

**EXHIBIT NO. ___(RG-20C)
DOCKET NO. UE-09___/UG-09___
2009 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-09___
Docket No. UG-09___**

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

**REDACTED
VERSION**

MAY 8, 2009

March 10, 2009

Qualco Energy
18117 203rd Street
Monroe, WA 98272
Attn: President

Re: Execution of Power Purchase Agreement

Dear Mr. Reiner:

Please find enclosed two originals of the power purchase agreement between our two companies, each executed for PSE by Paul Wiegand, Vice President Power Generation. Please return one of these originals, executed by Qualco, to the attention of Art Francis.

We note that Exhibits A and B are not attached to the execution originals at this time. We understand that Qualco will produce such exhibits for attachment to the parties' respective agreements on or before March 31, 2009, provided, that such exhibits must be in form and substance satisfactory to PSE, as well as to Qualco. Please indicate your agreement with the foregoing by signing in the space provided below and returning an executed copy of this letter to the attention of Art Francis.

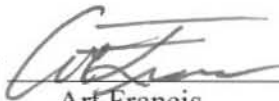
Please also note that the power purchase agreement is dated March 9, 2009. Section 6.2 of the Renewable Energy Credit Agreement, No. 2009-02, already executed by Qualco and PSE,

Qualco Energy
March 10, 2009
Page 2

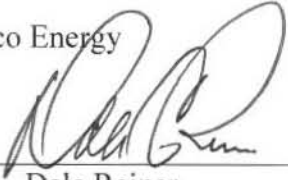
should be filled in with this date.

Very truly yours,

Puget Sound Energy, Inc.

By  3/10/09
Art Francis
Consulting Energy Contract Administrator

AGREED TO BY:

Qualco Energy
By 
Dale Reiner
President

Power Purchase Agreement

between

Puget Sound Energy, Inc.

and

Qualco Energy

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POWER PURCHASE AGREEMENT

This Power Purchase Agreement (this "Agreement"), dated as of March 9, 2009, is made by and between Puget Sound Energy, Inc., a Washington corporation ("PSE"), Qualco Energy, a Washington not-for-profit public benefit corporation ("Qualco"). Each of PSE and Qualco is sometimes referred to herein in the singular as a "Party" and in the plural as the "Parties."

RECITALS

A. PSE is an investor-owned electric utility company and is interested in acquiring a firm supply of electric power at a reasonable cost.

B. Qualco owns and operates an approximately 450 kilowatt methane-fired generating facility located at or near Monroe, Snohomish County, Washington. Qualco intends to continue to own and operate such project and desires to sell to PSE the net electrical output generated from such project pursuant to the terms and conditions of this Agreement.

C. The nameplate rating of such project's generator is 450 kilowatts. Qualco has elected not to participate in PSE's competitive bidding solicitation.

D. PSE considers the purchase of the output of such project to be the purchase of firm power, and, for purposes of the Pacific Northwest Coordination Agreement, PSE considers that the project meets the definition of a "Firm Resource."

AGREEMENT

The Parties therefore agree as follows:

Section 1. Definitions

Whenever used in this Agreement, the following capitalized terms shall have the following respective meanings, unless the particular context clearly requires a different meaning:

1.1 "Agreement," "PSE," "Qualco," "Party" and "Parties" have the respective meanings set forth above.

1.2 "Applicable Program" means any state, federal, international or foreign renewable portfolio standard, renewable energy certification program or organization, emissions reduction program or organization, or other similar program or organization with respect to which exists a market, registry or reporting for

particular Environmental Attributes. An Applicable Program includes, without limitation, any legislation or regulation concerned with renewable energy, oxides of nitrogen, sulfur, or carbon, with particulate matter, soot, or mercury, or with implementing the United Nations Framework Convention on Climate Change (the "UNFCCC") or the Kyoto Protocol to the UNFCCC or crediting "early action" with a view thereto, or laws or regulations involving or administered by any governmental authority, or under any present or future state, federal, international or foreign renewable energy credits, Environmental Attributes or emissions trading program. Applicable Program does not include legislation providing for production or investment tax credits or other direct third party subsidies for generation by the applicable generating facility.

1.3 "Commencement Date" means 0000 hours on December 11, 2008.

1.4 "Construction Activities" means all design, engineering, procurement, construction and other activities related to the inspection, testing, repair, replacement, improvement, alteration, modification, licensing or permitting of, or addition to, the Project and to the acquisition or preservation of rights in the Project property, together with all activities to be performed by Qualco for the continuation of interconnection of the Project with PSE's electric system.

1.5 "Date of Commercial Operation" means the date acknowledged by the Parties in writing as the date, after performance testing of the generator has been completed, upon which the Project generator is capable of delivering energy on a continuous basis in accordance with paragraph 2.5, which acknowledgement shall not be unreasonably withheld or delayed by either Party.

1.6 "Environmental Attribute" means any and all certificates (including, without limitation, RECs), credits, benefits, emissions reductions, environmental air quality credits and emissions reduction credits, offsets, and allowances, howsoever entitled, resulting from the avoidance of the emission of any gas, chemical, or other substance attributable to the generation of the specified energy by the specified resource and the delivery of the specified energy to the electricity grid, and include without limitation any of the same arising out of legislation or regulation concerned with oxides of nitrogen, sulfur, or carbon, with particulate matter, soot, or mercury, or implementing the United Nations Framework Convention on Climate Change ("UNFCCC") or the Kyoto Protocol to the UNFCCC or crediting "early action" with a view thereto, or laws or regulations involving or administered by the Clean Air Markets Division of the Environmental Protection Agency or successor administrator (collectively with any state or federal entity given jurisdiction over a program involving transferability of Environmental Attributes, the "CAMD"), but specifically excluding only the applicable federal and state production and investment tax credits, if any.

1.7 "Excusable Delay" has the meaning set forth in paragraph 5.1.

1.8 "FERC" means the Federal Energy Regulatory Commission or any successor regulatory authority.

1.9 "Indemnitees" means PSE, its successors and assigns, and the respective directors, officers, shareholders, employees, agents and representatives of PSE and its successors and assigns.

1.10 "Member" means any party to the WECC Agreement.

1.11 "Monthly Energy" means electrical output, rounded down to the nearest whole megawatt-hour, actually delivered from the Project to the Point of Delivery during any month during the Operating Period.

1.12 "Nonpower Attributes," whether or not such term is used with initial capitalization, has the definition set forth in RCW 19.285.030.

1.13 "Operating Period" means the period commencing at 0000 hours on the Date of Commercial Operation, and, unless sooner terminated pursuant to paragraph 7.1, ending at 0000 hours on the fifth anniversary of the Date of Commercial Operation.

1.14 "Point of Delivery" means the low side of the step-up transformer on the first pole immediately 65 feet west of the Qualco Project's generator building, the point at which the facilities of Qualco and the electric distribution facilities of Snohomish are connected, as shown on the diagram attached hereto as Exhibit A.

1.15 "Project" means an approximately 450 kilowatt methane-fired generating facility located at or near Monroe, Snohomish County, Washington, together with all equipment, facilities, structures, improvements, alterations, modifications, additions, betterments, property and property rights (e.g., for access to the Project) thereof or related thereto. An electrical diagram of the Project is set forth in the attached Exhibit B.

1.16 "Prudent Electrical Practice" means:

(a) those practices, methods and acts which when engaged in are commonly used in prudent electrical engineering and operations to operate electric equipment lawfully and with safety, reliability, efficiency and expedition; or

(b) if there are no practices, methods or acts referred to in paragraph 1.16(a), then those practices, methods and acts which in the exercise of

reasonable judgment considering the facts known when engaged in, could have been expected to achieve the desired result consistent with applicable law, safety, reliability, efficiency and expedition.

Prudent Electrical Practice is not limited to the optimum practice, method or act, but rather is a spectrum of possible practices, methods or acts.

1.17 "Reliability Management System" or "RMS" means the contractual reliability management program implemented through the WECC Reliability Criteria Agreement, Section 2 of the Reliability Management System Agreement and any similar contractual arrangement to which the Western Electricity Coordinating Council is a party.

1.18 "Reliability Management System Agreement" means the Reliability Management System Agreement dated April 26, 2004, between the WECC and PSE.

1.19 "Renewable Energy Credit" or "REC" means a tradable certificate of proof of one megawatt-hour of an eligible renewable resource as defined in RCW 19.285.030, which certificate (a) includes all of the nonpower attributes associated with such megawatt-hour of electricity and (b) is verified by the Applicable Program.

1.20 "Reporting Rights" means the right to report to any agency, authority or other party, including without limitation under Section 1605(b) of the Energy Policy Act of 1992, or under any present or future state, federal, international or foreign emissions trading program, exclusive ownership of the Environmental Attributes associated with the Project.

1.21 "Snohomish" means Public Utility District No. 1 of Snohomish County, Washington, or its successor entity.

1.22 "Transfer" means any sale, assignment, encumbrance, disposition or other transfer, at any time, whether voluntary, involuntary, by operation of law or otherwise, of all or any portion of Qualco's rights, title or interests in or to the Project or the output of the Project or in, to or under this Agreement.

1.23 "WECC" means the Western Electricity Coordinating Council or any successor entity.

1.24 "Western Interconnection" means the area comprising those states and provinces, or portions thereof, in western Canada, northern Mexico and the western United States in which members of the WECC operate synchronously connected transmission systems.

1.25 "WECC Agreement" means the Western Systems Coordinating Council Agreement dated March 20, 1967, as such may be amended from time to time.

1.26 "WECC Reliability Criteria Agreement" means the Western Systems Coordinating Council Reliability Criteria Agreement dated November 1, 2000, among the WECC and certain of its member transmission operators, as such may be amended from time to time.

1.27 "WECC Staff" means those employees of the WECC, including personnel hired by the WECC on a contract basis, designated as responsible for the administration of the RMS.

1.28 "WUTC" means the Washington Utilities and Transportation Commission or any successor regulatory agency.

Section 2. Purchase and Sale of Energy, Environmental Attributes and Reporting Rights

2.1 General

Subject to the provisions of this Agreement, PSE purchases and shall take from Qualco, and Qualco sells and shall deliver to PSE, the entire net electrical output of the Project (i.e., the total output of the Project reduced by any amounts of electric power and energy used in connection with the operation of the Project and losses from the Project generator to the Point of Delivery) during the Operating Period.

2.2 Date of Commercial Operation

Qualco shall notify PSE in writing of the date that, in the judgment of Qualco, is the date upon which the Project generator is capable of delivering energy on a continuous basis in accordance with paragraph 2.5.

2.3 Purchase Price for Energy

For Monthly Energy, PSE shall pay to Qualco an amount equal to the rate for energy set forth in Exhibit C attached hereto, less (a) any amounts payable by PSE to Snohomish in connection with the aggregation and delivery service provided by Snohomish to PSE in connection with such Monthly Energy and (b) an amount reasonably determined by PSE to account for line losses, calculated using a loss factor of two percent (2%), incurred in the wheeling of such Monthly Energy by Snohomish.

2.4 Payment for Energy

Qualco shall provide to PSE, on or before the tenth (10th) day of the second calendar month following the month in which Monthly Energy is delivered, a statement of the amount of Monthly Energy delivered; provided, that, for Monthly Energy delivered by Qualco during the months of December 2008, January 2009 and February 2009, Qualco may provide to PSE, on or before March 10, 2009, a statement of the amount of Monthly Energy delivered during such months. Any amount payable in accordance with paragraph 2.3 for Monthly Energy shall be paid by PSE on or before the later of (a) the twentieth (20th) day following PSE's receipt of the applicable statement therefor and (b) last day of the second calendar month following the month in which Monthly Energy was delivered; provided, that PSE shall pay for Monthly Energy delivered during December 2008, January 2009 and February 2009 on or before March 31, 2009, such payment amount to be subject to later deduction or setoff for amounts payable by PSE to Snohomish in connection with the aggregation and delivery service provided by Snohomish to PSE in connection with such Monthly Energy. Qualco shall include with each statement sufficient detail indicating the manner in which the stated amount was calculated.

2.5 Delivery of Energy

Qualco shall deliver the output of the Project to PSE on a continuous and reliable basis at the Point of Delivery. Qualco shall have responsibility for such delivery of energy from the Project directly to the Point of Delivery.

2.6 Purchase of Environmental Attributes and Reporting Rights

Qualco shall offer to PSE the right to purchase all Environmental Attributes and Reporting Rights associated with the energy generated by the Project. PSE shall have an option (the "Environmental Attribute Option") during the Operating Period and for a period of one (1) year after the end of the Operating Period to purchase, at the vintage year prices offered by Qualco and pursuant to terms and conditions set forth in the attached Exhibit D, all of the Environmental Attributes and Reporting Rights associated with the energy generated by the Project during the Operating Period; provided, that Qualco shall not offer to PSE any price for Environmental Attributes that exceeds the then-current market price for such Environmental Attributes. Any purchase by PSE of any nonpower attributes pursuant to the terms set forth in the attached Exhibit D shall be deemed to constitute a contemporaneous purchase by PSE, at no additional charge, of all Reporting Rights for such nonpower attributes. The Environmental Attributes Option shall be exercisable at any time by PSE. PSE shall have the right to exercise the Environmental Attributes Option by giving Qualco written notice of such exercise.

Section 3. Operation of the Project

3.1 Permits and Other Rights

Qualco shall obtain, maintain and comply with all permits, licenses, authorizations and other rights required to perform the Construction Activities, to own, operate, use and maintain the Project and to sell and deliver the net electrical output of the Project. Qualco shall furnish to PSE on request copies of all documents granting, evidencing or otherwise related to such permits, licenses, authorizations and rights.

3.2 Performance

Qualco shall perform the Construction Activities and shall own, operate, use and maintain the Project:

- (a) at its own risk and expense;
- (b) in a safe, prudent, dependable, efficient, orderly, skillful and workmanlike manner;
- (c) in compliance with the permits, licenses, authorizations and rights described in paragraph 3.1;
- (d) in compliance with all applicable laws, ordinances, rules, regulations, orders and other requirements, now or hereafter in effect, of any governmental authority; and
- (e) in accordance with Prudent Electrical Practice.

3.3 Responsibility

Qualco shall have full responsibility for the Construction Activities and for the ownership, operation, use and maintenance of the Project and for delivery of energy from the Project to the Point of Delivery (whether by Qualco, any of Qualco's assignees, contractors or suppliers of any tier, or any other person or entity), notwithstanding any:

- (a) review, approval, consent, advice, recommendation, authorization, notice, inspection, test or other act by PSE;
- (b) failure or delay by PSE to review, approve, consent, advise, recommend, authorize, notify, inspect, test, disconnect (as contemplated under paragraph 3.6) or perform any act; or

- (c) knowledge or information of PSE.

No review, approval, consent, advice, recommendation, authorization, notice, inspection, test or other act by PSE regarding the Construction Activities or the ownership, operation, use or maintenance of the Project or the delivery of energy from the Project to PSE's electric system shall constitute or be interpreted or construed as, or be relied upon or held out by Qualco or any other person or entity as, any warranty, representation or endorsement by PSE.

3.4 Coordination of Project Operation

Qualco shall operate the Project on a reliable and sustained basis until the end of the Operating Period, subject to forced outages and outages for scheduled maintenance, repairs, replacements, improvements, alterations and modifications of, and additions to, the Project. Qualco shall give PSE reasonable advance notice of any scheduled outage of a duration of thirty-six (36) hours or more. Without limiting the generality of the foregoing, Qualco shall confine all scheduled outages to the months of May through July or as otherwise requested by PSE. On or before October 1 of each calendar year, Qualco shall give PSE written notice of all outages scheduled for the eighteen (18)-month period beginning with January 1 of the immediately succeeding calendar year. Qualco shall give PSE notice of all other outages as soon as practicable.

3.5 Metering

PSE shall have the right to read (by dialup modem or otherwise), and to require Qualco to test on an annual basis, all meters installed by or for Qualco to measure energy delivered under this Agreement. If, upon test, any Qualco meters are found to be inaccurate by more than two percent (2%) or if such meters are for any reason out of service or fail to register, then the Parties shall use their best efforts to estimate the correct amounts of energy delivered during the periods affected by such inaccuracy, service outage or failure to register by the best available means. In the event that, as a result of such estimate: (a) the amount of electrical energy credited to PSE is decreased, Qualco shall reimburse PSE for any overpayment made by PSE, such reimbursement to be in the form of (i) a deduction from the next succeeding payment or payments by PSE for electrical energy due Qualco pursuant to paragraph 2.3 or (ii) cash, if no such succeeding payments in an amount exceeding the amount of such overpayment are or shall be due; or (b) the amount of electrical energy credited to PSE is increased, PSE shall pay Qualco for such increased credit for electrical energy, if any, at the purchase price set forth in paragraph 2.3. Notwithstanding the foregoing, if, upon test, Qualco's meters for determining amounts of energy delivered under this Agreement are found to be inaccurate by not more than two percent (2%), then any previous recordings of such meters shall be deemed accurate. Qualco shall

promptly cause meters found to be inaccurate to be adjusted to correct such inaccuracy to the extent practicable.

3.6 Interruption by PSE

PSE shall have the right at any time during the Operating Period, without incurring any liability therefor to Qualco, to interrupt, suspend or curtail delivery, receipt or acceptance of delivery of energy from the Project (and, in the case of such interruption or suspension, delivery of energy to the Project under PSE's Electric Tariff G), if PSE determines (through manual operation, automatic operation or otherwise) in the exercise of its sole discretion that the failure to do so:

- (a) may endanger any person or property, or PSE's electric system, or any electric system with which PSE's system is interconnected (including, without limitation, the electric system of Snohomish as determined by Snohomish in its sole discretion);
- (b) may cause or contribute to an imminent significant disruption of electric service to PSE's customers;
- (c) may interfere with any construction, installation, inspection, testing, repair, replacement, improvement, alteration, modification, operation, use or maintenance of, or addition to, PSE's electric system or other property of PSE;
- (d) is contrary to Prudent Electrical Practice; or
- (e) may interfere with the performance, integrity, reliability or stability of PSE's electric system or any system with which PSE's electric system is interconnected (including, without limitation, the electric system of Snohomish as determined by Snohomish in its sole discretion).

PSE shall promptly notify Qualco of the reasons for any such interruption, suspension or curtailment. PSE shall use reasonable efforts to mitigate and limit the duration of any such interruption, suspension or curtailment.

3.7 Protection of Persons and Property

Qualco shall use reasonable efforts to take all precautions that are necessary to prevent bodily harm to persons and damage to any property (including, but not limited to, the Project, PSE's electric system and any electric system with which PSE's electric system is interconnected) in connection with the Construction Activities or the flow of power from the Project to PSE's electric system. Qualco shall use reasonable efforts to inspect all materials, tools, supplies, equipment, goods and other

items used, consumed or incorporated in or during the Construction Activities or the flow of power from the Project to discover any conditions that involve a risk of bodily harm to persons or a risk of damage to any property and shall be fully responsible for the discovery and correction of, and protection against, such conditions.

3.8 Release and Indemnity

Qualco releases and shall defend, indemnify and hold harmless each of the Indemnitees from and against all claims, losses, harm, suits, liabilities, obligations, damages, penalties, costs and expenses (including, but not limited to, reasonable attorneys' fees and any incremental taxes payable by PSE on the amount of any indemnities paid by Qualco to PSE pursuant to this paragraph 3.8) of whatsoever kind and nature (including, without limitation, relating to the injury to or death of any person, including employees of Qualco) that may at any time or from time to time be imposed on, incurred by or asserted against any Indemnitee, arising out of or in connection with the Construction Activities, the flow of power from the Project to PSE's electric system, the delivery of energy from the Project to the Point of Delivery, the ownership, operation, use or maintenance of the Project, or the failure of Qualco to have observed or performed any of Qualco's obligations or liabilities under this Agreement. To the fullest extent permitted by applicable law, the foregoing shall apply regardless of any fault, negligence, strict liability or product liability of any Indemnitee and shall apply to any claim, action, suit or proceeding brought by any employee of Qualco. However, Qualco shall not be required to so defend, indemnify or hold harmless such Indemnitee from any claim, loss, harm, liability, damage, cost or expense to the extent caused by or resulting from the negligence of such Indemnitee or its directors, officers, employees, agents or representatives. Qualco's indemnification liabilities pursuant to this Agreement shall not be limited to the extent of its insurance coverages.

3.9 Insurance

During the period commencing with the Commencement Date and ending, with respect to insurance coverage described in subparagraphs 3.9.1 and 3.9.2, one (1) year following the earlier of the expiration or termination of the Operating Period, and otherwise ending with the expiration or termination of the Operating Period, Qualco shall maintain continuously in effect insurance coverage which meets or exceeds the following requirements:

3.9.1 Liability

Commercial general liability insurance on an occurrence form and providing coverage for bodily injury (including death), personal and advertising injury, and property damage arising out of or in connection with the Construction Activities, the

interconnection of the Project with PSE's electric system, the delivery of the net electrical output from the Project to the Point of Delivery, or the ownership, operation, use or maintenance of the Project. Such insurance coverages shall include the following: Premises/Operations Liability, Products/Completed Operations Liability, Contractual Liability, Owners and Contractors Protective coverage (in all cases where subcontractors are retained to perform the work), and Broad Form Property Damage coverage). Such insurance coverages shall provide, at a minimum, the following limits (or such higher limits as may be customary in the electric generation industry): bodily Injury (including death), \$2,000,000 per person, per occurrence; property damage, \$2,000,000 per occurrence; personal and advertising injury, \$2,000,000 per occurrence.

3.9.2 Employers' Liability

If at any time following the Commencement Date Qualco has one or more employees, Qualco shall obtain and maintain Workers' Compensation and Employers' Liability (Stop Gap) Insurance in accordance with the applicable laws the State of Washington (including, but not limited to, the Washington Industrial Insurance Act), regardless of whether such coverage or insurance is mandatory or elective under the law.

3.9.3 General

Qualco shall furnish PSE with certificates of insurance, broker's reports of insurance, copies of insurance policies and such other evidence of the insurance required by this paragraph 3.9, in form and substance reasonably satisfactory to PSE, as PSE may from time to time reasonably request.

Without limiting any of the foregoing, any policy of insurance carried in accordance with this paragraph 3.9 and any insurance policy procured or maintained in substitution or replacement therefor shall

(i) with the exception of Workers' Compensation and Employers' Liability coverage, name the Indemnitees ("Additional Insureds") as additional insureds,

(ii) provide that, with respect to the interests of the Additional Insureds, such insurance shall apply in favor of each Additional Insured whether the property covered thereby is within or outside the control of Qualco, shall remain valid and shall not be impaired or invalidated by any action or inaction of Qualco or any other person or entity and shall insure the interests of each of the Additional Insureds as they appear, notwithstanding any

breach or violation of any representation, warranty, declaration, covenant or condition contained in such policy by Qualco or any other person or entity,

(iii) provide that if such policy is materially amended or canceled, or the coverage thereof is materially changed, for any reason whatsoever, or if such policy is allowed to lapse for nonpayment of premiums, or if such policy is not renewed for any reason whatsoever, such cancellation, termination, amendment, change, lapse or nonrenewal shall not be effective as to any Additional Insured until the date which is thirty (30) days following receipt by PSE of written notice from the insurer thereof of such cancellation, termination, amendment, change, lapse or nonrenewal,

(iv) be primary to and without any right of contribution from any other insurance or self-insurance which may be available to, or maintained by, any Additional Insured,

(v) expressly provide that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured,

(vi) provide that the issuer of such policy shall waive any rights of setoff, counterclaim or other deduction, whether by attachment or otherwise, which it may have against any Additional Insured, including, without limitation, any claim for unpaid premiums,

(vii) provide that the issuer of such policy shall waive any right of subrogation against any Additional Insured; provided, however, that the existence or nonexistence of such subrogation rights shall not in any way delay payment of any claim that would otherwise be payable by such insurers but for the existence of such rights of subrogation or entitle such insurers to exercise or to assert any setoff, recoupment, counterclaim or any other deduction in respect of any amounts payable under such policies,

(viii) provide that none of the Additional Insureds shall be liable for any insurance premium, commission, assessment or call payable thereon; provided however, that each such policy shall provide that, in the event of cancellation thereof due to the nonpayment of any premium, PSE shall have the option to pay such premium that is due and maintain such coverage under such policy as PSE may require until the originally scheduled expiration date thereof, and

(ix) otherwise provide coverage at least equivalent to the standardized occurrence forms filed by the Insurance Service Office.

Any policy of insurance carried by Qualco in addition to the policies of insurance required under this paragraph 3.9 shall provide that the insurer of such policy shall waive any right of subrogation against any Additional Insured.

The Additional Insureds shall have the rights, but not the obligations, of additional insureds.

Section 4. Access and Information

4.1 Access

Qualco shall provide PSE, and PSE shall have the right of, such access as PSE may reasonably require, by personnel and for equipment, to and from the Project for the following purposes:

- (a) reading of Qualco's meters;
- (b) any interruption, suspension or curtailment described in paragraph 3.6; and
- (c) inspection and testing described in paragraph 4.2.

Qualco may make such access subject to limitations required by Prudent Electrical Practice. Qualco shall and hereby does grant to PSE all necessary licenses, permits, easements and rights-of-way for the access and purposes described in this paragraph 4.1 and shall execute, acknowledge and deliver to PSE such additional documents as PSE may reasonably request to effectuate, evidence, vest, record or give notice of such licenses, rights-of-way and easements. In the event that Qualco is not owner of the property on which Project is located or of property necessary for access to and from the Project, Qualco shall cause all such licenses, permits, easements and rights-of-way to be granted to PSE by the owner thereof.

4.2 Inspections

Qualco shall permit PSE to inspect (and to be present at all tests of) the Project, the Construction Activities and the operation, use or maintenance of the Project. Qualco shall provide PSE with reasonable advance notice of any such test or inspection by or at the direction of Qualco.

4.3 Information

Qualco shall promptly furnish PSE with copies of such plans, specifications, records and other information relating to the Project, the Construction Activities, the arrangements between Qualco and any other person or entity for transmission or

delivery of energy from the Project to PSE's electric system, or the ownership, operation, use or maintenance of the Project, as may be reasonably requested by PSE from time to time. All such information, together with all other documents and information furnished to PSE under this Agreement, shall be given to PSE on a nonconfidential basis. Without limiting the generality of the foregoing, Qualco shall provide to PSE such financial and other information that may reasonably request for PSE to satisfy any obligations PSE may have under FIN 46 with respect to its purchase of power under this Agreement and Environmental Attributes pursuant to the Environmental Attribute Option.

Section 5. Limitations of Liability; Adequate Assurance of Performance

5.1 Excusable Delay

Neither Party shall be liable under this Agreement for, or be considered to be in breach of or default under this Agreement on account of, any delay in or failure of performance, or any delay or failure to deliver, receive or accept delivery of energy, due to any of the following events:

(a) any cause or condition beyond such Party's reasonable control which such Party is unable to overcome, or to have avoided or overcome, by the exercise of reasonable diligence (such causes or conditions may include but are not limited to: fire, flood, earthquake, volcanic activity, wind, drought and other acts of the elements; court order and act of civil, military or governmental authority (excluding, however, any denial of or delay in granting (i) any license, permit, authorization or other right required to perform the Construction Activities and to own, operate, use and maintain the Project or (ii) any licenses, permits, easements and rights-of-way to be granted pursuant to Section 4.1); strike, lockout and other labor dispute; riot, insurrection, sabotage and war; breakdown of or damage to facilities or equipment; electrical disturbance originating in or transmitted through such Party's electric system or any electric system with which such Party's system is interconnected; and, act or omission of any person or entity other than such Party and such Party's contractors or suppliers of any tier or anyone acting on behalf of such Party); or

(b) any action taken by such Party which is, in the sole judgment of such Party, necessary or prudent to protect the operation, performance, integrity, reliability or stability of such Party's electric system or any electric system with which such Party's electric system is interconnected, whether such action occurs automatically or manually.

Any such delay or failure is referred to in this Agreement as an "Excusable Delay"; provided, however, that "Excusable Delay" shall specifically exclude any such delay or failure resulting from any of the following conditions, causes or events:

- (i) any change in the ownership, occupancy or operation of the Project for any reason, including, without limitation, any downturn in the economy, recession, bankruptcy, foreclosure, change in tax law, change in production levels, and intercorporate transfer or consolidation;
- (ii) any full or partial curtailment of the electrical output of the Project arising from any mechanical or equipment breakdown, except to the extent that such breakdown is directly caused by an Excusable Delay; and
- (iii) any change in market conditions or any governmental action that affects the cost or availability of Qualco's supply of fuel or stock (whether primary or alternative) required for the operation of the Project.

In the event of any Excusable Delay, the time for performance thereby delayed shall, subject to the terms of subparagraph 7.1.2, be extended by a period of time reasonably necessary to compensate for such delay. Nothing contained in this paragraph 5.1 shall require any Party to settle any strike, lockout or other labor dispute. Each Party shall give the other Party prompt written notice of any delay which the Party giving notice considers to be an Excusable Delay of its performance. Such notice shall include a particular description of the event, cause or condition giving rise to the purported Excusable Delay, the projected duration of the Excusable Delay and assurances that suspension of performance is of no greater scope and of no longer duration than is required by such event, cause or condition and that reasonable best efforts are being used to remedy or overcome such event, cause or condition. Notwithstanding any of the foregoing, neither Party shall, on account of any event, cause or condition that otherwise gives rise to a delay or failure of performance by such Party that constitutes an Excusable Delay, be excused for any amount of time from any of its payment obligations under this Agreement.

5.2 Release by PSE

PSE hereby releases Qualco, its successors and assigns and the respective directors, officers, employees, agents and representatives of Qualco and its successors and assigns from any and all claims, losses, harm, liabilities, damages, costs and expenses to the extent resulting from any:

- (a) Excusable Delay;
- (b) operation of the Project in parallel with PSE's electric system; or

(c) transfer, transmission, use or disposition of energy produced by the Project after it is delivered to PSE at PSE's Beverly Park Substation.

5.3 Release by Qualco

Qualco hereby releases each of the Indemnitees from any and all claims, losses, harm, liabilities, damages, costs and expenses to the extent resulting from any:

- (a) Excusable Delay;
- (b) operation of the Project in parallel with PSE's electric system;
- (c) transfer, transmission, use or disposition of energy produced by the Project prior to its delivery at the Point of Delivery;
- (d) electric disturbance or fluctuation that migrates, directly or indirectly, from or through PSE's electric system to the Project;
- (e) interruption, suspension or curtailment of electric service to the Project or any other premises owned, possessed, controlled or served by Qualco, which interruption, suspension or curtailment is caused or contributed to by the Project or the interconnection of the Project with PSE's electric system; or
- (f) interruption, suspension or curtailment by PSE pursuant to paragraph 3.6 or 5.1.

5.4 Adequate Assurance of Performance

If PSE has reasonable grounds for insecurity regarding the performance of any obligation under this Agreement (whether or not then due) by Qualco, PSE may demand, and shall have the right to receive, from Qualco Adequate Assurance of Performance. For purposes of this Agreement, "Adequate Assurance of Performance" shall mean sufficient security in the form, amount and for the term reasonably acceptable to PSE, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset or a guaranty (including the issuer of any such security).

Section 6. Transfer

Qualco shall not make or permit any Transfer, except as follows:

- (a) to any person or entity that directly or indirectly controls, is controlled by or under common control with Qualco, provided that such other person or entity assumes, or is otherwise bound to perform, all of Qualco's

obligations under this Agreement, as if such other person or entity were an original party to this Agreement, and provided, further, that such other person or entity shall be financially responsible and shall be skilled and experienced in the operation of a generating facility of the type that is part of the Project;

(b) to PSE;

(c) as security for any indebtedness incurred by Qualco to finance the Project, provided that upon any Transfer, the person or entity acquiring the interests subject to any such Transfer agrees, upon exercising any rights in or to the Project or in or under this Agreement, to assume, or to be otherwise bound to perform and, if such transferee subsequently sells, assigns or transfers any of its rights in or to the Project or in or under this Agreement, to cause to be assumed and performed by any subsequent transferee, on a recourse basis, all of Qualco's obligations under this Agreement, and provided, further, that such person or entity and such subsequent transferee, if any, shall be financially responsible and shall be skilled and experienced in the operation of a generating facility of the type that is part of the Project; or

(d) to any other person or entity with the written consent of PSE, which consent shall not be unreasonably withheld or delayed, provided that such other person or entity assumes, or is otherwise bound to perform or to cause to be performed, all of Qualco's obligations under this Agreement, as if such other person or entity were an original party to this Agreement, and provided, further, that such other person or entity shall be financially responsible and shall be skilled and experienced in the operation of a generating facility of the type that is part of the Project.

Section 7. Termination

7.1 Termination; Cancellation

7.1.1 If either Party is at any time in material breach of or default under this Agreement (the "Defaulting Party"), the other Party (the "Terminating Party") shall have the right to terminate this Agreement by giving the Defaulting Party written notice of such termination. Such termination of this Agreement shall be effective upon the Defaulting Party's receipt of such notice of such termination pursuant to this subparagraph 7.1.1. For purposes of this subparagraph 7.1.1, a Party shall be deemed to be in material breach of or default under this Agreement if such Party:

(a) fails to cure any material breach of or default under this Agreement by such Party prior to the later of (i) the expiration of sixty (60)

days after the Terminating Party gives the Defaulting Party written notice of the breach or default and (ii) the date upon which the Terminating Party gives the Defaulting Party written notice of termination; provided that, without limiting the generality of paragraph 7.2, either Party's right to terminate this Agreement pursuant to this subparagraph 7.1.1(a) is in addition to, and shall not preclude the exercise of, any other rights and remedies provided under this Agreement or at law or in equity;

(b) is unable to meet its obligations as they become due or such Party's liabilities exceed its assets;

(c) makes a general assignment of all or substantially all of its assets for the benefit of its creditors, files a petition for bankruptcy or reorganization or seeks other relief under any applicable insolvency laws; or

(d) has filed against it a petition for bankruptcy, reorganization or other relief under any applicable insolvency laws and such petition is not dismissed within sixty (60) days after it is filed.

7.1.2 PSE shall have the right to terminate this Agreement by giving Qualco written notice of such termination (and such termination shall be effective upon Qualco's receipt of such notice of such termination) following the occurrence of any of the following events:

(a) Qualco fails to overcome or remedy within one (1) year following the commencement of any Excusable Delay occurring on or after the Commencement Date the event, cause or condition that gave rise to such Excusable Delay; or

(b) Qualco's business is suspended, dissolved or wound up.

In no event shall PSE incur any liability (whether for lost revenues or lost profits or otherwise) as a result of any termination of this Agreement pursuant to this paragraph 7.1.

7.2 Rights and Remedies Cumulative

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

Section 8. Miscellaneous

8.1 Qualifying Facility Status

Qualco represents and warrants, on a continuing basis, that:

(a) the Project is a "qualifying small power production facility" within the meaning of subsection 3(17)(C) of the Federal Power Act, as amended; and

(b) pursuant to notice filed with FERC under 18 C.F.R. Section 292.207(a), Qualco has received from FERC a certification that the Project is a "qualifying facility" within the meaning of 18 C.F.R. Section 292.101(b)(1); the representations and statements set forth in such certification are true, accurate and complete as of the date of the certification; and such certification has not been revoked, terminated or cancelled and is in full force and effect from and after the time at which the Project is or becomes a "qualifying facility"; and

(c) from and after the time at which the Project is or becomes a "qualifying facility," Qualco is requiring PSE to purchase the output of the Project under this Agreement pursuant to the provisions of Section 210 of the Public Utility Regulatory Policies Act of 1978 (PURPA), Public Law 95-617.

Qualco shall, from and after the time at which the Project is or becomes a "qualifying facility," furnish PSE with such documentation and information as PSE may request to verify Qualco's representations and warranties set forth in this paragraph 8.1 (including, but not limited to, copies of the application and certification referred to in (b) above, together with copies of any correspondence or other communication to or from FERC).

8.2 Notices

Except as may be expressly provided otherwise in this Agreement, any notice, request, authorization, direction, or other communication under this Agreement shall be given in writing and shall be delivered in person or by first-class U.S. mail (stamped with the required postage), properly addressed to the intended recipient as follows:

If to PSE:

In-Person Delivery:
Puget Sound Energy, Inc.
Attn: Vice President, Power

Mail Delivery:
Puget Sound Energy, Inc.
Attn: Vice President, Power

Generation
10885 N.E. Fourth Street
Bellevue, WA 98004

Generation
P.O. Box 97034
Bellevue, WA 98009-9734

If to Qualco:

Qualco Energy
18117 203rd Street
Monroe, WA 98272
Attn: President

Either Party may change its address specified above by giving the other Party notice of such change in accordance with this paragraph 8.2.

8.3 Governmental Authority

This Agreement is subject to the rules, regulations, orders and other requirements, now or hereafter in effect, of all governmental authorities (including, without limitation, the WUTC) having jurisdiction over the Project, this Agreement, the Parties or either of them. All laws, ordinances, rules, regulations, orders and other requirements, now or hereafter in effect, of governmental authorities that are required to be incorporated in agreements of this character are by this reference incorporated in this Agreement.

8.4 No Partnership

This Agreement shall not be interpreted or construed to create an association, joint venture or partnership between the Parties or to impose any partnership obligations or liability upon either Party. Further, neither Party shall have any right, power or authority to enter into any agreement or undertaking for or on behalf of, to act as or be an agent or representative of, or to otherwise bind the other Party.

8.5 Nonwaiver

No failure or delay of either Party to insist upon or enforce strict performance by the other Party of any provision of this Agreement or to exercise any other right under this Agreement, and no course of dealing or performance with respect thereto, shall be construed as a waiver or relinquishment to any extent of such Party's right to assert or rely upon any such provision or right in that or any other instance; rather, the same shall be and remain in full force and effect. The express waiver by either Party of any right or remedy under this Agreement in a particular instance or circumstance shall not constitute a waiver thereof in any other instance or circumstance.

8.6 Survival

Paragraphs 3.3, 3.9 and 4.1 and Section 5, and all other provisions of this Agreement which may reasonably be interpreted or construed as surviving the completion, termination or cancellation of this Agreement, shall survive the completion, termination or cancellation of this Agreement.

8.7 Entire Agreement

This Agreement sets forth the entire agreement, and supersedes any and all prior agreements of the Parties, whether written or oral, with respect to the subject matters hereof.

8.8 Successors and Assigns

Except as otherwise provided in Section 6, Qualco shall not make any Transfer without the prior written consent of PSE, which consent shall not be unreasonably withheld or delayed. Further, no Transfer by Qualco shall to any extent relieve it of, or release it from, any of its obligations under this Agreement. Subject to the foregoing restrictions, this Agreement shall be fully binding upon, inure to the benefit of and be enforceable by the Parties and their respective successors, assigns and legal representatives.

8.9 No Unspecified Third-Party Beneficiaries

Except as specifically provided in this Agreement (e.g., in paragraphs 3.8, 5.2 and 5.3 and Section 9), there are no third-party beneficiaries of this Agreement. Nothing contained in this Agreement is intended to confer any right or interest on anyone other than the Parties, their respective successors, assigns and legal representatives permitted under paragraph 8.8, and the third-party beneficiaries specifically identified in this Agreement.

8.10 Amendment

No change, amendment or modification of any provision of this Agreement or of any exhibit to this Agreement shall be valid unless set forth hereafter in a written amendment to this Agreement or such exhibit signed by both Parties.

8.11 Implementation

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

8.12 Invalid Provision; Continuing Validity

The invalidity or unenforceability of any provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted. Neither the validity of this Agreement nor the respective rights and obligations of the Parties under this Agreement shall be affected to any extent if Qualco ceases to be a customer of PSE during the Operating Period.

8.13 Applicable Law

This Agreement shall in all respects be interpreted, construed and enforced in accordance with the laws of the State of Washington (without reference to rules governing conflicts of law), except to the extent such laws may be preempted by the laws of the United States of America.

Section 9. Reliability Management System

9.1 Purpose.

In order to maintain the reliable operation of the transmission grid, the WECC Reliability Criteria Agreement sets forth reliability criteria adopted by the WECC to which Qualco and PSE shall be required to comply. PSE will provide to Customer Generator a copy of the WECC Reliability Criteria Agreement upon request.

9.2 Compliance.

Qualco shall comply with the requirements of the WECC Reliability Criteria Agreement, including the applicable WECC reliability criteria set forth in Section IV of Annex A thereof, and, in the event of failure to comply, agrees to be subject to the sanctions applicable to such failure. Such sanctions shall be assessed pursuant to the procedures contained in the WECC Reliability Criteria Agreement. Each and all of the provisions of the WECC Reliability Criteria Agreement are hereby incorporated by reference into this Section 9 as though set forth fully herein, and Qualco shall for all purposes be considered a Participant, and shall be entitled to all of the rights and privileges and be subject to all of the obligations of a Participant, under and in connection with the WECC Reliability Criteria Agreement, including, but not limited to, the rights, privileges and obligations set forth in Sections 5, 6 and 10 of the WECC Reliability Criteria Agreement.

9.3 Payment of Sanctions.

Qualco shall be responsible for payment of any monetary sanction assessed against Qualco by WECC pursuant to the WECC Reliability Criteria Agreement.

Any such payment shall be made pursuant to the procedures specified in the WECC Reliability Criteria Agreement.

9.4 Transfer of Control or Sale of Project.

In any sale or transfer of control of the Project, Qualco shall as a condition of such sale or transfer require the acquiring party or transferee with respect to the transferred facilities either to assume the obligations of Qualco with respect to this Agreement or to enter into an agreement with PSE imposing on the acquiring party or transferee the same obligations applicable to Qualco pursuant to this Section 9.

9.5 Publication.

Qualco consents to the release by the WECC of information related to Qualco's compliance with this Agreement only in accordance with the WECC Reliability Criteria Agreement.

9.6 Third Parties.

Except for the rights and obligations between the WECC and Qualco specified in this Section 9, this Agreement creates contractual rights and obligations solely between the Parties. Nothing in this Agreement shall create, as between the Parties or with respect to the WECC: (1) any obligation or liability whatsoever (other than as expressly provided in this Agreement) or (2) any duty or standard of care whatsoever. In addition, nothing in this Agreement shall create any duty, liability or standard of care whatsoever as to any other party. Except for any rights, as a third-party beneficiary under this Section 9, of the WECC against Qualco, no third party shall have any rights whatsoever with respect to enforcement of any provision of this Agreement. PSE and Qualco expressly intend that the WECC is a third-party beneficiary of this Section 9, and the WECC shall have the right to seek to enforce against Qualco any provision of this Section 9, provided, that specific performance shall be the sole remedy available to the WECC pursuant to this Section 9, and Qualco shall not be liable to the WECC pursuant to this Agreement for damages of any kind whatsoever (other than the payment of sanctions to the WECC, if so construed), whether direct, compensatory, special, indirect, consequential or punitive.

9.7 Reserved Rights.

Nothing in the RMS or the WECC Reliability Criteria Agreement shall affect the right of PSE, subject to any necessary regulatory approval, to take such other measures to maintain reliability, including disconnection, interruption or curtailment, which PSE may otherwise be entitled to take.

9.8 Severability.

If one or more provisions of this Section 9 shall be invalid, illegal or unenforceable in any respect, it shall be given effect to the extent permitted by applicable law, and such invalidity, illegality or unenforceability shall not affect the validity of the other provisions of this Agreement.

9.9 Termination.

Qualco may terminate its obligations pursuant to this Section 9:

(a) if after the effective date of this Section 9, the requirements of the WECC Reliability Criteria Agreement applicable to Qualco are amended so as to adversely affect Qualco, provided that Qualco gives fifteen (15) days' notice of such termination to PSE and the WECC within forty-five (45) days of the date of issuance of a FERC order accepting such amendment for filing, provided, further, that the forty-five (45) day period within which notice of termination is required may be extended by Qualco for an additional forty-five (45) days if Qualco gives written notice to PSE of such requested extension within the initial forty-five (45) day period; or

(b) for any reason on one year's written notice to PSE and the WECC.

9.10 Mutual Agreement.

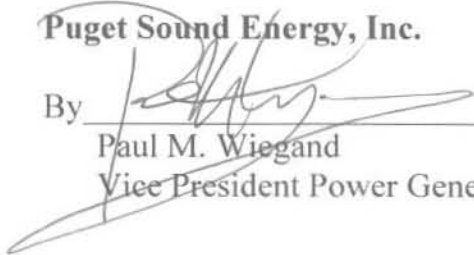
This Section 9 may be terminated at any time by mutual agreement of PSE and Qualco.

[This space intentionally left blank]

IN WITNESS WHEREOF each of the Parties has caused this Agreement to be duly executed by its authorized representative as of the date first set forth above.

Puget Sound Energy, Inc.

By



Paul M. Wiegand
Vice President Power Generation

Qualco Energy

By



Dale Reiner
President

Exhibit A

Diagram – Point of Delivery

Exhibit B
Electrical Diagram of the Project

Exhibit C

Monthly Energy Rate
(\$/MWh Generated)

2009
2010
2011
2012
2013



REDACTED
VERSION

Exhibit D

**RENEWABLE ENERGY CREDIT AGREEMENT
NO. 2009-002**

This Renewable Energy Credit Agreement dated as of January 21, 2009 (this "Agreement"), is entered into by and between Puget Sound Energy, Inc. ("PSE") and Qualco Energy ("Seller"). Capitalized terms used in this Agreement and not specifically defined herein will have the meanings set forth in the Power Purchase Agreement between PSE and Seller pursuant to which this Agreement is entered into.

PSE and Seller agree as follows:

Section 1. Sale of RECs

1.1 Seller will provide PSE with all of the RECs associated with each megawatt-hour of electricity generated at its approximately 450 kW methane-fired facility at or near Monroe, Snohomish County, Washington. Seller will comply with all Applicable Program requirements and audits and deliver and invoice the following approximate quantities per quarter:

2009 Q1 – 881 RECs

2009 Q2 – 880 RECs

2009 Q3 – 880 RECs

2009 Q4 – 880 RECs

2010 Q1 – 881 RECs

2010 Q2 – 880 RECs

2010 Q3 – 880 RECs

2010 Q4 – 880 RECs

2011 Q1 – 881 RECs

2011 Q2 – 880 RECs

2011 Q3 – 880 RECs

2011 Q4 – 880 RECs

2012 Q1 – 881 RECs

2012 Q2 – 880 RECs

2012 Q3 – 880 RECs

2012 Q4 – 880 RECs

2013 Q1 – 881 RECs

2013 Q2 – 880 RECs

2013 Q3 – 880 RECs

2013 Q4 – 880 RECs

- 1.2 PSE shall have the right to terminate this Agreement, by providing written notice of such termination to Seller and without incurring any liability on account of such termination, if Seller ceases to do business, merges or dissolves its corporate or business status or materially breaches any of the provisions of this Agreement.

- 1.3 In the event an Applicable Program does not recognize, or allow the assignment of credit for, both (i) the sale of greenhouse gas offsets from Seller's anaerobic digester or from the Project and (ii) the sale of RECs to PSE pursuant to this Agreement, Seller shall have the right to elect to proceed with the sale of greenhouse gas offsets to a third party rather than continuing to sell RECs to PSE pursuant to this Agreement. Seller will exercise such election (if at all) by providing written notice thereof to PSE ("Notice"); provided, that unless and until a Notice is provided by Seller, Seller shall remain obligated to

sell RECs to PSE pursuant to this Agreement. If Seller elects to sell greenhouse gas offsets to a third party pursuant to this Section 1.3, this Agreement shall automatically terminate as of the effective date of the Notice as set forth therein, and neither Party will have any liability to the other Party on account of such termination. PSE acknowledges that PSE will not purchase any greenhouse gas offsets from Seller and that Seller may sell greenhouse gas offsets from Seller's anaerobic digester to one or more third parties.

Section 2. Compensation

- 2.1 PSE shall compensate Seller for RECs provided hereunder in accordance with Seller's Quotation attached hereto as Exhibit 1. In no event shall total Compensation payable under this Agreement exceed one hundred twenty thousand dollars (\$120,000.00) without the prior written consent of an authorized representative of PSE.
- 2.2 Within ten (10) days after the end of each calendar quarter during the Term, Seller shall submit to PSE Seller's invoice for the compensation and reimbursement payable pursuant to paragraph 2.1 for such calendar quarter. Each such invoice shall be supported by such documents, attestations and other information as PSE may request.
- 2.3 Seller shall place the number of this Agreement on all of its invoices and submit such invoices by mailing to the following address:

Puget Sound Energy, Inc.
The Green Power Program
P.O. Box 90868, PSE-EST-10E
Bellevue, WA 98009-9734
Attention: Market Manager
- 2.4 PSE shall pay all undisputed amounts set forth in each of Seller's invoices within thirty (30) days of receipt and verification thereof.

Section 3. Performance by Seller

- 3.1 Seller shall at all times be an independent contractor, not an employee or agent, of PSE with regard to its performance under this Agreement. Seller shall not represent that Seller is, or hold Seller out as, an employee or agent of PSE. Seller shall not be entitled to workers' compensation, retirement, insurance, or other benefits afforded to employees of PSE.
- 3.2 Without limiting the generality of Paragraph 3.1, Seller shall not be treated as an employee of PSE for federal tax, worker's compensation, or any other purpose. Seller shall not be entitled to any pension, deferred compensation, welfare, insurance, or other benefits afforded employees.
- 3.3 Seller shall comply with all applicable laws, ordinances, rules, regulations, orders, licenses, permits and other requirements, now or hereafter in effect, of any governmental authority (including, but not limited to, such requirements as may be imposed upon PSE and applicable to Seller's performance under this Agreement). Seller shall furnish such documents as may be required to effect or evidence such compliance. All laws, ordinances, rules, regulations and orders required to be incorporated in agreements of this character are incorporated herein by this reference.
- 3.4 Prior to the Date of Commercial Operation, Seller shall register the Project with the Western Renewable Energy Generation Information System or any successor renewable energy tracking program or system ("WREGIS"), and Seller shall take all other actions to ensure that the RECs associated with all of the electricity generated by the Project are issued and tracked for purposes of satisfying the requirements of RCW 19.29A.090 and RCW 19.285, and transferred to PSE. If WREGIS is not in operation as of the Date of Commercial Operation, Seller shall perform its obligations pursuant to this Paragraph 3.4 as soon as WREGIS is in operation.

Section 4. Materials, Information, Property and Other Items

- 4.1 Seller shall not disclose to third parties, without the prior written consent of PSE, any information obtained or developed in connection with its performance under this Agreement unless:

- a. the information is known to Seller prior to performance of the Services,
- b. the information is generally available to the public at the time of disclosure by Seller,
- c. the information is obtained by Seller from a third party who did not receive the same directly or indirectly from PSE or in connection with Seller's performance under this Agreement, or
- d. the information is legally required to be disclosed, provided that PSE is given reasonable prior notice to enable it to seek a protective order and Seller discloses only that information which, in the reasonable judgment of its counsel, is required to be disclosed.

4.2 Seller shall not use any PSE name, trademark or service mark in any promotional materials of Seller without PSE's prior written consent, which consent may be withheld in the sole discretion of PSE. In the event that PSE consents to the use of its name, trademark, or service mark in any announcement, news release, or promotional materials of Seller, all of the contents shall be submitted to PSE's Corporate Communications Department for review prior to any publication by Seller.

Section 5. Release.

Seller releases PSE, its successors and assigns, and the respective directors, officers, employees, agents and representatives of PSE and its successors and assigns (collectively, the "PSE Group") from all claims, losses, harm, liabilities, damages, costs, and expenses related to any property damage or personal injury (including death) that may result or occur in connection with Seller's performance or failure to perform under this Agreement. To the fullest extent permitted by applicable law, the foregoing release shall apply regardless of any act, omission, negligence or strict liability of any of the PSE Group or any one or more of them.

Section 6. Miscellaneous.

- 6.1 Any notice, request, direction, consent, designation, or other communication under this Agreement shall be in writing and shall be delivered in person or mailed, properly addressed and stamped with the required postage, to the intended recipient as follows:

If to PSE: Puget Sound Energy, Inc.
PO Box 90868 (PSE-EST-10E)
Bellevue, WA 98009-0868
Attn: Market Manager

If to Seller: Qualco Energy
18117 203rd Street
Monroe, WA 98272
Attn: President

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

- 6.2 This Agreement, together with the Power Purchase Agreement dated as of March 9, 2009, entered into by Seller and PSE sets forth the entire agreement of the parties, and supersedes any and all prior agreements, with respect to the subject matter hereof. No change, amendment, or modification of any provision of this Agreement shall be valid unless set forth in a written amendment to this Agreement signed by both of the parties.
- 6.3 Seller shall not (by contract, operation of law or otherwise) assign this Agreement or any right or interest in this Agreement. Any such attempted assignment shall be void. Subject to the foregoing restriction on assignment by Seller, this Agreement shall be fully binding upon, inure to the benefit of and be enforceable by the successors, assigns and legal representatives of the respective parties to this Agreement.
- 6.4 Notwithstanding any provision to the contrary contained elsewhere in this Agreement, either party may assign all or part of this Agreement and any of its rights or obligations hereunder if such assignment is part of the transfer or

merger of a substantial portion or the entire business and assets of the transferor.

- 6.5 The failure of PSE to insist upon or enforce strict performance by Seller of any of the provisions of this Agreement or to exercise any rights under this Agreement shall not be construed as a waiver or relinquishment to any extent of its right to assert or rely upon any such provisions in that or any other instance; rather, the same shall be and remain in full force and effect.
- 6.6 The invalidity or unenforceability of any provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted. Neither the validity of this Agreement nor the respective rights and obligations of the parties under this Agreement shall be affected to any extent if Seller ceases to be a customer of PSE during the Operating Period.
- 6.7 The rights and remedies of PSE set forth in any provision of this Agreement are in addition to and do not in any way limit any other rights or remedies afforded to PSE by any other provisions of this Agreement or by law.
- 6.8 This Agreement may be executed in separate counterparts, each of which when so executed shall be deemed to be an original, and all such counterparts together shall constitute one and the same instrument. Once signed, any legible reproduction of this document made by reliable means (for example, photocopy or facsimile) shall be deemed to be an original.
- 6.9 This Agreement shall be interpreted, construed and enforced in all respects in accordance with the laws of the State of Washington, without reference to such state's choice of law principles to the contrary.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first written above.

Qualco Energy

By: _____
Printed Name: Dale Reiner

Title: President

Federal Tax ID: 20-3588066

Puget Sound Energy, Inc.

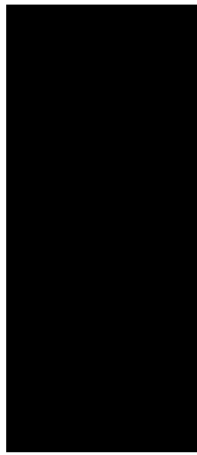
By: _____

Printed Name: _____

Title: _____

EXHIBIT 1
Seller's Quotation

2009
2010
2011
2012
2013



REDACTED
VERSION