

SERVICE AREA AGREEMENT

This SERVICE AREA AGREEMENT (this "Agreement"), dated as of January 10, 2006, is made and entered into by and between Puget Sound Energy, Inc., a Washington corporation ("PSE"), and Port of Seattle, a Washington municipal corporation ("Port"). PSE and Port are sometimes referred to in this Agreement in the singular as a "Party" and in the plural as the "Parties."

Recitals

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

B. The Port is engaged in the business of rendering electrical service to the public located in certain areas of King County, Washington.

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

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

E. PSE and Port now desire to enter into a service area agreement to establish a boundary between their contiguous service areas in King County, State of Washington, on the terms and conditions set forth in this Agreement.

Agreement

The Parties therefore agree as follows:

Section 1. Definitions

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

1.1 "Boundary" means the boundary between the service territory of PSE and the service territory of Port, more particularly described in the "Description of the Industrial Development District" in the attached Exhibit A, Section a and as shown in the attached Exhibit B.

1.2 "Customer" means any person or entity purchasing at retail or otherwise receiving electric service from either PSE or Port.

1.3 "Industrial Development District" or "IDD" means the geographical area described in the attached Exhibit A to this Agreement and depicted as the Industrial Development District on the map attached as Exhibit B to this Agreement.

1.4 "PSE Service Area" means the geographical area as described in paragraph c of the attached Exhibit A to this Agreement and depicted as the PSE Service Area on the map attached as Exhibit B to this Agreement.

1.5 "PSE Premises" means the premises described in paragraph b. of the attached Exhibit A to this Agreement.

1.6 "Term" means the period commencing on the date of the WUTC's approval of PSE's being a party to this Agreement and ending (unless sooner terminated pursuant to the terms hereof) upon the earlier of:

- (a) the expiration of twenty-five (25) years after the date of such approval;
- or
- (b) the revocation, expiration or other termination of the WUTC's approval described above.

1.7 "WUTC" means the Washington Utilities and Transportation Commission or any successor regulatory authority.

Section 2. Industrial Development District

2.1 Port's Rights

Except as provided in Section 2.2 or otherwise agreed to by the Parties, upon approval of this Agreement by the WUTC and as between PSE and Port, Port shall have the sole and exclusive right to provide electric service at retail to any and all Customers located within the IDD during the Term.

2.2 PSE's Rights Within the IDD

PSE shall have the sole and exclusive right to provide electric service at retail to existing PSE Premises in the IDD, which will include, but shall not be limited to, future occupants of the PSE Premises and PSE's current Customers within the IDD. Further, PSE may provide electric service to new Customers within the IDD upon written agreement with Port. PSE and Port may agree that such new Customers shall be added to the PSE Premises served by PSE within the IDD. PSE may continue to own, operate, repair, rebuild, replace and maintain its transmission and distribution facilities (including substations) located within the IDD to provide electric service to its Customers within and outside of the IDD. PSE may construct new electrical facilities within the IDD to provide electric service to its Customers outside of the IDD. PSE's

distribution facilities located within the IDD include PSE's distribution facilities depicted on the map attached as Attachment 1 to Exhibit B to this Agreement. PSE's current Customers within the IDD are listed in Attachment 1 to Exhibit A of this Agreement. PSE shall have the right pursuant to this Agreement to provide retail or other electric service to any person or entity within the IDD and construct new electrical facilities within the IDD to serve such new persons or entities, subject to the mutual written agreement of the Parties for PSE to provide such service.

2.3 Adjustments to List of PSE's Customers Within the IDD (Attachment 1 to Exhibit A)

Upon written agreement between the Parties that PSE will serve a new Customer or Customers within the IDD, the Parties shall promptly modify Attachment 1 to Exhibit A of this Agreement to include such new Customer(s). The modified Attachment 1 to Exhibit A shall constitute an amendment to this Agreement, provided such amendment(s) are approved in writing by the WUTC.

2.4 Adjustments to Map of PSE Distribution Facilities Located Within the IDD (Attachment 1 to Exhibit B)

Upon written agreement between the Parties that PSE will serve a new Customer or Customers within the IDD, the Parties shall promptly modify Attachment 1 to Exhibit B of this Agreement to reflect PSE facilities installed to serve the new Customer(s). The modified Attachment 1 to Exhibit B shall constitute an amendment to this Agreement, provided such amendment(s) are approved in writing by the WUTC. Where PSE constructs new electrical facilities within the IDD to provide electric service to its Customers outside of the IDD, Attachment 1 to Exhibit B shall be modified but such modification shall not require approval by the WUTC.

Section 3. PSE Service Area

Except as may be otherwise agreed to by the Parties, as between PSE and Port, PSE shall have the sole and exclusive right to own and operate distribution facilities, and to provide electric service at retail to any and all Customers located within the PSE Service Area and the PSE Premises during the Term. Without limiting the generality of the foregoing, Port shall not, during the Term, without the prior consent of PSE construct or install any new distribution facilities in the PSE Service Area. On the date of this Agreement Port does not have any existing distribution facilities located within the PSE Service Area.

Section 4. Boundary

4.1 Establishment of Boundary

During the Term, the boundary line between the PSE Service Area and Port IDD shall be the Boundary. Such boundary line is depicted on the attached Exhibits A, B, and Attachment 1 to Exhibit B to this Agreement as the boundary of the IDD.

4.2 Adjustments to Boundary

PSE and Port may make such adjustments to the Boundary as they may agree upon from time to time in writing as appropriate so the electric service to new service locations in close proximity to the Boundary may be provided in an effective, efficient and economical manner. Promptly following any such adjustment to the Boundary, PSE and Port shall accordingly modify Exhibits A, B and Attachment 1 to Exhibit B to reflect such adjustment, such modification when agreed to in writing by the Parties, shall constitute an amendment to this Agreement, provided such amendment is approved in writing by the WUTC. If any adjustment to the Boundary results in a Customer of either Party being within the service area of the other Party, such Customer shall remain a Customer of the Party providing electric service prior to the adjustment of the Boundary.

4.3 Parcels Divided by Boundary

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

(b) Should any boundary parcel be subdivided, any resulting parcel that is entirely within the IDD or the PSE Service Area shall be provided service in accordance with Sections 2 and 3 of this Agreement. Should any boundary parcel be subdivided resulting in one or more boundary parcels, service shall be provided in accordance with Section 4.3 (a) above.

Section 5. Necessary Approvals

The effectiveness of this Agreement is contingent upon PSE obtaining the approval of the WUTC authorizing PSE to be a Party to this Agreement upon terms and conditions acceptable to PSE. Upon the execution of this Agreement, PSE shall apply for such approval and, if and to the extent requested by PSE, Port shall cooperate with PSE's efforts to obtain such approval. If the WUTC does not authorize PSE to be a Party to this Agreement, or if the terms and conditions of any WUTC order requested by PSE under this Section 6 are not acceptable to PSE, PSE shall notify Port within thirty (30) days following the issuance of such WUTC order. If PSE gives Port such notice, this Agreement shall terminate and shall be void *ab initio* and shall have no force or effect, and neither Party shall have any liability to the other Party on account of such termination.

Section 6. Miscellaneous

6.1 Disputes

In the event that Port and PSE are unable to agree upon an adjustment to the Boundary as described in Section 4.2 of this Agreement or agree upon who shall provide electric service to a parcel divided by the Boundary as described in Section 4.3 of this Agreement or agree upon who shall provide electric service to a PSE Premises as described in this Agreement, such disagreement shall be submitted to an arbitration service mutually agreed upon by the Parties, for binding arbitration. Should the Parties not agree upon an arbitration service, such arbitration service shall be Judicial Dispute Resolution, LLC located in Seattle, Washington.

6.2 No Partnership

This Agreement shall not be interpreted or construed to create an association, franchise, joint venture or partnership between Port and PSE or to impose any partnership obligation or liability upon either Party.

6.3 Implementation

Port and PSE shall each take such action (including, without limitation, the execution, acknowledgment and delivery of documents) as may reasonably be requested by the other Party for the implementation or continuing performance of this Agreement or to obtain approval of this Agreement by the WUTC.

6.4 Equitable Relief

Each Party agrees that any breach of the terms of this Agreement by the other Party may cause irreparable damage to the non-breaching Party and that in the event of such breach the non-breaching Party will have, in addition to any and all remedies at law, the right to an injunction, specific performance or other equitable relief, without proof of monetary damages or the inadequacy of other remedies and without necessity of posting a bond or other security, to prevent the violation of the non-breaching Party's rights under this Agreement.

6.5 Successors and Assigns

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

6.6 Nonwaiver

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

6.7 Headings

The captions of the sections of this Agreement are inserted for convenience only and are not intended to constitute a part of this Agreement.

6.8 Entire Agreement; Amendment

This Agreement sets forth the entire agreement, and supersedes any and all prior agreements, between the Parties with respect to the matters treated herein. No change, amendment or modification of any provision of this Agreement shall be valid unless set forth in a written instrument hereafter signed by both Port and PSE.

6.9 No Third-Party Beneficiary

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

6.10 No Dedication of Facilities

No undertaking by either 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. Further, this Agreement shall not be interpreted or construed as requiring either Party to provide electric or transmissions service to the other Party or to sell, transfer or dispose of any of its electric system as constructed or installed on the date of this Agreement.

6.11 Governing Law

This Agreement shall in all respects be governed by, interpreted, construed and enforced in accordance with the laws of the state of Washington, without reference to its choice of law principles to the contrary. Any action brought to enforce any provision of this Agreement will be brought in federal or state court located in King County, Washington, and the Parties hereby irrevocably consent to the jurisdiction of such courts.

Port of Seattle

Puget Sound Energy, Inc.

By _____

By _____

Title _____

Title _____

Date Signed: _____

Date Signed: _____

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

On this _____day of _____ 2006, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared _____, to me known to be the person who signed as Vice President, _____, of PUGET SOUND ENERGY, INC., the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that [he/she] was duly elected, qualified and acting as said officer of the corporation that [he/she] was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

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

NOTARY PUBLIC in and for the State of
Washington, residing at _____
My appointment expires: _____

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

On this _____ day of _____ 2006, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared _____, to me known to be the person who signed as _____, _____, of the Port of Seattle, the municipal corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said municipal corporation for the uses and purposes therein mentioned, and on oath stated that [he/she] was duly elected, qualified and acting as said officer of the municipal corporation that [he/she] was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said municipal corporation.

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

NOTARY PUBLIC in and for the State of
Washington, residing at _____
My appointment expires _____

Exhibit A to
Service Area Agreement

PORT SERVICE AREA

The Industrial Development District ("IDD"), the service area of Port, as established under Section 2, shall include all of the area defined under paragraph a. below, excluding the premises listed in paragraph b. below.

a. Description of the Industrial Development District:

Those properties owned by the Port of Seattle, being a portion of SeaTac International Airport, in Section 4, the west half of Section 5, the northeast quarter of Section 8 and the north half of Section 9, Township 22 North, Range 4 East, W. M. and Sections 20, 21, 28, 29, 32 and 33, Township 23 North, Range 4 East, W. M. lying north of South 216th Street, South of SR 518, west of International Boulevard (Pacific Highway South, SR 99) and east of Des Moines Way South. All such area of the IDD is within King County, Washington.

b. Premises within the IDD served by PSE:

All premises served by PSE as of the Effective Date, which will include, but not be limited to, future occupants of the premises of PSE's current Customers within the IDD and the proposed Sound Transit SeaTac Airport Traction Station. A list of such premises served by PSE is attached as Attachment 1 to this Exhibit A.

PSE SERVICE AREA

c. Description of PSE Service Area

For the purposes of this Agreement, the PSE Service Area is that area within King County, Washington that is outside the IDD as described in paragraph a. of this Exhibit A (above), except that area served by other utilities, such as Seattle City Light.

Exhibit A to
Service Area Agreement

Attachment 1

Premises Within The IDD Served By PSE

Exhibit B to
Service Area Agreement

[See attached map]