

SMALL CUSTOMER SPECIAL CONTRACT

This Small Customer Special Contract (“Special Contract”), dated as of this 9th day of March, 2001, is made by and between _____ (“Customer”) and Puget Sound Energy, a Washington corporation (“PSE”) (each a “Party” and collectively “Parties”).

RECITALS

- A. PSE is a public service company engaged in the sale and distribution of electric energy.
- B. Customer currently receives electric service from PSE under the rates and terms contained in Schedule 48, and a Service Agreement to Schedule 48 (“Schedule 48 Service Agreement”).
- C. PSE, Customer, and other parties entered into a Stipulation of Settlement dated March 9, 2001 (“Stipulation”), the terms and conditions of which are incorporated herein by this reference.
- D. The Stipulation provides that Customer will terminate service under Schedule 48 and the Schedule 48 Service Agreement.
- E. In exchange for the good and valuable consideration, PSE and Customer agree to terminate the Schedule 48 Service Agreement and agree that PSE should provide electric service to Customer in accordance with the terms and conditions set forth in this Special Contract.

SPECIAL CONTRACT

1. **Provision of Service.** PSE agrees to provide, and Customer agrees to accept, electric service under the rates and terms stated in this Special Contract. In the event of an inconsistency between this Special Contract and any Exhibit to this Special Contract, the terms of the Exhibit shall control.
2. **Term.** The term of this Special Contract will begin on the date that the Washington Utilities and Transportation Commission (“Commission”) approves this Special Contract and the Stipulation (“Effective Date”) and Customer makes an election pursuant to Section 5.1. The term will conclude upon the Final Termination Date, which, unless this Special Contract is terminated earlier as provided herein, will be the earlier of: (a) completion of PSE’s next general rate case before the Commission; or (b) December 31, 2005. For purposes of this Section 2 and this Special Contract, PSE’s next general rate case shall be considered completed when the Commission has issued a final order to change its rates of general applicability.

3. Power Supply.

- 3.1. During the term of this Special Contract, Customer agrees to purchase power exclusively from PSE under the rates and terms provided in this Special Contract for Customer's Locations as specified in the attached Exhibit A (which is incorporated herein by reference). Unless and until Customer becomes a core customer as provided in Sections 7 and 11, Customer will be a non-core customer, but shall be entitled to firm power supply at the rates provided in this Special Contract. Any curtailment of service for Customer will be only on such terms as other retail customers are curtailed as provided in PSE Schedule 80.
- 3.2. Nothing in this Special Contract shall prohibit Customer from constructing and relying upon self-generation to supplement or replace any or all purchased power. In addition, PSE shall not impose any penalty on Customer, discourage Customer from, or otherwise discriminate against Customer for constructing or relying on self-generation. Nothing in this Special Contract shall be interpreted as changing the application of environmental laws, energy facilities siting requirements, OATT provisions regarding system upgrades, or other applicable regulatory requirements. If Customer under this Special Contract runs self-generation the Small Customer will share with PSE the benefits associated with running such self-generation as provided in this section. During those hours in each billing period when the Index price for such hour is greater than the Small Customer Special Contract energy rate for such hour, PSE will pay a credit to the Small Customer for each MWh generated by Small Customer equal to half the difference between the energy rate provided for in the Small Customer Special Contract for that hour and the Index for such hour. During those hours in each billing period when the Index price for such hour is less than the Small Customer Special Contract energy rate for such hour, Small Customer will be charged an offset to its self-generation credit for the billing period in an amount equal to half the difference between the energy rate provided for in the Small Customer Special Contract for that hour and the Index for such hour. In any billing period in which self-generation offsets exceed self-generation credits, the total of such offsets and payments will be deemed to be zero for billing purposes. In any billing period in which self-generation credits exceed self-generation offsets, PSE will pay the net credit to the Small Customer. Excess self-generation offsets from one billing period will not be applied against self-generation credits owed by PSE in other billing periods. In order to receive the credit under this Section 3, Customer must have appropriate metering (as defined by Section 14.1) installed to allow PSE to monitor such self-generation. Customer is responsible for any expenses associated with installing or maintaining such metering necessary for self-generation. In addition, Customer

may receive credits for load curtailments when requested by PSE pursuant to the provisions of Schedule 93.

