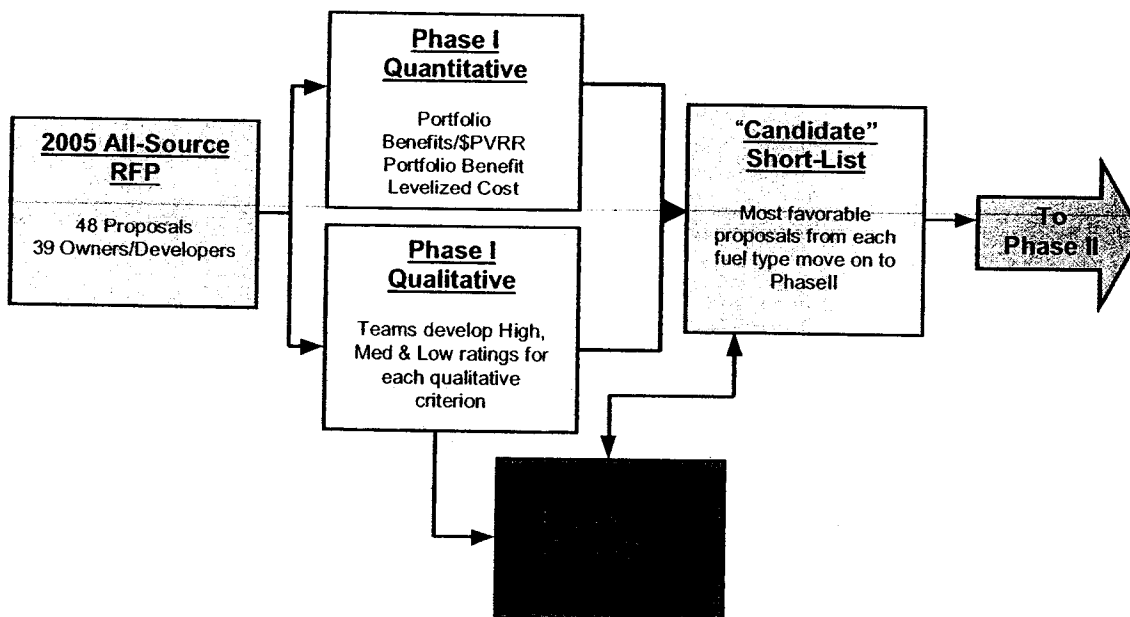
All-Source RFP Evaluation, Phase I

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B. Review process

Figure 2.1 summarizes the Phase I screening process.

Figure 2.1



As shown in the chart above, there was both a qualitative and a quantitative component to the Phase I process. The evaluation teams reviewed each proposal based on criteria specific to their area of expertise. For example, the Business Commercial team looked at such qualitative factors as overall project feasibility, the experience and qualifications of the development team, and the financial strength of the counterparty. Meanwhile, the quantitative team conducted a screening of each proposal's levelized cost, portfolio benefit and a portfolio benefit ratio (described in Section C below). A list of evaluation criteria and teams is provided above in Figure 1.4.

Each team was responsible for presenting their findings to the group at weekly evaluation status meetings and for providing an overall Phase I team rating for each project.

Senior management was kept informed throughout Phase I of the evaluation process. The Senior Vice President of Energy Resources was updated on a weekly basis, while the rest of the officer group received updated progress reports intermittently. At the close of Phase I, an all-teams working group meeting was held to review team ratings and to select the proposals (the candidate short list) that would progress to Phase II of the evaluation process.

C. Modeling Process

AURORA

PSE uses the AURORA model to forecast long-term power prices. The long-term power price forecasts are updated periodically to reflect changes in resource costs, natural gas prices, coal prices, and energy policies both at the national and state levels. Ultimately these changes will affect the long-term regional generation resource supply, both in magnitude and resource mix.

For Phase I analysis, PSE used a single scenario to perform the initial screening of the proposal offers in the RFP. The initial screening scenario was intended to reflect the following differences from PSE's 2005 LCP Current Momentum Scenario:

- a higher long-term natural gas price forecast,
- greater restrictions on coal builds,
- states are successful in meeting RPS requirements within their required time horizon,
- PTCs are extended through 2010, but at declining levels, and
- higher resource costs for generation supplies.

In late December 2005, EPIS released a new version of AURORA[®] Version 8.0 with a new input database. Prior to receiving the new release, PSE had begun to update the previous version of AURORA with PSE's new screening case assumptions, as shown in Attachment 6. As PSE began to analyze the model results, it became clear that the model did not have enough generation resources to serve load. In order to meet the unserved load, expensive demand-side curtailment resources were called upon resulting in extremely high power prices. Price caps usually mitigate this impact, but the amount of energy unserved was too great for the price caps to have their desired impact. EPIS, Inc. suggested that PSE move to the new version of AURORA. EPIS indicated that they had not observed the same issues with unserved energy and large summer price spreads. PSE adopted the new version of the model and input database but was unable to complete all its assumption updates in time to start the RFP analysis. PSE ran the AURORA Western Interconnect default case with updated natural gas prices based on Kiodex forwards through 2010 and Global insights Reference case for 2011 through 2026. This became PSE's AURORA scenario for Phase I analysis. These issues will be addressed in the Phase II scenarios.

Additional detail about AURORA model updates can be found in Attachment 6.

Portfolio Screening Model (PSM)

Portfolio Screening Model (PSM) updates from the 2004 RFP through the analysis of the Chelan Contract, PSM 7-5C, were documented in the testimony of WJ Elsea (WJE-01T) that was prefiled in PSE's 2006 General Rate Case, Docket No. UE-060266 et al. Those changes included:

- Updating forward gas prices in August 2005 for the Wild Horse Wind Project evaluation and updating again in October 2005 for the Chelan Contract evaluation.
- Updating the weighted average cost of capital to 8.4% that was allowed by the Commission in PSE's 2004 General Rate Case, Docket No. UG-040640 et al.
- Improving the logic involved in the calculation of end-effects.

PSM Updates subsequent to the Chelan Contract analysis that were incorporated in PSM 8-1 (RFP 2006 Phase I) are grouped into three categories:

- 1) Logic Changes. A number of changes were made. More notable changes included the following:
 - a. Treatment of energy and capacity for PPAs. Previously an on-peak PPA would receive only the average energy credit for peaking. The analysts often made one-time logic changes to fix this.
 - b. Improved emission costs logic and added a switch for including in dispatch.
 - c. Updated logic so that a wind project in 2008 would receive PTC if assumed to be completed in December 2007.
- 2) Data Changes
 - a. Power and gas price changes are described in the AURORA model Phase I assumptions. In general, the gas prices through 2010 are from Kiodex (average

- forward prices for the 5 months ended 12/19/2005) and Global Insights fundamental reference case from December 2005,
- b. Net load summary (called aMW summary) with new Chelan contract as well as revised hydro final regulation FR06,
 - c. Cost of the premium for credit and liquidity of generic PPAs lowered from 5% to 2% per discussions with Power Supply Operations, and
 - d. Incremental duct firing lowered to \$100/kw per rough estimate from Engineering group in Energy Production.
- 3) Cleanup – miscellaneous labeling and formatting changes to improve the communication value of the spreadsheet model.
- Attachment 6 contains a complete list of PSM model updates.

Key Inputs to the Portfolio Screening Model

The diagrams below illustrate the key inputs and outputs of PSE's portfolio screening model and the process used by the quantitative team in modeling and analyzing the proposals for Phase I, as well as the anticipated steps for Phase II.

Figure 2.2

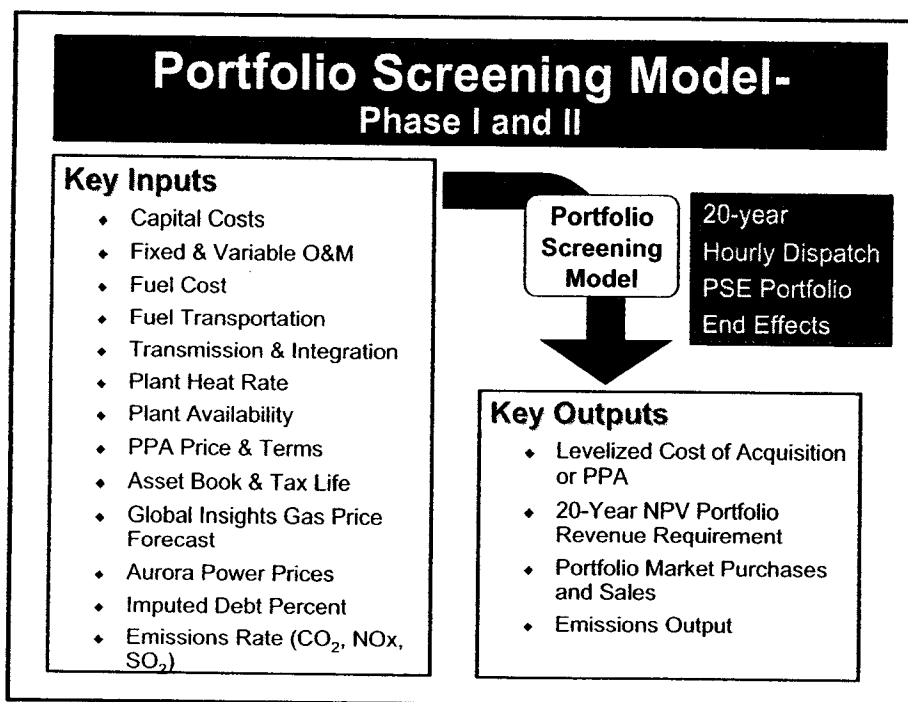
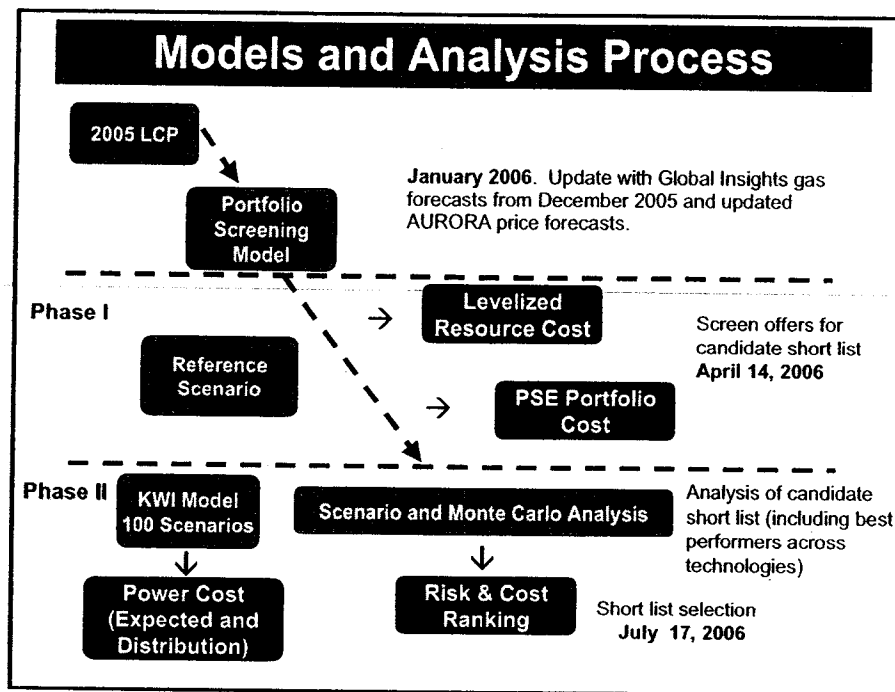


Figure 2.3



Quantitative Evaluation Metrics

The quantitative screen applies three economic evaluation metrics to the proposals:

- **Portfolio Benefit Ratio**- The present value of portfolio benefits divided by the present value of project revenue requirements
- **Portfolio Benefit** - The 20-year present value of all portfolio benefits derived from each project in comparison to the 2005 LCP generic portfolio
- **Levelized Cost** - The average annual cost per MWh produced during a 20-year period for each project

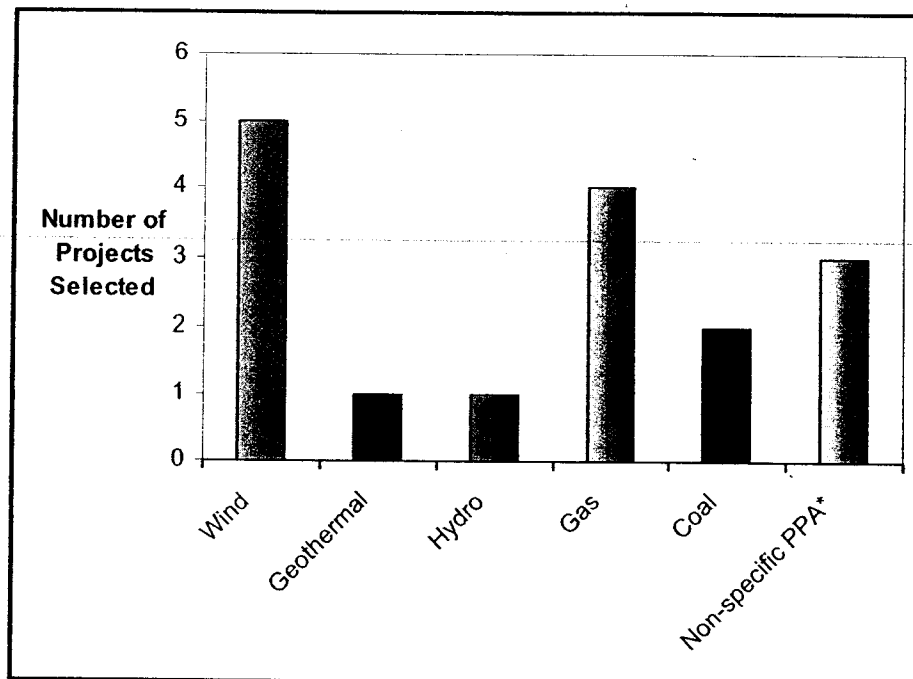
While each metric provides a slightly different perspective on the economic benefits associated with each proposal, the Portfolio Benefits Ratio is the primary economic screen applied to evaluate each project. This metric provides the best insight into the benefits per unit of cost incurred by the ratepayers and allows projects of different sizes to be evaluated without potential bias favoring larger projects.

D. "Candidate" Shortlist

PSE's Phase I evaluation resulted in a "candidate" shortlist comprised of the most favorable proposals from each fuel type. The selected proposals advance to Phase II of the process for a more in-depth quantitative and qualitative evaluation. The goal of this second phase is to identify the final shortlist, from which PSE will proceed to contract negotiations and further due diligence.

Figure 2.4 illustrates the “candidate” selections by fuel type. For a complete list of selected proposals, refer to Attachment 7.

Figure 2.4



Proposals were selected based on the highest qualitative and quantitative rankings for each of the projects by technology. Projects that were selected were determined to be economically attractive based on their portfolio benefit ratio, feasible from a permitting and development standpoint, commercially viable and financeable. The projects and PPAs selected represent a diversity of resource and allow PSE to test a mix of portfolios in Phase II to ultimately determine those projects/PPAs that best meet PSE's need.

Projects that were not selected exhibited the following deficiencies: 1) immature development; 2) economically less competitive; 3) uncertainty around feasibility of the project and project schedule; 4) no transmission solution or a greater uncertainty of obtaining transmission (e.g., based on queue position); and 5) technology risk. To review the list of projects that were not selected for the candidate shortlist, along with the reasons each project was not selected, refer to Attachment 8.

III. NEXT STEPS

A. Phase II Evaluation

The proposals identified on the “candidate” shortlist (Attachment 7) will be carried forward into Phase II for a more detailed qualitative review of the criteria evaluated in Phase I. Phase II quantitative evaluation will assess the interaction and risk levels of the most promising resources and combinations of resources within PSE's power portfolio.

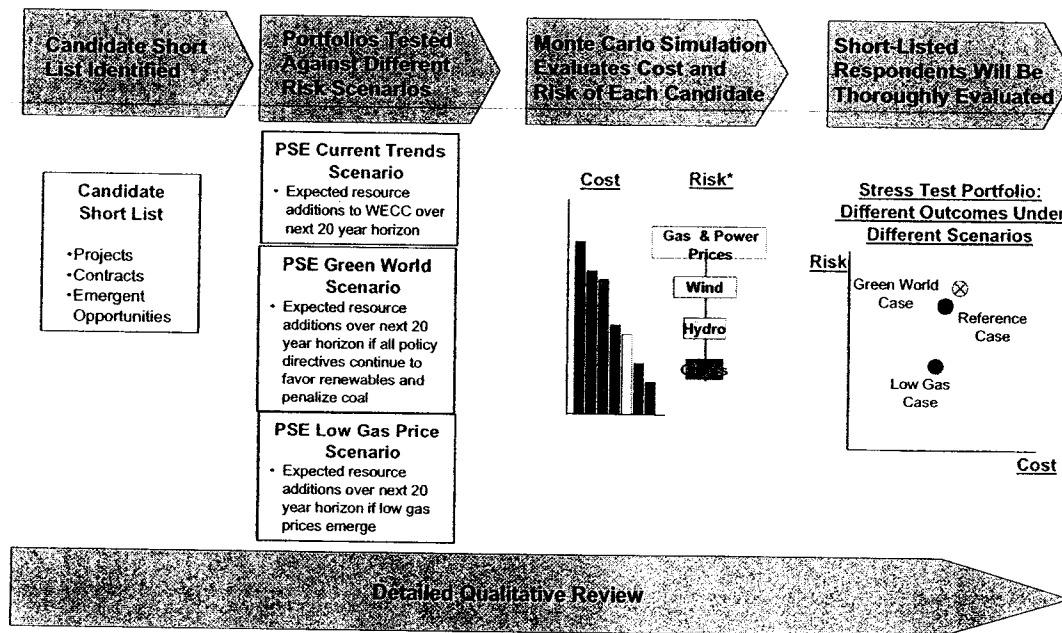
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Information requests will be made for "candidate" shortlisted proposals as needed to obtain the detail necessary for more in-depth phase two evaluations.

With respect to non-specific PPAs, PSE will seek guidance on accounting treatment and credit. The Energy Risk Management Committee (ERM) will also perform mark-to-market evaluation.

Figure 3.1 Phase II: A variety of portfolios tested under 3 scenarios



B. Final Selections and Negotiations

Proposals providing the greatest benefit to the PSE portfolio will be placed on the final shortlist for further discussion with the respondents and may move forward with negotiations of the terms and conditions of Definitive Agreements. The final shortlist is targeted for mid to late July.

All-Source RFP Evaluation, Phase I

IV. ATTACHMENTS

- Attachment 01 - 2005 All Source RFP & Exhibits
- Attachment 02 - List of Proposals Received from Respondents
- Attachment 03 - Unsolicited Proposal List
- Attachment 04 - RFP Evaluation Teams
- Attachment 05 - Self-build Option
- Attachment 06 - Model Updates since 2005 Least Cost Plan
- Attachment 07 - "Candidate" Shortlist
- Attachment 08 - List of Non-Selected Proposals with Comments
- Attachment 09 - EMC Meeting 02.06.06 - RFP Update
- Attachment 10 - 3.21.06 RFP Executive Update
- Attachment 11 - 4.26.06 RFP Executive Update

REQUEST FOR PROPOSALS

from

All Generation Sources

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

Filed with the WUTC November 1, 2005



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I Introduction and Process

This document constitutes a Request for Proposals (RFP) from qualified third parties (respondents) to supply electric resources to Puget Sound Energy, Inc. (PSE or Company). It is an "All Generation Sources" RFP¹ in that any electric generation source will be considered, consistent with the requirements of this RFP. PSE's RFP may be found on its web site at <http://www.PSE.com/About/Supply/AllSourceRFP>.

In this RFP, the Company is seeking the following resources:

- Energy generation resources and
- Capacity generation resources

The Company will consider existing and yet-to-be constructed generation resources with commercial operation dates up to 2015, thereby allowing for proposals for long lead-time resources and associated potential transmission solutions.

This RFP solicitation includes requests for power purchase agreements of varying contract lengths, exchange agreements (e.g., locational and seasonal), and capacity products (including operating reserves) to meet PSE's winter peak requirements. PSE also plans to solicit more broadly among northwest utilities and others to look for arrangements that may accommodate partners.

The Company desires to continue to build a well diversified portfolio of resources, and encourages qualified respondents of all fuel types and technologies, small scale as well as large scale projects, to participate in this RFP.

1 PSE's Resource Strategy

This RFP is intended to be consistent with the guidance provided by PSE's most recent Least Cost Plan (LCP). PSE filed its LCP with the Washington Utilities and Transportation Commission (WUTC) on May 2, 2005. (A complete version of the LCP may be found on the PSE web site at <http://www.pse.com/account/rates/rates.html>.)

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

The overall strategy for least cost resource planning at PSE is to develop a diversified, balanced electric resource portfolio that meets customer needs, results in reasonable energy supply costs and mitigates market risks. PSE's planning standards call for adequate energy resources to meet PSE's highest deficit month (with the highest deficit month generally occurring in December) and

¹ PSE is also issuing an Energy Efficiency RFP at the same time as this All Generation Source RFP.

having sufficient capacity resources to meet PSE's one-hour winter peak load at 16 degrees Fahrenheit. PSE's LCP strategy includes a target of serving 10 percent of its customers' energy needs with renewable resources by 2013.

2 PSE's Energy and Capacity Need

As defined in the LCP, PSE's energy need is approximately 233 aMW in the 2006/07 winter period increasing to over 1,500 aMW by the 2014/15 winter period.² Since a part of PSE's capacity need will be met with the winter generation of energy resources, PSE's capacity need is calculated as incremental to PSE's average energy requirements and is estimated to be nearly 1,000 MW in the winter of 2006/07 and growing to over 1,600 MW by 2015.

PSE's monthly energy and annual capacity needs for 2006-2015 are shown below and in Exhibit I.

Table 1 Energy and Capacity Need 2006-2015 defined in April 2005 Least Cost Plan (conservation not included)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep/Oct	Nov	Dec	Peak Demand (MW)	
2006	185	233	124	90	3	0	0	0	155	64	94	208	988
2007	236	283	124	102	0	0	0	19	174	88	117	263	1,044
2008	274	260	159	0	47	0	0	52	216	125	158	305	1,083
2009	316	362	197	14	90	0	0	91	255	165	201	360	1,114
2010	393	439	285	95	170	0	0	150	322	234	285	457	1,277
2011	553	596	425	230	300	113	15	288	453	368	551	739	1,452
2012	1,151	1,137	1,028	829	677	807	710	962	1,060	1,000	1,091	1,275	1,545
2013	1,303	1,344	1,178	1,043	960	1,011	897	1,147	1,243	1,185	1,284	1,471	1,567
2014	1,496	1,536	1,366	1,161	1,007	1,060	944	1,190	1,297	1,235	1,343	1,527	1,572
2015	1,551	1,591	1,418	1,207	1,048	1,106	986	1,233	1,340	1,281	1,395	1,583	1,604

3 RFP Schedule

July 15, 2005	Pre-Filing Workshop with Potential Respondents
July 29, 2005	Draft RFP Filed with WUTC
August 18, 2005	PSE Public Meeting on Draft RFP
September 28, 2005	End of Public Comment Period
October 28, 2005	WUTC Approval of RFP
November 1, 2005	Issue Final RFP

² A portion of this need is to be met through cost-effective energy resources.

December 2, 2005
January 13, 2006
April 14, 2006
July 17, 2006

Pre-Proposal Conference with Potential Respondents
Responses Due
Preliminary Short List Selected, Respondents Notified
Final Short List Selected, Respondents Notified
Post-Proposal Negotiations

The above schedule is subject to adjustment based on WUTC review and the actual pace of PSE's evaluation process.

4 PSE's Evaluation Process

PSE will follow a structured evaluation process in evaluating the merits of proposals with regard to meeting PSE's need. The evaluation process is intended to screen and rank individual proposals. PSE's evaluation process will include a number of quantitative and qualitative factors, designed to reasonably compare proposals with different attributes. Evaluation of proposals for individual resources will be based on compliance of the proposal with this RFP (including term sheet and contractual provisions exhibited to this RFP) and according to the following set of primary criteria:

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

Each of these primary criteria is further delineated with sub-criteria as detailed in Exhibit II to this RFP. Proposals will initially be evaluated based on an individual proposal cost and on the qualitative criteria. After examining the individual proposals, PSE will determine a preliminary short list made up of the most attractive proposals to continue with portfolio evaluation and additional due diligence based on the same primary criteria. The portfolio evaluation will focus on the interaction and risk levels of the most promising resources and combinations of resources within PSE's power portfolio.

Those proposals that provide the greatest benefit to the PSE portfolio will be placed on the final short list for further discussion with the respondent(s) and may potentially move forward with negotiations of the terms and conditions of Definitive Agreements.

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

5 Post-Proposal Negotiations and Awarding of Contracts

PSE may elect to negotiate both price and non-price factors during any post-proposal negotiations with a respondent whose proposal has been selected to the short list for further discussions. It is also PSE's intent to include any additional factors that may impact the total cost of a project and to update its economic and risk evaluation on an ongoing basis until such time as PSE and the respondent might execute Definitive Agreements.

*All Source RFP – Page 5
November 1, 2005*

PSE has no obligation to enter into Definitive Agreements with any respondent to this RFP and may terminate or modify this RFP at any time without liability or obligation to any respondent. This RFP shall not be construed as preventing PSE from entering into any agreement that it deems appropriate at any time before, during, or after this RFP process is complete. PSE reserves the right to negotiate only with those respondents and other parties who propose transactions that PSE believes, in its sole opinion, to have a reasonable likelihood of being executed substantially as proposed.

II Information Requested from Respondents

1 Energy and Capacity Resources Requested

This All Generation Sources RFP seeks electric generation proposals from a wide variety of technologies and fuel sources consistent with this RFP's requirements and Evaluation Criteria (Exhibit II).

PSE's energy and capacity needs are greatest in the winter. Therefore, both energy and capacity resources will be shaped through various means to fill winter deficits, while minimizing summer surpluses. PSE will consider the seasonality of the basic electric energy resource's production, the ability of PSE to control the output of the project to match PSE's needs (up to and including real-time dispatch and displacement), and contractual mechanisms to shape project output to need.

As identified in Table 2 and Table 3, PSE is looking for a diverse mix of energy and capacity resource products to meet its requirements.

Table 2

ENERGY RESOURCE	Delivery Description
As Produced	e.g. wind, run-of-river hydro
Baseload	7x24, delivered as firm or unit contingent
Intermediate	Dispatchable
On Peak or Heavy Load Hours	6x16 (Mon-Sat) (HE 0600-2200)
Exchanges	Seasonal or year round; location exchange with delivery to PSE on west side of Cascades

Table 3

CAPACITY RESOURCE	Delivery Description
Dispatchable/On Peak or Heavy Load Hours	6x16 (Mon-Sat) (HE0600-HE2200); winter only Nov-Feb
Operating Reserves (regulating or contingency)	Spinning reserves, load following capability, ten-minute start
Exchanges	November-February; 7x16; 7x24; or 6x16 product

This All Generation Sources RFP process may result in multiple acquisitions by PSE.³

³ Use of the term "acquisition" or terms of similar import in this RFP, unless the context otherwise indicates, refers interchangeably to power purchase agreements and the acquisition of interests in generating facilities.

2 Proposals/Contract Type

PSE will consider the acquisition of generation from proposals under the following mechanisms: (1) Power Purchase Agreements of varying lengths (>2 years), including Power Bridging Agreements, defined as short-term "bridges" to long-lead resources, (collectively, "PPAs"); (2) Exchange Agreements; and (3) ownership arrangements, including co-ownership arrangements in which PSE retains adequate dispatchability and rights of control.

When submitting proposals for either a PPA or ownership arrangement, PSE is interested in alternatives in which the respondent fully assumes the risk of fuel supply, fuel price, and environmental cost and which quantify the cost for assuming those risk factors.

2.1 Power Purchase Agreements

Any proposal for a Power Purchase Agreement must specify the generation asset or system assets underlying the agreement and provide assurances of its commercial availability on or before December 31, 2014. A prototype Power Purchase Agreement is included as Exhibit IX to this RFP.

In considering PPAs, PSE requires proposals pursuant to which the respondent owns and operates or would acquire, construct, own and operate the generation asset, with PSE purchasing the output (energy and capacity) at an agreed upon delivery point.

With regard to any proposal for the purchase and sale of power from a qualifying facility under PURPA, the respective rights and obligations of PSE and the seller of such power under any agreement that may be entered into by PSE and the respondent will be subject to any federal enactments (e.g., an energy bill passed in 2005) that will by their terms apply to the purchase and sale of such power.

2.2 Exchange Agreements

The Company's obligations under any such exchange will be subject to FERC acceptance. Any transmission service component of the exchange would be pursuant to the applicable transmission provider's Open Access Transmission Tariff or reciprocal agreement and would be payable by respondent. A prototype Exchange Agreement is included as Exhibit X to this RFP.

2.3 Ownership

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

3 Eligible Respondents

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

4 Proposal Requirements

The Confidentiality Agreement (Exhibit VII) must be submitted two weeks in advance of the proposal due date.

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

- Project Summary Data Form (Please complete Exhibit II)
- Respondent's Requirements (Exhibit IV)
 - Project Description
 - Fuel Supply
 - Emissions
 - Interconnection and Transmission
 - Price
 - Legal and Financial
 - Accounting Regulation
 - Experience and Qualifications of the Project Team
 - Environmental Inspections, Orders, Suits, other
 - Development Status and Project Schedule
- Other Requirements (Part II, Section 5 hereto)

It is expected that respondents will provide complete information in their original submittals. Failure to provide all of the requested information will not disqualify the respondent but may result in lower prioritization during the evaluation process. If the respondent elects not to provide the requested information, PSE requests that an explanation be provided.

5 Other Requirements

5.1 Signatures and Certifications

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

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

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

5.2 Production Tax Credit Risk and Environmental Attributes

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

All proposals must state that all Environmental Attributes⁴ associated with the project, if any, will accrue to the ownership and beneficial use of PSE.

5.3 No Assignment

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

5.4 Conflict of Interest Disclosure

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

5.5 Validity, Deadlines and Regulatory Approval

All proposals shall specify the date through which the proposal is valid. Proposals must also state the dates by which Definitive Agreements must be completed and approved by the boards of directors or other management bodies of PSE and the respondent, and applicable regulatory approvals must be provided to support the proposed project schedule. Respondents should note that Definitive Agreements and/or regulatory approvals for resources to be acquired may not be executed or obtained until some time after the second quarter of 2006 or later, depending on the specific type of resource. PSE may seek regulatory review of its anticipated resource purchases,

⁴ "Environmental Attributes" means generally credits, benefits, reductions, offsets and other beneficial allowances with respect to fuel, emissions, air quality, or other environmental characteristics, resulting from the use of certain resource generation or the avoidance of emissions.



exchanges, or acquisitions as a condition precedent to any transaction. Such regulatory review could include receipt by PSE from the WUTC of approvals and orders, as applicable (for example, through a power cost only rate proceeding), pertaining to and confirming the inclusion of the full amount of any asset purchase price plus PSE's transaction costs and other amounts allocable to the construction, start-up, testing and commissioning of the project, as applicable, in PSE's rate base; such approvals and/or orders to be in form and substance satisfactory to PSE in its sole discretion. In this regard, any proposed price may not be unilaterally changed by the respondent prior to the finalization of such agreements and approvals. It is preferred that the respondent provide proposals that remain valid for a period that allows for negotiation of Definitive Agreements and applicable management and regulatory approvals.

In addition to being subject to the jurisdiction of the Washington Utilities and Transportation Commission, PSE is also regulated by the Federal Energy Regulatory Commission (FERC). FERC's jurisdiction and authority over the activities of PSE are defined in the Federal Power Act and include certain aspects of the acquisition of electric power. In particular, Sections 203 and 205 of the Federal Power Act require: (1) approval by FERC prior to transferring FERC-jurisdictional assets; and (2) certain filings by PSE to support its authorization to sell power and related products at market-based rates.

Pursuant to Section 203 of the Federal Power Act, FERC has approval authority over any acquisition by PSE of public utility facilities subject to FERC jurisdiction. In reviewing filings under Section 203, FERC considers the effect on competition, rates and regulation. FERC's approval of such an acquisition will be based on a finding that it is "consistent with the public interest."

FERC has authorized PSE to sell power at market-based rates pursuant to Section 205 of the Federal Power Act. As a condition of its authority to sell power at market-based rates, PSE must demonstrate to FERC that it does not possess market power in the relevant markets. Acquisition by PSE of generation or power resources may require PSE to demonstrate that it continues to lack market power after the resource acquisition.

Accordingly, PSE will evaluate all proposals in light of the requirements of the Federal Power Act and the effect that such regulatory requirements and review may have on PSE's overall corporate position.

6 Credit Requirements

The respondent should be aware that PSE may require negative control provisions (covenants restricting respondent business practices that could jeopardize respondent's ability to perform its obligations) in the Definitive Agreements that the respondent and PSE might execute in connection with the respondent's proposal, in addition to any that may be included in the prototype Power Purchase Agreement (Exhibit IX), the prototype Exchange Agreement (Exhibit X) or the prototype ownership term sheet (XI).

6.1 PPA Acquisitions (System Power Sales) and Power Exchanges

Investment-Grade Respondents

Respondents with senior unsecured credit ratings of at least BBB- and Baa3 by Standard & Poor's and Moody's Investor Services, respectively, or, alternatively, that receive a credit rating from PSE's credit department equivalent to at least BBB+, or that provide a parent or affiliate guarantee in form and substance acceptable to PSE from a guarantor with senior unsecured

credit ratings of at least BBB- and Baa3 by Standard & Poor's and Moody's Investor Services, respectively, or, alternatively, from a guarantor that is assigned a credit rating equivalent to at least BBB+ by PSE's credit department will be considered Investment-Grade Respondents. Reciprocal credit terms in the Definitive Agreements will include an adequate assurance clause similar to that set forth below.

Adequate Assurance Clause

When reasonable grounds for insecurity arise with respect to the performance of either party (First Party), the other party (Second Party) may in writing demand adequate assurance of the due performance under the Definitive Agreement by the First Party, and the failure of the First Party to provide to the Second Party such adequate assurance of due performance within three (3) business days following the First Party's receipt of the demand shall be deemed to be a material breach of, and an Event of Default under, the Definitive Agreement by the First Party.

Other credit terms, including but not limited to collateral thresholds, ratings triggers and/or similar financial covenants will not apply to PSE but may apply to the Investment-Grade Respondent.

Speculative-Grade Respondents

Respondents with a senior unsecured credit rating equal to or below BB+ and Ba1 by Standard & Poor's and Moody's Investor Services, respectively, or, alternatively, that receive a credit rating from PSE's credit department equivalent to or below BB+, or that provide a parent or affiliate guarantee in form and substance acceptable to PSE from a guarantor with senior unsecured credit ratings equal to or below BB+ and Ba1 by Standard & Poor's and Moody's Investor Services, respectively, or, alternatively, from a guarantor that is assigned a credit rating of BB+ or below by PSE's credit department will be considered Speculative-Grade Respondents.

Other credit terms, including but not limited to collateral thresholds, ratings triggers and/or similar financial covenants will not apply to PSE but will apply to the party-Respondent.

6.2 Generation Project Acquisitions and Project PPA Acquisitions

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

PSE reserves the right to require adequate credit assurances that provide security for, among other things, the value associated with market-based damages for failure to perform, delays in construction, failure to meet minimum availability levels and/or other forms of default or non-performance. Such assurances may include, without limitation, a parent or affiliate guaranty and/or a letter of credit, each in form and substance, for a term and from a parent, affiliate or a financial institution, acceptable to PSE. In the event PSE anticipates that adequate credit assurances may be required from a respondent, PSE reserves the right to request that the respondent reply in writing regarding its intent to provide such credit assurances prior to the beginning of negotiations of any Definitive Agreement.

Additionally, the credit terms explained above in *PPA Acquisitions (System Power Sales) and Power Exchanges* will apply to the wholesale energy portion of Project PPAs.

7 Confidentiality/Disclosure

Respondents are required to provide two (2) signed originals of the Mutual Confidentiality Agreement (Exhibit VII) at least two weeks prior to the proposal due date. PSE will countersign the Confidentiality Agreement and return one fully executed agreement to the respondent.

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

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

8 Contact Information and Submission of Proposals

One sealed original, one electronic copy on CD-ROM and seven bound copies of the proposal, along with all attachments and electronic files shall be submitted via U.S. mail, courier service, or hand delivery to PSE at the address listed below.

All such proposals must be received no later than 5:00 PM Pacific Time on January 13, 2006. Respondents are to provide two signed originals of the Mutual Confidentiality Agreement (Exhibit VII) at least two weeks prior to the submittal due date (see Part II, Section 7).

