

EXHIBIT NO. ___(RG-26)
DOCKET NO. UE-07___/UG-07___
2007 PSE GENERAL RATE CASE
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___
Docket No. UG-07___

**TWENTY-FIFTH EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF
ROGER GARRATT
ON BEHALF OF PUGET SOUND ENERGY, INC.**

DECEMBER 3, 2007

1989

LEASE AGREEMENT

dated as of May 1, 1981

BETWEEN

THE BANK OF CALIFORNIA, NATIONAL ASSOCIATION,
as Owner Trustee,

Lessor

AND

PUGET SOUND POWER & LIGHT COMPANY,

Lessee

Whitehorn 2 and 3

Combustion Turbine Electric Generating Facility

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LEASE AGREEMENT

LEASE AGREEMENT dated as of May 1, 1981 between (i) THE BANK OF CALIFORNIA, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity but solely as trustee under the Trust Agreement hereinafter referred to (herein in such capacity called "Lessor" or the "Owner Trustee"), and (ii) PUGET SOUND POWER & LIGHT COMPANY, a Washington corporation (herein called "Lessee").

The parties hereto agree as follows:

SECTION 1. DEFINITIONS.

(a) Terms Defined in this Lease. For all purposes of this Lease, the following terms shall have the following meanings (such definitions to be equally applicable to both the singular and plural forms of the terms defined):

"Acceptance Certificate" shall mean the Acceptance Certificate substantially in the form of Annex C hereto, which shall be executed and delivered by Lessor and Lessee on the Commencement Date for the purpose of setting forth the Commencement Date, confirming the acceptance of the Facility by Lessee under this Lease on the Commencement Date and specifying the amount of the Facility Cost.

"Affiliate" of any Person shall mean any other Person directly or indirectly controlling, controlled by or under direct or indirect common control with such Person. For purposes of this definition, the term "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"Appraisal Procedure" shall mean the following procedure for determining Fair Market Rental Value or Fair Market Sale Value if either Lessor or Lessee shall request by notice (the "Appraisal Request") to the other the determination of either of such Values by the Appraisal Procedure. Lessor and Lessee shall, within 15 days after the Appraisal Request, appoint an independent appraiser

mutually satisfactory to them, who shall determine such Value. If Lessor and Lessee are unable to agree on a mutually acceptable appraiser within such 15-day period, Fair Market Rental Value or Fair Market Sale Value, as the case may be, shall be determined by a panel of three independent appraisers, one of whom shall be appointed by Lessor, another by Lessee and the third of whom shall be appointed by the other two appraisers or, if such two appraisers are unable to agree on a third appraiser within 45 days after the Appraisal Request, by the American Arbitration Association (or its successor); provided that if Lessor or Lessee shall not have appointed its appraiser within 30 days after the Appraisal Request, such Value shall be determined solely by the appraiser selected by the other party. The appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine Fair Market Rental Value or Fair Market Sale Value, as the case may be, within 45 days after such appointment and such determination shall be final and binding on Lessor and Lessee. If three appraisers are appointed, the determination of the appraiser that shall differ most from the determinations of the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such average shall constitute the determination of the appraisers. The fees and expenses of all appraisers shall be paid by Lessee.

"Basic Agreements" shall mean this Lease, the Participation Agreement, the Trust Agreement, the Indenture and the Support Agreements.

"Basic Rent" shall mean the aggregate rent payable pursuant to Section 3(a) hereof throughout the Primary Term and the aggregate rent payable pursuant to Section 13 hereof throughout each Renewal Term, if any, subject to adjustment as provided in Sections 3(b) and 9(b) hereof and in Section 11 of the Participation Agreement.

"Business Day" shall mean any day other than a Saturday, a Sunday or any other day on which banking institutions in New York or Washington are required or authorized by law to be closed.

"Event of Default" shall mean any event or condition described in Section 19 hereof, and

"Default" shall mean any event or condition which after the giving of notice or lapse of time or both would become an Event of Default.

"Event of Loss" shall mean any of the following events or conditions:

(i) the actual or constructive total loss of all or substantially all of the Facility occurring through any cause whatsoever; or

(ii) all or substantially all of the Facility shall become lost, stolen, destroyed, damaged beyond repair and/or permanently rendered unfit for commercial operation as a consequence of any event whatsoever; or

(iii) the condemnation, confiscation or seizure of, or other requisition of title to, or use of, all or substantially all of the Facility (including the taking of title to, or use of, all or substantially all of the Facility under power of eminent domain or by forfeiture pursuant to any proceeding commenced under any provision of law providing for escheat), provided that, in the case of a requisition of use of all or substantially all of the Facility by a governmental authority, such requisition shall be for an indefinite period or for a period extending beyond the end of the Primary Term or, if such requisition shall occur during a Renewal Term, beyond the end of such Renewal Term; or

(iv) the Owner Participant shall notify Lessee that Lessor or the Owner Participant or any Affiliate of Lessor or the Owner Participant, by reason of (i) the legal or beneficial ownership of the Facility or any part thereof by Lessor or the Owner Participant or (ii) the lease of the Facility to Lessee hereunder or (iii) any of the other transactions contemplated hereby or by the other Basic Agreements, is deemed by any governmental authority having jurisdiction to be, or has or will become subject to regulation as, an "electric utility", "electrical company", "public service company", "public utility" or a "public utility holding company"

under any law or governmental regulation, Federal, state or local (other than the Public Utility Holding Company Act of 1935 so long as by virtue of Rule 7(d) (or any comparable successor thereto) of the General Rules and Regulations adopted under such Act by the Securities and Exchange Commission Lessor or the Owner Participant or such Affiliate is not deemed to be a utility thereunder).

The date of occurrence of any of the Events of Loss specified in clause (i), (ii) or (iii) above shall be the date of the casualty or other occurrence specified above giving rise to such Event of Loss. The date of occurrence of the Event of Loss specified in clause (iv) above shall be the date on which the Owner Participant gives the notice referred to therein to Lessee.

"Facility" shall mean the 150 megawatt base-load rated (179 megawatt peak cold weather rated) combustion turbine generating facility located on the Site and more particularly described in Annex A hereto, including (i) all buildings, foundations, structures, oil storage tanks, water tanks, water treatment facilities, pipelines, improvements and facilities located or to be located on the Site, (ii) two General Electric Model Series 7001E heavy-duty gas turbines and all ancillary machinery, equipment and other property, and (iii) all parts, appliances, appurtenances, accessories and miscellaneous equipment related to the foregoing; provided, however, that the term "Facility" shall not include any transformers, transmission lines or other transmission facilities located on the Site.

"Facility Cost" shall mean the costs and expenses incurred by the Owner Trustee in connection with the purchase, acquisition, construction, installation and construction financing of the Facility, including (without limitation) the purchase price paid by the Owner Trustee pursuant to Section 2 of the Sale Agreement, the costs and expenses referred to in Section 5 of the Construction Agency Agreement and the interest and commitment fees payable pursuant to the Construction Loan Agreement, provided that Facility Cost shall not include any Transaction Expenses.

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"Fair Market Rental Value" shall mean at any time, with respect to the Facility or any part thereof, the fair market rental value thereof at such time as determined by agreement between Lessor and Lessee or, if requested by either of such parties, by the Appraisal Procedure. Such Fair Market Rental Value shall be equal to the rental value of the Facility or such part, as the case may be, for a specified period which would be obtained in an arm's-length transaction between an informed and willing lessor under no compulsion to lease and an informed and willing lessee-user (other than a lessee currently in possession), which determination shall be made on the assumption that the Facility or such part is free and clear of all Liens and is in the condition and repair required under Section 7 hereof, and shall be calculated at the higher of (i) the fair market rental value thereof on the Site, on the assumption that the lessee has the right to use the Facility and the necessary ancillary rights in connection with the operation thereof which are comparable to the rights provided for in the Support Agreements, subject, however, to the payment of the charges provided for in the Support Agreements (or, if not so provided, of the fair market value) for such ancillary rights, and (ii) the fair market rental value thereof at any place other than at the Site, after deduction of all costs and expenses of dismantling, removal, delivery and reconstruction thereof; provided, however, that the determination of Fair Market Rental Value for the purposes of Section 20(d) hereof shall be based on the actual condition of the Facility or part thereof at the time of such determination and shall take into account any legal impediments to the prompt rental of the Facility or such part, notwithstanding the foregoing provisions of this definition.

"Fair Market Sale Value" shall mean at any time, with respect to the Facility or any part thereof, the fair market sale value thereof at such time as determined by agreement between Lessor and Lessee or, if requested by either of such parties, by the Appraisal Procedure. Such Fair Market Sale Value shall be equal to the sale value of the Facility or such part, as the case may be, which would be obtained in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing

buyer-user (other than a lessee currently in possession or a used equipment dealer), which determination shall be made on the assumption that the Facility or such part, as the case may be, is free and clear of all Liens and is in the condition and repair required under Section 7 hereof and shall be calculated at the higher of (i) the fair market sale value thereof on the Site, on the assumption that the buyer has the right to use the Facility and the necessary ancillary rights in connection with the operation thereof which are comparable to the rights provided for in the Support Agreements, subject, however, to the payment of the charges provided for in the Support Agreements (or, if not so provided, of the fair market value) for such ancillary rights, and (ii) the fair market sale value thereof at any place other than at the Site, after deduction of all costs and expenses of dismantling, removal, delivery and reconstruction thereof; provided, however, that the determination of Fair Market Sale Value for the purpose of Section 9(a) or 20(d) hereof shall be based on the actual condition of the Facility or part thereof at the time of such determination and shall take into account any legal impediments to the prompt transfer of title to the Facility or such part, notwithstanding the foregoing provisions of this definition.

"Indenture" shall mean the Trust Indenture, Mortgage and Security Agreement, dated as of the date hereof, between the Owner Trustee and Peoples National Bank of Washington, as Indenture Trustee, as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof.

"Lease", "hereto", "hereof", "hereunder" and words of similar import shall mean this Lease Agreement, including all Annexes and Schedules hereto, as the same may from time to time be amended, modified or supplemented in accordance with the terms hereof and of the Indenture.

"Lessor's Cost" shall mean the sum of (i) Facility Cost and (ii) Transaction Expenses.

"Lessor's Liens" shall mean Liens resulting from acts of or claims against Lessor, either in its individual capacity or as Owner Trustee, arising out of events or conditions not related or con-

nected to the ownership of the Facility, being lessor under this Lease, the administration of the Trust Estate or the Trust Indenture Estate, or any other transaction contemplated by any of the Basic Agreements.

"Lien" shall mean any lien, mortgage, security interest, pledge, charge, easement or encumbrance of any kind, including any arising under a conditional sale agreement or other title retention agreement.

"Maintenance Period" shall mean any period referred to in Section 15(b) or 15(c) hereof.

"Non-Removable Improvement" shall have the meaning set forth in Section 9(b) hereof.

"Participants" shall mean and include the Owner Participant and the Note Holders.

"Participation Agreement" shall mean the Participation Agreement dated as of May 1, 1981 among Lessee, the Owner Participant, the institutions identified therein as Loan Participants, the Owner Trustee and the Indenture Trustee, as the same may from time to time be amended, modified or supplemented in accordance with the terms thereof, including any Subsequent Participation Agreement so long as it may be in effect.

"Past Due Rate" shall mean interest at a rate per annum equal to 2% above the Designated Rate.

"Permitted Liens" shall have the meaning set forth in Section 14(d) hereof.

"Primary Term" shall mean the period beginning on the Commencement Date and ending on the forty-fifth consecutive Rent Payment Date occurring thereafter.

"Renewal Term" shall mean each period for which the lease of the Facility hereunder is renewed by Lessee pursuant to Section 13 hereof.

"Rent" shall mean, collectively, Basic Rent and Supplemental Rent.

"Rent Payment Date" shall mean the February 2 and August 2 of each year, commencing August 2, 1982.

"Rental Period" shall mean the period commencing on the Commencement Date and ending on (and including) the first Rent Payment Date, and each of the subsequent consecutive six-month periods throughout the Term, such subsequent periods each commencing on the expiration of the immediately preceding period and ending on (and including) the next succeeding Rent Payment Date.

"Semi-Annual Date" shall mean the Commencement Date, February 2, 1982 and each Rent Payment Date.

"Site" shall mean the parcel of land located in Whatcom, County, Washington which is described in Annex B hereto.

"Stipulated Loss Value" shall mean, as of any particular Semi-Annual Date, the amount determined by multiplying Lessor's Cost by the Stipulated Loss Value percentage specified in Schedule II hereto opposite such Semi-Annual Date, provided that Stipulated Loss Value shall be, under any circumstances and in any event, in an amount at least sufficient to pay in full as of the day of payment thereof the aggregate unpaid principal amount of all Notes outstanding as of such day of payment, together with accrued interest thereon to such day of payment.

"Stipulated Loss Value Payment Date" shall mean, (a) in the case of any of the Events of Loss specified in clause (i), (ii) or (iii) of the definition of "Event of Loss" in this Section 1(a), the earlier of (i) the date which is 90 days after the date of the occurrence of an Event of Loss, or such earlier date as Lessee shall specify by at least 30 days' prior written notice to Lessor and the Indenture Trustee, and (ii) the date which is 30 days after payment of insurance proceeds in connection with an Event of Loss, and (b) in the case of the Event of Loss specified in clause (iv) of the definition of "Event of Loss" in this Section 1(a), the third Business Day immediately following the giving of the notice referred to in the last sentence of such definition.

"Supplemental Financing" shall have the meaning set forth in Section 9(b) hereof.

"Supplemental Rent" shall mean any and all amounts, liabilities and obligations, other than Basic Rent, which Lessee assumes or agrees to pay hereunder or under the Participation Agreement to Lessor or others, including (without limitation) (i) payments of Stipulated Loss Value and Termination Value, (ii) all amounts required to be paid by Lessee under the agreements, covenants and indemnities contained in the Participation Agreement and (iii) any interest payable with respect to overdue payments of Basic Rent or Supplemental Rent.

"Term" shall mean the Primary Term and, if the lease of the Facility hereunder is renewed pursuant to Section 13 hereof, each Renewal Term.

"Termination Date" shall have the meaning set forth in Section 11 hereof.

"Termination Value" shall mean, as of any particular Rent Payment Date, the amount determined by multiplying Lessor's Cost by the Termination Value percentage specified in Schedule III hereto opposite such Rent Payment Date, provided that Termination Value shall be, under any circumstances and in any event, in an amount at least sufficient to pay in full as of the day of payment thereof the aggregate unpaid principal amount of, and premium, if any, on, all Notes outstanding as of such day of payment, together with accrued interest thereon to such date of payment.

"Trust Agreement" shall mean the Trust Agreement dated as of November 30, 1981 between Manufacturers Hanover Leasing Corporation and The Bank of California, N.A., as the same may from time to time be amended, modified or supplemented in accordance with the terms thereof.

"Trust Estate" shall mean the Trust Estate as such term is defined in the Trust Agreement.

(b) Terms Defined in Participation Agreement. For all purposes of this Lease, the following terms shall have the meanings given them in the Participation Agreement: "Code", "Commencement Date", "Construction Agency

Agreement", "Construction Loan Agreement", "Designated Rate", "ERA Order", "Fuel Use Act", "Indemnatee", "Indenture Trustee", "Majority in Interest of Participants", "Owner Participant", "Person", "Power Interconnection Agreement", "Sale Agreement", "Support Agreements", "Transaction Expenses" and "Trust Indenture Estate".

(c) Terms Defined in Indenture. For all purposes of this Lease, the following terms shall have the meanings given them in the Indenture: "Interim Notes", "Notes", "Note Holders", "Subsequent Participation Agreement" and "Term Notes".

SECTION 2. LEASE OF FACILITY.

Lessor hereby leases the Facility to Lessee for the Term and Lessee hereby leases the Facility from Lessor for the Term, effective on the Commencement Date as evidenced by the execution and delivery by Lessor and Lessee of the Acceptance Certificate.

SECTION 3. RENT; PAYMENTS; ETC.

(a) Basic Rent for Primary Term. Lessee shall pay to Lessor during the Primary Term, Basic Rent for the Facility in 45 consecutive installments, in arrears, commencing on August 2, 1982, and on each of the 44 following Rent Payment Dates, each such installment to be in an amount equal to the percentage of Lessor's Cost specified in Schedule I hereto.

(b) Adjustment of Basic Rent, Stipulated Loss Value and Termination Value. The Basic Rent percentages specified in Schedule I hereto and the Stipulated Loss Value and Termination Value percentages specified in Schedules II and III hereto are subject to adjustment from time to time as provided in Section 11 of the Participation Agreement and in Section 9(b) hereof, and Lessor and Lessee shall execute and deliver an addendum to this Lease to reflect each such adjustment, provided that the failure to execute and deliver an addendum shall not affect any such adjustment. Notwithstanding any other provision of this Lease or the Participant Agreement, the amount of Basic Rent payable on each Rent Payment Date, both before and after giving effect to any adjustments referred to in this Section 3(b), shall in no event be less than the aggregate amount of the installment of principal and interest stated to be due and payable on the outstanding Notes on such Rent Payment Date.

(c) Supplemental Rent. Lessee shall pay to Lessor, or to whomsoever shall be entitled thereto as expressly provided herein or in the Participation Agreement, any and all Supplemental Rent promptly as the same shall become due and payable, and, in the event of any failure on the part of Lessee to pay any Supplemental Rent, Lessor shall have all rights, powers and remedies provided for herein or by law or equity or otherwise in the case of non-payment of Basic Rent. Lessee shall also pay to Lessor, on demand, as Supplemental Rent, to the extent permitted by applicable law, interest at the Past Due Rate on any part of any installment of Basic Rent not paid when due for any period for which the same shall be overdue, and on any payment of Supplemental Rent (including any Supplemental Rent constituting interest but excluding any Supplemental Rent as to which interest to the date of payment is expressly provided for elsewhere in this Lease) not paid when due for any period for which the same shall be overdue.

(d) Payments; Calculations. Subject to the provisions of Section 27 hereof, all Rent payable to Lessor hereunder shall be paid to Lessor at its office at 910 4th Avenue, Seattle, Washington 98114, Attention: Ronald Alberts (or to such other Person or at such other address as Lessor may from time to time specify in writing to Lessee) in lawful money of the United States of America and in immediately available funds, on or before 12:30 p.m., New York City time, on the due date of such payment. Any payment hereunder which is due on a date which is not a Business Day shall be paid on the next succeeding Business Day. All interest, fees and other amounts provided for under this Lease which are to be calculated on an annual basis shall be computed on the basis of a 360-day year of twelve 30-day months.

(e) Net Lease; No Set-Off, Counterclaims, etc. This Lease is a net lease, and Lessee's obligation to pay all Rent hereunder and under Participation Agreement is the absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, (i) any abatement, reduction, set-off, defense, counterclaim or recoupment whatsoever or any right to any thereof (including, without limitation, abatements, reductions, set-offs, defenses, counterclaims and recoupments for or on account of any past, present or future claims which Lessee may have against Lessor, the Trust Estate, the Trust Indenture Estate, the Indenture Trustee, the Owner Participant, any Note Holder or other Person for any reason whatsoever), (ii) any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessee, or (iii) any other

circumstance, happening or event whatsoever, whether or not similar to any of the foregoing; nor, except as otherwise expressly provided herein or in the Participation Agreement, shall this Lease or the Participation Agreement terminate, nor shall any of the obligations of Lessee to pay Rent hereunder or thereunder be otherwise affected, by reason of any defect in the title to, or any defect in or lack or fitness for use of, or any damage to, or loss of, or loss of the use of, or destruction or theft of, all or any part of the Facility from any cause whatsoever, the prohibition of the use or possession by Lessee of, or any ouster or dispossession by paramount title or otherwise of, all or any part of the Facility, the interference with such use or possession by any governmental agency or authority or other Person or the invalidity or unenforceability or the disaffirmance of this Lease, any of the other Basic Agreements or any agreement related thereto, or by reason of any failure by Lessor or any other Person to perform any of its obligations herein or therein contained, or by reason of any Liens on all or any part of the Facility, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that all Rent payable by Lessee hereunder and under the Participation Agreement shall continue to be payable in all events in the manner and at the times herein and therein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease or the Participation Agreement, as the case may be. In that connection, Lessee hereby waives, to the extent permitted by applicable law, any and all rights which it may now have or which may at any time hereafter be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Lease or the Participation Agreement except in accordance with the express terms hereof or thereof and agrees that if, for any reason whatsoever, this Lease or the Participation Agreement shall be terminated in whole or in part by operation of law or otherwise except as specifically provided herein or therein, Lessee will nonetheless pay to Lessor (or to whomsoever shall be entitled thereto as expressly provided herein) an amount equal to each Basic Rent and Supplemental Rent payment at the time such payment would have become due and payable in accordance with the terms hereof and thereof had such termination not occurred. Each payment of Rent made by Lessee shall be final and Lessee will not seek or have any right to recover all or any part of such payment from Lessor, the Indenture Trustee, the Owner Participant or any Note Holder for any reason whatsoever.

SECTION 4. IDENTIFICATION.

Lessee shall, at its sole cost and expense, attach to or place on each major part of the Facility, in a prominent place, a sign, stencil, plaque or label stating that such part and the Facility are owned by Lessor and (so long as the Indenture shall not have terminated) are subject to a mortgage and security interest in favor of the Indenture Trustee. Lessee will promptly reattach and replace, at its cost and expense, any such sign, stencil, plaque or label which becomes illegible or ceases to be affixed thereto or placed thereon. Lessee will not allow the name of any other Person to be attached to or placed on any part of the Facility as a designation that might be interpreted as a claim of ownership with respect thereto adverse to the ownership interest of Lessor.

SECTION 5. INSPECTION AND REPORTS.

During the Term: (i) Lessor, the Owner Participant and the Indenture Trustee each shall have the right, at all reasonable times at its expense, by its authorized representative or representatives, to inspect the Facility and Lessee's books and records with respect thereto; (ii) Lessee will furnish to Lessor, the Owner Participant and the Indenture Trustee at such time or times as Lessor, the Owner Participant or the Indenture Trustee shall reasonably request, accurate statements regarding the condition and state of repair of the Facility or any part thereof in such detail as Lessor, the Owner Participant or the Indenture Trustee, as the case may be, shall reasonably request; and (iii) Lessee will prepare and deliver to Lessor, the Owner Participant or the Indenture Trustee, as the case may be, within a reasonable time prior to the date for filing or submission, each report, application or other document ("report") with respect to the condition or operation of the Facility or any part thereof that is required to be filed or submitted by Lessor, the Owner Participant or the Indenture Trustee to any Federal, state, municipal or other governmental or regulatory authority, and Lessee shall thereafter file or submit the same unless Lessor, the Owner Participant or the Indenture Trustee, as the case may be, shall otherwise request. Lessor shall execute any report prepared and delivered by Lessee to Lessor and accompanied by a written request for Lessor's execution thereof, provided that (A) such report is required by applicable law or regulation to be executed by Lessor as owner of the Facility, (B) the execution by Lessor of such report will not make Lessor or any Participant subject to any criminal liability or penalty

or, unless indemnified by Lessee in manner and form satisfactory to it, any civil liability or penalty, and will not adversely affect any rights of Lessor or any Participant hereunder or under any other Basic Agreement, (C) such report is in form and substance satisfactory to Lessor and the Owner Participant, and (D) such report and request for execution are accompanied by an opinion of counsel satisfactory to Lessor and the Owner Participant, as to the matters set forth in clauses (A) and (B) above. Neither Lessor, the Owner Participant nor the Indenture Trustee shall have any duty to make any inspection or inquiry permitted by clauses (i) and (ii) of the first sentence of this paragraph, or shall incur any obligation or liability by reason of not making any such inspection or inquiry.

During the 24-month period prior to the expiration of the Primary Term or, if Lessee shall have exercised either of its renewal options pursuant to Section 13 hereof, any Renewal Term, prospective purchasers or lessees of the Facility may, at Lessor's sole cost and expense, visit and inspect the Facility and Lessee's books and records with respect thereto, all at such reasonable times and as often as Lessor shall reasonably request.

SECTION 6. DISCLAIMER OF WARRANTIES.

NEITHER LESSOR NOR ANY PARTICIPANT MAKES OR SHALL BE DEEMED TO HAVE MADE (1) ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, OR AS TO THE SUITABILITY FOR ANY PURPOSE OF, THE FACILITY OR ANY PART THEREOF OR AS TO THE ABILITY OF THE FACILITY TO PERFORM ANY FUNCTION, OR (2) ANY WARRANTY OF MERCHANTABILITY OR FITNESS OF THE FACILITY OR ANY PART THEREOF FOR ANY PARTICULAR PURPOSE OR AS TO THE TITLE TO OR LESSOR'S INTEREST IN THE FACILITY OR ANY PART THEREOF OR AS TO ANY OTHER MATTER RELATING TO THE FACILITY OR ANY PART THEREOF, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN LESSOR AND THE PARTICIPANTS, ON THE ONE HAND, AND LESSEE ON THE OTHER HAND, ARE TO BE BORNE BY LESSEE, AND THE BENEFITS OF ANY AND ALL IMPLIED WARRANTIES AND REPRESENTATIONS OF LESSOR OR ANY PARTICIPANT ARE HEREBY WAIVED BY LESSEE.

LESSEE CONFIRMS THAT IT HAS SELECTED THE FACILITY AND EACH PART THEREOF ON THE BASIS ON ITS OWN JUDGMENT AND EXPRESSLY DISCLAIMS RELIANCE UPON ANY STATEMENTS, REPRESENTATIONS OR WARRANTIES MADE BY LESSOR OR ANY PARTICIPANT, AND LESSEE ACKNOWLEDGES THAT NEITHER LESSOR NOR

ANY PARTICIPANT IS A MANUFACTURER OR VENDOR OF ANY PART OF THE FACILITY

NEITHER LESSOR NOR ANY PARTICIPANT MAKES NOR SHALL BE DEEMED TO HAVE MADE ANY REPRESENTATION OR WARRANTY AS TO THE ACCOUNTING TREATMENT TO BE ACCORDED TO THE TRANSACTIONS CONTEMPLATED BY THIS LEASE OR AS TO ANY TAX CONSEQUENCES AND/OR TREATMENT THEREOF.

Lessor hereby assigns to Lessee whatever claims and rights Lessor may have against any manufacturer, contractor, supplier or materialman with respect to any part of the Facility, provided that, unless otherwise expressly agreed by Lessor in writing, all such assignments shall be of no further force or effect upon the occurrence of an Event of Default and so long as the same shall be continuing. Lessee agrees to prosecute such claims and rights in good faith and to apply any proceeds therefrom to the repair or correction of the defect or other conditions giving rise to such claims and rights except to the extent such proceeds are required to reimburse the Lessee or expenditures made to effect such repairs or corrections. To the extent that any such claims or rights of Lessor may not be validly assigned to Lessee, Lessor shall (so long as no Event of Default shall have occurred and be continuing), upon receipt of indemnity satisfactory to it and at Lessee's expense, execute and deliver such documents and take such further action as may be reasonably requested by Lessee to enforce such claims and rights.

SECTION 7. MAINTENANCE; OPERATION; COMPLIANCE WITH LAWS.

Lessee will use and operate the Facility (i) in a careful and proper manner in the conduct of its lawful business and (ii) for peak load operation, emergencies and equipment outages and to maintain reliability of Lessee's service to its customers during adverse water or weather conditions. During the Term Lessee shall, at its sole cost and expense, maintain, service, clean and repair all parts of the Facility and furnish all parts, mechanisms and devices necessary to maintain the Facility in good order and repair so that the condition and operating efficiency thereof will at all times be maintained and preserved.

Lessee will deliver to Lessor and the Owner Participant, concurrently with the delivery of its annual financial statements pursuant to Section 12(a)(i) of the Participation Agreement, a certificate signed by the

President or a Vice President of Lessee setting forth the number of kilowatt hours of operation of each turbine generating unit of the Facility during such calendar year.

During the Term Lessee shall, at its sole cost and expense, conform to and comply or cause compliance with:

(a) all laws, rules, regulations, ordinances, approvals, consents, authorizations, permits, orders and other requirements of governmental or regulatory agencies or authorities with respect to the design, acquisition, manufacture, construction, erection, installation, assembly, use, maintenance, servicing, storage, finishing, condition and/or operation of the Facility and each part thereof (including, without limitation, the Fuel Use Act, the ERA Order, all zoning, pollution and environmental control requirements and all requirements as to changing or replacing any part or parts of the Facility or incorporating or installing in, or attaching or adding to, the Facility any additional or parts), except (i) to the extent valid variances, waivers, exemptions or similar exceptions have been obtained therefrom; and (ii) for violations of any such law or requirement the validity of which is being contested by Lessee in good faith by appropriate proceedings diligently prosecuted and violations of any such law or requirement (other than violations involving criminal penalties with respect to Lessor or any Participant) which Lessee is diligently proceeding to correct, provided that no violation referred to in this clause (ii) involves any danger of the foreclosure, sale, forfeiture or loss of any part of the Facility or of the impairment of the operation of the Facility or of the impairment of Lessee's ability to perform its obligations hereunder or under any of the other Basic Agreements;

(b) the terms and conditions of all insurance policies in effect with respect to the Facility or any part thereof which are required to be maintained under Section 12 hereof; and

(c) all operating, repair and maintenance standards as are required to permit the enforcement of warranty claims against manufacturers, contractors, suppliers and materialmen with respect to the Facility or any part thereof.

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SECTION 8. REPLACEMENTS.

(a) Replacement of Parts. In the event that any part of the Facility shall become worn out, lost, stolen, destroyed, seized, condemned, confiscated, requisitioned, damaged beyond repair or permanently rendered unfit for normal use for any reason whatsoever, unless such event constitutes an Event of Loss, Lessee, at its sole cost and expense, shall promptly replace such part. Each such replacement part shall be free and clear of all Liens (except Permitted Liens) and shall be in as good operating condition as, and shall have a value and utility at least equal to, the part being replaced, it being assumed for this purpose that such replaced part was in the condition and repair and had the utility required to be maintained by the terms of this Lease. Immediately upon any such replacement, without further act, (i) title to the replacement part shall vest in Lessor, (ii) the replacement part shall become subject to this Lease and be deemed to be part of the Facility for all purposes hereof, and (iii) title to the replaced part shall pass to Lessee on an "as-is, where-is" basis, without any representation or warranty, express or implied, by Lessor (except as to the absence of Lessor's Liens) and without recourse to Lessor, and such replaced part shall no longer be subject to this Lease. If any such replacement part or related group of parts has a cost (including installation) in excess of \$250,000, prior to or on the date of installation thereof Lessee at its sole cost and expense will (x) furnish Lessor with a full warranty bill of sale, in form and substance satisfactory to Lessor, conveying title to such part or parts to Lessor free and clear of all Liens (except Permitted Liens) and (y) furnish Lessor with such evidence of Lessor's title to, and of the condition of, such part or parts as Lessor may reasonably request.

(b) Removal of Parts. Lessee may, in the ordinary course of maintenance, service, repair, overhaul or testing, remove from the Site any part thereof the cost of which (including installation) was less than \$250,000, provided that it promptly returns such part to the Facility after completion of such maintenance, service, repair, overhaul or testing.

(c) Title to Removed Parts. No matter where located, any part of the Facility at any time removed from the Facility shall remain the property of Lessor unless and until it is specifically provided in Section 8(a) hereof that title thereto shall pass to Lessee.

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SECTION 9. IMPROVEMENTS, MODIFICATIONS AND ADDITIONS.

(a) Removable Improvements. Lessee, at its sole cost and expense, (i) may from time to time make such improvements, modifications and additions in and to the Facility or any part thereof as Lessee may deem desirable in the proper conduct of its business and (ii) shall from time to time make such improvements, modification and additions in and to the Facility or any part thereof as are required by applicable law or governmental authority, but in either case only if (A) such improvement, modification or addition shall not diminish the value or utility of the Facility below the value or utility thereof immediately prior to such improvement, modification or addition, unless such improvement, modification or addition is required by applicable law or governmental authority and cannot be made without so diminishing the value or utility of the Facility; (B) all parts incorporated or installed in or attached to or otherwise becoming a part of the Facility as a result of any such improvement, modification or addition shall be "readily removable without causing material damage" within the meaning of Revenue Procedures 75-21 (1975-1 C.B. 715) and 75-28 (1975-1 C.B. 752), as amended or supplemented from time to time; (C) such parts can be removed from the Facility without diminishing or impairing the utility or condition which the Facility would have had at such time had such improvement, modification or addition not been made; (D) such parts shall be in addition to, and not in replacement of or substitution for, any part or parts originally incorporated or installed in or attached to or otherwise constituting a part of the Facility or any replacement thereof or substitution therefor (the provisions of Section 8 hereof being applicable to such replacement or substitution parts); and (E) Lessee shall have notified Lessor of such improvement, modification or addition and shall have certified to Lessor that such improvement, modification or addition meets the conditions set forth in the foregoing clauses (A), (B), (C) and (D). Title to any part incorporated or installed in or attached to or otherwise becoming a part of the Facility pursuant to this Section 9(a) shall remain in Lessee during the Term. Subject to the following provisions of this Section 9(a), Lessee may remove any such part at any time during the Term if such removal will not result in a violation of any law or governmental regulation, and, in any event, Lessee, at its sole cost and expense, shall remove all such parts prior to the return of the Facility to Lessor pursuant to Section 15(a) hereof or, if Lessor shall have requested that the Facility be maintained pursuant to Section 15(b) and/or 15(c) hereof, prior to the end of the

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applicable Maintenance Period; provided, however, that Lessor shall have the option to purchase for cash any or all such parts which are owned by Lessee at the end of the Term. If Lessor desires to exercise such option, Lessor shall, not later than the date of the return of the Facility pursuant to Section 15(a) hereof or, if Lessor shall have requested that the Facility be maintained pursuant to Section 15(b) and/or 15(c) hereof, the date on which the applicable Maintenance Period ends, give Lessee written notice of its election to purchase any such part or parts on a date specified in such notice occurring within 10 days after such return or the end of the Maintenance Period, as the case may be. The purchase price of any such part shall be the Fair Market Sale Value thereof as of the date of such purchase. If Lessor elects to purchase any such part, Lessee will on or prior to the date of such purchase, upon receipt of the purchase price therefor, (x) furnish Lessor with a full warranty bill of sale with respect to such part in form and substance satisfactory to Lessor, conveying to Lessor good title to such part free and clear of all Liens, and (y) furnish Lessor with such evidence of the title to, and of the condition of, such part as Lessor may reasonably request. Notwithstanding anything contained herein to the contrary, if a Default or Event of Default shall have occurred and be continuing, Lessee may not remove any part added to the Facility pursuant to this Section 9(a) without the prior written consent of Lessor, and, if this Lease shall be declared to be in default pursuant to Section 20 hereof, all such parts which are located on the Site at such time shall, unless Lessor requests the removal thereof by Lessee, without further act become the property of Lessor.

(b) Non-Removable Improvements. Lessee may from time to time make such improvements, modifications and additions in and to the Facility or any part thereof which do not meet the conditions set forth in clauses (B) and (C) of Section 9(a) hereof (each such improvement, modification or addition being herein called a "Non-Removable Improvement") as Lessee may deem desirable in the proper conduct of its business, and Lessee shall from time to time make such Non-Removable Improvements as are required by applicable law or governmental authority; provided, however, that each Non-Removable Improvement shall meet the conditions set forth in clauses (A) and (D) of said Section 9(a) and Lessee shall have so certified to Lessor. Before making any Non-Removable Improvement, Lessee shall give the Owner Participant at least 90 days prior written notice thereof and the Owner Participant shall have the option of financing the cost of such Non-Removable Improvement on terms reasonably acceptable to Lessee (in which case the Basic Rent

percentages, the Stipulated Loss Value percentages and the Termination Value percentages will be adjusted upward in such manner as shall be agreed to by the Owner Participant and Lessee). If the Owner Participant does not elect, within 45 days after receipt of the notice specified in the preceding sentence, to finance the cost of such Non-Removable Improvement, Lessee may either (i) arrange for one or more other Persons (other than a party affiliated with Lessee within the meaning of Section 318 of the Code) to provide to Lessor the financing required to pay the cost of such Non-Removable Improvement (such financing being herein called a "Supplemental Financing") on terms which will not change the treatment of this Lease as a "true lease" for Federal income tax purposes (as confirmed by an opinion of independent tax counsel for the Owner Participant), provided that such Supplemental Financing shall not be effected without the prior consent of a Majority in Interest of Participants, or (ii) supply the funds itself to pay the cost of such Non-Removable Improvement. If a Supplemental Financing is effected, the Basic Rent percentages, Stipulated Loss Value percentages and the Termination Value percentages thereafter payable hereunder shall be adjusted upward to the extent necessary to meet the debt service resulting from such Supplemental Financing and to provide the Owner Participant with at least the same after-tax yield and periodic recovery of net cash flows that it would have had if such Supplemental Financing had not occurred and such Non-Removable Improvement had not been made, the amounts of such adjustments to be determined by the Owner Participant, which determination shall be conclusive and binding on Lessee if the Owner Participant certifies in writing to Lessee that such adjustments were determined pursuant to, and in compliance with, the requirements of this Section 9(b). The failure or inability of Lessee to effect a Supplemental Financing of a Non-Removable Improvement which is required by applicable law or governmental authority shall not in any manner affect Lessee's obligation to make such Non-Removable Improvement. Each part incorporated or installed in or attached to or otherwise becoming a part of the Facility as a result of a Non-Removable Improvement shall be free and clear of all Liens (except Permitted Liens) and, without further act, title thereto shall vest in Lessor and such part shall become subject to this Lease. Without limiting the generality of the foregoing, if any such part or related group of parts incorporated or installed in or attached to or otherwise become a part of the Facility as a result of a Non-Removable Improvement shall have a cost (including installation) in excess of \$250,000, Lessee at its sole cost and expense will promptly (i) furnish Lessor with a full warranty bill of sale, in form and

substance satisfactory to Lessor, conveying title to such part or parts to Lessor free and clear of all Liens (except Permitted Liens), and (ii) furnish Lessor with such evidence of Lessor's title to, and of the condition of, such part or parts as Lessor may reasonable request.

(c) Special Purchase Option. In the event that, at any time after the tenth anniversary of the Commencement Date, (i) Lessee is required by applicable law or governmental authority to make a Non-Removable Improvement the cost of which (including installation) would exceed an amount equal to 10% of Lessor's Cost of the Facility and (ii) the Owner Participant does not agree to finance such Non-Removable Improvement pursuant to Section 9(b) hereof on terms reasonably satisfactory to Lessee, Lessee may by notice given to Lessor not later than 10 days after the Owner Participant has declined to provide such financing, if no Default or Event of Default shall have occurred and be continuing, elect to purchase the Facility (which election shall be irrevocable) on the first Rent Payment Date occurring not less than 60 days after the date of such notice, for a cash purchase price equal to the greater of:

(1) the sum of (x) the Stipulated Loss Value of the Facility determined as of such purchase date, and (y) an amount equal to the premium, if any, payable to the Note Holders by reason of the prepayment of the Notes required as a result of the purchase of the Facility pursuant to this Section 9(c); and

(2) the amount by which the Fair Market Sale Value of the Facility as of such purchase date (which Fair Market Sale Value shall be determined on the assumption that such Non-Removable Improvement had been made to the Facility prior to such date) exceeds the cost of such Non-Removable Improvement.

Lessee shall also pay to Lessor on such purchase date all Basic Rent due and payable on or prior to such date and all other amounts then due and owing by Lessee hereunder and under the Participation Agreement, including all costs and expenses (including legal fees) paid or incurred by Lessor or by the Owner Participant in connection with such sale. Upon receipt of such purchase price and other amounts, the Term shall end and Lessor shall transfer title to the Facility to Lessee on an "as-is, where-is" basis, without any representation or warranty, express or implied, by Lessor (except as

to the absence of Lessor's Liens) and without recourse to Lessor.

SECTION 10. EVENT OF LOSS, ETC.

(a) Event of Loss; Payment of Stipulated Loss Value. If an Event of Loss shall occur, Lessee shall promptly give Lessor written notice thereof and Lessee shall pay to Lessor, on the Stipulated Loss Value Payment Date with respect thereto, the Stipulated Loss Value determined as of the Semi-Annual Date immediately preceding such Stipulated Loss Value Payment Date, together with an amount equal to interest computed at the Designated Rate on the Stipulated Loss Value from the date as of which such Stipulated Loss Value was determined to and including the date of such payment. In addition, Lessee shall pay the Basic Rent due on each Rent Payment Date occurring prior to (but not on or after) the Stipulated Loss Value Payment Date, including the Basic Rent due on any such Rent Payment Date occurring between the occurrence of the Event of Loss and the date of payment of the Stipulated Loss Value. Upon payment of such amounts to Lessor and of all other amounts then due and owing by Lessee hereunder and under the Participation Agreement, the Term shall end and Lessor shall transfer title to the Facility to Lessee on an "as-is, where-is" basis, without any representation or warranty, express or implied, by Lessor (except as to the absence of Lessor's Liens) and without recourse to Lessor.

(b) Application of Other Payments with Respect to Event of Loss. Any payments received at any time by Lessor, Lessee or the Indenture Trustee from any governmental authority, insurer (other than payments of liability insurance and other than payments on account of insurance carried pursuant to Section 12(f) hereof) or other Person with respect to an Event of Loss shall be applied in reduction of Lessee's obligation to pay the Stipulated Loss Value and all other amounts payable pursuant to Section 10(a) hereof to the extent not already paid by Lessee, and, after the Stipulated Loss Value and such other amounts shall have been paid by Lessee, shall, unless a Default or Event of Default shall have occurred and be continuing, be paid over to, or retained by, Lessee.

(c) Application of Payments Not Relating to Event of Loss. Any payments received at any time by Lessor or Lessee from any governmental authority, insurer or other Person with respect to any condemnation, confiscation or seizure of, or requisition of title to or use of, or theft

of, or loss of use of, or damage to, any part of the Facility not constituting an Event of Loss shall (i) if such payments shall be in the aggregate in excess of \$500,000, be paid over to or retained by Lessor, and (ii) if such payments shall be in the aggregate \$500,000 or less, be paid over to or retained by Lessee. In either case, such payments shall be applied directly in payment of repairs to, or for replacement of, such property in accordance with the provisions of Section 7 or 8 hereof, as the case may be, if the cost of such repairs or replacement has not already been paid by Lessee, and any balance remaining after compliance with the provisions of said Section 7 and 8, as the case may be, shall, unless a Default or Event of Default shall have occurred and be continuing, be paid over to, or retained by, Lessee.

(d) Disposition of Payments Not Payable to Lessee. Any amounts which would be payable to Lessee, or which Lessee would be entitled to retain, pursuant to this Section 10 but which are not so payable or retainable solely because a Default or Event of Default shall have occurred and be continuing, shall be retained by, or paid to, Lessor (without any liability for interest) and held by Lessor as security for the obligations of Lessee under this Lease, and shall be paid over to Lessee when no Default or Event of Default shall be continuing unless this Lease shall have been declared to be in default pursuant to Section 20 hereof, in which case such amounts shall be retained by Lessor and disposed of in accordance with the provisions of the Indenture and the Trust Agreement.

SECTION 11. VOLUNTARY TERMINATION BY LESSEE

(a) Termination of Lease and Sale of Facility. In the event that the Facility shall become obsolete, surplus to Lessee's requirements or economically unserviceable for use by Lessee (as determined in good faith by Lessee's Board of Directors) from any cause whatsoever (other than an Event of Loss), Lessee may, at its option, if no Default or Event of Default shall have occurred and be continuing, give to Lessor notice of Lessee's intention to terminate this Lease as of the Rent Payment Date stated in such notice (herein called the "Termination Date"), which Rent Payment Date shall not be earlier than 180 days after the date of such notice nor earlier than the nineteenth Rent Payment Date. During the period from the giving of such notice until the Termination Date, Lessee, as agent for Lessor, shall use its best efforts to obtain cash bids (pursuant to invitations for bids reasonably satisfactory in form and substance to

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Lessor) for the purchase of the Facility. Lessor and the Owner Participant shall also have the right to obtain cash bids for the purchase of the Facility, either directly or through agents other than Lessee. Lessee shall certify to Lessor in writing the amount of each bid, if any, received by Lessee and the name and address of the Person (who shall not be Lessee or any Affiliate of Lessee) submitting such bid. On the Termination Date Lessor shall, subject to satisfaction of the conditions specified in the following sentence, sell the Facility for cash to the maker of the highest cash bid therefor submitted prior to such date (whether such bid has been so certified by Lessee or obtained by Lessor or the Owner Participant independently of the efforts of Lessee), such sale to be on an "as-is, where-is" basis, without any representation or warranty, express or implied, by Lessor (except as to the absence of Lessor's Liens) and without recourse to Lessor. Lessor's obligation to sell the Facility shall be subject to the conditions that: (i) no Default or Event of Default shall have occurred and be continuing on, and Lessee shall have paid to Lessor all Rent payable hereunder on or before, the Termination Date, and (ii) Lessee shall, on or before the Termination Date, have paid to Lessor (x) the amount, if any, by which the Termination Value, determined as of the Termination Date, exceeds the amount of cash received by Lessor for such sale less all expenses (including legal fees and expenses) incurred or paid by Lessor or the Owner Participant in connection with such sale, and (y) an amount equal to the premium, if any, payable to the Note Holders by reason of the prepayment of the Notes required as a result of the sale of the Facility pursuant to this Section 11.

(b) Continuance of Term; Further Notices. Upon the closing of any sale of the Facility by Lessor pursuant to Section 11(a) hereof, (i) the obligation of Lessee to pay Basic Rent hereunder shall cease for all Rental Periods commencing after the Termination Date, and (ii) the Term shall end on the Termination Date. If for any reason no sale shall be made pursuant to any notice of termination given pursuant to Section 11(a) hereof, the Term shall continue in full force and effect, but Lessee may at any time or from time to time thereafter give a further notice or notices of termination with respect to the Facility under this Section 11. Neither Lessor nor the Owner Participant shall be under any duty to solicit bids, to inquire into the efforts of Lessee to obtain bids, or otherwise to take any action in connection with any such sale except as expressly provided in Section 11(a) hereof. In the event of any sale of the Facility pursuant to this Section 11, Lessee shall not thereafter acquire directly or through any Affiliate of

Lessee any interest in the Facility as owner or lessee, or enter into any agreement with the owner or lessee of the Facility (or any Affiliate thereof) for the purpose of purchasing power generated by the Facility.

SECTION 12. INSURANCE.

(a) Insurance Against Loss or Damage to Facility.

Lessee, at its sole cost and expense, shall maintain throughout the Term and thereafter until the Facility is returned to Lessor pursuant to Section 15(a) hereof, insurance with respect to the Facility in such form (including, without limitation, the form of loss payable clauses) as shall be reasonably satisfactory to Lessor and the Indenture Trustee and with insurers rated "A" or better and with a financial rating of X or better by A.M. Best & Co. (or other insurers reasonably satisfactory to Lessor and the Indenture Trustee), such insurance to be in amounts sufficient to prevent Lessor, Lessee or the Indenture Trustee from being a co-insurer of any partial loss under the applicable policies and in such amounts and against such insurable hazards, casualties, risks and damages as shall be reasonably satisfactory to Lessor and the Indenture Trustee, provided that in any event the amount of such insurance shall not at any time be less than the Stipulated Loss Value of the Facility (determined as of the Semi-Annual Date on or immediately preceding the date of computation), and provided, further, that such insurance may provide for a retention or deductible amount which shall not exceed an amount equal to 1/2 of 1% of the capital stock and surplus of Lessee as stated in its most recent audited financial statements.

(b) Insurance Against Public Liability, Property Damage and Pollution Liability. Lessee, at its sole cost and expense, shall maintain throughout the Term and thereafter until the Facility is returned to Lessor pursuant to Section 15(a) hereof, (i) comprehensive general liability insurance against claims for bodily injury or death or property damage arising out of the use, ownership, possession, operation or condition of the Facility and (ii) pollution liability insurance against claims arising out of the use, ownership, possession, operation or condition of the Facility, in such forms (including, without limitation, the form of the loss payable clauses and the designation of named insureds), in such amounts and against such risks as shall be reasonably satisfactory to Lessor and the Indenture Trustee, and with insurers rated "A" or better and with a financial rating of X or better by A.M. Best & Co. (or other

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insurers reasonably satisfactory to Lessor and the Indenture Trustee), provided that in no event shall the insurance required to be maintained pursuant to this Section 12(b) be in amounts less than those specified in Schedule IV hereto, and provided, further, that such insurance may provide for a retention or deductible amount which shall not exceed an amount equal to 1/2 of 1% of the capital stock and surplus of Lessee as stated in its most recent audited financial statements.

(c) Workers' Compensation Coverage. Lessee, at its sole cost and expense, shall maintain throughout the Term and thereafter until the Facility is returned to Lessor pursuant to Section 15(a) hereof, workers' compensation coverage complying with the provisions of all applicable laws with respect thereto.

(d) Provisions of Policies. Lessee will cause all insurance policies referred to in Sections 12(a) and 12(b) hereof to (i) in the case of the insurance referred to in Section 12(a) hereof, be payable to Lessor, the Indenture Trustee and the Owner Participant, as their respective interests may appear, provided that until the insurance company has received written notice that the Indenture has been satisfied and discharged all such insurance proceeds shall be payable to the Indenture Trustee and provided, further, that payment of less than \$500,000 in respect of any single casualty may be paid directly to Lessee; (ii) in the case of the insurance referred to in Section 12(b) hereof, name Lessor, the Indenture Trustee and the Owner Participant as additional insureds and be payable to the Person or Persons to whom the liability covered by such insurance has been incurred; (iii) provide that no cancellation, termination or material change in such insurance shall be effective until at least 30 days after receipt by Lessor, the Indenture Trustee and the Owner Participant of written notice thereof; (iv) insure the interests of Lessor, the Indenture Trustee and the Owner Participant regardless of any breach or violation by Lessee or any other Person of any warranties, declarations or conditions contained in such insurance policies or any action or inaction of Lessee or any other interests insured thereunder; (v) provide that neither Lessor, the Indenture Trustee nor the Owner Participant shall be liable for the payment of any premiums, commissions, assessments or calls in connection with such insurance; (vi) contain a waiver of any rights of subrogation of the insurer against Lessor, the Indenture Trustee or the Owner Participant; and (vii) provide that all provisions thereof, except the limits of liability (which shall be applicable to all insureds as a group) and liability for premiums (which

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shall be solely a liability of Lessee), shall operate in the same manner as if there were a separate policy covering each such insured, without right of contribution from any other insurance which may be carried by any insured.

(e) Delivery of Insurance Certificates, etc.

Lessee will deliver to Lessor, the Owner Participant and the Indenture Trustee certificates, executed by the insurer or its duly authorized agent, of all insurance policies which Lessee is required to maintain pursuant to this Section 12 (or certified copies of all such insurance policies). Lessee will also deliver to Lessor, the Owner Participant and the Indenture Trustee, promptly upon request, and in any event within 90 days after the end of each calendar year, a certificate signed by the President or a Vice President of Lessee setting forth the particulars as to all such insurance policies and certifying that the same comply with the requirements of this Section 12, that all premiums then due thereon have been paid and that the same are in full force and effect.

(f) Insurance by Lessor or Owner Participant.

Nothing in this Section 12 shall prohibit Lessor or the Owner Participant from maintaining, at its expense, additional insurance for its own account with respect to the Facility.

SECTION 13. RENEWAL OPTIONS.

(a) Fixed Rental Renewal. If requested by Lessee, Lessor and Lessee shall, not earlier than 24 months nor later than 20 months prior to the end of the Primary Term, at Lessee's expense, cause an independent appraiser satisfactory to Lessor and Lessee to redetermine the useful life of the Facility. If the useful life of the Facility as so redetermined, as set forth in an appraisal report of such appraiser satisfactory in form and substance to Lessor, shall exceed 30 years from the Commencement Date, Lessee may at its option renew the lease of the Facility hereunder for a Renewal Term specified by Lessee which shall be 6 months or any greater multiple thereof but which shall not be longer than 80% of the period by which the redetermined useful life of the Facility exceeds 30 years, provided that (i) Lessee shall give Lessor notice of such renewal, which shall be irrevocable, at least 18 months prior to the expiration of the Primary Term, (ii) the estimated fair market value of the Facility (at the Site) at the end of such Renewal Term, as specified in such appraisal report, shall be at least 20% of Lessor's Cost of the Facility (without

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giving effect to inflation or deflation), (iii) the term of the Support Agreements shall be extended to coincide with the redetermined useful life of the Facility and, in Lessor's reasonable judgment, shall assure the commercial feasibility of Lessor's use of the Facility during such extended period, (iv) such renewal shall not be prohibited by any applicable law or government regulation and (v) no Default or Event of Default shall have occurred and be continuing on the day preceding the first day of such Renewal Term. All of the provisions of this Lease shall be applicable during such Renewal Term, except that Basic Rent during such Renewal Term shall be payable in arrears in equal consecutive semi-annual installments on the Rent Payment Dates occurring during such Renewal Term, each such installment being in an amount equal to one-half of the weighted average of the installments of Basic Rent paid during the Primary Term.

(b) Fair Market Value Rental Renewal. Lessee may at its option renew the lease of the Facility hereunder at the end of the Renewal Term provided for in Section 13(a) hereof or, if the lease of the Facility is not renewed pursuant to said Section 13(a), at the end of the Primary Term, for a Renewal Term ending on the expiration date of the Support Agreements, provided that (i) Lessee shall give Lessor notice of such renewal, which shall be irrevocable, at least 18 months prior to the expiration of the Primary Term or the Renewal Term provided for in Section 13(a) hereof, as the case may be, (ii) such renewal shall not be prohibited by any applicable law or governmental regulation, (iii) all authorizations, consents and approvals of Federal, state, or other governmental authorities (including The Washington Utilities and Transportation Commission) required for such renewal shall have been duly obtained and (iv) no Default or Event of Default shall have occurred and be continuing on the day preceding the first day of such Renewal Term. All of the provisions of this Lease shall be applicable during such Renewal Term, except that the Basic Rent for such Renewal Term shall be in an amount equal to the Fair Market Rental Value of the Facility, as of the first day of such Renewal Term, for a period equal to such Renewal Term, and shall be payable in such number of installments, and either in arrears or in advance, as Lessor shall specify to Lessee on or before the commencement of such Renewal Term.

SECTION 14. LOCATION; POSSESSION; OPERATION; LIENS;
ETC.

(a) Location. Lessee will not remove, or permit to be removed, any part of the Facility from the Site without the prior consent of Lessor unless (i) title thereto has passed to Lessee in accordance with the provisions of Section 8(a) hereof or (ii) such part is removed pursuant to Section 8(b) hereof.

(b) Possession. Lessee will not, without the prior consent of Lessor (which, with respect to any proposed sublease, will not be unreasonably withheld), sublease or in any other manner sell, assign, transfer, dispose or (except as expressly permitted by Section 8(b) hereof) relinquish possession of any part of the Facility to any Person.

(c) Operation. Lessee will not permit any Person to operate the Facility other than Lessee.

(d) Restriction on Liens. Lessee will not directly or indirectly create, incur, assume or suffer to exist any Lien on or with respect to the Facility, or any part thereof, title thereto or any interest therein or in this Lease except the following (herein referred to as "Permitted Liens"): (i) the respective rights and interests of Lessee, the Participants, the Owner Trustee and the Indenture Trustee, as provided in the Basic Agreements, (ii) Liens for taxes either not yet due or being contested by Lessee in good faith by appropriate proceedings and as to which adequate reserves are being maintained in accordance with generally accepted accounting principles, so long as such proceedings do not involve any danger of the sale, forfeiture or loss of any part of Facility or interest therein, (iii) materialmen's, mechanics', workmen's, repairmen's or other like Liens arising in the ordinary course of business for amounts the payment of which is either not yet delinquent or is bonded, and (iv) Liens arising out of judgments or awards against Lessee with respect to which at the time an appeal or proceeding for review is being diligently prosecuted in good faith and there shall have been secured a stay of execution pending such appeal or proceeding for review and for the payment of which adequate reserves have been provided.

SECTION 15. RETURN OF FACILITY; STORAGE AND MAINTENANCE; DISMANTLING; PURCHASE OPTION; PLANS AND SPECIFICATIONS.

(a) Return. Upon expiration of the Term (unless the Term shall end pursuant to Section 9(c), 10(a), 11 or 16

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hereof), Lessee shall return the Facility to Lessor by surrendering the same into the possession of Lessor at the Site. At the time of such return, the Facility and each part thereof shall be free and clear of all Liens and shall be in the condition and repair required to be maintained during the Term under Section 7 hereof. The Facility shall not be deemed to have been returned to Lessor until (i) it is surrendered into the possession of Lessor and (ii) the provisions of the preceding sentence shall have been complied with and Lessee shall have given Lessor written notice of such fact, and, until such time, all of the provisions of this Lease shall continue in full force and effect.

(b) Storage and Maintenance Prior to Expiration of Support Agreements. If the Term shall end (other than pursuant to Section 9(c), 10(a), 11 or 16 hereof) prior to the expiration of the Support Agreements and Lessor shall so request, Lessee shall for a period of six months after the expiration of the Term, at its sole cost and expense, (i) service and maintain the Facility at the Site to the extent necessary to keep it in good condition and repair and (ii) maintain the same insurance with respect to the Facility as Lessee was required to maintain throughout the Term pursuant to Section 12 hereof or insurance to such lesser extent as shall be consented to by Lessor; provided that such obligation to service, maintain and insure the Facility shall cease upon the sale or lease of the Facility by Lessor to any Person or upon the delivery of the dismantled Facility to the nearest railhead pursuant to Section 15(d) hereof.

(c) Storage and Maintenance Upon Expiration of Support Agreements. In addition to the storage and maintenance obligations of Lessee under Section 15(b) hereof, if requested by Lessor, Lessee shall for a period not exceeding one year after the expiration of the Support Agreements (whether or not the Facility shall have been leased to Lessee or any other Person immediately prior to such expiration, or shall have been idle), at its sole cost and expense, (i) service and maintain the Facility at the Site to the extent necessary to keep it in good condition and repair and (ii) maintain the same insurance with respect to the Facility as Lessee was required to maintain throughout the Term pursuant to Section 12 hereof or insurance to such lesser extent as shall be consented to by Lessor; provided that such obligation to service, maintain and insure the Facility shall cease upon the delivery of the dismantled Facility to the nearest railhead pursuant to Section 15(d) hereof. In consideration for Lessee's performance of its obligations under this Section 15(c), Lessee may operate the

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Facility during such storage and maintenance period without any additional payments to Lessor.

(d) Dismantling. At any time during the period from the date of the return of the Facility pursuant to Section 15(a) hereof to the date which is one year after the expiration date of the Support Agreements, Lessee shall, upon the request of Lessor given at any time prior to the expiration of such period, at Lessee's expense and risk, promptly dismantle and remove the Facility and deliver it to Lessor loaded on railroad cars at the nearest railhead, free and clear of all Liens and in the condition and repair required by Section 15(a), 15(b) or 15(c) hereof, as the case may be, dismantled condition excepted. If Lessor shall thereafter arrange for the sale or lease of any part of the Facility to any Person (other than Lessee or an Affiliate of Lessee), Lessor shall reimburse Lessee for the actual costs incurred by it in dismantling, removing and delivering the Facility as hereinabove provided; provided, however, that (i) the amount to be so reimbursed by Lessor to Lessee shall be made only out of and to the extent of the net proceeds, if any, received by Lessor from the sale or lease of the Facility or part or parts thereof to any such Person and shall in no event exceed Lessee's "out-of-pocket" costs of dismantling, removing and delivering the Facility as specified in a certificate furnished to Lessor by Lessee in form and substance satisfactory to Lessor; (ii) if Lessor's request to dismantle the Facility is made within one year after the expiration of the Term but prior to the expiration of the Support Agreements, such net proceeds shall be paid in reimbursement to Lessee only after Lessor shall have retained from such net proceeds an amount equal to 20% of Lessor's Cost; and (iii) Lessee shall not be entitled to any reimbursement if the Term was ended because this Lease was declared in default.

(e) Purchase Option. If Lessor shall have requested Lessee to dismantle, remove and deliver the Facility pursuant to Section 15(d) hereof, then, unless the Term was ended because this Lease was declared in default, Lessee may, in lieu of such dismantling, removal and delivery, upon giving prompt written notice to Lessor, purchase the Facility from Lessor on the date specified in such notice, which shall be at least 30 days, but not more than 90 days, after Lessor's request. On such date Lessee shall purchase the Facility from Lessor for a cash purchase price equal to the Fair Market Sale Value of the Facility determined as of such date of purchase, provided that if the Fair Market Sale Value shall have been determined pursuant to the Appraisal Procedure, Lessee may rescind such notice of pur-

chase by giving Lessor written notice of such rescission within 10 days after such determination, whereupon Lessee shall be obligated to dismantle, remove and deliver the Facility pursuant to Section 15(d) hereof. In addition to paying the Fair Market Sale Value of the Facility, Lessee shall pay to Lessor an amount equal to all costs and expenses (including legal fees and expenses) incurred or paid by Lessor and any Owner Participant in connection with such sale. Upon receipt of such amounts, Lessor shall transfer title to the Facility to Lessee on "as-is, where-is" basis, without any representation or warranty, express or implied, by Lessor (except as to the absence of Lessor's Liens) and without recourse to Lessor.

(f) Plans and Specifications. Unless the Facility is purchased by Lessee pursuant to any applicable provision of this Lease, Lessee shall, upon the expiration of the Term, deliver to Lessor all plans and specifications, operating manuals and other information necessary to efficiently operate the Facility.

SECTION 16. LESSEE'S OPTION TO PURCHASE IN EVENT OF SPECIAL TAX INDEMNITY PAYMENT.

If Lessee shall become obligated to make an indemnity payment or payments to the Owner Participant pursuant to Section 10 of the Participation Agreement which payment or payments, if made on the date or dates provided for in said Section 10 and treated as additional Basic Rent hereunder, would increase by 1/2 of 1% or more the interest rate at which the Basic Rent payable during the Primary Term, if discounted to present value on the Commencement Date, would result in an amount equal to Lessor's Cost, then Lessee may, if no Default or Event of Default shall have occurred and be continuing, by notice given to Lessor not later than five days after Lessee became obligated to make such indemnity payment or payments, elect to purchase the Facility (which election shall be irrevocable) on the first Rent Payment Date occurring after the date of such notice, for a cash purchase price equal to the greater of:

(1) the sum of (x) the Stipulated Loss Value of the Facility determined as of such purchase date, and (y) an amount equal to the premium, if any, payable to the Note Holders by reason of the prepayment of the Notes required as a result of the purchase of the Facility pursuant to this Section 16; and

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(2) the Fair Market Sale Value of the Facility as of such purchase date.

Lessee shall also pay on such purchase date (i) to the Owner Participant, the portion of such indemnity payment or payments, if any, as the Owner Participant shall determine is necessary in order to maintain its after-tax yield and periodic recovery of net cash flows to such purchase date and to preserve the earnings theretofore booked by it, and (ii) to Lessor, all Basic Rent due and payable on or prior to such purchase date and all other amounts then due and owing by Lessee hereunder and under the Participation Agreement, including all costs and expenses (including legal fees) paid or incurred by Lessor or by the Owner Participant in connection with such sale. Except to the extent provided in clause (i) above and in the following paragraph of this Section 16, Lessee shall be relieved of its obligation to make the indemnity payments which gave rise to its option to purchase the Facility pursuant to this Section 16. Upon receipt of such purchase price and other amounts, the Term shall end and Lessor shall transfer title to the Facility to Lessee on an "as-is, where-is" basis, without any representation or warranty, express or implied, by Lessor (except as to the absence of Lessor's Liens) and without recourse to Lessor.

If for any reason Lessee shall fail to purchase the Facility and to pay all amounts required to be paid by it pursuant to the foregoing provisions of this Section 16 on the specified purchase date, (i) the Term shall continue in full force and effect, (ii) Lessee's purchase option pursuant to this Section 16 shall terminate, and (iii) Lessee shall promptly make all indemnity payments which it would have been obligated to make except for the foregoing provisions of this Section 16, together with interest thereon at the Past Due Rate until payment in full.

SECTION 17. LESSEE'S RIGHT OF FIRST REFUSAL TO PURCHASE OR LEASE.

(a) Right of First Refusal to Purchase the Facility. Unless this Lease has been terminated pursuant to Section 9(c), 10(a), 11, 16 hereof or a Default or Event of Default shall have occurred and be continuing, Lessor shall not, within 120 days after the expiration of the Term or pursuant to an offer received by it within such 120-day period, sell the Facility to any Person (other than Lessee or an Affiliate of Lessee) unless:

(i) Lessor shall have received from a prospective purchaser a bona fide offer in writing to purchase the Facility;

(ii) Lessor shall have given Lessee notice ("Lessor's notice") (x) setting forth in detail the identity of such purchaser, the proposed purchase price, the proposed date of purchase and all other material terms and conditions of such purchase, and (y) offering to sell the Facility to Lessee upon the same terms and conditions as those set forth in Lessor's notice; and

(iii) Lessee shall not have notified Lessor, within 15 days following the receipt of Lessor's notice, of its election to purchase the Facility upon the terms and conditions set forth in Lessor's notice.

If Lessee shall have notified Lessor, within such 15-day period, of its election to purchase the Facility, Lessee shall purchase the Facility from Lessor within 30 days after the date of Lessor's notice on the same terms and conditions as are set forth in Lessor's notice, and upon payment by Lessee of the purchase price set forth in Lessor's notice and all amounts then due and owing by Lessee hereunder and under the Participation Agreement, Lessor shall transfer title to the Facility to Lessee on an "as-is, where-is" basis, without any representation or warranty, express or implied, by Lessor (except as to the absence of Lessor's Liens) and without recourse to Lessor. If Lessee shall not have elected to purchase the Facility pursuant to this Section 17(a), Lessor may sell the Facility to the purchaser referred to in clause (i) above at a price and upon other terms and conditions no less favorable to Lessor than those specified in Lessor's notice. Anything in this Section 17(a) or elsewhere in this Lease to the contrary notwithstanding, Lessor shall be free to sell the Facility to any Person pursuant to any offer received by Lessor more than 120 days after the expiration of the Term.

(b) Right of First Refusal to Lease the Facility. Unless this Lease has been terminated pursuant to Section 9(c), 10(a), 11 or 16 hereof or a Default or Event of Default shall have occurred and be continuing, Lessor shall not, within 120 days after the expiration of the Term or pursuant to an offer received by it within such 120-day period, lease the Facility to any Person (other than Lessee or an Affiliate of Lessee) unless:

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(i) Lessor shall have received from a prospective lessee a bona fide offer in writing to lease the Facility;

(ii) Lessor shall have given Lessee notice ("Lessor's notice") (x) setting forth in detail the identity of such lessee, the proposed rental, the proposed lease term and all other material terms and conditions of such lease, and (y) offering to lease the Facility to Lessee upon the same terms and conditions as those set forth in Lessor's notice; and

(iii) Lessee shall not have notified Lessor, within 15 days following the receipt of Lessor's notice, of its election to lease the Facility from Lessor upon the terms and conditions set forth in Lessor's notice.

If Lessee shall have notified Lessor, within such 15-day period, of its election to lease the Facility, Lessee shall lease the Facility from Lessor within 30 days after the date of Lessor's notice on the same terms and conditions as are set forth in Lessor's notice, and upon payment by Lessee of all amounts then due and owing by Lessee hereunder and under the Participation Agreement, Lessor and Lessee shall enter into a lease agreement with respect to the Facility containing the same terms and conditions as those set forth in Lessor's notice. If Lessee shall not have elected to lease the Facility pursuant to this Section 17(b), Lessor may lease the Facility to the lessee referred to in clause (i) above at a rental and upon other terms and conditions no less favorable to Lessor than those specified in Lessor's notice. Anything in this Section 17(b) or elsewhere in this Lease to the contrary notwithstanding, Lessor shall be free to lease the Facility to any Person pursuant to any offer received by Lessor more than 120 days after the end of the expiration of the Term.

(c) Continuation of this Lease. If Lessee shall have notified Lessor pursuant to Section 17(a) or 17(b) hereof of its election to purchase or lease the Facility, such notice shall be irrevocable and all of the terms and provisions of this Lease (other than with respect to the payment of Basic Rent) shall be in full force and effect and be binding on Lessee from the date of such notice to the date of such purchase or lease.

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SECTION 18. TAXES; GENERAL INDEMNITY; OTHER COVENANTS.

(a) Taxes. Lessee shall pay, and shall indemnify and hold each Indemnatee harmless against, all fees, taxes, levies, assessments, imposts, duties, charges and withholdings (and penalties, fines and interest thereon) in accordance with Sections 9 and 10 of the Participation Agreement.

(b) General Indemnity. Lessee shall assume liability for, and shall indemnify, protect, save and keep harmless each Indemnatee and its agents and servants from and against, all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements in accordance with Section 8 of the Participation Agreement.

(c) Other Covenants. Lessee shall perform, for the benefit of Lessor and each Participant, all of the agreements and covenants of Lessee set forth in Sections 12, 19 and 21 of the Participation Agreement as fully and to the same extent as if set forth in full herein.

SECTION 19. EVENTS OF DEFAULT.

The following events shall constitute Events of Default under this Lease:

(i) Default in the payment of any Basic Rent when and as the same shall become due and payable, and the continuance of such default unremedied for a period of 5 days; or

(ii) Default in the payment of the Supplemental Rent which may become payable by Lessee pursuant to Section 19(d) of the Participation Agreement when the same shall become due and payable; or

(iii) Default in the payment of any other Supplemental Rent when and as the same shall become due and payable, and the continuance of such default unremedied for a period of 10 days; or

(iv) Default in the maintenance of any insurance required by Section 12 hereof; or default in the observance or performance of any of the covenants or agreements of Lessee contained in Section 14(a), 14(b), 14(c) or 25 hereof; or

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thereto, if the effect of such default is to cause, or permit the holder or holders of such obligation (or a trustee on behalf of such holder or holders) to cause, such obligation to become due prior to its stated maturity or to realize upon any collateral given as security therefor; or

(ix) The entry of a decree or order for relief by a court having jurisdiction in respect of Lessee, adjudging Lessee a bankrupt or insolvent, or approving as properly filed a petition seeking a reorganization, arrangement, adjustment or composition of or in respect of Lessee in an involuntary proceeding or case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal, state or foreign bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) of Lessee or of any substantial part of its property, or ordering the winding-up or liquidation of the affairs of Lessee, and the continuance of any such decree or order unstayed and in effect for a period of 60 days; or

(x) The institution by Lessee of proceedings to be adjudicated a bankrupt or insolvent, or the consent by Lessee to the institution of bankruptcy or insolvency proceedings against Lessee, or the commencement by Lessee of a voluntary proceeding or case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal, state or foreign bankruptcy, insolvency or other similar law, or the consent by Lessee to the filing of any petition seeking a reorganization, arrangement, adjustment or composition of or in respect of Lessor or to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of Lessee or of any substantial part of its property, or the making by Lessee of an assignment for the benefit of creditors, or the admission by Lessee of its inability to pay its debts generally as they become due or of its willingness to be adjudicated a bankrupt, or the failure of Lessee generally to pay its debts as they become due, or the taking of corporate action by Lessee in furtherance of any of the foregoing; or

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(xi) Final judgment or judgments for more than an aggregate of \$500,000 shall be rendered against Lessee, and within 90 days after entry thereof such judgment or judgments shall not have been discharged or execution thereof stayed pending appeal, or within 90 days after the expiration of any such stay such judgment or judgments shall not have been discharged; or

(xii) Failure of the Interim Notes to be refunded on or prior to the maturity date thereof by Term Notes meeting the requirements of Section 19 of the Participation Agreement for any reason.

SECTION 20. REMEDIES.

Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, Lessor may, at its option, by notice to Lessee, declare this Lease to be in default, and at any time thereafter Lessor may, either directly or through its agent, do one or more of the following as Lessor in its sole discretion shall elect, to the extent permitted by, and subject to compliance with any mandatory requirements of, applicable law then in effect:

(a) demand that Lessee, and Lessee shall at its sole risk, cost and expense upon such demand, return the Facility or any part thereof designated by Lessor promptly to Lessor or its agent in the manner and condition required by, and otherwise in accordance with the provisions of, Section 15(a) and/or 15(d) hereof (as specified by Lessor) as if the same were being returned at the end of the Term; or Lessor or its agent, at Lessor's option, may enter upon the premises where the Facility or any part thereof is located and take immediate possession of and remove the same by summary proceedings or otherwise, all without liability on the part of Lessor or its agent for or by reason of such entry or taking of possession, whether for the restoration of damage to property caused by such taking or otherwise;

(b) sell the Facility or any part thereof at public or private sale, as Lessor may determine, with or without notice to Lessee, advertisement or publication, free and clear of any rights of Lessee and without any duty to account to Lessee with

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respect to such sale or for the proceeds thereof (except to the extent required by Section 20(e) hereof if Lessor elects to exercise its rights thereunder);

(c) hold, keep idle, use, operate or lease to others the Facility or any part thereof, as Lessor may determine, free and clear of any rights of Lessee and without any duty to account to Lessee with respect to any such action or inaction or for any proceeds with respect thereto, except that Lessee's obligation to pay Basic Rent for the Facility or any such part for Rental Periods commencing after Lessee shall have been deprived of the possession thereof pursuant to this Section 20(c) shall be reduced by the net proceeds, if any, received by Lessor from leasing the Facility or such part to any Person other than Lessee for such Rental Periods or any portion thereof;

(d) whether or not Lessor shall have exercised, or shall thereafter at any time exercise, any of its rights under Section 20(a), 20(b) or 20(c) hereof with respect to the Facility or any part thereof, Lessor, in lieu of exercising its rights under Section 20(e) hereof with respect to the Facility or such part (but without limiting its right to proceed under said Section 20(e) with respect to specific parts of the Facility), may by notice to Lessee specifying a Semi-Annual Date which is not earlier than 10 days after the date of such notice, demand that Lessee pay to Lessor and Lessee shall pay to Lessor, on such Semi-Annual Date, as liquidated damages for loss of a bargain and not as a penalty, the sum of any unpaid Rent for the Facility or such part due for Rental Periods ending on such Semi-Annual Date, plus whichever of the following amounts Lessor, in its sole discretion, shall specify in such notice (together with interest on such amount at the Past Due Rate from the Semi-Annual Date specified in such notice to the date of actual payment):

(i) an amount equal to the excess, if any, of the Stipulated Loss Value of the Facility or such part, computed as of the Semi-Annual Date specified in such notice, over the Fair Market Rental Value of the Facility or such part for the remainder of the Term after discounting

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such Fair Market Rental Value semi-annually to present worth as of such Semi-Annual Date at the rate of 12% per annum; or

(ii) an amount equal to the excess, if any, of the Stipulated Loss Value of the Facility or such part, computed as of the Semi-Annual Date specified in such notice, over the Fair Market Sale Value of the Facility or such part determined as of such Semi-Annual Date;

(e) if Lessor shall have sold or otherwise disposed of the Facility or any part thereof pursuant to Section 20(b) hereof, Lessor, in lieu of exercising its rights under Section 20(d) hereof with respect thereto, may, if it shall so elect, demand that Lessee pay to Lessor and Lessee shall pay to Lessor, as liquidated damages for loss of a bargain and not as a penalty, any unpaid Rent for the Facility or such part due for periods up to and including the Rental Period in which such sale occurs plus an amount equal to the Stipulated Loss Value of the Facility or such part, computed as of the Semi-Annual Date next preceding the date of such sale or disposition, together with interest at the Past Due Rate on such amount from the Semi-Annual Date as of which such Stipulated Loss Value is computed to the date of actual payment, provided that the amount so payable shall be reduced by the net proceeds, if any, theretofore received by Lessor with respect to the Facility or such part from the sale or other disposition of, or the leasing by Lessor to a Person other than Lessee of, the Facility or such part pursuant to Section 20(b) or 20(c) hereof; or

(f) exercise any other right or remedy that may be available to Lessor under applicable law or proceed by appropriate court action to enforce the terms hereof or to recover damages (including net after-tax losses of Federal, state and local income tax benefits to which Lessor or the Owner Participant would otherwise be entitled under this Lease) for the breach hereof or to rescind this Lease as to the Facility or any part thereof.

In addition (but without duplication), Lessee shall be liable, except as otherwise provided above, for any and

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all unpaid Rent due hereunder before or during the exercise of any of the foregoing remedies and for all legal fees and other costs and expenses incurred or suffered by reason of the occurrence of any Default or Event of Default or the exercise of any of Lessor's rights and remedies with respect thereto, including all costs and expenses incurred in connection with the return of the Facility or any part thereof or any disconnection, disassembly, preparation for shipment, storage and delivery of the Facility or any part thereof or in placing the Facility or any part thereof in the condition required by Section 15(a) or 15(d) hereof, as the case may be. Lessee shall also be liable, in the event of any sale or other disposition of the Facility or any part thereof pursuant to Section 20(b) or 20(e) hereof (or under the Indenture if such sale results from an Event of Default hereunder), for an amount which, after taking account of all taxes, fees or other charges imposed with respect to the receipt thereof, equals the amount of any additional income taxes incurred, or income tax benefits lost, by reason of such sale or other disposition resulting in a loss to the Owner Participant which is not deductible in full as an ordinary loss for Federal income tax purposes.

At any sale or other disposition of the Facility or any part thereof pursuant to this Section 20, Lessor or any Participant may bid for and purchase the same.

No right or remedy referred to in this Section 20 is intended to be exclusive, but each shall be cumulative and in addition to any other right or remedy referred to above or otherwise available to Lessor under any of the Basic Agreements or at law or in equity; and the exercise or beginning of exercise by Lessor of any one or more of such rights or remedies shall not preclude the simultaneous or later exercise by Lessor of any or all such other rights and remedies. To the extent permitted by applicable law, Lessee hereby waives any rights now or hereafter conferred by statute or otherwise which may require Lessor to sell, lease or otherwise use the Facility or any part thereof in mitigation of Lessor's damages or which may otherwise limit or modify any of Lessor's rights and remedies in this Section 20 or under any of the Basic Agreements. No express or implied waiver by Lessor of any Default or Event of Default shall in any way be, or be construed to be, a waiver of any other Default or Event of Default.

If it should become necessary for the purpose of any of the foregoing provisions of this Section 20 to allocate to any part of the Facility a portion of the Basic Rent or a portion of the Stipulated Loss Value of the Facility,

such allocation shall be in the same proportion as the original cost of such part bears to the Lessor's Cost.

SECTION 21. ENFORCEMENT.

Without limiting the effect of any provision of this Lease or any provision of any of the other Basic Agreements, including without limitation Section 8 of the Participation Agreement, Lessee will pay all costs and expenses, including reasonable attorneys' fees and expenses, incurred by Lessor, the Indenture Trustee, the Trust Estate, the Trust Indenture Estate or any Participant in enforcing their respective rights or remedies under this Lease or under any of the other Basic Agreements. In the event that Lessor, the Indenture Trustee or any Participant shall bring any suit against Lessee to enforce any rights hereunder or thereunder and shall be entitled to judgment, then in such suit it may recover expenses, including attorneys' fees, and the amount thereof shall be included in such judgment.

SECTION 22. LESSOR'S RIGHT TO PERFORM FOR LESSEE.

If Lessee fails to make any payment of Rent required to be paid by it hereunder or fails to perform or comply with any of its other agreements contained herein, Lessor may itself make such payment or perform or comply with such agreement, and the amount of such payment and the amount of the reasonable expenses of Lessor incurred in connection with such payment or in connection with performance of or compliance with such agreement, as the case may be, together with interest thereon at the Past Due Rate, shall be deemed Supplemental Rent, payable by Lessee upon demand.

SECTION 23. FURTHER ASSURANCES.

Lessee will promptly and duly execute and deliver to Lessor such documents and assurances and take such further action as Lessor may from time to time reasonably request in order to carry out more effectively the intent and purpose of this Lease and to establish, protect and preserve the rights, interests and remedies created, or intended to be created, in favor of Lessor hereunder and under any other Basic Agreement, including, without limitation, if requested by Lessor, at the expense of Lessee, the recording or filing of counterparts hereof and of such other documents (including, without limitation, financing statements) with respect hereto, in accordance with the laws of such

jurisdictions, as Lessor may from time to time reasonably request.

SECTION 24. NOTICES.

All notices, requests, demands and other communications required or contemplated by the provisions hereof shall be in writing or by telex or telegraph, and shall be deemed to have been given or made when deposited in the United States mails, first class postage prepaid, or when received if sent by telex or telegraph or delivered by hand, addressed as provided in Section 18 of the Participation Agreement.

SECTION 25. BINDING EFFECT; SUCCESSORS AND ASSIGNS.

The terms and provisions of this Lease and the respective rights and obligations of Lessor, Lessee, the Participants and the Indenture Trustee hereunder shall be binding upon, and inure to the benefit of, their respective successors and assigns, provided that Lessee shall not assign any of its rights or obligations hereunder without the prior written consent of Lessor. Any attempted assignment by Lessee in violation of these provisions shall be void.

SECTION 26. CONCERNING LESSOR.

(a) Lessor Not Personally Liable. The Bank of California, National Association is entering into this Lease solely as trustee for the Owner Participant under the Trust Agreement and not in its individual capacity, and in no case whatsoever shall The Bank of California, National Association (or any entity acting as successor trustee, co-trustee or separate trustee under the Trust Agreement) or the Owner Participant be personally liable on, or for any loss in respect of, any of the statements, representations, warranties, agreements or obligations of Lessor hereunder, as to all of which Lessee agrees to look solely to the Trust Estate, except, only in the case of The Bank of California, National Association (or any entity acting as successor trustee, co-trustee or separate trustee under the Trust Agreement), for any loss caused by its own willful misconduct or gross negligence.

(b) Successors and Co-Trustees. If a successor trustee is appointed in accordance with the terms of the

10 0853

Trust Agreement, such successor trustee shall, without further act, succeed to all the rights, duties, immunities and obligations of Lessor hereunder and the predecessor trustee shall be released from all further duties and obligations hereunder, all without the necessity of any consent or approval by Lessee and without in any way altering the terms of this Lease or Lessee's obligations hereunder. The trustee under the Trust Agreement or any successor trustee thereunder may from time to time appoint one or more co-trustees or separate trustees pursuant to the terms of the Trust Agreement to exercise or hold any or all of the rights, power and title of Lessor hereunder, without the necessity of any consent or approval by Lessee and without in any way altering the terms of this Lease or Lessee's obligations hereunder. One such appointment and designation of a successor trustee, co-trustee or separate trustee shall not exhaust the right to appoint further successor trustees, co-trustees or separate trustees pursuant to the Trust Agreement, and such right may be exercised repeatedly so long as this Lease shall be in effect. Lessee shall, at its expense, upon receipt of written notice of the appointment of a successor trustee, co-trustee or separate trustee under the Trust Agreement, promptly make such modifications and changes to reflect such appointment as shall be reasonably requested by such successor trustee, co-trustee or separate trustee in such insurance policies, schedules, certificates and other instruments relating to the Facility or this Lease as shall be specified by such successor trustee, co-trustee or separate trustee, all in form and substance satisfactory to such successor trustee, co-trustee or separate trustee and its counsel.

SECTION 27. TRUST INDENTURE ESTATE AS SECURITY FOR LESSOR'S OBLIGATIONS TO NOTE HOLDERS.

In order to secure the indebtedness evidenced by the Notes and the payment of all other amounts payable to the Note Holders under the Participation Agreement and the Indenture, the Indenture provides, among other things, for the assignment by Lessor to the Indenture Trustee of its right, title and interest in, to and under this Lease, to the extent set forth in the Indenture, and for the creation of a first lien on and prior perfected security interest in the Facility in favor of the Indenture Trustee. Lessee hereby consents to such assignment and to the creation of such lien and security interest. Until Lessee receives notice from the Indenture Trustee stating that the Indenture has been terminated, Lessee will make all payments payable hereunder, to the extent assigned to the Indenture Trustee,

directly to the Indenture Trustee at its office at 1414 Fourth Avenue, Seattle, Washington 98111 or at such other office in the State of New York or the State of Washington as the Indenture Trustee may specify from time to time by notice to Lessee, and the right of the Indenture Trustee to receive all such payments shall not be subject to any defense, counterclaim, set-off or other right or claim of any kind which Lessee may be able to assert against Lessor or the Owner Participant in any action brought by either thereof on this Lease.

SECTION 28. THE INDENTURE TRUSTEE.

The provisions of this Lease which require or permit action by, the consent or approval of, the furnishing of any instrument or information to, or the performance of any other obligation to, the Indenture Trustee shall not be effective, and the Sections hereof containing such provisions shall be read as though there were no such requirements or permissions, after the Indenture shall have been terminated.

SECTION 29. NO MERGER.

There shall be no merger of this Lease nor of the leasehold estate created hereby with any other estate in the Facility or any part thereof by reason of the fact that the same Person may acquire or own such estates, directly or indirectly; and no such merger shall occur until all Persons having any interest in this Lease and the leasehold estate created hereby or any part thereof shall join in a written instrument effecting such merger and shall duly record it.

SECTION 30. EXECUTION IN COUNTERPARTS.

This Lease may be executed in any number of counterparts. However, to the extent, if any, that this Lease constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in this Lease may be created through the transfer or possession of any counterpart other than the counterpart identified by marking as the "Original" and containing a receipt therefor signed by the Indenture Trustee on or immediately following the signature page hereof. All other counterparts of this Lease shall be marked as "Duplicates", provided that any of such Duplicates shall be valid evidence of this Lease.

SECTION 31. MISCELLANEOUS.

(a) Severability. Any provision of this Lease that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, Lessee hereby waives any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

(b) Modifications. Except as provided in Section 3(b) hereof, no term or provision of this Lease may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought.

(c) No Conveyance of Title. This Lease shall constitute an agreement of lease only and nothing herein shall be construed as conveying to Lessee any right, title or interest in the Facility or any part thereof except as lessee only.

(d) Captions. The captions in this Lease and the table of contents are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

(e) Governing Law. This Lease shall be governed by, and construed in accordance with, the laws of the State of Washington.

11-0883

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease to be duly executed and delivered and their corporate seals to be hereunto affixed by their respective officers hereunto duly authorized as of the day and year first above written.

THE BANK OF CALIFORNIA, NATIONAL ASSOCIATION, not in its individual capacity but solely as trustee under the Trust Agreement referred to herein

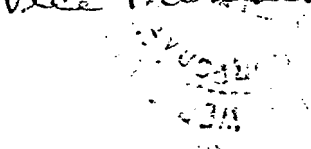
[SEAL]

By [Signature]
Title: Vice President & Sr. Trust Officer
By [Signature]
Title: Sr. Trust Real Estate Officer

PUGET SOUND POWER & LIGHT COMPANY

[SEAL]

By [Signature]
Title: Sr. Vice President



State of Wash)
County of King) : ss.:

On this 1st day of June, 1981, before me personally appeared Ronald G. Alberts and Herbert W. Miller, Jr.; to me known to be the VP & S. Trust Officer and S. Real Est Trust Officer of The Bank of California, National Association, the corporation that executed the within and foregoing instrument in its capacity as trustee, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute such instrument and that the seal affixed is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

Molly A. Jorssen
Notary Public in and
for the State of
Wash., residing
at Seattle

State of Washington)
County of King) : ss.:

On this 1st day of June, 1981, before me personally appeared J H King, to me known to be the Sr. Vice President of Puget Sound Power & Light Company, the corporation that executed the within and foregoing instrument, and acknowledged the 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 ws authorized to execute such instrument and that the seal affixed is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

Kevin J. Stearn
Notary Public in and
for the State of Washington
residing
at Seattle

ANNEX A

10-0000

Description of Facility

A new 150 megawatt baseload-rated (179 megawatt peak-cold-weather-rated) combustion turbine generating facility to be located at the Lessee's Whitehorn Generating Station approximately 100 miles north of Seattle, Washington, consisting of two G.E. Model Series 7001E heavy-duty combustion turbine generating units and ancillary equipment necessary for their commercial operation, as follows:

Power Plant Package

The power plant package is a self-contained gas turbine generating station. The unit consists of six major compartments: Control, accessory, gas turbine, generator excitation and switchgear. The compartments are housed in all-weather enclosures. The dimensions are: length - 95 feet, height - 28 feet to top of inlet and 32 feet to top of exhaust, width - 38 feet at inlet and 61 feet at exhaust.

Fuel Tank

100,000 barrel welded steel storage tank. Size is 130-foot diameter, 49 feet at the top of the fixed cone roof.

Water Tank

500,000 gallon welded steel storage tank. Size is approximately 48 feet in diameter, 40 feet in height.

Water Treatment Plan

Process equipment consisting of three pressure filters, five demineralizer vessels, acid and caustic handling pumps, controls and instrumentation and all piping to complete all intended processes. System is rated to provide 150 GPM of demineralized makeup water. Equipment is mounted on six skids.

10000000

Miscellaneous Tanks

Three tanks for storing acid, caustic and waste water are provided. Approximate sizes are 6 feet diameter, 6 feet long; 6 feet diameter, 12 feet long; and 12 feet diameter and 12 feet high.

Air Compressors

Two package unit air compressors provide service and instrument air for the water treatment system. Each is rated at approximately 80 SCFM and 100 psig discharge.

Miscellaneous Pumps

Three pumps are provided for pumping waste water between sumps, tanks, ponds and the discharge pipeline.

Natural Gas System

Regulators and valving, located on the gas turbines' side of the outlet flange and used to control flow of gas to the gas turbines.

Fire System

Yard loop system with hydrants to provide fire protection on site.

11 0083

ANNEX B

Description of Site

Situated in the County of Whatcom, State of Washington. The South half of the Southeast quarter of the Northeast quarter of Section 12, Township 39 North, Range 1 West, W.M., except roads

AND EXCEPT

That portion of the South half of the Southeast quarter of the Northeast quarter of Section 12, Township 39 North, Range 1 West, W.M., being more particularly described as follows:

Commencing at the Southeast corner of said Southeast quarter of the Northeast quarter of Section 12; thence North $1^{\circ} 11' 41''$ East along the East line of said Southeast quarter of the Northeast quarter of Section 12 of a distance of 332.90 feet; thence North $87^{\circ} 56' 01''$ West a distance of 20.00 feet to a concrete monument on the West margin of the Jackson Road, said monument being the TRUE POINT OF BEGINNING; thence North $87^{\circ} 56' 01''$ West a distance of 545.53 feet; thence South $2^{\circ} 02' 26''$ West a distance of 47.99 feet; thence North $87^{\circ} 50' 50''$ West a distance of 287.18 feet; thence North $40^{\circ} 18' 29''$ West a distance of 40.94 feet; thence North $0^{\circ} 13' 33''$ West a distance of 17.51 feet; thence North $87^{\circ} 56' 01''$ West a distance of 58.60 feet; thence North $1^{\circ} 35' 13''$ East a distance of 70.55 feet; thence North $87^{\circ} 54' 36''$ West a distance of 381.56 feet to a concrete monument on the West line of said Southeast quarter of the Northeast quarter of Section 12; thence South $1^{\circ} 21' 52''$ West along said West line a distance of 382.87 feet to a concrete monument on the North margin of the County Road known as the Brown Road; thence South $87^{\circ} 54' 06''$ East parallel to the South line of said Southeast quarter of the Northeast quarter along said North margin a distance of 1301.80 feet to a concrete monument on the West margin of said Jackson Road; thence North $1^{\circ} 11' 41''$ East parallel to the East line of said Southeast quarter of the Northeast quar-

ter of Section 12 along said West margin
a distance of 312.89 feet to the TRUE
POINT OF BEGINNING,

AND

The East half of the Southwest quarter of the
Northeast quarter of Section 12, Township 39 North
Range 1 West, W.M., except roads.

ANNEX C

Form of Acceptance Certificate

This ACCEPTANCE CERTIFICATE, dated June 2, 1981, between THE BANK OF CALIFORNIA, NATIONAL ASSOCIATION, not in its individual capacity but solely as trustee under the Trust Agreement dated as of November 30, 1980 between the Owner Participant named therein and said trustee (herein in such capacity called "Lessor"), and PUGET SOUND POWER & LIGHT COMPANY, a Washington corporation (herein called "Lessee");

W I T N E S S E T H :

WHEREAS, Lessor and Lessee have heretofore entered into that certain Lease Agreement dated as of May 1, 1981 (herein called the "Lease" and the terms defined therein being hereinafter used with the same meaning), which Lease provides for the execution and delivery of this Acceptance Certificate for the purpose of setting forth the Commencement Date, confirming the acceptance of the Facility by Lessee under the Lease on the Commencement Date and specifying the amount of the Facility Cost;

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, Lessor and Lessee hereby agree as follows:

1. Lessor hereby delivers and leases the Facility to Lessee under the Lease, and Lessee hereby accepts and leases the Facility from Lessor under the Lease.

2. The Commencement Date for the lease of the Facility under the Lease is the date of this Acceptance Certificate set forth in the opening paragraph hereof.

3. The Facility Cost of the Facility is \$ 27,111,116.28

4. Lessee hereby confirms to Lessor that the Facility has been duly marked in accordance with the provisions of Section 4 of the Lease and that Lessee has accepted the Facility for all purposes of the Lease.

11-0873

IN WITNESS WHEREOF, Lessor and Lessee have caused this Acceptance Certificate to be duly executed as of the day and year first above written.

THE BANK OF CALIFORNIA, NATIONAL ASSOCIATION,
not in its individual capacity
but solely as trustee under the
Trust Agreement referred to
above

By _____
Title:

PUGET SOUND POWER & LIGHT
COMPANY

By _____
Title:

SCHEDULE I

Basic Rent Schedule

<u>Rent Payment Date</u>	<u>Percentage of Lessor's Cost</u>
1 through 22	5.96678772%
23	6.62976412%
24 through 45	7.29274055%

11-0053

SCHEDULE II

Stipulated Loss Value Schedule

<u>Semi-Annual Dates</u>	<u>Percentage of Lessor's Cost</u>
Commencement Date	105.1632
February 2, 1982	114.4262
Rent Payment Dates: 1	109.4421
2	116.4144
3	122.4541
4	127.3229
5	124.1993
6	127.9579
7	131.4538
8	134.5351
9	130.0406
10	132.4085
11	134.4590
12	136.0689
13	130.0396
14	130.8364
15	131.2410
16	131.1579
17	130.6349
18	129.7560
19	128.8022
20	127.7747
21	126.6674
22	125.4736
23	123.5233
24	120.7546
25	117.7634
26	114.5316
27	111.0391
28	107.3510
29	103.5149
30	99.5184
31	95.3792
32	91.0854
33	86.6468
34	82.0515
35	77.3017
36	72.3845
37	67.3021
38	62.0411
39	56.6035
40	50.9749
41	45.1577
42	39.1364
43	32.9135
44	26.4725
45 and thereafter	20.0000

11-03-83

SCHEDULE III

Termination Value Schedule

<u>Rent Payment Dates</u>	<u>Percentage of Lessor's Cost</u>
19	124.0706
20	123.0431
21	121.9357
22	120.7420
23	118.7916
24	116.0229
25	113.0318
26	109.7999
27	106.3074
28	102.6194
29	98.7832
30	94.7867
31	90.6475
32	86.3537
33	81.9152
34	77.3199
35	72.5700
36	67.6528
37	62.5705
38	57.3094
39	51.8718
40	46.2433
41	40.4261
42	34.4047
43	28.1819
44	21.7408
45 and thereafter	15.0000

12-0783

SCHEDULE IV

Public Liability and Property Damage Insurance

\$40,000,000 per occurrence

11-0873

SCHEDULE IV

Public Liability and Property Damage Insurance

\$40,000,000 per occurrence

ALB 11
 Graham Fernald
 JUN 14 4 14 PM '91
 RECEIVED
 J. A. GREEN, AUDITOR
 WHATCOMB COUNTY, WASH.
 DEPUTY

Graham Fernald
 1900 Wash St
 Seattle, WA

507-519