4. **Termination due to Load Growth.** This Special Contract is premised on the commitment of Customer to maintain aggregate peak electric demand at no higher than levels in the year 1999 or as set forth in Schedule A. If prior to the date that Customer becomes a core customer as provided in Sections 7 and 11, Customer's aggregate energy usage at all of its Locations served under this Special Contract in any billing period increases by more than 25% from the aggregate energy usage in the billing period with the highest aggregate energy usage in 1999, or if Customer's aggregated demand at all such Locations integrated over any thirty-minute period is more than 50% higher than Customer's non-coincident aggregated peak demand in 1999, then Customer will be required to switch its electric service to Schedule 448 or 449 within 30 calendar days. {NOTE: Intel will use 2000 usage data because its facility was ramping up in 1999.} This obligation will terminate once Customer begins taking core service as provided in Sections 7 and 11.
5. **Rates.** Customer shall pay PSE the charges that are listed in the attached Exhibit A. The charges include a rate for energy, which rate is referred to in this Special Contract as the "Special Contract Energy Rate":
 - 5.1. Energy Rates through October 31, 2001. From the Effective Date through October 31, 2001, if Customer does not elect to take service under PSE's Schedule 448 or 449 as provided in Section 10, and if Customer is not required to switch service to Schedule 448 or 449 as provided in Section 4, then, except as provided in subsection 5.2 the Special Contract Energy Rate will be one of the following at Customer's election (as provided in Section 6):
 - 5.1.1. \$225 per MWh; or
 - 5.1.2. A rate equal to the hourly Index price, less \$100/MWh, with a floor of \$48/MWh. *See* Rate Volatility, Section 9 (below).
 - 5.1.3. Schedule 48 shall apply until Customer notifies PSE in writing of its election of a Special Contract Energy Rate under either Section 5.1.1 or 5.1.2.
 - 5.2. Energy Rates after October 31, 2001 until Termination. After October 31, 2001, the Special Contract Rate will be \$110 per MWh until PSE completes its next general rate case. If PSE does not complete its next general rate case by December 31, 2005, then the provisions of Section 11 will apply as if PSE had completed its next general rate case by December 31, 2005.

6. **Effect of Rate Election.** Customer shall specify its rate election for the pre-November 1, 2001 period in Exhibit A. Customer's election is irrevocable. This means that Customer is not entitled to change its initial election or to modify the election at a later date, for any reason.
7. **Return to Core Status.** Unless this Special Contract is terminated earlier, it will be terminated on the Final Termination Date and Customer shall return to Core Status. On return to Core Status, PSE shall thereafter provide service to Customer under the rates and terms then applicable to core industrial customers that are situated similarly to Customer. If Customer receives core service as provided in this Section 11, then Customer assumes all of the rights, risks, and responsibilities as any other customer on rate schedules applicable to similar core industrial customers, including stranded cost risks, if any. Customer's prior service under Schedule 48 or this Special Contract shall not be a basis for denying service under rate schedules applicable to similar core industrial customers or otherwise discriminating against Customer.
8. **Termination of Schedule 48 Service Agreement.** Unless terminated earlier pursuant to an election under Section 10, PSE and Customer agree that the Schedule 48 Service Agreement will terminate on the Effective Date; provided, that such termination shall not terminate any accrued and outstanding obligations owed by either Party under the Schedule 48 Service Agreement (including power delivery and payment obligations).

9. Rate Volatility

- 9.1. Customer understands that availability and price of power are both subject to significant, material, unpredictable risk. There is no guarantee that power will be available on the market, or that it will be available at reasonable prices. The electric power markets have turned out to be highly volatile. Prices and availability of power can vary by orders of magnitude in short periods of time. Customer agrees that such volatility, whether or not the resulting price levels were contemplated in the planning of Customer, will not constitute a grounds for return to core status, will not entitle Customer to service from PSE generation resources, and will not entitle Customer to service based on PSE cost of generation.
- 9.2. Prices of power and availability of power may reach levels that make it impossible for Customer to carry on its business. Customer agrees that, even if pricing or availability of power make it impossible for Customer to carry on its business, and even if such pricing or availability endangers the public health, safety, and welfare, that will not constitute a grounds for return to core status, will not entitle Customer to service from PSE generation resources, and will not entitle Customer to service based on PSE cost of generation.