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

Contact for proposal submittals, questions and requests:

Mr. Roger Garratt, Director of Resource Acquisitions
425-462-3470
425-462-3175 Fax
Roger.Garratt@pse.com

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

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

9 Exhibits

Exhibit I	PSE Monthly Resource Need 2006-2025
Exhibit II	Evaluation Criteria
Exhibit III	Project Summary Data Form
Exhibit IV	Proposal Requirements/Form of Respondent's Proposal
Exhibit V	12x24 Energy Schedule for Wind Resource
Exhibit VI	Template for Financial Pro Forma (suggested)
Exhibit VII	Mutual Confidentiality Agreement
Exhibit VIII	Avoided Cost Schedule
Exhibit IX	Prototype Power Purchase Agreement
Exhibit X	Prototype Exchange Agreement
Exhibit XI	Prototype Ownership Term Sheet

Exhibit I, All Generation Source RFP – PSE Monthly Energy Need

Monthly Energy Need and Peak Deficit

The table below provides the company's monthly energy needs for twenty years. These values are based on PSE's April 2005 Least Cost Plan. Additionally, the 16° Fahrenheit peak capacity deficit is displayed for each year. This is the deficit remaining after assumed generation additions have been made to meet the most energy deficient month in each year.

Table E1.1 PSE's 20-Year Monthly Projections of Energy and Capacity Need

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Peak Deficit	
2006	185	233	124	90	3	0	0	0	0	155	64	94	208	988
2007	236	283	124	102	0	0	0	0	19	174	88	117	263	1,044
2008	274	260	159	0	47	0	0	52	216	125	158	305	1,083	
2009	316	362	197	14	90	0	0	91	255	165	201	360	1,114	
2010	393	439	285	95	170	0	0	150	322	234	285	457	1,277	
2011	553	596	425	230	300	113	15	288	453	368	551	739	1,452	
2012	1,151	1,137	1,028	829	677	807	710	962	1,060	1,000	1,091	1,275	1,545	
2013	1,303	1,344	1,178	1,043	960	1,011	897	1,147	1,243	1,185	1,284	1,471	1,567	
2014	1,496	1,536	1,366	1,161	1,007	1,060	944	1,190	1,297	1,235	1,343	1,527	1,572	
2015	1,551	1,591	1,418	1,207	1,048	1,106	986	1,233	1,340	1,281	1,395	1,583	1,604	
2016	1,607	1,594	1,473	1,256	1,093	1,151	1,023	1,283	1,386	1,328	1,448	1,641	1,576	
2017	1,665	1,706	1,526	1,304	1,140	1,198	1,069	1,331	1,433	1,376	1,612	1,810	1,515	
2018	1,831	1,872	1,634	1,408	1,186	1,246	1,115	1,378	1,470	1,426	1,669	1,871	1,621	
2019	1,959	1,999	1,759	1,534	1,319	1,379	1,247	1,498	1,563	1,526	1,786	1,996	1,700	
2020	2,021	2,014	1,817	1,587	1,366	1,432	1,295	1,543	1,618	1,578	1,848	2,057	1,746	
2021	2,088	2,125	1,877	1,642	1,416	1,484	1,346	1,595	1,670	1,630	1,908	2,124	1,748	
2022	2,154	2,191	1,939	1,698	1,468	1,538	1,392	1,655	1,723	1,685	1,972	2,192	1,778	
2023	2,222	2,259	2,002	1,755	1,522	1,593	1,446	1,710	1,778	1,742	2,038	2,266	1,833	
2024	2,290	2,283	2,066	1,816	1,577	1,647	1,506	1,768	1,829	1,802	2,106	2,337	1,863	
2025	2,365	2,403	2,139	1,888	1,648	1,718	1,568	1,821	1,893	1,865	2,188	2,421	1,884	

Exhibit II, All Generation Source RFP – Evaluation Criteria

Evaluation Criteria		Explanation of Criteria
Compatibility with PSE Resource Need		
	1) Timing	<p>Proposals which offer energy and/or capacity in a time frame consistent with PSE's needs.</p> <p>Proposals which provide substantial assurances of being commercially available in the time schedule proposed are preferred.</p> <p>Proposals which individually and in combination best meet PSE's need for energy and capacity are preferred.</p>
		Proposals that provide flexibility in their development timeline to accommodate PSE's timing needs are preferred.
	2) Resource match to monthly need	Proposals where generation from the underlying generation asset closely match PSE's monthly energy requirements or annual capacity requirements or whose output can be controlled by PSE are preferred over those which rely on shaping through short- or long-term arrangements.
	3) Match to monthly need through contract	Proposals that provide a fixed annual price and shape the underlying generation asset output to PSE monthly energy requirements are preferred.
	4) Operational Flexibility	<p>Proposals which provide PSE control of project output acceptable to PSE to respond to seasonal and real-time fluctuations in load/resource balance and system reliability events are preferred. This includes, for example, dispatch or displacement of the project in real-time and, for jointly-owned projects, the ability for PSE to elect to use for reliability purposes generation output that would otherwise have been displaced by the other owner.</p> <p>Additionally, PSE prefers proposals that provide the ability to carry spinning or non-spinning reserves.</p>
	5) Performance Within Existing PSE Generation Portfolio	<p>Analyses will include such factors as:</p> <ul style="list-style-type: none"> - impact on system reliability - system dispatch and displacement - termination rights - location with respect to the regional transmission system and PSE's electric system - impacts on system reserves, load following, integration costs and other factors
	6) Resource Mix/Diversity	<p>The diversity of resource technology and fuel types will be considered consistent with PSE's Least Cost Plan and the RFP. Specific considerations include:</p> <ul style="list-style-type: none"> - technology type - fuel supply type - fuel supply source - fuel supply reliability including control and deliverability

Exhibit II, All Generation Source RFP – Evaluation Criteria

Evaluation Criteria		Explanation of Criteria
Cost Minimization		
	1) Resource Cost	<p>PSE prefers those proposals which satisfy its other evaluation criteria at the lowest cost throughout the project life, taking into account the price of the proposal and other factors that impact PSE's overall cost.</p> <p>Such factors include, but are not limited to:</p> <ul style="list-style-type: none"> - capital cost - financing cost - operation and maintenance cost - fuel and fuel transportation cost - fixed and variable power purchase agreement cost - transmission cost - ancillary services - integration costs - transmission system upgrades - cost to rebalance debt/equity ratio for imputed debt and consolidated debt - cost of credit facilities - transaction and other management costs, etc.
	2) Transmission	<p>PSE prefers firm delivery of energy to its service area (particularly at points on its system at which the deliveries may be effected and used to serve load with no or limited transmission congestion).</p> <p>In the absence of assurance at the time of proposal of such firm delivery, PSE prefers proposals that provide a high likelihood of acquiring adequate transmission rights to such points.</p> <p>Proposals that do not include firm transmission to such points, that would produce congestion or that would increase PSE's transmission costs will be compared unfavorably with other proposals and/or will be assessed the additional cost to PSE as part of the evaluation process.</p>
	3) Portfolio Cost Impact (for proposals that make the preliminary shortlist only)	<p>Proposals and combinations of proposals that result in the lowest impact on PSE's revenue requirements and rates when included in PSE's existing generation resource portfolio are preferred.</p>

Exhibit II, All Generation Source RFP – Evaluation Criteria

Evaluation Criteria		Explanation of Criteria
Risk Management		
	1) Status & Schedule	<p>All other things being equal, PSE prefers operating projects first, projects under construction second, and development projects third.</p> <p>With respect to development projects, proposals that demonstrate that the respondent has the experience and financial resources to complete the project and has made significant progress in securing necessary permits, property rights, equipment, regulatory approvals, water rights, wastewater and disposal rights, project agreements and all other rights or arrangements necessary for a completely commercially operational project within the time proposed for commercial operation are preferred.</p>
	2) Price Volatility	Proposals that provide significant long-term control of fixed and variable costs are preferred.
	3) Resource Flexibility and Stability	<p>Proposals that provide flexibility to expand to meet PSE's growing needs as required are preferred.</p> <p>Proposals that include project agreements and all other rights and arrangements coterminous with power purchase delivery periods or project life are preferred.</p>
	4) Resource Technology	<p>Proposals that are based on commercially proven technology with demonstrated long-term reliability and performance history are preferred.</p> <p>Proposals that are based on technologies whose output may be controlled are preferred.</p>
	5) Long-term Flexibility	Proposals that provide PSE the flexibility to adjust its position in a resource long term up to and including termination are preferred.
	6) Project Risk	<p>Proposals that involve minimal risk for timely plant completion within cost projections are preferred.</p> <p>Proposals that minimize exposure to environmental risk or other potential liability are preferred.</p>

Exhibit II, All Generation Source RFP – Evaluation Criteria

Evaluation Criteria		Explanation of Criteria
Risk Management (Cont'd)		
	7) Impact on PSE's Overall Risk Position (for proposals that make the preliminary shortlist only)	<p>Proposals and combinations of proposals will be evaluated to determine the impact of the proposal(s) on PSE's overall risk position with respect to PSE's generation portfolio.</p> <p>Risk scenarios will include such factors as hydroelectric production variation, wind generation variability, fuel price volatility, and power market price volatility.</p> <p>Additional risk scenarios will examine the correlation between fuel prices and power market prices, and alternative market price scenarios. Other considerations will include exposure to transmission congestion and costs.</p> <p>All other factors being equal, PSE prefers proposals that result in lower generation portfolio performance risk.</p>
	8) Environmental and Permitting Risk	Proposals will be evaluated considering their status in acquiring needed permits and the risk associated with future environmental regulation and taxes, including greenhouse gas emissions.
	9) Respondent Risk	PSE will consider the information received in response to RFP Part II, Section 5 and Exhibit IV, Sections 6, 7 and 8 in determining risk associated with the financial condition of and performance by a respondent and any third parties depended upon by respondent. Lower-risk respondents are preferred.
	10) Ability to Deliver as Proposed (Development Status & Schedule)	Information submitted by respondents in response to Exhibit IV, Section 9 will be used to evaluate the ability of the respondent to meet the commercial operation date proposed.
	11) Ability to Deliver as Proposed (Experience & Qualification of the Project Team)	An important consideration in judging the ability of a respondent to provide a commercially operable project in the time frame proposed is the experience and qualifications of the entire project team as further detailed in Exhibit IV, Section 10. PSE will use the information that is provided in response to Exhibit IV, Section 10 to evaluate the respondent team for this criterion. PSE prefers providers that have proven track records.
	12) Status of Transmission Rights	<p>The ability to transmit power from the project site to one or more points on PSE's electric system is a requirement (particularly to points on its system at which the deliveries may be effected and used to serve load with no or limited transmission congestion).</p> <p>PSE will use information provided in Exhibit IV, Section 5 of the RFP, and if necessary the PowerWorld software tools, to assess whether and to what extent the required transmission will be available and whether and to what extent the necessary transmission paths are subject to constraint.</p>
	13) Managerial Control	PSE prefers proposals that provide control of key elements of the value chain.

Exhibit II, All Generation Source RFP – Evaluation Criteria

Evaluation Criteria		Explanation of Criteria
Risk Management (Cont'd)		
	14) Security & Control	Proposals that supply firm, fixed price fuel supply are preferred. Proposals that provide for other methods of managing price volatility will be favorably considered. Proposals that supply firm energy and capacity are preferred.
	15) Federal Regulatory Approvals	Proposals will be evaluated to determine the effect of any federal regulatory approvals that would result from accepting the proposal, including, but not limited to, requirements under Sections 203 and 205 of the Federal Power Act. Proposals that eliminate or minimize the effect of any such federal regulatory approval are preferred.

Evaluation Criteria		Explanation of Criteria
Public Benefits		
	1) Environmental Impacts	Proposals with lower environmental impacts are preferred. Environmental impacts refer to the full range of issues evaluated in an environmental impact statement (EIS) or environmental assessment (EA). PSE will further consider the environmental impacts of a proposed acquisition. PSE will consider information supplied in response to Exhibit IV, Sections 2, 4 and 11.
	2) Resource Location	Proposals that are located such that they provide benefits to the regional and PSE transmission systems or require minimal or no transmission upgrades are preferred. Proposals that are not dependent upon constrained transmission or fuel transportation paths are preferred. Proposals that are located such that they are within PSE's control area are preferred.
	3) Community Impacts	Proposals that demonstrate support from public, local, state and federal government entities and Native American nations, if applicable, as well as other stakeholders, are preferred.

Exhibit II, All Generation Source RFP – Evaluation Criteria

Evaluation Criteria		Explanation of Criteria
Strategic & Financial		
	1) Capital Structure Impacts	<p>PSE's quantitative analysis will impute the anticipated equity cost needed to offset any adverse effects on its capital structure associated with accounting requirements (e.g., FIN 46R) that may require PSE to consolidate the respondent's balance sheet.</p> <p>All else being equal, PSE prefers proposals that avoid risks associated with the potential of PSE having to consolidate the respondent's financials with PSE's (e.g., pursuant to FIN 46R).</p>
		<p>All else being equal, proposals are preferred that would not increase PSE's exposure to adverse impact on its financial position (e.g., by requiring PSE to impute debt, to account for the transaction as a lease (e.g., under SFAS 13), to account for or report the transaction as a financial derivative transaction (e.g., pursuant to SFAS 133), by otherwise adversely affecting PSE's financial leverage, operating leverage, credit rating, cash flow, income statement or balance sheet, or by imposing credit requirements or increasing liquidity risk).</p>
	2) Future Exposure to Environmental Regulations and/or Taxes.	<p>Proposals for resources with lower potential exposure to future environmental regulations and/or taxes are preferred.</p>
	3) Guarantees & Security	<p>PSE will consider the information provided in response to Exhibit IV, Section 7 of their proposal in determining whether it will require any additional guarantees or credit support pursuant to Part II, Section 6 of this RFP.</p> <p>All else being equal, PSE prefers proposals that do not require PSE to post collateral. If posting of collateral is required, PSE's quantitative analysis will include an estimated cost of credit for those proposals.</p>

Exhibit III, All Generation Source RFP -- Summary Data

Respondent shall complete the template below (all 3 tabs) and return it to PSE as part of their proposal submittal. As described in RFP Part II, Section 8, submission guidelines call for 7 bound copies and one electronic (CD) copy. Note that the CD version must contain a completed copy of this template in Excel format. The template is available for download at the following web address: <http://www.pse.com/About/Supply/AllSourceRFP>.

General Information	
Primary Contact	
Contact Name	
Name of Company	
Address	
Phone	
E-mail	
Alternate Contact	
Contact Name	
Name of Company	
Address	
Phone	
E-mail	
Project	
Project Name	
Location	
Developer(s)	
Owners(s)	
Expected Date to Begin Construction	
Expected Commercial Operation Date	
Proposed Commercial Arrangement	
Asset Purchase and Sale Agreement	
Power Purchase Agreement	
Exchange Agreement	

Exhibit III, All Generation Source RFP -- Summary Data

Technical Information	
Proposal Technology Type (e.g. gas turbine combined cycle, hydro,	
Nominal Capacity (in MWs) of Generation Source; number and size of units	
Incremental capacity (e.g. duct fire) in 10 minutes, if applicable	
Estimated Annual Energy (aMW)	
Capacity Factor (%)	
Winter (Nov-Feb) Energy Production (aMW)	
Heat Rate (Btu/kWh, HHV) at ISO conditions	
Expected Equivalent Availability Factor (%)	
Expected Annual Forced Outage Rate (%) (This should include only forced outages and unplanned maintenance)	
Expected Average Annual Planned Maintenance Requirements (days/ year)	

Operational Information			
Start up time for hot, warm and cold starts (hours)			
	Hot	Warm	Cold
Minimum on-line time (hours)			
Minimum down time (hours)			
Minimum operating load (MW)			
Heat rate (Btu/kWh)			
	Minimum	Base Load	Off Peak
Ten-minute start capability? (Yes/No) If yes, please complete below.			

Exhibit III, All Generation Source RFP -- Summary Data

Unit Load Reserve Capability			
Unit Load (MW)	Fuel Rate (\$/Btu)	Heat Rate (Btu/kWh)	Efficiency (%)
0:00			
0:01			
0:02			
0:03			
0:04			
0:05			
0:06			
0:07			
0:08			
0:09			
0:10			

Fuel Supply			
Fuel Requirements at Nominal Capacity			
	100 Btu	1000 Btu	10000 Btu
Fuel Type (primary fuel and backup, if any)			
Fuel Transportation (e.g. pipeline, rail, truck, etc)			
Is Transportation Secured? %?			

Interconnection and Transmission	
Interconnection Point	
Point of Delivery	
Transmission Provider(s)	
Transmission Secured?	

Exhibit III, All Generation Source RFP -- Summary Data

Permits	
Permits and approvals that have been received	
Permits still outstanding	
Other	
Other Matters of Note	

Exhibit III, All Generation Source RFP -- Summary Data

Cost Information	
Capital Costs (Total \$)	
Estimated EPC Capital Cost (based on Nominal Capacity)	
Interest During Construction	
Other Financing Costs	
Taxes	
Development Fee	
All Other Capital Costs (including real estate, development, permitting, transmission interconnection and system upgrade costs)	
Operating Costs (Total \$ and \$/MWh)	
Estimated Fixed Annual O&M Cost and Escalation	
Estimated Variable O&M Cost and Escalation	
Estimated Annual Fuel Cost and Escalation	
Estimated Annual Property Taxes and Escalation	
Estimated Annual Insurance and Escalation	
Other Annual Operating Costs and Escalation (include all taxes)	
Transmission Estimated Annual Cost (Total \$ and \$/kW)	
Power Purchase Agreement Price and Proposed Escalation	
Exchange Agreement Price	

Exhibit IV, All Generation Source RFP – Proposal Requirements

Request for Proposals

from

All Source Generation Suppliers

for

Electric Energy

Exhibit IV – Proposal Requirements

Exhibit IV, All Generation Source RFP – Proposal Requirements

Proposal Requirements

Mutual Confidentiality Agreement, Exhibit VII must be submitted two weeks in advance of proposal due date.

PSE requests that respondents submit their proposal in the following format:

Table of Contents

Section 1	Summary Data Sheet (Exhibit III)
Section 2	Project Description
Section 3	Fuel Supply
Section 4	Emissions
Section 5	Interconnection and Transmission
Section 6	Price
Section 7	Legal and Financial
Section 8	Accounting Regulations
Section 9	Experience and Qualifications of the Project Team
Section 10	Environmental Inspections, Orders, Suits and Information Requests
Section 11	Development Status and Schedule
Section 12	Other Requirements (Section 5 of the RFP document)

List of Attachments

Exhibit IV, All Generation Source RFP – Proposal Requirements

1 Summary Data Form (Exhibit III)

2 Project Description

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

2.1 Project Location and Size

- Identify the site where the project will be located. Provide a map showing the location of key facilities. Show anticipated placement of all project facilities. Include a map that indicates the location of the transmission line with which the project will be interconnected.
- Describe the project size (in acreage) and the land area controlled relative to the project facilities. If the project can be expanded, please describe the potential scope and conditions for additional development at the site.
- Provide a list of leases, easements, and/or other ownership documents that demonstrate that the respondent has control of the intended project properties and the legal rights to construct, interconnect, operate and maintain the project as described.

2.2 Site Description

Provide a description of the site, including flora and fauna, proximity to inhabited structures, proximity to areas that may be sensitive from an environmental, cultural, commercial, security and any other perspective.

2.3 Project Capability, Availability and Heat Rate

- Provide the nameplate capacity and net capacity (in MW). If the project can be expanded, please describe the potential scope and conditions.
- Provide the net capability rating and net heat rates at full load, 90%, 80%, 75%, 50% and minimum sustainable load. If output will vary with ambient temperature, respondents shall specify the net capacities and net heat rates at average annual site conditions and 95°F, 80°F, 40°F, and 20°F. Include any must run information as appropriate.
- Include the estimated annual unit availability and any guaranteed minimum annual availability and level of production.
- In an Excel spreadsheet and graph, show the distribution of the expected annual and monthly output of the project (in MWh) including heavy load hour and light load hour production.
- As applicable, provide typical hourly energy production from the project for a one-year period in electronic format. This will be used to evaluate the hourly variability of the resource.

2.4 Operating Limits

- Describe any limits imposed on the number of startups that may be performed per year or per unit of time, any limits on the number of hours that a unit may be operated per year or unit of time, and any minimum run times or ramp rates. Regulatory constraints must also be stated, including operating constraints that are either implicitly or explicitly embedded in the permit application or final permit conditions.
- Provide any existing or proposed procedures for, or limitations on, dispatching or displacing the project (or individual units, if applicable), on a prescheduled basis or in real time, throughout its full operating range, for economic reasons or for system reliability.
- Provide startup time for cold, warm, and hot starts including respondent's definition of those terms. Include, in tabular format, the ramp profile for each of these cases. Respondent shall also specify any specific costs associated with unit startups.

Exhibit IV, All Generation Source RFP – Proposal Requirements

- Include a description of the AGC ramp rate (rate at which the unit responds to frequency changes while on control (MW/minute)), normal ramp rate (rate at which the unit can increase output while on manual control (MW/minute)), and emergency ramp rate (rate at which the unit can increase output only for emergency situations (MW/minute)).

2.5 Generation and Pollution Control Technology

- Specify the type of generation equipment and provide a description, including the manufacturers of major equipment, date of manufacture or age of major equipment, hours of operation and major maintenance performed for any previously owned/operated equipment.
- Include type of heat rejection equipment (cooling towers, ponds, etc.) and manufacturer, age, hours of operation and major maintenance, as applicable.
- Specify the type of pollution control equipment, manufacturer, age, hours of operation and major maintenance, as applicable.
- State the terms of warranties and/or guarantees on major equipment.

2.6 Permitting

- Identify any required environmental siting permits, wastewater disposal permits, air permits, or waste disposal permits.
- Describe source of process and/or cooling water, wastewater disposal plan, equipment and underlying contracts or permits for wastewater services.
- Outline waste disposal plan, if applicable, and indicate underlying contracts or permits for waste disposal.

3 Fuel Supply

For proposals that are dependent upon a fuel source such as natural gas, coal, biomass, or others, respondents may propose a long-term stable price and firm supply of fuel. Any proposal for fuel supply must be made in conjunction with a specific proposal that satisfies the criteria of this RFP (i.e., stand-alone or independent fuel supply proposals do not meet such criteria). Also, any such fuel supply provisions should be optional, to be included at PSE's election during the proposal selection process. If the price is "indicative", then an explanation of how the price would move up or down during the process should be included in the proposal.

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

3.1 For proposals dependent on Natural Gas supply to be acquired and managed by the Respondent, please:

- Identify the maximum hourly and daily gas requirements of the plant at its rated capacity.
- Identify the location of the proposed pipeline interconnect and/or lateral.
- Provide a description of the pipeline interconnect, lateral facilities (size, length, etc.) and compression facilities.
- Provide an estimate of costs of the pipeline interconnect, lateral facilities, and compression facilities.
- Identify whether or not such costs are included in the bid price.

Exhibit IV, All Generation Source RFP – Proposal Requirements

- Describe the supply plan (source, terms, pipeline route, etc.).
- Identify all pipeline capacity contracts that support the provision of firm transportation to the plant.
- Identify all gas supply contracts that support the provision of firm gas to the plant.
- Identify the type and quantity of back-up fuel on site, if relevant.

3.2 For proposals dependent on Natural Gas supply to be acquired and managed by PSE, please:

- Identify the maximum hourly and daily gas requirements of the plant at its rated capacity.
- Identify the minimum and maximum gas pressure requirements at the plant inlet.
- ~~• Identify the location of the proposed pipeline interconnect and/or lateral.~~
- Provide a description of the interconnect and/or lateral facilities (size, length, etc.).
- Identify the minimum and maximum gas pressure commitments provided by the interconnecting pipeline at the interconnect facilities.
- Provide an estimate of capital costs and annual operating costs of the pipeline interconnect and/or lateral facilities.
- Identify whether or not the costs of the pipeline interconnect and/or lateral facilities are included in the bid price.
- Identify whether compression will be required given the pipeline pressure commitments.
- Provide an estimate of compression capital and operating costs.
- Identify whether or not the costs of the compression are included in the bid price.
- Identify and describe all pipeline capacity contracts included in the bid price.
- Identify and describe all gas supply contracts included in the bid price.
- Identify and describe any pipeline capacity contracts that are available through the respondent (but not included in the bid price) and the pricing available for such contracts.
- Identify and describe any gas supply contracts that are available through the respondent (but not included in the bid price) and the pricing available for such contracts.
- Identify and describe any gas supply pricing options available through the respondent or known by the respondent to be available through another party that, if exercised, would have the effect of reducing the volatility of the pricing of the gas supply.
- Identify the type and quantity of back-up fuel on site, if relevant.

3.3 For proposals that use Wind:

- Provide the location of all anemometers used for wind resource assessment and the locations of all turbines or proposed turbines on a site topographic map.
- Provide a table illustrating the measurements made at each on-site anemometer. Include the parameters measured at each height, the date each mast was commissioned, the date each mast was decommissioned, the data recovery rate from each instrument, and the period of record used for the wind resource assessment.
- Describe the method of estimating the long-term energy resource characteristics of the site. If an off-site, long-term record or other technique, such as a long-term numerical modeling study, is used for the adjustment, provide details of the correlation or other study method and indicate the amount that such method raised or lowered an energy estimate based on on-site data alone.
- Provide a summary report of the energy estimate for the site, whether by independent meteorological consultant or in-house analysis. If in-house resources are used, provide a summary of qualifications of the organization and résumé of the analysts for performing such work.

Exhibit IV, All Generation Source RFP – Proposal Requirements

- Provide a table which quantifies the adjustment factors used to adjust a gross energy estimate to the net energy estimate. Include estimates for the following:
 - adjustment of on-site data to reflect a projected long-term resource
 - topographic adjustments
 - array (wake) losses
 - electrical losses between the turbines and the point of project revenue metering, and specify clearly the point of metering (e.g., on the low side of the project transformer, or the point of interconnection with the transmission provider)
 - availability
 - icing and blade degradation
 - high wind hysteresis
 - substation and infrastructure maintenance
 - utility system downtime
 - power curve adjustment
 - wind sector management
- Wind turbine supply:
 - Indicate the preferred wind turbine vendor or vendors.
 - Describe the status of the turbine vendor review of the site plan.
 - Indicate the status of negotiations with the turbine vendor(s), including the date of the most recent pricing proposal and the date through which the vendor's proposal remains valid.
 - Describe the operations, maintenance, and warranty plans, and estimated costs.
- Provide the indicative site annual mean wind speed at hub height.
- Provide the projected average net output in MWh in an Excel a 12x24 matrix; that is, for each hour of each month, indicate the number of MWh expected to be generated in a typical hour. (See Exhibit V for suggested format.)
- Provide in Excel a representative year of energy production for each of 8760 hours of the MWh expected to be produced in each hour. The 8760 hours should be representative of the expected long-term behavior and therefore be consistent with the 12x24 matrix.
- In a table, a graph, and in Excel, provide a typical annual hub-height wind speed distribution in 0.5 m/s intervals. Such distribution should be consistent with the energy data supplied pursuant to the above requests.

3.4 For proposals that use Solid Fuel:

- Provide the following fuel specifications: fuel type, heat content, moisture content, sulfur content, ash content, ash fusion temperature and a description of any pre-use processing or conditioning required to make the fuel usable.
- Describe the type(s) and source(s) of the fuel. Is fuel source dependent on other contracts or purchasers?
- Describe the fuel procurement plan in terms of the percentage of total fuel that will be procured from the spot market versus total fuel that will be procured under a contract term of 5 years or longer.
- Describe the fuel transportation/supply plan, including all railroad(s), truck routes, quantities, and frequencies. Explain any highway or rail improvements that may be necessary to accommodate proposed transportation plan, such as paving, bridges, new rail spurs, etc., as well as plans for accomplishing such improvements.
- Identify all rail carriers and describe the status of any transport negotiations or agreements, including any known or anticipated freight rates.

Exhibit IV, All Generation Source RFP – Proposal Requirements

- Describe any governmental approvals or permits required to complete fuel supply and transport.

3.5 For proposals that use Hydro:

- Provide the water exceedence curve.
- Provide a general description of the project and the project area. Include environmental factors such as the known or expected presence of protected, endangered or economically important fish and wildlife.
- Include a statement as to the availability of water rights for the project and the nature of any potentially conflicting uses.
- Include the number, type and characteristics of proposed or existing turbines including efficiency curves, minimum, most efficient and maximum generation outputs and the corresponding turbine discharges.
- Provide an estimate of the average generation expected to be produced for at least a thirty-to fifty-year time period, including a spreadsheet showing the total expected generation by month, for each year of the time period used.
- Include a hydrological record, observed or synthesized, showing the total daily average flows available each day for the period of record cited above and including flow duration curves for daily flows by month, for the period of record used.
- Describe any known or likely flow constraints (such as minimum instream flows for fish, wildlife, aesthetics or other purposes) that would affect overall water availability or constrain facility operations (such as minimum turbine releases or ramping rates).
- For those projects where a synthesized hydrological record has been used, please provide a description of the methodology used to create and calibrate the record. For those projects where observed flow records are used, please provide the source of the information and a brief description of how the record was collected.
- For those projects employing a reservoir, please provide a physical description of the reservoir and its expected operation. Indicate any known or anticipated constraints on its water surface elevations and operation.

4 Emissions

Include estimates of emissions (air, liquid and solid wastes) in pounds per hour per pollutant and/or waste product at 100% load and tons per year per pollutant and/or waste product at a specified capacity factor as selected by the respondent. Any limits on emissions must be stated.

For each unit boiler or combustor (combustion turbine or reciprocating engine):

- Describe raw materials used in process.
 - Describe primary and secondary fuel type and consumption (mass flow rate/hr/day/year). Specify natural gas, propane, waste gas (landfill gas, sewage digester gas, process gas), gasoline, coal, coke, biomass, waste-derived fuel, syngas, kerosene (#1 fuel oil), diesel (#2 fuel oil), or residual fuel (#6 fuel oil).
 - Estimate how many million cubic feet of gaseous fuel or thousands of gallons of liquid fuel will be burned annually. Alternatively, specify how many billion Btu/yr.
 - Specify upper heating value or heat content of any gas or syngas burned (Btu/Million ft₃).

Exhibit IV, All Generation Source RFP – Proposal Requirements

- Include chemical composition of any waste gas or process gas burned (% , ppmv). Specify the principle components in percent, and the trace constituents (H₂S, ammonia, hydrogen chloride, vinyl chloride, etc.) in parts per million by volume.
- Describe unit technologies and specific manufacturer-provided data including:
 - List rated heat input (MMBtu/hr). The heat input is equal to the maximum fuel firing rate times the upper heating value of the fuel.
 - Specify heat rate (Btu/kWh) and include the output (MW) at base and peak loads.
 - List stack exhaust flow rate (scf/min), exhaust temperature (F), exhaust stack height and diameter.
 - List make and model of unit. Specify the date when the boiler or combustor turbine or reciprocating engine was built by the manufacturer.
 - Describe the type of internal combustion engine. For turbines, specify the operating cycle (simple, regenerative, cogeneration, or combined) and the type of combustor (annular, can-annular or silo). For reciprocating engines, specify the ignition system (compression or spark ignition), the air scavenging cycle (2-stroke or 4-stroke), the fuel delivery system (injection or carburetor), the air-to-fuel ratio (rich-burn or lean-burn), the total cubic inch displacement and the number of cylinders. For steam cycles, specify combustor type, operating temperature and pressure, steam flow rate, and any pre- or post-combustion emission control devices.
 - Describe preventive maintenance including, but not limited to, the periodic maintenance recommended by the manufacturer and its frequency.
 - Describe emission rates under different fuels and different run rates as appropriate. Estimate the emissions of each pollutant and include your calculations. Include all criteria pollutants (NO_x, SO₂, CO, PM, VOC, CO₂) and any toxic air pollutants. Provide projected lbs/hr and ppm; potential to emit at 8760 hours per year in tons per year. Emissions should be based on the manufacturer's warranties or measurements. For other pollutants, use emission factors from <http://www.epa.gov/ttn/chief/ap42/index.html>.
- Include Flow Diagram of Unit:
 - Flow diagram may be schematic. All equipment should be shown with existing equipment so indicated.
 - Show flow diagram of process starting with all raw materials used.
 - If more than one process is involved to generate energy, show each process and where they merge.
 - Indicate all points in process where gaseous liquid or particulate pollutants are emitted.
 - Show pick up and discharge points for handling or conveying equipment.
- Describe emission controls, including:
 - For all submittals, include type, manufacturer, technology methods, degree of redundancy or spares, pollutant removal rates or efficiencies include pre- and post-emissions in ppm and lb/hr, emission rate guarantees by manufacturer, expected maintenance schedule and costs (including consumables).
 - For combustion turbines, specify if using water or steam injection, dry controls such as 2-stage lean/lean or 2-stage rich/lean (DLN, DLE, SoLoNO_x) combustors, or add on controls such as selective catalytic reduction or other catalytic reduction systems (SCONOX, XONON).
 - For reciprocating engines, specify if using exhaust gas recirculation, ignition timing retard, pre-ignition combustion chambers, air-to-fuel ratio adjustments, engine derating, nonselective catalytic reduction (3-way catalyst), or selective catalytic reduction.

Exhibit IV, All Generation Source RFP – Proposal Requirements

5 Interconnection and Transmission

5.1 Planned Interconnection

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

- Interconnection requests along with the date of the requests
- Feasibility studies
- System impact studies
- Facility studies
- Required upgrades
- Interconnection and related agreement(s)
- List of affected systems
- Potential alternatives to interconnection arrangements, if any
- Information to identify persons at the interconnecting utility who may be contacted by the review team
- One-line diagram of the interconnection

Based on the identified interconnection point to the Northwest transmission system, discuss all related construction plans, status and schedule for any required interconnection facilities, network upgrades, affected system upgrades and distribution upgrades including:

- New lines and facilities
- Line and facilities upgrades
- Switchyards and substation work required to complete the interconnection
- Metering and communications, both by the developer and the interconnecting utility
- Easements, rights of way, or property controlled for any new transmission facility or otherwise to interconnect the project

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

5.2 Planned Transmission Services

Please provide status of transmission service and ancillary services secured and/or requested by respondent including, but not limited to:

- System impact studies
- Facility studies
- Expected availability of the transmission
- Detailed cost estimates of transmission services with supporting detail
- Loss factor from each transmission provider

Exhibit IV, All Generation Source RFP – Proposal Requirements

- Availability of credits against transmission costs from the transmission provider for the capital costs of upgrades
- Information to identify representatives of the transmission provider who may be contacted by the review team concerning transmission arrangements
- Also include copies of any completed studies performed by and agreements signed with the applicable transmission providers. Provide all other information/correspondence obtained from those transmission providers as a result of interconnection and transmission requests and discussions that have been held to date. In the absence of formal studies, any information available concerning transmission/interconnection availability, costs and reliability should be provided with as much supporting documentation as possible. In any event, all available information should be provided regarding whether and to what extent firm transmission will be available, whether and to what extent the necessary transmission is subject to constraint, and the projected cost of relieving any transmission constraints.
- For remote and long lead-time resources such as wind or coal, which may require a long-term transmission solution, creative options may be proposed and will be considered. The developer may provide its own capital and transmission solution, or may work with PSE to determine how best to develop the needed transmission. Options could include participant funding to build transmission or the issuance of a separate RFP for transmission.

5.3 Delivery Points

PSE's acceptance of the delivery of project energy and capacity at the respondent-proposed Interconnection Point or at PSE's system will depend in part on the project meeting all of the required interconnection standards. PSE prefers delivery to its system, particularly at points on its system at which the deliveries may be effected and used to serve load with no or limited transmission congestion, with the respondent assuming responsibility for firm transmission on third-party transmission systems to effect delivery.

Constrained

Custer Substation 230 kV
Bellingham Substation 115 kV
Sedro Woolley Tap 230 kV
Beverly Park Substation 115 kV
Monroe Substation 230 kV
Northwest Market Hub (Mid-Columbia)

Less Constrained

Maple Valley Substation 230 kV*
Christopher Tap 230 kV*
Covington Substation 230 kV*
White River Substation 230 kV
C.W. Paul Substation 500 kV
Olympia Substation 230 kV*
Kitsap Substation 115 kV*
Fairmont Substation 115 kV

* Most favorable delivery points

In its evaluation of proposals that exclude delivery to PSE's system, PSE will include an assessment of the likelihood of acquiring adequate transmission rights and a quantification of the costs to deliver project output to PSE.

6 Price

6.1 Generally

- Price proposals must specify fixed and variable payments, escalation rates to be applied if any, and all other pricing information necessary for PSE to fully evaluate the proposal.
- PSE's overall weighted average cost of capital of 8.4% will be used in the quantitative evaluation of resource offers.

Exhibit IV, All Generation Source RFP – Proposal Requirements

- Respondents should be aware that the prototype power purchase agreement, the prototype exchange agreement and the term-sheet for PSE's purchase of an interest in a project (Exhibits IX, X and XI, respectively), as applicable, will be the basis for any potential Definitive Agreement with PSE.
- As an option, respondents are requested to provide a proposal which requires respondent to fully assume the present and future costs of environmental mitigation required under existing or future local, state, or federal law. If provided, such proposal should specify the environmental risks that the respondent is assuming and the cost for assuming each one. Failure to provide such an alternative will not disqualify the respondent; however, if the respondent elects not to provide a proposal for assuming such risks, PSE requests that an explanation as to the reason be provided. Also, any such environmental risk provisions should be optional, to be included at PSE's election.

6.2 Power Purchase Agreements

For Power Purchase Agreements, respondents should provide the following information at a minimum, as applicable.

- A stable price per kWh for energy and any environmental attributes produced.
- Fixed annual or monthly payments associated with operation, maintenance and ownership costs
- Fixed plus variable cost payments
- A combination of the above or other suitable alternatives that may be proposed
- All other things being equal, PSE prefers a pricing structure that closely mirrors the actual cost structure of the project. In this way, the developer's and PSE's interests with respect to scheduling and dispatch would be aligned.
- In addition to the project pricing, please provide a schedule of termination amounts, based on the year in which termination occurs for each contract year of such Power Purchase Agreement based on the assumption that upon a notice of termination provided by PSE and PSE's exercise of such election, Seller shall immediately transfer to PSE (i) all of Seller's rights, title and interests in and to the Project (including all project equipment), the Permits, all rights of Seller to real property included in or benefiting the Site and (ii) all of Seller's rights, title and interests in, to and under any agreements related to the Project to which Seller is a party.

Respondents should be aware that the quantitative cost screening of proposals received in response to the RFP will include costs associated with delivering the energy to PSE's system as well as the costs associated with financial and accounting regulations. An imputed debt component will be calculated for all PPAs pursuant to the methodology of the Standard and Poor's rating agency, as described below:

Calculating Imputed Debt for PPAs

The debt rating agencies consider long-term take-or-pay and take-and-pay contracts debt-like in nature and have historically capitalized these obligations on a sliding scale known as a "risk spectrum." Hence there is a cost associated with issuing equity to rebalance the Company's debt/equity ratio in response to imputed debt if PSE is to maintain a current credit rating. Imputed debt in the Least Cost Plan and in the evaluation of responses to the RFP is calculated using a similar methodology to that applied by the Standard and Poor's ("S&P") rating agency. The calculation begins with the determination of the fixed obligations that are equal to the actual demand payments, if so defined in the contract, or 50% of the expected total contract payments. This yearly fixed obligation is then multiplied by a risk factor. PSE's current contracts have a factor of 30% along the S&P "risk spectrum." Imputed debt is the sum of the present value (using a 10% discount rate and a mid-year cash flow convention) of this risk-adjusted fixed obligation. The cost of imputed debt is the equity return on the amount

Exhibit IV, All Generation Source RFP – Proposal Requirements

of equity that would be required to offset the level of imputed debt to maintain the Company's capital and interest coverage ratios.

Sensitivity of Imputed Debt Cost

The cost impact of imputed debt on power purchase agreements varies with the term of the contract, the proportion of the PPA associated with demand payment, and with the escalation of the PPA rate or demand payments. Assuming a flat, un-escalated PPA rate and PSE's allowed cost of capital, the imputed debt cost will increase the levelized cost of the PPA by approximately 3.3% on a 3-year PPA, 4.8% on a 5-year PPA, 7.9% on a 10-year PPA and 12.5% on a 20-year PPA.

6.3 PSE Ownership

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

- Purchase by PSE of the development rights at the completion of the development stage with design, procurement and construction being the responsibility of PSE with the possibility of a limited continuing role for the respondent
- Outright purchase and operation of the project by PSE at the date of commercial operation (respondent to provide training to PSE operating personnel)
- Joint development and ownership by PSE and the respondent
- Purchase of the project by PSE with respondent having principle responsibility for continued development and operation
- Purchase of the project by PSE at commercial operation with operation by the respondent for a specified time period during which time respondent would provide training to PSE operating personnel
- A combination of the above or other alternatives that may be proposed by the respondent
- As an option, respondents are requested to provide a proposal which requires respondent to fully assume the present and future costs of environmental mitigation required under existing or future local, state, or federal law. If provided, such proposal should specify the environmental risks that the respondent is assuming and the cost for assuming each one. Failure to provide such an alternative will not disqualify the respondent; however, if the respondent elects not to provide a proposal for assuming such risks, PSE requests that an explanation as to the reason be provided. Also, any such environmental risk provisions should be optional, to be included at PSE's election.

7 Legal and Financial

At a minimum, the proposal should contain the following information:

- A description of the structure and status of the project financing, the significant conditions on which the financing depends and the milestones that need to be achieved to secure both construction and term financing (as required) to support the project schedule
- Identification and contact information for all legal advisors, financial advisors and capital providers (debt and equity) for the project to the extent now known or anticipated
- A description of the project structure and capitalization during the development, construction and commercial operation phases. Describe all anticipated credit support arrangements and appropriate parental, subsidiary and venture relationships pertinent to the proposal.
- A description of any dependence of respondent on another entity, e.g., a fuel supplier or a steam host
- A deal diagram that shows all contractual parties, listed by their legal names, and their relationship with the project

Exhibit IV, All Generation Source RFP – Proposal Requirements

- Commitment letters or letters of undertaking from corporations, investment bankers and/or commercial bankers indicating that the project has or is able to obtain the construction and permanent financing it will require. Describe any caveats and conditions to financing commitments that such parties may require.
- The qualifications of such parties to provide, arrange or assist in obtaining necessary financing and credit support arrangements
- Audited financial statements, if available, or if unavailable, unaudited financial statements for the most recent 12-month period for all entities, including affiliates involved in the proposed transaction and all entities that may provide credit support, credit enhancement, surety bonds, guarantees, or other security. This information is intended to provide an indication of the ability and willingness of the respondent to negotiate in good faith (and to cause its lenders and equity partners to do the same). The types of financial and control requirements PSE may require are listed in the Evaluation Criteria in Exhibit II.
- Clear identification of the respondent's investment advisor. The use of the term "financial advisor" or "investment advisor" in this RFP refers to third-party advisors, such as investment bankers or others assisting the project developer in the placement of debt and/or equity financing. If a proposal is selected by PSE for further discussion and possible negotiation towards a Letter of Intent and potentially a Definitive Agreement, PSE will require that the investment advisor be available to meet and discuss with PSE all aspects of project financing.
- A summary of the major project capital and operating expenses and documentation to support the reasonableness of the projections referred to below, including an itemized budget with a breakdown of projected capital costs, and operating and maintenance costs and a breakdown of all costs associated with site acquisition and improvement, permitting, project construction, testing and commissioning, compliance with environmental and other applicable federal, state, or local regulations, security, and routine operation and maintenance activities.
- Pro forma financial projections showing the project cash flow, income statement, and balance sheet, sources and uses of funds, construction draw schedule, and including all financing assumptions. At a minimum the pro forma should include the following:
 - Annual energy production and assumed revenue
 - Annual operating expenses including turbine and balance-of-plant operations and maintenance costs, G&A expenses, asset management fees, land leases, property taxes, insurance and other expenses
 - Transmission and ancillary services costs (if any)
 - Debt service requirements
 - Debt coverage ratios (highest year, lowest year, average)
 - Depreciation (tax and book)
 - Income taxes and tax credits
 - Other taxes
 - Working capital requirements
 - Net income
 - Book rate of return to average equity
 - After tax unlevered internal rate of return to capital
 - After tax levered internal rate of return to capital

The pro forma must be provided in an electronic Excel spreadsheet file with formulas intact (generally in the form set forth in Exhibit VI of the RFP document).

Exhibit IV, All Generation Source RFP – Proposal Requirements

8 Accounting Regulations

Power Purchase Agreements

To evaluate the accounting effects of FIN 46R, SFAS 133/149 and EITF 01.08 on a PPA, PSE may require additional information from the respondent. A description of each of the accounting regulations and the required information is contained below.

8.1 Financial Interpretation No. 46R, Consolidation of Variable Interest Entities

FIN 46R provides guidance on the identification of, and consolidated financial reporting for, variable interest entities. Entities proposing power purchase agreements (PPAs) or power bridging agreements (PBAs) may be variable interest entities. Tolling arrangements may also fall under the consolidation requirements of FIN 46R, depending upon the power purchase term and the organizational structure of the responding entity. Pursuant to requirements regarding such consolidated financial reporting, respondents must provide their detailed financial information for determination of applicability of FIN 46R. PSE will make a preliminary assessment as to whether or not the respondent's entity would need to be consolidated and the impact of consolidation on PSE's financial statements using the required information listed below.

FIN 46R - Required Information to be Submitted with Offer

- Current ownership structure (by respondent entity along with respondent's ultimate parent)
- List of all generation resources owned by respondent entity, including location and ownership structure of each generation resource
- Megawatt capacity of each generation resource owned by respondent entity and proportion of ownership
- Megawatt capacity of the generation resources that would be sold to PSE
- Remaining design life of generation resource being proposed to PSE
- Information on all ownership and capitalization changes from respondent entity from inception to date
- If respondent entity is a Partnership, LLP or LLC, information regarding activities of the respondent entity which resulted in any of the following from inception to date:
 - Changes in entity's governing documents or contractual arrangement which result in change in partner investment at risk
 - Return of equity investment or some part thereof to the equity investors, and other interests becoming exposed to expected loss of the respondent entity
 - Respondent entity undertaking additional business activities or acquiring additional assets
- 2004 annual and quarterly financial statements and notes of respondent entity
- 2005 quarterly financial statements and notes of respondent entity
- List of derivatives instruments and treatment on the current financial statements and description of any intended derivative instruments as a result of the RFP by respondent entity

Additional Compliance Information Required at Time of Contractual Agreement and Quarterly Thereafter until Termination:

- Descriptions of the following obligations for the latest quarter (probably October 31, 2005):
 - On-balance sheet obligations
 - Gas purchase obligations
 - Lease obligations and commitments

Exhibit IV, All Generation Source RFP – Proposal Requirements

- Off-balance sheet commitments
- Contingent obligations
- All material contracts (or summaries, if the original contracts are not immediately available) in place since inception including side agreements, if any, but not limited to:
 - Equity-related agreements
 - Debt and other borrowing documents
 - Material asset or stock acquisitions or dispositions
- Documents under which guarantees or indemnities have been provided:
 - Material supplier and customer contracts
 - Related party contracts
 - Documents related to material hedging activities
 - Contingent obligations and financial commitments
 - Leasing arrangements and off-balance sheet obligations
 - Management and outsourcing contracts

8.2 Financial Accounting Standards Board (FASB) Emerging Issues Task Force 01-08

EITF 01-08 found that arrangements or contracts that traditionally have not been viewed as leases may contain features that would require them to be accounted for as leases under Statement of Financial Accounting Standard No. 13 (SFAS 13), "Accounting for Leases." Power supply agreements in which (a) PSE has the right to control the use of the underlying property, plant or equipment may be considered to constitute a lease for accounting purposes and will require lease accounting. Such right to control is to be assessed with respect to, among other things, the amount of power PSE may purchase from the generating facility, PSE's right to operate or direct the operation of the underlying property, plant or equipment, PSE's right to control access to the underlying property, plant or equipment, and the relevant contract pricing structure. Each PPA and PBA offered in response to the RFP will be evaluated to determine the impact of EITF 01-08 and SFAS 13 reporting. A listing of information required from each respondent for purposes of such evaluation is contained below.

EITF 01-08 Required Information to be Submitted with Offer

- Does PSE have the right to operate the underlying property, plant and equipment (PP&E) or direct others to operate the PP&E while obtaining or controlling more than a minor amount of the output or other utility of the PP&E?
- Does PSE have the right to control physical access to the PP&E while obtaining or controlling more than a minor amount of the output or other utility of the PP&E?
- Proportion of generation output to PSE and proportion to others during the term of the arrangement.
- Clarify offer terms to specify whether the price paid by PSE for the output is fixed or equal to current market price per unit of output at the time of delivery.

8.3 Financial Accounting Standards Board (FASB) Statement 133 (SFAS 133)

Established accounting and reporting standards for derivative contracts and hedging activities, SFAS 133 defines derivative financial instruments very broadly and requires all derivative instruments not exempted from the statement to be recorded at "fair value" as either assets or liabilities in the company's financial statements. Each PPA offered in response to the RFP will be evaluated to determine the impact of SFAS 133 reporting based on the proposed contract.

Exhibit IV, All Generation Source RFP – Proposal Requirements

8.4 Financial Accounting Standards Board (FASB) Statement 149 (SFAS No. 149)

Amends SFAS 133 to require an energy marketing company to have the capacity to back a forward sales contract for normal purchase normal sale (NPNS) treatment and evidence must be obtained that demonstrates that the seller has the available capacity either through direct ownership of a generating plant or by contract. For example, if the seller is a power broker that does not have access to a pool, the buyer would have to obtain evidence supporting a conclusion that the seller has access to capacity at or near the delivery point (e.g., a long-term power purchase contract or tolling agreement) to back the contract. Similarly, such evidence would have to be obtained if the seller or a sister company is a known owner of generation but the delivery point in the contract is a location that cannot be served from their owned capacity. Each PPA offered in response to the RFP will be evaluated to determine the impact of SFAS 149 reporting based on the proposed contract.

PSE recommends that the respondents consult with their accounting professionals with respect to the above accounting guidelines. (Web address to the .pdf document of FIN 46R: <http://www.fasb.org/pdf/fin%2046R.pdf> and to FAS 133 and 149: <http://www.fasb.org>.)

9 Environmental

9.1 Inspections, Orders and Suits

- Provide copies of any state/federal environmental inspection reports or audits from the last 3 years.
- Provide a list of all Notices of Violations, environmental fines or penalties paid by the company during the past 3 years.
- Provide a summary of any active enforcement orders, audits, notices of violations, consent decrees or other enforcement actions relating to environmental regulations, site cleanup or liability.

9.2 Air

- Provide copies of active air permits or permit applications (Title V, Acid Rain, etc.).
- Provide emissions data for the last 3 years. Include emission rates under different fuels and different run rates as appropriate.
- Indicate consent decrees/orders/agreements still in effect. Provide copies of these orders and related correspondence.
- List any reportable and non-reportable air incidents that have occurred in the last 2 years?
- Has the facility been audited for compliance with NSR and/or PSD compliance? If so, please provide a copy of any relevant written audit results or electronic or written correspondence between the facility and the auditing agency.
- Does the facility meet required operation and maintenance requirements for installed continuous emission monitoring system (CEMS), and is it following a compliance assurance monitoring plan?
- Has the facility undertaken an analysis of the impact of the Clean Air Mercury Rule on its operations? If so, please provide a copy of this analysis.
- What are the facility's plans for implementation or adherence to the regional haze rule?
- What kind of operational changes are planned or contemplated at the facility that may increase production or emissions?
- Does the facility have a greenhouse gas or renewable energy program? If so, describe.

Exhibit IV, All Generation Source RFP – Proposal Requirements

9.3 Solid Waste

- Provide a description of the solid wastes produced by the project and the disposal plan for these wastes. Include a copy of the permits for solid waste disposal. The plan should include estimated costs of the disposal, including transportation and tipping fees.

9.4 Wastewater and Stormwater

- Indicate the type of wastewater treatment system used by the facility.
- Provide a description of the wastewater disposal plan and include a copy of the permits for wastewater disposal, including any applicable Clean Water Act permits (NPDES or POTW) and/or underground injection permits, Publicly Owned Treatment Works (POTW) permits or authorizations, discharge to groundwater permits, underground injection permits or land application authorization. The plan should include estimated costs of the wastewater disposal.
- Provide a copy of any stormwater permit and application.

9.5 Emergency Planning (CERCLA/EPCRA)

- Provide the most recent Form R report (TRI report).
- Provide a copy of the most recent Tier I/II hazardous chemical inventory.
- Provide a copy of the facility's Risk Management Plan and indicate any changes to facility processes or operations that have changed conditions described in the RMP.

9.6 Spills and Spill Prevention Control and Countermeasures (SPCC)

- Provide a copy of the facility's SPCC plan and any other oil spill plans required under state or federal regulations.
- Provide a list of reportable spills at the facility or associated facilities in the past 5 years. Indicate the status of any cleanup actions associated with those spills.
- Indicate the types of dikes and dike liners used for tank farm secondary containment areas.

9.7 Environmental Siting, Land-Use and Construction

- Provide a copy of any final or draft environmental impact study, environmental assessment or environmental checklist related to the project.
- Provide a copy of any local (county or city) land-use permit (such as a conditional use permit or development agreement) and application.
- Provide a copy of any EFSEC site certification and application.
- Provide a copy of any federal permit and application related to project siting or construction (such as a Special Use permit or a Clean Water Act permit) and application.
- Provide copies of all wildlife and other environmental studies, assessments or reports related to the site or project.
- Provide copies of any other permits or other governmental approvals and applications or requests related to project siting or construction.

10 Experience and Qualifications of the Project Team

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

- The organizations (including organization charts) and key personnel responsible for implementing the project including identification of the project manager, his/her tenure, and scope of responsibility

Exhibit IV, All Generation Source RFP – Proposal Requirements

- A legal entity organization chart
- Existing projects owned, developed and/or operated by the respondent
- The personnel or organizations responsible for the following areas:
 - Project energy resource assessment and projections
 - Project financing
 - Project design, engineering, procurement and construction specifications
 - Interconnection and substation design
 - Project environmental assessments
 - Environmental management including a management organizational chart for the facility's environmental functions and the name of the environmental manager for the facility. If project uses consultants to supplement environmental staffing, please specify their responsibilities.
 - Project land use and zoning approval
 - Permits and related approvals
 - Regulatory compliance
 - Project construction and commissioning
 - Risk management and insurance
 - Project asset management and operations
 - Project maintenance
- A brief description of the relevant experience of key personnel and organizations for their responsibility area listed above
 - Contacts and references (name, title, address, telephone, e-mail and fax numbers), who are knowledgeable about the previous project experience of the key project participants

11 Development Status and Schedule

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

11.1 Schedule

Provide, in a format such as a Gantt chart, the most accurate schedule estimates available on the various project activities covering the period from the initiation of development activities through the project's proposed commercial operation date. Include a schedule item for each significant activity including:

- Project development
- Permitting
- Interconnection
- Engineering
- Construction
- Startup
- Testing
- Commissioning

Provide any additional timelines applicable to the project that will demonstrate its status and plans.

Exhibit IV, All Generation Source RFP – Proposal Requirements

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

11.2 Site Control

Provide documentation of site control, including access road and transmission corridor easements needed to construct, interconnect and operate the facility. Provide evidence of water rights, as applicable. Examples of such documentation include copies of letters of intent, property title, purchase option or purchase agreements, lease or lease option agreements with landowners and other documents that demonstrate control over the intended project site and properties, and the legal rights to execute the project as described.

11.3 Environmental Siting (for projects under development)

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

Provide copies of all wildlife or other environmental studies and assessments that have been performed related to the site and the project (including, but not limited to, wildlife monitoring reports, biological assessments, environmental assessments, environmental impact statements, environmental media sampling reports (air, soil or groundwater)). Describe methodologies for such studies and identify the person(s) or firm(s) who conducted and completed the work. If such studies are planned or in progress, describe the scope and schedule for completion, identify the person(s) or firm(s) performing the studies, and identify the methodologies to be employed. Describe measures that will be taken, or that have been taken, to mitigate all impacts of the project.

Discuss plans to engage community and environmental stakeholders to support the proposed project, or for existing projects. Discuss ongoing community relations and environmental stakeholders relations.

Identify and provide copies of all project permits and any other governmental approvals or authorizations required to build and operate the project, and all permit or other governmental approval applications and requests. Discuss the current status of applications and proceedings, the schedule and the approach to be used to obtain necessary permits and approvals. For existing projects, also discuss any permits that will be up for renewal in the next five years. Outline the process planned to involve local residents and other affected parties in the planning/permit process or the permit renewal process.

11.4 Permits

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

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

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

Exhibit IV, All Generation Source RFP – Proposal Requirements

11.5 Construction

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

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

11.6 Testing

Summarize the testing planned to be conducted prior to acceptance of equipment from the manufacturer and completion of the project, and the testing to be conducted prior to commercial operation of the project. Possible tests should include, without limitation, power performance, SCADA acceptance, distribution system acceptance, emission and others that demonstrate performance of the project and associated facilities in accordance with applicable laws, regulations, permits and any applicable power purchase agreements.

11.7 Operation and Maintenance

The proposal should clearly describe the operations and maintenance plan for the project including the identity of the entities or persons responsible for key activities; a listing of initial spares and their value; the procedures to assure the availability of spares and other operations, maintenance and logistics issues, including whether a long-term service agreement is contemplated and, if so, the principal commercial terms associated with such an agreement.

Exhibit V, All Generation Source RFP -- Wind Energy Delivery

Hour	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Mean
1													
2													
3													
4													
5													
6													
7													
8													
9													
10													
11													
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18													
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20													
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22													
23													
24													
Mean													

Puget Sound Energy, Inc.

All Source RFP -- Exhibit 5, Page 1

November 1, 2005

Exhibit VI, All Generation Source RFP -- Financial Pro Forma Template -- Operating Expenses

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Generation																					
Nameplate Capacity	Mw																				
Annual Availability Factor	%																				
Net Capacity Factor	%																				
Net Annual Generation	GWh																				
Revenues																					
Nameplate Capacity	Mw																				
Net Annual Generation	GWh																				
Proposed Capacity Rate	\$/kW-yr.																				
Proposed Energy Rate	\$/MWh																				
Total Gross Revenues	\$000's																				
Operating Expense																					
Fuel (Primary)	\$000's																				
Fuel (Backup)	\$000's																				
Fuel Transportation	\$000's																				
Turbine/Generator O&M (Service Agreement)	\$000's																				
Turbine/Generator O&M (Owner)	\$000's																				
Balance of Plant O&M (Service Agreement)	\$000's																				
Balance of Plant O&M (Owner)	\$000's																				
O&M Fee (Service Agreement)	\$000's																				
Maintenance - Substation	\$000's																				
Maintenance - Site	\$000's																				
Parasitic Power	\$000's																				
Spare Parts	\$000's																				
Other	\$000's																				
Total O&M	\$000's																				
General & Administration Expense																					
Asset Management Fee	\$000's																				
Asset Management (Owner)	\$000's																				
Other Outside Services	\$000's																				
Insurance	\$000's																				
Property Tax	\$000's																				
Permit Maintenance	\$000's																				
Project Administration	\$000's																				
Landowner Royalties	\$000's																				
Other	\$000's																				
Total G&A	\$000's																				
Total Operating Expenses	\$000's																				
Incremental Capital Expenditures	\$000's																				

Puget Sound Energy, Inc.

All Source RFP -- Exhibit 6, Page 1

November 1, 2005

Exhibit VI, All Generation Source RFP -- Financial Pro Forma Template -- Capital Costs

Project Capital Cost

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

Exhibit VI, All Generation Source RFP -- Financial Pro Forma Template -- Capital Structure

Capital Structure

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

Exhibit VII, All Generation Source RFP – Mutual Confidentiality Agreement

MUTUAL CONFIDENTIALITY AGREEMENT

This Agreement, dated as of _____, 2005, is entered into between Puget Sound Energy, Inc., (“PSE”) and _____ (“_____”). PSE and _____ are sometimes referred to in this Agreement as “Party,” and collectively as “Parties.”

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

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

Exhibit VII, All Generation Source RFP – Mutual Confidentiality Agreement

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

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

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

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

6. Confidential Information shall be deemed to be the property of the Disclosing Party. This Agreement shall not be interpreted or construed as granting any license or other right under or with respect to any patent, copyright, trademark, trade secret or other proprietary right. The Receiving Party shall, within 30 days of a written request therefor

Exhibit VII, All Generation Source RFP – Mutual Confidentiality Agreement

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

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

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

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

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

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

12. This Agreement shall be interpreted, construed and enforced in accordance with the laws of the state of Washington, without regard to such state's choice of law principles to the contrary. Each of the Parties irrevocably consents to the exclusive

Exhibit VII, All Generation Source RFP – Mutual Confidentiality Agreement

jurisdiction and venue of any state or federal court located in King County, Washington, with regard to any legal or equitable action or proceeding related to this Agreement.

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

IN WITNESS WHEREOF, the Parties have executed this Agreement as of _____
_____, 2005.

PUGET SOUND ENERGY, INC.

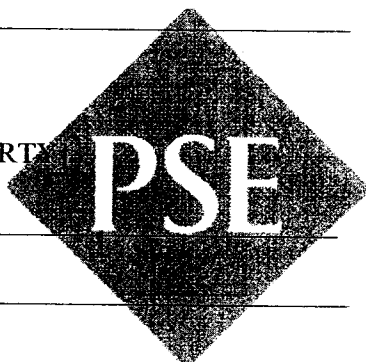
By _____

Its _____

[OTHER PARTY]

By _____

Its _____



PUGET
SOUND
ENERGY

Exhibit VIII, All Generation Source RFP – Avoided Cost Schedules

Pursuant to WAC 480-107-050, PSE is required to file an avoided cost schedule with its RFP; such filed avoided costs are subject to Commission review. The annual and monthly prices shown below constitute PSE's "avoided cost schedule" for purposes of WAC 480-107-050 at this time. The assumptions used in calculating this avoided cost schedule are consistent with PSE's Least Cost Plan. This avoided cost schedule is intended to provide general information to potential respondents about the cost of new power supplies absent non-utility resources. The amounts contained in such schedule should not be viewed as the price at which PSE would purchase power from any resource. This Exhibit also includes levelized cost information regarding a wind project selected by PSE in the RFP process immediately preceding the present one, as indicative of a recent PSE avoided cost.

Avoided Cost Schedules

Table E7.1 provides an annual schedule for 2006 – 2025 of forecasted electricity prices from the April 2005 Least Cost Plan, Appendix C. The forecasts are based on assumptions about natural gas prices, regional demand, new resource cost and development, as used and discussed in the April 2005 Least Cost Plan. The prices provided are part of PSE's "Business As Usual" scenario from the April 2005 Least Cost Plan. The estimated prices are derived using the AURORA model and do not include system integration, shaping, or transmission costs. Table E7.2 provides the nominal price forecast on a monthly basis for flat load. Following the annual price table and the monthly price table is a description of the Business As Usual scenario, the AURORA model and key input assumptions. Lastly, PSE provides levelized cost information on its most recent purchase, the Hopkins Ridge wind project.

Table E7.1 Annual Prices for Mid-C Market (Nominal \$/MWH)

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Nominal \$/MWH	41.69	42.19	38.71	33.82	31.05	35.42	38.87	43.10	46.29	48.59
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Nominal \$/MWH	44.55	46.02	50.62	51.94	51.18	53.95	55.55	59.22	62.51	65.51

Table E7.2 Monthly Prices for Mid-C Market (Nominal \$/MWH)

Business As Usual												
\$/MWH	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	53.73	41.33	46.03	37.42	33.08	28.01	34.00	41.60	43.31	44.67	47.94	48.75
2007	48.79	41.32	42.45	38.84	34.27	29.08	35.92	45.49	49.00	47.28	46.97	46.62
2008	46.61	37.10	40.26	34.44	31.37	28.42	34.47	42.22	44.35	43.15	41.33	40.45
2009	37.69	33.32	36.27	30.73	27.80	23.07	29.10	36.31	39.75	38.60	37.00	36.02
2010	35.85	29.39	31.69	27.10	24.73	20.88	26.06	31.89	35.09	33.74	37.95	37.96
2011	36.89	34.12	36.88	31.10	27.50	22.95	30.98	38.62	42.82	39.99	41.56	41.37
2012	41.73	36.38	38.81	32.50	29.51	25.02	33.52	42.66	51.26	42.53	45.82	46.43
2013	44.91	40.93	43.35	36.04	31.51	26.33	37.02	46.73	59.18	47.48	51.65	51.95
2014	48.40	44.59	47.75	38.27	33.16	25.88	37.46	48.64	68.78	51.86	55.51	55.14
2015	54.22	46.43	49.66	40.56	35.35	28.48	41.28	52.81	73.23	53.88	54.61	52.47
2016	51.30	39.28	43.11	35.61	32.31	27.73	36.21	48.70	74.09	49.16	48.44	48.34
2017	46.64	42.09	42.99	36.70	34.21	29.79	38.98	51.99	73.43	52.40	51.73	51.21
2018	49.97	45.68	48.37	42.18	38.56	33.42	44.68	57.74	78.00	55.74	56.35	56.56
2019	54.47	49.55	52.36	45.24	40.57	30.70	43.89	55.86	71.99	57.30	60.44	60.69
2020	56.89	51.68	56.21	46.23	40.12	28.97	40.60	52.47	64.36	59.30	58.04	59.11
2021	58.13	53.46	57.12	48.32	41.91	31.06	42.78	55.50	74.43	61.33	61.66	61.63
2022	59.57	54.49	58.90	49.64	44.35	33.07	44.42	58.73	75.90	61.99	62.24	63.19
2023	62.50	56.91	60.73	53.46	49.70	37.10	49.55	64.99	81.74	63.75	64.76	65.27
2024	66.21	66.96	64.36	54.82	50.71	38.52	51.96	68.46	86.85	67.19	67.74	66.65
2025	66.16	64.21	65.98	60.86	52.20	42.19	56.45	77.82	90.52	70.13	70.51	69.03

Exhibit VIII, All Generation Source RFP – Avoided Cost Schedules

Business as Usual

The Business as Usual (BAU) scenario represents an Aurora Model forecast of power prices based upon the CERA Rearview Mirror gas price forecast as its foundation. The growth in demand for PSE and the western United States is “normal.” The scenario considers only proven technologies for generation.

PSE uses the AURORA model to estimate the market price of power. AURORA is a fundamentals-based program, meaning that it relies on factors such as the performance characteristics of supply resources, regional demand for power, and transmission, which drive the electric energy market. AURORA models the competitive electric market and prices are determined from the clearing price of marginal resources. Marginal resources are determined by “dispatching” all of the resources in the system to meet loads in a least cost manner subject to transmission constraints. ~~This process occurs for each hour that resources are dispatched.~~
Resulting monthly or annual hourly prices are derived from that hourly dispatch.

Cost Information from the Hopkins Ridge Wind Project

The capital cost for the 149.4 MW Hopkins Ridge Project is expected to be approximately \$200 million. Like other generating facilities, there will also be ongoing O&M and transmission expenses. The annual levelized cost of Hopkins Ridge is estimated at \$46/MWh over the 20-year projected life.

Exhibit IX, All Generation Source RFP – Prototype PPA

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

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

MADE

BETWEEN

[SELLER's NAME],

AS SELLER

AND

PUGET SOUND ENERGY, INC.

AS PURCHASER

DATED AS OF _____, _____

Exhibit IX, All Generation Source RFP – Prototype PPA

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EXHIBIT A-1	Project Description
EXHIBIT A-2	Site Description
EXHIBIT B	Description of Generators
EXHIBIT C	Location of Delivery Point and Project Substation
EXHIBIT D	Description of the Permits
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Exhibit IX, All Generation Source RFP – Prototype PPA

POWER PURCHASE AGREEMENT

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

RECITALS

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

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

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

ARTICLE 1
DEFINITIONS

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

Exhibit IX, All Generation Source RFP – Prototype PPA

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

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

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

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

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

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

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

(c) a guaranty in the required amount, for the required term, and from a Guarantor having an Investment-Grade Long-Term Debt Rating, of:

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

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

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

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

Exhibit IX, All Generation Source RFP – Prototype PPA

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

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

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

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

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

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

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

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

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

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

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

Exhibit IX, All Generation Source RFP – Prototype PPA

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

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

(a) the consolidated current liabilities of such Person determined in accordance with GAAP; and

(b) assets properly classified as intangible assets in accordance with GAAP.

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

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

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

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

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

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

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

Exhibit IX, All Generation Source RFP – Prototype PPA

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

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

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

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

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

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

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

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

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

- (a) the Project has been or will be designed and constructed consistent with Prudent Utility Practices and Applicable Law;
- (b) plans for Project maintenance have been established and such plans are consistent with Prudent Utility Practices;
- (c) the operation of the Project after the Commercial Operation Date will comply with all Applicable Law;
- (d) the Project is financially feasible and can reasonably be expected to afford Seller an adequate rate of return;
- (e) the Project can reasonably be expected to be available so as to comply with Seller's obligations hereunder; and

Exhibit IX, All Generation Source RFP – Prototype PPA

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

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

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

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

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

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

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

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

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

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

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

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

Exhibit IX, All Generation Source RFP – Prototype PPA

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

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

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

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

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

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

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

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

"Generator Manufacturer" means the manufacturer of each Generator.

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

Exhibit IX, All Generation Source RFP – Prototype PPA

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

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

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

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

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

"Installed Capacity" means the sum of all of the nominal or "nameplate" capacities (expressed in MW) of the Generators.

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

"Interconnection Facilities" means the facilities and control and other equipment between the Project and the Delivery Point, including, without limitation, control and protective devices, metering facilities, the Project Substation and the line connecting the Project Substation to the Transmission System, necessary to physically and electrically interconnect, and maintain the interconnection of, the Project with the applicable Transmission Provider's Transmission System in order to effectuate the purposes of this Agreement.

"Investment-Grade" means, with respect to any Person, a Long-Term Debt Rating for such Person of at least BBB- and Baa3 by S&P and Moody's, respectively, or, alternatively, a Long-Term Debt Rating for such Person from PSE's credit department equivalent to at least BBB+.

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

(a) is issued by a U.S. commercial bank or a foreign bank with a U.S. branch, having a credit rating of:

- (i) "A2" or higher from Moody's; or
- (ii) "A" or higher from S&P;

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

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

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

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

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

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

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

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

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

Exhibit IX, All Generation Source RFP – Prototype PPA

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Permitted Investments" means: (a) direct obligations of the United States of America, or of any agency thereof, or obligations guaranteed as to principal and interest by the United States of America or any agency thereof, in either case maturing not more than

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ninety (90) Days from the date of acquisition thereof; and (b) certificates of deposit issued by any bank or trust Seller organized under the laws of the United States of America (or any state thereof) and having capital, surplus and undivided profits of at least \$500,000,000, maturing not more than ninety (90) Days from the date of acquisition thereof.

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

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

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

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

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

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

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

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

"Prudent Utility Practices" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Seller Lender" means any Persons (or successors in interest thereof) lending money or extending credit (including any financing lease) to Seller for (a) construction, term or permanent financing or refinancing of the Project, (b) working capital or other ordinary business requirements of the Project (including maintenance, repair, replacement, or improvement of the Project), (c) any development financing, bridge financing, credit support, credit enhancement, or interest rate protection in connection with the Project or (d) the purchase of more than a 50% interest (in aggregate) in the Project and the related rights from Seller.

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

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

"Speculative-Grade" means, with respect to any Person, a Long-Term Debt Rating for such Person of BB+ and Ba1 or lower by S&P and Moody's, respectively, or, alternatively, a Long-Term Debt Rating for such Person from PSE's credit department equivalent to BB+ or lower.

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

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

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

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

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

"Term" means the Initial Term and, if Purchaser exercises its option with respect to the Renewal Term pursuant to Section 2.2 hereof, the Renewal Term.

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

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

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

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

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

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

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

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

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

ARTICLE 2
TERM AND TERMINATION

2.1 Term. This Agreement shall become effective on the latest of (a) the date of signature by both Parties, (b) [____], and (c) the date by which Purchaser determines, which determination shall be in Purchaser's sole judgment, that any FERC action in response to any report by Purchaser of a change in status arising out of this Agreement

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pursuant to FERC Order No. 652 will not adversely affect Purchaser's retention of market-based rate authority as granted by FERC to Purchaser prior to such report, (the "**Effective Date**"). The term of this Agreement shall commence on the Effective Date and, unless earlier terminated pursuant to Section 2.4, 2.5, 2.6 or 6.3.2(b), shall continue for [_____] years from the first Day of the first Contract Year and expire at 00:00 hours on the [_____] anniversary of the first Day of the first Contract Year (the "**Initial Term**"), but subject to Purchaser's right to extend such expiration date by exercising one or more of its renewal options as provided in Section 2.2.

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

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

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

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

2.5 Change in Circumstances. Upon the occurrence of any material change, as determined by Purchaser in its sole discretion, in (a) Purchaser's economic requirements or resource portfolio requirements to serve its retail load or (b) the Project such that the Project

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

2.6 Failure to Receive Due Diligence Report. If the Due Diligence Report has not been delivered to Purchaser within ninety (90) Days following the execution of this Agreement, notwithstanding the Parties' best reasonable efforts to obtain such report, then this Agreement shall automatically terminate as of such date; provided, however, if the Due Diligence Report is not delivered within such 90-Day period, Seller may provide written notice to Purchaser that it wishes to attempt to cure any deficiency in the Project that prevented the Due Diligence Report from issuing, in which event, the termination of this Agreement shall be delayed for an additional 120 Days pending remedial actions by Seller and the final review and issuance of the Due Diligence Report.

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

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

[3.2 Environmental Attributes.

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

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

Notwithstanding any provision of this Agreement to the contrary, Seller shall not use all or any portion of the Environmental Attributes and shall not assign, transfer, convey, encumber, sell or otherwise dispose of all or any portion of the Environmental Attributes to any Person other than Purchaser. Seller further agrees that Seller shall make such filings and take such other actions as Purchaser may from time to time reasonably request in order to preserve and maintain the Environmental Attributes in accordance with the standards described in clause (c) of this Section 3.2.1 and to otherwise enable Purchaser to use, sell and transfer such Environmental Attributes in accordance with market standards.

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

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

3.2.4 Further Assurances. At Purchaser's request and expense, the Parties shall execute all such documents and instruments necessary or desirable to evidence the Environmental Attributes or to effect or evidence transfer of the Environmental Attributes to Purchaser or its designees. In the event of the promulgation of a scheme involving Environmental Attributes administered by CAMD, upon notification by CAMD that any transfers contemplated by this Agreement will not be recorded, the Parties shall promptly

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cooperate in taking all reasonable actions necessary so that such transfer can be recorded. Each Party shall promptly give to the other Party copies of all documents it submits to the CAMD to effectuate or record any transfers.]

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

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

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

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

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

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

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

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3.3.6 Standard of Review. Absent the agreement of both of the Parties to any proposed change, the standard of review for changes to this Section 3.3 proposed by any Party, a non-Party or FERC acting *sua sponte* shall be the "public interest" standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956) (*Mobile-Sierra doctrine*).

3.4 Allocation of Taxes. Seller shall pay or cause to be paid all Taxes on or with respect to the Project and on or with respect to the delivery and sale of Energy [and/or Environmental Attributes] to Purchaser that are imposed before or upon the delivery of Energy at the Delivery Point. Purchaser shall pay or cause to be paid all Taxes (other than any Taxes for which Seller is liable under this Section 3.4) on or with respect to the delivery and sale of Energy [and/or Environmental Attributes] to Purchaser that are imposed after the delivery of the Energy to Purchaser after the Delivery Point. If a Party is required to remit or pay Taxes that are the other Party's responsibility hereunder, such responsible Party shall reimburse the other for such Taxes upon request therefor. Both Parties shall use reasonable efforts to administer this Agreement and implement its provisions so as to minimize Taxes. In the event any of the sales of Energy [or Environmental Attributes] hereunder are to be exempted from or not subject to any particular Tax(es), Purchaser shall, promptly upon Seller's request therefor, provide Seller with all necessary documentation to evidence such exemption.

3.5 Curtailment.

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

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

3.5.3 Dispatch During Operational Reliability Period. Seller shall dispatch the project "on" to the extent requested by Purchaser when Purchaser has declared

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

3.5.4 Economic Dispatch. [Provisions are to be included in this section as the Parties may mutually agree.]

ARTICLE 4 CONSTRUCTION AND PURCHASER'S RIGHT TO MONITOR CONSTRUCTION

4.1 Design, Permitting, Construction, Financing, Operation and Maintenance of the Project. Seller shall site, develop, finance, permit and construct the Project. Seller agrees to provide to Purchaser monthly reports as to the status of the siting, development, financing, permitting and construction of the Project and other matters reasonably related to Purchaser's interest in the Project, Installed Capacity, Energy and this Agreement.

Seller represents, warrants and covenants throughout the Term that:

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

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

It is understood and agreed by the Parties that the warranty and covenant set forth in clause (a) of this Section 4.1 is not a warranty and covenant that the Project will, in fact, have a useful life of not less than twenty-five (25) years, but only a warranty and covenant that Project will be designed, engineered, operated and maintained in accordance with Prudent Utility Practice to have an expected useful life of not less than twenty-five (25) years if maintained in accordance with the manufacturer's specifications.

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

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(a) monitor the construction of the Project, including, without limitation, the design and engineering, the procurement and installation of the Generators, start-up and testing, operation and maintenance of the Project, and Support necessary or desirable for the accomplishment of these tasks;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**ARTICLE 5
BILLING AND PAYMENTS**

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

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

(a) the amount of the available capacity of the Project and of Energy delivered to Purchaser during such calendar month as determined from recordings produced by Meters at or near 2400 hours on the last Day of the calendar month in question; and

(b) any credits owed to Purchaser as a result of hourly forecasts errors pursuant to Section 7.2.

Not later than the tenth Day of each calendar month (commencing with the calendar month next following the calendar month in which Energy is first delivered by Seller to Purchaser in accordance with the terms of this Agreement), Seller shall deliver to Purchaser an invoice showing the available capacity of the Project and the amount of such Energy delivered to

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Purchaser by Seller [and PTC's related thereto] during the immediately preceding calendar month and Seller's computation of the amount due Seller in respect thereof.

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

(i) the twentieth (20th) Day of the calendar month immediately following the calendar month to which Seller's invoice relates (or the next succeeding Business Day, if such twentieth Day is not a Business Day); or

(ii) the tenth (10th) Day after receipt by Purchaser of Seller's monthly invoice (or the next succeeding Business Day, if such tenth Day is not a Business Day);

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

5.1.2 Excess Output. At the end of each Contract Year, Seller shall calculate the amount of Excess Output, if any, delivered or deemed delivered to Purchaser hereunder during such Contract Year, which determination shall be made from recordings produced by the Meters through 2400 hours on the last Day of each Contract Year.

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

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

5.1.3 Disputed Invoices. Within one hundred twenty (120) Days after receipt of any invoice, Purchaser may provide written notice to Seller of any alleged error therein. If Seller notifies Purchaser in writing within thirty (30) Days of receipt of such notice that Seller disagrees with the allegation of error in the invoice, the Parties shall meet, by telephone conference call or otherwise, within five (5) Business Days following Seller's response, for the purpose of attempting to resolve the dispute. If the Parties do not resolve the dispute within thirty (30) Days after such initial meeting, either Party may proceed to seek whatever remedy may be available to such Party at law or in equity. If Seller is found to be in error, Seller shall refund to Purchaser the amount that Purchaser paid in excess of the amount that Purchaser actually owed plus interest on such excess payment from the date the same was paid by Purchaser to (but not including) the date of refund thereof is actually received by Purchaser from Seller, such interest to be at an annual rate equal to the Prime

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Rate in effect as of the date such payment was made by Purchaser plus two percent (2%), but in no event shall such interest exceed the maximum interest rate permitted by Applicable Law.

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

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

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

5.1.6 Form and Transmittal of Invoices. Statements or invoices shall be sent to Purchaser by mail or facsimile to the address or facsimile number designated in Section 11.1. All invoices from Seller must be accompanied with certified telemetry or other metering information as required in Section 8.1.1. Purchaser may change the address or facsimile number by providing written notice thereof to Seller. Each invoice shall be in a form and substance reasonably acceptable to both Seller and Purchaser.

ARTICLE 6 INTERCONNECTION, CONSTRUCTION, OPERATION AND PERFORMANCE GUARANTEES

6.1 Interconnection.

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

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

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incorporated into the Generation Interconnection Agreement as executed and delivered by the parties thereto. Notwithstanding anything expressed or implied herein to the contrary:

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

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

6.2 Operation and Maintenance.

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

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

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

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

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

6.2.3 Coordination of Project Operation. Seller shall operate the Project on a continuous, reliable and sustained basis until the end of the Term, subject to curtailments pursuant to Section 3.5 and outages in accordance with **Exhibit I** hereto. The Parties shall coordinate operation of the Project with Purchaser's electric system in accordance with such **Exhibit I**. In addition, Seller shall cooperate in good faith with Purchaser's reasonable maintenance scheduling requests consistent with Prudent Utility Practices so as to, without limitation, maximize Purchaser's return on its third-party sales of the Energy [and Environmental Attributes].

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6.3 Commercial Operation Date Guarantee; Delay Payments.

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

6.3.2 Delay Payments.

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

The Delay Payment for each Generator that has failed to achieve Generator Completion by the Guaranteed Commercial Operation Date shall be an amount equal to the product of (x) _____ dollars (\$_____) multiplied by (y) the number of Days from (and including) the Day after the Guaranteed Commercial Operation Date to (but not including) the date upon which such Generator achieves Generator Completion.

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

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

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

The maximum liquidated damages payable by Seller in connection with delays in achieving the Commercial Operation Date by the Guaranteed Commercial Operation Date shall be _____ dollars (\$_____). Seller shall pay such

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amount (i.e., _____ (\$ _____)) to Purchaser as liquidated damages upon any termination of the Project or this Agreement pursuant to Section 6.3.2(b).

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

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

ARTICLE 7 PROJECT GUARANTEES

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

7.2 Hourly Guarantee. Not later than forty-five (45) minutes prior to the start of each hour during the Contract Term, Seller shall provide to Purchaser a forecast of the Project output for the next schedule hour to be delivered to the Delivery Point. If the Project output actually delivered to the Delivery Point in such hour is less than the forecast amount supplied by Seller by more than twenty percent (20%), Purchaser shall be entitled to a credit,

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against amounts otherwise due and owing by Purchaser to Seller, in an amount equal to the product of (a) the amount of Energy greater than twenty percent (20%) of the forecast amount not delivered to the Delivery Point multiplied by (b) the difference between the Market Price for such amount of Energy in such hour and the purchase price for such amount of Energy pursuant to Section 3.3.

7.3 Project Availability Guarantee.

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

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

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

7.4 Seller Guaranty; Additional Security; Financial Statements.

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

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

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

- (a) such cash shall be invested by the Custodian at the direction of Seller in such Permitted Investments as Seller shall select; and
- (b) Seller shall be entitled, on a current basis, to all investment earnings derived from all investments of such cash.

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

7.5 Financial Statements.

Seller shall provide to Purchaser the following:

- (a) within forty-five (45) Days after the close of each calendar quarter (commencing with the calendar quarter ending _____), the unaudited financial statements of Seller Guarantor for the calendar quarter just ended; and
- (b) within one hundred and twenty (120) Days after the close of each fiscal year (commencing with the fiscal year ending _____), the unaudited financial statements of Seller Guarantor for the fiscal year just ended; provided, that if Seller Guarantor otherwise has audited financial statements prepared for the fiscal year in question, then such audited financial statements of Seller Guarantor shall be provided in lieu of the aforementioned unaudited financial statements.

**ARTICLE 8
MEASUREMENT AND METERING; PROJECT DATA**

8.1 Metering Equipment.

Seller shall provide and cause to be installed, all metering (including meters at any Project substation identified as the Delivery Point) and data processing equipment needed for

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

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

8.3 Testing and Correction.

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

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

- (a) If Seller disputes a Meter's accuracy or condition, it shall so advise the Purchaser in writing.
- (b) Purchaser shall, within fifteen (15) Days after receiving such notice, advise Seller in writing as to its position concerning the Meter's accuracy and reasons for taking such position.
- (c) If the Parties are unable to resolve the dispute through reasonable negotiations, then either Party may cause an unaffiliated third-party engineering

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company mutually acceptable to the Parties to test the Meter that is the subject of dispute.

(d) If such Meter is found to be inaccurate by more than two percent (2%) or if such Meter is for any reason out of service or fails to register, then the Parties shall use their best efforts to estimate the correct amounts of energy delivered during the periods affected by such inaccuracy, service outage or failure to register by the best available means. In the event that, as a result of such estimate: (i) the amount of Energy credited to Purchaser is decreased, Seller shall reimburse Purchaser for any overpayment made by Purchaser, such reimbursement to be in the form of (A) a deduction from the next succeeding payment or payments by Purchaser for electrical energy due Seller pursuant to Section 3.3 or (B) cash, if no such succeeding payments in an amount exceeding the amount of such overpayment are or shall be due; or (ii) the amount of Energy credited to Purchaser is increased, Purchaser shall pay Seller for such increased credit for Energy, if any, at the purchase price set forth in Section 3.3 that is effective for the periods during which such Energy is estimated to have been delivered. Notwithstanding the foregoing, if, upon test, Purchaser's meters for determining amounts of energy delivered under this Agreement are found to be inaccurate by not more than two percent (2%), then any previous recordings of such meters shall be deemed accurate. Purchaser shall promptly cause meters found to be inaccurate to be adjusted to correct to the extent practicable such inaccuracy.

8.4 Real Time Data; Other Project Data.

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

8.4.2 Other Project Data. Within thirty (30) Days after the end of each calendar month, Seller shall provide to Purchaser a monthly report in electronic format acceptable to Purchaser, which report shall include information on the Actual Operational Hours of the Generator, summaries of production of the Generator, any other significant events related to the operation of the Generator and any supporting information that Purchaser may reasonably request. In addition, Seller shall maintain an electronic fault log of operations of the Project (including all information reasonably required to confirm Project and Generator availability) during each hour of the Term beginning as of the Commercial Operation Date and shall provide such log to Purchaser on a monthly basis. Without limiting

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the foregoing, Seller shall promptly furnish Purchaser with copies of such plans, specifications, records and other information and data relating to the Project, any construction and installation activities, the arrangements between Seller and the applicable Transmission Provider, the ownership, operation, use or maintenance of the Project, or Seller Guarantor's Earnings-to-Interest Ratio, as may be reasonably requested by Purchaser from time to time. Purchaser shall maintain the confidentiality of Seller's confidential and proprietary information provided pursuant to this section in accordance with the terms and provisions of a confidentiality agreement mutually agreed to by the Parties.

ARTICLE 9

RECORDS; REPORTS AND REVIEWS

9.1 Maintenance of Records; Quarterly Reports.

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

9.1.2 Quarterly Reports.

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

- (i) information on the Average Annual Output;
- (ii) summaries of production of each Generator;
- (iii) any other significant events related to the operation of each Generator; and
- (iv) any supporting information that Purchaser may reasonably request.

(b) If Purchaser determines that, for purposes of Financial Interpretation No. 46R (FIN 46R), Seller is a variable interest entity and that, as a result of being a variable interest entity, consolidated financial reporting will be required for Purchaser and Seller, Purchaser shall so notify Seller in writing. Within thirty (30) Days after Seller's receipt of such notification and within thirty (30) Days after the end of each calendar quarter during the Term, Seller shall provide to Purchaser a written quarterly report, which shall include:

- (i) Descriptions of the following obligations of Seller for the immediately preceding calendar quarter:

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- (A) On-balance sheet obligations;
- (B) Gas purchase obligations;
- (C) Lease obligations and commitments;
- (D) Off-balance sheet commitments; and
- (E) Contingent obligations;

and

(ii) All material contracts (or summaries if the original contracts are not immediately available) of Seller then in effect, together with any related agreements, if any, including, but not limited to:

- (A) Equity-related agreements;
- (B) Debt and other borrowings documents;
- (C) Material asset or stock acquisitions or dispositions;
- (D) Documents under which guarantees or indemnities have been provided;
- (E) Material supplier and customer contracts;
- (F) Related-party contracts;
- (G) Documents related to material hedging activities;
- (H) Contingent obligations and financial commitments;
- (I) Leasing arrangements and off-balance sheet obligations; and
- (J) Management and outsourcing contracts.

9.2 Right To Review.

9.2.1 Review Rights. Purchaser shall have the right, upon reasonable notice to Seller and during Seller's regular business hours and without materially interfering with the conduct of Seller's business, to access and review all of Seller's records, reports, data, calculations and statements, maintained by Seller pursuant to Section 9.1.1, that Seller provides or is obligated to provide to Purchaser under this Agreement. Purchaser shall bear Purchaser's costs of performing such review, provided that Seller cooperates with such

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review. Purchaser shall not be obligated to pay or reimburse Seller for any costs (including the cost of photocopies) that Seller may incur as a result of such review.

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

ARTICLE 10

RELEASE AND INDEMNITY; INSURANCE

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

10.2 Insurance.

10.2.1 Insurance During Construction. During the construction of the Project, Seller shall, at Seller's expense, maintain or cause to be maintained Builder's Risk

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insurance covering the Project (on a completed value form) on an "all-risk" basis (including coverage for testing and start-up, earthquake, landslide, tornado, hurricane, and flood), for the full replacement value of the Project.

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

(a) Commercial general liability insurance including all the usual coverages known as Premises/Operations Liability, Products/Completed Operations, Personal/Advertising Injury, Contractual Liability, Independent Contractors Liability, Stop Gap/Employers Liability, Explosion, Collapse, or Underground (XCU), Broad Form Property Damage and Fire Damage Legal. Such insurance coverages must provide primary coverage limits of no less than One Million Dollars (U.S. \$1,000,000) for injuries or death to one or more persons or damage to property resulting from any one occurrence and a One Million Dollars (U.S. \$1,000,000) aggregate limit.

(b) Workers' compensation and employer's liability insurance, and such other forms of insurance which Seller is required by law to provide for the Project, providing statutory benefits and other states' endorsement and USL&H Act coverage (if any exposure exists), covering Losses resulting from injury, sickness, disability or death of the employees of Seller. Seller shall require that all Subcontractors maintain all forms or types of insurance with respect to Subcontractors' employees as are required by law with limits of not less than One Million Dollars (U.S. \$1,000,000) per accident, One Million Dollars (U.S. \$1,000,000) for disease, and One Million Dollars (U.S. \$1,000,000) for each employee.

(c) Umbrella Excess Liability Insurance not less than Five Million Dollars (U.S. \$5,000,000) covering employer's liability and commercial general liability. The umbrella and/or excess policies shall not contain endorsements which restrict coverages as set forth in Sections 10.2.2(a) and 10.2.2(b).

(d) Bodily Injury, Property Damage, Personal Injury & Advertising Injury.

(e) All-risk property insurance including boiler & machinery coverage, earthquake, landslide, tornado, hurricane and other high wind weather conditions, and flood, subject to appropriate sublimits, covering physical loss or damage for the full replacement value of the Project.

10.2.3 Endorsements. The insurance required under Sections 10.2.1, 10.2.2(a), 10.2.2(c) and 10.2.2(d) shall be endorsed to include Puget Sound Energy, Inc., its officers, directors, employees and agents as additional insureds or loss payees and shall not

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be reduced or canceled without sixty (60) Days' prior written notice to Purchaser. In addition, Seller's insurance shall be primary as respects Purchaser, and any other insurance or self-insurance maintained by Purchaser shall be excess of and not contributing insurance with Seller's insurance.

10.2.4 Requirements of Coverage. All insurance policies required to be obtained hereunder shall provide insurance for occurrences throughout the Term. All insurance coverage pursuant hereto shall be issued by an insurer with a Best's Rating of not less than "A-7" or such other insurer as is reasonably acceptable to Purchaser. Seller shall provide Purchaser with certification that all insurance policies are in full force and effect, including upon Purchaser's request (a) a copy of the insurance policy's declaration pages, showing the insuring Seller, policy effective dates, limits of liability and the schedule of forms and endorsements, (b) a copy of the endorsements naming Puget Sound Energy, Inc., its officers, directors, employees and agents, as additional insureds or loss payees, showing the policy number, and signed by an authorized representative of the insurance company, (c) a copy of the "endorsements form list" to the insurance policy showing endorsements issued on the policy, and including any Seller-specific or manuscript endorsements and (d) a copy of an endorsement stating that the coverages provided by the policy to Purchaser or any other additional insured shall not be terminated, reduced or otherwise materially changed without providing at least sixty (60) Days' prior written notice to Purchaser, copies of the "cross-liability" or "severability of interests" clause from the commercial general liability policies, indicating that, except with respect to the limits of insurance, and any rights or duties specifically assigned to the first named insured, the insurance applies as if each insured were the only named insured, and separately to each insured against whom claim is made or suit is brought.

10.2.5 Deductibles. Deductibles in excess of Fifty Thousand Dollars (U.S. \$50,000) shall be subject to review and reasonable approval by Purchaser, and Seller shall be responsible for the payment of all deductible amounts with respect to the insurance required to be maintained under this Section 10.2.

10.2.6 Policy Non-Renewal or Changes. In the event that any policy is written on a "claims-made" basis and such policy is not renewed or the retroactive date of such policy is to be changed, Seller shall obtain for each such policy or policies the broadest basic and supplemental extended reporting period coverage or "tail" reasonably available in the commercial insurance market for each such policy or policies and shall provide Purchaser with proof that such basic and supplemental extended reporting period coverage or "tail" has been obtained.

10.2.7 No Limitation. The requirements of this Section 10.2 as to insurance and acceptability to Purchaser of insurers and insurance to be maintained by Seller are not intended to and shall not in any manner limit or qualify the liabilities and obligations assumed by Seller under this Agreement.

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**ARTICLE 11
NOTICES**

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

To Purchaser:

Puget Sound Energy, Inc.

Phone: 425-

Fax: 425-

To Seller:

Phone: _____

Fax: _____

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

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

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

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**ARTICLE 12
DEFAULTS AND REMEDIES**

12.1 Events of Defaults and Rights Upon Event of Default.

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

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

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

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

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

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

(e) breaches Section 6.3.3; or

(f) breaches Article 7,

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

Notwithstanding anything expressed or implied herein to the contrary:

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

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

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

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

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

(c) if the non-defaulting Party is Purchaser, to exercise all rights as a secured party under the Security Documents, including: (i) the right to foreclose on the security interests granted therein, or any portion thereof, and apply the net proceeds resulting therefrom against Purchaser's Cost to Cover and (ii) enter into

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possession of the Project and operate and maintain the Project for the account, and at the expense, of Seller, including producing and delivering Energy to Purchaser in accordance with the terms of this Agreement; and

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

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

**ARTICLE 13
LIMITATION OF LIABILITY**

~~EXCEPT TO THE EXTENT INCLUDED IN THE COST TO COVER OR OTHER AMOUNTS SPECIFICALLY PROVIDED HEREIN TO BE PAID, AND EXCEPT FOR ANY LIABILITIES OF EITHER PARTY ARISING UNDER SECTION 10.1, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY SPECIAL, INCIDENTAL, EXEMPLARY, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF A PARTY'S PERFORMANCE OR NON-PERFORMANCE UNDER THIS AGREEMENT, WHETHER BASED ON OR CLAIMED UNDER CONTRACT, TORT (INCLUDING SUCH PARTY'S OWN NEGLIGENCE), STRICT LIABILITY OR ANY OTHER THEORY AT LAW OR IN EQUITY. IT IS EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES THAT ANY AMOUNTS OWING BY SELLER TO PURCHASER PURSUANT TO SECTION 6.3 OR 7.3 HEREOF ARE NOT INTENDED, NOR SHALL THEY BE INTERPRETED OR CONSTRUED, TO CONSTITUTE SPECIAL, INCIDENTAL, EXEMPLARY, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES FOR PURPOSES OF THIS ARTICLE 13.~~

**ARTICLE 14
CONSENT TO JURISDICTION**

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

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

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

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

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

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

**ARTICLE 15
ASSIGNMENT**

15.1 Restriction on Assignments. Except as otherwise provided below, neither Party may assign or transfer this Agreement, or any of its rights, title or interests herein, hereto or hereunder, and Seller shall not assign or transfer any of its rights, title or interests in or to the Project or any part thereof (either directly or through the transfer of interests in Seller), without the other Party's prior written consent, which consent shall not be unreasonably withheld. The non-assigning Party may withhold its consent (without limitation) if the other Party proposes to assign or transfer its rights or delegate its duties under this Agreement to any party having a Speculative-Grade Long-Term Debt Rating. [Purchaser may, without the consent of Seller, sell, transfer, assign, convey, encumber or otherwise dispose of all or any portion of the Environmental Attributes.] Any assignment in violation of this provision shall be void.

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

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

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15.4 Purchaser's Options

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

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

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

15.5 Purchase Pursuant to Options

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

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

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

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

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**ARTICLE 16
FINANCING LIENS**

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

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

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

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

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

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

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**ARTICLE 17
REPRESENTATIONS, COVENANTS, AND WARRANTIES**

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

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

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

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

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

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

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

(g) [THIS SECTION 17.1(g) IS APPLICABLE ONLY TO QUALIFYING FACILITIES] the Project is a "qualifying small power production

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

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

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

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

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

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

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

(c) The execution and delivery of this Agreement, the consummation of the transactions contemplated herein, and the fulfillment of and compliance by Purchaser with the provisions of this Agreement will not conflict with or constitute a

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breach of or a default under or require any consent, license, or approval that has not been obtained pursuant to any of the terms, conditions or provisions of any law, rule, or regulation; any order, judgment, writ, injunction, decree, determination, award, or other instrument or legal requirement of any court or other agency of government; the documents of formation of Purchaser or any contractual limitation, restriction, or outstanding trust indenture, deed of trust, mortgage, loan agreement, lease, other evidence of indebtedness, or any other Agreement or instrument to which Purchaser is a party or by which it or any of its property is bound and will not result in a breach of or a default under any of the foregoing.

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

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

**ARTICLE 18
MISCELLANEOUS**

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

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

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

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

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

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18.6 No Third-Party Beneficiaries. There are no third-party beneficiaries to this Agreement, and this Agreement is not intended to impart any rights enforceable by any Person that is not a Party.

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

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

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

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

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

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

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

Exhibit IX, All Generation Source RFP – Prototype PPA

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

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

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

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

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

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PUGET SOUND ENERGY, INC.
a Washington corporation

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

[Insert Name of Seller]
a [_____]

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

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EXHIBITS

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

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EXHIBIT A-1

PROJECT DESCRIPTION

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EXHIBIT A-2

SITE DESCRIPTION

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EXHIBIT B

DESCRIPTION OF GENERATORS

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EXHIBIT C

LOCATION OF DELIVERY POINT AND PROJECT SUBSTATION

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

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EXHIBIT D

DESCRIPTION OF THE PERMITS

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EXHIBIT E

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

EXAMPLE OF CALCULATION OF EXCESS OUTPUT CREDIT

UNDER SECTION 5.1.2

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

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

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

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

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

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

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

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

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EXHIBIT G

FORM OF GUARANTY OF SELLER GUARANTOR

[Form to be provided.]

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EXHIBIT H

FORM OF GENERATOR FINAL COMPLETION CERTIFICATE

GENERATOR FINAL COMPLETION CERTIFICATE

DATE OF ISSUANCE _____

OWNER: _____

CONTRACTOR: _____

Project: _____

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

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

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

Executed by Contractor on _____

Date

_____, as Contractor

By: _____
(Authorized Signature)

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

_____, as
Seller and owner of the Project

By: _____
(Authorized Signature)

Date: _____

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EXHIBIT I

OPERATING PROCEDURES AND COORDINATION

The Parties hereby agree as follows:

1. Definitions

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

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

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

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

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

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

2. Designation of Operating Representatives

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

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

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3. Notification

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

4. Outages

4.1 Scheduled Maintenance

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

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

(c) **Final Forecast of Scheduled Maintenance.** Following good faith consideration of Purchaser's suggested timing of Scheduled Maintenance, Seller shall establish the final forecast of Scheduled Maintenance and send such written forecast to Purchaser prior to the commencement of the Year. Such final forecast shall confine Scheduled Maintenance to the months of May and June, unless Purchaser reasonably requests otherwise pursuant to clause (b) of this Section 4.1 and Seller agrees to such request, such agreement not to be unreasonably withheld.

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

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

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

4.2 Unplanned Required Outage

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

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

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

4.3 Immediate Outage

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

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

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

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

4.4 Outage Reports

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

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EXHIBIT J

TERMINATION AMOUNTS

Contract Year

Termination Amount

Exhibit X, All Generation Source RFP – Prototype Exchange Agreement

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

Capacity and Energy Exchange Agreement

Between

Puget Sound Energy, Inc.

And

[_____]

Dated as of _____, _____

Exhibit X, All Generation Source RFP – Prototype Exchange Agreement

CAPACITY AND ENERGY EXCHANGE AGREEMENT

This Agreement, dated as of _____, _____, is made by and between [_____, _____], a [state] [corporation][limited liability company] ("**[Exchange Party]**"); and Puget Sound Energy, Inc., a Washington corporation ("**PSE**"). Both of [Exchange Party] and PSE are sometimes referred to in this Agreement together as "**Parties**"; each of [Exchange Party] and PSE is sometimes referred to in this Agreement as "**Party**." "**First Party**" and "**Second Party**" refer to each Party interchangeably as juxtaposed in the context of the specific usage to the other Party.

Recitals

[A. [Exchange Party] operates a summer peaking electric utility system, the electric generating resources of which primarily comprise thermal electric and hydroelectric generating plants.]

[B. PSE operates a winter peaking electric utility system, the electric generating resources of which primarily comprise thermal electric and hydroelectric generating plants.]

C. [Exchange Party] has peaking capacity and energy available during [the winter][certain] months which it is willing to make available to PSE in return for the exchange of a like amount of peaking capacity and energy in [the summer][other] months.

D. PSE has peaking capacity and energy available during [the summer][certain] months which it is willing to make available to [Exchange Party] in return for the exchange of a like amount of peaking capacity and energy in [the winter][other] months.

[E. The electric systems of [Exchange Party] and PSE are not directly interconnected. However, these electric systems are indirectly interconnected primarily through [the Bonneville Power Administration transmission system] [and _____].]

Agreement

In consideration of the promises herein, [Exchange Party] and PSE agree as follows:

Exhibit X, All Generation Source RFP – Prototype Exchange Agreement

1. Definitions

The following terms, when used in this Agreement with the initial letters capitalized, whether in the singular or the plural, shall have the following meanings:

"Transmission Provider" means [_____] or its successor owner or operator of the transmission system that interconnects the respective electric systems of the Parties.]

"Contract Year" means a calendar year during the Term.

"Day" means the period of time beginning at midnight, 0000 Hours, and ending at the next midnight, 2400 Hours.

"Delivering Party" means the Party that is to deliver energy under Section 3.1 or 3.2 below, as the case may be.

"Effective Date" means the date this Agreement becomes effective pursuant to Section 2.1.

"[Exchange Party] Point of Delivery" means:

(a) [_____]; or

(b) such other point or points as may be agreed upon by the Parties' dispatchers or schedulers.

"FERC" means the Federal Energy Regulatory Commission or its regulatory successor under the Federal Power Act, as heretofore and hereafter amended.

"Good Utility Practice" means those practices, methods and equipment, including characteristics of services and provisions for contingencies, as modified from time to time, that are commonly used in a Party's Service Area to operate electric power facilities to serve a utility's firm power customers.

"Hours" means hours measured by Pacific Time, Standard or Daylight, whichever is in effect at the pertinent time.

"Loss" means any loss, cost, charge, expense or damages, whether direct, indirect or consequential.

"Month" means a calendar month.

"MW" means an amount of capacity equal to one million watts.

Exhibit X, All Generation Source RFP – Prototype Exchange Agreement

"MWh" means an amount of energy equal to one million watt-hours.

"Off-Peak Day" means a Saturday, Sunday or national holiday as defined in 5 U.S.C. § 6103(a).

"Peak Day" means all Days other than Off-Peak Days.

"Person" means any individual, corporation, company, partnership, trust, association, governmental authority or other entity.

"PSE Point of Delivery" means:

(a) []; or

(b) such other point or points as may be agreed upon by the Parties' dispatchers or schedulers.

"PUC" means the [public utilities commission] of the state of [] or its regulatory successor.

"Receiving Party" means the Party that is to receive energy under Section 3.1 or 3.2, as the case may be.

"Related Persons" means each of the following with respect to a Party: the directors, officers, employees and agents of such Party.

"Service Area" means, with respect to either Party, that area within the exterior geographic boundaries of the several areas electrically served at retail, from time to time, by such Party. [Exchange Party's] Service Area is currently located in [], and PSE's Service Area is currently located in northwestern Washington.

"Summer Month" means any of the Months of June, July, August or September of any Contract Year.]

"Term" means the period which commences and terminates as described in Section 5.

"Termination Date" means the date upon which this Agreement terminates pursuant to Section 2.2, 2.3 or 5.1.

"Third Party" means any Person that is not a Party.

Exhibit X, All Generation Source RFP – Prototype Exchange Agreement

"Transmission Availability" means and shall occur at such time, if any, that transmission service or use is available pursuant to one or another of the following, sufficient throughout the Term for PSE to transmit from PSE's electric system to the PSE Point of Delivery, and to receive at the [Exchange Party] Point of Delivery and transmit to PSE's electric system, the service to be delivered or received, respectively, by PSE under this Agreement:

(a) the Transmission System is in normal commercial operation and is directly interconnected with PSE's electric system, and PSE has rights to use at least [_____] MW of capacity in the Transmission System; or

(b) PSE has contracts with the Transmission Provider or with one or more Third Parties for [_____] MW of firm transmission service between (i) PSE's electric system and the PSE Point of Delivery and (ii) the [Exchange Party] Point of Delivery and PSE's electric system.

"Transmission System" means the facilities owned, controlled or operated by the Transmission Provider that are used to provide transmission service for the delivery of power to or from the respective electric systems of the Parties pursuant to this Agreement.

"Uncontrollable Forces" means any cause or causes that by the exercise of due diligence the Party unable to perform could not reasonably have been expected to avoid and that by the exercise of due diligence that Party has been unable to overcome, including, but not limited to, the following: emergency or electrical disturbance on or transmitted through a Party's electric system or any electric system with which a Party is directly or indirectly interconnected; failure or threat of failure of equipment or facilities; flood, earthquake, volcanic activity, wind, storm, drought, fire, pestilence, lightning and other natural catastrophes; epidemic, war, riot, civil disturbance or disobedience; sabotage, vandalism, strike, lockout, labor disturbance or labor or material shortage; government priorities; restraint by court order or public authority; action or inaction by any governmental authority or agency; inability to obtain necessary authorizations or approvals from any governmental agency or authority; and inability to obtain needed transmission service from the Transmission Provider.

"Willful Misconduct" means, for purposes of Section 7, any action, by a Party or on behalf of a Party at the direction of any Related Persons of such Party having management responsibility for such action, that is taken or not taken with conscious indifference to consequences or with the intent or knowledge that injury or damage would or probably would result.

Exhibit X, All Generation Source RFP – Prototype Exchange Agreement

["**Winter Month**" means any of the Months of January, February, November or December of any Contract Year.]

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

2. Effective Date and Termination

2.1 Effective Date. This Agreement shall become effective on the date upon which it is permitted to become effective by FERC; provided, that if FERC accepts this Agreement with any change or new condition, this Agreement shall not be or become effective unless and until the date by which both Parties have agreed in writing to such change or new condition; provided further, that if upon filing FERC enters into a hearing to determine whether this Agreement is just and reasonable, this Agreement shall not become effective unless and until (a) the date, if any, upon which an order no longer subject to judicial review is issued by FERC determining this Agreement to be just and reasonable without any change or new condition, or (b) the date, if any, promptly after an order no longer subject to judicial review is issued by FERC determining this Agreement to be just and reasonable with changes or new conditions, by which both Parties have agreed in writing to each such change or new condition imposed by such order.

2.2 Notice of Termination. Either Party may, by written notice to the other Party pursuant to this Section 2.2, terminate this Agreement, effective on the later of (a) the end of the Contract Year in which such other Party receives such notice of termination, and (b) one hundred eighty (180) days following such other Party's receipt of such notice of termination; provided, that neither Party shall give prior to [date] any such notice of termination of this Agreement pursuant to this Section 2.2.

2.3 Notice of Termination in the Event of Regulatory Order. If FERC or any other regulatory authority of competent jurisdiction or any court of competent jurisdiction:

(a) orders that this Agreement be interpreted, modified, or extended in such a manner that either or both Parties are required to (i) incur any new or different obligation not contemplated by this Agreement to the other Party, (ii) extend any obligation under this Agreement to any Third Party, or (iii) incur any obligation to serve any Third Party; or

(b) determines in an order or judgment that this Agreement, or its operation or effect, is unjust, unreasonable, unlawful or otherwise not in the public interest;

Exhibit X, All Generation Source RFP – Prototype Exchange Agreement

then the Parties promptly shall attempt in good faith to renegotiate the terms and conditions of this Agreement to arrive at a new, mutually acceptable capacity and energy exchange agreement; provided, that nothing in this Section 2.3 shall apply to orders or determinations by [the PUC or] the WUTC or to judicial review of such orders or determinations. If the terms and conditions cannot be so renegotiated within six (6) months following the date such order or determination is issued, either Party thereafter may, by written notice to the other Party pursuant to this Section 2.3, terminate this Agreement, effective on the later of (a) the end of the Contract Year in which such other Party receives such notice, and (b) one hundred eighty (180) days following such other Party's receipt of such notice of termination.

2.4 Termination Time. This Agreement shall terminate at 2400 Hours on the day specified for such termination in Section 2.2, 2.3 or 5.1; provided, however, that all obligations incurred under this Agreement prior to its termination shall continue until satisfied.

3. Capacity and Energy Exchange

~~3.1 Service to PSE. During [the Winter Months][period] of each Contract~~
Year during the Term, [Exchange Party] shall each Hour deliver to PSE at the [Exchange Party] Point of Delivery and PSE shall accept delivery of the amount of energy scheduled for such Hour by PSE in accordance with Section 4, up to a maximum of [] MWh during the Contract Year.

3.2 Service to [Exchange Party]. During [the Summer Months][period] of each Contract Year during the Term, PSE shall each Hour deliver to [Exchange Party] at the PSE Point of Delivery and [Exchange Party] shall accept delivery of the amount of energy scheduled for such Hour by [Exchange Party] in accordance with Section 4, up to a maximum of [] MWh during the Contract Year.

3.3 No Deficiency. Except to the extent required by Sections 3.1 and 3.2, this Agreement shall not be deemed to require the First Party to schedule from the Second Party an amount of energy equal to the amount of energy delivered by the First Party to the Second Party. A decision by one Party to schedule an amount of energy during any Contract Year less than the maximum specified in Section 3.1 or 3.2 shall not (a) relieve such Party of its obligation to deliver up to such maximum to the other Party during each Contract Year or (b) entitle either Party to payment of money or other compensation on account of such lesser amount having been scheduled.

Exhibit X, All Generation Source RFP – Prototype Exchange Agreement

4. Scheduling Requirements

4.1 Establishing Schedules. The Receiving Party shall notify the Delivering Party of the hourly amounts of energy scheduled for delivery during the period from 0000 Hours Monday through 2400 Hours the following Sunday at any time before 0900 Hours on the last Peak Day before the period to which such schedules pertain. The Receiving Party may revise its schedules at any time under this Section 4.1; provided, that any revision after 0900 Hours of the Peak Day immediately prior to the Day or Days on which such energy is to be delivered shall be subject to the Delivering Party's approval, which approval shall not be unreasonably withheld.

4.2 Rate of Delivery. Unless otherwise agreed to by the Delivering Party, the Receiving Party shall not schedule the delivery of any energy under this Section 4:

- (a) at a rate of delivery in excess of [] MW for any Hour;
- (b) with more than two changes in the rate of delivery applicable during any Day, except as provided in Section 4.3; or
- (c) at a rate of delivery during any Hour of any Day that is less than twenty-five percent (25%) of the highest rate of delivery scheduled for any Hour during such Day.

4.3 Energy Ramping. The Delivering Party may determine the need to reduce the difference between the rate of delivery of energy scheduled for any two consecutive Hours. In such event, if requested by the Delivering Party at the time schedules are submitted by the Receiving Party in accordance with Section 4.1, the Receiving Party shall submit a revised schedule that, unless otherwise agreed by the Parties, shall spread the change in rate of delivery over three (3) consecutive Hours, with the rate of delivery during the second Hour at the mid-point between the rates of delivery for the first and third Hours.

4.4 Two-Day Schedule Restriction. Unless otherwise agreed to by the Delivering Party, if the Receiving Party schedules delivery during a Day of energy at a maximum hourly rate of delivery of less than 75 MW, such Day [(unless it is the last day of a February or the last day of a September)] shall have been immediately preceded by or shall be immediately followed by another Day during which the maximum hourly rate of delivery scheduled by the Receiving Party is less than 75 MW.

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5. Term

5.1 Commencement. The Term shall commence at 0000 Hours on the later to occur of the following:

(a) [date]; or

(b) the date by which PSE has achieved Transmission Availability; provided, that if by [date] PSE has not achieved Transmission Availability, either Party may, by written notice to the other Party pursuant to this Section 5.1, terminate this Agreement, effective at 2400 Hours on the Day such other Party receives such notice of termination. In the event of such termination of this Agreement, the Term shall not commence. If either Party terminates this Agreement by notice pursuant to this Section 5.1, the Parties shall negotiate in good faith for a period of not less than twelve Months after the Termination Date in an attempt to reach a new, mutually acceptable capacity and energy exchange agreement. Promptly after PSE has achieved Transmission Availability, PSE shall provide written notice thereof to [Exchange Party].

5.2 Transmission Availability. PSE shall use reasonable efforts to negotiate and enter into a contract pursuant to which Transmission Availability occurs by [date]; provided, however, that PSE shall not in any event be obligated to enter into any contract or commitment on terms or conditions that in PSE's good faith judgment

(a) impair the value of this Agreement to PSE or

(b) are unduly burdensome or otherwise unacceptable to PSE.

5.3 Termination of Term. The Term shall terminate at 2400 Hours on the Termination Date.

6. Continuity of Service

6.1 Interruptions. Either Party may interrupt, suspend, curtail or allow fluctuation in any service under this Agreement, if such interruption, suspension, curtailment or fluctuation results from any of the following:

(a) Uncontrollable Forces;

(b) work on the Party's electric system (including installation, removal, investigation, inspection, repair, maintenance, improvement, renewal

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or replacement), which work is consistent with Good Utility Practice or determined by that Party to be necessary;

(c) actions, which may occur automatically or manually, taken by a Party consistent with Good Utility Practice or determined by a Party to be necessary, to protect the performance, integrity, reliability or stability of that Party's electric system;

(d) automatic protective devices or other automatic protective methods on a Party's electric system that are installed and operated in accordance with Good Utility Practice or that are determined by that Party to be necessary; or

(e) actions taken in good faith by a Party to prevent, reduce or eliminate (i) hazard to life or property or (ii) unsatisfactory, or jeopardy to continuity of, electric service within that Party's Service Area. Without limiting the generality of the foregoing, it is expressly agreed that any service under this Agreement may be interrupted, suspended, curtailed or allowed to fluctuate if transmission by a Third Party of such service from the electric system of PSE, as Delivering Party, to the PSE Point of Delivery or from the [Exchange Party] Point of Delivery to the electric system of PSE, as Receiving Party, is interrupted, suspended, curtailed or allowed to fluctuate due to Uncontrollable Forces or any cause beyond PSE's reasonable control to eliminate such interruption, suspension, curtailment or fluctuation in such transmission.

6.2 Notice of Interruptions. Except in cases of emergency or automatic actions, including the operation of automatic devices, each Party shall endeavor to give reasonable advance notice of any interruption, suspension, curtailment or fluctuation permitted by Section 6.1, and of its probable duration.

6.3 Restoration. If any interruption, suspension, curtailment or fluctuation permitted by Section 6.1 causes, or if any Uncontrollable Forces cause, a Delivering Party to deliver, or a Receiving Party to receive, less energy than the amount of energy to which the Receiving Party is otherwise entitled under this Agreement and has been scheduled in accordance with Section 4, the Delivering Party shall deliver to the Receiving Party at the PSE Point of Delivery or the [Exchange Party] Point of Delivery, as applicable, and the Receiving Party shall accept delivery of, an amount of energy equal to the difference as soon as is practicable thereafter as scheduled by the Receiving Party pursuant to Section 4.

6.4 Protection of Facilities. Each Party shall be responsible for protecting its facilities from possible damage in connection with service under this Agreement

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that results from conditions or causes on the other Party's facilities. Nothing in this Section 6.4 shall alter the liability provisions in Section 7.1.

7. Liability and Indemnity

7.1 Between Parties. Neither any Party nor its Related Persons shall be liable to the other Party for any Loss incurred by such other Party in connection with this Agreement other than:

(a) Loss resulting from Willful Misconduct; and

(b) Loss resulting from a breach of this Agreement, other than indirect and consequential damages. Without limiting the generality of the foregoing, neither any Party nor its Related Persons shall be liable to the other Party for any Loss to the other Party's facilities in connection with this Agreement other than such Loss as results from Willful Misconduct.

7.2 Uncontrollable Forces. Neither Party shall be considered to be in breach of this Agreement on account of any failure to perform as required by this Agreement if such failure is the result of Uncontrollable Forces. Nothing in this Section 7.2 shall be construed as requiring a Party to settle any strike, lockout or labor dispute in which it may be involved, or to accept any permit, certificate, contract or any other agreement or authorization necessary for the performance of this Agreement, that contains terms and conditions which a Party in good faith determines are unduly burdensome or otherwise unacceptable.

7.3 Indemnity.

7.3.1 Obligation to Indemnify. If a Third Party that is an ultimate use customer in the Service Area of a Party ("First Party") makes a claim or brings an action against the other Party ("Second Party") alleging Loss arising in connection with service under this Agreement or the absence of such service, including interruption, suspension, curtailment or fluctuation in such service, then upon timely written request of the Second Party, the First Party shall hold harmless, defend and indemnify the Second Party and its Related Persons against such claim or action to the fullest extent permitted by law; provided, however, that nothing in this Section 7.3 shall release a Second Party from any liability, or impose on the First Party any obligation to hold harmless or defend or indemnify the Second Party or its Related Persons, for the Willful Misconduct of the Second Party or its Related Persons.

7.3.2 Enforcement. If the Second Party is required to enforce against the First Party the obligation to hold harmless, defend and indemnify set forth in Section 7.3.1, then the First Party shall pay all costs, including reasonable attorneys' fees and other

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litigation costs at trial and upon appeal, incurred by the Second Party in such enforcement.

8. Regulatory Authority

8.1 Jurisdiction. This Agreement is subject to the jurisdiction of those governmental authorities having jurisdiction to regulate service under this Agreement.

8.2 Acceptance. Each Party shall make reasonable efforts to secure the acceptance for filing by FERC of this Agreement in its entirety and without change. Each Party that is subject to the jurisdiction of FERC shall submit, without reservation, condition or qualification, this Agreement to FERC for acceptance for filing. Each Party shall state to FERC its agreement with the termination provisions set forth in Sections 2.2, 2.3, 2.4, 5.1 and 8.4.

8.3 Filing Fees. Each Party shall be responsible for all FERC filing fees incurred by such Party in filing this Agreement and any amendment hereto mutually agreed upon by the Parties.

8.4 FERC Termination. No regulatory filings, other than the initial filing of this Agreement, shall be required to effectuate any termination of this Agreement or the services under this Agreement. The termination of this Agreement pursuant its terms shall serve automatically to terminate this Agreement and any tariff, rate and rate schedule

(a) comprised by or which incorporates this Agreement or

(b) that is for service required to be offered as a result of this Agreement. Each Party hereby waives any right it may have to request or require that any regulatory filing, beyond the initial filing of this Agreement with FERC, shall be made to effectuate any termination of this Agreement or any service pursuant to this Agreement. If a regulatory filing is required to effectuate such termination, despite the foregoing express provisions of this Section 8.4, each Party further waives any right it may have to request or to have such termination denied, conditioned, suspended or otherwise deferred for more than five Months after the Termination Date.

9. Miscellaneous

9.1 Notices. Except as provided in Section 9.2, any notice provided for in, or served, given or made in connection with, this Agreement shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by

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registered or certified United States mail, properly addressed and stamped with the required postage, as follows:

If to [Exchange Party]:

[address]

Attn: [_____]

If to PSE:

Puget Sound Energy, Inc.
PSE Building
10885 N.E. 4th Street
Bellevue, Washington 98004
Attn: [_____]

Either Party may change its address specified in this Section by giving the other Party notice of such change in accordance with this Section.

9.2 Routine Scheduling Notices. Any notice of a routine character between the Parties' respective schedulers or dispatchers in connection with scheduling of service under this Agreement shall be given in such a manner as is mutually acceptable from time to time to the Parties' respective schedulers or dispatchers unless otherwise provided in this Agreement.

9.3 Amendment. No change, modification or amendment of this Agreement shall be valid unless set forth in a written instrument signed by both Parties.

9.4 Assignment. Without the prior written consent of the other Party, which consent shall not be unreasonably withheld, neither Party shall assign or transfer this Agreement, except:

(a) to any Person into which or with which the Party making the assignment or transfer is merged or consolidated or to which such Party transfers substantially all of its electric utility properties; or

(b) to any Person that wholly owns, is wholly owned by or is wholly owned in common with the Party making the assignment or transfer.

No assignment or transfer, with or without the consent of the other Party, shall relieve a Party of any obligation under this Agreement. Subject to the foregoing provisions of this Section 9.4, this Agreement shall be binding upon, inure to the

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benefit of and be enforceable by the Parties and their respective successors, transferees and assigns. Any successor to or transferee or assignee of the right of a Party, whether by voluntary transfer, judicial sale, foreclosure sale, or otherwise, shall be subject to all provisions and conditions of this Agreement to the same extent as though each successor, transferee, or assignee were an original party to this Agreement.

9.5 No Agreement to Serve Others. The Parties by entering into this Agreement do not hold themselves out to furnish like or similar service to any other Person.

9.6 No Third Party Beneficiary. Nothing in this Agreement shall be construed to create any rights in or duties to any Third Party, nor any liability to or standard of care with reference to any Third Party. This Agreement shall not confer any right or remedy upon any Person other than the Parties and their respective successors, transferees and assigns permitted under Section 9.4. 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. This Section 9.6 shall not be construed to limit in any way the rights and benefits afforded to the Related Persons of the respective Parties under Section 7.

9.7 No Dedication of Facilities. No undertaking by one Party to the other Party under any provision of this Agreement shall constitute a dedication of the electric system of such Party, or any portion thereof, to the public or to the other Party.

9.8 No Transmission Service Provided. Under this Agreement, neither Party provides or makes available any transmission service over any part of its transmission system to the other Party or to any Third Party. A Party shall not be responsible for the delivery and receipt of energy by the other Party at the PSE Point of Delivery or the [Exchange Party] Point of Delivery, as applicable, under this Agreement, including, but not limited to, reimbursement of any charges by any Third Party for transmission service, energy losses and other costs incurred to transfer energy between such other Party's electric system and such point of delivery.

9.9 Control and Ownership of Facilities. Nothing in this Agreement shall be construed to give a Party any right of ownership, possession, use or control of the electric system of the other Party.

9.10 Captions. All indexes, titles, subject headings or section titles, and similar items are provided for the purpose of reference and convenience and are not intended to affect the meaning of the contents or scope of this Agreement.

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9.11 Construing Meaning of Contract. Ambiguities or uncertainties in the wording of this Agreement shall not be construed for or against either Party, but shall be construed in a manner which most accurately reflects the intent of the Parties at the time of execution of this Agreement.

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

9.13 Judgments and Determinations. When the terms of this Agreement provide that an action may or must be taken or that the existence of a condition may be established based on the judgment or determination of a Party, such judgment shall be exercised or such determination shall be made in good faith, and shall not be arbitrary or capricious.

9.14 No Partnership. This Agreement shall not be interpreted or construed to create an association, joint venture, franchise or partnership between the Parties or to impose any partnership obligation or liability upon either Party. Further, neither Party shall have, by virtue of this Agreement, any authority to enter into any agreement or undertaking for or on behalf of, to act as or be an agent or representative of, or to otherwise bind the other Party.

9.15 Nonwaiver. The failure of either Party to insist upon or enforce strict performance by the other Party of any provision of this Agreement or to exercise any right under 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 provision or right in any other instance; rather, the same shall be and remain in full force and effect.

9.16 Integration. This Agreement constitutes the complete and final expression of the agreement of the Parties and is intended as a complete and exclusive statement of the terms of their agreement, which supersedes all prior and contemporaneous offers, promises, representations, negotiations, discussions, communications, and contracts that may have been made in connection with the subject matter of this Agreement.

9.17 Severability. In the event that any provision of this Agreement or the application of any such provision shall be held invalid as to any Person or circumstance by any court having jurisdiction, such provision shall remain in force and effect to the maximum extent permitted by law, and all other provisions of this Agreement and their application shall not be affected thereby but shall remain in force and effect unless a court holds they are not severable from the invalid provisions.

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9.18 Section 205. The rates for service specified in this Agreement shall not be subject to change for this Agreement through application to FERC pursuant to the provisions of Section 205 of the Federal Power Act absent the agreement in writing of both Parties. The word "rates" as used in this Section 9.18 means a statement of services as provided in this Agreement, rates and charges for or in connection with those services, and all classifications, practices, rules, regulations or contracts, including but not limited to this Agreement, which in any manner affect or relate to such services, rates and charges.

Puget Sound Energy, Inc.

By _____
[Name]
[Title]

Date Signed: _____, 200__

[Exchange Party]

By _____
[Name]
[Title]

Date Signed: _____, 200__

Exhibit XI, All Generation Source RFP – Prototype Ownership Term Sheet

PROTOTYPE OWNERSHIP TERM SHEET

Background

This Prototype Ownership Term Sheet (“Term Sheet”) sets forth the current requirements that we, PSE, want you, the Respondent, to address or incorporate into any proposal you make to us that contemplates the ultimate ownership of your project by us. It is intended to identify certain elements of a potential transaction that would be embodied in Definitive Agreements (defined below).

We have tried to identify in this Term Sheet those provisions that would be applicable generally to all Respondents and relevant to any potential transaction arising out of a proposed PSE ownership arrangement involving the sale of a project to PSE. We recognize, however, that the particular facts and circumstances relevant to your project may vary from the transaction structure described in this Term Sheet, so certain proposals may not incorporate all elements of a PSE ownership arrangement outlined in this Term Sheet.

We also recognize that you may have other reasons (whether legal, regulatory or relating to financing) that may cause you to propose that PSE purchase equity interests (such as limited liability company interests or limited partnership interests) in a project company that owns a generation project, rather than sell the project outright to PSE.

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

By submitting your proposal, you acknowledge that the RFP, including this Term Sheet, has been prepared by us as part of our ongoing process of integrated resource planning and that we are considering alternative arrangements for the procurement of generation resources. This Term Sheet is an integral part of, and subject to, the terms and conditions of the RFP. You should not interpret this Term Sheet as an offer, agreement or commitment by PSE to acquire any generation resource. Also, this Term Sheet shall not limit, restrict or obligate us with regard to the conduct of our integrated resource planning process, the potential implementation of any plan or program of resource procurement or the actual procurement of any generation resources.

We reserve the right to reject any and all proposals received in response to the RFP, request the submission of different proposals for other generation resources and/or seek to acquire generation resources from

Exhibit XI, All Generation Source RFP – Prototype Ownership Term Sheet

one or more parties other than any Respondent. We may also modify, change, supplement or delete any and all provisions of this Term Sheet, or withdraw and cancel the RFP.

General Ownership Structure

When we speak of a “PSE ownership arrangement” we mean a proposal pursuant to which PSE would ultimately own the resource. Ownership could be transferred to us at various stages of development and using a variety of approaches. For example, possibilities include joint development by you and PSE, development by you followed by the transfer to PSE, an initial purchase of power by PSE with transfer of ownership later, or other mutually beneficial approaches. Although we are willing to consider a variety of arrangements, this Term Sheet presumes that we would acquire an ownership interest in a Project (as defined below under “*Respondent and the Project*”) either (i) prior to the commencement of its construction or (ii) after it has already commenced commercial operations. Please note that if you include a proposal to shape a resource to our seasonal resource requirements, your proposal should provide a fixed price (e.g., not tied to a market price index) and should be for a longer-term arrangement (3, 5 or 7 years).

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

If your proposal contemplates a PSE ownership arrangement, in addition to containing the other submissions required by the RFP, you will need to set forth in your proposal substantial additional details. We will need to review supporting documents, information and data regarding the timing, price, terms and conditions of a proposed sale of the Project to PSE and a budget, schedule and other information regarding the funding of construction, operation and maintenance of the Project.

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

Exhibit XI, All Generation Source RFP – Prototype Ownership Term Sheet

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

In your response to the RFP, in addition to the other submissions that should accompany a proposal that contemplates the sale of all of the Project to PSE, you need to comprehensively demonstrate to us that the Project, as proposed to be owned, financed, permitted, constructed, operated and maintained, is capable of being “placed in service” on or before [December 31, 2008],² in full compliance with all technical, performance and operating criteria and standards and the requirements of the RFP, applicable laws, regulations, permits and governmental authorities having jurisdiction over the parties or the Project.

Certain Definitive Agreements We expect that the agreements necessary to complete the potential transaction described in this Term Sheet (the “Definitive Agreements”) would include, at least: (1) a PSA for the sale by Respondent to PSE of all of the Project, and (2) if we deem it necessary, a guaranty by an affiliate of yours acceptable to PSE (the “Guarantor”), who would guaranty your obligations or those of your affiliates under the Definitive Agreements (the “Respondent Guaranty”).

The execution and delivery of the Definitive Agreements would be subject, among other things, to our satisfactory completion of due diligence and the approval of the transaction by each party’s board of directors (or other appropriate management body).

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

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

Regulatory Approvals We expect that the following regulatory approvals, among others, might be required prior to Closing to implement a proposed transaction:

(1) Receipt of FERC approval under Section 203 of the Federal Power

² PSE’s preference is that the Project would be placed in service on or before [December 31, 2008]; however, PSE will evaluate proposals that contemplate a later placed in service date.

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Act required for the transfer of an interest in FERC-jurisdictional facilities included as part of the Project;

(2) Expiration of any waiting period (or obtaining of any approval required) under Hart-Scott-Rodino; and

(3) Receipt by PSE from the Washington Utilities and Transportation Commission (the “WUTC”) of approvals and orders, as applicable, pertaining to our acquisition of the Project and the other aspects of the potential transaction, and confirming the inclusion of the full amount of the purchase price plus all or substantially all of our transaction costs and other amounts allocable to the construction, start-up, testing and commissioning of the Project in our rate base.

**Transaction
Representations &
Warranties**

We expect that the Definitive Agreements would contain representations and warranties by both parties customary for similar transactions relating to, among other things:

(1) Receipt by the parties of regulatory and other approvals necessary to consummate the potential transaction;

(2) The financial condition of each of you, your Guarantor and any affiliate of yours that is a party to a Definitive Agreement, and PSE;

(3) The nature and extent of your right, title and interest in and to the Project and the condition of the Project (including with respect to environmental matters);

(4) The sufficiency of the assets, properties, equipment and rights constituting the Project, including permits and governmental authorizations, for the construction, operation, maintenance and repair of the Project and for the full operation, utilization and maintenance of the Project in accordance with the requirements of the RFP;

(5) The Project’s compliance with the requirements of applicable law;

(6) Labor and employment matters; and

(7) Other appropriate representations and warranties as may reasonably be required by PSE or Respondent.

**Transaction
Covenants**

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

Depending upon the circumstances of your proposal (such as the financial condition and experience of you and your Guarantor, the status of development and completion of the Project, the nature of existing contractual arrangements, the capacity, equipment and other technical

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characteristics of the Project, and other details of your proposal), the Definitive Agreements may set forth covenants from you in which you promise not to take certain actions, possibly including:

- making any loans, advances or contributions to any person or furnishing a guaranty of the obligations of any person;
 - failing to continue to develop the Project prior to Closing;
 - agreeing to unreasonably costly mitigation efforts;
-
- changing your organizational and governing documents or reorganizing into any other legal form, entering into any joint venture or partnership, or consolidating, converting or merging with or acquiring any other entity;
 - engaging in any business other than the management, administration, operation and maintenance of the Project;
 - incurring any indebtedness (other than, if necessary, your project financing);
-
- settling any third party claim relating to the Project without our prior written consent, which consent would not be unreasonably withheld; or,
 - soliciting, offering, or negotiating with any third party for the sale or transfer of the Project prior to Closing.

Terms and Conditions For Projects Under Development

If your proposal involves an unbuilt Project, we are willing to consider contracting to either (i) transfer to us the responsibility for its completion, start-up and commissioning, or (ii) having you keep responsibility for its completion, start-up and commissioning.

In either case, the Definitive Agreements would include detailed schedules showing the Project's design, engineering and construction status. These schedules will need to include:

- performance and technical specifications of the Project;
- performance guarantees;
- major equipment and systems and vendors;
- major subcontractors;
- the status of permit applications;

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- the status of contractors' and vendors' obligations and warranties; and,
- the schedule for completion of the Project and other related information and data.

The Definitive Agreements would also require you to provide access to the Project to certain designated PSE employees, representatives and agents so that they can observe and monitor the manufacture, fabrication, assembly, installation, construction, start-up, testing and commissioning of the Project and any parts or components of it. Our people would also be permitted access to the premises of contractors, vendors and consultants and attend meetings and review and copy information, data and documents in connection with our due diligence review. Our employees, representatives and agents would be required to observe your (and your contractors') rules regarding safety, security and confidentiality and would not interfere with or hinder the construction of the Project.

In the event that you plan to retain responsibility for the completion, start-up and commissioning of the Project, we expect that the following additional terms and conditions would apply to the proposed transaction:

Purchase Price

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

Respondent's Completion of the Project

Subject to certain approval rights of PSE, you would be responsible for the direction of, and the cost and expense necessary, incidental to or appropriate for, the construction, completion, start-up and commissioning of the Project, including mobilization, design, engineering, procurement, supply, supervision, and testing expenses (with the exception of such expenses related to fuel for certain tests as set forth below). Your Guarantor would unconditionally guarantee your payment, performance, warranty and other obligations with respect to the design, engineering, construction and completion of the Project in accordance with the criteria set forth in the Definitive Agreements. You would cause construction of the Project to be performed or supervised

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by an EPC contractor experienced in the design, engineering and construction of electric generating facilities similar to the Project and in accordance with applicable laws, regulations, permits, the standards and criteria of original equipment manufacturers, good industry practices and insurance requirements.

Change Orders: In completing the construction of the Project, you would notify PSE, in writing, prior to making any proposed change order or any other modification to the design, component parts or equipment or operational characteristics of the Project which (A) (i) involves individually an amount in excess of \$[]³ or (ii) is proposed after the aggregate value of prior change orders or modifications is \$[]⁴, or (B) which would reasonably be expected to adversely affect the operational characteristics, reliability or costs of operation and maintenance of the Project. PSE would have ten (10) days to notify you in writing that we do not consent to the proposed change order or modification described by you in such notice; otherwise we would be deemed to concur with the proposed change order or modification.

Otherwise, you shall have the right, without PSE's consent, to make such substitutions of parts, materials and/or equipment in completing the construction of the Project as would not be reasonably expected to adversely affect the operational characteristics, reliability or costs of operation or maintenance of the Project. You agree to provide PSE with a list of such substitutions on a monthly basis and at Substantial Completion and Final Completion (each as defined below). In the event you fail to provide timely notice to PSE of any proposed change order or modification of the nature or effect described above, and such change order or modification results in a material adverse change to the operational characteristics, reliability or costs of operation and maintenance of the Project, the Definitive Agreements would set forth mutually agreed upon rights and remedies.

For purposes of this Term Sheet, "Substantial Completion" means the completion of the Project, the completion of the facilities necessary to interconnect the Project to the electric grid and to receive water, fuel supplies and other supplies and services, and the delivery of all permits, interim manuals sufficient for interim operations during the period between Substantial Completion and Final Completion, and other deliverables necessary for PSE to operate the Project on a commercial basis in accordance with the requirements of the Definitive Agreements

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

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

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at an electrical output not less than and heat rate not greater than certain “Minimum Performance Guarantees” to be agreed to in the Definitive Agreements. “Final Completion” shall mean the final completion by Respondent of all items of work remaining at Substantial Completion, delivery of all outstanding deliverables, including manuals and lien releases from contractors and vendors, clean-up of the site and removal of all equipment.

No later than at Final Completion, you would provide us with statutory lien releases from the EPC contractor and its subcontractors furnishing services, equipment or goods used in the design, engineering, equipping, construction and completion of the Project, evidencing that all amounts due to such parties have been paid or bonded around, such that PSE and the Project would not be liable for payment of any such amounts owed.

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

We would provide you and your designees access to the Project as you require after Substantial Completion, consistent with all safety and similar practices as reasonably requested by PSE, for the purpose of achieving Final Completion and performing warranty work. We will ensure that a sufficient number of qualified operators are available to support the start-up, testing and commissioning activities, all as you recommended.

Title and Risk of Loss

We would take title to the Project upon the closing of the transaction. However, risk of loss would transfer to PSE only upon the achievement of Substantial Completion of the Project.

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Liquidated Damages and Performance Bonuses

You would be liable for schedule liquidated damages if you fail to achieve Substantial Completion of the Project by an agreed upon date, as well as performance liquidated damages for failure to meet the Minimum Performance Guarantees agreed to in the Definitive Agreements.

You also would have the right to earn a performance bonus in the event that the Project achieves Substantial Completion earlier than the agreed upon scheduled date and if the Project exceeds performance standards for capacity and heat rate specified in the Definitive Agreements.

Additional Representations, Warranties and Covenants of Respondent

We expect that the Definitive Agreements would include the following additional representations, warranties and covenants in the event that you retain responsibility for the completion, start-up and commissioning of the Project:

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

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(6) You would cause all equipment warranties (the terms and conditions of which we will have the right to approve), to be in full force with the respective contractors and vendors and fully assignable to PSE, and you will assign such warranties to PSE as of Substantial Completion of the Project.

Project Managers and Independent Engineer

Each of us would designate a construction project manager no later than the date of Closing. Notices, correspondence and other communication required or contemplated by the Definitive Agreements relating to the construction of the Project would be made through our respective construction project managers, except as otherwise agreed.

An independent engineer would be retained to verify you have achieved the performance levels and other criteria required to meet Substantial Completion and Final Completion under the Definitive Agreements. We would share with you the independent engineer's fees and expenses. PSE and Respondent would select the independent engineer from a mutually agreed list of qualified engineers included in the Definitive Agreements.

**Respondent
Guaranty
Requirements**

If we determine that you alone are not sufficiently creditworthy, we will require you to have your Guarantor provide us with the Respondent Guaranty, pursuant to which Guarantor would guarantee the performance by you and your affiliates of your obligations to or for the benefit of PSE under the Definitive Agreements. The Respondent Guarantor would also guaranty the payment of any damages, losses, liabilities, costs and expenses incurred by PSE and payable by you or your affiliates) under the Definitive Agreements. The parties would address in the Definitive Agreements the circumstances, if any, in which PSE might require adequate assurance by you or your Guarantor of your performance of your obligations under the Definitive Agreements, and the nature of such assurance.

**Conditions
Precedent**

The Definitive Agreements shall contain customary conditions precedent for transactions of this type, including:

(1) Delivery of all instruments, consents, assignments, certificates and opinions required by the Definitive Agreements, including, but not limited to, customary opinions regarding (a) the satisfaction of requisite regulatory approvals and requirements and (b) if applicable, the absence of any conflict with any legal, regulatory, contractual or other limitation applicable to any of the parties resulting from granting of a security interest in respect of the undivided interest of a party in the Project to any designated third party lender;

Exhibit XI, All Generation Source RFP – Prototype Ownership Term Sheet

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

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

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

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

Limitations on Liability

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

Indemnification

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

Due Diligence

For a specified period commencing on the date we notify you that your proposal has been selected as a potential transaction (this period, and any extensions to it we may agree upon, the “Due Diligence Period”), we would be entitled to conduct an in-depth due diligence review of the Project, you, your Guarantor and any affiliate of yours that would be a party to a Definitive Agreement. You agree to fully cooperate (and cause your affiliates to fully cooperate) with us and to facilitate this

Exhibit XI, All Generation Source RFP – Prototype Ownership Term Sheet

process.

We expect that our due diligence would include a review of the following, among others:

- all technical matters relating to the Project;
- construction, engineering and transmission agreements, and any other commercial arrangements relating to the Project;
- legal and regulatory matters (including the availability and terms of all required permits and licenses);
- information systems, human resources (subject to applicable legal confidentiality and other restrictions), insurance matters; and,
- any other matters associated with the development, permitting, design, engineering, construction, interconnection, start-up, commissioning, operation and maintenance of the Project.

~~We agree that our due diligence review shall not unreasonably disrupt your (or your affiliates') business, or your directors, officers, employees and agents. The Due Diligence Period would terminate automatically in the event of the termination of the Term Sheet by either party.~~

During the Due Diligence Period, you and your affiliates would provide access to the Project to certain designated PSE employees, representatives and agents so that they could observe and monitor the manufacture, fabrication, assembly, installation, construction, start-up, testing and commissioning of the Project and any of its parts or components. Our people would also be permitted access to the premises of contractors, vendors and consultants, attend meetings and review and copy information, data and documents in connection with our due diligence review. We would be subject to and would be required to observe your (and your contractors') rules regarding safety, security and confidentiality and we would not interfere with or hinder the construction of the Project.

Dispute Resolution

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

Expenses

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

Exhibit XI, All Generation Source RFP – Prototype Ownership Term Sheet

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

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

CONFIDENTIAL

2005 RFP - All Generation Sources - Proposal Summaries - Sorted by Fuel Type

4/25/2006

Code	Resource	Project Name	Owner/Developer	Location City or County, State	Status - Operating or Development	COD/Term	Commercial Structure - Ownership, PPA, Exchange	Product Type - Energy, Capacity, Exchange	Generation Technology/OEM	Nominal Capacity (MW)	Transmission	B&C Lead
503-a												
528 (a-e)												
523 (a-c)												
506 (a&b)												
520 (a-c)												
519												
545												
512												
547(a-f)												
533												
532												
536-539												
543 (a&b)												
540												
504												
510												
526 (a-c)												
505 (a&b)												

Redacted

Attachment 02_Proposal List_short_012406.xls

1683

2005 RFP - All Generation Sources - Proposal Summaries - Sorted by Fuel Type

4/25/2006

Code	Resource	Project Name	Owner/Developer	Location City or County, State	Status - Operating or Development	COD/Term	Commercial Structure - Ownership, PPA, Exchange	Product Type - Energy, Capacity, Exchange	Generation Technology/OEM	Nominal Capacity (MW)	Transmission	BAC Lead
500 (a&b)	NG											
503-b	NG											
501	NG											
515 (a&b)	NG											
505 (a&b)	NG											
521	NG											
525 (a-c)	NG											
546	NG											
542	NG											
517	NG											
529	NG											
516	NG											
541	NG											
503-c	W											
502-b	W											
502-a	W											
514	W											
524 (a-c)	W											
530	W											

Redacted

HIGHLY CONFIDENTIAL
Per WAC 480-07-160

Attachment 02_Proposal List_short_012405.xls

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2 of 3

2005 RFP - All Generation Sources - Proposal Summaries - Sorted by Fuel Type

4/25/2008

Code	Resource	Project Name	Owner/Developer	Location City or County, State	Status - Operating or Development	CO2/Term	Commercial Structure - Ownership, PPA, Exchange	Product Type - Energy, Capacity, Exchange	Generation Technology/OEM	Nominal Capacity (MW)	Transmission	B&C Lead
518												
534												
531 (a&b)												
508 (a-b4)												
527 (a-l)												
544 (a&b)												
507 (a-d2)												
511 (a-d)												
535 (a-h)												
522 (a-h)												
513 (a&b)												
<div> <div> Biomass Coal DSM Geothermal Hydro Integrated Gasification CC Natural Gas Other Solar Wind </div> <div> 5 1 1 1 3 1 17 10 7 47 </div> </div>												

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Unsolicited Proposals List

Code	Fuel Type	Project Name	Owner/Developer	Location	Status - Operating or Development	CO2/Term	Commercial Structure - Ownership, PPA, Development	Product Type - Energy, Capacity, Exchange	Generation Technology/OEM	Nominal Capacity (MW)	Transmission
550	W										
551	W										
552	G	Goldendale	Celebris Corporation	Goldendale	Operating		Undetermined: Ownership of PPA	Energy	GE 7FA turbine (Model 7241); Hitachi HRSG w/direct burner; 90-MW Hitachi steam turbine; Hitachi boiler	245 MW, incremental 30 MW duct fire capability	315 MW Kicklat PUD (term thru 2031) 250 MW on BPA (contract term 2001-2023) Point of Delivery: Mid-C
553-a	W										
553-b	W										
554a	PPA										
554b	PPA										
554c	PPA										
554d	PPA										
554e	PPA										
554f	PPA										

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Unsolicited Proposals List

555	C
556	W

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Evaluation Teams

Business / Commercial Issues	Roger Garratt Christine Philipps* Brian Walshe Chris Bevil	Environmental	Lorna Luebbe* Steve Secrist John Rork Scott Williams Keith Faretr	Regulatory	Karl Karzmar Eric Englert* Tom DeBoer Sara Johnson
Fuel Supply	Bill Donahue* Jorg Steyskal Stephen Emmert	Real Estate	Kurt Krebs* Ralph Potts	Insurance	Tom Barnhart* Mike Main
Transmission	Wayman Robinett Doug Faulkner* Hugh Nguyen	Community Relations	Brian Lenz*	Legal	Sam Osborne*
Technology	Steve St. Clair* Brian Howard Nick Peelo Paul Jusak Lynn Bell Joseph Spado	Plant Operations	Charles Morton Ken Finicle* Gene Galloway Mike Jones	Human Resources	Tom Hunt* Barb Revo
Ed Cassidy		Power Supply Operations	David Mills* Joe Hoerner Sal Avalos Anna Mikelsen	Government Relations (Federal)	Will Einstein* Nina Odell
Quantitative	Jim Elsea* Aliza Seelig Darrin Morgan Stephen Emmert Tom Maclean	Credit/Finance/ Tax/Accounting	Chris Janak* (Credit) Lisa Rice* (Finance) Mike Stranik* (Accr.) Bruce Bollert	Government Relations (State)	Ken Johnson*
Kirsty Grainger Sachi Begur		Matt Marcella	Connie Mander		

PSE Self-Build Evaluation – May 25, 2006

Responses to the 2005 All-Source Request for Proposals ("RFP") revealed proposals that should be considered PSE self-build alternatives. The self-build proposals can be divided into two types—each having different levels of PSE involvement in both the development activities and the construction build-out. The two types of proposals offered are those where:

- i) PSE plays a key role in the remaining development activities and funds the cost of completing the project with the developer; or
- ii) PSE purchases the existing development assets from the developer and PSE completes the project on its own.

Exhibit A provides a list of the RFP responses that are considered self-build proposals.

Both types result in the ownership of the project by PSE. In some cases the ownership of the project is transferred to PSE early at the development stage and other cases the ownership transfer to PSE occurs at the completion of the project.

The developer in the first case ("Type I") fits the "development for hire" model. Under this model, projects are proposed in conceptual form but require commitments from PSE to be fully developed and built. PSE assumes the cost and risk by committing to a developing project that does not have the necessary permits and agreements for construction and operation. If the project is selected by PSE, then PSE is making a decision to co-develop a project and fund it through completion. The development activities and completion of the project, in essence, is being outsourced.

The proposals in the second case ("Type II") are fully (or near fully) developed projects but lack agreements for procurement, construction and operation. These proposals are mature projects with many years of development activities, including environmental studies, real estate rights, transmission rights, an interconnection agreement, and a typically a site permit. The developer has taken the development risk and offers PSE the purchase of the development rights of the project. If the project is selected by PSE, then PSE is making a decision to self-build a project; although the early development activities have been completed by a third party.

A defining trait of the wind proposals considered self-build is the lack of a wind turbine supply. Wind turbines for a 2007 delivery have previously been ordered and allocated; leaving no additional turbine capacity available for some projects. For these proposals, the developer offered a turbine price but with the disclaimer that no turbines have been secured thus the turbine quote was essentially invalid. PSE would need to secure the turbine supply when they came available. Also, PSE would procure other necessary equipment and materials and enter into engineering and construction agreements to complete the project.

As defined by the RFP evaluation criteria, the self-build proposals were evaluated in the same manner as all the other proposals. However, greater diligence was taken when analyzing the costs of the remaining development activities and construction build-out. PSE relied on the costs supplied by the developer, but checked them with current cost data points. Also, additional costs that PSE would be required to fund in order to self-build the project were added to the project economics during the quantitative evaluation.

Qualitative and quantitative risks were evaluated and rated along with all other proposals. Some projects looked favorable but did not surpass the projects that were more fully developed and brought a more mature project with a secure turbine supply. Known costs and secure turbine supply agreements typically evaluated better than projects with less development and unknown project costs that are subject to fluctuating turbine supply pricing.

Some self-build proposals, although very early in the development stages, looked attractive but would require PSE to take a longer perspective on the development process. When looking at

these long-lead time proposals, PSE follows the progress of the developers' activities and continues to evaluate the projects. Key developments on the projects could occur so that PSE would be willing to commit to the project.

Exhibit B shows a summary of the Phase I one evaluation results of the self-build proposals.

Exhibit C ranks the best performing proposals by the net portfolio benefit sorted by technology.

Exhibit D shows the self-build proposals selected to the candidate short list. Four self-build proposals were selected to the candidate short list:

- two, a coal project and a hydro project, are long-lead time development projects;
 - one is a wind project that has no turbine supply; and
 - one is a natural gas-fired combustion turbine peaking project proposed at an existing PSE site
-

Exhibit A

2005 All-Source RFP proposals considered self-build alternatives (by type).

Type I:

Proposed Project	Value
Redacted	

Type II:

Proposed Project	Value
Redacted	

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Exhibit B

Summary of the Phase I evaluation results of the self-build proposals.

Project/Name	Owner	Value	Score	Weighted Score
Redacted	Redacted	0.14	217,528	
		0.31	145,414	
		0.07	21,762	
		0.24	171,629	
		-0.02	-6,575	
		0.001	241	
		0.06	16,443	
		-	-	
		0.04	19,039	
		0.01	1,299	

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Exhibit C

Best performing proposals ranked by the net portfolio benefit sorted by technology.

Proposal Name		Net Portfolio Benefit	Rank
		0.28	
Goldendale	Calpine	0.25	86
		0.24	
		0.24	
		0.07	
		0.04	
		0.02	
		0.001	
		0.14	
		0.07	
		0.01	
		-0.02	
		0.17	
		0.12	
		0.10	
		0.06	
		0.04	
		0.01	

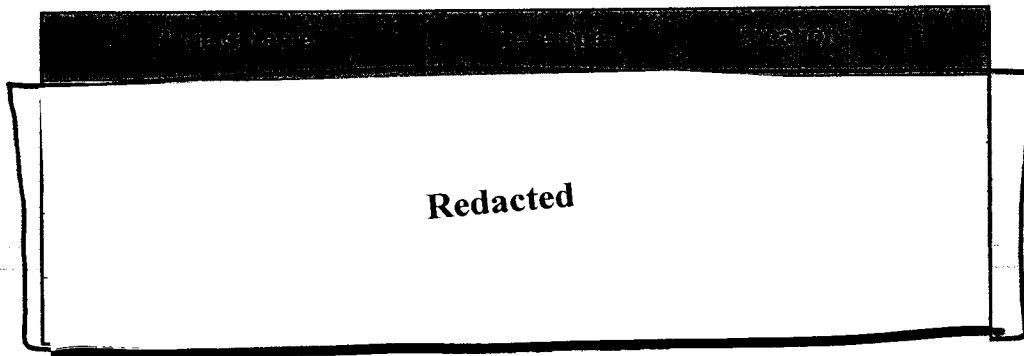
 = Self-Build

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Exhibit D

Self-build proposals selected to the candidate short list.



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PSE Model Updates

A. Aurora

Chart 1. Compare Least Cost Plan 2005 Business As Usual gas prices to RFP 2005 Phase 1

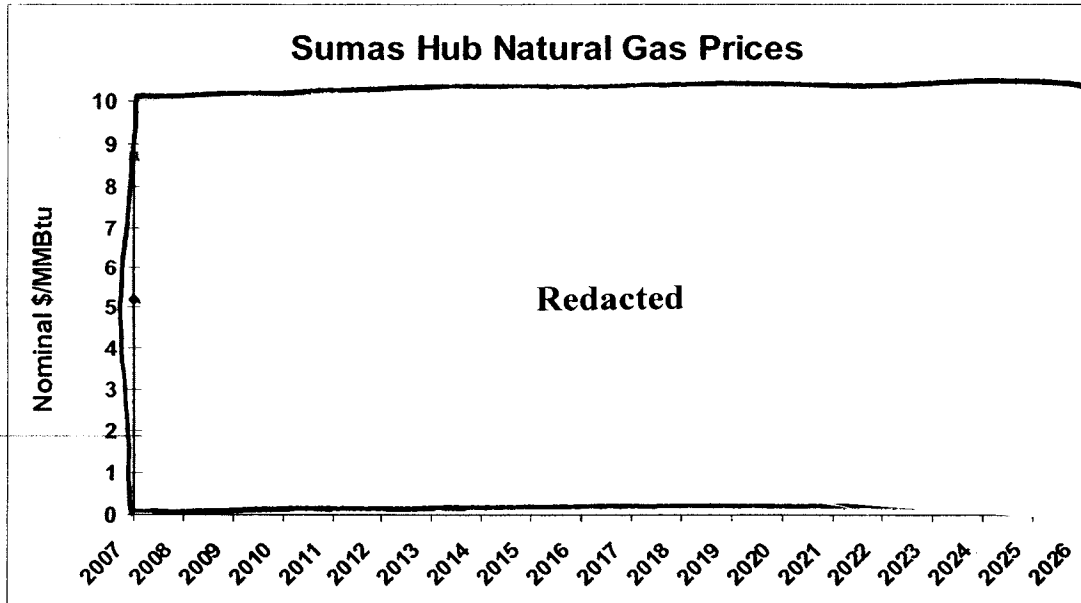


Chart 1 above compares the change in gas prices from the 2005 Least Cost Plan to the 2005 RFP. The long-term natural gas price forecast from Global Insights Reference case in December 2005 is significantly higher than the CERA Business As Usual December 2004 forecast that was used for the 2005 LCP. The 2007 through 2010 period uses Kiodex forward prices that are an average of July 20, 2005 through December 19, 2005. We intended to use a 3 month average of September 20 through December 19, 2005. Chart 2 shows the differences in the Kiodex forwards using the 5 month average ending December 19, 2005 and the 3 month average ending December 19, 2005 and the 3 month average ending April 11, 2006. The 3 month average and 5 month average ending December 19, 2005 are very similar. The forward prices for the 3 month average ending April 11, 2006, show a gradual increase in the expectations for Sumas gas prices out to 2010.

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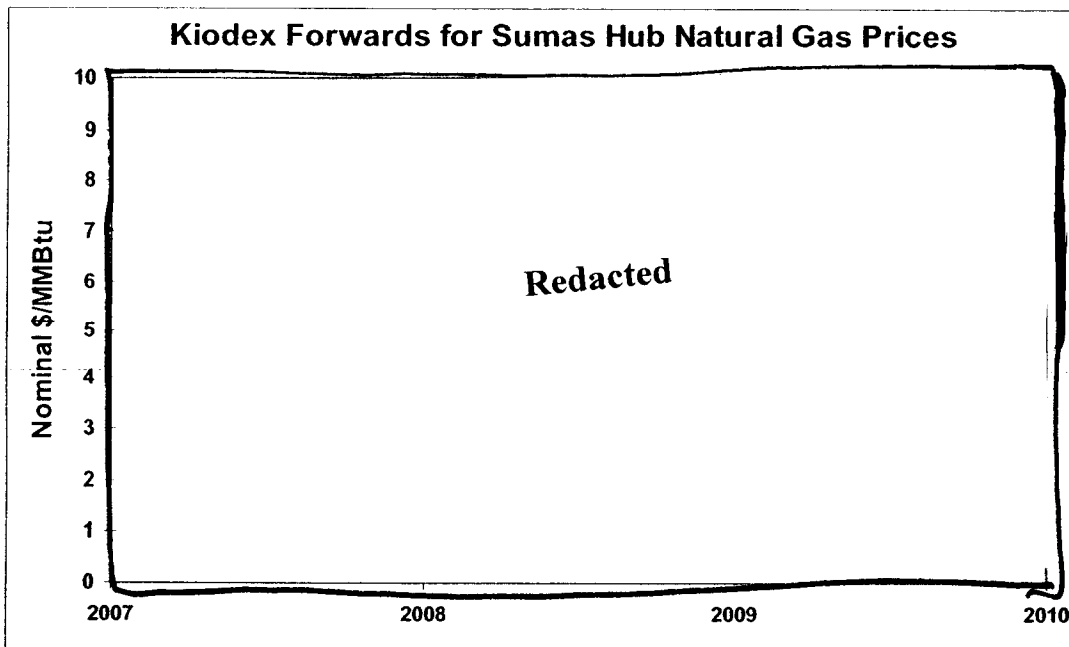
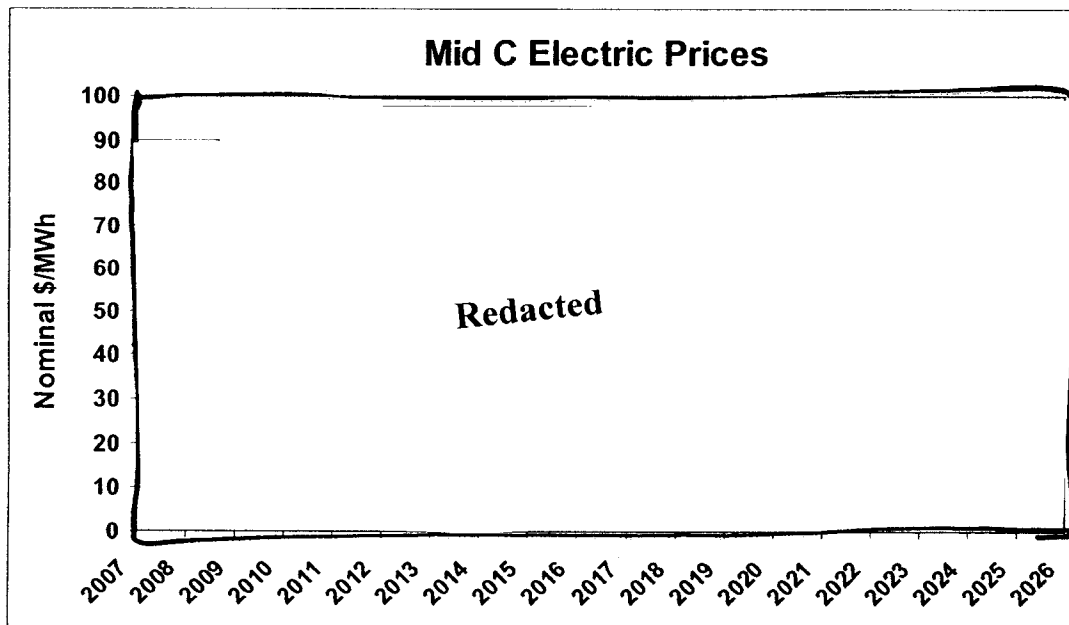


Chart 2. Compare Kiodex Forward Gas Prices for Sumas

Chart 3. Compare AURORA Mid-C Electric



As a result of the significant increase in gas prices, the AURORA forecast of Mid-D power prices have significantly increased over those from the 2005 Least Cost Plan Business as Usual scenario. Chart 3 shows the increase in prices.

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06/16/06

PSE Model Updates

B. Portfolio Screening Model (PSM)

The updates as recorded in the model are shown below:

Logic	19-Jan-06	Add logic on XNPV dates (Assumptions line 96) to tie to start date
Logic	20-Jan-06	Added nominal dollar summary and brought copy forward to this tab
Logic	20-Jan-06	On PPA Rollup added calc of levelized cost of individual PPAs and imputed debt
Logic	20-Jan-06	Modified Supply Calculator to add new block of data for PPA1 - PPA4 capacity. Also edited the formula in line #209 (previously b4 addition of PPA Capacity block data it was line #188) to directly point to the new PPA capacity on line 126 columns T - AM.
Logic	20-Jan-06	Added levelized cost of Acq1 and Acq2
Logic	23-Jan-06	Added book lives for Acquisition #1 and Acq #2. The cells on assumption page point to the input cells on Acquisition inputs. Also changed logic on Acq 1 tab and Acq 2 tab to use these new book lives.
Logic	23-Jan-06	On End Effects tab split acquisition 1 from Acquisition 2.
Logic	30-Jan-06	Change of insurance logic to be multiplied times gross plant and not rate base
Logic	30-Jan-06	Added \$/MWh calculations for Emissions costs on Emissions tab
Logic	1-Feb-06	escalated variable O&M on CCGT tab
Logic	21-Feb-06	added logic for future PTC assumptions
Logic	22-Feb-06	Updated PTC to show credit for 2008 projects (completed in Dec 2007), changed dispatch case to "Calculated"
Logic	23-Feb-06	corrected logic of emissions to include in total cost of generics whether or not emission cost is included in dispatch
Logic	1-Mar-06	Correct MW in col B on End Effects for Acq 1 and Acq 2.
Logic	1-Mar-06	Variable cost of dispatch for Acq 2 on thermal plant page is incorrect in 2008-2026
Logic	1-Mar-06	End effects, include tax depreciation in the cash flow calculation for Acq1 Acq2 and Wind Acquisition because it is included in the generics
Logic	1-Mar-06	End effects. Change the escalation on the fixed costs of generics in year 2027 from escalating 21 years to (21-2) years. Repeat other years. This is to sync up with the average revenues and average variable costs.
Logic	2-Mar-06	Added a formula into the supply calculator to automatically back-out the wind that is added for either PPAs or acquisitions. It removes first from 2012, then 2011, 2010 and 2019
Logic	2-Mar-06	Added a toggle to choose whether to constrain the energy from wind PPA/Acquisitions to the respective capacity
Data	19-Jan-06	Change StartDate to 12/31/2006

06/16/06

PSE Model Updates

Data	19-Jan-06	Labeling on PPA tabs e.g.. Strike price to Variable price (except PPA3)
Data	19-Jan-06	Changed dates on AMW summary to allow Supply calculator to work. Will be OK when new AMW Summary is added.
Data	23-Jan-06	Decided to use allowed WACC of 8.4% (7.01% a/t) for Phase I.
Data	2-Feb-06	Emission credit update (possible logic change to include in VOM)
Data	2-Feb-06	aMW summary update
Data	26-Jan-06	gas and power price update
Data	26-Jan-06	Update Load data and on off peak switches
Data	26-Jan-06	Update Generic resource costs
Data	1-Feb-06	Need Update wind acquisition PTCs
Data	1-Feb-06	Update monthly on peak capacities
Data	2-Feb-06	Update Hourly hydro
Data	31-Jan-06	New Generic plant heat rates do not improve over time. Consistent with AURORA runs.
Data	31-Jan-06	PTCs for generic plants updated base on November 21, 2005 memo on Alternative for Environmental Issues
Data	31-Jan-06	For 2005 actual PTC is (15*1.2528), fixed logic for Wind Acquisition to have PTC vary by start date
Data	31-Jan-06	PPA premium set to 2%
Data	2-Feb-06	Update Hourly PSE Load data for 2026 (Tom fixed in AURORA)
Data		Coal prices for PSE Generic Coal plants
Data	23-Feb-06	Version 4 \$11,270,373 Base portfolio
Data	1-Mar-06	Change cost of DF capital to \$100 / kw estimate. Working on model to calculate.
Data	1-Mar-06	Update power prices that eliminate summer price spreads
Data	1-Mar-06	Consider what level price caps for risk runs in Phase 2
Data	1-Mar-06	With updates, PSM8-1 with reference price equals \$11,163,321 in all generic portfolios
Data	1-Mar-06	Power Prices -AURORA version 8 Default Database with PSE reference gas prices forecast. (This is based on Kiodek averaged prices (Sept 20-Dec 19) for 2006-2010
Data	3-Mar-06	Fixed the price for generic coal plants to be based on PRB coal price
Data	3-Mar-06	Update PSM8-1 Reference \$11,324,308 All generic portfolio (change increased portfolio cost by \$161 Million)

Cleanup	20-Jan-06	Line #103 - Consolidated PPA - Results Summary tab corrected should be referencing dispatch rows 18301, 19099, 19897, 20695, 21493. Old formula was wrong referencing dispatch rows 3935, 4733, 5529, 6325, and 7121.
Cleanup	20-Jan-06	Remove any remaining references to 2004 bonus tax depreciation - on CCGT through Joint Ownership
Cleanup	20-Jan-06	Renewable energy as percent of average energy. Modified the calculation beginning in cell T57 to include average energy from Hopkins Ridge and Wild Horse
Cleanup	23-Jan-06	Cleaned up nomenclature and linking of fixed and variable O&M from Wind Inputs and Acquisition Inputs to their respective analysis tabs
Cleanup	23-Jan-06	Clean up "joint ownership" nomenclature on Assumption tab
Cleanup	3-Feb-06	Insurance escalated with inflation for generics
Cleanup	22-Feb-06	Updated title information

Fuel	Project/Owner	Owner/Developer	MW	Benefit Ratio ¹	Levelized Cost \$/MWh	Portfolio Benefit \$'000	Comments
G				0.07		9,121	
H				0.31		145,414	
W				0.17		42,744	
W				0.12		20,991	
W				0.10		24,447	
W				0.06		16,443	
NG				0.28		237,558	
NG	Goldendale	Calpine	272	0.25		241,097	Attractive gas plant; potential to redirect; participation in bankruptcy auction process required
NG				0.24		198,188	
NG				0.24		171,629	
NG				0.04		621	
C				0.14		217,528	
C				0.07		41,986	
PPA				0.50-0.30		2	
PPA				0.17-0.22		2	
PPA				0.14		2	

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Cycle	Fuel Type	Project Name	Owner/ Developer	Proposal Option	Location	Capacity (MW)	Levelized Cost (\$/MWH)	Portfolio Benefit Ratio	Summary of Negative Comments on Non-Short Listed Proposals
514	W								
518	W								
534	W								
503-c	W								
508-a	W								
508-b	W								
531-A	W								
531-B	W								
532	H								
533	H								
512	G								
509-c	NG/W								
510	NG								
517	NG								

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519	NG
521	NG
541	NG
542	NG
500-a	NG
500-b	NG
501c /501d	NG
503-b	NG
505-a	NG
505-b	NG
509-a	NG
509-b	NG
515-a	NG
515-b	NG
528a	NG
528b	NG
528c	NG
546A	NG
546B	NG
543-a	IGCC

Related

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543-b
503-a
523-A
523-B
523-C
528a
528b
528c
528d
528e
529
545
544
507a
507-b1
507-b2
507c
507-d1
507-d2
507e
513-a
513-b
522-E
522-F

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522-G	PPA
522-H	PPA
527a	PPA
527b	PPA
527c	PPA
527d	PPA
527e	PPA
527f	PPA
527g	PPA
527h	PPA
527i	PPA
535-a1	PPA
535-a2	PPA
535B	PPA
535C	PPA
535-d1	PPA
535-d2	PPA
535-e1	PPA
535-e2	PPA
508b1	PBA

508b2	PBA
508b3	PBA
508b4	PBA

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2005 All-Source RFP Overview

Presented to the Energy Management Committee

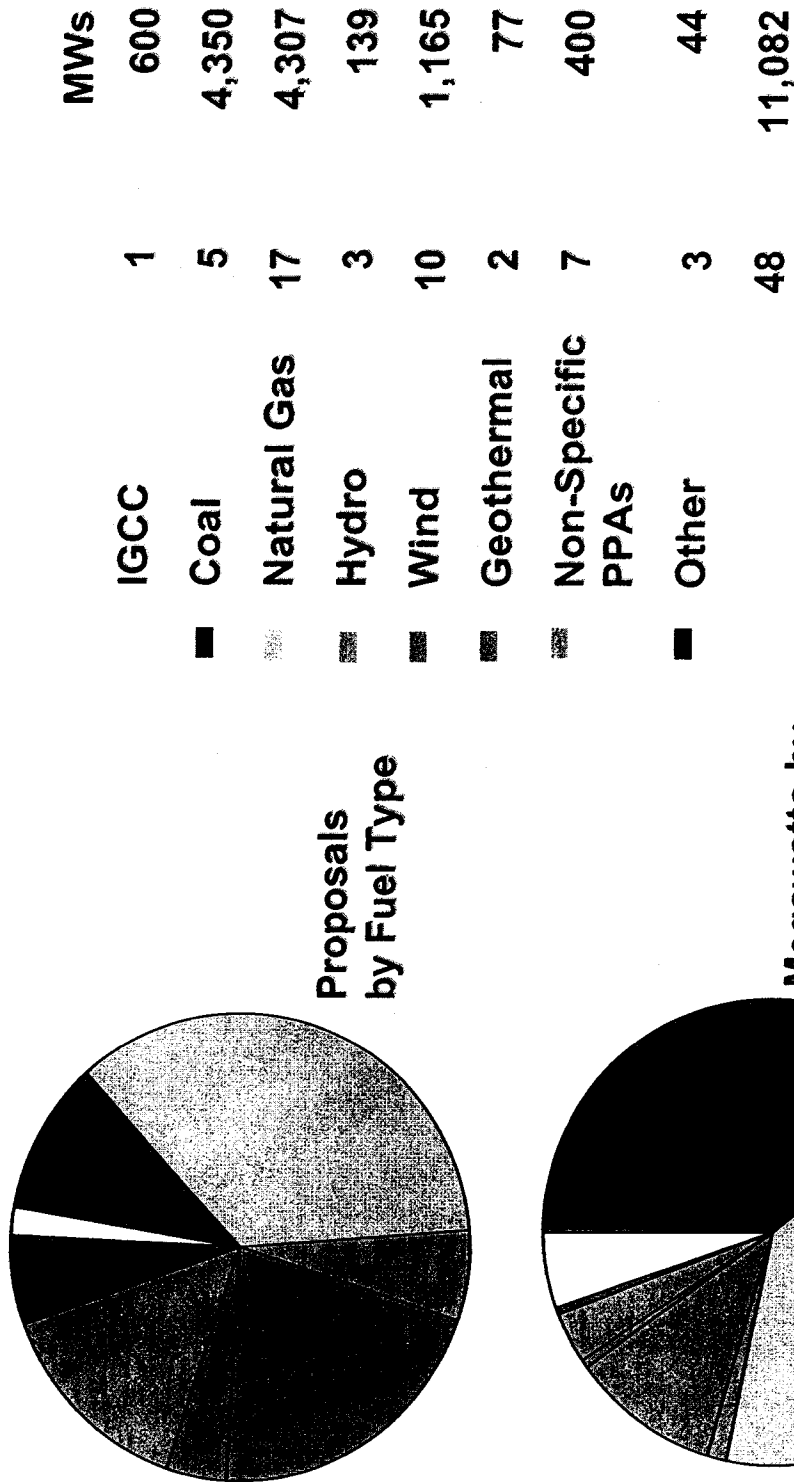
February 6, 2006

Agenda

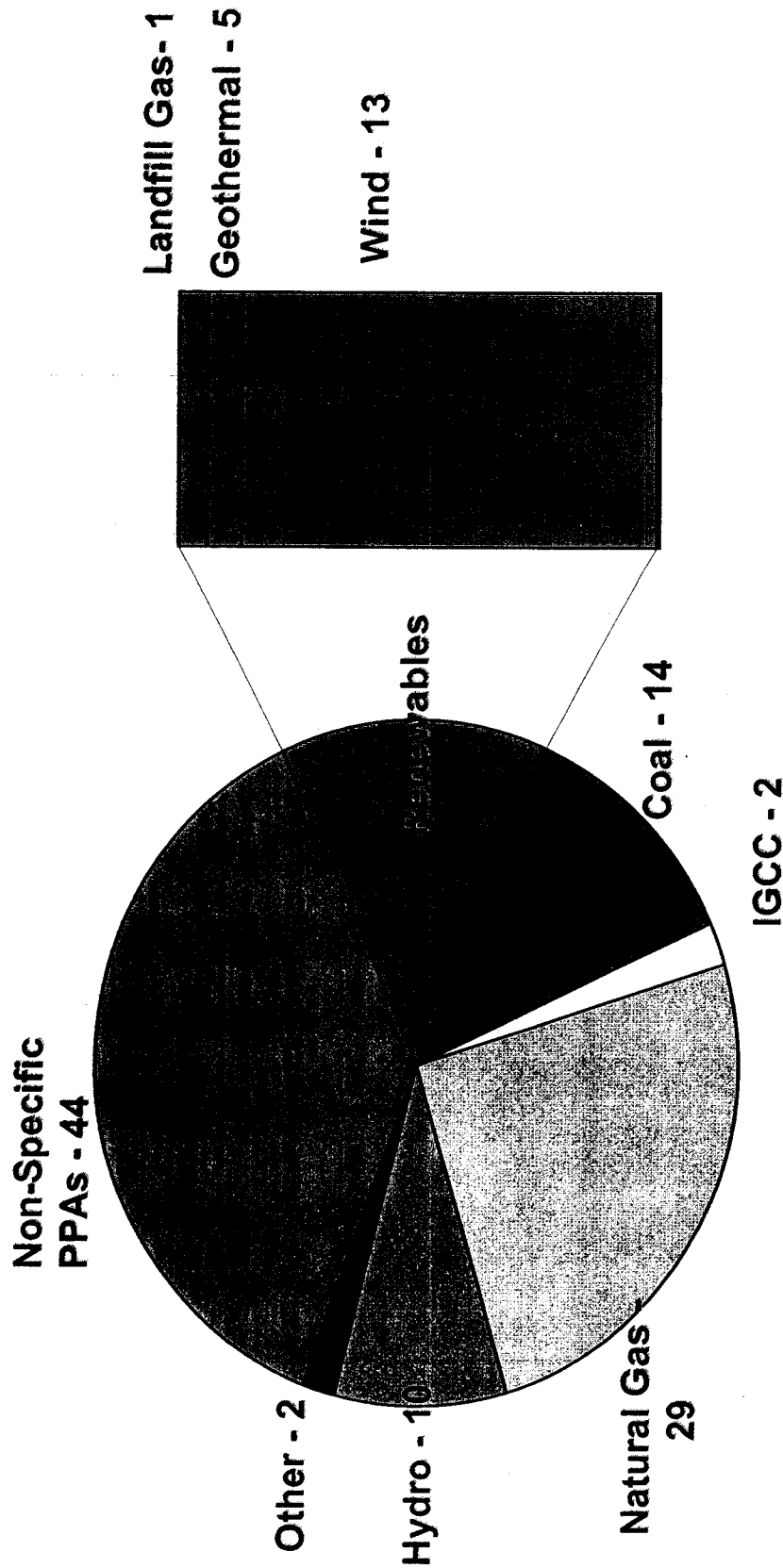
- └ Proposal Breakdown
- └ Early Observations
- └ Evaluation Process
- └ Priority List

48 Respondent Proposals.....

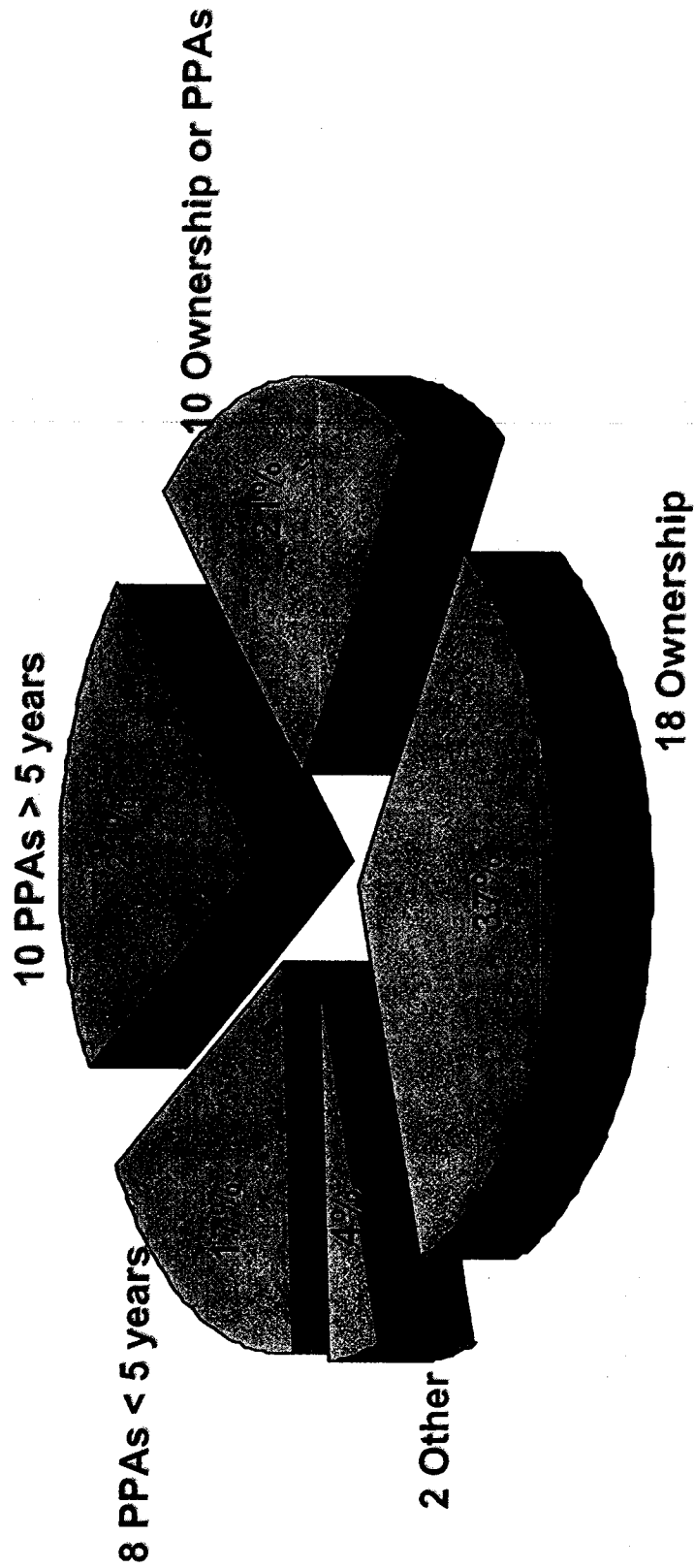
More Coal, Less Wind This RFP Cycle



...120 Offerings



...Ownership vs PPA



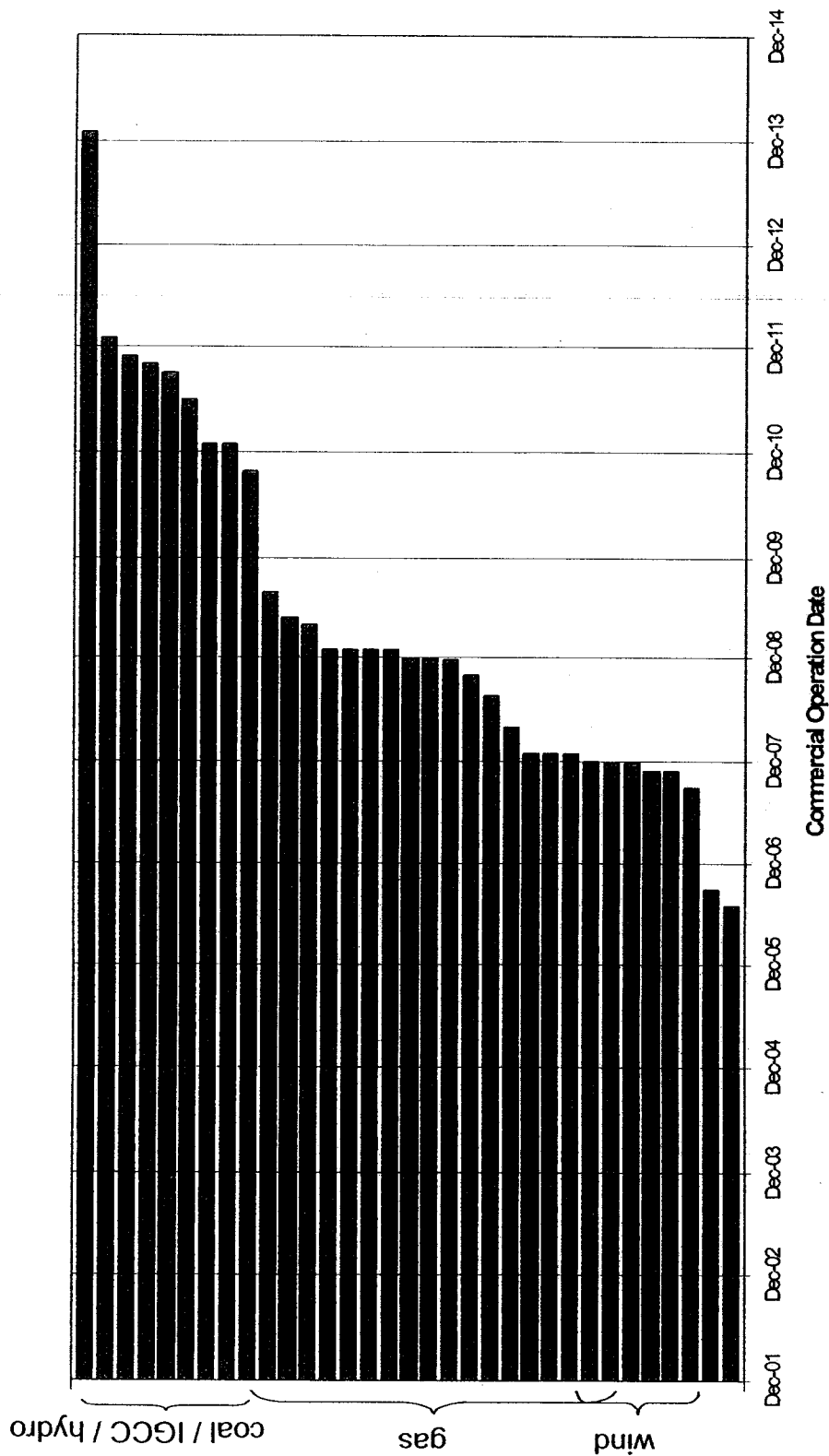
...By Location

- Coal = 4,350 MW
- IGCC = 600 MW
- Natural Gas = 4,335 MW
- ▲ Wind = 1,165 MW
- Hydro = 139 MW
- △ Geothermal = 48 MW
- Other = 444 MW



Project Development Timeline

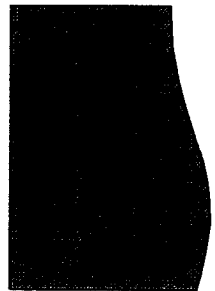
CODs of Projected Developments



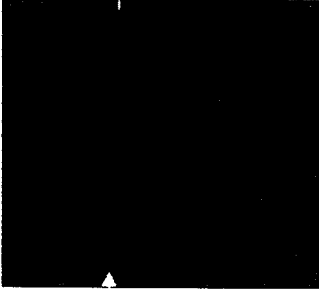
Early Observations

- Resource costs are higher
 - raw material inputs
 - supply and demand
- Limited number of 2007 wind projects
 - wind turbine manufacturers sold out for 2007
 - 5 of 10 projects have turbines
- Greater variety of PPAs
 - Non-specific PPAs shorter term 3-5 years
 - Project PPAs 20 or 30 years
- Evaluation of new generation technology
 - IGCC, GE simple cycle LMS 100's
- Transmission will continue to be challenging
- Potential RPS by the end of this year

RFP Evaluation Process



Phase I - Evaluation
(quantitative and qualitative review)



Phase II - Evaluation
(portfolio evaluation and further qualitative review)

Short List Announced
July 17, 2006
(post proposal negotiations and further due diligence)

Non-Short-listed Proposals



Non-Selected Proposals



Potential Selected Proposals

Starting Point - High Priority List

Energy Type	Project Name	Ownership	Location	Construction Start	Capacity (MW)	Transmission
Coal	Goldendale Energy Center (pre-RFP)	Ownership of PPA	Goldendale	Sep-04	277	BPA/PSE System
Hydro		25-year fixed PPA				
Hydro		25-year fixed PPA				
Hydro		Ownership of PPA				
CCCT	Redacted	Ownership	WA			
Wind		20-year PPA				
Wind		Ownership				
Wind		Ownership				
Wind		Ownership or PPA				
Wind		20-year PPA				
Wind						

Evaluation Teams

Business / Commercial Issues	Roger Garratt Christine Philipps* Brian Walshe Chris Bevil	Environmental	Lorna Luebbe* Steve Secrist John Rork Scott Williams Keith Faretra	Regulatory	Karl Karzmar Eric Englert* Tom DeBoer Sara Johnson
Fuel Supply	Bill Donahue* Jorg Steyskal Stephen Emmert	Real Estate	Kurt Krebs* Ralph Potts	Insurance	Tom Barnhart* Mike Main
Transmission	Wayman Robinett Doug Faulkner* Hugh Nguyen	Community Relations	Brian Lenz*	Legal	Sam Osborne*
Technology	Steve St. Clair* Brian Howard Nick Peelo Paul Jusak Lynn Bell Joseph Spadoni	Operations	Charles Morton Ken Finicle* David Mills* Sal Avalos Joe Hoerner Anna Mikelsen Mike Jones	Human Resources	Tom Hunt* Barb Revo
Quantitative	Jim Elsea* Aliza Seelig Darrin Morgan Kirsty Grainger Sachi Begur Tom Maclean	Credit/Finance/ Tax/Accounting	Chris Janak* (Credit) Lisa Rice* (Finance) Mike Stranik* (Acctg) Bruce Bollert Matt Marcelia Connie Mander	Government Relations (Federal)	Will Einstein* Nina Odell
				Government Relations (State)	Ken Johnson*

Resource Acquisition Update

Progress Report to Senior Management

March 21, 2006

**Eric M. Markell
Senior Vice President
Energy Resources**

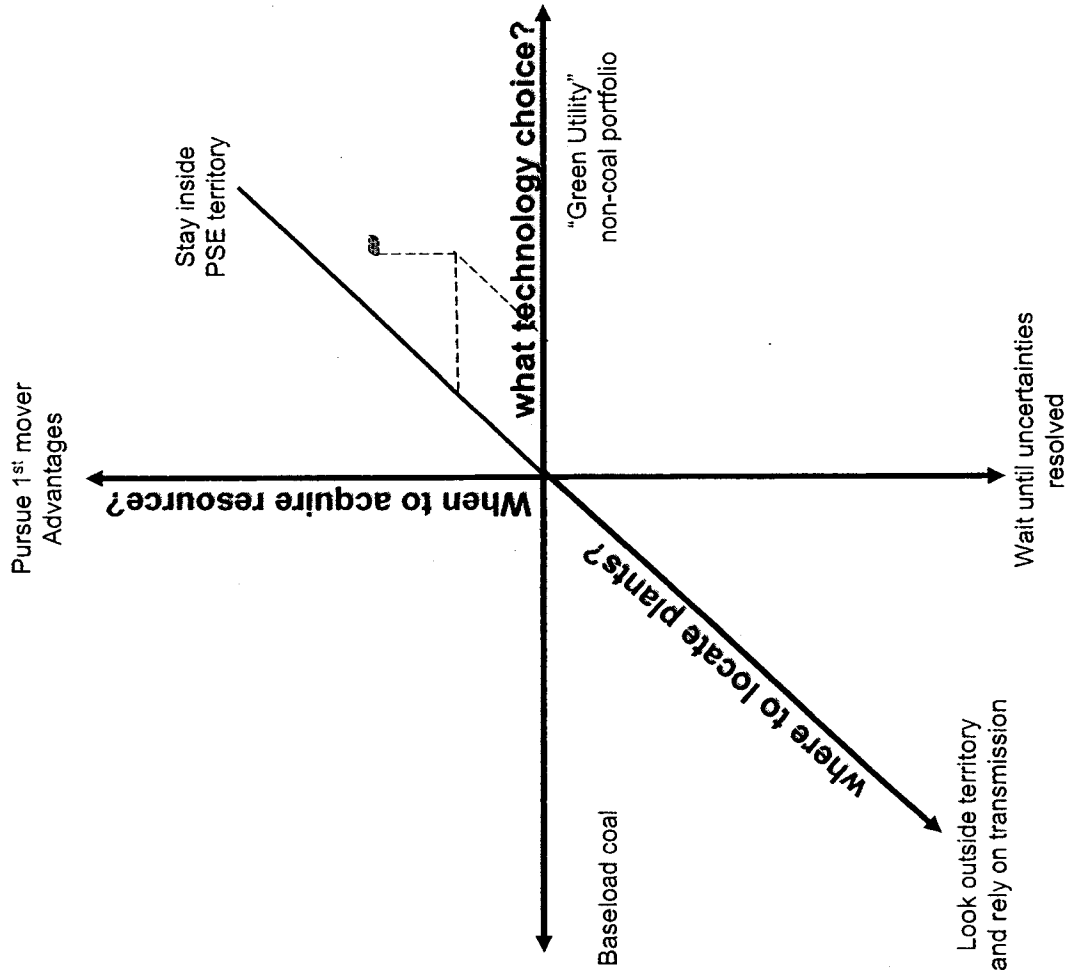
Emerging strategy:

- ┌ Pursue lowest cost, best developed renewables
- ┌ Negotiate with top gas plant opportunities
- ┌ Coal appears unlikely

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<u>Fuel Type</u>	<u>Preliminary Indications</u>
Wind	<div>project currently most attractive followed by</div>
Hydro	<div>No clear winners; project attractive, but significant development risk; will be evaluated on short-list</div>
Geothermal	<div>appears economic, strong development prospect</div>
Natural Gas	<div>Goldendale currently most attractive, (stalking horse bankruptcy game plan needed); followed by</div>
Coal	<div>will be evaluated on short-list; entails significant development challenge</div>
PPAs	<div>Not yet fully evaluated</div>

Critical Issues: technology, location, timing



Timing?

- 1st mover advantages
- Public policy impact
 - Washington RPS
 - California RPS/GHG policy/actions
 - Federal GHG policy
- PTC risks and opportunities
- Optimal role in development life-cycle

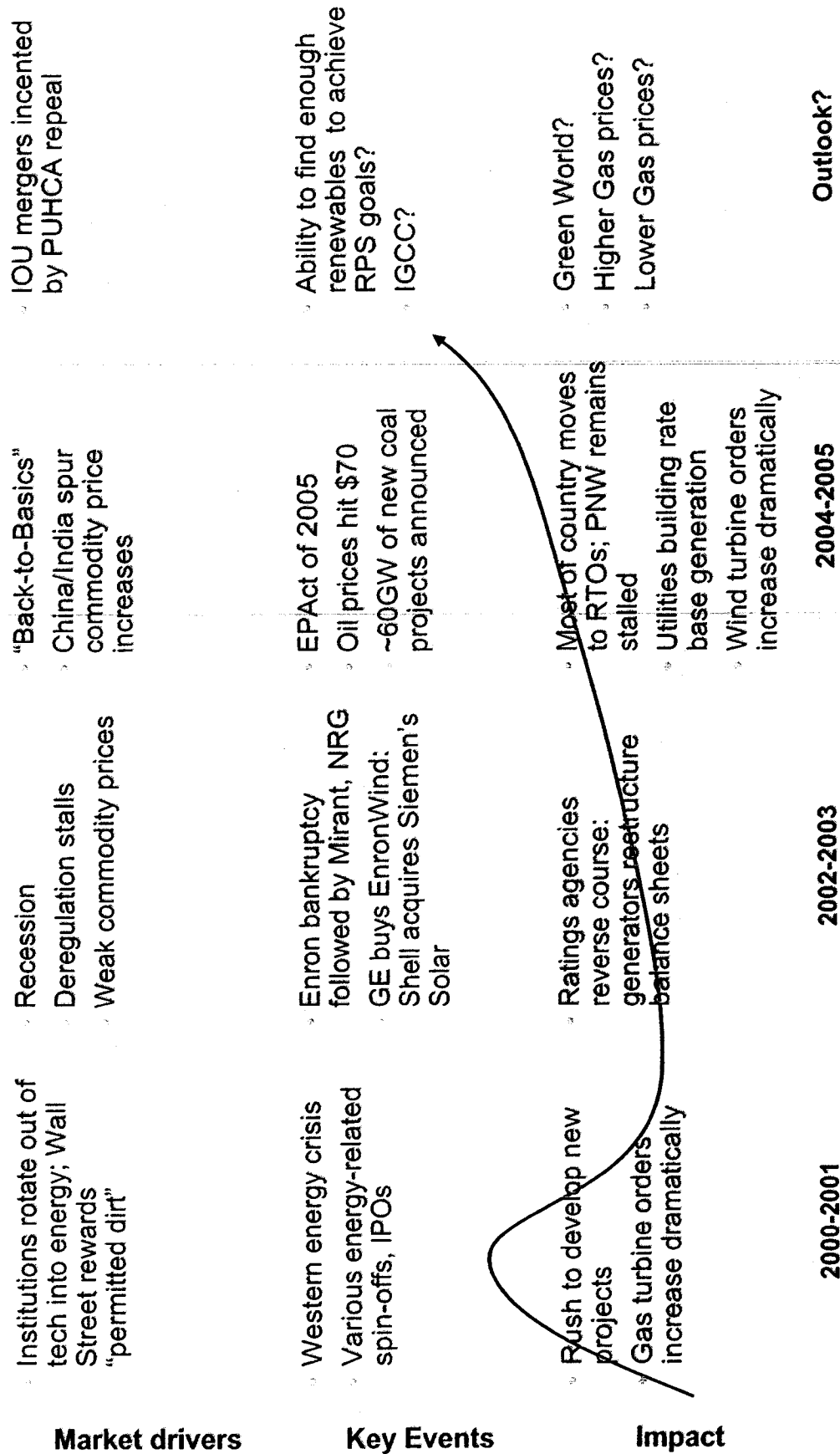
Technology?

- Value of renewables
- Coal externalities
- IGCC technology risks
- Gas price and supply outlook
 - "Peak oil / peak gas"
 - LNG potential and impact
 - Northern Slope

Location?

- Transmission
 - Current constraints
 - FERC 203
- IOU Leadership?
 - Regional cooperation? (RTO, BPA)
- Who and how best to integrate wind?

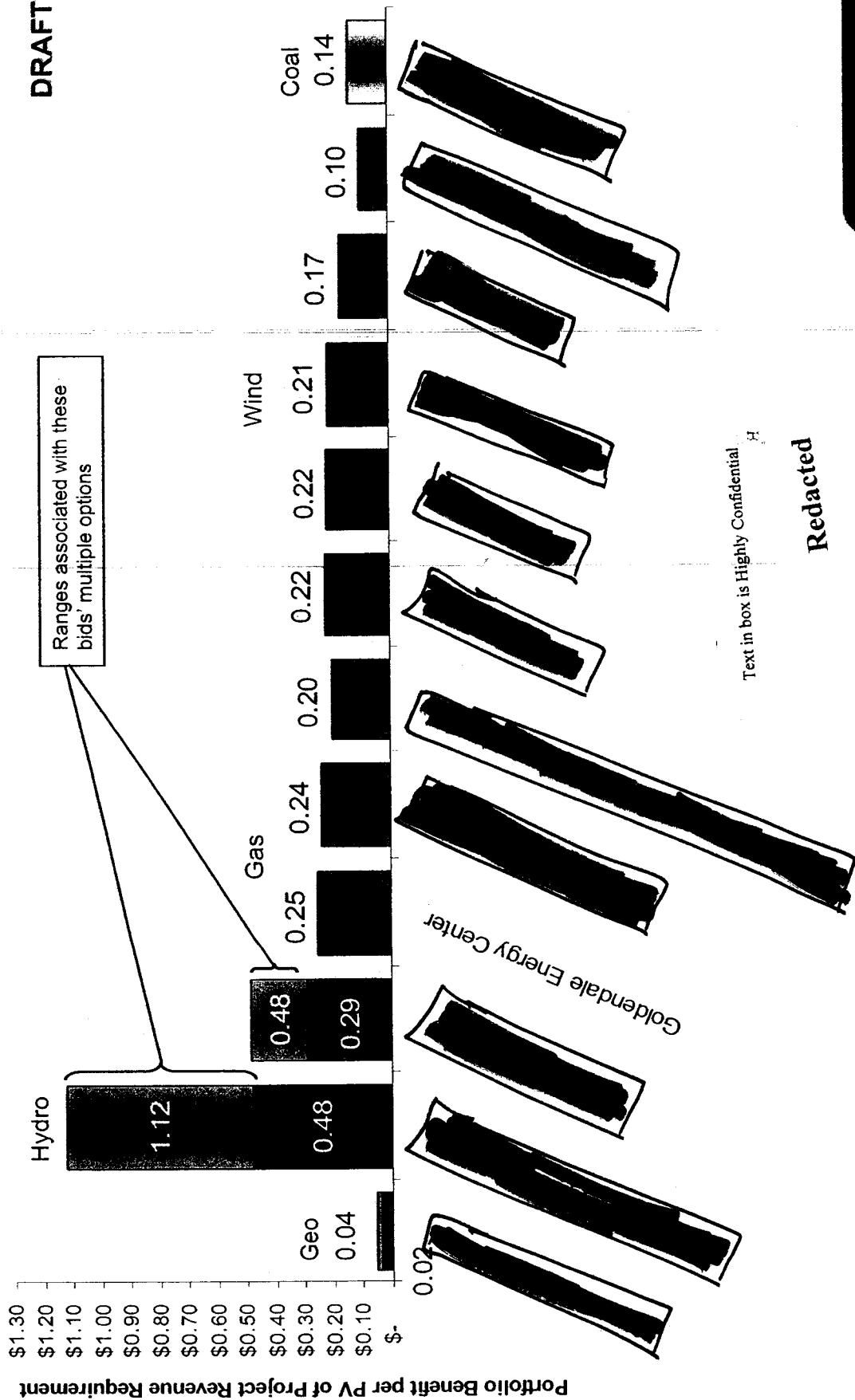
Continuous market and public policy changes...



Note: graph reflects corresponding daily Sumas gas prices for represented time frame

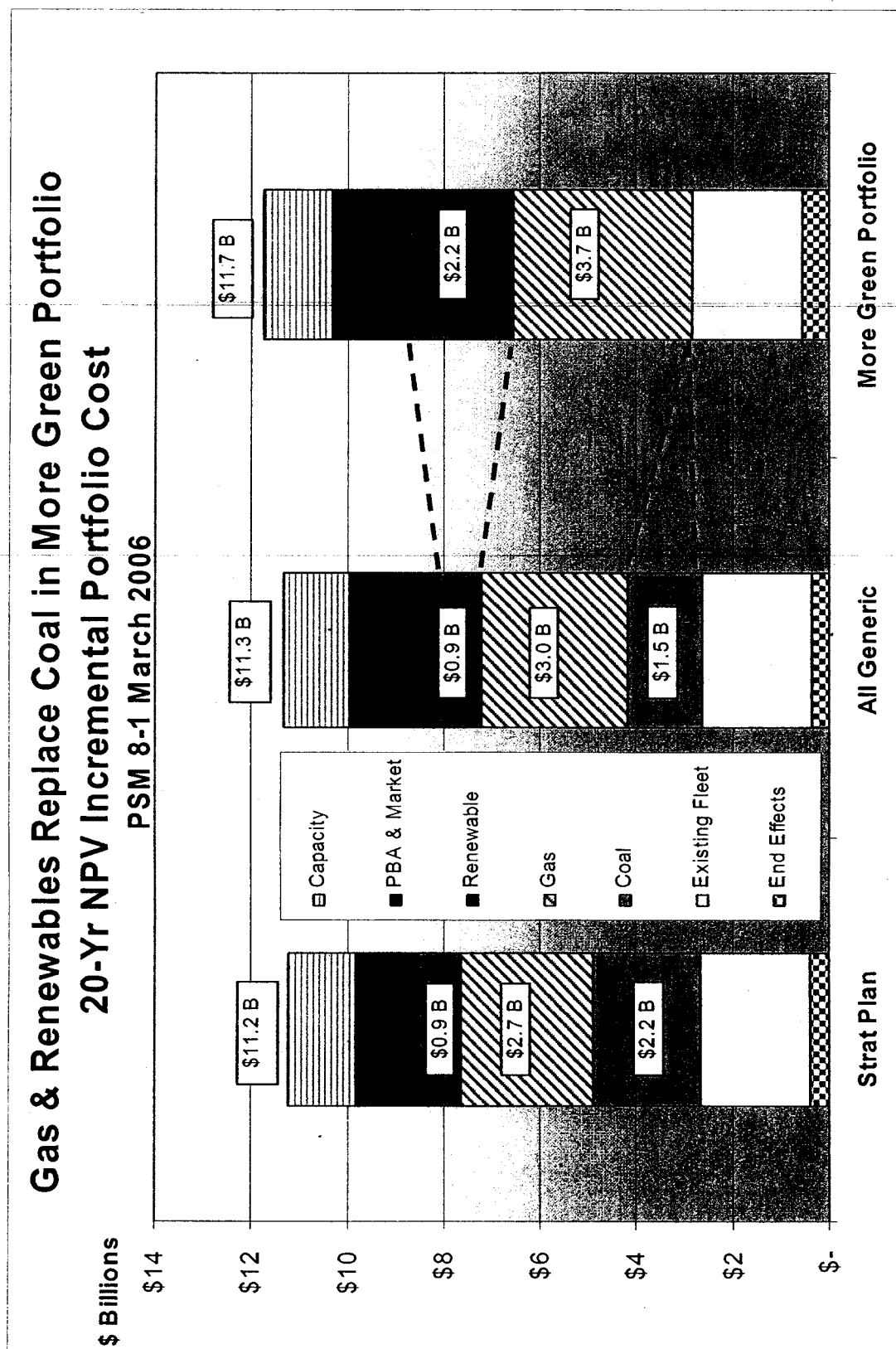
Possible Candidate Short List

Portfolio Benefit per \$ of PV of Project Revenue Requirement



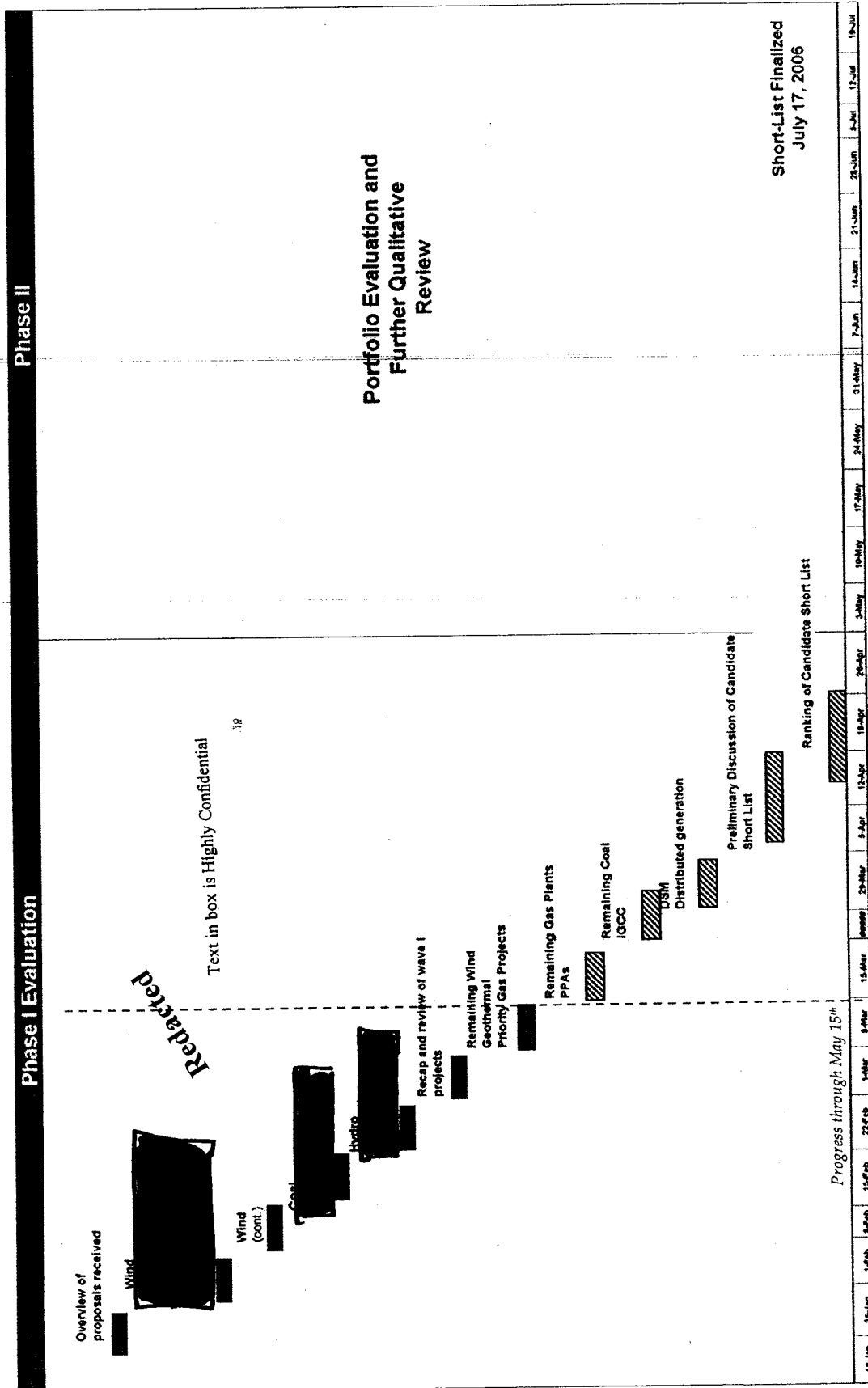
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Per WAC 480-07-160

Green Portfolio only slightly more costly than 2005 LCP with coal and \$5/ton CO₂ tax



Appendix

RFP Evaluation Milestone Schedule



Preliminary Project Evaluation (12 of 36)

5-3-24 Initial Review for the 2024-2025											
Project Name	Project ID	Project Location	Project Size (Acres)	Project Type	Project Status	Project Description	Project Impact	Project Mitigation	Project Monitoring	Project Evaluation	Project Recommendation
Goldendale Energy Center	277	108,665.00	High-Med	High	Low	High	High	Med-High	High	High	Low-Med
		83,139.00	Med-Low	Med-High	Med	Med	High-Med	Med-High	High	High	Low-Med
		67,407.00	Med	Med	Med	High-Med	High-Med	Med-High	High	High	Low-Med
		(29,871.00)	Med	Med		High-Med	High-Med	Med-High	High	High	Low-Med
		2,287.00 (7,201.00)	Med-Low	Med-Low	Med	Med-Low	High-Med	Low	High	High	Low-Med
		(2,942.00)	Med-Low	Med-Low		Med-High	High-Med	Med	High	High	Low-Med
		493,916.00	Med-Low	Low	Low	Low	Med-Low	Med-Low	Low	Med-High	High
		217,528.00	Med	Med-Low	Med	Med	Low-Med	Med-Low	Med	Med-High	High
		240,260.00	Med	Med-High	High	High-High	High-Med	Med-High	High	Med-High	High
		(1,322.00)	Med	Med	Low	Low	Med-Low	Med-Low	Med	High	Med
	(2,980.00)	Med	Med	Low	Low	Med-Low	Med-Low	Med	High	Med	
		107,856 116,120 154,321	Med	Med-Low	Med	Low-Med	Med-Low	Med	Med	Med	Med-Low

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Goldendale Energy Center 277

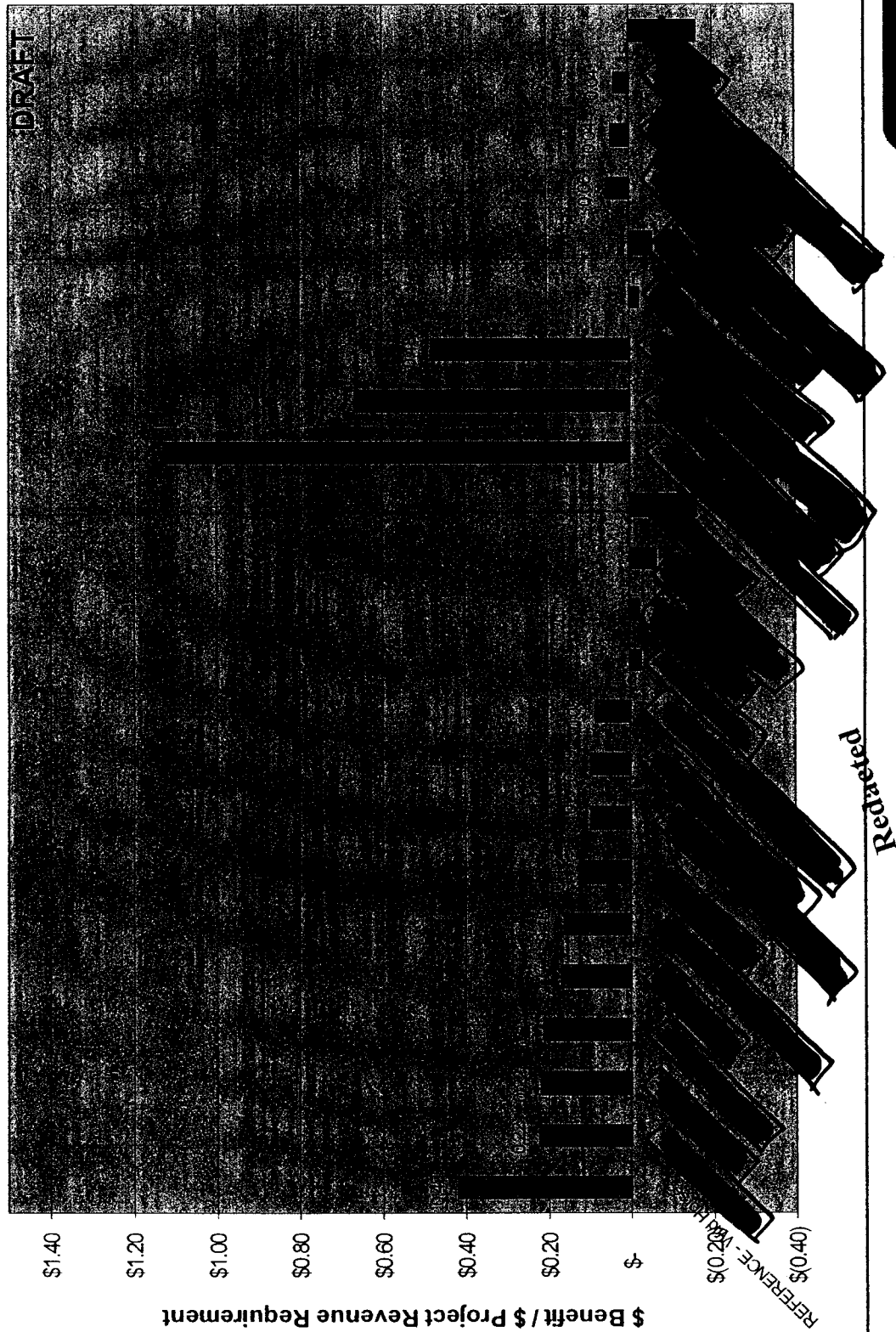


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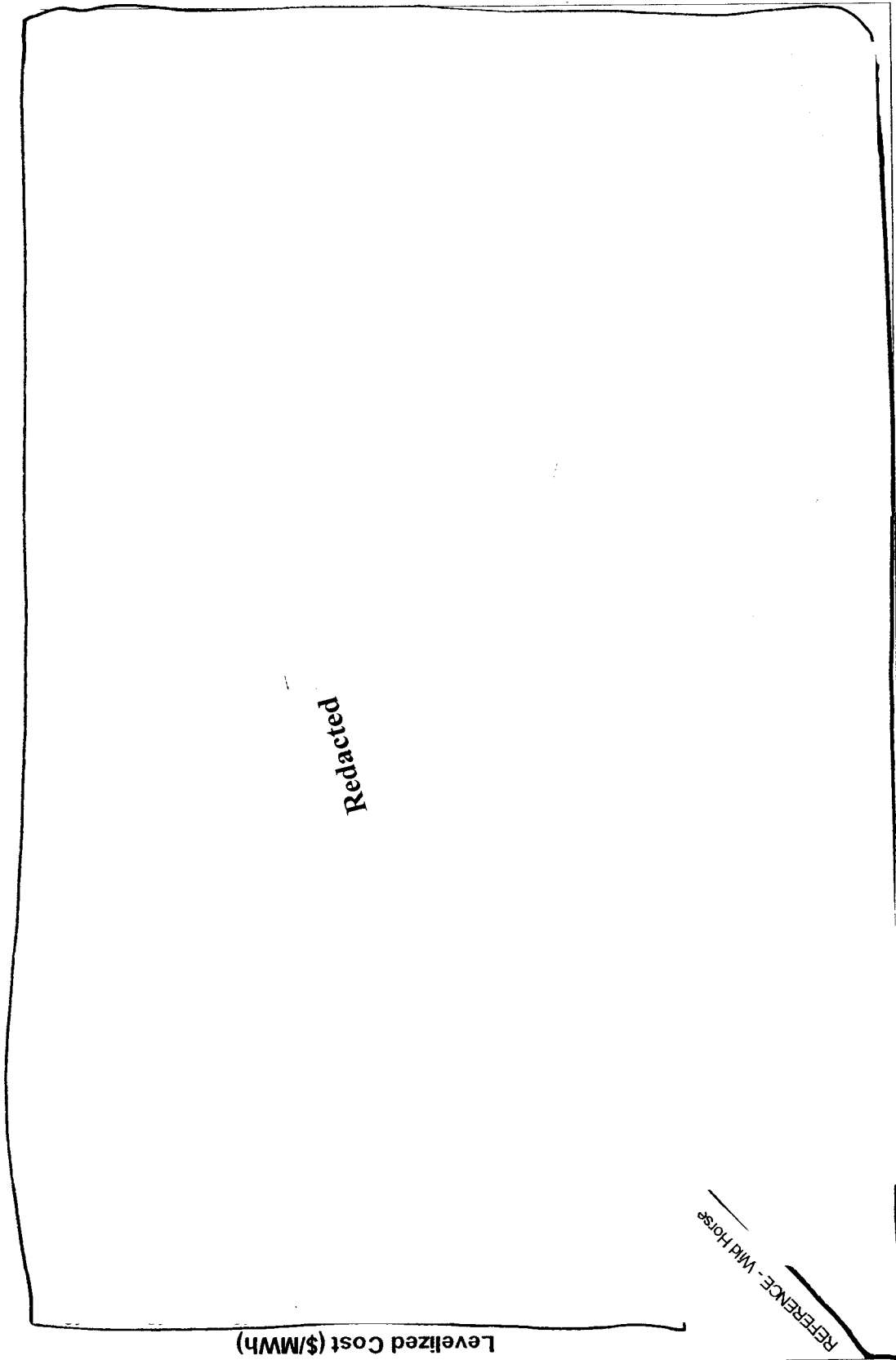
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Renewables

Portfolio Benefit per \$ of PV of Project Revenue Requirement

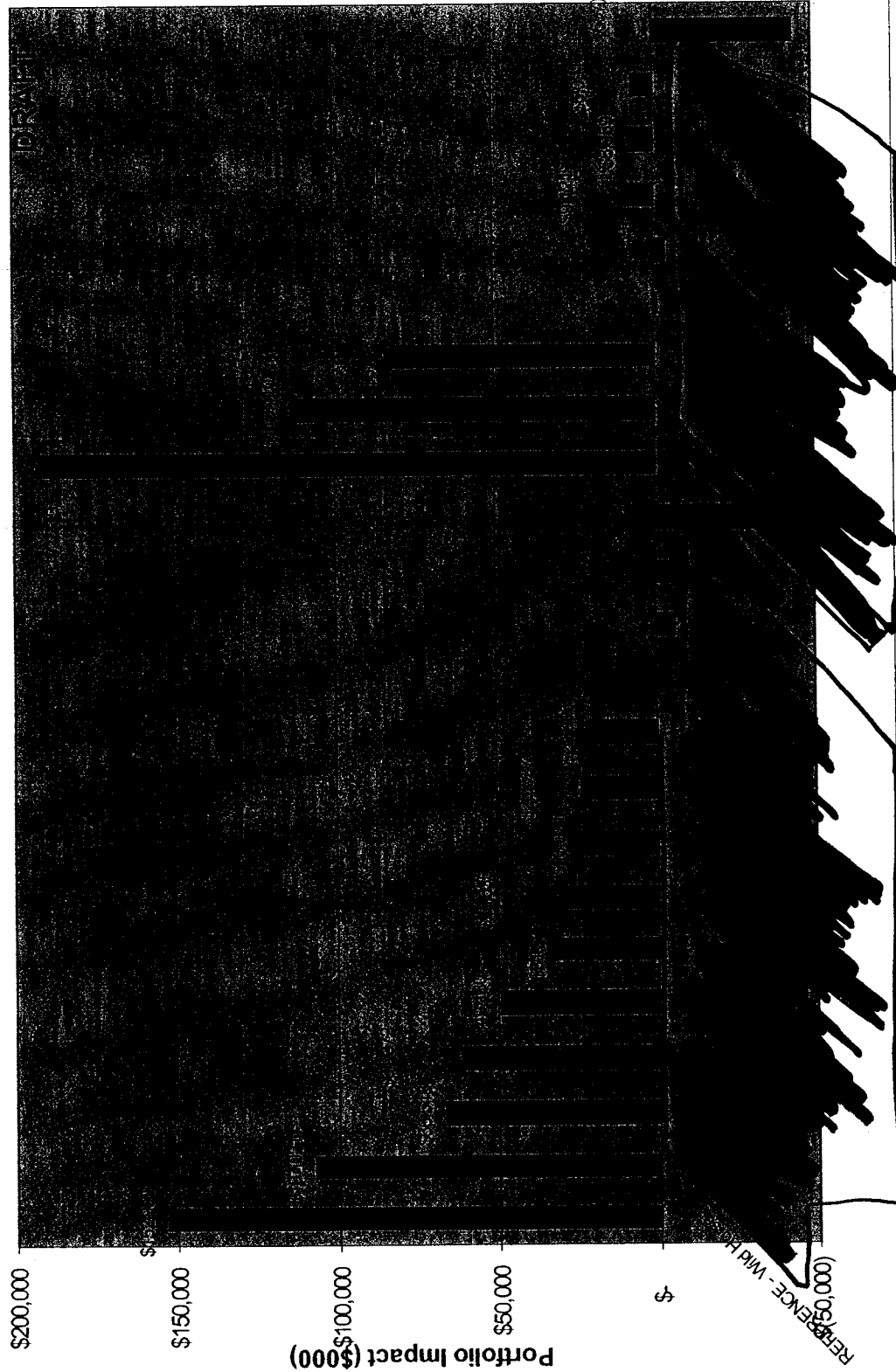


Renewables - Levelized Cost (\$/MWh)



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Per WAC 480-07-160

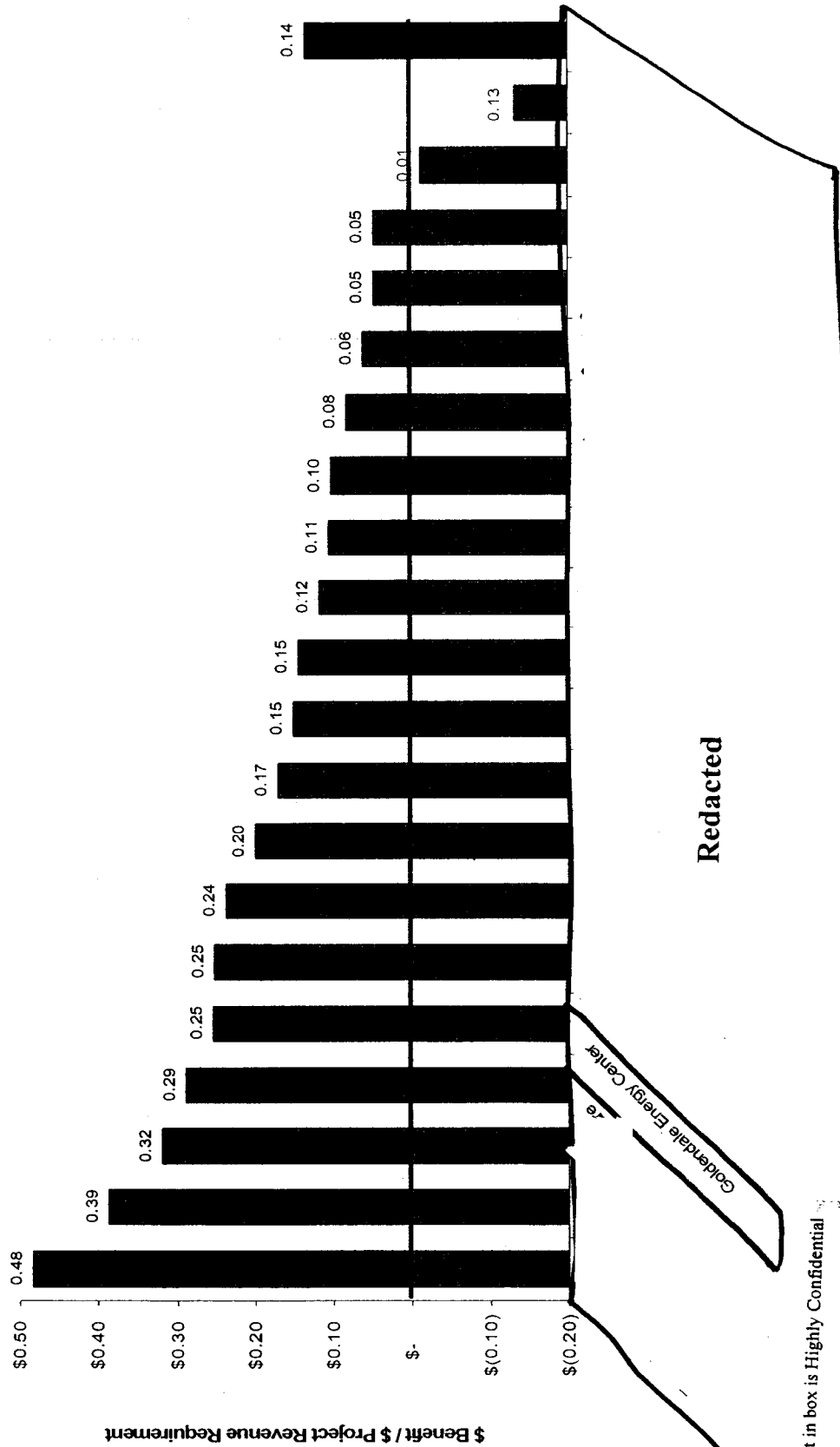
Renewables - PV of Portfolio Cost (\$000)



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Per WAC 480-07-160

Thermal Plants - Portfolio Benefit per \$ of PV of Project Revenue Requirement

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Thermal Plants - Levelized Cost (\$/MWh)

20 Year Levelized Cost (\$ / MWh)

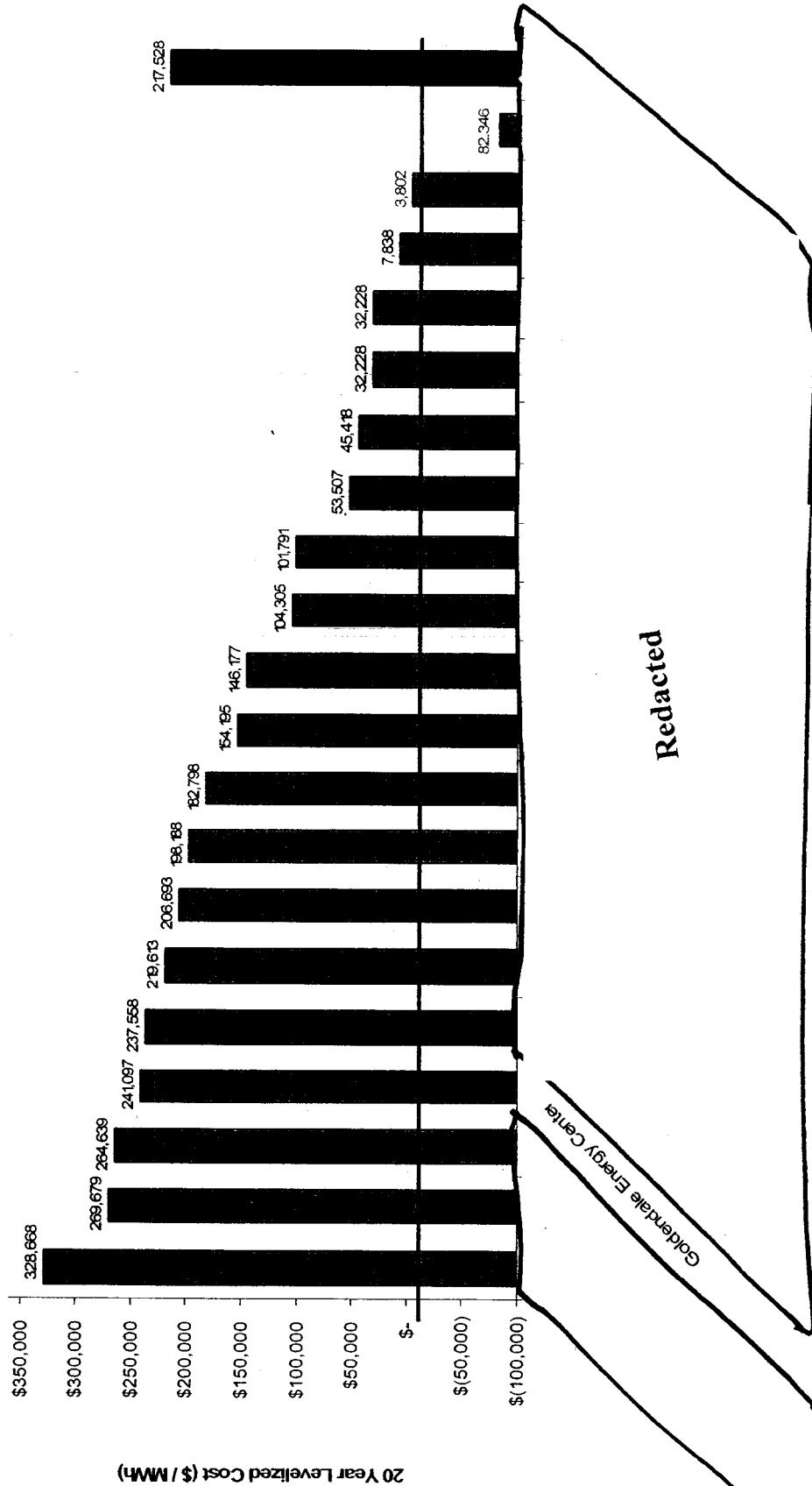
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Goldendale Energy Center

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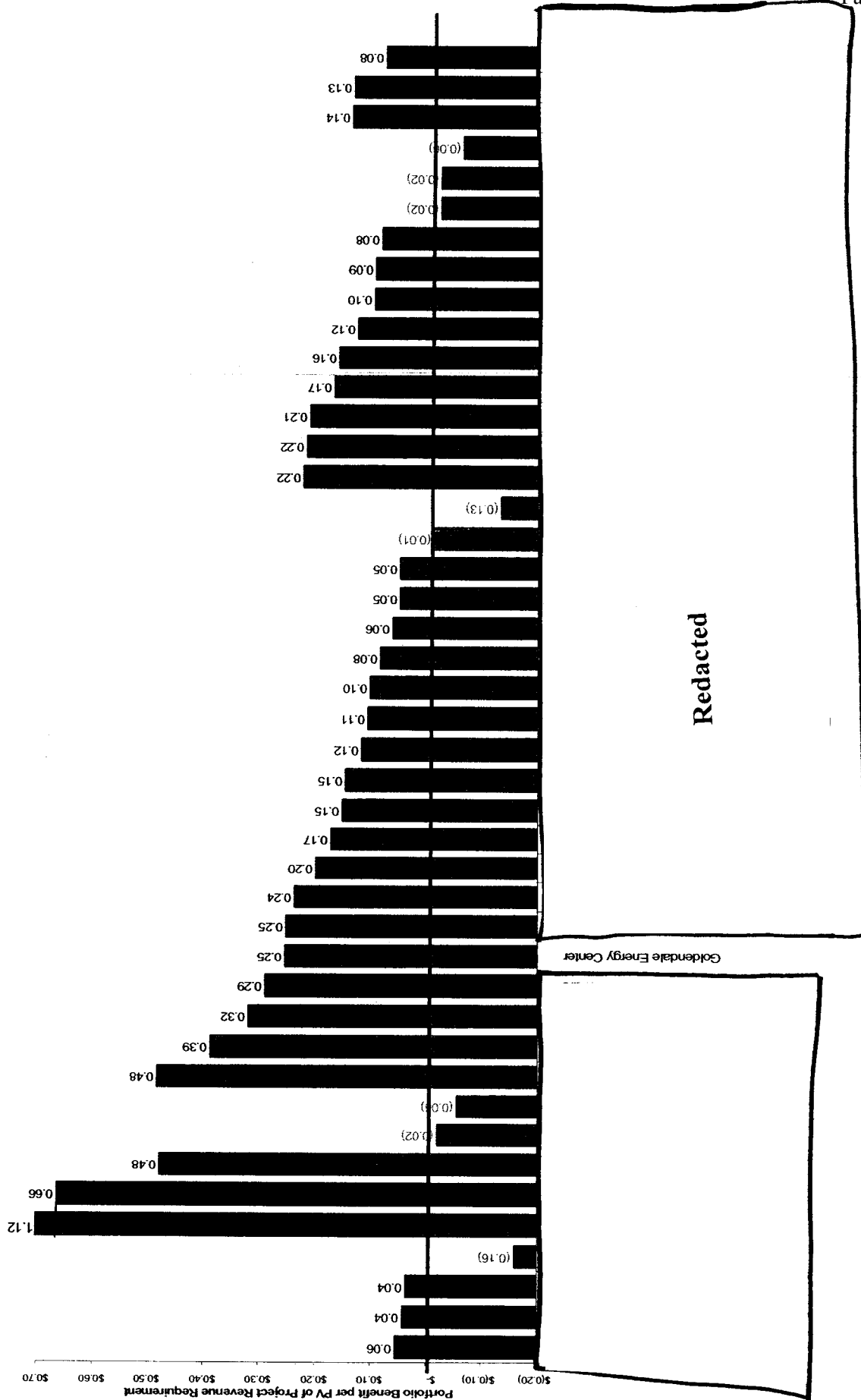
Thermal Plants - PV of Portfolio Benefit (\$000)

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Per WAC 480-07-160

Portfolio Benefit per \$ PV of Project Revenue Requirement All Analyzed Projects



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Per WAC 480-07-160

Quantitative Evaluation Metrics

The quantitative screening of respondent proposals applies three economic evaluation metrics

1. Portfolio Benefits per \$PVRR - *The present value of portfolio benefits divided by the present value of project revenue requirements*
2. Portfolio Benefits - *The 20-year present value of all portfolio benefits derived from each project in comparison to the 2005 LCP generic portfolio*
3. Levelized Cost - *The average annual cost per MWh produced during a 20-year period for each project*

While each metric provides a slightly different perspective and insight on the economic benefits associated with each proposal, the Portfolio Benefits per \$PVRR (#1) is the primary economic screen applied to evaluate each project

- This metric provides the best insight on the benefits per unit of cost incurred by the ratepayers which allows projects of different MW sizes to be evaluated without any potential bias favoring larger projects

Long term implications of different fuel types

Fuel Type

Longer-Term Implications and Challenges

Wind

- Operational impacts of integrating additional wind continue to be learned
- Turbine shortages expected to last until 2008
 - Pricing pressures on turbines could ease after 2007, team will evaluate risk trade-offs
 - Some proposals (especially post 2007) offer potential for PSE to step into developer role at earlier stage in project life cycle
- PSE's tax appetite for PTCs is limited; Hybrid ownership structures being evaluated

Hydro

- Transmission solution for [REDACTED] will require complex solution with multiple entities and political leaders in US and Canada
- New hydro (fresh water) does not qualify under Washington RPS
- Both hydro candidates involve foreign country risk

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Other Renewables

- Limited availability of non-wind renewables could warrant a premium on these projects
 - No other options to achieve RPS targets without increasing the operational impacts of additional wind
 - Relative value also increases for other utilities as competing bidders

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Natural Gas

- Long term exposure to gas price and volatility risks
- Gas for power risks and credit requirements
- New plants involve construction risks
- May need to consider NUGs to bridge gap

Coal

- Exposure to carbon tax policy risk
- Significant transmission challenges
- Uncertain strategic appetite for new coal
- IGCC may be environmentally acceptable, but has technology risks

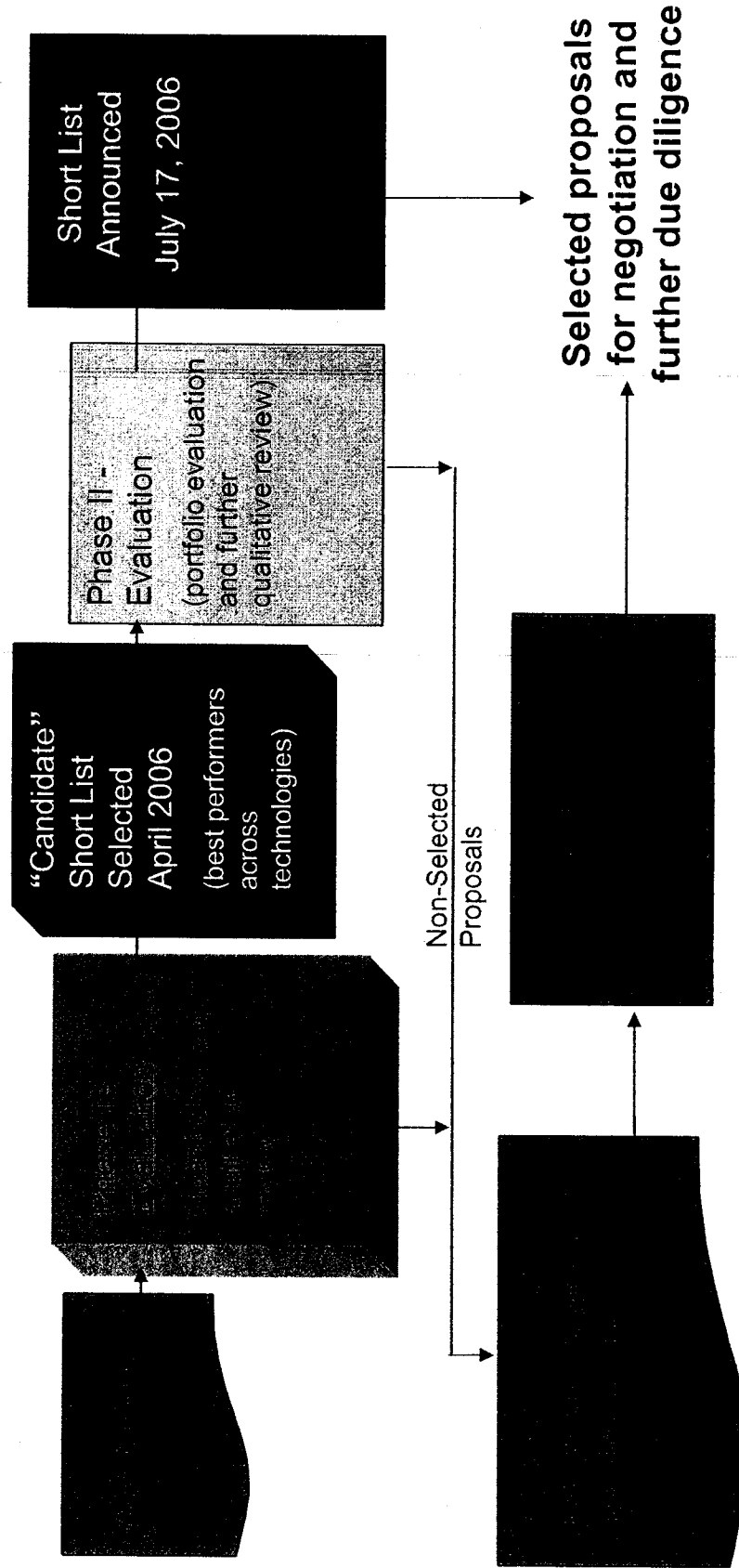


Resource Acquisition Update Phase I Evaluation- All-Source RFP

Progress Report to Senior Management

Eric Markell, Senior Vice President, Energy Resources
April 26, 2006

Phase I Completed... Selection of "Candidate" Short List



Candidate Short List - 13 projects/3 PPAs

Fuel	Project/Owner	Owner/Developer	MW	Benefit Ratio ¹	Levelized Cost \$/MWh	Portfolio Benefit \$000	Comments
G				0.07		9,121	
H				0.31		145,414	
W				0.17		42,744	
W				0.12		20,991	
W				0.10		24,447	
W				0.06		18,443	
NG				0.28		237,558	
NG	Goldendale	Calpine	272	0.25		241,097	Attractive gas plant; potential to redirect; participation in bankruptcy auction process required
NG				0.24		198,188	
NG				0.24		171,629	
NG				0.04		621	
C				0.14		217,528	
C				0.07		41,986	
PPA				0.50-0.30		2	
PPA				0.17-0.22		2	
PPA				0.14		2	

¹ Benefit ratio is the primary quantitative selection metric.

² These are short term offers ranging from 3-5 year terms and were evaluated using both KWI and PSM; portfolio benefit is determined by strategic fit, impact to EPS, portfolio exposure.

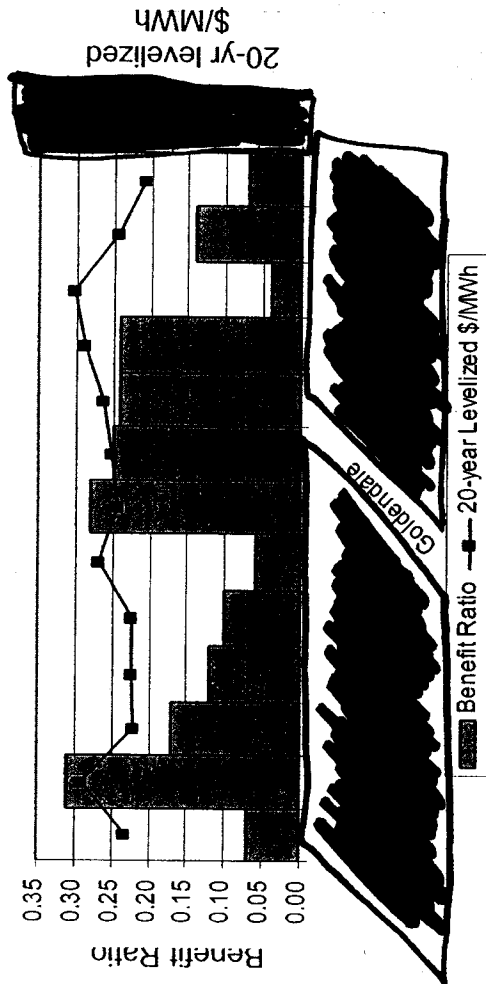
APRIL 26, 2006

April 26, 2006//RFP Progress Report

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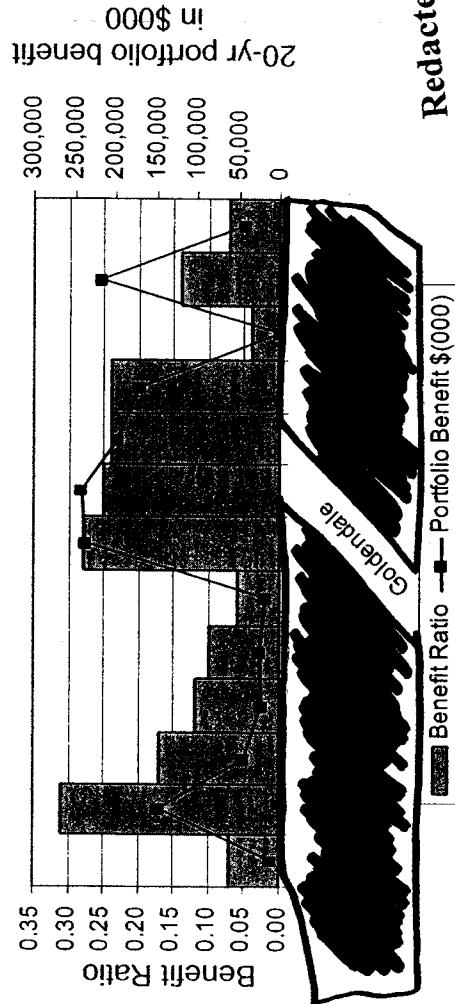
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Candidate short list balances benefit ratio with levelized cost and portfolio benefit



Portfolio benefit ratio is the present value of portfolio benefits divided by the present value of the project revenue requirements

This metric provides the best insight into the benefits per unit cost incurred by the ratepayers which allows projects of different MW sizes to be evaluated without any potential bias favoring larger projects.



Levelized cost is the average annual cost per MWh produced during a 20-year period for each project.

Portfolio benefit is the 20-year present value of all portfolio benefits derived from each project in comparison to the 2005 LCP generic portfolio.

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April 26, 2006//RFP Progress Report

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Candidate Short List - Project/PPA Summaries

Fuel	Project	Owner / Developer	Location	MW	Status	COD/Term	Offer	Technology	Transmission
G					Development				
H					Development				
W					In Construction				
W					Development				
W					Development				
W					Development				
NG					Operating				
NG	Goldendale	Calpine	Goldendale, WA	272	Operating	Nov-07	ownership	GE 7FA 1x1 CCCT	Mid-C; transmission secured
NG					Partial Completion				
NG					Development				
NG					Installed, not operating				
C					Development				
C					Operating				
PPA					n/a/				
PPA					n/a				
PPA					n/a				

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Candidate Short List by Location

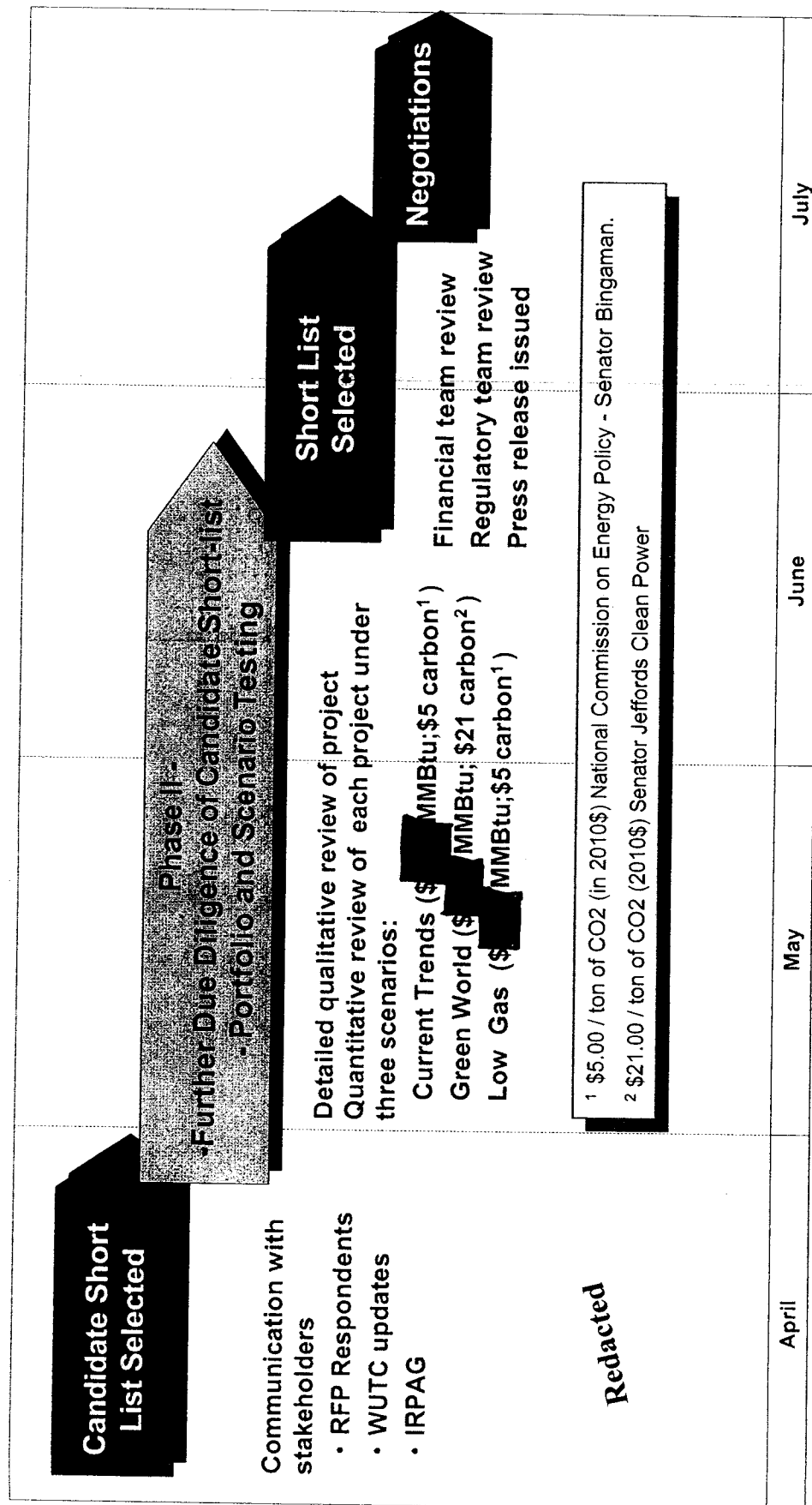
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Next Step - Phase II Evaluation

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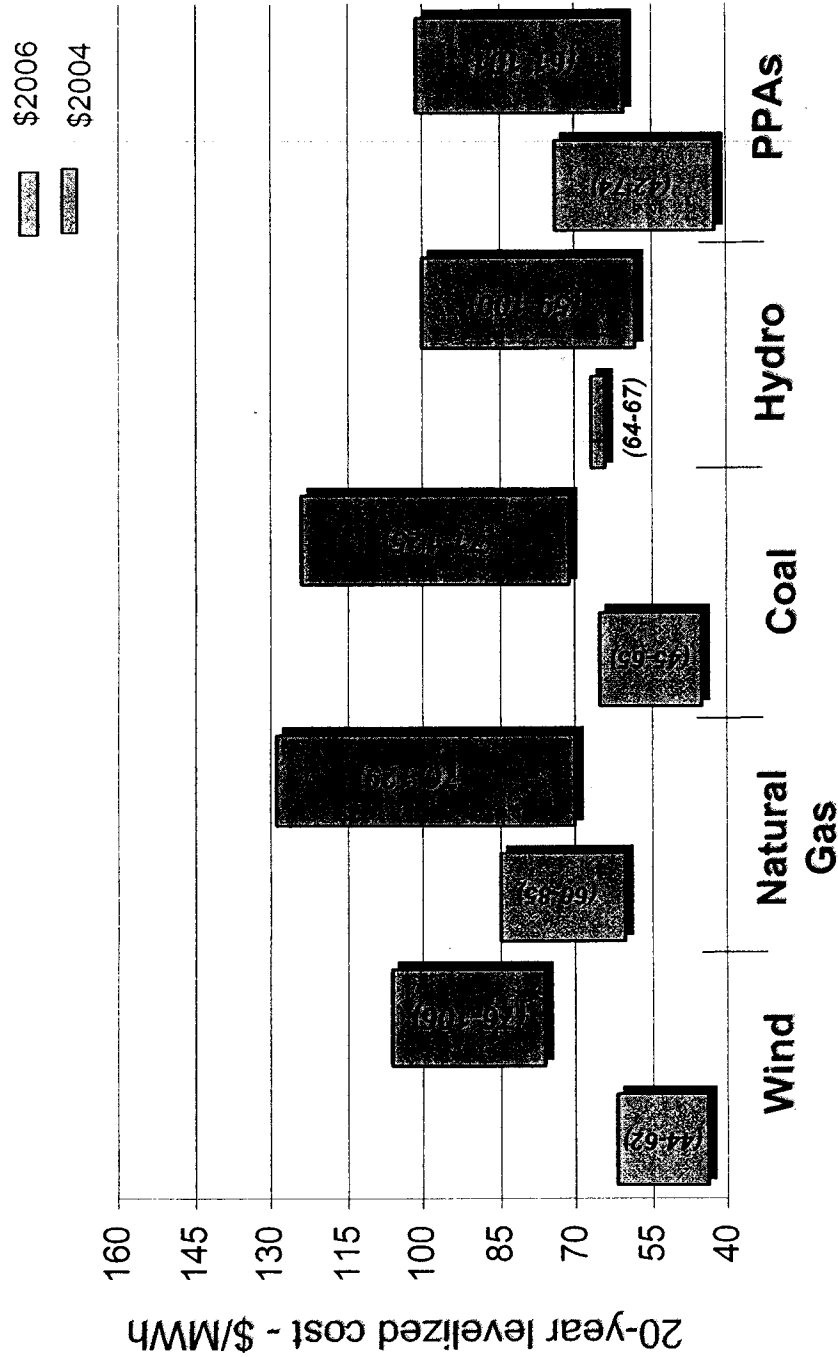


APPENDIX



April 26, 2006//RFP Progress Report

Significant increase in resource costs since 2004 RFP



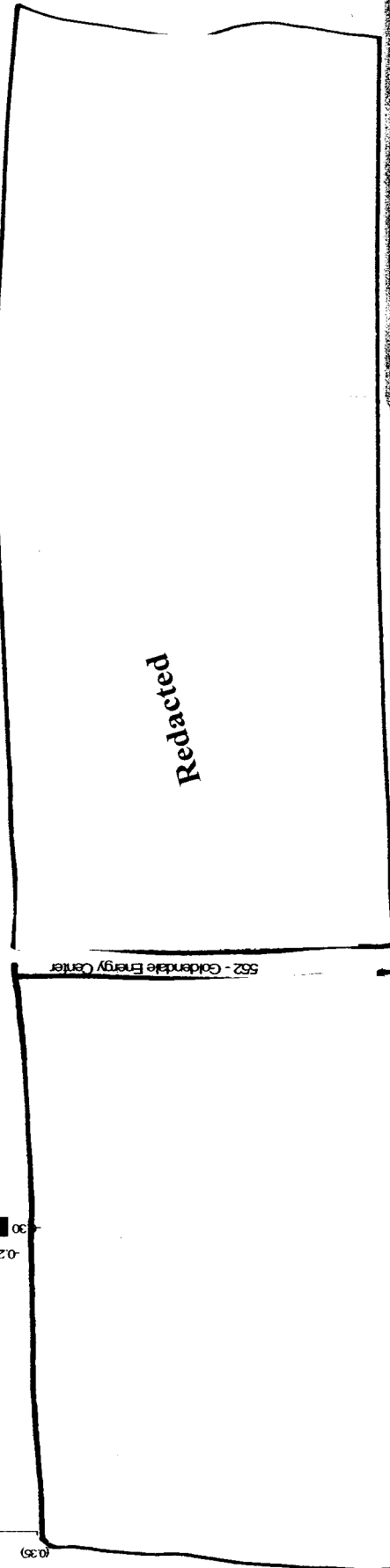
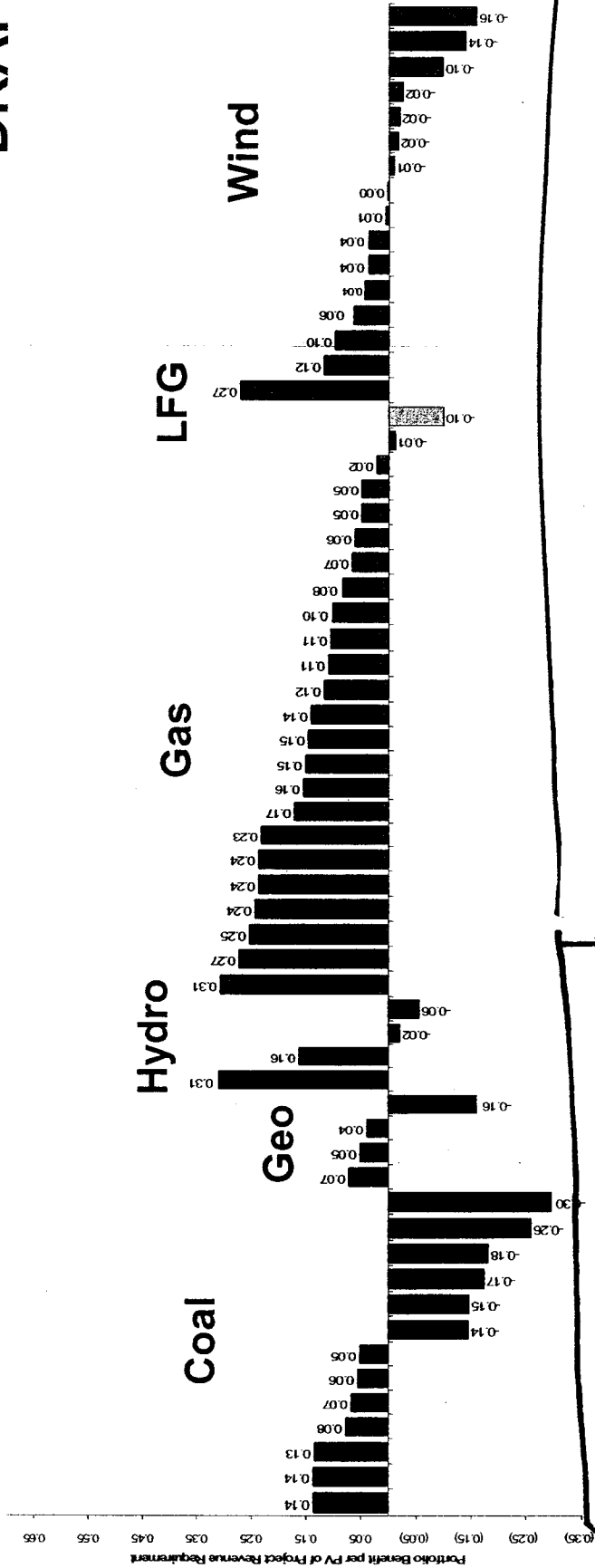
1. PPA range represents fixed price offers only and is inclusive of imputed debt and exclusive of credit
2. 2004 levelized costs do not include transmission from Mid-C to PSE's system



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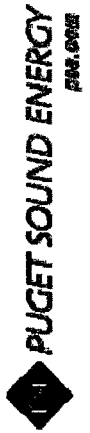
Portfolio Benefit Ratio

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552 - Goldendale Energy Center

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Notes to the Chart

By Resource Type:

Coal: 1x

IGCC:

[REDACTED] PSE will continue to monitor the development of the proposed projects in the Northwest, California, and WECC region.

Geothermal:

Hydro:

[REDACTED] shown on the chart are two potential energy shapes: a year round 6x16 product and a seasonal 6x16. A more aggressive alternative yields a higher benefit.

[REDACTED] All options will be further explored in Phase II.

Natural Gas:

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Notes to the Chart

Wind: PSE received 3 unsolicited proposals: 1)

Wind Assumptions: 1) non-array energy losses 11.5%; 2) 60% PTC value retained by PSE; Resource Acquisitions continues to explore a tax structure that allows greater PTC value retention.

Landfill Gas:

Capacity: Charts comprise both plant and non-resource specific PPAs; capacity resources have quick start capability and are generally on line within 10 minutes to meet reserve requirements.

The short-term non-resource specific PPAs will undergo more scrutiny with regard to credit and accounting impacts to PSE corporate

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