- 9.3. A determination that actions by market participants were in violation of federal, state, or local law will not impact the obligations of PSE and Customer under this Special Contract.
 - 9.4. PSE may use resources to supply Customer with power in certain circumstances, and the costs of that power may be significantly different from the market price. Such difference will not constitute a grounds for return to core status, will not entitle Customer to service from PSE generation resources, and will not entitle Customer to service based on PSE cost of generation.
 - 9.5. Customer has employed energy experts and counsel with experience in energy issues to provide advice and assistance in making the decision to accept service as a non-core customer that is never entitled to return to core service under any circumstances, except as expressly provided in Sections 7 and 11 of this Special Contract. Customer fully understands all of the risks of that choice, and has considered and accepted those risks in accepting service as a non-core customer under this Special Contract.
 - 9.6. Customer further acknowledges that it has considered all risks inherent in this Special Contract. Customer has sought advice of energy experts and counsel experienced with energy issues and fully understand the costs and risks of that agreement. To the extent Customers elects the Index minus \$100/MWh option (Section 5.1.2 above), Customer understands that the Index is subject to all the risks discussed above, and Customer knowingly accepts such risk and waives all right to challenge the resulting rate level. To the extent Customer elects the \$225/MWh option (Section 5.1.1 above), Customer has evaluated the costs of that option and accepts the resulting impact on its business and operations as a result of the resulting rate level. Customer waives any and all claims to seek relief because the rate option that Customer elects is or may become different from the cost of PSE generation, or to challenge the resulting rate level for any other reason.
 - 9.7. The provisions, agreements, and acknowledgments by Customer under this Section 9 (“Special Contract Understandings”) apply only for such time as Customer is a non-core customer of PSE under this Special Contract, Schedule 449 or 448, or otherwise. If Customer becomes a core customer of PSE under Sections 7 or 11, then the Special Contract Understandings will not apply to Customer.
10. **Election for Service under Schedule 448 or 449.** At any time prior to the termination of this Special Contract, but no later than the earlier of: (a) June 1, 2002; or (b) thirty calendar days after PSE files its next general rate case, Customer may make a one-time election to take electric service under either Schedule 448 or 449.

The election is irrevocable in the same manner as provided in Section 6. The notice of election to take service under Schedule 448 or 449 shall be in writing and shall specify an effective date that shall not be later than July 1, 2002. Upon the effective date of such an election, this Special Contract shall be cancelled, Customer shall take service under such elected Schedule and the appropriate service agreement, and Customer will forfeit any and all rights to become a core customer of PSE pursuant to Sections 7 and 11, to the extent any exist, as set forth in such elected Schedule and the appropriate service agreement. If Customer fails to make a timely election, as described above, under this Section 10, then Customer shall forfeit its right to elect and take service under either Schedule 448 or 449.

11. Service as Core Customer. If a timely election is not made under Section 10, then on the Final Termination Date, Customer may elect to purchase electric service from PSE based on a then-available tariff for core industrial customers based on the applicable tariff chosen by Customer, without any additional surcharges related to returning to core service, and this Special Contract will terminate at such time as Customer begins to take such service. Until such time, Customer will retain its non-core status. If Customer receives core service as provided in this Section 11, then Customer assumes all of the rights, risks, and responsibilities as any other customer on rate schedules applicable to similar core industrial customers, including stranded cost risks, if any. Customer's prior service under Schedule 48 or this Special Contract shall not be a basis for denying service under rate schedules applicable to similar core industrial customers or otherwise discriminating against Customer.

12. Notices. Notices under this Special Contract, including Customer's election of a Special Contract Energy Rate under Section 6, shall be delivered to PSE and Customer at the following addresses and shall be considered effective upon receipt.

To PSE:

To Customer:

13. Delivery Service

13.1. **Service Quality Standards and Distribution System Connection.** PSE shall be obligated to maintain its distribution facilities consistent with applicable standards including service quality standards required by the Commission.

Regardless of the voltage at which its distribution service is provided, Customer shall be deemed to be connected to the PSE's Distribution System during the Term of this Special Contract.

13.2. **Service Voltages.** Unless otherwise specified in this Special Contract, high voltage service is defined as three-phase delivery voltage of at least 50 kV. Primary voltage service is defined as three-phase delivery voltage of at least 600 Volts but less than 50 kV.

13.3. **Customer's Facilities.** Customer is responsible for procuring, installing and maintaining all necessary wiring, transformers, switches, cut-outs and protection equipment beyond the Distribution Point(s) of Delivery, and such service facilities and equipment shall be of types and characteristics reasonably acceptable to PSE. The entire service installation, protection coordination, and the balance of the load between phases shall be subject to approval by PSE which shall not be unreasonably refused.

13.4. **Dedicated Facilities.** Any new or existing facilities owned by PSE and dedicated to use by Customer shall be specified in Exhibit A and covered by a separate Dedicated Facility lease. Charges to Customer over and above the charges specified in Exhibit A shall be as specified in the lease.

14. Metering And Billing

14.1. **Metering.** Customer's load served under this Special Contract shall be separately metered by meters capable of measuring and recording kW demands (and kVAR demands) on a fifteen (15) or thirty (30) minute integrated basis and measuring energy on a kWh basis. Metering equipment shall be furnished, installed, read, maintained and owned by PSE.

14.2. **Monthly Billing.** PSE will bill Customer each Month for the services that PSE provides under this Special Contract.

15. **Headings.** The headings in this Special Contract are for convenience only and do not modify the substantive terms herein.

16. **Successors and Assigns.** This Special Contract shall be binding upon and shall inure to the benefit of PSE and Customer and their respective successors, assigns, purchasers, and transferees. If a facility served under this Special Contract is sold, assigned, or otherwise transferred, the successor to the facility must take service under this Special Contract; however, if vacant land is transferred to an unaffiliated entity, or if a portion of a facility is sold to an unaffiliated entity and redeveloped for materially different use, such unaffiliated entity will not be required to take service at

such location under this Special Contract unless the unaffiliated entity is itself a Small Customer as defined in the Stipulation.

17. **Facility Shut-Down.** Upon written notice from Customer to the Company that the facilities at a Location have been permanently shut down and ceased all operation, Customer shall have the right to terminate service under this Special Contract as to such Location, effective at the end of the first full calendar month following PSE's receipt of written notice of such shut-down, subject to payment of any remaining costs for Dedicated Facilities identified in Exhibit A.
18. **Dispute Resolution.** Prior to commencing complaint or court proceedings regarding any dispute between PSE and Customer arising under this Special Contract: (a) PSE and Customer shall each make good faith efforts to resolve such dispute pursuant to alternative dispute resolution (ADR) procedures consistent with WAC 480-09-465; and (b) PSE and Customer shall make use of ADR procedures to the maximum extent practicable in resolving such dispute.
19. **Other Provisions.** This Special Contract is subject to the General Rules and Provisions as set forth in PSE's Schedule 80 and other Schedules that may apply to service under this Special Contract as such Schedules may be revised from time to time upon approval of the Commission.

DATED: March 9, 2001

PUGET SOUND ENERGY, INC.

By: _____

Title: _____

CUSTOMER

By: _____

Title: _____

EXHIBIT A – Rates and Customer Specific Information

I. RATES AND CHARGES

A. Customer may remain on Schedule 48 until its expiration on October 31, 2001, or the Customer may elect one of the two following Special Contract Energy Rates for the period through October 31, 2001 (designate only one):

_____ \$225 per MWh; or

_____ A rate equal to the hourly Index^(a) price, less \$100/MWh, with a floor of \$48/MWh.

The rate paid by Customer to PSE for each Month during the term shall equal an amount equal to the sum of the following components for such month:

B. MONTHLY RATE COMPONENTS:

Component	Primary Voltage	High Voltage
Energy	Special Contract Energy Rate	Special Contract Energy Rate
Distribution Service	\$4.99 / kVa Month	\$2.25 / kVa Month
Ancillary Services	\$0.00235 / kWh	\$0.00235 / kWh
Customer Charge	\$646 / Month per metered customer site	\$646 / Month per metered customer site
DSM Charge ^{(b) (c)}	\$0.61 / kVa Month	\$0.74 / kVa Month
Electric Conservation Service Rider ^(d)	\$0.218/MWh	\$0.210/MWh

Notes:

(a) INDEX is hourly Index Firm price; "INDEX" means, for each hour of any Month, an index price for such hour, expressed in dollars/MWh, equal (i) to the following index for such hour: the Dow Jones Mid-Columbia Electricity Index reporting "Firm On-Peak," "Firm Off-Peak" and "Sunday & NERC Holidays 24 Hour Firm" energy prices (in dollars per megawatt-hour) for the period in which such hour occurs or (ii) any replacement

INDEX selected as provided below. For purposes of this Exhibit A " Firm On-Peak," " Firm Off-Peak" and "Sunday & NERC Holidays 24 Hour Firm" have the respective meanings ascribed to such terms by Dow Jones in connection with the Dow Jones Mid-Columbia Electricity Index. If Dow Jones reports none of the indices at Mid-Columbia referenced above in this definition of INDEX for any given period, or if any permanent replacement index established pursuant to the following sentence is not reported for any given period, then the INDEX for each hour of such unreported period shall be equal to the quantity-weighted average of the prices of energy delivered or received by PSE during such hour under short-term (twenty-four (24) hours or less) wholesale sales and purchases by PSE. If Dow Jones permanently ceases to report any of the indices at Mid-Columbia referenced in the definition of INDEX , or if the methodology used to determine any of said reported indices is materially modified or changed, Customer and PSE shall select a mutually agreeable permanent replacement, reported by a reputable third party, that reflects actual same day non-firm transactions at the Mid-Columbia. If, after thirty (30) days, Customer and PSE are at impasse, the determination of the replacement index that best replicates the INDEX as described above in this definition based on Mid-Columbia energy prices as they were reported for such INDEX on the effective date of this Schedule, shall be made consistent with the Dispute Resolution provisions of this Small Customer Special Contract.

- (b) For purposes of calculating the Distribution Service Charge, the billing demand is the highest average 30 minute demand recorded in the billing period.
- (c) Based upon historic demands; subject to adjustment in accordance with Table DSM below, with adjustments effective as of the date identified in Table DSM.

Table DSM. Schedule of DSM (Conservation) Charges for Existing DSM

Date	High Voltage	Primary Voltage
Jan. 1, 2001	\$0.74 / kVa – Month	\$0.61 / kVa – Month
Oct. 2001	\$0.57 / kVa – Month	\$0.46 / kVa – Month
Oct. 2002	\$0.39 / kVa – Month	\$0.27 / kVa – Month
Oct. 2003	\$0.15 / kVa – Month	\$0.12 / kVa – Month
Oct. 2004 and beyond	\$0.00 / kVa – Month	\$0.00 / kVa – Month

- (d) As such rider or charge may be modified from time to time pursuant to modifications to Schedule 120.

- II. Dedicated Facilities and charges:

- III. Locations: Customer must take service under this Small Customer Special Contract for all incremental loads at its Locations that were served under Schedule 48 or by Special Contract. New and newly acquired facilities, owned or operated by Customer or its affiliates, within a ten mile radius of any Location of Customer, that equal to or exceed 2.4 aMW on an annual basis, will become Locations at which Customer must take service under this Small Customer Special Contract. New and newly acquired facilities of Customer at sites outside such ten-mile radius, or with loads below 2.4 aMW on an annual basis, are not permitted to take service under this Small Customer Special Contract and must take service under an applicable tariff.

- IV. Peak Monthly Energy Usage and Non-Coincident Monthly Demand. For purposes of measuring aggregate energy usage and aggregate peak demand as such terms are used in Section 4 of the Special Contract, the base is as follows: