

PSE EXHIBIT _____ (MLJ-1T)
DOCKET NO. _____
SKOOKUMCHUCK PROJECT SALE
WITNESS: MICHAEL L. JONES

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of

PUGET SOUND ENERGY, INC.

for (1) EWG Determinations regarding the Sale
of its Interest in the Skookumchuck
Hydroelectric Plant, and (2) an Accounting
Order authorizing treatment of the net gain from
the sale.

Docket No. _____

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

PUGET SOUND ENERGY

DIRECT TESTIMONY OF MICHAEL L. JONES

FEBRUARY 23, 2004

Q. Please state your name, business address and present position with PSE.

A. My name is Michael L. Jones and my business address is The PSE Building, 10885 N.E. Fourth Street, 9th Floor, Bellevue, WA 98004-5579. My present position at Puget Sound Energy ("PSE") is Consulting Contract Administrator.

Qualifications

Q. Briefly describe your educational and professional background.

A. I graduated from Purdue University in January 1967 with the degree of Bachelor of Science in Civil Engineering and I am a Registered Professional Engineer in the states of Washington and California. I have been involved with the engineering and commercial aspects of electric power plant design, construction and operation for the past 37 years.

Q. What are your responsibilities as Consulting Contract Administrator?

A. I am responsible for managing PSE's interests in the Colstrip Steam Electric Station and the Skookumchuck facility and for various contract administration activities within PSE's Energy Resources group.

Purpose of Testimony

Q. What is the purpose of your testimony?

A. I describe the contemplated sale of the Skookumchuck Dam and related assets (the "Skookumchuck Project" or "Project") and the reasons for the proposed sale. In addition, I briefly address PSE's request that the Commission find that allowing the Project to become an "eligible facility" under section 32 of the Public Utility Holding Company Act of 1935 ("PUHCA") will benefit consumers, is in the public interest and does not violate

State law. These findings are necessary for FERC to authorize the purchaser to operate the Project as an exempt wholesale generator.

Description of the Transaction

Q. Please describe the assets to be sold.

A. The primary asset is the Skookumchuck Dam which is an earthfill structure 190 feet high and 1,340 feet in length. Other assets included in the sale are 1,653 acres of land beneath and adjacent to the four-mile long reservoir created by the dam, the powerhouse at the base of the dam housing a 1 MW hydroelectric generating unit, and miscellaneous small buildings and operations and maintenance equipment. All assets included in the sale are specifically identified in the Skookumchuck Facilities Purchase and Sale Agreement dated November 25, 2003 (the "Sale Agreement"). The Sale Agreement is provided as PSE Exhibit ____ (MLJ-2). *See* Sale Agreement, Schedules 2.1(a) through 2.1(e). All of the facilities included in the Sale Agreement are located in Thurston County, Washington, twelve miles northeast of Centralia, Washington.

Q. Who currently owns the sale assets?

A. The Skookumchuck Project is owned as tenants in common by PSE and six other public and private owners: PacifiCorp; Public Utility District No. 1 of Snohomish County, Washington; City of Tacoma, Washington; Avista Corporation; City of Seattle, Washington; and Public Utility District No. 1 of Grays Harbor County, Washington (collectively, the "Owners"). These same entities owned the 1,340 MW coal-fired Centralia Steam Plant until that plant was sold in May 2000. PSE has a 7.0 percent

ownership share in the Skookumchuck Project, the same ownership share the Company had in the Centralia Steam Plant.

Q. Please describe the purchaser.

A. The purchaser is 2677588 Washington LLC (“Washington LLC” or the “Buyer”), a limited liability company formed under Washington law by TransAlta USA Inc. (“TransAlta”). TransAlta is a Delaware corporation with headquarters in Centralia, Washington. TransAlta is the indirect owner of both the Centralia Steam Plant and the Centralia Coal Mine.

Q. When and why was the Skookumchuck Dam constructed?

A. The construction of the dam was completed in 1973. The sole purpose of the dam was to store portions of the natural flow of the Skookumchuck River for release in a controlled manner to meet the cooling water requirements of the Centralia Steam Plant. Water from the reservoir is released into the natural channel of the river and then diverted at the Centralia Steam Plant Pumping Station located approximately 2 miles downstream of the dam.

Q. Please explain the development of hydropower generation at the Skookumchuck Dam.

A. The Owners considered construction of a hydroelectric facility during the late 1980s. The Skookumchuck Dam had the potential to develop upwards of 10 MW of hydroelectric capacity if the management of the stored water in the Skookumchuck Reservoir were oriented toward power production. However, the needs of the Centralia Steam Plant have had priority over maximum hydroelectric development at the dam. The Owners therefore chose to develop a smaller hydroelectric project. The hydroelectric

facilities were constructed in 1991 and were sized at 1 MW in order not to conflict with the water cooling needs of the Centralia Steam Plant.

Q. What arrangements are in place for disposition of the energy produced by the hydroelectric facility?

A. The Project output is and always has been purchased by PSE. PSE owns and operates an adjacent electrical transmission and distribution system. The wholesale purchase agreement with PSE expired several years ago and sales since then have been made without a contract. Decisions regarding future Project sales will be made by Washington LLC.

Q. Please describe governmental regulation of the Project.

A. The addition of the hydroelectric facilities to the Project required the Owners to file an Application for Exemption from licensing with the FERC. An exemption from licensing was available under 16 U.S.C. §2705(d) because the Project was under 5 MW in capacity. The Skookumchuck Project is exempt from routine annual inspections by the FERC, but is under the FERC's jurisdiction relative to dam safety issues.

Q. What are the basic terms of the sale to Washington LLC?

A. The base sale price is \$7,570,373.16, which was calculated by multiplying PacifiCorp's net book value for the Project as of September 30, 2003 by 2.105. The multiplier grosses up PacifiCorp's net book value to incorporate the other Owners' 52.5 percent interest in the Project. The base sale price will be adjusted for changes in net book value from September 30, 2003 to the Closing Date of the transaction.

The Owners are selling to Washington LLC all of their interests in the Skookumchuck Dam, 1,653 acres of real property underlying and adjacent to the reservoir, all relevant easements, rights of way, licenses, franchises, and water rights appurtenant to the real property or associated with operation of the hydroelectric facility. Washington LLC will also acquire the powerhouse structure, equipment utilized to operate the Skookumchuck Dam and hydroelectric generating facilities, outbuildings, and specifically identified vehicles. *See* Sale Agreement, Schedules 1.1(a), (b), and (c).

Washington LLC will continue operating under current fish and wildlife agreements and licenses. Assigned contracts and licenses are listed in the Sale Agreement, Schedules 2.1(d) and (e), respectively.

Washington LLC will assume all liabilities associated with the Skookumchuck Project including the obligation to maintain the flow regimes below the Project and provide the required services associated with the Centralia Steam Electric Generating Project Fish and Wildlife Agreement dated May 29, 1998. *See* Sale Agreement, Section 2.6 .

Washington LLC will also assume the Owners' rights and obligations under the Project Safety Program. The Safety Program, described in detail in Exhibit A of the Sale Agreement, is a dam safety/stability program addressing the identification of the appropriate Maximum Credible Earthquake (MCE) to be used for stability analysis, the liquefaction potential of foundation materials beneath the downstream shell of the dam and an examination of the current Probable Maximum Flood (PMF) inflow curve

calculations with regard to the most recent storm of record that occurred in February 1996.

PSE will retain its 12 kV electric distribution line that crosses the real property that is subject to the sale. *See* Sale Agreement, Schedule 2.2(b).

Additional details of the transaction are specifically described in the Sale Agreement, Exhibit _____, MLJ-2.

Q. Please identify the costs associated with operating the Skookumchuck Project.

A. The average annual operating cost from 2000 through 2003 has been approximately \$320,000. These costs include labor costs for the single part-time Project operator, security and periodic maintenance support and approximately \$134,000 associated with the adjacent Washington State Department of Fisheries steelhead rearing facility that is physically and contractually associated with the Skookumchuck Project. The balance of the expenses are for engineering and regulatory activity support.

Costs have risen in recent years due to increased Safety Program expenses and the need for increased security in compliance with the Project's "Level 1 Security Risk" classification, as established by the FERC.

Total Revenue from energy sales to PSE by all Owners is as follows:

Energy Purchased by PSE from Skookumchuck Project		
	Energy Purchased	Value
2001	175 MWh	\$2,850
2002	2,597 MWh	\$41,450
2003	1,510 MWh	\$24,150

Q Please identify Exhibit ____, MLJ-2, the Skookumchuck Dam Management Agreement.

A. The Skookumchuck Dam Management Agreement is an agreement entered into between the Owners and TransAlta Centralia Generation LLC governing how the Skookumchuck Dam will be managed and how the parties will bear the costs of management. Under this Agreement, TransAlta (through its indirect wholly-owned subsidiary, TransAlta Centralia Generation LLC) agreed to pay up to \$300,000 of the annual Project costs for the first two years after acquiring the Centralia Steam Plant. Under the terms of the Sale Agreement, since May 2002, there has been no cap on Project costs and Washington LLC has deposited payments into an escrow account for the eventual offset of Project costs. These Project costs will be reimbursed to the Owners in addition to the sale price. However, payment to the Owners out of escrow will only occur if the Sale Agreement is executed by City of Seattle by March 31, 2004 (the Sale Agreement has not yet been fully executed by all owners and is therefore not effective at this time).

Q. What has been the generation output experience from the Project?

A. Over the last eight years, PSE's share of the Project output has averaged 175 MWh/year. The last four years' experience has been particularly low, averaging less than 115 MWh per year. This change in generation level is due primarily to changes to the operating schedule for the unit. The Skookumchuck Project experienced the failure of a circuit board in the control and communications module about the same time as the Centralia Steam Plant was sold to TransAlta. The failure of this component resulted in the shutdown of the generating unit, and resolution of the problem was delayed due to limited staff availability. The ability to operate the generating unit with this component out of service was subsequently confirmed by PacifiCorp engineering staff. The Skookumchuck plant operator is currently operating the generating unit in a manual mode during the hours he is present on site each day.

Q. What are the key incentives for the Owners to sell the Skookumchuck Project at this time?

A. The key factors are as follows:

- The facilities represented “core business” assets to each of the Owners only as long as they had an ownership interest in the Centralia Steam Plant.
- The energy generated by the hydroelectric facilities has negligible value compared to the \$7.57 million net book value and annual operations and maintenance costs.
- It is likely that FERC will mandate dam modifications to meet stability criteria. The cost of these modifications is estimated to be \$5 million to \$7 million.
- Unless TransAlta is willing to continue its commitment to shoulder Project expenses under the current Skookumchuck Dam Management Agreement, there is

no ongoing assurance that TransAlta will compensate the Owners for ongoing operation and maintenance costs or for other operational liabilities.

- TransAlta is currently motivated to own the Skookumchuck Project and control stream flows to meet Centralia Steam Plant cooling water requirements.

Q. Does the proposed sale benefit PSE's customers?

A. Yes, positive benefits for customers will be realized if the sale takes place. Absent the ownership of the Centralia Steam Plant, the continued ownership of the Skookumchuck Project does not provide positive benefits to the Company's customers or shareholders.

In addition, the following facts support selling the Project:

- The Project is clearly uneconomic as a stand-alone hydroelectric facility and the energy output is insignificant in the Company's generation portfolio.
- The Project provides limited electricity production and is insignificant when compared to PSE's total generation and purchases to meet Customer load.
- The Project diverts critical operating and capital funds and management attention away from the core generating assets of the Company.
- But for the sale, PSE would retain economic responsibility for its share of routine expense, capital costs and any capital modifications to the dam that may be required to meet federal seismic criteria for stability.
- A Flood Control Committee formed by Lewis and Grays Harbor Counties, Washington and the cities of Centralia, Chehalis and Aberdeen, Washington (the "Committee") to develop a flood control plan has indicated that if they decide to pursue acquiring the Project for flood control purposes, they will not be in a position to offer net book value.

Given the positive aspects of selling the Skookumchuck Project and the net book value price, the proposed sale would be beneficial to both PSE's customers and its shareholders.

Q. When the Centralia Steam Plant was sold in 2000, why was the Skookumchuck Project retained by the Owners?

A. In July 1998, the Centralia Steam Plant Owners received an inquiry from the Committee expressing an interest in acquiring the Skookumchuck Dam and reservoir. The Committee had been working with the U.S. Army Corps of Engineers to develop a comprehensive flood control plan for the basin. In June 1999, a Memorandum of Understanding ("MOU") between the Owners and the Committee was signed reflecting the Committee's intent to purchase the facilities. This MOU expired in December 1999, but the Owners understood that the Committee's intent to acquire the facilities had not changed. This desire by the Committee to purchase the facilities and the Committee's stated intent to operate the facilities in a manner that would not be in conflict with the continued operation of the Centralia Steam Plant caused the Owners to withhold the Skookumchuck Project from the sale of the Centralia Steam Plant.

Q. How did the new owners of the Centralia Steam Plant address operation of the Skookumchuck Project?

A. The Centralia Steam Plant sale was completed on May 4, 2000 and the parties then entered into the Skookumchuck Dam Management Agreement. As I explained above, under this Agreement, TransAlta (through its indirect wholly-owned subsidiary, TransAlta Centralia Generation LLC) agreed to reimburse the Skookumchuck Project Owners for all expenses related to the Project up to a cap of \$300,000 per calendar year

for a period of two years. The Owners and TransAlta Centralia Generation LLC also executed a Water Flow Agreement reflecting the need to coordinate the operation of the Project with the cooling water requirements of TransAlta's Centralia Steam Plant. *See* Sale Agreement, Section 2.7. The Skookumchuck Dam Management Agreement also provided TransAlta with an option to purchase the Skookumchuck Project at PacifiCorp's net book value multiplied by 2.105 between May 5, 2002 and May 5, 2003 if a sale to the local governmental consortium had not taken place.

Q. Why was the sale to the Committee not completed?

A. There were several reasons. Following the expiration of the Committee-Owners MOU, the consortium continued to work with the Corps of Engineers to conduct stability/safety drilling tests and studies on the dam and to evaluate the ability to modify the dam, which would be a requirement of the flood control project. Concurrently, the Skookumchuck Dam was also due for stability/safety studies required by the FERC, and the FERC agreed to use the Corps' field results instead of requiring the Owners to conduct duplicate drilling tests and studies. Once the Corps' studies were complete, it was unclear whether the structure met safety and stability criteria. The FERC commissioned an independent consultant to analyze the drilling test data and studies.

In March 2003, the Owners received notification from FERC to conduct additional seismic drilling, at an estimated cost of \$130,000, to determine the liquefaction potential of the dam under critical seismic load conditions. This additional field work was completed in January 2004 and the ensuing analysis is scheduled to be submitted to the FERC by March 31, 2004.

In addition, the Committee has been unable to secure governmental appropriations for the flood control project. Even if such a funding source materialized, the Committee has indicated that it would not pay for any remediation costs to bring the Project up to current seismic standards, and would only be willing to pay approximately 1/3 of the net book value of the Project, an offer that the Owners are not willing to accept.

Q. Why was TransAlta the only purchaser considered?

A. The dam was originally constructed to provide an assured water cooling source for the Centralia Steam Plant. This original purpose still has value to TransAlta, the owner and operator of the Centralia Steam Plant, but does not afford the same value to anyone else. For this reason, TransAlta included in the Skookumchuck Dam Management Agreement a right of first refusal for the purchase of the facilities at a price of net book value. In addition, TransAlta has expressed a willingness to meet the stability/safety requirements that may be imposed on the Skookumchuck Dam. *See* Sale Agreement, Sections 1.1(o), 2.6 and 5.3(a)(iv).

Q. Does TransAlta intend to operate the Project as an exempt wholesale generator (“EWG”) under PUHCA?

A. Yes, that is the stated intention of TransAlta. In order to secure EWG status, we must ask the Commission to find that allowing the Project to be an “eligible facility” under PUHCA: (a) will benefit customers, (b) is in the public interest and (c) does not violate Washington law. Section III.B and Section IV of PSE's Application describe the specific approvals requested of the Commission. We ask the Commission to consider the EWG issues on an expedited basis. The Owners and TransAlta could move up the Closing Date

if EWG findings are secured early from each state in which the Project was included in rate base, thus allowing TransAlta to accelerate its EWG filing with FERC.

Q. Does this conclude your direct testimony?

A. Yes.

PSE EXHIBIT _____ (MLJ-2)
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PUGET SOUND ENERGY

EXHIBIT TO DIRECT TESTIMONY OF MICHAEL L. JONES

FEBRUARY 23, 2004

[SALE AGREEMENT]

SKOOKUMCHUCK FACILITIES PURCHASE AND SALE AGREEMENT

PACIFICORP;
PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON; PUGET
SOUND ENERGY, INC.;
CITY OF TACOMA, WASHINGTON; AVISTA CORPORATION;
CITY OF SEATTLE, WASHINGTON; and
PUBLIC UTILITY DISTRICT NO. 1 OF GRAYS HARBOR COUNTY, WASHINGTON

As Sellers

AND

2677588 Washington LLC

As Buyer

Execution Copy

SKOOKUMCHUCK FACILITIES PURCHASE AND SALE AGREEMENT

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SKOOKUMCHUCK FACILITIES PURCHASE AND SALE AGREEMENT

This SKOOKUMCHUCK FACILITIES PURCHASE AND SALE AGREEMENT (the "Agreement") is made and entered into as of the 25 day of November, 2003 by and among PACIFICORP ("PacifiCorp"); PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON ("Snohomish PUD"); PUGET SOUND ENERGY, INC. ("PSE"); CITY OF TACOMA, WASHINGTON ("Tacoma"); AVISTA CORPORATION ("Avista"); CITY OF SEATTLE, WASHINGTON ("Seattle"); AND PUBLIC UTILITY DISTRICT NO. 1 OF GRAYS HARBOR COUNTY, WASHINGTON ("Grays Harbor PUD") (each a "Seller" and collectively "Sellers"), and 2677588 WASHINGTON LLC, a Washington limited liability company or its nominee ("Buyer"), with reference to the following facts:

A. Sellers are engaged in the business of generating, transmitting and distributing electric energy and in connection therewith own as tenants in common the Skookumchuck Dam located along the Skookumchuck River near Centralia, Washington (the "Dam"). The Skookumchuck Facilities impound a reservoir on the Skookumchuck River (the "Reservoir").

B. Buyer desires to purchase from Sellers, and Sellers desires to sell to Buyer, the interests in the LLC to which Sellers will contribute the Dam, related real property and other assets associated therewith (collectively, the "Facilities") upon the terms and subject to the conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals and the agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 Certain Defined Terms. For purposes of this Agreement, the following terms shall have the following meanings:

(a) "Affiliate" of a specified Person shall mean any corporation, partnership, sole proprietorship or other Person which directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with the Person specified. The term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person.

(b) "Assigned Contracts" shall mean all of Sellers' rights, title and interest in and to all written contracts and agreements specifically and exclusively relating to the Facilities to which Sellers are a party at the Closing. The Assigned Contracts shall also include, without limitation, engineering or construction contracts relating to engineering or construction work-in-progress at the Facilities; equipment leases (whether operating or capital leases) and installment purchase contracts; contracts or arrangements binding on the Facilities which restrict the nature of the business activities in which the Facilities may engage; and leases with respect to which Sellers are lessor or sublessor.

(c) “Business Day” means a day that is not a Saturday, a Sunday or a day on which banking institutions in the State of Washington are not required to be open.

(d) “Environmental Law” shall mean all applicable Laws and Licenses for or relating to: (i) air emissions, hazardous materials, storage, use and release to the environment of Hazardous Materials, generation, treatment, storage, and disposal of hazardous wastes, wastewater discharges and similar environmental matters, and (ii) the protection and enhancement of the environment (including without limitation the National Environmental Policy Act of 1969, 42 U.S.C. Section 4321 et seq.; Endangered Species Act of 1973, as amended, 16 U.S.C. Section 1531 et seq.; Migratory Bird Treaty Act, 16 U.S.C. Sections 703-712; Magnuson Stevens Fisheries Conservation and Management Act, 16 U.S.C. Section 1801 et seq.; the Washington State Environmental Policy Act of 1971, Chapter 43.21C RCW; Federal Water Pollution Control Act of 1972, 33 U.S.C. Section 1251 et seq.; and state Laws addressing species, impacts to water quality and wetlands).

(e) “Governmental Body” means any federal, state, local, municipal, or other government; any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; and any court or governmental tribunal; including without limitation FERC, the Securities Exchange Commission, the U.S. Department of Fish and Wildlife, the Washington Department of Fish and Wildlife, the U.S. Army Corps of Engineers and each State PUC; but does not include any Seller, Buyer, Buyer Affiliate, or any of their respective successors in interest or any owner or operator of the Facilities (if otherwise a Governmental Body) acting in their role as owner or operator.

(f) “Hazardous Materials” means any chemicals, materials, substances, or items in any form, whether solid, liquid, gaseous, semisolid, or any combination thereof, whether waste materials, raw materials, chemicals, finished products, by-products, or any other materials or articles, which are listed as hazardous, toxic or dangerous under Environmental Law, including without limitation, petroleum products, asbestos, urea formaldehyde foam insulation, lead-containing paints or coatings and “hazardous debris,” “hazardous substances” and “hazardous wastes” as defined by WAC 173-303-040.

(g) “Knowledge” of a party shall mean with respect to such party, the extent of the actual knowledge of the Persons listed on Schedule 1.1(g) with respect to such party, with consultation of documents and Persons under their supervision in the ordinary course of their duties but without further inquiry of other Persons. Actual knowledge of any individual Seller shall not be imputed to any other individual Seller.

(h) “LLC” shall mean “Skookumchuck Dam, LLC,” a Washington limited liability company to be formed for purposes of the LLC Transaction.

(i) “Laws” shall mean all statutes, rules, regulations, ordinances, orders, common law and their legal and equitable principles, and codes of federal, foreign, state and local governmental and regulatory authorities.

(j) "Licenses" shall mean registrations, licenses, permits, authorizations and other consents or approvals of Governmental Bodies.

(k) "Material Adverse Effect": (a) When used with respect to the LLC Interests, means a material adverse effect on the value or transferability of the LLC Interests, (b) when used with respect to the Assets or Facilities, means a material adverse effect on the Assets or Facilities and on the operation thereof, taken as a whole; (c) when used with respect to any portion of the Assets or Facilities, means a material adverse effect on such portion of the Assets or Facilities and on the operation thereof, taken as a whole; and (d) when used with respect to a Person, such as a Seller or Buyer, means a material adverse effect on the business, condition (financial or otherwise) and results of operations of such Person taken as a whole (including any subsidiaries of such entity) or on the ability of such Person to consummate the transactions contemplated hereby.

(l) "Person" means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, or other entity or Governmental Body.

(m) "PUHCA" means the Public Utility Holding Company Act of 1935, as amended, and the rules and regulations promulgated thereunder.

(n) "Release" means any release, spill, emission, leaking, pumping, emptying, dumping, injection, abandonment, deposit, disposal, discharge, dispersal, leaching, or migration of Hazardous Materials (including, without limitation, the abandonment or discarding of Hazardous Materials in barrels, drums, or other containers) into or within the environment, including, without limitation, the migration of Hazardous Materials into, under, on, through, soil, subsurface strata, surface water, groundwater, drinking water supply, any sediments associated with any water bodies, or any other environmental medium, regardless of where such migration originates.

(o) "Safety Program" means the design and implementation of the seismic drilling program contemplated by the Federal Energy Regulatory Commission's ("FERC") letters of March 19, 2003, July 31, 2003 and October 7, 2003 and Sellers' May 1, 2003 and July 30, 2003 letters to FERC which are attached hereto as Exhibit A and as may be further modified pursuant to Section 5.1(b)(ii).

(p) "State PUC" means any state commission with jurisdiction over the rates and charges of one or more Sellers.

(q) "Taxes" shall mean (i) all federal, state, county and local sales, use, real and personal property, recordation and transfer taxes, (ii) all business and occupation taxes, and (iii) any interest, penalties and additions to tax attributable to any of the foregoing, but shall not include income and other taxes described in Section 2.2(c).

(r) "Washington Ruling" shall mean a ruling letter to be issued by the Washington State Department of Revenue in response to the request to be filed by Buyer no earlier than 45 days prior to the Closing seeking confirmation that no Washington State sales or

use tax will be due in respect of (i) the transfer of the Facilities by Sellers to the LLC, and (ii) the transfer of the LLC Interests by Sellers to Buyer.

Section 1.2 Index of Other Defined Terms. In addition to those terms defined above, the following terms shall have the respective meanings given thereto in the Sections indicated below:

<u>Defined Term</u>	<u>Section</u>
AAA	13.9(a)
Agreement	Preamble
Allocation Schedule	2.3
Approvals	8.4
Appurtenant Rights	2.1(b)
Assets	2.1
Buyer	Preamble
Buyer Affiliate	2.5
Chargeable Costs	5.3(a)
Charter Documents	3.2(a)
Claim Notice	12.6
Closing	10.2
Closing Date	10.2
Dam	Recital A
Deductible Amount	12.3(b)(ii)
Distribution Line	2.2(b)
Distribution Line Easement	Schedule 3.7
Equipment	2.1(c)
Escrow Agent	10.3
Excluded Assets	2.2
Facilities	Recital B
Facilities Purchase Price	2.3(a)
FERC	1.1(o)
Indemnitee	12.5
Indemnitor	12.5(a)
LLC Interests	2.1
LLC Transaction	10.1
Losses	12.3(a)
Management Agreement	5.3(a)
Net Book Value	2.3(a)
New Exception	5.4
O&M Costs	5.3(a)
O&M Costs Forecast	5.3(a)(v)
Owned Real Property	2.1(a)
Permitted Encumbrances	3.7
Reservoir	Recital A
Rules	13.9(a)
Sellers	Preamble

Supplemental Report	5.4
Termination Date	11.1(d)
Third Party Claims	12.5(a)
Title Insurer	5.4
Title Policy	8.6(a)
Title Report	5.4

ARTICLE II BASIC TRANSACTIONS

Section 2.1 Purchased Assets. On the terms and subject to the conditions contained in this Agreement, at the Closing Buyer shall, or shall cause the applicable Buyer Affiliate to, purchase, and Sellers shall sell, convey, assign, transfer and deliver to Buyer, or the applicable Buyer Affiliate, all of Sellers' rights, title and interest in the LLC (the "LLC Interests") after Sellers have contributed, conveyed, assigned, transferred and delivered to the LLC the following assets that (except to the extent otherwise noted) are used in the operations of the Facilities (the "Assets"), but excluding all Excluded Assets (as defined in Section 2.2):

(a) All of Sellers' rights, title and interest in and to the real property owned in fee (the "Owned Real Property") that is identified on Schedule 2.1(a), together with all buildings, fixtures and improvements located thereon (including all construction work-in-progress), reserving to PSE the Distribution Line described on Schedule 2.2(b).

(b) All of Sellers' easements, rights of way, licenses, franchises, water rights (including, without limitation, perfected, certificated, or otherwise, to divert, impound, consume or otherwise use waters of the State of Washington) and similar real property rights appurtenant to their ownership of the Owned Real Property or associated with their operation of the Facilities (collectively, the "Appurtenant Rights"), including, without limitation, those identified on Schedule 2.1(b).

(c) The fixed or mobile machinery and equipment, as well as similar items of tangible personal property, including, without limitation those items listed on Schedule 2.1(c) (collectively "Equipment") that are used, owned or leased by Sellers as of the Closing Date, and are used primarily in connection with the ownership or operation of the Facilities and its related support facilities (including Assets temporarily off-site for repair or other purposes), but excluding the Distribution Line described on Schedule 2.2(b).

(d) All of Sellers' rights, title and interest in and to and obligations arising under the Assigned Contracts including, without limitation, those identified on Schedule 2.1(d).

(e) All of Sellers' rights, title and interest in and to and obligations arising under all of the Licenses in favor of Sellers or any Sellers' Affiliates as of Closing that relate to or are necessary for or used in connection with the operation of the Facilities as heretofore operated by Sellers, all of such Licenses being included on Schedule 2.1(e), except for and to the extent that such Licenses relate to Excluded Assets; provided that such Licenses shall be included within the Assets only to the extent they relate exclusively to the Facilities and are lawfully transferable to the LLC.

(f) All of Sellers' rights, title and interest in and to all of the books, records, plans, sepias, drawings, instruction manuals and similar items, whether in written or electronic form, to the extent they relate to the Facilities or the operation thereof, and other procedural manuals of Sellers related primarily to the operation of the Facilities, subject to the rights of Sellers to make copies of and make non-exclusive use of the same and except to the extent such materials are subject to confidentiality or non-disclosure agreements in favor of third parties whose consent to transfer is not obtained.

(g) All of Sellers' rights, title and interest, if any, in and to unexpired warranties as of the Closing that are transferable to the LLC wholly owned by Buyer which Sellers have received from third parties which relate specifically to the Facilities, including, without limitation, warranties set forth in any equipment purchase agreement, construction agreement, lease agreement, consulting agreement or agreement for architectural or engineering services, it being understood that nothing in this paragraph shall be construed as a representation by Sellers that any such unexpired warranty remains enforceable.

(h) All of Sellers' rights, if any, to create, claim, obtain, register or otherwise hold any right to climate change, greenhouse gas or other renewable energy or emission credits or offsets relating to the Assets or their operation with respect to any period of time.

(i) Claims, choses in action, rights of recovery, rights of set-off, rights to refunds and similar rights of any kind in favor of any one or all of Sellers relating to or arising out of the period prior to Closing related to Washington State sales taxes included in the Chargeable Costs, whether such refund is received as a payment or as a credit against future Washington State sales taxes.

(j) Any of the foregoing owned or otherwise held by an Affiliate of a Seller.

Section 2.2 Excluded Assets. The Assets shall not include any of the assets, properties, rights, Licenses, or contracts of Sellers not specifically enumerated in Section 2.1 above, all such other assets, properties, rights, Licenses, and contracts collectively constituting "Excluded Assets," including, without limitation, the following specifically enumerated Excluded Assets:

(a) The fixtures, equipment and other personal property located at the Facilities comprising or constituting a part of the proprietary or specialized communications systems used by any or all of Sellers to communicate between and among their facilities or to transmit voltage and other control data and information utilized in any or all of Sellers' transmission and distribution systems.

(b) The distribution line (the "Distribution Line") described on Schedule 2.2(b) and the Distribution Line Easement described on Schedule 3.7.

(c) Claims, choses in action, rights of recovery, rights of set-off, rights to refunds and similar rights of any kind in favor of any one or all of Sellers relating to or arising out of the period prior to Closing, including, but not limited to, any refund related to real estate taxes paid prior to the Closing, whether such refund is received as a payment or as a credit

against future real estate or other taxes, excluding Washington State sales taxes included in the Chargeable Costs.

(d) Subject to the provisions of Section 2.4, all privileged or proprietary (to any or all of Sellers) materials, documents, information, media, methods, and processes owned by or licensed to any or all of Sellers and any and all rights to use same, including, without limitation, intangible assets of an intellectual property nature such as trademarks, service marks and trade names (whether or not registered), computer software that is proprietary to any or all of Sellers, or the use of which under the pertinent license therefor is limited to operation by any or all of Sellers or their Affiliates or on equipment owned by any or all of Sellers or their Affiliates, all promotional or marketing materials (including all marketing computer software), and any and all trade names under which Sellers or the Facilities prior to Closing have done business or offered programs, and all abbreviations and variations thereof.

(e) The rights of any or all of Sellers under any insurance policy (it being understood, however, that Sellers will have no obligation to take any action under any such policy to seek any recovery except at the reasonable request, and at the sole expense, of Buyer or to continue any such policies in force except to the extent expressly set forth herein).

(f) Any and all rights respecting computer and data processing hardware or firmware that is proprietary to any or all of Sellers and any computer and data processing hardware or firmware, whether or not located at the Facilities, that is part of a computer system the central processing unit of which is not located at the Facilities.

(g) Any and all data and information pertaining to customers of Sellers or their Affiliates, whether or not located at the Facilities.

(h) Miscellaneous assets, if any, identified by category on Schedule 2.2(h), which assets may have been utilized by Sellers in the ownership and operation of the Facilities but which are not intended to be included in the Assets and which are not otherwise enumerated above.

(i) Subject to Section 5.3 respecting certain expenses incurred in connection with the transactions contemplated hereby, any of Sellers' or their Affiliates' liabilities or obligations with respect to franchise taxes and with respect to foreign, federal, state or local taxes imposed upon or measured, in whole or in part, by the income for any period of Sellers or any member of any combined or consolidated group of companies of which any of Sellers are, or were at any time, a part, or with respect to interest, penalties or additions to any of such taxes, and any income, franchise, tax recapture, transfer tax, sales tax or use tax that may arise upon consummation of the transactions contemplated hereby and be due from or payable by Sellers, it being understood that neither the LLC nor Buyer shall be deemed to be Sellers' transferee with respect to any such tax liability.

Sellers may remove at any time or from time to time, up to 90 days following the Closing, any and all of the Excluded Assets from the Facilities (at Sellers' expense, but without charge by Buyer for storage), *provided* that Sellers shall do so in a manner that does not unduly or unnecessarily disrupt Buyer's normal business activities at the Facilities, and *provided further*

that Excluded Assets may be retained at the Facilities pursuant to easements, licenses or similar arrangements retained by Sellers and described above or otherwise in the Schedules to this Agreement.

Section 2.3 Facilities Purchase Price.

(a) The Facilities purchase price shall be \$7,570,373.16, which is PacifiCorp's net book value for the Facilities as of September 30, 2003 multiplied by 2.105 (as contemplated by Section 1.3(b) of the Management Agreement) ("Net Book Value"), adjusted for changes in such Net Book Value of the Facilities from September 30, 2003 to the Closing Date (the "Facilities Purchase Price").

(b) The adjustment described in Section 2.3(a) above shall be determined in accordance with U.S. GAAP and FERC accounting guidelines. The Facilities Purchase Price as so adjusted shall be communicated by written notice to Buyer not less than ten (10) Business Days prior to the Closing. Buyer shall, or shall cause one or more Buyer Affiliates to, pay to Sellers the Facilities Purchase Price in cash at the Closing by wire transfer of immediately available funds in U.S. dollars to an account specified in writing by Sellers to Buyer. Sellers shall give Buyer written notice of the account for the wire transfer not later than the tenth (10th) Business Day prior to the Closing Date.

(c) PacifiCorp and Buyer agree that for all purposes, except Washington property taxes and Washington sales taxes, the Facilities Purchase Price shall be allocated among the Assets in proportion to the Net Book Value as adjusted under this Section 2.3.

Section 2.4 License of Non-Transferred Intangible Assets. Although trade names of Sellers are Excluded Assets, such names appear on certain of the Assets, such as certain fixtures and Equipment, and on supplies, materials, stationery and similar consumable items which may be on hand at the Facilities at the Closing. Notwithstanding that such names are Excluded Assets, the LLC, Buyer and any Buyer Affiliates shall be entitled to use such consumable items for a period of three (3) months following the Closing and shall have up to six (6) months following the Closing to remove such names from fixed Assets, *provided* that none of such parties shall send correspondence or other materials to third parties on any stationery that contains a trade name or trademark of Sellers or any Affiliates of Sellers.

Section 2.5 Assignment of Rights and Obligations to Buyer Affiliate. For purposes of this Agreement, the term "Buyer Affiliate" shall refer to any Affiliate of Buyer to which any of Buyer's rights and obligations hereunder are assigned in compliance with the requirements of this Section. Notwithstanding any contrary provisions contained herein, the parties hereto agree that, prior to and after the Closing, Buyer, in its sole discretion, may assign any or all of its rights and obligations arising under this Agreement or any other agreement contemplated hereby to one or more Buyer Affiliates, *provided* that no such assignment shall relieve Buyer of any obligation or liability to Sellers hereunder or any other agreement contemplated hereby.

Section 2.6 Assumption of Liabilities. Buyer agrees to assume all liabilities related to the Facilities including, but not limited to, the Assigned Contracts and the Safety Program after Closing; *provided, however*, that the obligations set forth on Schedule 2.6 are not to be assumed

by Buyer and are to be released or otherwise discharged by Closing by Sellers pursuant to the terms and conditions of this Agreement.

Section 2.7 Water Flow Agreement. The Water Flow Agreement between Sellers and TransAlta Centralia Generation LLC dated May 4, 2000 is hereby extended to the Closing Date or date of termination of this Agreement.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF SELLERS

Sellers hereby represent and warrant to Buyer, as of the date hereof, as follows, except as set forth in Schedules numbered in relation to the Sections set forth below:

Section 3.1 Authority and Enforceability. The execution, delivery and performance of this Agreement and all other agreements contemplated hereby and the consummation of the transactions contemplated hereby and thereby have been duly authorized by the board of directors or other applicable governing body of each Seller; no other corporate act or corporate proceeding on the part of any Seller is necessary to authorize this Agreement or any other agreement contemplated hereby or the transactions contemplated hereby and thereby. This Agreement has been and other agreements contemplated hereby will be, as of the Closing duly executed and delivered by each of Sellers, and this Agreement constitutes and such other agreements when executed and delivered will constitute, a valid and binding obligation of Sellers, enforceable against Sellers in accordance with its terms, except as it may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to creditors' rights generally and that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding may be brought.

Section 3.2 No Breach or Conflict. Subject to the provisions of Sections 3.3(a) and 3.3(b) below regarding private party and governmental consents, and except for any regulatory or licensing Laws applicable to the businesses and assets represented by the Facilities, the execution, delivery and performance by Sellers of this Agreement and any other agreements contemplated hereby do not:

- (a) conflict with or result in a breach of any of the provisions of the Articles of Incorporation or Bylaws or similar charter documents (the "Charter Documents") of Sellers;
- (b) contravene any Law presently in effect or cause the suspension or revocation of any License presently in effect, which affects or binds Sellers or any of their properties, except where such contravention, suspension or revocation will not have a Material Adverse Effect (as defined below) on the LLC Interests or the Assets and will not affect the validity or enforceability of this Agreement or any other agreement contemplated hereby or the validity of the transactions contemplated hereby and thereby; or
- (c) conflict with or result in a breach of or a default (with or without notice or lapse of time or both) under any material agreement or instrument to which Sellers are a party or by which they or any of their properties may be affected or bound, the effect of which conflict,

breach, or default, either individually or in the aggregate, would be a Material Adverse Effect on the Assets or the LLC Interests.

Section 3.3 Approvals.

(a) Except as set forth on Schedule 3.3(a), the execution, delivery and performance by Sellers of this Agreement and any other agreements contemplated hereby (including the assignment of the non-governmental Assigned Contracts) do not require the authorization, consent or approval of any non-governmental third party of such a nature that the failure to obtain the same would have a Material Adverse Effect on the LLC Interests, the Assets or the Facilities substantially as they have heretofore operated.

(b) Except as set forth on Schedule 3.3(b), the execution, delivery and performance by Sellers of this Agreement and any other agreements contemplated hereby (including the assignment of any Assigned Contracts to which a Governmental Body is a party) do not require the authorization, consent, approval, certification, license or order of, or any filing, with, any court or Governmental Body of such a nature that the failure to obtain the same would have a Material Adverse Effect on the LLC Interests or the Assets.

Section 3.4 Licenses. Except as set forth on Schedule 3.4, all Licenses necessary for the operation of the Facilities at the location and in the manner presently operated, related thereto in any material respect or required in order to consummate or perform the transactions contemplated under this Agreement are set forth on Schedule 2.1(e). Except as identified on Schedule 3.4, all such Licenses are valid and in full force and effect and not subject to termination for default by notice or passage of time or both.

Section 3.5 Compliance with Law. Except as set forth on Schedule 3.5, and except for the matters that are the subject of Sections 3.4 and 3.6 and the Schedules, if any, related thereto, to Sellers' Knowledge, Sellers are in compliance in all material respects with all pertinent Laws and Licenses related to the ownership and operation of the LLC Interests or the Assets, other than violations that would not, individually or in the aggregate, have a Material Adverse Effect on the ownership, use or operation of the LLC Interests or the Assets or on the ability of Sellers to execute and deliver this Agreement or any other agreements contemplated hereby and consummate the transactions contemplated hereby and thereby.

Section 3.6 Hazardous Materials. To Sellers' Knowledge, except as disclosed on Schedule 3.6:

(a) There has not been a Release of Hazardous Material on or otherwise affecting the Assets (other than Releases involving de minimis quantities of Hazardous Materials) that: (i) constitutes an unremedied material violation of any Environmental Law by Sellers or by any third party if the effect of such violation by such third party imposes a current remediation obligation on the part of Sellers; (ii) currently imposes any material release-reporting obligations on Sellers under any Environmental Law that have not been or are not being complied with; or (iii) currently imposes any material clean-up or remediation obligations of Sellers under any Environmental Law.

(b) Sellers, during at least the last three (3) years, have complied, and currently are in compliance, in all material respects, with all Environmental Laws that govern the Assets;

(c) Sellers have all material Licenses required under Environmental Laws for its operation of the Assets, are in compliance in all material respects with all such Licenses and during the three (3) year period preceding the date of this Agreement have not received any notice that: (i) any such existing Licensing will be revoked; or (ii) any pending application for any new such License or renewal of any existing Licensing will be denied;

(d) Sellers have not received any currently outstanding written notice of any material proceedings, action, or other claim or liability arising under any Environmental Laws (including, without limitation, notice of potentially responsible party status under the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §§ 9601 *et seq.* or any state counterpart) from any Person or Governmental Body regarding the Assets; and

(e) No portion of the Assets has ever contained an underground storage tank, surface impoundment or similar device used for the management of wastewater, or other waste management unit dedicated to the disposal, treatment, or long-term (greater than 90 days) storage of Hazardous Materials.

Section 3.7 Title to Assets. Sellers have good, valid and marketable title to the LLC Interests and all tangible real and personal property included in the Assets to be sold, conveyed, assigned, transferred and delivered to the LLC, Buyer or a Buyer Affiliate, as the case may be, by Sellers, free and clear of all liens, charges, claims, pledges, security interests, equities, licenses and encumbrances of any nature whatsoever, except for those created or allowed to be suffered by Buyer or such Buyer Affiliate and except for the following: (i) the lien of current taxes not delinquent, (ii) liens and encumbrances listed on Schedule 3.7 (the "Permitted Encumbrances"), (iii) such consents, authorizations approvals and Licenses referred to in Sections 3.3(a), 3.3(b) and 3.4, (iv) liens, charges, claims, pledges, security, interests, equities and encumbrances which will be discharged or released either prior to, or substantially simultaneously with, the Closing Date (and which Sellers will cause to be discharged or released), and (v) the matters contained in the Assigned Contracts set forth on Schedule 2.1(d) and the Licenses set forth on Schedule 2.1(e).

Section 3.8 Contracts. Except for such matters which individually and in the aggregate do not have a Material Adverse Effect on the LLC Interests or the Assets, or except as otherwise disclosed on Schedule 3.8, to Sellers' Knowledge (a) there is no liability to any third party by reason of the default by Sellers under any Assigned Contract, (b) Sellers have not received notice that any Person intends to cancel or terminate any Assigned Contract nor are they otherwise subject to termination for default by notice or passage of time or both, and (c) all of the Assigned Contracts are in full force and effect; *provided* that notwithstanding clauses (a), (b) and (c) of this Section 3.8, Sellers make no separate representation or warranty under this Section respecting compliance with the provisions of Laws generally, Hazardous Materials, title to or condition of property, Licenses, environmental conditions or Environmental Laws.

Section 3.9 Litigation. Except for (a) ordinary, routine and non-material claims and litigation incidental to the businesses represented by the Assets (including, without limitation, actions for negligence, workers' compensation claims and the like), (b) Governmental Body inspections and reviews customarily made of businesses such as those operated from the Facilities, (c) non-material proceedings before any Governmental Body, (d) proceedings before any Governmental Body that are contemplated by this Agreement (as set forth on Schedule 3.3(b)), and (e) as set forth on Schedule 3.9, there are no actions, suits, claims or proceedings pending, or to Sellers' Knowledge, threatened against or affecting the LLC Interests or the Assets or relating to the operations of the Assets, at law or in equity, or before or by any Governmental Body.

Section 3.10 Brokers. No broker, finder, or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with this Agreement or the transactions contemplated hereby based upon any agreements or arrangements or commitments written or oral, made by or on behalf of Sellers.

Section 3.11 Assets Used in the Operation of the Facilities. Except as delineated on Schedule 3.11, and except for the Excluded Assets, there are no material assets or properties that are used in the conduct of the operations of the Facilities that are owned by Sellers or that individually or in the aggregate are reasonably necessary for the operation of the Facilities as currently operated by Sellers that are not included in the Assets.

Section 3.12 Option Rights. Except as delineated on Schedule 3.12, none of the Persons constituting Sellers, nor to Sellers' Knowledge any other Person, retains any rights of first refusal, option rights or other similar rights to purchase all or any portion of the LLC Interests or the Assets in connection with a contribution of the Assets to the LLC or a sale of the LLC Interests to Buyer pursuant to this Agreement.

Section 3.13 LLC Interests. The LLC Interests that Sellers will transfer to Buyer at the Closing constitute Sellers' entire interest in the LLC and the Assets.

Section 3.14 Liability. Prior to the Closing, the LLC has no direct or indirect liability, indebtedness, obligation, commitment, expense, claim, deficiency, liability for Taxes, guaranty or endorsement of any type, whether accrued, absolute, contingent, matured, unmatured, due or to become due or otherwise.

Section 3.15 Liabilities. Except as otherwise disclosed in this Agreement or on the Schedules attached hereto, to Sellers' Knowledge, there are no other material liabilities associated with the Facilities.

Section 3.16 Appurtenant Rights. Except as disclosed on Schedule 2.2(b), no Seller has any Appurtenant Rights associated with the Facilities that are not being conveyed hereunder or have not been previously conveyed to Buyer or an Affiliate of Buyer. Sellers have at all times taken all reasonable measures, and shall continue to do so through the Closing, to protect and maintain the Appurtenant Rights associated with the Facilities.

Section 3.17 Disregarded Entity. The LLC is and has at all times before and at Closing been a disregarded entity for federal income tax purposes and all applicable state income tax purposes.

Section 3.18 Regulatory Status. Neither Avista nor PSE is, as of the date of this Agreement, a registered holding company under PUHCA or an Affiliate of such a company, and PacifiCorp has received (or will receive as of the Closing) all SEC approvals, if any, required under PUHCA to consummate the transactions contemplated by this Agreement.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Sellers, as of the date hereof, as follows, except as set forth in Schedules numbered in relation to the Sections set forth below:

Section 4.1 Organization and Corporate Power. Buyer is a limited liability company duly incorporated and validly existing under the Laws of, and is authorized to exercise its limited liability company powers, rights and privileges and is in good standing in, the State of Washington and has full corporate power to carry on its business as presently conducted and to own or lease and operate its properties and assets now owned or leased and operated by it and to perform the transactions on its part contemplated by this Agreement and all other agreements contemplated hereby.

Section 4.2 Authority and Enforceability. The execution, delivery and performance of this Agreement and any other agreements contemplated hereby and the consummation of the transactions contemplated hereby and thereby have been duly authorized by the management committee or other applicable governing body of Buyer; no other corporate act or corporate proceeding on the part of Buyer is necessary to authorize this Agreement, any other agreement contemplated hereby, or the transactions contemplated hereby and thereby. This Agreement has been, and other agreements contemplated hereby will be, as of the Closing, duly executed and delivered by Buyer, and this Agreement constitutes, and such other agreements when executed and delivered will constitute, a valid and binding obligation of Buyer, enforceable against Buyer, in accordance with its terms, except as it may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to creditors' rights generally and that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding may be brought.

Section 4.3 No Breach or Conflict. Subject to the provisions of Sections 4.4(a) and 4.4(b) below regarding private party and governmental consents, and except for any regulatory or licensing Laws applicable to the businesses and assets represented by the Facilities, the execution, delivery and performance by Buyer and any Buyer Affiliate of this Agreement and any other agreements contemplated hereby do not:

(a) conflict with or result in a breach of any of the provisions of the Charter Documents of Buyer or any Buyer Affiliate;

(b) contravene any Law presently in effect or cause the suspension or revocation of any License presently in effect, which affects or binds Buyer or any Buyer Affiliate or any of their material properties; or

(c) conflict with or result in a breach of or default under any material agreement or instrument to which Buyer or any Buyer Affiliate is a party or by which it or they or any of their properties may be affected or bound.

Section 4.4 Approvals.

(a) Except as set forth on Schedule 4.4(a), the execution, delivery and performance by Buyer and any Buyer Affiliate of this Agreement and any other agreement contemplated hereby do not require the authorization, consent or approval of any non-governmental third party.

(b) Except as set forth on Schedule 4.4(b), the execution, delivery and performance by Buyer and any Buyer Affiliate of this Agreement and any other agreement contemplated hereby do not require the authorization, consent, approval, certification, license or order of, or any filing with, any court or Governmental Body, to consummate the transactions contemplated hereby and to permit Buyer to acquire the LLC Interests and the LLC to acquire the Assets.

Section 4.5 Litigation. Except as set forth on Schedule 4.5, there are no actions, suits, claims or proceedings pending, or to Buyer's Knowledge, threatened against Buyer or any Buyer Affiliate likely to impair the consummation of the transactions contemplated hereby or otherwise material to such transactions or to Buyer or any Buyer Affiliate, and Buyer is not aware of facts likely to give rise to such litigation.

Section 4.6 Brokers. No broker, finder, or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with this Agreement or the transactions contemplated hereby based upon any agreements or arrangements or commitments, written or oral, made by or on behalf of Buyer.

Section 4.7 Exculpation. BUYER AGREES THAT EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN THIS AGREEMENT, (i) THE ASSETS ARE BEING SOLD ON AN "AS IS" "WHERE IS" BASIS AND IN "WITH ALL FAULTS" CONDITION, (ii) WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, SELLERS MAKE NO WRITTEN OR ORAL REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE FITNESS, CONDITION, MERCHANTABILITY, OR SUITABILITY OF THE ASSETS FOR ANY PARTICULAR PURPOSE OR THE OPERATION OF THE ASSETS BY BUYER, AND (iii) BUYER WAIVES ALL RIGHTS TO CONTRIBUTION, OFFSETS AND DAMAGES WHICH IN ANY MANNER RELATE TO THE COMPLIANCE OF THE FACILITIES WITH ANY LAWS.

Section 4.8 Financing. Buyer has liquid capital or committed sources therefor sufficient to permit it and the pertinent Buyer Affiliates, if any, and the LLC to perform timely its or their obligations hereunder and under any other agreements contemplated hereby.

Section 4.9 No Knowledge of Sellers' Breach. Buyer has no Knowledge of any breach of any representation or warranty by Sellers or of any other condition or circumstance that would excuse Buyer from its timely performance of its obligation hereunder. Buyer shall notify Sellers as promptly as practicable if any such information comes to its attention prior to Closing.

Section 4.10 Qualified for Licenses. To Buyer's Knowledge, Buyer and any pertinent Buyer Affiliate and the LLC are, or by Closing will be, qualified to obtain any Licenses necessary for the operation by Buyer, such Buyer Affiliate or the LLC of the Facilities as of the Closing in substantially the same manner as the Facilities are presently operated by Sellers.

Section 4.11 Buyer Affiliate.

(a) As of the Closing, each Buyer Affiliate will be an entity duly organized, validly existing and in good standing under the Laws of its state of organization. Each Buyer Affiliate will at the Closing have all requisite power and authority to carry on its business as then conducted and to own or lease and operate its properties and assets then owned or leased and operated by it and to perform the transactions on its part contemplated by this Agreement and all other agreements contemplated hereby.

(b) The governing body of each Buyer Affiliate and, if required, its shareholders or other owners, will have, by the date of the Closing, duly and effectively authorized (i) the purchase of the LLC Interests to be purchased by such Buyer Affiliate, and (ii) the execution, delivery and performance of this Agreement and any other agreements contemplated hereby and thereby to which such Buyer Affiliate is a party. No other organizational act or proceeding on the part of any Buyer Affiliate, its governing body or its shareholders or other owners will be necessary to authorize this Agreement or other agreement contemplated hereby and thereby or the transactions contemplated hereby and thereby.

(c) This Agreement and all other agreements contemplated hereby and thereby to which any Buyer Affiliate is a party will, as of the Closing, be duly executed and delivered by each such Buyer Affiliate, and each such agreement, when executed and delivered will constitute, a valid and binding obligation of such Buyer Affiliate, enforceable against such Buyer Affiliate in accordance with its terms, except as it may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to creditors' rights generally and that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding may be brought.

ARTICLE V COVENANTS OF EACH PARTY

Section 5.1 Efforts to Close.

(a) Reasonable Efforts. Subject to the terms and conditions herein provided including, without limitation, Articles 8 and 9 hereof, each of the parties hereto agrees to take all reasonable actions and to do all reasonable things necessary, proper or advisable under applicable Laws to consummate and make effective, as soon as reasonably practicable, the

transactions contemplated hereby, including the satisfaction of all conditions thereto set forth herein. Such action shall also include, without limitation, exerting their reasonable efforts to obtain the consents, authorizations and approvals of all private parties and Governmental Bodies whose consent is reasonably necessary to effectuate the transactions contemplated hereby, and effecting all other necessary registrations and filings. Sellers shall cooperate with Buyer's efforts to obtain the requisite Licenses and regulatory consents, provided Sellers shall not be obligated to incur any liabilities or assume any obligations in connection therewith. Other than Buyer's and Sellers' obligations under Section 5.3, no party shall have any liability to the other parties if, after using its reasonable commercial efforts, it is unable to obtain any consents, authorizations or approvals necessary for such party to consummate the transactions contemplated hereby. As used herein, the terms "reasonable efforts" or "reasonable actions" do not include the provision of any consideration to any third party, the commencement of litigation or the suffering of any economic detriment to a party's ongoing operations for the procurement of any such consent, authorization or approval except for the costs of gathering and supplying data or other information or making any filings, the fees and expenses of counsel and consultants and the customary fees and charges of Governmental Bodies. Furthermore, Sellers and Buyer shall execute and deliver such other agreements, documents and instruments as are required to be delivered by such party prior to Closing to effectuate the transactions contemplated by this Agreement.

(b) Control Over Proceedings.

(i) All analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any party before any Governmental Body (other than any governing board or other governing body of any of the publicly owned utility Sellers) in connection with the approval of the transactions contemplated hereby, or any other matter before any Governmental Body relating to the LLC Interests or the Assets shall be subject to the joint review of Buyer and Sellers, it being the intent that the parties will consult and cooperate with one another, and consider in good faith the views of one another, in connection with any such analysis, appearance, presentation, memorandum, brief, argument, opinion and proposal; *provided* that nothing will prevent a party from responding to a subpoena or other legal process as required by Law or submitting factual information in response to a request therefor. Each party will promptly provide the others with copies of all written communications from Governmental Bodies relating to the approval or disapproval of the transactions contemplated by this Agreement. Nothing in this Agreement shall limit Buyer's ability to intervene in regulatory proceedings related to the LLC Interests or the Assets.

(ii) Notwithstanding the foregoing, Sellers shall not make any change in the Safety Program, which is attached hereto as Exhibit A, without Buyer's prior written consent (which Buyer shall not unreasonably withhold, condition or delay). If Sellers wish to make a change in the Safety Program, they shall first propose the change to Buyer in writing. Buyer shall have ten (10) Business Days in which to disapprove of the proposed change by written notice to Sellers explaining Buyer's reasons for disapproving. If Buyer has not disapproved of the change within the ten (10) Business Day period, it shall be deemed approved.

(iii) Notwithstanding the foregoing, to the extent that FERC requires a change in the Safety Program and such change was not sought by Sellers, Sellers shall have the right to implement such change in compliance with directives from FERC, *provided however*, Sellers shall promptly notify Buyer of such directives and shall allow Buyer to participate in any communication or proceedings related to the implementation of such change.

Section 5.2 Post-Closing Cooperation. After the Closing, upon prior reasonable written request, each party shall cooperate with the other parties in furnishing records, information, testimony and other assistance in connection with any inquiries, actions, audits, proceedings or disputes involving any of the parties hereto (other than in connection with disputes between the parties hereto) and based upon contracts, arrangements or acts of Sellers which were in effect or occurred on or prior to Closing and which relate to the LLC Interests or the Assets, including, without limitation, arranging discussions with (and the calling as witness of) officers, directors, employees, agents, and representatives of the LLC, Buyer and any Buyer Affiliates. The requesting party shall in each instance be responsible for payment of any costs and expenses reasonably incurred by any other party in affording such cooperation, including any out-of-pocket expenses reasonably incurred by such party to third parties; *provided, however*, that in no event shall the costs and expenses for which any such requesting party shall be liable include any wages or other benefits paid or provided by any such cooperating party to its officers, directors or employees.

Section 5.3 Expenses. Whether or not the transactions contemplated hereby are consummated, except as otherwise provided in this Agreement, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby or thereby shall be paid by the party incurring such expenses except as follows:

(a) O&M Costs. The "O&M Costs" shall be equal to 100% of the Chargeable Costs incurred on or after May 4, 2002 until the Closing. "Chargeable Costs" shall have the same meaning given to that term in the Management Agreement between Sellers and TransAlta Centralia Generation LLC, dated May 4, 2000, which is hereby extended to the Closing Date or date of termination of this Agreement (the "Management Agreement"); *provided, however*, (i) Chargeable Costs shall also include Sellers' costs associated with the Safety Program to the extent such costs are incurred while the Management Agreement remains in effect, and (ii) except as otherwise provided in Section 5.3(a)(ii), the \$300,000 annual cap on Chargeable Costs contemplated in Section 4.2 of the Management Agreement shall cease to apply effective on and after May 4, 2002.

(i) O&M Costs Payment Due at Execution. Unless otherwise agreed to by PacifiCorp and Buyer in writing, on the execution date of this Agreement Buyer shall, or shall cause one or more Buyer Affiliates to, pay to PacifiCorp \$477,067.46 (which is the total amount of the O&M Costs from May 4, 2002 to September 30, 2003) in cash by wire transfer of immediately available funds in U.S. dollars to an account specified in writing by PacifiCorp to Buyer. PacifiCorp shall give Buyer written notice of the account for the wire transfer not later than the tenth (10th) Business Day prior to the execution date of this Agreement.

(ii) O&M Costs Payment Due at Closing or Termination. PacifiCorp will inform Buyer in writing, at least ten (10) Business Days prior to the Closing Date, or within ten (10) Business Days following the date of termination of this Agreement, as the case may be, of the amount of O&M Costs PacifiCorp has incurred and received invoices for after September 30, 2003 that are not included in the O&M Costs payment due at execution under Section 5.3(a)(i). Buyer shall, or shall cause one or more Buyer Affiliates to, pay to PacifiCorp such amount in cash by wire transfer of immediately available funds in U.S. dollars not later than the Closing Date, or ten (10) Business Days following Buyer's receipt of PacifiCorp's notice of the amount due after termination, as the case may be, to an account specified in writing by PacifiCorp to Buyer. PacifiCorp shall give Buyer written notice of the account for the wire transfer not later than the tenth (10th) Business Day prior to the Closing Date, or concurrently with PacifiCorp's notice of the amount due after termination, as the case may be. Notwithstanding the foregoing, if this Agreement is terminated by Buyer or Sellers pursuant to Section 11.1(b); by Buyer pursuant to Section 11.1(c); by Buyer pursuant to Section 11.1(d)(ii)(B); or by Buyer pursuant to Section 5.4, 8.6(b), 8.7(a) or 8.7(b); then the \$300,000 annual cap on Chargeable Costs contemplated in Section 4.2 of the Management Agreement shall be reinstated effective September 30, 2003.

(iii) O&M Costs Payment Due Post-Closing or Post-Termination. PacifiCorp will inform Buyer in writing, within 90 days after the Closing Date or date of termination of this Agreement, of the amount of O&M Costs PacifiCorp has incurred prior to the Closing Date or date of termination, and received invoices for prior to or after the Closing Date or date of termination, as the case may be, that are not included in the O&M Costs payment due at Closing or termination under Section 5.3(a)(ii). Buyer shall, or shall cause one or more Buyer Affiliates to, pay to PacifiCorp such amount in cash by wire transfer of immediately available funds in U.S. dollars not later than the tenth (10th) Business Day after Buyer's receipt of PacifiCorp's notice of the amount due, to an account specified in writing by PacifiCorp to Buyer. PacifiCorp shall give Buyer written notice of the account for the wire transfer not later than the tenth (10th) Business Day prior to the Closing Date, or concurrently with PacifiCorp's notice of the amount due after termination, as the case may be. The payment schedule set out in Sections 5.3(a)(ii) and 5.3(a)(iii) is in lieu of the monthly invoicing and payment schedule contemplated by Sections 4.1 and 4.2 of the Management Agreement.

(iv) Safety Program. In order to comply with the Safety Program, Sellers have determined to initiate actions necessary to implement the Safety Program. Until the Closing Date or date of termination of this Agreement, PacifiCorp will use commercially reasonable efforts to negotiate and implement a reasonable Safety Program for the Facilities. Sellers will inform and consult with Buyer during the Safety Program on all matters related to the Safety Program including, costs and projected costs associated with the Safety Program, the schedule for the Safety Program, the scope of the Safety Program and correspondence with FERC.

(v) O&M Costs Forecast. PacifiCorp shall make reasonable efforts to keep Buyer promptly informed about O&M Costs and shall provide Buyer with a three (3) month forecast of O&M Costs expenditures updated on a monthly basis between

execution of this Agreement and the Closing Date ("O&M Costs Forecast"). The first such three (3) month O&M Costs Forecast is attached hereto as Exhibit B. The O&M Costs Forecast shall include as a line item Sellers' costs for designing and implementing the Safety Program during the period covered by the O&M Costs Forecast. Sellers shall not make O&M Costs expenditures in excess of 110% of the total amounts and schedules set forth in the O&M Costs Forecast without Buyer's prior written consent (which Buyer shall not unreasonably withhold, condition or delay). Buyer shall have the right to audit the O&M Costs Forecast and associated invoices, which right shall not be exercised more than once every six (6) months plus one audit prior to each payment contemplated by this Section 5.3(a).

(b) Costs associated with a preliminary title report and a title insurance policy shall be borne by Sellers up to the costs that would have been incurred had the title policy been standard coverage policies of title insurance, and the remaining costs, if any, including costs for extended coverage, any endorsements and any survey shall be borne by Buyer.

(c) Recording costs and charges respecting the transfer of the real property to the LLC (and escrow fees) will be borne one-half by Buyer and one-half by Sellers.

(d) All fees and charges of Governmental Bodies shall be borne by the party incurring the fee or charge, except that all fees and charges of Governmental Bodies in connection with the transfer, issuance or authorization of any License shall be borne by Buyer.

(e) All liabilities or obligations for Taxes in the nature of sales or use taxes or real estate excise taxes incurred as a result of the contribution of the Assets to the LLC or the sale of the LLC Interests hereunder to Buyer shall be borne by Buyer.

(f) Each party will bear its own expenses in preparing regulatory filings and seeking required consents and approvals.

(g) All costs of any "Phase I" and "Phase II" (if recommended by the Phase I) environmental site assessments to be conducted by Buyer's representatives and any additional environmental investigations shall be borne by Buyer.

All such charges and expenses shall be promptly settled between the parties at the Closing or upon termination or expiration of further proceedings under this Agreement, or with respect to such charges and expenses not determined as of such time, as soon thereafter as is reasonably practicable.

Section 5.4 New Exceptions to Title. The Parties acknowledge receipt of a Commitment for Title Insurance issued by Stewart Title Guaranty Company (the "Title Insurer") (Commitment No. 108490-BJ) dated July 15, 2003 (the "Title Report"). The Parties anticipate that after the date of this Agreement, the Title Insurer may issue a supplemental title report or reports (each, a "Supplemental Report") with respect to the Owned Real Property. If a Supplemental Report discloses an exception to title that is not a Permitted Encumbrance and is not a monetary lien or an interest of Washington Irrigation and Development Company that is to be satisfied or removed by Sellers on or before the Closing Date (a "New Exception"), Buyer

shall have 30 days after receipt of the Supplemental Report in which to notify Sellers in writing of Buyer's disapproval of any New Exception shown in the Supplemental Report. If Buyer fails to so notify Seller of its disapproval of any New Exception within such period, such exception shall be deemed a Permitted Encumbrance and set forth on Schedule 3.7. If Buyer notifies Seller of its disapproval of one or more New Exceptions, Seller shall have sixty (60) days to (i) remove the disapproved exception(s) and proceed to Closing; or (ii) refuse to remove the disapproved exception(s), in which case Buyer may elect to waive its objection and proceed to Closing or, if such exception would adversely affect the operation of the Facilities after Closing for their intended purposes, terminate this Agreement without liability to either Buyer or Sellers. This Section 5.4 sets forth Buyer's exclusive remedy with respect to any New Exception to title.

ARTICLE VI ADDITIONAL COVENANTS OF SELLERS

Sellers hereby additionally covenant, promise and agree as follows:

Section 6.1 Access. PacifiCorp, on behalf of Sellers, will afford Buyer, and the counsel, accountants and other representatives of Buyer, reasonable access, throughout the period from the date hereof to the Closing Date or date of termination of this Agreement, to the Assets and the managerial and technical personnel associated therewith and all the properties, books, contracts, commitments, and records included in the Assets which Sellers have in their possession or to which they have access in order to facilitate transition planning. Such access shall be afforded to Buyer after no less than 24 hours' prior written notice, during normal business hours and only in such manner as not to disturb or interfere with the normal operation of Sellers. PacifiCorp's covenants under this Section are made with the understanding that Buyer shall use all such information in compliance with all Laws. Notwithstanding the foregoing, Buyer acknowledges and agrees that Buyer's access to the books and records of the Assets shall not include access to, and PacifiCorp shall not have any obligation to deliver to Buyer, any information concerning any alleged dispute or any pending litigation, investigation or proceeding involving Sellers or their Affiliates that is protected by or subject to the attorney-client privilege, or the disclosure of which is restricted by an agreement entered into in connection with such dispute, litigation, investigation or proceeding or an order entered by any court.

Section 6.2 Updating. Sellers shall notify Buyer of any changes or additions to any of Sellers' Schedules to this Agreement with respect to the Assets by the delivery of updates thereof, if any, as of a reasonably current date prior to the Closing. No such updates made pursuant to this Section shall be deemed to cure an inaccuracy of any representation or warranty made in this Agreement as of the date hereof, unless Buyer specifically agrees thereto in writing nor shall any such notification be considered to constitute or give rise to a waiver by Buyer of any condition set forth in this Agreement. Without limiting the generality of the foregoing, Sellers shall notify Buyer promptly of the occurrence of any material casualty, physical damages, destruction or physical loss respecting, or, to Sellers' Knowledge, material adverse change in the physical condition of, the Facilities, not including ordinary wear and tear and routine maintenance. Sellers will promptly report to Buyer with respect to matters and events that, to Sellers' Knowledge, could have a Material Adverse Effect on the LLC Interests or the Assets and shall timely provide Buyer with copies of relevant documents and notices. Sellers shall consult

and cooperate with Buyer in good faith in regard to such matters and events and incorporate Buyer's suggestions where they deem reasonably appropriate.

Section 6.3 Conduct Pending Closing. Prior to consummation of the transactions contemplated hereby or the termination or expiration of this Agreement pursuant to its terms, unless Buyer shall otherwise consent in writing, which consent shall not be unreasonably withheld or delayed, and except for actions taken pursuant to Assigned Contracts, or which are required by Law, License or arise from or are related to the anticipated transfer of the Assets or as otherwise contemplated by this Agreement or disclosed on Schedule 6.3 or another Schedule to this Agreement, Sellers shall:

(a) Operate and maintain the Assets in a workmanlike manner and only in the usual and ordinary course, materially consistent with practices followed prior to the execution of this Agreement;

(b) Except as required by their terms, not amend, terminate, renew, or renegotiate any existing material Assigned Contract or enter into any new Assigned Contract, except in the ordinary course of business and consistent with practices of the recent past, or default (or take or omit to take any action that, with or without the giving of notice or passage of time, would constitute a default) in any of their obligations under any such contracts;

(c) Not (i) sell, lease, transfer or dispose of, or make any contract for the sale, lease, transfer or disposition of, the LLC Interests or any assets or properties which would be included in the Assets, other than sales in the ordinary course of business which would not individually, or in the aggregate, have a Material Adverse Effect upon the operations or value of the Facilities or the LLC Interests; (ii) incur, assume, guaranty, or otherwise become liable in respect of any indebtedness for money borrowed which would result in the LLC or Buyer assuming such liability hereunder after the Closing; (iii) delay the payment and discharge of any liability because of the transactions contemplated hereby; or (iv) encumber or voluntarily subject to any lien any Asset or LLC Interest (except for Permitted Encumbrances); or (v) sell, lease, transfer or dispose of, to any Seller or any Affiliate of any Seller, any LLC Interest or any assets or properties which would be included in the Assets, or remove any such assets or property to or for the benefit of any Seller or any Affiliate of any Seller;

(d) Maintain in force and effect the material property and liability insurance policies related to the Assets;

(e) Subject to Section 6.2, not take any action which would cause any of Sellers' representations and warranties set forth in Article 3 to be materially false as of the Closing;

Provided that nothing in this Section shall (i) obligate Sellers to make expenditures other than in the ordinary course of business and consistent with good utility practices (including, without limitation, compliance with Laws, Licenses and Assigned Contracts) of the recent past or to otherwise suffer any economic detriment, (ii) preclude Sellers from paying, prepaying or otherwise satisfying any liability, (iii) preclude Sellers from incurring any liabilities or obligations to any third party in connection with obtaining such party's consent to any

transaction contemplated by this Agreement or any other agreement contemplated hereby, or (iv) preclude Sellers from instituting or completing any program designed to promote compliance or comply with Laws or other good business practices respecting the Facilities.

Section 6.4 State PUC Determinations. Each of Avista, PacifiCorp and PSE shall seek a specific determination that allowing the Facilities to be an "eligible facility" within the meaning of Section 32(a)(2) of PUHCA will (a) benefit consumers, (b) is in the public interest, and (c) does not violate state Laws, from (x) each State PUC with jurisdiction over any of such Seller's rates or charges for, or in connection with, the construction of the Facilities, or for electric energy produced by the Facilities (other than any portion of a rate or charge which represents recovery of the cost of a wholesale rate or charge for electric energy produced by the Facilities) that was in effect as of October 25, 1992, and (y) if such Seller is an Affiliate of a registered holding company under PUHCA, any other State PUC having jurisdiction over the rates and charges of the registered holding company's Affiliates.

Section 6.5 Disregarded Entity Documentation. Sellers shall, promptly and timely after the Closing, deliver to Buyer a copy of the notification received from the Internal Revenue Service approving the classification of the LLC as a disregarded entity, as contemplated in Section 3.17.

ARTICLE VII ADDITIONAL COVENANTS OF BUYER

Section 7.1 Resale Certificate. Buyer agrees, and will cause each Buyer Affiliate, to furnish to Sellers any resale certificate or certificates or other similar documents reasonably requested by Sellers to comply with pertinent sales and use tax Laws.

Section 7.2 Conduct Pending Closing. Prior to consummation of the transactions contemplated hereby or the termination or expiration of this Agreement pursuant to its terms, unless Sellers shall otherwise consent in writing, which consent shall not be unreasonably withheld or delayed, and except for actions which are required by Law or arise from or are related to the anticipated transfer of the LLC Interests and the Assets, Buyer shall not take any action which would cause any of Buyer's representations and warranties set forth in Article 4 to be materially false as of the Closing.

Section 7.3 EWG Application. Buyer shall, either prior to the Closing, concurrently with the Closing or promptly and timely after the Closing (as appropriate), file with FERC with respect to the LLC Interests and the Assets (i) an exempt wholesale generator application, and (ii) a qualifying facility self certification; *provided, however*, Closing shall not await any decision or further action by FERC.

ARTICLE VIII BUYER'S CONDITIONS TO CLOSING

The obligations of Buyer to consummate the transactions contemplated with respect to the LLC Interests and the Facilities shall be subject to fulfillment at or prior to the Closing of the following conditions, unless Buyer waives in writing such fulfillment.

Section 8.1 Performance of Agreement. Except for such matters which individually and in the aggregate do not have a Material Adverse Effect on the Facilities or on the Assets or the LLC Interests, Sellers shall have performed in all material respects their agreements and obligations contained in this Agreement required to be performed on or prior to the Closing.

Section 8.2 Accuracy of Representations and Warranties. The representations and warranties of Sellers set forth in Article 3 of this Agreement shall be true in all material respects as to the Assets or the LLC Interests in question and as of the date of this Agreement (unless the inaccuracy or inaccuracies which would otherwise result in a failure of this condition have been cured as of the Closing) and as of the Closing (as updated by the revising of Schedules contemplated by Section 6.2) as if made as of such time, provided that any such update shall not have disclosed any change in the physical condition, ownership, or transferability of the Assets or the LLC Interests that would have a Material Adverse Effect on the Assets or the LLC Interests.

Section 8.3 Officers' Certificate. Buyer shall have received from Sellers an officers' certificate, executed on behalf of each Seller by its chief executive officer, president, vice president, chief financial officer or treasurer (in his or her capacity as such) dated the Closing Date and stating that to the Knowledge of such individual, the conditions in Sections 8.1 and 8.2 above have been met with respect to such Seller.

Section 8.4 Approvals. All approvals, consents, authorizations and waivers from Governmental Bodies (as delineated on Schedules 3.3(b) and 4.4(b)) and all approvals, consents, authorizations and waivers from other third parties (collectively "Approvals") required for Sellers to transfer the Assets to the LLC and for Buyer to purchase the LLC Interests and operate the Facilities materially in accordance with the manner in which they were operated by Sellers prior to the Closing, shall have been obtained and (if Buyer is affected by any such approval) shall be in form and substance (including the regulatory treatment and financial impacts thereof on Buyer) satisfactory to Buyer in its reasonable discretion.

Section 8.5 No Restraint. There shall be no:

(a) Injunction, restraining order or order of any nature issued by any court of competent jurisdiction or Governmental Body which directs that the transactions contemplated hereby shall not be consummated as herein provided or compels or would compel Buyer to dispose of or discontinue, or materially restrict the operations of, the Facilities or any significant portion of the Assets with respect thereto or the LLC Interests as a result of the consummation of the transactions contemplated hereby;

(b) Suit, action or other proceeding by any Governmental Body pending or threatened (pursuant to a written notification), wherein such complainant seeks the restraint or prohibition of the consummation of the transactions contemplated hereby or seeks to compel, or such complainant's actions would compel, Buyer to dispose of or discontinue, or materially restrict the operations of, the Facilities or any significant portion of the Assets or the LLC Interests as a result of the consummation of the transactions contemplated hereby; or

(c) Action taken, or Law enacted, promulgated or deemed applicable to the transactions contemplated hereby, by any Governmental Body which would render the purchase and sale of the LLC Interests illegal or which would threaten the imposition of any penalty or material economic detriment upon Buyer if such purchase and sale were consummated;

Provided that the parties shall use their reasonable efforts to litigate against, and to obtain the lifting of, any such injunction, restraining or other order, restraint, prohibition, action, suit, Law or penalty.

Section 8.6 Title Insurance.

(a) Title Policy. The commitment by the Title Insurer (or an Affiliate thereof) or other title company mutually acceptable to the parties to issue at regular rates an ALTA owner's, or lessee's, as the case may be, extended coverage policy of title insurance (1990 Form B) in the coverage amount of \$3,800,000.00 (the "Title Policy"), with the general survey and creditors' rights exceptions removed, showing title to such interests in such real property vested in the LLC. Such Title Policy shall show title vested in the LLC, subject only to the Permitted Encumbrances.

(b) Evidence of Commitment. The commitment of the Title Insurer to issue the Title Policy shall be evidenced either by the issuance thereof at the Closing or by the Title Insurer's delivery of written commitments or binders, dated as of the Closing, to issue such Title Policy within a reasonable time after the Closing Date, subject to actual transfer of the real property in question. If the Title Insurer is unwilling to issue any such Title Policy, it shall be required to provide Buyer and Sellers, in writing, notice setting forth the reason(s) for such unwillingness as soon as practicable. Sellers shall have the right to seek to cure any defect which is the reason for such unwillingness, and to extend the Closing and the Termination Date, if necessary, for a period of up to ten (10) Business Days to provide to Sellers the opportunity to cure. In the event that, despite Sellers' efforts to cure, the Title Insurer remains unwilling to issue any such Title Policy on the Closing Date (as may be extended as provided herein), then Buyer, at its option, may terminate this Agreement. Notwithstanding the foregoing, Buyer or the pertinent Buyer Affiliate may accept such title to any such property interests as Sellers may be able to convey, and such title insurance with respect to the same as the Title Insurer is willing to issue, in which case such interests shall be conveyed as part of the Assets without reduction of the Facilities Purchase Price or any credit or allowance against the same and without any other liability on the part of Sellers.

Section 8.7 Casualty; Condemnation.

(a) Casualty. If any part of the Facilities is damaged or destroyed (whether by fire, theft, vandalism or other casualty) in whole or in part prior to the Closing, and the Net Book Value of the damaged or destroyed Assets or the cost of repair of the Assets that were damaged or destroyed is less than 15 percent of the aggregate Facilities Purchase Price, Sellers shall, at their option, either (i) reduce the Facilities Purchase Price by the lesser of the Net Book Value of the Assets damaged or destroyed (such value to be determined as of the date immediately prior to such damage or destruction), or the estimated cost to repair or restore the same, (ii) upon the Closing, transfer the proceeds or the rights to the proceeds of applicable insurance to Buyer,

provided that the proceeds or the rights to the proceeds are obtainable without delay and are sufficient to fully restore the damaged or destroyed Assets, or (iii) repair or restore such damaged or destroyed Assets and, at Sellers' election, delay the Closing and the Termination Date for a reasonable time necessary to accomplish the same. If any part of the Assets related to the Facilities are damaged or destroyed (whether by fire, theft, vandalism or other cause or casualty) in whole or in part prior to the Closing and the lesser of the Net Book Value of such Assets or the cost of repair is greater than 15 percent of the aggregate Facilities Purchase Price, then Buyer may elect to terminate this Agreement or require Sellers upon the Closing to transfer the proceeds (or the right to the proceeds) of applicable insurance to Buyer and Buyer may restore or repair the Assets.

(b) Condemnation. From the date hereof until the Closing, in the event that any material portion of the Facilities becomes subject to or is threatened with any condemnation or eminent domain proceedings, then Buyer, at its option, may, (i) if such condemnation, if successful, would not practically preclude the operation of the balance of the Facilities for the purposes for which it was intended, elect to terminate this Agreement with respect only to that part which is condemned or threatened to be condemned with a reduction in the Facilities Purchase Price determined as provided in Section 8.7(a) above, or (ii) if such condemnation, if successful, would practically preclude the operation of the balance of the Facilities for purposes for which it is intended, elect to terminate this Agreement.

Section 8.8 Receipt of Other Documents. Buyer shall have received the following:

(a) Copies of all current Licenses relevant to operation of the Facilities and all third party and Governmental Body consents, permits and authorizations that Sellers have received in connection with this Agreement and any other agreement contemplated hereby and the transactions contemplated hereby and thereby to occur at the Closing; and

(b) All other documents, instruments and writings required to be delivered to Buyer at or prior to Closing pursuant to the Agreement and such other certificates of authority and documents as Buyer reasonably requests.

Section 8.9 All Sellers. All of the Persons constituting Sellers shall have delivered all documents, instruments and writings required to be delivered to Buyer at or prior to Closing pursuant to this Agreement and none of the Persons constituting Sellers shall have retained any rights, title or interest in any of the Assets or the LLC Interests except for the Excluded Assets.

Section 8.10 Material Adverse Effect. There shall not have been an impairment of any Asset or the LLC Interests, as a result of a degradation of its physical condition, a change in Law, a change to, modification in or amendment to (by order or otherwise) any License, or a provision of any Approval that could reasonably be expected to have a Material Adverse Effect on the LLC Interests or Buyer's ability to operate the Facilities.

Section 8.11 LLC Contribution. Sellers shall have contributed, transferred, conveyed and assigned all rights, title and interest in the Assets to the LLC in a manner and in form and substance reasonably satisfactory to Buyer.

**ARTICLE IX
SELLERS' CONDITIONS TO CLOSING**

The obligations of Sellers to consummate the transactions contemplated hereby with respect to the LLC Interests and the Facilities shall be subject to the fulfillment at or prior to the Closing of the following conditions, unless Sellers waive in writing such fulfillment.

Section 9.1 Performance of Agreement. Buyer shall have performed in all material respects its agreements and obligations contained in this Agreement required to be performed on or prior to the Closing.

Section 9.2 Accuracy of Representations and Warranties. The representations and warranties of Buyer set forth in Article 4 of this Agreement shall be true in all material respects as of the date of this Agreement (unless the inaccuracy or inaccuracies which would otherwise result in a failure of this condition have been cured by the Closing) and as of the Closing as if made as of such time.

Section 9.3 Officers' Certificate. Sellers shall have received from Buyer an officers' certificate, executed on Buyer's behalf by its chief executive officer, president, chief financial officer or treasurer (in his or her capacity as such) dated the Closing Date and stating that to the Knowledge of such individual, the conditions in Sections 9.1 and 9.2 above have been met.

Section 9.4 Approvals. All approvals, consents, authorizations and waivers from Governmental Bodies as delineated on Schedule 3.3(b) shall have been obtained in form and substance (including the regulatory treatment and financial impacts thereof) satisfactory to each Seller affected by any such approval in its reasonable discretion. All approvals, consents, authorizations and waivers from other third parties required for Sellers to transfer the Assets to the LLC and for Buyer to purchase the LLC Interests shall have been obtained.

Section 9.5 No Restraint. There shall be no:

(a) Injunction, restraining order or order of any nature issued by any court of competent jurisdiction or Governmental Body which directs that the transactions contemplated hereby shall not be consummated as herein provided;

(b) Suit, action or other proceeding by any Governmental Body pending or threatened (pursuant to a written notification), wherein such complainant seeks the restraint or prohibition of the consummation of the transactions contemplated hereby or otherwise constrains consummation of such transactions on the terms contemplated herein; or

(c) Action taken, or Law enacted, promulgated or deemed applicable to the transactions contemplated hereby, by any Governmental Body which would render the purchase and sale of the LLC Interests, the Facilities and related Assets illegal or which would threaten the imposition of any penalty or material economic detriment upon Sellers if such transactions were consummated;

Provided that the parties will use their reasonable efforts to litigate against, and to obtain the lifting of, any such injunction, restraining or other order, restraint, prohibition, action, suit, Law or penalty.

Section 9.6 Receipt of Other Documents. Sellers shall have received the following:

(a) Copies of all current Licenses of Buyer and each pertinent Buyer Affiliate relevant to operation of the Facilities and all third party and Governmental Body consents, permits and authorizations that Buyer and each pertinent Buyer Affiliate has received in connection with this Agreement and any other agreements contemplated hereby; and

(b) All other documents, instruments and writings required to be delivered to Sellers at or prior to Closing pursuant to this Agreement and such other certificates of authority and documents as Sellers reasonably request.

ARTICLE X CLOSING

Section 10.1 LLC Transaction. If, as of the first day that the Closing may occur pursuant to Section 10.2, the Washington Ruling has been issued, immediately prior to the Closing Sellers shall, and shall cause the LLC to, take all actions necessary to consummate, and shall consummate, the transactions described in the Washington Ruling in order to allow Buyer to obtain the Washington State sales tax benefits contemplated thereby (collectively, the "LLC Transaction"). Without limiting the generality of the foregoing, the parties agree that immediately prior to the Closing, all of the Assets will be contributed by Sellers to the LLC in exchange for all the membership interests in the LLC. If at such time the Washington Ruling has not issued, the parties shall promptly negotiate in good faith amendments to this Agreement that will provide for the conveyance of the Assets by Sellers directly to Buyer with such amended Agreement being substantially in the form of this Agreement. The parties will endeavor to execute such amended Agreement prior to the last date the Closing may occur pursuant to Section 10.2. In no event, however, shall the failure of the Washington Ruling to timely issue or the failure of the parties to amend this Agreement be a condition to Closing hereunder.

Section 10.2 Closing. Subject to the terms and conditions hereof, the consummation of the transactions contemplated hereby (the "Closing") shall occur at the offices of Stoel Rives LLC in Seattle, Washington, or a mutually agreeable place or places within five (5) Business Days after all of the conditions set forth in Article 8 and Article 9 hereof have been satisfied or waived or at such other time as the parties may agree, but in no event later than the Termination Date set forth in Section 11.1(d). The date on which the Closing actually occurs is referred to herein as the "Closing Date." The Closing shall be effective for all purposes at 11:59 p.m., Pacific Time, on the Closing Date. At the Closing and subject to the terms and conditions of this Agreement, the following will occur:

(a) Deliveries by Sellers. Sellers shall deliver to the LLC such instruments of transfer and conveyance properly executed and acknowledged by Sellers in customary form mutually agreed to by Sellers and Buyer necessary to transfer to and vest in the LLC all of

Sellers' rights, title and interest in and to the Assets or which may be required by the Title Insurer, including, without limitation:

- (i) Bills of sale and assignment in respect of the Assets;
 - (ii) Special Warranty Deeds in the form attached as Exhibit C, properly executed and acknowledged by Sellers with respect to each of the Owned Real Property included in the Assets, and related excise tax affidavits executed by both Sellers and Buyer (provided that Seller shall not be required to deliver Statutory Warranty Deeds or Statutory Bargain and Sale Deeds);
 - (iii) Assignment and assumption agreements properly executed and acknowledged by Sellers with respect to each Assigned Contract included in the Assets;
 - (iv) Instruments of transfer, sufficient to transfer personal property interests that are included in the Assets but not otherwise transferred by the bills of sale and assignment referred to in clause (i) above, properly executed and acknowledged in the form customarily used in commercial transactions in Washington; and
 - (v) Possession of the Assets which shall include, without limitation, keys, codes, passcodes and/or combinations to all locks and vehicles.
- (b) Sellers shall deliver to Buyer an assignment of all of the interests in the LLC.
- (c) Sellers shall deliver to Buyer a copy of Form 8832 as filed with the Internal Revenue Service (regarding the classification of the LLC as a disregarded entity), as contemplated in Section 3.17.
- (d) Deliveries by Buyer. Buyer shall, or shall cause Buyer Affiliates to, deliver to Sellers immediately available funds, by way of wire transfer to an account or account designated by Sellers, in an aggregate amount equal to the Facilities Purchase Price and such instruments of assumption properly executed and acknowledged by Buyer and the pertinent Buyer Affiliates in customary form mutually agreed to by Buyer and Sellers necessary for Buyer to assume the liabilities described in Section 2.6, including, without limitation:
- (i) Assignment and assumption agreements properly executed and acknowledged by Buyer and the pertinent Buyer Affiliates with respect to each Assigned Contract included in the Assets; and
 - (ii) An assumption agreement or assumption agreements in favor of Sellers.

Section 10.3 Escrow. If either Buyer or Sellers desire to consummate the Closing through an escrow, an escrow shall be opened with, and the escrow agent shall be, the Title Insurer or an Affiliate thereof (the "Escrow Agent"), by depositing a fully executed copy of this Agreement with the Escrow Agent to serve as escrow instructions. This Agreement shall be considered the primary escrow instructions between the parties, but the parties shall execute such

additional standard escrow instructions as the Escrow Agent shall require in order to clarify the duties and responsibilities of the Escrow Agent. In addition, prior to the Closing the parties shall provide the Escrow Agent with an estimated closing statement setting forth the parties' best estimate of all of the closing costs to be paid by the parties. Within 30 days after the Closing Date, Escrow Agent shall prepare a final closing statement reflecting the actual final closing costs and provide it to Buyers and Sellers for review. Any adjustments required pursuant to the final closing statement shall be paid by the owing party within 45 days after the Closing Date. In the event of any conflict between this Agreement and such additional standard escrow instructions, this Agreement shall prevail. If the Closing is to be consummated through the Escrow Agent, the parties shall deliver the funds, instruments of sale, assignment, conveyance and assumption called for by Section 10.2 to the Escrow Agent, and on the Closing Date, the Escrow Agent shall close the escrow by:

- (a) Causing the deeds for the Owned Real Property and any other documents which the parties may mutually designate to be recorded in the official records of the appropriate counties in which the pertinent Assets are located;
- (b) Delivering to Sellers by wire transfer of immediately available funds, to an account or accounts designated by Sellers, the amounts called for in Section 10.2; and
- (c) Delivering to Buyer or Sellers, as the case may be, the other instruments referred to in Section 10.2.

Section 10.4 Prorations. Items of expense and income (if any) affecting the Assets that are customarily prorated, including, without limitation, real and personal property taxes and assessments, utility charges, charges arising under leases, insurance premiums, and the like, shall be prorated between Sellers and Buyer and the pertinent Buyer Affiliates as of the Closing Date.

ARTICLE XI TERMINATION

Section 11.1 Termination. In addition to any other rights of termination set forth in this Agreement, any transactions contemplated hereby that have not been consummated may be terminated:

- (a) At any time, by mutual written consent of Sellers and Buyer; or
- (b) By either Buyer or Sellers, as the case may be, upon 30 days' written notice given any time after (i) the issuance of an order by a Governmental Body in a manner that fails to meet the conditions of the terminating party set forth in Sections 8.4 or 9.4, as the case may be, or (ii) 270 days have elapsed from the filing after the date hereof of all applications for approval of this Agreement and the transactions contemplated hereby by Governmental Bodies and a final order has not been obtained with respect to each such application, it being understood that such 270-day period shall not include any period after such order during which applications for rehearing or modification or judicial appeals or remedies are pending; or
- (c) By one party upon written notice to the other if there has been a material default or breach under this Agreement by another party which is not cured by the earlier of the

Closing Date or the date 30 days after receipt by the other party of written notice from the terminating party specifying with particularity such breach or default; or

(d) By either Buyer or Sellers upon written notice to the other party, if (i) the Closing shall not have occurred by the Termination Date; or (ii) (A) in the case of termination by Sellers, the conditions set forth in Article 9 for the Closing cannot reasonably be met by the Termination Date and (B) in the case of termination by Buyer, the conditions set forth in Article 8 for the Closing cannot reasonably be met by the Termination Date, unless in either of the cases described in clauses (A) or (B), the failure of the condition is the result of the material breach of this Agreement by the party seeking to terminate. The Termination Date for the Closing shall be the date that is twelve (12) months from the date hereof. Such date, or such later date as may be specifically provided for in this Agreement (including any date arising under operation of Sections 8.6 and 8.7(a) hereof) or agreed upon by the parties, is herein referred to as the "Termination Date." Each party's right of termination hereunder is in addition to any other rights it may have hereunder or otherwise; or

(e) By Buyer, upon written notice to Sellers not later than ten (10) Business Days prior to the Closing Date, if Buyer has reasonably determined that the Safety Program will result in required seismic or other safety modifications to the Facilities that exceed \$14,000,000. Such written notice will include a reasonably detailed explanation as to why Buyer believes costs of seismic or other safety modifications will exceed \$14,000,000, together with supporting evidence (including copies of consultants reports) for that conclusion. The parties shall, within 30 days after the date of such notice, meet in good faith to discuss Buyer's notice. If Buyer has properly given notice, does not waive the objection and the parties do not, for any reason, enter into a written modification within the 30 day period, Buyer may elect to terminate this Agreement upon written notice to Sellers within five (5) days after the end of such period. If Buyer terminates pursuant to this provision, Sellers shall have no further obligation to Buyer for maintenance or operation of the Facilities.

Section 11.2 Effect of Termination. If there has been a termination pursuant to Section 11.1 or pursuant to any other provisions of this Agreement, then this Agreement shall be deemed terminated, and all further obligations of the parties hereunder shall terminate, except that the obligations set forth in Section 5.3 and in Articles 12 and 13.9 shall survive. In the event of such termination of this Agreement, there shall be no liability for damages on the part of a party to another under and by reason of this Agreement or the transactions contemplated hereby except as set forth in Article 12 and except for intentionally fraudulent acts by a party, the remedies for which shall not be limited by the provisions of this Agreement. The foregoing provisions shall not, however, limit or restrict the availability of specific performance or other injunctive or equitable relief to the extent that specific performance or such other relief would otherwise be available to a party hereunder.

Section 11.3 Modification of Terms. In the event any Governmental Body entertains, as an alternative to approval of this Agreement and any other agreement contemplated hereby, any proposal of one or more third parties to acquire the Facilities from Sellers on terms and conditions that include a higher purchase price than the Facilities Purchase Price set forth herein, and such terms and conditions are acceptable to Sellers, then and in that event, subject to such restrictions and requirements as such Governmental Body may impose upon Sellers, Sellers shall

exercise their best efforts to afford to Buyer the right to enter into appropriate amendments and modifications of this Agreement to match such proposed alternate terms and conditions. Buyer shall be entitled to exercise such right by delivery of written notice thereof to Sellers within three (3) Business Days after its receipt of written notice from Sellers that, in Sellers' good faith belief, the proposals of such third party or parties makes it unlikely that such Governmental Body will approve this Agreement and the transactions contemplated hereby in a timely fashion and that the alternate terms and conditions are acceptable to Sellers. If such right is not exercised and such Governmental Body proceeds to decline to grant its approval, the termination provisions of Section 11.1 shall apply.

ARTICLE XII SURVIVAL AND REMEDIES; INDEMNIFICATION

Section 12.1 Survival. Except as may be otherwise expressly set forth in this Agreement, the representations, warranties, covenants and agreements of Buyer and Sellers set forth in this Agreement, or in any writing required to be delivered in connection with this Agreement, shall survive the Closing Date.

Section 12.2 Exclusive Remedy. Absent intentional fraud or unless otherwise specifically provided herein, the sole exclusive remedy for damages of a party hereto for any breach of the representations, warranties, covenants and agreements of the other party contained in this Agreement shall be the remedies contained in this Article 12.

Section 12.3 Indemnity by Sellers.

(a) Sellers shall indemnify and hold harmless the LLC (from and after the Closing), Buyer, each Buyer Affiliate, and each Affiliate of Buyer or any Buyer Affiliate from and against any and all claims, demands, suits, losses, liabilities, damages and expenses, including reasonable attorneys' fees and costs of investigation, litigation, settlement and judgment, and including any costs and expenses incurred by any such Indemnitee as a result or arising out of any obligation or election (whether arising out of or in connection with any Law, any contract, any Charter Document, or otherwise) of any such Indemnitee to indemnify its directors, officers, attorneys, employees, subcontractors, agents and assigns (collectively "Losses"), which they or any of them may sustain or suffer or to which they or any of them may become subject as a result of:

(i) The inaccuracy of any representation or the breach of any warranty made by Sellers in this Agreement; and

(ii) The nonperformance or breach of any covenant or agreement made or undertaken by Sellers in this Agreement.

(b) The indemnification obligations of Sellers provided above shall, in addition to the qualifications and conditions set forth in Sections 12.5 and 12.6, be subject to the following qualifications with respect to claims of indemnity for Losses:

(i) Written notice to Sellers of such claim specifying the basis thereof must be made, or an action at law or in equity with respect to such claim must be served,

before the second (2nd) anniversary of the earlier to occur of the Closing Date or the date on which this Agreement is terminated, as the case may be;

(ii) If the Closing occurs, the LLC, Buyer, Buyer Affiliates and their respective Affiliates shall be entitled only to recover the amount by which the aggregate Losses sustained or suffered by them exceed \$500,000 (the "Deductible Amount"), *provided, however*, that individual claims of \$5,000 or less shall not be aggregated for purposes of calculating either the Deductible Amount or the excess of Losses over the Deductible Amount and Buyer shall be entitled to recover on a dollar for dollar basis all claims for Losses covered under insurance maintained by Sellers; and

(iii) If the Closing occurs, in no event shall Sellers and their Affiliates be liable to the LLC, Buyer, Buyer Affiliates and their respective Affiliates for Losses in the nature of consequential damages, incidental damages, indirect damages, punitive damages, special damages, lost profits, damage to reputation or the like, but such damages shall be limited to out-of-pocket Losses and diminution in value; *provided, however*, that damages for all Losses shall be limited to an aggregate limit under this Agreement equal to the Facilities Purchase Price.

(c) The liability of Sellers under this Agreement shall be several and not joint or collective and no individual Seller shall be jointly or severally liable for the acts, omissions or obligations of any other Seller.

Section 12.4 Indemnity by Buyer.

(a) Buyer shall indemnify and hold harmless Sellers and each of them, and each Affiliate of Sellers or any of them, from and against any and all Losses which they or any of them may sustain or suffer or to which they may become subject as a result of:

(i) The inaccuracy of any representation or the breach of any warranty made by Buyer in this Agreement;

(ii) The nonperformance or breach of any covenant or agreement made or undertaken by Buyer in this Agreement; and

(iii) If the Closing occurs, the failure of the LLC or Buyer to pay, discharge or perform as and when due.

(b) The indemnification obligations of Buyer provided above shall, in addition to the qualifications and conditions set forth in Sections 12.5 and 12.6, be subject to the following qualifications:

(i) Sellers and their Affiliates shall not be entitled to indemnity for Losses unless written notice to Buyer of such claim specifying the basis thereof is made, or an action at law or in equity with respect to such claim is served, before the second (2nd) anniversary of the earlier to occur of the Closing Date or the date on which this Agreement is terminated, as the case may be;

(ii) If the Closing occurs, Sellers and their Affiliates shall be entitled only to recover the amount by which the aggregate Losses suffered or sustained by them exceed the Deductible Amount, *provided, however*, that individual claims of \$5,000 or less shall not be aggregated for purposes of calculating either the Deductible Amount or the excess of Losses over the Deductible Amount; and

(iii) If the Closing occurs, in no event shall the LLC, Buyer and its Affiliates be liable to Sellers or their respective Affiliates for Losses in the nature of consequential damages, incidental damages, indirect damages, punitive damages, special damages, lost profits, damage to reputation or the like, but such damages shall be limited to out-of-pocket Losses and diminution in value; *provided, however*, that all Losses shall be limited to an aggregate limit under this Agreement equal to the Facilities Purchase Price.

Section 12.5 Further Qualifications Respecting Indemnification. The right of a party (an "Indemnitee") to indemnify hereunder shall be subject to the following additional qualifications:

(a) The Indemnitee shall promptly upon its discovery of facts or circumstances giving rise to a claim for indemnification, including receipt by it of notice of any demand, assertion, claim, action or proceeding, judicial, governmental or otherwise, by any third party (such third party actions being collectively referred to herein as "Third Party Claims"), give notice thereof to the indemnifying party (the "Indemnitor"), such notice in any event to be given within 60 days from the date the Indemnitee obtains actual knowledge of the basis or alleged basis for the right of indemnity or such shorter period as may be necessary to avoid material prejudice to the Indemnitor *provided, however*, the failure to provide or timely provide the Indemnitor with notice of any Third Party Claim shall only affect the Indemnitee's rights to indemnification to the extent that the Indemnitor is materially prejudiced as a result of the Indemnitee's failure to give timely notice of such Third Party Claim; and

(b) In computing Losses, such amounts shall be computed net of any related recoveries to which the Indemnitee is entitled under insurance policies, or other related payments received or receivable from third parties, and net of any tax benefits actually received by the Indemnitee or for which it is eligible, taking into account the income tax treatment of the receipt of indemnification.

Section 12.6 Procedures Respecting Third Party Claims. In providing notice to the Indemnitor of any Third Party Claim (the "Claim Notice"), the Indemnitee shall provide the Indemnitor with a copy of such Third Party Claim or other documents received and shall otherwise make available to the Indemnitor all relevant information material to the defense of such claim and within the Indemnitee's possession. The Indemnitor shall have the right, by notice given to the Indemnitee within 15 days after the date of the Claim Notice, to assume and control the defense of the Third Party Claim that is the subject of such Claim Notice, including the employment of counsel selected by the Indemnitor after consultation with the Indemnitee, and the Indemnitor shall pay all expenses of, and the Indemnitee shall cooperate fully with the Indemnitor in connection with, the conduct of such defense. The Indemnitee shall have the right to employ separate counsel in any such proceeding and to participate in (but not control) the

defense of such Third Party Claim, but the fees and expenses of such counsel shall be borne by the Indemnitee unless the Indemnitor shall agree otherwise; *provided, however*, if the named parties to any such proceeding (including any impleaded parties) include both the Indemnitee and the Indemnitor, the Indemnitor requires that the same counsel represent both the Indemnitee and the Indemnitor, and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them, then the Indemnitee shall have the right to retain its own counsel at the cost and expense of the Indemnitor. If the Indemnitor shall have failed to assume the defense of any Third Party Claim in accordance with the provisions of this Section, then the Indemnitee shall have the absolute right to control the defense of such Third Party Claim, and, if and when it is finally determined that the Indemnitee is entitled to indemnification from the Indemnitor hereunder, the fees and expenses of Indemnitee's counsel shall be borne by the Indemnitor, provided that the Indemnitor shall be entitled, at its expense, to participate in (but not control) such defense. The Indemnitor shall have the right to settle or compromise any such Third Party Claim for which it is providing indemnity so long as such settlement does not impose any obligations on the Indemnitee (except with respect to providing releases of the third party). The Indemnitor shall not be liable for any settlement effected by the Indemnitee without the Indemnitor's consent except where the Indemnitee has assumed the defense because Indemnitor has failed or refused to do so. The Indemnitor may assume and control, or bear the costs, of any such defense subject to its reservation of a right to contest the Indemnitee's right to indemnification hereunder, provided that it gives the Indemnitee notice of such reservation within 15 days of the date of the Claim Notice.

ARTICLE XIII GENERAL PROVISIONS

Section 13.1 Notices. All notices, requests, demands, waivers, consents and other communications hereunder shall be in writing, shall be delivered either in person, by telegraphic, facsimile or other electronic means, by overnight air courier or by mail, and shall be deemed to have been duly given and to have become effective (a) upon receipt if delivered in person or by telegraphic, facsimile or other electronic means, (b) one (1) Business Day after having been delivered to an air courier for overnight delivery or (c) three (3) Business Days after having been deposited in the U.S. mail as certified or registered mail, return receipt requested, all fees prepaid, directed to the parties or their permitted assignees at the following addresses (or at such other address as shall be given in writing by a party hereto):

If to Sellers, addressed to:

Jeffery B. Erb
Assistant General Counsel
PacifiCorp
825 NE Multnomah
Portland, OR 97232
Facsimile: (503) 813-7252

with a copy to:

William H. Holmes
Stoel Rives LLP
900 SW Fifth Avenue
Portland, OR 97204
Facsimile: (503) 220-2480

If to Buyer or any Buyer Affiliate, addressed to:

2677588 Washington LLC
913 Big Hanaford Road
Centralia, WA 98531
Attn: Charles Bates, Secretary
Facsimile: (360) 807-8051

with a copy to:

TransAlta Corporation
Box 1900, Station "M"
110 - 12th Avenue SW
Calgary, AB Canada T2P 2M1
Attn: Executive Vice President, Legal
Facsimile: (403) 267-7255

and:

Joel H. Mack
Latham & Watkins LLP
701 B Street
Suite 2100
San Diego, CA 92101
Facsimile: (619) 696-7419

Section 13.2 Attorneys' Fees. Subject to the provisions of Section 13.9, in any litigation or other proceeding relating to this Agreement, the prevailing party shall be entitled to recover its costs and reasonable attorneys' fees.

Section 13.3 Successors and Assigns. Except as provided in Section 2.5, the rights under this Agreement shall not be assignable or transferable nor the duties delegable by any

party without the prior written consent of the other; and nothing contained in this Agreement, express or implied, is intended to confer upon any Person, other than the parties hereto, their permitted successors-in-interest and permitted assignees and any Person who or which is an intended beneficiary of the indemnities provided herein, any rights or remedies under or by reason of this Agreement unless so stated to the contrary. Notwithstanding the foregoing, Buyer may grant to its lenders a security interest in its rights under this Agreement; provided that neither the grant of any such interest, nor the foreclosure of any such interest, shall in any way release, reduce or diminish the obligations of Buyer to Sellers hereunder, and Sellers shall enter into a consent to assignment with such lenders reasonably acceptable to Sellers.

Section 13.4 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 13.5 Captions and Paragraph Headings. Captions and paragraph headings used herein are for convenience only and are not a part of this Agreement and shall not be used in construing it.

Section 13.6 Entirety of Agreement: Amendments. This Agreement (including the Schedules and Exhibits hereto), and the other documents and instruments specifically provided for in this Agreement, including but not limited to the Confidentiality Agreement, contain the entire understanding between the parties concerning the subject matter of this Agreement and such other documents and instruments and, except as expressly provided for herein, supersede all prior understandings and agreements, whether oral or written, between them with respect to the subject matter hereof and thereof. There are no representations, warranties, agreements, arrangements or understandings, oral or written, between the parties hereto relating to the subject matter of this Agreement and such other documents and instruments which are not fully expressed herein or therein. This Agreement may be amended or modified only by an agreement in writing signed by each of the parties hereto. All Exhibits and Schedules attached to or delivered in connection with this Agreement are integral parts of this Agreement as if fully set forth herein.

Section 13.7 Construction. This Agreement and any documents or instruments delivered pursuant hereto shall be construed without regard to the identity of the Person who drafted the various provisions of the same. Each and every provision of this Agreement and such other documents and instruments shall be construed as though the parties participated equally in the drafting of the same. Consequently, the parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting party shall not be applicable either to this Agreement or such other documents and instruments. Whenever in this Agreement the context so suggests, references to the masculine shall be deemed to include the feminine, references to the singular shall be deemed to include the plural, and references to "or" shall be deemed to be disjunctive but not necessarily exclusive.

Section 13.8 Waiver. The failure of a party to insist, in any one or more instances, on performance of any of the terms, covenants and conditions of this Agreement shall not be construed as a waiver or relinquishment of any rights granted hereunder or of the future performance of any such term, covenant or condition, but the obligations of the parties with

respect thereto shall continue in full force and effect. No waiver of any provision or condition of this Agreement by a party shall be valid unless in writing signed by such party or operational by the terms of this Agreement. A waiver by any party of the performance of any covenant, condition, representation or warranty of any other party shall not invalidate this Agreement, nor shall such waiver be construed as a waiver of any other covenant, condition, representation or warranty. A waiver by any party of the time for performing any act shall not constitute a waiver of the time for performing any other act or the time for performing an identical act required to be performed at a later time.

Section 13.9 Arbitration.

(a) Agreement to Arbitrate. Any controversy or claim arising out of or relating to this Agreement, or the breach or alleged breach hereof, shall, upon demand of either Sellers or Buyer, be submitted to arbitration in the manner hereinafter provided. Sellers and Buyer will make every reasonable effort to resolve any such controversy or claim without resort to arbitration. But in the event the parties are unable to effect a satisfactory resolution between themselves, such controversy shall be submitted to arbitration in accordance with the terms and provisions of this Section 13.9 and in accordance with the then current Commercial Arbitration Rules (hereinafter the "Rules") of the American Arbitration Association (or any successor organization) (hereinafter the "AAA"). Any such arbitration shall take place in Seattle, Washington and shall be administered by the AAA. Sellers shall, for purposes of this Agreement, be deemed a single party in any such proceeding. In the event of any conflict between the terms and provisions of this Section and the Rules, the terms and provisions of this Section shall prevail.

(b) Submission to Arbitration. A party desiring to submit to arbitration any such controversy shall send a written arbitration demand to the AAA and to the opposing party. The demand shall set forth a clear and complete statement of the nature of the claim, its basis, and the remedy sought, including the amount of damages, if any. The opposing party may, within 30 days of receiving the arbitration demand, assert a counterclaim or set-off. The counterclaim or set-off, which shall be sent to the AAA and the opposing party, shall include a clear and complete statement of the nature of the counterclaim or set-off, its basis, and the remedy sought, including the amount of damages, if any.

(c) Selection of Arbitration Panel. The dispute shall be decided by a panel of three neutral arbitrators selected as follows. The AAA shall submit to the parties, within ten (10) days after receipt of an arbitration demand, a list of eleven potential arbitrators consisting of retired federal or state court judges; provided that none of the potential arbitrators shall have (or have ever had) any material affiliation of any kind with any party or with legal counsel for any party. Each party shall, within five days, strike four, three, two, one or none of the arbitrators, rank the remaining arbitrators in order of preference (with "1" designating the most preferred, "2" the next most preferred and so forth) and so advise the AAA in writing. The AAA shall appoint the arbitrators with the best combined preference ranking on both lists and designate the most preferred arbitrator as presiding officer (in each case, selecting by lot, if necessary, in the event of a tie).

(d) Prehearing Discovery. There shall be no prehearing discovery except as follows. Subject to the authority of the presiding officer of the arbitration panel to modify the provisions of this paragraph before the arbitration hearing upon a showing of exceptional circumstances, each party (i) shall propound to the other no more than 20 requests for production of documents, including subparts, and (ii) shall take no more than two (2) discovery depositions. Such discovery shall be conducted in accordance with the provisions and procedures of the Federal Rules of Civil Procedure. No interrogatories or requests for admission shall be permitted. Disputes concerning discovery obligations or protection of discovery materials shall be determined by the presiding officer of the arbitration panel. The foregoing limitations shall not be deemed to limit a party's right to subpoena witnesses or the production of documents at the arbitration hearing, nor to limit a party's right to depose witnesses that are not subject to subpoena to testify in person at the arbitration hearing; *provided, however*, that the presiding officer of the arbitration panel may, upon motion, place reasonable limits upon the number and length of such testimonial depositions.

(e) Arbitration Hearing. The presiding officer of the arbitration panel shall designate the place and time of the hearing. The hearing shall be scheduled to begin within ninety (90) days after the filing of the arbitration demand (unless extended by the arbitration panel on a showing of exceptional circumstances) and shall be conducted as expeditiously as possible. In all events, the issues being arbitrated, which shall be limited to those issues identified in the initial claim and counter-claim submitted to the arbitration panel pursuant to Subsection (b) above, shall be submitted for decision within 30 days after the beginning of the arbitration hearing. At least 30 days prior to the beginning of the arbitration hearing, each party shall provide the other party and the arbitration panel with written notice of the identity of each witness (other than rebuttal witnesses) it intends to call to testify at the hearing, together with a detailed written outline of the substance of the anticipated testimony of each such witness. The arbitration panel shall not permit any witness to testify that was not so identified prior to the hearing and shall limit the testimony of each such witness to the matters disclosed in such outline. Subject to the foregoing, the parties shall have the right to attend the hearing, to be represented by counsel, to present documentary evidence and witnesses, to cross-examine opposing witnesses and to subpoena witnesses. The Federal Rules of Evidence shall apply and the panel shall determine the competency, relevance, and materiality of evidence as appropriate. The panel shall recognize privileges available under applicable Law. A stenographic record shall be made of the arbitration proceedings.

(f) Award. The panel's award shall be made by majority vote of the panel. An award in writing signed by at least two of the panel's arbitrators shall set forth the panel's findings of fact and conclusions of Law. The award shall be filed with the AAA and mailed to the parties no later than 30 days after the last day of testimony at the arbitration hearing. The panel shall have authority to issue any lawful relief that is just and equitable, except consequential damages, incidental damages, indirect damages, punitive damages, special damages, lost profits, diminution in value, damage to reputation or the like. The award shall state that it dissolves and supersedes any provisional remedies entered pursuant to Subsection (g) below.

(g) Provisional Remedies. Pending the selection of the arbitration panel, upon request of a party, the AAA may appoint a retired judge to serve as a provisional arbitrator to

rule on any motion for preliminary relief. Any preliminary relief ordered by the provisional arbitrator may be immediately entered in any federal or state court having jurisdiction thereof even though the decision on the underlying dispute may still be pending. Once constituted, the arbitration panel may, upon request of a party, issue a superseding order to modify or reverse such preliminary relief or may itself order preliminary relief pending a full hearing on the merits of the underlying dispute. Any such initial or superseding order of preliminary relief may be immediately entered in any federal or state court having jurisdiction thereof even though the decision on the underlying dispute may still be pending. Such relief may be granted by the appointed arbitrator or the arbitration panel only after notice to and opportunity to be heard by the opposing party. Such awards of preliminary relief shall be in writing and, if ordered by a panel of three arbitrators, must be signed by at least two of the panel members.

(h) Entry of Award by Court. The arbitration panel's arbitration award shall be final. The parties agree and consent that judgment upon the arbitration award may be entered in any federal or state court having jurisdiction thereof.

(i) Costs and Attorneys' Fees. The prevailing party shall be entitled to recover its costs and reasonable attorneys' fees, and the party losing the arbitration shall pay all expenses and fees of the AAA, all costs of the stenographic record, all expenses of witnesses or proofs that may have been produced at the direction of the arbitrators, and the fees, costs, and expenses of the arbitrators. The arbitration panel shall designate the prevailing party for these purposes.

Section 13.10 Governing Law. This Agreement shall be governed in all respects, including validity, interpretation and effect, by the Laws of the State of Washington applicable to contracts made and to be performed wholly within the State of Washington, provided that federal Law, including the Federal Arbitration Act, shall govern all issues concerning the validity, enforceability and interpretation of the arbitration provision set forth in Section 13.9 hereof. Any judicial action or proceeding arising under this Agreement shall be adjudicated in Seattle, Washington.

Section 13.11 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be valid, binding and enforceable under applicable Law, but if any provision of this Agreement is held to be invalid, void (or voidable) or unenforceable under applicable Law, such provision shall be ineffective only to the extent held to be invalid, void (or voidable) or unenforceable, without affecting the remainder of such provision or the remaining provisions of this Agreement.

Section 13.12 Consents Not Unreasonably Withheld. Wherever the consent or approval of any party is required under this Agreement, such consent or approval shall not be unreasonably withheld or delayed, unless such consent or approval is to be given by such party at the sole or absolute discretion of such party or is otherwise similarly qualified.

Section 13.13 Time Is of the Essence. Time is hereby expressly made of the essence with respect to each and every term and provision of this Agreement. The parties acknowledge that each will be relying upon the timely performance by the others of their obligations hereunder as a material inducement to each party's execution of this Agreement.

Section 13.14 Liability. The liability of Sellers under this Agreement shall be several and not joint or collective and no individual Seller shall be jointly or severally liable for the acts, omissions or obligations of any other Seller.

Section 13.15 Execution. This Agreement may be executed in counterpart and executed signature pages delivered by facsimile.

ARTICLE XIV AGENCY

Section 14.1 Agency. Each Seller hereby appoints PacifiCorp as its sole agent for purposes of this Agreement. If, however, this Agreement is amended or modified in any way, such agency shall no longer be valid and all such amendments or modifications must be approved in writing by each Seller individually. Buyer may rely on such agency, and shall have no obligation to provide any notices or undertake any other action with respect to any other Seller except upon amendment or modification of this Agreement.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

BUYER:

2677588 WASHINGTON LLC

By: _____
Name:
Title:

By: _____
Name:
Title:

SELLERS:

PACIFICORP

By: J. A. Johansen
Name: **Judith A. Johansen**
Title: **President & Chief Executive Officer**

PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON

By: _____
Name:
Title:

PUGET SOUND ENERGY, INC.

By: _____
Name:
Title:

CITY OF TACOMA, WASHINGTON

By: _____
Name:
Title:

AVISTA CORPORATION

By: _____
Name:
Title:

CITY OF SEATTLE, WASHINGTON

By: _____
Name:
Title:

PUBLIC UTILITY DISTRICT NO. 1 OF GRAYS HARBOR COUNTY, WASHINGTON

By: _____
Name:
Title:

TRANSALTA CENTRALIA GENERATION LLC

By: _____
Name:
Title:

TransAlta Centralia Generation LLC executes this Agreement for purposes of the agreements contained in Sections 2.7 and 5.3(a) of this Agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

BUYER:

2677588 WASHINGTON LLC

By: _____
Name:
Title:

By: _____
Name:
Title:

SELLERS:

PACIFICORP

By: _____
Name:
Title:

CITY OF SEATTLE, WASHINGTON

By: _____
Name:
Title:

PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON

By: Edward Hansen
Name: Edward Hansen
Title: General Manager

PUBLIC UTILITY DISTRICT NO. 1 OF GRAYS HARBOR COUNTY, WASHINGTON

By: _____
Name:
Title:

PUGET SOUND ENERGY, INC.

By: _____
Name:
Title:

CITY OF TACOMA, WASHINGTON

By: _____
Name:
Title:

TRANSALTA CENTRALIA GENERATION LLC

By: _____
Name:
Title:

AVISTA CORPORATION

By: _____
Name:
Title:

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BUYER:

2677588 WASHINGTON LLC

By: _____
Name:
Title:

By: _____
Name:
Title:

SELLERS:

PACIFICORP

By: _____
Name:
Title:

CITY OF SEATTLE, WASHINGTON

By: _____
Name:
Title:

PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON

By: _____
Name:
Title:

PUBLIC UTILITY DISTRICT NO. 1 OF GRAYS HARBOR COUNTY, WASHINGTON

By: _____
Name:
Title:

PUGET SOUND ENERGY, INC.

By: _____
Name:
Title:

CITY OF TACOMA, WASHINGTON

By: Mark Crisson
Name: Mark Crisson
Title: Director of Utilities

TRANSALTA CENTRALIA GENERATION LLC

By: _____
Name:
Title:

AVISTA CORPORATION

By: _____
Name:
Title:

TransAlta Centralia Generation LLC executes this Agreement for purposes of the agreements contained in Sections 2.7 and 5.3(a) of this Agreement.

Approved As To Form & Legality:

B. S. Karavatos
City Attorney

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

BUYER:

2677588 WASHINGTON LLC

By: _____
Name:
Title:

By: _____
Name:
Title:

SELLERS:

PACIFICORP

By: _____
Name:
Title:

PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON

By: _____
Name:
Title:

PUGET SOUND ENERGY, INC.

By: Eric M. Markell
Name: ERIC M. MARKELL
Title: SR Vice President

CITY OF TACOMA, WASHINGTON

By: _____
Name:
Title:

AVISTA CORPORATION

By: _____
Name:
Title:

CITY OF SEATTLE, WASHINGTON

By: _____
Name:
Title:

PUBLIC UTILITY DISTRICT NO. 1 OF GRAYS HARBOR COUNTY, WASHINGTON

By: _____
Name:
Title:

TRANSALTA CENTRALIA GENERATION LLC

By: _____
Name:
Title:

TransAlta Centralia Generation LLC executes this Agreement for purposes of the agreements contained in Sections 2.7 and 5.3(a) of this Agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

BUYER:

2677588 WASHINGTON LLC

By: _____
Name:
Title:

By: _____
Name:
Title:

SELLERS:

PACIFICORP

By: _____
Name:
Title:

PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON

By: _____
Name:
Title:

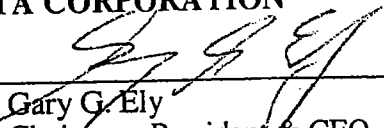
PUGET SOUND ENERGY, INC.

By: _____
Name:
Title:

CITY OF TACOMA, WASHINGTON

By: _____
Name:
Title:

AVISTA CORPORATION

By: 
Name: Gary G. Ely
Title: Chairman, President & CEO
179m

CITY OF SEATTLE, WASHINGTON

By: _____
Name:
Title:

PUBLIC UTILITY DISTRICT NO. 1 OF GRAYS HARBOR COUNTY, WASHINGTON

By: _____
Name:
Title:

TRANSALTA CENTRALIA GENERATION LLC

By: _____
Name:
Title:

TransAlta Centralia Generation LLC executes this Agreement for purposes of the agreements contained in Sections 2.7 and 5.3(a) of this Agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

BUYER:

2677588 WASHINGTON LLC

By: Charles Bates
Name: Charles Bates
Title: Secretary

By: _____
Name: _____
Title: _____

SELLERS:

PACIFICORP

By: _____
Name: _____
Title: _____

PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON

By: _____
Name: _____
Title: _____

PUGET SOUND ENERGY, INC.

By: _____
Name: _____
Title: _____

CITY OF TACOMA, WASHINGTON

By: _____
Name: _____
Title: _____

AVISTA CORPORATION

By: _____
Name: _____
Title: _____

CITY OF SEATTLE, WASHINGTON

By: _____
Name: _____
Title: _____

PUBLIC UTILITY DISTRICT NO. 1 OF GRAYS HARBOR COUNTY, WASHINGTON

By: _____
Name: _____
Title: _____

TRANSALTA CENTRALIA GENERATION LLC

By: Charles Bates
Name: Charles Bates
Title: Secretary

By: _____
Name: _____
Title: _____

TransAlta Centralia Generation LLC executes this Agreement for purposes of the agreements contained in Sections 2.7 and 5.3(a) of this Agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

BUYER:

2677588 WASHINGTON LLC

By: _____
Name:
Title:

By: Alison T. Love
Name: Alison T. Love
Title:

SELLERS:

PACIFICORP

By: _____
Name:
Title:

PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON

By: _____
Name:
Title:

PUGET SOUND ENERGY, INC.

By: _____
Name:
Title:

CITY OF TACOMA, WASHINGTON

By: _____
Name:
Title:

AVISTA CORPORATION

By: _____
Name:
Title:

CITY OF SEATTLE, WASHINGTON

By: _____
Name:
Title:

PUBLIC UTILITY DISTRICT NO. 1 OF GRAYS HARBOR COUNTY, WASHINGTON

By: _____
Name:
Title:

TRANSALTA CENTRALIA GENERATION LLC

By: _____
Name:
Title:

By: Alison T. Love
Name: Alison T. Love
Title:

TransAlta Centralia Generation LLC executes this Agreement for purposes of the agreements contained in Sections 2.7 and 5.3(a) of this Agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

BUYER:

2677588 WASHINGTON LLC

By: _____
Name:
Title:

By: _____
Name:
Title:

SELLERS:

PACIFICORP

By: _____
Name:
Title:

**PUBLIC UTILITY DISTRICT NO. 1 OF
SNOHOMISH COUNTY, WASHINGTON**

By: _____
Name:
Title:

PUGET SOUND ENERGY, INC.

By: _____
Name:
Title:

CITY OF TACOMA, WASHINGTON

By: _____
Name:
Title:

AVISTA CORPORATION

By: _____
Name:
Title:

CITY OF SEATTLE, WASHINGTON

By: _____
Name:
Title:

**PUBLIC UTILITY DISTRICT NO. 1 OF
GRAYS HARBOR COUNTY,
WASHINGTON**

By: Richard D. Lovely
Name: Richard D. Lovely
Title: General Manager

**TRANSALTA CENTRALIA GENERATION
LLC**

By: _____
Name:
Title:

TransAlta Centralia Generation LLC executes this Agreement for purposes of the agreements contained in Sections 2.7 and 5.3(a) of this Agreement.

FEDERAL ENERGY REGULATORY COMMISSION
Office of Energy Projects
Division of Dam Safety and Inspections
Portland Regional Office
101 S.W. Main Street, Suite #905
Portland, Oregon 97204

MAR 19 2003

In reply refer to:
P-4441-WA
NATDAM-WA00153

Mr. Randy A. Londolt
Director, Hydro Resources
PacifiCorp
825 NE Multnomah, Suite 1500
Portland, OR 97232

Dear Mr. Landolt:

We have completed our review of the January 15, 2002 Fourth Part 12 Independent Consultant's Safety Inspection Report (2002 Report) for the Skookumchuck Project, FERC No. 4441. The following information was also reviewed in conjunction with the 2002 Report:

○ Results of soil tests conducted by Shannon & Wilson and included in four letter reports (dated July 8, 1969, August 8, 1969, August 12, 1969, and September 11, 1969) to Bechtel Corporation;

○ Report titled "Construction Report for Water Supply Facilities, Skookumchuck Dam, Pumping Plant", prepared by Bechtel Corporation, for Pacific Power & Light Company and the Washington Water Power Company, and dated August 1971;

○ April 3, 2002 letter from Mr. Richard Gorny (Independent Consultant) of Black & Veatch regarding: (a) Material Properties; and (b) 1990 Displacement Analysis Results. Mr. Gorny also included some material regarding 'Liquefied and Non-Liquefied Gravel case Histories' based on information included in a paper titled "A Practical Perspective on Liquefaction of Gravels", by J. E. Valera, M. L. Traubenik, J. A. Egan, and J. Y. Kanshiro, ASCE Special Publication on Ground Failure Under Seismic Conditions, 1994;

○ April 30, 2002 letter report from Shannon & Wilson titled "Re-evaluation of Field Data, Skookumchuck Dam, Thurston County, Washington";

- May 23, 2002 letter report from Mr. Gorny providing dam displacement analyses and stability analyses loading diagrams;
- Becker Hammer Exploration Study, Final Submittal, December 2000 (Becker Hammer Study, transmitted by PacifiCorp March 12, 2001 letter) prepared by Shannon and Wilson;
- Liquefaction Potential Evaluation Study, November 2001 (Liquefaction Study, submitted by PacifiCorp January 24, 2002 letter) prepared by Shannon and Wilson;
- Seismic Ground Motion Study for Skookumchuck Dam, March 2001 (Seismic Study, transmitted by PacifiCorp March 23, 2001 letter) prepared by Shannon and Wilson;
- Skookumchuck Dam Modification Project Geotechnical Report, February 2001 (Geotechnical Study, transmitted by PacifiCorp March 23, 2001 letter) prepared by Shannon and Wilson;
- Skookumchuck Embankment Seismic Analytic Study, January 2002 (Analytic Study, transmitted by PacifiCorp February 5, 2002 letter) prepared by Shannon and Wilson.

Our review of the seismic stability of the dam was coordinated with our consultant Dr. I.M. Idriss. A copy of his September 20, 2002 letter report is enclosed. We have reviewed his report and concur with his findings and have incorporated them into the body of this letter.

We have the following comments on the above submittals:

1. Your consultant concluded that the MCE for the project was due to an event occurring on the Cascadia Subduction Zone fault (CSZ), and the 1988 Supplement to the 1985 Part 12 Report characterized the maximum magnitude for the CSZ of $M=8.0$ to 8.5 . The peak horizontal ground acceleration was $0.25g$ and was developed using the attenuation model by Heaton and Hartzell (1986). We do not concur that this ground motion represents the maximum earthquake for this source.

The May 1999 "Report On Seismic Hazard Evaluation For The Pacificorp Merwin and Yale Dams, Southwest Washington," by Golder Associates, Inc., included a seismic evaluation of the CSZ. Based on Golder's findings, the appropriate magnitude for an event occurring on the CSZ would be $M_w = 9.0$, and because the CSZ has a fairly high recurrence interval and slip rate, about 300 years and 4 cm/yr, respectively, the 84th percentile ground motions should be used. This finding is consistent with Dr. I.M. Idriss' report. Using a distance of 68km, the PGA at Skookumchuck would be $0.41g$ for a M_w 9.0 event occurring on the CSZ.

The 1988 Part 12 D Supplement considered subduction zone events which may occur on the CSZ; however, deep intraplate events or those that may occur on the Juan de Fuca Plate were not mentioned. The Golder Report evaluated intraplate events and the estimated magnitude was 7.5. Although the size of these events are slightly smaller than the MCE, the ground motions for these events should be considered in a reevaluation of seismicity for Skookumchuck dam. Since the recurrence interval for these events is short, the 84th percentile ground motions should be determined.

2. In addition to the CSZ, the Seismic Study identified the Legislature fault as a possible seismic source. In the 2002 Report, your consultant reported that the USGS is scheduled to perform studies to evaluate the seismogenic nature of this fault in 2002, and recommended no action until the studies are completed. We do not concur. The Legislature fault should be considered as a potential seismic source. Dr. I. M. Idriss's September 23, 2002 letter report (enclosed) includes an evaluation of the Legislature fault based on a discussion with Dr. E. Weaver of the USGS. We have reviewed Dr. Idriss' comments and concur with them. The seismicity at Skookumchuck dam should be revised considering the recommendations contained in Dr. Idriss' report.

3. When Skookumchuck Dam was constructed, the question of liquefaction was considered - records and photos indicate the naturally dense gravelly alluvium was left in place beneath the downstream shell on the north side of the embankment while the less dense alluvium was excavated out. In September 2000, Becker Hammer borings were conducted to further evaluate the liquefaction potential in this area. Based on the Becker Hammer data, the Liquefaction Study considered that discontinuous zones of liquefaction occurs in the downstream berm with these zones possibly extending upstream to the core. We recognized that this assumption is conservative considering the gradations and that construction exploration Borings AH-1 and AH-6 indicated refusal and $N_{60}=300$, respectively, in the thin layer of alluvium left beneath the downstream shell. Further, we noted that boring SB-02 was not used in the liquefaction analysis since the soils were non-liquefiable or the potentially liquefiable soils were above the groundwater table.

In the April 2001 Journal of Geotechnical and Geoenvironmental Engineering by Youd and Idriss, Liquefaction Resistance of Soils: Summary Report From The 1996 NCEER and 1998 NCEER/NSF Workshops On Evaluation Of Liquefaction Resistance Of Soils, it was reported that although SPT blow counts can be roughly estimated from BPT measurements, there can be considerable uncertainty for calculating liquefaction resistance because of data scatter in the range of greatest importance, 0-30 blow counts. Based on review of the data for borings BD-1 thru BD-4, we noted that the blow counts were all below 26. Since the available subsurface information does not provide sufficient information to dismiss or confirm liquefaction or address the upstream extent of liquefaction beneath the dam, we agree with your consultant that additional explorations

are needed beneath the downstream shell to further explore the presence of liquefiable materials. A plan and schedule to accomplish this work must be submitted for our review.

4. In the May 23, 2002 letter report, dam displacement was estimated to be between 5 and 40 cm using Makdisi and Seed's Simplified Method and a $PGA=0.46g$. Pending the outcome of the upcoming field investigations, the current estimate may be adequate or it may be necessary to conduct a post-earthquake deformation analysis using residual shear strengths for the zones where liquefaction is triggered. In addition, it may be necessary to calculate the response of Skookumchuck Dam using a non-linear 2-dimensional dynamic analysis procedure.

5. It was reported that a new PMF study had been commissioned by the Corps of Engineers and when completed, it would be reviewed and presented in an addendum to the 2002 Report. We concur with your consultants' recommendation to submit this study as an addendum to the Part 12 report. We noted that the 9,020 cfs flood of record occurred on February 8, 1996; however, the consultant did not state that the current PMF inflow curve was checked in relation to this recent flood of record. This should be done for the PMF, and for the new PMF commissioned by the Corps.

The 2002 Report does not satisfy the requirements of Part 12 D of the Commission's Regulations. You must provide this office, within 45 days of the date of this letter, three copies of a plan and schedule for submitting a supplement which addresses the items discussed above.

If you have any questions, please contact Messrs. William Lagnion or Edward Perez of this office at (503) 944-6748 or (503) 944-6750, respectively.

Sincerely,



Harry T. Hall, P.E.
Regional Engineer

Enclosure

I. M. IDRISSE
CONSULTING GEOTECHNICAL ENGINEER
P. O. BOX 330, DAVIS, CA 95617-0330

Tel: (530) 758-5739

Fax: (530) 758-1104

e-mail: imidriss@aol.com

September 20, 2002

Mr. Constantine G. Tjoumas, P. E.
Director, Division of Dam Safety and Inspections
Office of Hydropower Licensing
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Subject: Seismic Stability Issues
Skookumchuck Dam – Lewis County, Washington

Dear Mr. Tjoumas:

INTRODUCTORY REMARKS

As requested by Mr. William Allerton, I attended a meeting on March 14, 2002, at FERC's Office in Portland, Oregon, to review the work completed to date regarding seismic stability issues of the Skookumchuck Dam in Lewis County, Washington. The general location of the dam is depicted in Fig. 1.

The following documents were provided to me after the March 14 meeting:

1. Results of soil tests conducted by Shannon & Wilson and included in four letter reports to Bechtel Corporation; the letters are dated July 8, 1969, August 8, 1969, August 12, 1969, and September 11, 1969, respectively.
2. Report titled "Construction Report for Water Supply Facilities, Skookumchuck Dam, Pumping Plant", prepared by Bechtel Corporation, for Pacific Power & Light Company and the Washington Water Power Company, and dated August 1971.

3. Report titled "Supplement to December 1985 Dam Safety Investigation, Skookumchuck Dam, FERC No. 4441", prepared by Bechtel Civil & Minerals, Inc., for Pacific Power & Light Company, and dated April 1988.
4. Report titled "Additional Information to the April 1988 Supplement to December 1985 Dam Safety Investigation, Skookumchuck Dam, FERC No. 4441", prepared by Bechtel Corporation, for Pacific Power & Light Company, and dated October 1990.
5. A pdf (Adobe Acrobat format) file of the report titled "Becker Hammer Exploration Study, Skookumchuck Dam Site, Lewis County, Washington", prepared by Shannon & Wilson, Inc., Seattle, Washington, for the Seattle District of the U.S. Army Corps of Engineers, and dated December 2000.
6. A pdf file of the report titled "Seismic Ground Motion Study for Skookumchuck Dam, Lewis County, Washington", prepared by Shannon & Wilson, Inc., Seattle, for the Seattle District of the U.S. Army Corps of Engineers, and dated March 2001.
7. A pdf file of the report titled "Liquefaction Potential Evaluation for the Skookumchuck Dam Site, Thurston County, Washington", prepared by Shannon & Wilson, Inc., Seattle, for the Seattle District of the U.S. Army Corps of Engineers, and dated November 2001.
8. A pdf file of the report titled "Skookumchuck Embankment, Seismic Analytical Study, Skookumchuck Dam, Thurston County, Washington", prepared by Shannon & Wilson, Inc., Seattle, for the Seattle District of the U.S. Army Corps of Engineers, and dated January 2002.
9. Mr. R. H. Gorny of Black & Veatch sent me a letter on April 3, 2002, which included copies of above items No. 3 and 4, and discussions (based on the contents of these two items) regarding: (a) Material Properties; and (b) 1990 Displacement Analysis Results. Mr. Gorny also included some material regarding 'Liquefied and Non-Liquefied Gravel case Histories' based on information included a paper titled "A Practical Perspective on Liquefaction of Gravels", by J. E. Valera, M. L. Traubenik, J. A. Egan, and J. Y. Kanshiro, ASCE Special Publication on Ground Failure Under Seismic Conditions, 1994. The material and discussions provided by Mr. Gorny were very helpful in expediting my review.

A conference call was held on April 25, 2002 to discuss the additional work being completed by Shannon & Wilson for the U.S. Army Corps of Engineers and to finalize the date of the next meeting, which was set for May 17 in Portland.

10. At the May 17 meeting, I was provided with a copy of the letter report by Shannon & Wilson titled "Re-Evaluation of Field Data, Skookumchuck Dam, Thurston County, Washington", and dated April 30, 2002.

GENERAL OBSERVATIONS

The review of the above documents and the discussions at the two meetings provide the following observations at this time:

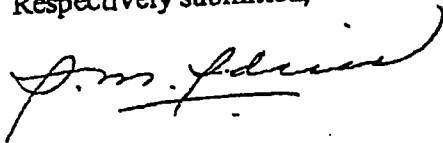
- As is common in the North Western Part of the USA, the seismic sources of concern consist of crustal sources and the subduction source. For this site, the Legislature Fault appears to be the controlling crustal source. Based on a telephone conversation with Dr. Weaver of the USGS in Seattle, it appears that this fault has a length of 50 to 60 km, its ground surface projection is about 9.3 km from the dam site, the rupture surface would have a width of about 15 to 20 km, the upper 5 to 8 km could be considered non-seismogenic, and that the slip rate of this fault is very low ($\ll 1$ mm/year). Based on these considerations, the maximum earthquake to be assigned to this source would be a magnitude 7 (using the equations of Wells & Coppersmith for length of 55 km and width of 17.5 km) occurring at a closest distance of 10.6 km (considering a horizontal distance of 9.3 km and a depth of 5 km) from the dam site. Because the fault has a very low degree of fault activity, the median estimates of the earthquake ground motions would be appropriate. Dr. Weaver also suggested that events on this fault are likely to be mostly strike slip, but that they may have a thrust component. Accordingly, it was agreed that a weight of 2/3 would be assigned to a strike slip mechanism and a weight of 1/3 would be assigned to a thrust mechanism.
- The subduction events considered in the report by Shannon & Wilson (item No. 6 above), are those that may occur on the Cascadia Subduction Zone (CSZ) or those that may occur on the Juan de Fuca Plate. For the deterministic estimate of earthquake ground motions Shannon & Wilson only considered the event on the CSZ ($M = 9$ at a distance of 68 km). It is necessary that estimates for a magnitude $7\frac{1}{2}$ earthquake occurring on the Juan de Fuca Plate be also included. The recurrence interval for these events is relatively short (on the order of a few hundred years, as summarized in item 6 above). Therefore, the 84th percentile estimates of earthquake ground motions need to be considered.
- Concern of liquefaction being triggered during future earthquakes is only in the alluvial soils, and not of the silt or the gravels.
- Shannon & Wilson (items No. 7, 8 & 10 above) considered that liquefaction would be triggered in a layer below the embankment extending from a short distance downstream of the toe of the downstream-berm almost all the way to the core trench. This assumption is certainly conservative, but the available subsurface information from investigations carried out prior to and during construction do not provide sufficient information to either fully dismiss this possibility or to confirm it. The most recent subsurface investigation concentrated on the downstream end of the downstream berm, and, therefore, does not provide

any additional input regarding the extent of possible liquefaction beneath the embankment. Accordingly, it was agreed at the May 17, 2002 meeting that additional drilling would be conducted beneath the embankment to delineate the presence of potentially liquefiable soils.

- Estimates of the deformations of the embankment following the occurrence of the postulated earthquakes will be needed. If it is eventually judged that liquefaction is unlikely to be triggered under the entire embankment, then a simplified Newmark-type deformation analysis will probably be adequate to judge the performance of this dam. If, on the other hand, it is concluded that a major portion of the foundation layer is likely to liquefy, then a more detailed nonlinear deformation analysis may be required.

It is essential that all the available information be integrated and synthesized to fully evaluate the potential behavior of the Skookumchuck Dam during future earthquakes. It is hoped that Shannon & Wilson will complete such an effort, which will include the results of the soon to be completed drilling.

Respectively submitted,



I. M. Idriss

Enclosures: Figure 1



May 1, 2003

Harry T. Hall, P.E.
Regional Engineer
Federal Energy Regulatory Commission
101 SW Main, Suite 905
Portland, Oregon 97204

**Subject: Skookumchuck Hydroelectric Project, FERC No. 4441
Fourth Part 12 Consultant's Safety and Inspection Report
Plan and Schedule to Submit Supplemental Reports**

Dear Mr. Hall:

Your letter dated March 19, 2003 included review comments and requested a plan and schedule to provide supplemental information to the Fourth Part 12 Consultant's Safety Inspection Report (CSIR) for the Skookumchuck dam in Washington. Your review was coordinated with your consultant, Dr. I. M. Idriss, and a copy of his letter report dated September 20, 2002 was included with your comments. In accordance with your request, PacifiCorp's plan and schedule to provide the five items described in your letter are as follows:

- 1 PacifiCorp will conduct a new seismic hazard evaluation to determine the MCE and associated ground motions for the Skookumchuck dam. This evaluation will include the Cascadia Subduction Zone (CSZ), deep intraplate events such as those that may occur on the Juan de Fuca Plate, and the Legislative fault (crustal event) as potential seismic sources. Since the recurrence interval of the CSZ and deep intra-plate events is short, the 84th percentile ground motions will be determined for these events. The new seismic hazard evaluation will be completed and submitted to the Commission by December 31, 2003.
- 2 In accordance with the information provided by Dr. Idriss in his September 20, 2002 letter, PacifiCorp will incorporate the Legislative fault in the seismic hazard evaluation. The information provided by Dr. Idriss will be used to characterize this fault and because this fault has a very low degree of fault activity, the median estimates of ground motions will be determined. The new seismic hazard evaluation will be completed and submitted to the Commission by December 31, 2003.

Mr. Harry T. Hall
May 1, 2003
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- 3 PacifiCorp will conduct a drilling and testing program that includes three additional boreholes to be located on 100-foot centers where the berm intersects the toe of the embankment slope. Standard penetration testing, shear wave velocity and permeability testing will be performed in all the boreholes. Laboratory testing will include gradation tests on all of the samples. Drawings and the specifications for the drilling program will be submitted to the Commission for review by July 31, 2003. Upon the Commission's authorization, drilling work will commence no later than October 31, 2003. The results of the drilling program and an evaluation of liquefaction potential based on information from the new borings and gradation tests will be provided to the Commission no later than March 31, 2004. If a wide variety of conditions are encountered during the drilling operation, PacifiCorp may elect to add additional borings to better define the subsurface conditions.
- 4 If appropriate, pending the outcome of the field investigations proposed in Item 3, PacifiCorp will conduct a post-earthquake deformation analysis using residual shear strengths for the zones where liquefaction may be triggered. Also, if appropriate, PacifiCorp will calculate the response of Skookumchuck Dam using a non-linear 2-dimensional dynamic analysis procedure. A plan and schedule for each of these activities will be developed accordingly.
- 5 The U.S. Army Corps of Engineers (COE) completed the PMF study work. The previous PMF studies were based on HMR 43, and PacifiCorp considers the Corps of Engineers PMF study to be the most valid to date. This study incorporates the more recent HMR 57 and the February 8, 1996 flood of record as a calibration point. The results indicate a peak inflow of 32,500 cfs and a peak outflow of 30,600 cfs. The peak reservoir elevation resulting from the PMF is 492.68 feet leaving a freeboard of 4.32 feet. A study performed for PacifiCorp by Bechtel Civil & Mineral, Inc. in 1987 estimated a maximum reservoir wave run-up of 3.8 feet, 0.52 feet lower than the available freeboard of 4.32 feet during the PMF. PacifiCorp's independent consultant is reviewing the new PMF study and PacifiCorp will provide this PMF study along with the Consultant's comments to the Commission by December 31, 2003.

As the Commission is aware, PacifiCorp has held discussions with TransAlta Centralia Generation LLC (TransAlta) regarding the sale of Skookumchuck dam and related assets. PacifiCorp and TransAlta expect to sign a letter of agreement in principle within two weeks to extend the expiration date for the existing right of first refusal to purchase Skookumchuck dam and related assets through June 2003. This extension will allow TransAlta the time necessary to complete various due diligence activities needed to prepare for closure of the sale. PacifiCorp will sustain the activities relative to the addendum to the 2002 Part 12 Report noted above until, and unless, subsequent license exemption transfer or surrender would alter the ownership or jurisdictional status of the project.

Mr. Harry T. Hall
May 1, 2003
Page 3

The original and two copies of this letter are enclosed. If you have questions or need further information, please contact Mildred Thompson at (503) 813-6664.

Sincerely,



R.A. Landolt
Managing Director, Hydro Resources

MT

RAL:MT:hb

Cc: Washington Department of Ecology, Dam Safety Team

bc: Fields/Strande - Merwin, Kirschenman, Leis, Raeburn, Snyder, Sturtevant,
Thompson/FERCEASE, File: Skookumchuck, FERC, Part 12, Compliance

In House Part 12 Supplemental Information Follow-up Task Schedule

Item Number	Description	Responsible Party	Due Date
Items 1 & 2	Submit new seismic hazard evaluation to FERC	Kirschenman, Raeburn, Thompson	December 31, 2003
Item 3	Submit additional drilling program drawings and specs to FERC	Kirschenman, Raeburn, Thompson	July 31, 2003
Item 3	Commence drilling program with FERC approval	Kirschenman, Raeburn	NLT October 31, 2003
Item 3	Provide drilling program results to FERC	Kirschenman, Raeburn, Thompson	NLT March 31, 2004
Item 4	Develop plan & Schedule for deformation analysis as necessary	Kirschenman, Raeburn	TBD
Item 5	Provide new PMF to FERC	Kirschenman, Raeburn, Thompson	December 31, 2003



July 30, 2003

Harry T. Hall, P.E.
Regional Engineer
Federal Energy Regulatory Commission
101 SW Main, Suite 905
Portland, Oregon 97204

**Subject: Skookumchuck Hydroelectric Project, FERC No. 4441
Fourth Part 12 Consultant's Safety and Inspection Report
Subsurface Investigation - Drilling Program**

Dear Mr. Hall:

Our letter dated May 1, 2003 included PacifiCorp's plan and schedules to submit supplemental reports to the fourth Skookumchuck Part 12 Consultant's Safety and Inspection Report. Item 3, of our May 1st letter contained a proposed plan and schedule for a drilling and testing program for three additional boreholes along the toe of the embankment slope of Skookumchuck Dam. Drawings and specifications for the additional drilling program are included in the attached, Skookumchuck Subsurface Investigation - Drilling Program, July 2003 for the Commission's review.

Upon the Commission's authorization, drilling work will mobilize and commence by October 30, 2003. As we indicated in our May 1st letter, results of the drilling program and an evaluation of liquefaction potential based on information from the new borings and gradation tests will be provided to the Commission no later than March 31, 2004. If a wide variety of conditions are encountered during the drilling operation, PacifiCorp may elect to add additional borings to better define the subsurface conditions.

The original and two copies of this letter and three copies of its attachment are enclosed. If you have questions or need further information, please contact Mildred Thompson at (503) 813-6664.

Sincerely,

A handwritten signature in black ink, appearing to read "R.A. Landolt", written over a horizontal line.

R.A. Landolt
Managing Director, Hydro Resources

RAL:MT:js

Attachment: (Skookumchuck Subsurface Exploration - Drilling Program, July 2003)

C: Washington Department of Ecology, Dam Safety Team*
(With Attachment*)

bc: Fields/Strande - Merwin, Kirschenman*, Leis, Raeburn, Snyder, Sturtevant,
Thompson*/FERCEASE, File*: Skookumchuck, FERC, Part 12, Compliance

1.0 Subsurface Investigation

1.1 General

This investigation is to determine the in situ properties and liquefaction potential of the alluvial materials left in place beneath the downstream shell of Skookumchuck Dam during construction. Standard penetration tests, downhole shear wave velocity measurements, and falling head permeability testing will be performed in each borehole.

1.1.1 Scope of Work

Scope of Work shall include furnishing labor, equipment, materials, tools, supervision, testing, and other services required to perform subsurface investigations, laboratory testing, and other services as specified herein. The Scope of Work includes the following items:

Ensuring that all Contractor personnel utilize necessary safety equipment including hard hats, safety glasses, hearing protection, and steel toe boots.

Surveying the location and elevation of all investigation locations.

Performing all exploratory borings, designated BV-1, BV-2, and BV-3, and backfilling as required.

Sampling soil by split barrel methods at required intervals, at changes in stratum, or as required by the Company.

Providing all materials required to protect and preserve soil samples from damage, freezing, or loss of moisture.

Transporting all samples to the laboratory for testing.

Performing laboratory tests as required by the Company and preparing test reports.

Performing falling head permeability tests in boreholes as directed by the Company.

Installing casing for downhole shear wave velocity testing to be performed by others.

1.1.2 Items Furnished by Others and Interfaces

Items furnished by others and not in this Scope of Work include the following:

Downhole shear wave velocity testing.

At the Contractor's option, the Contractor can provide the downhole shear wave testing as an optional item as described in Section 2.0 of this specification. The Contractor's proposal for this optional item shall include the names and qualifications of Subcontractors, if any, to be utilized in performing the testing work. The Company retains the option to accept or reject the Contractor's proposal.

1.1.3 Performance and Design Requirements

Performance and design requirements for the subsurface investigations are indicated in Article 1.1.7.

1.1.4 Codes and Standards

Work performed under these specifications shall be done in accordance with the following codes and standards. Unless otherwise specified, the applicable governing edition and addenda to be used for all references to codes or standards specified herein shall be interpreted to be the jurisdictionally approved edition and addenda. If a code or standard is not jurisdictionally mandated, then the current edition and addenda in effect at the date of this document shall apply. These references shall govern the work

except where they conflict with the Company's specifications. In case of conflict, the latter shall govern to the extent of such difference.

Work	In Accordance With
Auger borings	ASTM D1452
Split barrel sampling	ASTM D1586
Rotary wash borings	US Army Corps of Engineers, Engineering Manual, EM 1110-2-1907, Chapter 4

1.1.5 Materials

The following materials shall be used:

General	
Component	Material
Bentonite for drilling fluid	Naturally occurring, high yield sodium montmorillonite powder containing no polymer additives or chemical treatments
Revert [®] for drilling fluid	Biodegradable drilling fluid
Hole plug	Naturally occurring, high yield sodium montmorillonite graded chips
High solids bentonite grout	Naturally occurring, high yield sodium montmorillonite grout with a high solids content
Cement	ASTM C150, Type I
Concrete	Ready-mix for aboveground and flush mounted covers, and guard posts; 5,000 psi (34,474 kPa) concrete for aircraft rated covers
3 inch Polyvinyl chloride (PVC)	PVC that is National Sanitation Foundation (NSF) tested and approved, Schedule 40
Water	Clean, potable, and free from oil, acids, organic materials, or other deleterious substances

1.1.6 Approved Manufacturers of Components

For the following components, only the listed manufacturers are recognized as maintaining the level of quality of workmanship required by these specifications. If the Contractor wants to propose a nonlisted manufacturer that is considered to provide an equivalent level of quality, this manufacturer must be identified and supporting testimony provided. Acceptance of the manufacturer as a substitute is at the discretion of the Company.

Component	Manufacturer
Biodegradable drilling fluid	Johnson, "Revert"
High solids bentonite grout	Baroid Drilling Fluids, Inc., "Aqua-Grout Catalyst/Benseal"
Hole plug	Baroid Drilling Fluids, Inc.

1.1.7 Services

The following articles cover the services included in the Scope of Work. Services are divided into Field Services and Laboratory Testing Services.

1.1.7.1 Field Services. The following items detail the Scope of Work for Field Services to be performed by the Contractor. Depths of individual borings shall be approximately 80 feet. The estimated quantities for bidding are provided in ??????????.

Drilling	
Auger Drilling	Contractor selected
Rotary wash drilling	Contractor selected, 6.5 inch diameter maximum
Sampling	
Sampling frequency	At 5 foot (1.5 m) intervals between Elevation 390 (~ ground surface) and 350, and 2.5 foot intervals from Elevation 350 to refusal on bedrock (~ Elevation 310).
Sampling methods	2 inch (50 mm) split barrel sampling.
Abandonment and Backfilling of Borings	
Boring abandonment	High solids bentonite grout with cuttings
Backfill boring with	High solids bentonite grout with cuttings
Downhole Shear Wave Velocity Casing Installation	3 inch PVC, flush joint.
Testing	
Falling head permeability testing	By Contractor
Downhole shear wave testing	By Others (Refer to Article 1.1.2.)

Auger drilling may be used from Elevation 390 to Elevation 350, but rotary wash boring is required between Elevation 350 and refusal on bedrock. Previous investigations indicate the bedrock is at Elevation 310 +/-.

1.1.7.2 Laboratory Testing Services. The following testing shall be conducted in accordance with the specified source. This testing is to be considered part of the defined Scope of Work, and all associated costs are the responsibility of the Contractor unless specifically identified as Company-conducted.

Tests	In Accordance With	Conducted By
Atterberg limits	ASTM D4318	Contractor
Grain size analysis	ASTM D422 with sample preparation by ASTM D2217 (wet preparation method), Procedure B	Contractor
Moisture content	ASTM D2216	Contractor
Specific gravity	ASTM D854	Contractor
Specific gravity of coarse grained soils	ASTM C136	Contractor

1.1.8 Technical Attachments

The following attachments are located at the end of this Section. The information contained in these documents constitutes requirements under the defined Scope of Work.

Document Number/Description	Title	Revision
Figure 1	Site Location Map	0
Figure 2	Dam Plan/Drilling Area	0
Figure 3	Boring Location Plan	0

1.2 Products

1.2.1 General

This article describes the labor, equipment, materials, tools, supervision, and services required to perform the subsurface investigation. The purpose of the subsurface investigation is to obtain geotechnical information used to support permitting, design, and construction. Geotechnical information obtained from investigations includes the description and classification of subsurface materials, engineering properties of subsurface materials, subsurface stratigraphy, presence or absence of groundwater, and the identification of potential geologic hazards.

The Contractor shall have all necessary permits, licenses, and insurance coverage required to perform the work. The Contractor shall provide the Company with a current insurance certificate with required coverage before mobilizing.

The location, number, types of investigation techniques, and required depth of investigations used in a subsurface investigation are dependent upon the scope of the investigation, geologic setting, and layout of project structures.

The Contractor shall be responsible for locating all underground utilities at each investigation location. No work shall begin until all utility services have been notified, utility locations have been marked at each investigation location, and the Company has issued an authorization to proceed.

The Company will have representatives in the field during the subsurface exploration program. They will observe the services performed to determine, in general, if the services are proceeding in accordance with the intent of the requirements herein. They may request adjustments in the services as required. The Company's field representatives, as required, will approve boring locations; maintain a log of each boring, select intervals for falling head permeability testing, authorize changes in the services to be performed; and oversee the performance of the services.

The Contractor shall add to or deduct from the depth and number of the borings indicated on the drawings as directed by the Company during the course of the work. The Contractor shall also add to or deduct from the number of each type of laboratory test as directed by the Company during the course of the work. Such changes will be determined by the Company, and changes in price due to changes in quantities will be calculated using unit prices.

The Contractor shall provide, on each drilling rig, a 20 pound (9.1 kg) ABC type fire extinguisher and one first aid kit equipped with an eyewash bottle.

The Contractor shall be held responsible for any damage to existing structures or property resulting from his operations and shall repair or replace any such damaged structures or property to the satisfaction of the property owner at no additional cost to the Company.

The Contractor shall be responsible for all damages to streets, roads, curbs, sidewalks, highways, shoulders, ditches, embankments, culverts, bridges, or other public or private property that may be used to transport equipment, materials, or personnel to or from the site and investigation locations, as required. The Contractor shall make satisfactory and acceptable arrangements with the responsible individuals having jurisdiction over the damaged property concerning its repair or replacement.

Access for the services will be provided by the Company and will be available so that services can proceed as scheduled; however, the Contractor shall have written notification from the Company to proceed before entering areas where the services will be performed. The Contractor shall become familiar with the site prior to bidding the work.

All Contractor personnel engaged in the field investigation services shall be trained for such activity, when required. Training shall include, but not be limited to, review of the proper use of personal protective equipment, safe operating procedures, and emergency response.

1.2.2 Drawings. Drawings indicating the location plan of the borings are included with these technical specifications in Article 1.1.8.

1.2.3 Materials

All materials required for the subsurface investigation shall be furnished by the Contractor and work shall be performed in accordance with the codes and standards specified herein.

The materials shall be new and undamaged and shall conform to the requirements specified in this specification.

1.2.4 Equipment. Equipment shall be in good operating condition and shall operate at the capacity specified or required to perform the work required for the subsurface investigation. Equipment shall be acceptable to the Company.

No payment will be made for mobilization costs for equipment brought to the site to replace equipment that breaks down, does not perform satisfactorily, or is found to be unsuitable for site conditions.

The Contractor shall provide the Company with all calibration information for calibrated equipment.

1.2.5 Water. The Contractor shall furnish all water required for drilling and other work, as required. No separate payment will be made for water or for time spent getting water. All water used shall be free from oil, acids, organic materials, or other deleterious substances. In addition, clean water shall be used for mixing grout for backfilling borings. Contractor shall obtain permission and pay all costs associated with using water from fire hydrants.

Potable water shall be used for all drilling and piezometer installation.

1.2.6 Discharge Water. Discharge water from the boring operations shall be conveyed to natural drainage by piping or ditches acceptable to the Company. The Contractor shall ensure that discharging of water shall be in accordance with all federal, state, and local requirements. At the conclusion of the work, the Contractor shall repair all erosion damage caused by the discharge water and restore ditches and other drainage facilities to their original condition.

1.2.7 Electrical Power. The Contractor shall furnish all electrical power required for drilling and other work. No separate payment will be made for providing electrical power.

1.3 Execution

All borings shall be drilled vertically unless directed otherwise by the Company or specified herein. The borings shall be kept straight and plumb within limits that will permit satisfactory installation of casings, as required. Should the boring prove unsatisfactory at any time prior to acceptance, the boring shall be considered abandoned with the requirements of Article 1.3.3, Abandonment of Boring/Piezometers.

Cuttings generated during advancement of the borings shall be spread evenly on the ground surface in the vicinity of the piezometer or boring in a manner that will not damage the area or be unsightly, unless directed otherwise by the Company. Water from the boring operations shall be discharged in accordance with Article 1.2.6, Discharge Water.

Sampling shall be performed in accordance with the requirements of Article 1.3.2, Sampling Method and Frequency. The borehole shall be cleaned prior to collecting samples.

Borings shall be left open for 24 hours after completion to allow the Company to obtain a water level, unless directed otherwise by the Company. After the 24 hour water level reading, or when directed by the Company, the Contractor shall install casing for downhole shear wave testing.

1.3.1 Rotary Wash Drilling. When required, rotary wash drilling shall include earth drilling with or without sampling as directed by the Company. Rotary wash borings shall have the minimum diameter specified in Article 1.1.7.1 and shall be of sufficient size to accommodate sampling equipment and down hole shear wave casing installation. Unless otherwise permitted by the Company, rotary wash borings shall be performed in accordance with Article 1.1.4.

In silty formations that might be disturbed by conventional side discharging bits, the hole shall be prepared for sampling equipment with a bit equipped with baffles to deflect the drilling fluid upward.

Drilling mud or temporary casing shall be provided by the Contractor if required to maintain an open hole.

Drilling mud shall consist of a mixture of high-swelling bentonite and water, or biodegradable drilling fluid as specified in Article 1.1.6 (or acceptable equivalent approved by the Company) and water, of sufficient viscosity to prevent penetration of the mud into the soil during sampling operations. Chemical additives for adjusting viscosity may be used if permitted by the Company. When piezometers are to be installed, high-swelling bentonite shall not be used.

If required for borehole stability and approved by the Company, temporary casing may be used by the Contractor. Temporary casing required to advance the boring in soil or rock shall be acceptable to the Company. The casing shall be steel pipe of the size to facilitate all required operations and may be either new material or used material in good condition.

Temporary casing shall remain in the boring until its removal is authorized by the Company. The Contractor may be required to move off any boring after drilling and casing placement are completed and then return to the boring to remove all temporary casing and backfill the boring as specified.

All temporary casing shall be pulled prior to or during backfilling to ensure complete backfilling of the hole in a manner acceptable to the Company. No payment will be made for temporary casings left in place because of the impracticability of removal.

1.3.2 Sampling Method and Frequency

When required by the Company, sampling shall consist of split barrel samples at the depths listed in Article 1.1.7.1.

The water level in each boring shall be maintained whenever drilling equipment is retracted in preparation for sampling to avoid unbalanced hydrostatic pressure that might wash in material from the sides and bottom of the boring or make the boring unstable.

The 2 inch (50 mm) diameter split barrel samples shall be obtained and resistance to soil penetration shall be measured using the split barrel sampler in accordance with Article 1.1.4. Penetration resistance (blow count) for each 6 inch (150 mm) increment shall be required.

The coupling head for the split barrel sampler shall be provided with a ball check valve and shall have open vents. The sampler shall also be equipped with a spring type sample retainer or an acceptable equivalent approved by the Company. The Contractor shall have a minimum of two complete split barrel samplers on the drill rig. The barrel for the sampler shall be at least 18 inches (457 mm) in length to allow for 18 inch (457 mm) long samples.

The Contractor shall break down all split barrel samplers after collecting a sample. Sample jars for split barrel samples submitted for physical analysis shall be supplied by the Contractor and shall not be larger than 2-3/8 inches (60 mm) in diameter. Sample jars for split barrel samples shall be moistureproof and vaporproof wide-mouth glass jars with self-sealing screw covers. Sample jars will be labeled by the Company. The Contractor shall supply labels with space for the job name, boring number, interval sampled, and blow count in 6 inch (150 mm) increments.

The Contractor may use sealable plastic bags in place of glass jars for storage of samples if approval is obtained from the Company before the start of work.

If the Company is away during sampling, the Contractor, under the direction of the Company, shall place the sample in a sample jar or plastic bag and label the sample jar or plastic bag in the manner directed by the Company. The sample jar or plastic bag should then be placed in its appropriate location for the Company to check at a later time.

1.3.3 Abandonment of Boring

Any boring that does not meet the depth, alignment, plumbness, or other requirements, or any boring on which the Contractor stops work before completion will be considered an abandoned boring. A new boring shall be started in the immediate vicinity at a location designated by the Company after the location of utilities has been established by the Contractor. No payment will be made for any work on an abandoned boring. An abandoned boring shall be backfilled and sealed with cement-bentonite grout, high solids bentonite grout, or cuttings as required in Article 1.1.7.1 or as approved by the Company.

Any newly installed piezometer that does not meet construction quality, accuracy of piezometer screen placement, or other requirements, or any piezometer on which the Contractor stops work before completion, will be considered an abandoned piezometer. No payment will be made for any work on an abandoned piezometer. Piezometer abandonment shall meet all regulations of the state where the services are performed and/or requirements of the Company and be in accordance with Article 1.3.4, Grout. A new piezometer shall be installed in the immediate vicinity at a location designated by the Company after the location of utilities has been established by the Contractor.

1.3.4 Grout

The cement-bentonite or high solids bentonite grout used to backfill borings not completed. The cement-bentonite or high solids bentonite grout seal shall be brought to the ground surface, or as required by the Company.

When required, the cement-bentonite grout slurry shall weigh between 12 and 14 pounds per gallon (1.44 and 1.68 kg/L) and consist of 95 percent (by weight) cement with 5 percent sodium bentonite mixed with no more than 6 gallons (23 L) of water per 94 pound (42.6 kg) sack of cement. Cement shall conform to Article 1.1.5. The grout shall be thoroughly mixed and shall be used before any stiffening occurs. The Contractor shall supply a balance to measure the weight of the grout.

When required, the high solids bentonite grout shall be as specified in Article 1.1.6, or an acceptable equivalent approved by the Company. The high solids bentonite grout shall be thoroughly mixed

according to the manufacturer's specifications. The bentonite grout shall weigh between 9.0 and 9.5 pounds per gallon (1.08 and 1.14 kg/L), unless otherwise directed by the Company. The Contractor shall supply a balance to measure the weight of the grout.

Grout shall be placed by the tremie method. The tremie method shall consist of pumping the slurry down the boring or annular space outside the piezometer casing through a pipe. The bottom of the pipe shall be placed near the bottom of the zone to be grouted and shall be raised as the grout is placed, always keeping the bottom of the tremie pipe below the top of the grout. The tremie pipe tip shall be equipped with baffles to discharge the grout upward. The tremie pipe tip shall be placed as close as possible to the top of the silica sand filter or seal. The tremie pipe tip shall be kept at least 5 feet (1.5 m) below the grout surface during grout placement. Before grouting is completed, the Company will weigh the grout exiting the borehole to ensure that the correct mixture has been brought to the surface. Pumps, piping, and other materials for mixing and pumping grout shall be provided by the Contractor.

When allowed in Article 1.1.7.1, borings may be backfilled with cuttings.

1.3.5 Downhole Shear Wave Casing Installation

The Contractor shall furnish all labor, materials, and equipment for completing the installation of casing for downhole shear wave testing. Casing shall be installed in accordance with Article 1.1.4 and as described below. Materials required for construction of the permanent casing shall be as required in Article 1.1.7.1.

Permanent Schedule 40 PVC casing, with a minimum inside diameter of 3 inches (75 mm), shall be installed to the completed depth of each boring. PVC pipe sections shall be joined using watertight, flush-threaded joints that are acceptable to the Company. A watertight bottom cap shall be provided to seal the bottom of the casing.

In accordance with the requirements in Article 1.1.4, the maximum boring diameter shall be 6.5 inches (162.5 mm). The annulus outside the casing shall be backfilled with cement bentonite grout using the tremie method in accordance with Article 1.3.4, Grout. The grout shall have a similar density to the in situ material, and shall consist of 1 pound bentonite (not synthetic materials), 1 pound of Portland Cement, and 6.25 pounds of water.

Bentonite drilling mud shall not be used to advance a borehole unless approved by the Company. A biodegradable synthetic drilling fluid acceptable to the Company may be used; the manufacturer's directions shall be carefully followed.

1.3.6 Falling Head Permeability Testing

The Contractor shall provide a suitable pump, water meter, water level indicator, necessary pipe and connections, and all other equipment and supplies required to perform falling head tests.

In general, the tests will be conducted between Elevation 350 and rock. The Contractor shall record the test results on a form acceptable to the Company. Based upon inspection of the samples, the purchaser will select intervals for testing. The hole will be cleaned out from the bottom of the casing to the top of the next sample interval, and the test will be performed.

The casing will be filled with water and the time to drop 10 feet, or the drop in 5 minutes will be monitored. If the casing can not be filled, the flow into the casing will be recorded.

1.3.7 Cleanup

As work at each boring location concludes, the Contractor shall remove all equipment, tools, material, and supplies and shall leave the site clean and clear of all debris generated by his work. All earth cuttings, drilling fluid, and discharge water from piezometer development shall be spread evenly on the ground around the piezometer or boring so as not to damage the area or be unsightly, unless directed otherwise by the Company.

1.3.8 Restoration of Damaged Property

The Contractor shall conduct all services in a manner to prevent any destruction, scarring, or defacing of the worksite. At the completion of services, the Contractor shall restore each location to its original condition.

The Contractor shall, at his own expense, restore all property damaged while accessing the drill sites and performing services.

The restoration work shall include, but not be limited to, the repair of fences and roads and the leveling of ruts produced by driving to the investigation locations.

1.3.9 Surveying

All locations of subsurface investigations shall be surveyed and staked. All surveying shall be performed by a land surveyor registered in the state in which the work is being performed.

The Contractor shall use the Company designated elevation datum and coordinate system to locate the subsurface investigations. The Contractor shall not start work at any location until the location has been staked, the surface elevation has been determined, clearance for underground utilities has been received, the location has been reviewed by the Company, and authorization to proceed has been issued. Subsurface investigations shall be located as indicated on the drawing included in these specifications.

The acceptable tolerance for elevation shall be 0.1 foot (30.5 mm) and for location shall be 1.0 foot (0.3 m). Locations shall not be moved more than 15 feet (4.6 m) from the planned location without Company's approval.

1.3.10 Laboratory Tests

Unless otherwise permitted by the Company, each laboratory test shall be performed as specified in the laboratory test standards specified herein. Test results shall be reported on forms suitable for reproduction and shall be acceptable to the Company.

Samples to be tested will be selected by the Company after completion of the drilling. The Contractor shall be responsible for delivering the test samples to the laboratory.

1.3.10.1 Atterberg Limits. When required, Atterberg limits shall be as specified in Article 1.1.7.2. The liquid limit shall be determined by securing the results of at least three trials. The test report shall include initial moisture content.

1.3.10.2 Grain Size Analysis. When required, grain size analysis shall be as specified in Article 1.1.7.2. This test is a complete sieve analysis, not just a measurement of the percent finer than the No. 200 sieve. This test does not include a hydrometer analysis. If the Company requires hydrometer analyses, they will be requested separately. Reports of the results of this test shall include data and a graph of the data.

1.3.10.3 Moisture Content. When required, moisture content determination shall be as specified in Article 1.1.7.2; no exceptions cited.

1.3.10.4 Specific Gravity. When required, the specific gravity of the soils shall be determined as specified in Article 1.1.7.2; no exceptions cited.

1.3.10.5 Specific Gravity of Coarse Grained Soils. Specific gravity determination for gravel and larger grained soils shall be as specified in Article 1.1.7.2.

1.3.11 Quantities Measurement

Quantities of work completed by the Contractor will be measured and paid for as specified herein. All work not specifically set forth as a pay item shall be considered a subsidiary obligation of the Contractor, and all associated costs shall be included in the unit prices.

1.3.11.1 Mobilization and Demobilization. When required, the initial mobilization of drill rig(s), bulldozers, backhoes, cone penetrometer rig(s), crosshole testing equipment, refraction survey equipment, and associated equipment as required in Article 1.1.5 and demobilization of same shall be made in the amount of the appropriate unit price stated herein, per drill rig, bulldozer, backhoe, cone penetrometer rig, crosshole testing equipment, or refraction survey equipment. If additional mobilization is initiated by a written request from the Company, additional payment for delivery to and removal from the site of all materials, tools, and drilling and sampling equipment will be made, for each item, in the amount of the appropriate unit price stated in this proposal.

The mobilization unit prices are to be for the complete mobilization and demobilization.

No payment will be made for mobilization costs for equipment brought to the site to replace equipment that breaks down, does not perform satisfactorily, or is found to be unsuited to site conditions. No payment will be made for mobilization costs for additional equipment the Contractor chooses to mobilize because of conditions brought about by adverse weather.

1.3.11.2 Drilling and Sampling. The unit price for drilling borings and securing samples shall include the costs of all labor, materials, and equipment required, including all costs of labor, materials, and equipment required for the boring and sampling services.

The unit price for borings shall include the costs of making borings and supplying water and all other appurtenant drilling costs, including moving equipment between piezometer and boring locations. Payment for borings will be made on the basis of actual footage of boring advanced, measured from the ground surface to the depth authorized by the Company.

The unit price for temporary casings shall include the cost of supplying, installing, and removing all temporary casings. No payments shall be made for temporary casings left in place because of impracticability of removal. Payment for temporary casings shall be made on the basis of actual footage installed, measured from the ground surface to the depth authorized by the Company.

The unit price for 2 inch (50 mm) diameter split barrel sampling shall include the costs of cleaning the bottom of the boring before sampling, making standard penetration tests with 2 inch (50 mm) samplers, recovering representative samples of soil from the sampler, opening samplers, and all other appurtenant costs, including the cost of containers and labels for samples, and placing samples in containers as needed. Payment for split barrel sampling shall be made on the basis of the actual number of sampling attempts authorized by the Company. No payment will be made for split barrel sample attempts where there is no recovery due to careless handling or sampling procedures used by the Contractor, as judged by the Company.

The unit price for grout sealing borings shall include the cost of all labor, materials, and equipment as required by the Company. Payment for grout sealing will be made on the basis of the actual footage of the boring grouted. If the boring has collapsed before backfilling, the quantity shall be measured from the ground surface to the depth of collapse as determined by the Company.

The unit price for sealing borings with granular bentonite below the bottom of piezometers shall include the cost of all labor, materials, and equipment as required by the Company. Payment for sealing will be made on the basis of the actual footage of the boring sealed.

1.3.11.3 Surveying. The unit price for surveying shall include the cost of all labor, materials, and equipment required to survey and stake the location and elevation at all borings, piezometers, and test pits, including tying the survey to a known bench mark or state plane coordinate system. The surveying unit price shall also include the cost of providing the survey results in a letter report and an electronic AutoCAD file. Payment will be made on the basis of the number of borings, piezometers, and test pits surveyed.

1.3.11.4 Falling Head Permeability Testing. The unit price for packer testing shall include all labor, materials, and equipment required to perform the testing and record the data during the tests. Payment for falling head testing will be made on the basis of the number of tests performed, including setup time.

1.3.11.5 Permanent Casing Installation for Downhole Shear Wave Velocity Testing. Payment for permanent casing installation for downhole shear wave velocity testing shall include the costs of all labor, materials, and equipment required for installing and grouting the casing. Payment shall be made on the basis of actual footage of casing installed, measured from the ground surface to the depth authorized by the Company.

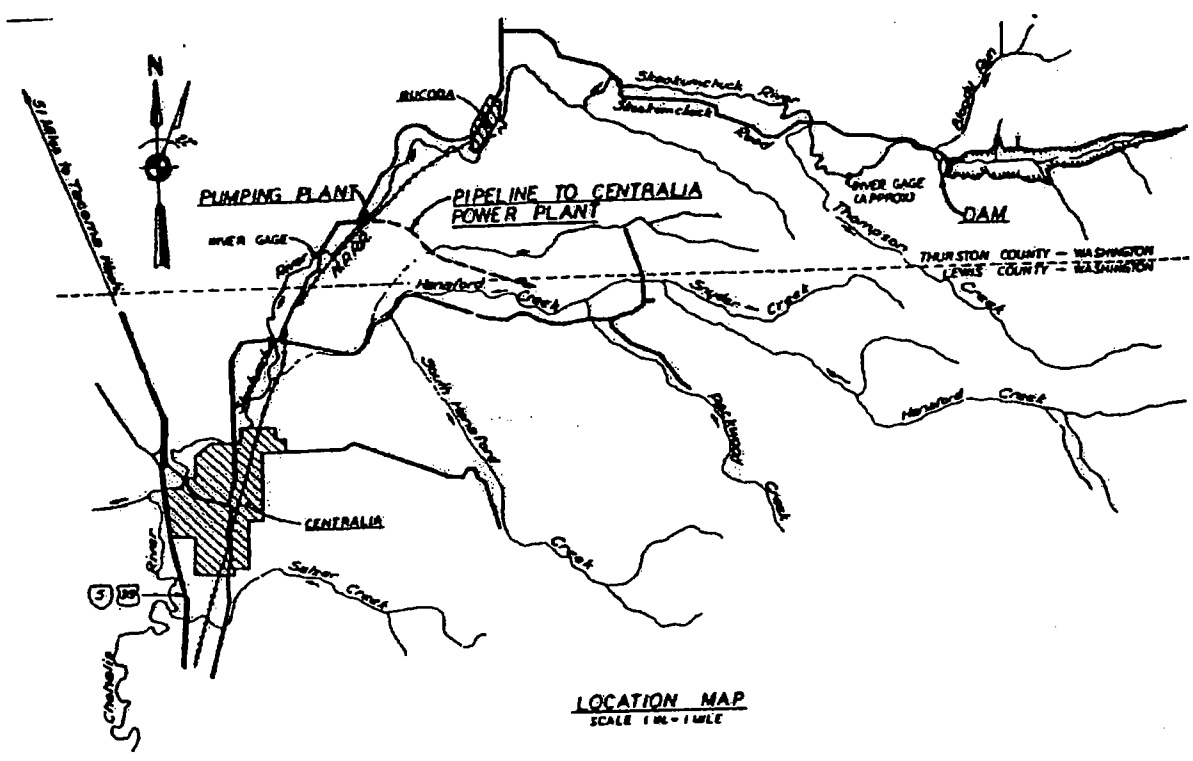
1.3.11.6 Laboratory Tests. The unit price for each laboratory test shall include all costs of labor, materials, and equipment for performing the tests and presenting five copies of the results.

1.3.11.7 Standby Time/Downtime. Standby time shall be time when the Contractor could be working, but the Company has directed the Contractor to discontinue working and to remain onsite and be prepared to resume services when directed by the Company. Downtime shall be time when services cannot be performed due to failure of the Contractor's equipment or other factors caused by the Contractor that prevent services from being performed. Standby time will be paid only if service stoppages directed by the Company exceed downtime caused by the Contractor. The Company will keep a record of both standby time and downtime. Payment will be based on the actual amount of standby time in excess of downtime. Work stoppage caused by inclement weather does not constitute standby time or downtime.

1.4 Schedule

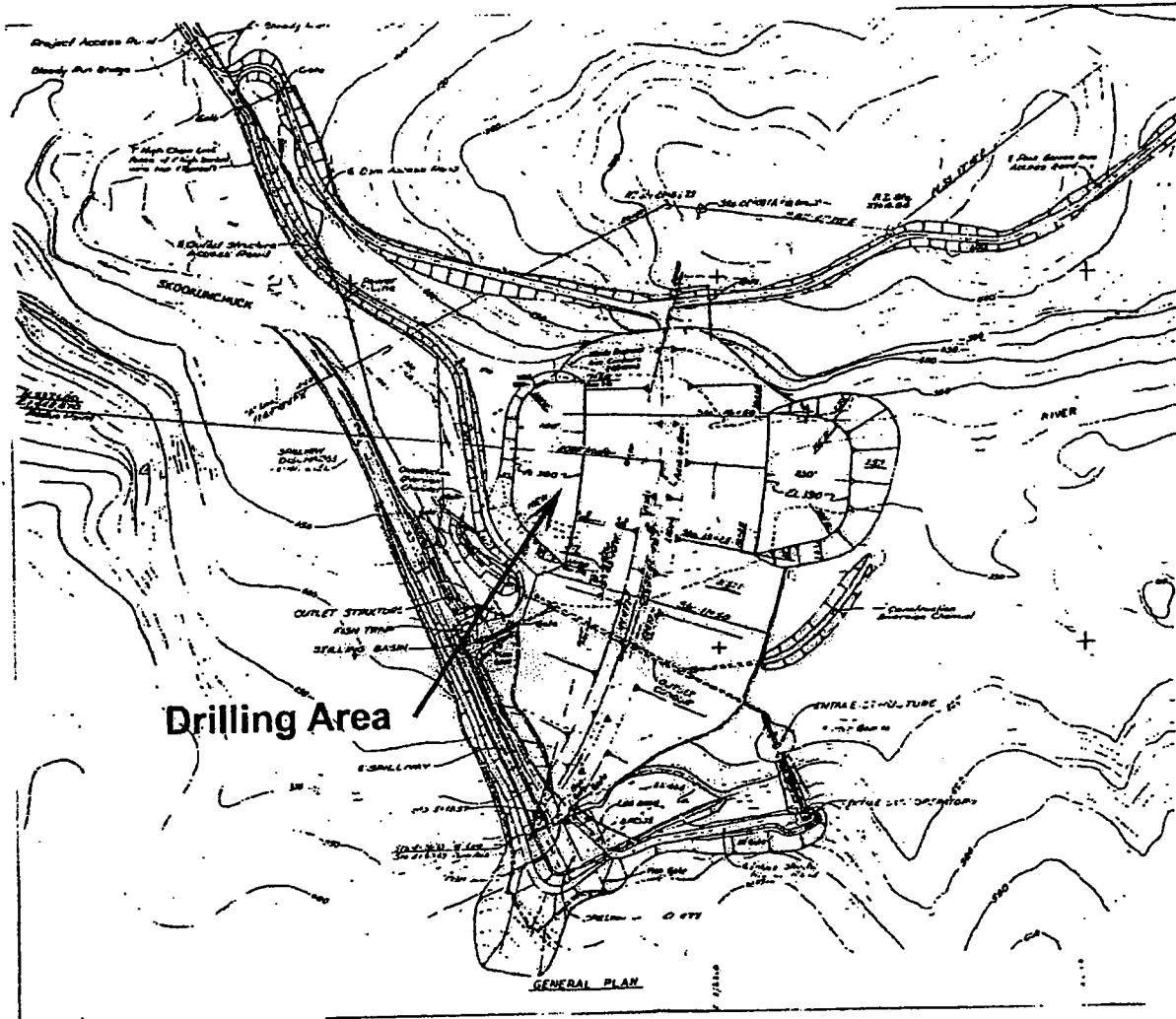
The Field Services and Laboratory Testing Services shall be performed within the following completion dates.

Activity	Completion Date
Award Work	October 23, 2003
Mobilize Drilling Contractor	October 30, 2003
Conduct Drilling Work	November 20, 2003
Conduct Laboratory Testing	December 25, 2003



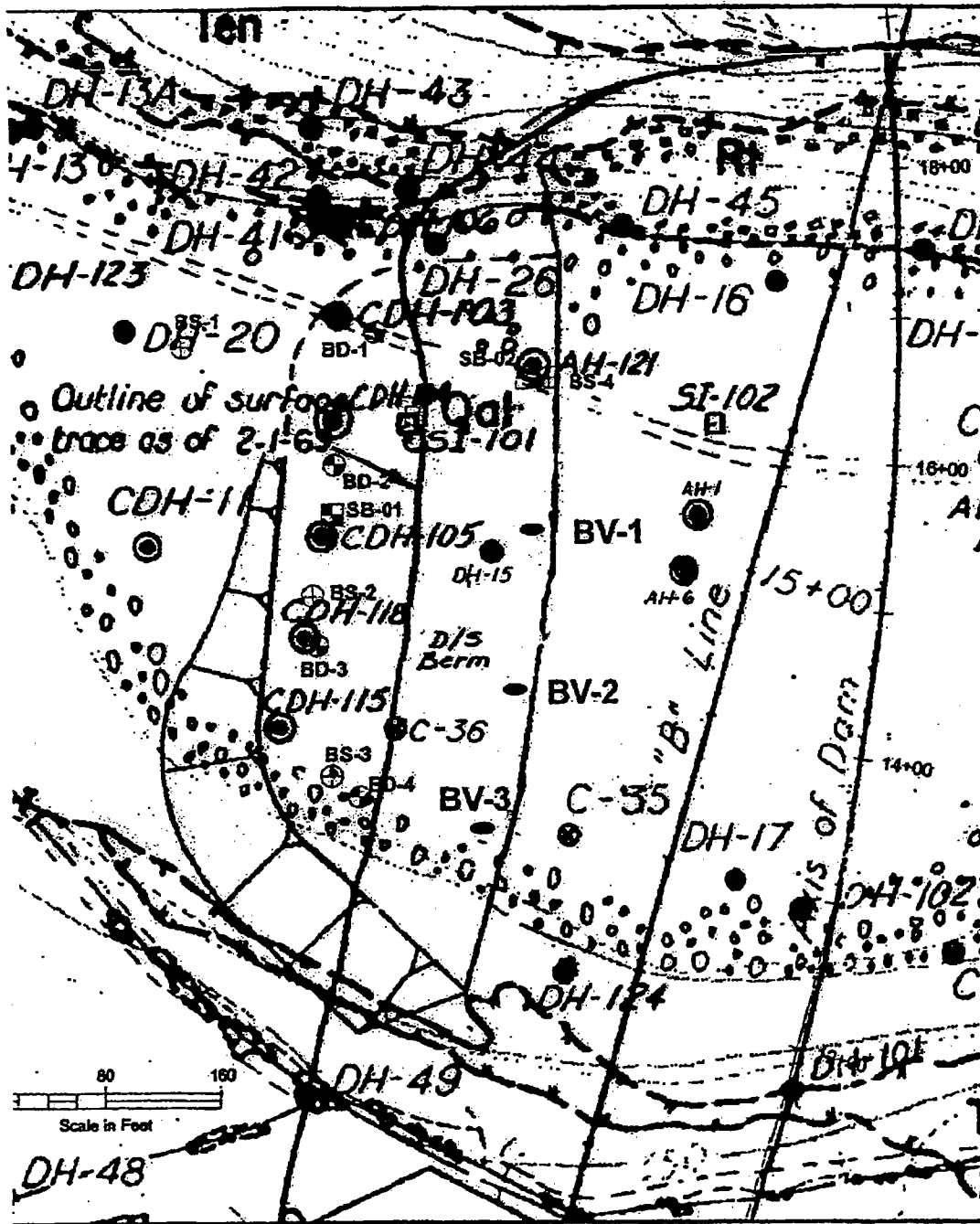
Skookumchuck Dam
Subsurface Investigations

Figure 1
Site Location Map
Rev. 0



Skookumchuck Dam
Subsurface Investigations

Figure 2
Dam Plan/Drilling Area
Rev. 0



Proposed 2003 Boring

2.0 Downhole Shear Wave Velocity Test

2.1 General

The intent of this testing is to determine the variation in compression (P-wave) and shear wave (S-wave) velocity with depth using downhole seismic test procedures. The boreholes and casing will be installed by others.

2.1.1 Field Procedures

A three component downhole geophone shall be used to record the seismic signals. Seismic signals shall be created by two sources. A sledge hammer and plate shall be used for as the P-wave source, and a vehicle weighted plank and sledge hammer shall be used as the shear wave source. To take advantage of the S-wave polarization, both sides of the weighted plank shall be struck, and the waveforms recorded separately.

P and S wave data shall be collected on 2.5 foot intervals. The recording device shall have at least 24 channels. Signal stacking shall be used to enhance the measurement of polarized signals and reduce ambient vibration interference.

2.1.2 Report

A report providing P and S wave velocity at each test depth shall be provided in tabulated and graphical form. A description of field procedures and data reduction methodology shall be provided.

2.2 Schedule

The downhole shear wave velocity testing shall be performed within the following completion dates.

Activity	Completion Date
Award Work	October 23, 2003
Boreholes and Casing Installed by Others	November 20, 2003
Conduct Downhole Shear Wave Velocity Tests	December 25, 2003

FEDERAL ENERGY REGULATORY COMMISSION

Office of Energy Projects
Division of Dam Safety and Inspections
Portland Regional Office
101 S.W. Main Street, Suite #905
Portland, Oregon 97204

Copied 8/11/03 CS:hb
Fields - Merwin
Scibelli - Merwin
Strande - Merwin
Thompson/FERCEASE - 1500 LCT
Skookimchuck, Compliance,
FERC, Part 12 plan & schedule,
Acknowledgment

JUL 31 2003

In reply refer to:
P-4441-WA
NATDAM-WA00153

Mr. Randy A. Landolt
Director, Hydro Resources
PacifiCorp
825 NE Multnomah, Suite 1500
Portland, OR 97232

Dear Mr. Landolt:

This is to acknowledge your May 1, 2003 letter, in response to our March 19, 2003 letter, proposing a plan and schedule for providing supplemental information to the January 15, 2002 Fourth Independent Consultant's Safety Inspection Report for the Skookimchuck Project, FERC No. 4441. We have the following comments on the items addressed in your May 1 letter:

◦ Items 1 and 2 - You proposed to conduct a new seismic hazard evaluation, which would include the Cascadia Subduction Zone, deep intraplate events, and the Legislature fault. Further, the information provided in Dr. I. M. Idriss' September 20, 2002 letter report would be incorporated into the evaluation and the evaluation submitted to this office by December 31, 2003. This is acceptable.

◦ Item 3 - You proposed to submit plans and specifications for the Skookimchuck Dam drilling/explorations program by July 31, 2003; begin the drilling/explorations by October 31, 2003; and submit the exploration results and a liquefaction evaluation by March 31, 2004. This is acceptable. In addition to the plans and specifications, a Quality Control and Inspection Program, including a soil erosion and sediment control plan, should be submitted. By June 13, 2003 letter, Mr. Roger L. Raeburn, Manager, Hydro Plant Engineering, forwarded drawings showing the existing and proposed drill hole locations. We have reviewed this information; the proposed locations of the three new drill holes are acceptable. We concur that, as information is learned from the initial advancement of the borings, additional borings may be needed.

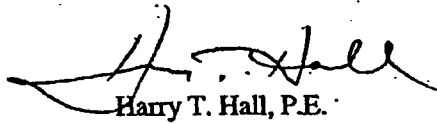
Critical Energy Infrastructure Information
-Do Not Release-

o Item 4 - Based on the results obtained from the drilling/explorations program addressed in Item 3, you indicated that a post-earthquake deformation analysis may be performed and, if appropriate, a non-linear 2-dimensional dynamic analysis would be performed. This is acceptable. If these analyses are considered necessary, the plan and schedule for the work must be submitted to this office for our review.

o Item 5 - You stated that your consultant will review the recently completed U.S. Army Corps of Engineers' Skookumchuck Dam PMF study, and that copies of the PMF study and your consultant's comments thereon will be submitted by December 31, 2003. This is acceptable.

As a reminder, all of the above discussed submittals should be made in triplicate to this office. If you have any questions, please contact Messrs. William Lagnion or Edward Perez of this office at (503) 522-2748 or (503) 552-2750, respectively.

Sincerely,



Harry T. Hall, P.E.
Regional Engineer

FEDERAL ENERGY REGULATORY COMMISSION

Office of Energy Projects

Division of Dam Safety and Inspections

Portland Regional Office

101 S.W. Main Street, Suite #905

Portland, Oregon 97204

Copied 10-10-03 CS:hb

Fields - Merwin

Kirschenman - 1500 LCT

Leis - 1500 LCT

O'Connor - 1500 LCT

Raeburn - 1500 LCT

Snyder - 1500 LCT

Strande - 1500 LCT

Sturtevant - 1500 LCT

Thompson/FERCEASE - 1500 LCT

File: Skookumchuck, Compliance,
FERC, Part 12 D Report 2002-Plan
and Schedule response, Instrumentation
Maintenance

2003

In reply refer to:

P-4441-WA

NATDAM-WA00153

Mr. Randy A. Landolt
Director, Hydro Resources
PacifiCorp
825 NE Multnomah, Suite 1500
Portland, OR 97232

Dear Mr. Landolt:

This is to acknowledge your July 30, 2003 letter providing plans and specifications for the drilling program regarding the January 15, 2002 Fourth Independent Consultant's Safety Inspection Report for the Skookumchuck Project, FERC No. 4441. We have the following comments:

(1) As requested in our July 31, 2003 letter, a Quality Control and Inspection Program (QCIP), including a sediment and erosion control plan (SECP), should be submitted. Your July 30 letter did not provide a QCIP or SECP. Section 1.2.6 - Discharge Water, states that drilling discharge water will be sent to ditches. Discharge water and cuttings from drilling activities should be contained within the area of drilling in a manner that will not cause adverse environmental impacts.

(2) Section 1.1.4 - SPT sampling should be performed in accordance with ASTM D 6066, "Standard Practice for Determining the Normalized Penetration Resistance of Sands for Evaluation of Liquefaction Potential", in addition to ASTM 1586, "Standard Test Method for Penetration Test and Split-Barrel Sampling of Soils". However, you are required to perform continuous SPTs below Elevation 350 as stated in Item 6, below.

Critical Energy Infrastructure Information

-Do Not Release-

(3) Section 1.1.1 - Scope of Work, should include the installation of open tube piezometers in two of the borings for the purpose of measuring static water level readings and falling head permeability tests if appropriate. Tip installation elevations of the piezometers should be chosen on the basis of conditions encountered during drilling operations.

(4) Section 1.3.1 - Rotary Wash Drilling, states that casing may be used to maintain an open boring. This section should state that if casing is used, it should not be advanced within 2.5 feet of the current standard penetration testing (SPT) interval in conformance with ASTM D 6066 section 11.2.2.

(5) The type of hammer used to advance SPTs should be provided along with the appropriate calibration data. Calibration data should be provided with the information requested in Item 7, below. In addition, a liner should be used in the SPT sampler (creating a constant 1 3/8" ID) to eliminate the need to apply a correction factor in the normalization of N values.

(6) Section 1.1.7.1 - SPTs may be performed on 5-foot intervals from the ground surface to approximate Elev. 350 as indicated. SPTs should then be performed continuously from Elev. 350 to refusal on bedrock, instead of 2.5-foot intervals as stated.

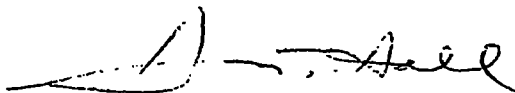
(7) A copy of the field boring logs, backfill records, and piezometer/casing installation records should be mailed or faxed to this office within 10 days upon completion of drilling activities. Field boring logs should include recovery, and details of casing advancement if used.

Once the above comments are incorporated, the plans and specifications will be acceptable. No work may proceed until a QCIP and SECP for the work is filed with and approved by this office. **Please provide the QCIP and SECP as soon as possible so that we can continue our review and that you may meet the current construction schedule.**

You are reminded that, as licensee, it is your responsibility to ensure that construction practices are such that erosion and other potential environmental impacts during and after the proposed work are minimized, and that all deleterious material and fluids are kept out of the river. In addition, you must notify this office as soon as possible if there are any developments that might affect the integrity of the Skookumchuck Dam.

As a reminder, all of the above discussed submittals should be made in triplicate to this office. If you have any questions, please contact Messrs. William Lagnion or Edward Perez of this office at (503) 522-2748 or (503) 552-2750, respectively.

Sincerely,

A handwritten signature in black ink, appearing to read "Harry T. Hall". The signature is fluid and cursive, with a long horizontal stroke extending to the left.

Harry T. Hall, P.E.
Regional Engineer

SKOOKUMCHUCK FORECAST - November 2003 to January 2004

Description of Work	2004 - Estimated Budget Calendar Year						Assigned PM
	Labor	Emp Exp	Materials	Contracts	Other	TOTAL	
Fish Hatchery Security				138,000	8,500	146,500	Lesko
Wildlife Management Plan	6,000	240	14,400	130,600	-	130,600	Fields
Hydrologic Data - USGS Data				39,000		59,640	Naylor
Routine Operating Expenses				17,500		17,500	Bornemeier
FERC Issues	16,900	500	2,200	-	5,300	24,900	Fields
Skookumchuck Stability Analysis Drilling Program	700	46		23,000		23,746	Thompson
Skookumchuck Weyerhaeuser Easement Payment	9,600			100,000		109,600	Raeburn
Annual Revenue from Generation Sales	33,200	786	16,600	448,100	13,800	512,486	

LABOR

Description of Work	Nov-03	Dec-03	Jan-04	Feb-04	TOTAL
Fish Hatchery	-	-	-	-	-
Security	-	-	-	-	-
Wildlife Management Plan	500	500	500	500	2,000
Hydrologic Data - USGS Data	-	-	-	-	-
Routine Operating Expenses	1,407	1,407	1,407	1,407	5,628
FERC Issues	-	-	-	-	-
Skookumchuck Stability Analysis Drilling Program	3,000	2,000	2,000	1,300	8,300
Skookumchuck Weyerhaeuser Easement Payment	-	-	-	-	-
Annual Revenue from Generation Sales	-	-	-	-	-
TOTAL	\$ 4,907	\$ 3,907	\$ 3,907	\$ 3,207	\$ 15,928

EMPLOYEE EXPENSES

Description of Work	Nov-03	Dec-03	Jan-04	Feb-04	TOTAL
Fish Hatchery	-	-	-	-	-
Security	-	-	-	-	-
Wildlife Management Plan	20	20	20	20	80
Hydrologic Data - USGS Data	-	-	-	-	-
Routine Operating Expenses	30	30	30	30	120
FERC Issues	-	-	-	-	-
Skookumchuck Stability Analysis Drilling Program	-	-	-	-	-
Skookumchuck Weyerhaeuser Easement Payment	-	-	-	-	-
Annual Revenue from Generation Sales	-	-	-	-	-
TOTAL	\$ 50	\$ 50	\$ 50	\$ 50	\$ 200

MATERIALS

Description of Work	Nov-03	Dec-03	Jan-04	Feb-04	TOTAL
Fish Hatchery	-	-	-	-	-
Security	-	-	-	-	-
Wildlife Management Plan	1,200	1,200	1,200	1,200	4,800
Hydrologic Data - USGS Data	-	-	-	-	-
Routine Operating Expenses	110	110	110	110	440
FERC Issues	-	-	-	-	-
Skookumchuck Stability Analysis Drilling Program	-	-	-	-	-
Skookumchuck Weyerhaeuser Easement Payment	-	-	-	-	-
Annual Revenue from Generation Sales	-	-	-	-	-
TOTAL	\$ 1,310	\$ 1,310	\$ 1,310	\$ 1,310	\$ 5,240

CONTRACTS

Description of Work	Nov-03	Dec-03	Jan-04	Feb-04	TOTAL
Fish Hatchery	34,294	-	-	34,294	68,588
Security	10,800	10,800	10,800	10,800	43,200
Wildlife Management Plan	4,000	1,500	1,500	4,000	11,000
Hydrologic Data - USGS Data	-	-	-	-	-
Routine Operating Expenses	-	-	-	-	-
FERC Issues	-	-	-	-	-
Skookumchuck Stability Analysis Drilling Program	15,000	25,000	20,000	10,000	70,000
Skookumchuck Weyerhaeuser Easement Payment	3,000	-	-	-	3,000
Annual Revenue from Generation Sales	-	-	-	-	-
TOTAL	\$ 67,094	\$ 37,300	\$ 32,300	\$ 59,094	\$ 195,788

OTHER

Description of Work	Nov-03	Dec-03	Jan-04	Feb-04	TOTAL
Fish Hatchery	-	-	-	-	-
Security	-	-	-	-	-
Wildlife Management Plan	-	-	-	-	-
Hydrologic Data - USGS Data	-	-	-	-	-
Routine Operating Expenses	442	442	442	442	1,768
FERC Issues	-	-	-	-	-
Skookumchuck Stability Analysis Drilling Program	-	-	-	-	-
Skookumchuck Weyerhaeuser Easement Payment	-	-	-	-	-
Annual Revenue from Generation Sales	(2,000)	-	-	(1,500)	(3,500)
TOTAL	\$ (1,558)	\$ 442	\$ 442	\$ (1,058)	\$ (1,732)

TOTAL FORECAST

Description of Work	Nov-03	Dec-03	Jan-04	Feb-04	TOTAL
Fish Hatchery	34,294	-	-	34,294	68,588
Security	10,800	10,800	10,800	10,800	43,200
Wildlife Management Plan	5,720	3,220	3,220	5,720	17,880
Hydrologic Data - USGS Data	-	-	-	-	-
Routine Operating Expenses	1,989	1,989	1,989	1,989	7,956
FERC Issues	-	-	-	-	-
Skookumchuck Stability Analysis Drilling Program	18,000	27,000	22,000	11,300	78,300
Skookumchuck Weyerhaeuser Easement Payment	3,000	-	-	-	3,000
Annual Revenue from Generation Sales	(2,000)	-	-	(1,500)	(3,500)
TOTAL	71,803	43,009	38,009	62,603	\$ 215,424

	Avg Mo
Routine Operating Expenses	400
Electricity	42
Telephone	80
Vehicle Maintenance	1,467
Maintenance (Not including Res Part-time Labor)	1,989
TOTAL	1,989

EXHIBIT C

After Recording Return to:

Attn: _____

SPACE ABOVE LINE FOR RECORDER'S USE ONLY

Title of Document: Special Warranty Deed

Grantors: Pacificorp, an Oregon corporation (formerly known as Pacific Power & Light Company); Avista Corporation, a Washington corporation (formerly known as the Washington Water Power Company)

See page 2 for complete names of all Grantors

Grantee: Skookumchuck LLC, a Washington limited liability company

Abbreviated Legal Description: Ptn Sec 7, 11, 14, 15, 16, 17 & 18, T15N, R1E, and Ptn Sec 12 & 13, T15N, R1W

Complete legal description is on Exhibit A of this document

Assessor's Tax Parcel Account Nos.: 11512310400(TCA-540); 11512340100(TCA-540)
11513100000(TCA-561); 11513120000(TCA-561)
11513210000(TCA-561); 11513310000(TCA-540)

Additional tax parcel account numbers are on Exhibit B of this document

SPECIAL WARRANTY DEED

The Grantors, PacifiCorp, an Oregon corporation (formerly known as Pacific Power & Light Company); Avista Corporation, a Washington corporation (formerly known as the Washington Water Power Company); The City of Seattle, a municipal corporation; The City of Tacoma, a municipal corporation; Public Utility District No. 1 of Snohomish County, a municipal corporation; Puget Sound Energy, Inc., a Washington corporation (formerly known as Puget Sound Power & Light Company); Public Utility District No. 1 of Grays Harbor County, a municipal corporation; and _____ Avista Corporation, a Washington corporation (non-utility) (collectively herein, the "Grantors") for good and valuable consideration, in hand paid, do hereby bargain, sell and convey to Skookumchuck LLC, a Washington limited liability company, the Grantee, the following-described real property situated in the County of Thurston, State of Washington:

See Exhibit A attached hereto and incorporated herein by this reference.

This conveyance is subject to taxes and assessments, general and special, not yet due and payable; and all agreements, easements, reservations, restrictions, covenants and conditions listed on Exhibit C attached hereto and incorporated herein by this reference.

The Grantors, for themselves and for their successors in interest, do by these presents expressly limit the covenants of this Deed to those herein expressed, exclude all covenants arising or to arise by statutory or other implication, and do hereby covenant that against all persons whomsoever lawfully claiming or to claim by, through or under the Grantors, and not otherwise, they will warrant and defend the title to the above-described real property.

EXHIBIT C

DATED: _____, 2003.

PACIFICORP, an Oregon corporation

By: _____
Printed Name: _____
Title: _____

AVISTA CORPORATION, a Washington corporation

By: _____
Printed Name: _____
Title: _____

THE CITY OF SEATTLE, a municipal corporation

By: _____
Printed Name: _____
Title: _____

THE CITY OF TACOMA, a municipal corporation

By: _____
Printed Name: _____
Title: _____

EXHIBIT C

**PUBLIC UTILITY DISTRICT NO. 1 OF
SNOHOMISH COUNTY, a municipal
corporation**

By: _____
Printed Name: _____
Title: _____

**PUGET SOUND ENERGY, INC., a
Washington corporation**

By: _____
Printed Name: _____
Title: _____

**PUBLIC UTILITY DISTRICT NO. 1 OF
GRAYS HARBOR COUNTY, a municipal
corporation**

By: _____
Printed Name: _____
Title: _____

**AVISTA CORPORATION,
a Washington corporation (non-utility)**

By: _____
Printed Name: _____
Title: _____

EXHIBIT C

STATE OF _____)
) ss.
COUNTY OF _____)

On this ___ day of _____, 2003, before me personally appeared _____, to me personally known to be the _____ of PACIFICORP, the Oregon corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that (s)he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

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

Signature: _____
Name (Print): _____
NOTARY PUBLIC in and for the State of _____, residing at _____
My appointment expires: _____

STATE OF _____)
) ss.
COUNTY OF _____)

On this ___ day of _____, 2003, before me personally appeared _____, to me personally known to be the _____ of AVISTA CORPORATION, the Washington corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that (s)he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

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

Signature: _____
Name (Print): _____
NOTARY PUBLIC in and for the State of _____, residing at _____
My appointment expires: _____

EXHIBIT C

STATE OF _____)
) ss.
COUNTY OF _____)

On this ___ day of _____, 2003, before me personally appeared _____, to me personally known to be the _____ of THE CITY OF SEATTLE, the municipal corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that (s)he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said municipal corporation.

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

Signature: _____

Name (Print): _____

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

STATE OF _____)
) ss.
COUNTY OF _____)

On this ___ day of _____, 2003, before me personally appeared _____, to me personally known to be the _____ of THE CITY OF TACOMA, the municipal corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that (s)he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said municipal corporation.

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

Signature: _____

Name (Print): _____

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

EXHIBIT C

STATE OF _____)
) ss.
COUNTY OF _____)

On this ___ day of _____, 2003, before me personally appeared _____, to me personally known to be the _____ of PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, the municipal corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that (s)he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said municipal corporation.

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

Signature: _____

Name (Print): _____

NOTARY PUBLIC in and for the State of _____, residing at _____

My appointment expires: _____

STATE OF _____)
) ss.
COUNTY OF _____)

On this ___ day of _____, 2003, before me personally appeared _____, to me personally known to be the _____ of PUGET SOUND ENERGY, INC., the Washington corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that (s)he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

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

Signature: _____

Name (Print): _____

NOTARY PUBLIC in and for the State of _____, residing at _____

EXHIBIT C

My appointment expires: _____

STATE OF _____)
) ss.
COUNTY OF _____)

On this ___ day of _____, 2003, before me personally appeared _____, to me personally known to be the _____ of PUBLIC UTILITY DISTRICT NO. 1 OF GRAYS HARBOR COUNTY, the municipal corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that (s)he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said municipal corporation.

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

Signature: _____

Name (Print): _____

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

STATE OF _____)
) ss.
COUNTY OF _____)

On this ___ day of _____, 2003, before me personally appeared _____, to me personally known to be the _____ of _____, the _____ corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that (s)he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

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

Signature: _____

Name (Print): _____

NOTARY PUBLIC in and for the State of _____

EXHIBIT C

_____, residing at _____
My appointment expires: _____

EXHIBIT A

(Complete legal description)

IN THE COUNTY OF THURSTON, STATE OF WASHINGTON

TOWNSHIP FIFTEEN (15) NORTH, RANGE ONE (1) EAST OF THE WILLAMETTE
MERIDIAN

PARCEL 1 - SECTIONS ELEVEN (11), FOURTEEN (14), FIFTEEN (15), SIXTEEN (16)
AND SEVENTEEN (17)

BEGINNING AT A POINT ON THE EAST-WEST LINE BETWEEN SECTIONS 11 AND 14 THAT IS NORTH 87° 00' 05" WEST 182.27 FEET FROM THE SOUTHEAST CORNER OF SAID SECTION 11; THENCE ALONG THE FOLLOWING COURSES AND DISTANCES IN SAID SECTION 11:

NORTH 53° 49' 14" EAST 100.09 FEET; NORTH 65° 55' 35" WEST 359.73 FEET; SOUTH 43° 16' 54" WEST 220.51 FEET; SOUTH 60° 49' 42" WEST 45.76 FEET, MORE OR LESS, TO A POINT ON THE SOUTH LINE OF SAID SECTION 11; THENCE ALONG THE FOLLOWING COURSES AND DISTANCES IN SAID SECTION 14:

SOUTH 60° 49' 42" WEST 255.90 FEET; SOUTH 71° 30' 17" WEST 338.46 FEET; NORTH 51° 54' 39" WEST 271.89 FEET; NORTH 83° 20' 37" WEST 254.24 FEET; NORTH 76° 03' 51" WEST 356.87 FEET; SOUTH 70° 40' 57" WEST 436.45 FEET; SOUTH 59° 49' 51" WEST 255.72 FEET; SOUTH 47° 47' 22" WEST 236.45 FEET; SOUTH 58° 20' 37" WEST 81.47 FEET; SOUTH 75° 59' 05" WEST 82.72 FEET; SOUTH 88° 24' 10" WEST 73.99 FEET; NORTH 73° 22' 49" WEST 69.10 FEET; NORTH 64° 51' 36" WEST 98.73 FEET; NORTH 53° 03' 31" WEST 177.29 FEET; NORTH 88° 20' 53" WEST 49.75 FEET; NORTH 70° 36' 08" WEST 92.49 FEET; NORTH 58° 47' 11" WEST 78.31 FEET; NORTH 46° 41' 53" WEST 221.29 FEET; SOUTH 74° 41' 45" WEST 662.79 FEET; NORTH 86° 11' 28" WEST 186.15 FEET; SOUTH 78° 26' 42" WEST 242.55 FEET; NORTH 87° 59' 29" WEST 494.18 FEET, MORE OR LESS, TO A POINT ON THE NORTH-SOUTH SECTION LINE COMMON TO SECTIONS 14 AND 15 THAT IS SOUTH 01° 52' 20" WEST 493.39 FEET FROM THE NORTHWEST CORNER OF SAID SECTION 14; THENCE ALONG THE FOLLOWING COURSES AND DISTANCES IN SAID SECTION 15:

NORTH 87° 59' 29" WEST 327.43 FEET; NORTH 74° 02' 53" WEST 400.22 FEET; NORTH 88° 45' 51" WEST 575.91 FEET; SOUTH 76° 33' 47" WEST 492.55 FEET; SOUTH 16° 25' 23" WEST 164.36 FEET; SOUTH 59° 05' 01" WEST 329.19 FEET; NORTH 76° 22' 18" WEST 407.09 FEET; SOUTH 32° 14' 15" WEST 423.58 FEET; NORTH 89° 33' 35" WEST 156.21 FEET; NORTH 33° 49' 33" WEST 186.80 FEET; SOUTH 62° 47' 03" WEST

EXHIBIT C

257.36 FEET; SOUTH 82° 05' 25" WEST 287.38 FEET; SOUTH 34° 00' 02" WEST 263.98 FEET; NORTH 52° 43' 21" WEST 152.81 FEET; SOUTH 86° 35' 42" WEST 664.04 FEET; SOUTH 25° 15' 30" WEST 378.46 FEET; NORTH 85° 32' 51" WEST 369.85 FEET; SOUTH 69° 45' 16" WEST 285.24 FEET; NORTH 88° 02' 05" WEST 120.15 FEET, MORE OR LESS, TO A POINT ON THE NORTH-SOUTH SECTION LINE COMMON TO SECTIONS 15 AND 16 THAT IS SOUTH 02° 26' 44" EAST 1,846.54 FEET FROM THE NORTHWEST CORNER OF SAID SECTION 15; THENCE ALONG THE FOLLOWING COURSES AND DISTANCES IN SAID SECTION 16:

NORTH 88° 02' 05" WEST 144.02 FEET; NORTH 62° 20' 54" WEST 244.42 FEET; NORTH 40° 31' 43" WEST 215.43 FEET; NORTH 82° 23' 41" WEST 161.01 FEET; SOUTH 83° 11' 32" WEST 349.15 FEET; SOUTH 88° 51' 12" WEST 334.53 FEET; SOUTH 76° 46' 31" WEST 564.62 FEET; NORTH 80° 09' 45" WEST 693.06 FEET; SOUTH 85° 54' 49" WEST 391.76 FEET; NORTH 73° 54' 40" WEST 592.15 FEET; NORTH 20° 12' 38" EAST 239.00 FEET; NORTH 06° 58' 06" EAST 165.47 FEET; SOUTH 74° 49' 49" WEST 104.10 FEET; SOUTH 62° 14' 25" WEST 776.84 FEET; NORTH 87° 28' 02" WEST 220.95 FEET; SOUTH 80° 53' 35" WEST 766.03 FEET; NORTH 85° 36' 44" WEST 46.89 FEET, MORE OR LESS, TO A POINT ON THE NORTH-SOUTH SECTION LINE COMMON TO SECTIONS 16 AND 17 THAT IS SOUTH 02° 20' 51" EAST 1,836.31 FEET FROM THE NORTHWEST CORNER OF SAID SECTION 16; THENCE ALONG THE FOLLOWING COURSES AND DISTANCES IN SECTION 17:

NORTH 85° 36' 44" WEST 132.92 FEET; NORTH 02° 21' 01" EAST 128.11 FEET; NORTH 23° 07' 41" WEST 325.96 FEET; NORTH 03° 45' 27" EAST 318.32 FEET; NORTH 85° 40' 34" WEST 162.58 FEET; SOUTH 28° 26' 02" WEST 320.98 FEET; SOUTH 03° 48' 36" WEST 182.46 FEET; SOUTH 22° 25' 40" EAST 232.05 FEET; NORTH 80° 33' 24" WEST 258.57 FEET; NORTH 65° 21' 10" WEST 287.74 FEET; SOUTH 69° 12' 12" WEST 394.31 FEET; NORTH 35° 32' 27" WEST 752.13 FEET; SOUTH 66° 44' 11" WEST 199.85 FEET; NORTH 79° 30' 27" WEST 173.22 FEET; NORTH 66° 00' 29" WEST 114.86 FEET; NORTH 77° 32' 52" WEST 350.23 FEET; SOUTH 62° 54' 49" WEST 169.14 FEET; SOUTH 33° 05' 59" WEST 584.71 FEET; SOUTH 74° 11' 20" WEST 845.70 FEET; NORTH 72° 17' 34" WEST 1,186.61 FEET; NORTH 47° 40' 31" WEST 156.06 FEET, MORE OR LESS, TO A POINT ON THE WEST LINE OF SAID SECTION 17 THAT IS SOUTH 00° 19' 55" WEST 1,415.45 FEET FROM THE NORTHWEST CORNER OF SAID SECTION, THENCE SOUTHERLY, ALONG THE WEST LINE OF SAID SECTION TO THE SOUTHWEST CORNER OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION; THENCE EASTERLY, ALONG THE SOUTH LINE OF THE NORTH HALF OF THE SOUTH HALF OF SAID SECTION, 402.17 FEET TO A POINT; THENCE ALONG THE FOLLOWING COURSES AND DISTANCES IN SECTION 17:

NORTH 79° 25' 38" EAST 846.57 FEET; SOUTH 51° 56' 54" EAST 123.58 FEET; SOUTH 85° 51' 31" EAST 166.81 FEET; NORTH 02° 52' 28" WEST 272.18 FEET; NORTH 62° 14' 10" EAST 317.25 FEET; SOUTH 52° 28' 44" EAST 313.04 FEET; NORTH 65° 55' 38" EAST 105.35 FEET; NORTH 87° 57' 47" EAST 703.00 FEET; SOUTH 83° 31' 25" EAST 427.31 FEET; NORTH 58° 18' 40" EAST 460.38 FEET; SOUTH 39° 38' 57" EAST 360.74 FEET; SOUTH 87° 17' 54" EAST 129.02 FEET; SOUTH 46° 56' 40" EAST 474.08

EXHIBIT C

FEET; NORTH 71° 34' 04" EAST 236.69 FEET; SOUTH 88° 48' 09" EAST 232.44 FEET; NORTH 71° 34' 25" EAST 453.41 FEET, MORE OR LESS, TO A POINT ON THE NORTH-SOUTH SECTION LINE COMMON TO SECTIONS 16 AND 17 THAT IS SOUTH 02° 20' 51" EAST 3,799.98 FEET FROM THE NORTHEAST CORNER OF SAID SECTION 17; THENCE ALONG THE FOLLOWING COURSES AND DISTANCES IN SECTION 16;

NORTH 71° 34' 25" EAST 66.25 FEET; NORTH 72° 01' 00" EAST 240.65 FEET; SOUTH 77° 56' 16" EAST 429.48 FEET; SOUTH 54° 48' 47" EAST 311.98 FEET; SOUTH 81° 21' 40" EAST 307.40 FEET; SOUTH 44° 57' 41" EAST 665.70 FEET; NORTH 50° 01' 56" EAST 508.54 FEET; SOUTH 86° 38' 08" EAST 146.78 FEET; NORTH 50° 50' 53" EAST 174.84 FEET; SOUTH 88° 33' 23" EAST 113.41 FEET; SOUTH 33° 23' 03" EAST 200.31 FEET; NORTH 42° 52' 15" EAST 187.86 FEET; SOUTH 65° 02' 35" EAST 250.65 FEET; SOUTH 39° 05' 42" EAST 698.82 FEET; NORTH 49° 22' 24" EAST 225.54 FEET; NORTH 01° 07' 02" WEST 507.66 FEET; NORTH 16° 09' 36" WEST 362.05 FEET; NORTH 04° 44' 27" WEST 217.89 FEET; NORTH 52° 03' 43" EAST 115.97 FEET; NORTH 81° 08' 00" EAST 455.98 FEET; NORTH 89° 02' 56" EAST 367.24 FEET; NORTH 39° 54' 40" EAST 320.69 FEET; SOUTH 37° 54' 29" EAST 342.62 FEET; NORTH 68° 50' 52" EAST 439.91 FEET, MORE OR LESS, TO A POINT ON THE NORTH-SOUTH SECTION LINE BETWEEN SECTIONS 15 AND 16 THAT IS SOUTH 02° 26' 44" EAST 2,979.49 FEET FROM THE NORTHEAST CORNER OF SAID SECTION 16; THENCE ALONG THE FOLLOWING COURSES AND DISTANCES IN SECTION 15:

NORTH 68° 50' 52" EAST 147.51 FEET; SOUTH 58° 22' 18" EAST 221.38 FEET; SOUTH 85° 10' 21" EAST 505.81 FEET; NORTH 20° 22' 33" EAST 180.03 FEET; SOUTH 80° 21' 39" EAST 478.83 FEET; NORTH 11° 20' 03" EAST 230.24 FEET; NORTH 68° 10' 44" EAST 275.97 FEET; NORTH 89° 30' 09" EAST 272.44 FEET; SOUTH 75° 41' 41" EAST 43.02 FEET; NORTH 78° 37' 48" EAST 506.93 FEET; NORTH 83° 20' 25" EAST 448.82 FEET; NORTH 46° 04' 37" EAST 296.71 FEET; NORTH 79° 33' 02" EAST 637.43 FEET; NORTH 51° 46' 37" EAST 551.52 FEET; NORTH 81° 28' 02" EAST 606.99 FEET; NORTH 75° 18' 13" EAST 290.80 FEET; SOUTH 85° 56' 25" EAST 134.60 FEET; NORTH 48° 23' 08" EAST 68.60 FEET, MORE OR LESS, TO A POINT ON THE NORTH-SOUTH SECTION LINE COMMON TO SECTIONS 14 AND 15 THAT IS SOUTH 01° 52' 20" WEST 1,452.35 FEET FROM THE NORTHEAST CORNER OF SAID SECTION 15; THENCE ALONG THE FOLLOWING COURSES AND DISTANCES IN SECTION 14:

NORTH 48° 23' 08" EAST 71.61 FEET; SOUTH 70° 59' 32" EAST 304.30 FEET; NORTH 68° 24' 16" EAST 286.10 FEET; NORTH 79° 00' 16" EAST 559.39 FEET; SOUTH 89° 13' 50" EAST 538.86 FEET; NORTH 61° 44' 25" EAST 315.72 FEET; SOUTH 85° 02' 10" EAST 1,180.34 FEET; NORTH 61° 30' 30" EAST 819.09 FEET; NORTH 71° 29' 01" EAST 761.67 FEET; NORTH 53° 49' 14" EAST 601.16 FEET, MORE OR LESS, TO A POINT ON THE EAST-WEST SECTION LINE BETWEEN SECTIONS 11 AND 14 THAT IS NORTH 87° 00' 05" WEST 182.27 FEET FROM THE NORTHEAST CORNER OF SAID SECTION 14, AND THE POINT OF BEGINNING FOR THIS DESCRIPTION.

PARCEL 2 - SECTION EIGHTEEN (18)

EXHIBIT C

THOSE PORTIONS OF THE NORTH HALF AND THE NORTH HALF OF THE SOUTHEAST QUARTER OF SAID SECTION 18 LYING SOUTHERLY OF THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT ON THE EAST LINE OF SAID SECTION 18 THAT IS SOUTH 00° 19' 55" WEST 1,415.45 FEET FROM THE NORTHEAST CORNER OF SAID SECTION; THENCE NORTH 47° 40' 31" WEST 951.19 FEET; THENCE NORTH 71° 15' 47" WEST 1,858.15 FEET; THENCE SOUTH 73° 14' 02" WEST 1,096.69 FEET; THENCE SOUTH 61° 46' 54" WEST 317.30 FEET; THENCE SOUTH 87° 40' 58" WEST 89.00 FEET, MORE OR LESS, TO A POINT ON THE NORTHEASTERLY LINE OF THAT CERTAIN TRACT CONVEYED BY SCOTT PAPER COMPANY TO HENRY W. TURNER AND EVELYN TURNER BY DEED DATED MAY 22, 1958 AND RECORDED JUNE 3, 1958 UNDER AUDITOR'S FILE NO. 597416; THENCE NORTHWESTERLY, ALONG SAID NORTHEASTERLY LINE OF SAID TURNER TRACT, TO THE NORTH LINE OF SAID SECTION 18; THENCE WESTERLY, ALONG SAID NORTH LINE OF SAID SECTION, TO THE NORTHWEST CORNER THEREOF;

AND LYING NORTHERLY OF THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT ON THE EAST LINE OF SAID SECTION 18 THAT IS SOUTH 00° 19' 55" WEST 3,759.54 FEET FROM THE NORTHEAST CORNER OF SAID SECTION; THENCE NORTH 68° 11' 24" WEST 614.59 FEET; THENCE NORTH 44° 33' 55" WEST 1,275.23 FEET; THENCE NORTH 32° 13' 14" WEST 827.33 FEET; THENCE NORTH 86° 47' 55" WEST 1,202.47 FEET; THENCE SOUTH 34° 42' 19" WEST 811.72 FEET; THENCE NORTH 14° 23' 23" WEST 79.18 FEET, MORE OR LESS, TO A POINT ON THE SOUTHEASTERLY LINE OF THAT CERTAIN TRACT CONVEYED BY SCOTT PAPER COMPANY TO HENRY W. TURNER AND EVELYN TURNER BY DEED DATED MAY 22, 1958 AND RECORDED JUNE 3, 1958 UNDER AUDITOR'S FILE NO. 597416; THENCE SOUTHWESTERLY, ALONG SAID SOUTHEASTERLY LINE OF SAID TURNER TRACT TO ITS INTERSECTION WITH THE EAST-WEST CENTERLINE OF SAID SECTION 18; THENCE WESTERLY, ALONG SAID EAST-WEST CENTERLINE, TO THE WEST QUARTER CORNER OF SAID SECTION 18.

EXCEPTING THEREFROM THAT PORTION OF THE NORTHWEST QUARTER OF SAID SECTION 18 CONTAINED IN THAT CERTAIN TRACT CONVEYED BY SCOTT PAPER COMPANY TO HENRY W. TURNER AND EVELYN TURNER BY DEED DATED MAY 22, 1958 AND RECORDED JUNE 3, 1958 UNDER AUDITOR'S FILE NO. 597416, AND

EXCEPT THAT PORTION CONVEYED TO THURSTON COUNTY FOR COUNTY ROAD KNOWN AS JOHNSON CREEK ROAD SE BY INSTRUMENT RECORDED JANUARY 12, 1972 UNDER AUDITOR'S FILE NO. 857989, AND

EXCEPT THAT PORTION CONVEYED TO THE STATE OF WASHINGTON, DEPARTMENT OF GAME BY INSTRUMENT RECORDED AUGUST 18, 1972 UNDER AUDITOR'S FILE NO. 872705, AND

EXHIBIT C

EXCEPT THAT PORTION CONVEYED TO THE STATE OF WASHINGTON BY INSTRUMENT RECORDED APRIL 24, 1979 UNDER AUDITOR'S FILE NO. 1074923.

TOGETHER WITH THAT PORTION OF VACATED ROADWAY, IF ANY, THAT WOULD ATTACH TO BY OPERATION OF LAW AS DISCLOSED BY RESOLUTION 7312 AS RECORDED JULY 27, 1982 UNDER AUDITOR'S FILE NO. 8207270131.

PARCEL 3 - SECTIONS SEVEN (7) AND EIGHTEEN (18)

THAT PORTION OF GOVERNMENT LOT 4 OF SAID SECTION 7 AND THOSE PORTIONS OF THE NORTHEAST QUARTER OF THE NORTHWEST QUARTER, GOVERNMENT LOTS 1 AND 2, THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER, THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER AND OF GOVERNMENT LOT 3 OF SAID SECTION 18, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF SAID SECTION 7; THENCE NORTH 00° 18' 39" EAST, ALONG THE WEST LINE OF SAID SECTION, 122.21 FEET; THENCE SOUTH 78° 10' 12" EAST 528.20 FEET; THENCE SOUTH 61° 28' 14" EAST 362.28 FEET; THENCE SOUTH 15° 42' 23" EAST 390.98 FEET; THENCE SOUTH 09° 50' 00" EAST 575.00 FEET, MORE OR LESS, TO THE LINE OF ORDINARY HIGH WATER OF THE LEFT BANK OF SKOOKUMCHUCK RIVER; THENCE NORTHEASTERLY, ALONG SAID LINE OF ORDINARY HIGH WATER, 1,270.00 FEET, MORE OR LESS, TO A POINT DESCRIBED AS 747.00 FEET SOUTH AND 2,215.25 FEET EAST OF THE NORTHWEST CORNER OF SAID SECTION 18; THENCE SOUTH 07° 22' 35" WEST 434.30 FEET; THENCE SOUTH 34° 14' 22" WEST 298.32 FEET; THENCE SOUTH 33° 36' 51" WEST 327.28 FEET; THENCE SOUTH 46° 55' 48" EAST 32.33 FEET; THENCE SOUTH 46° 10' 44" WEST 222.71 FEET; THENCE SOUTH 19° 03' 38" WEST 142.48 FEET; THENCE SOUTH 36° 18' 34" WEST 426.57 FEET; THENCE SOUTH 03° 39' 39" WEST 300.86 FEET; THENCE SOUTH 42° 49' 24" WEST 597.78 FEET; THENCE NORTH 79° 22' 14" WEST 189.91 FEET; THENCE NORTH 56° 47' 53" WEST 186.23 FEET; THENCE NORTH 38° 24' 23" WEST 720.00 FEET, MORE OR LESS, TO SAID LINE OF ORDINARY HIGH WATER; THENCE SOUTHWESTERLY, ALONG SAID LINE OF ORDINARY HIGH WATER, 350.00 FEET, MORE OR LESS, TO THE WEST LINE OF SAID SECTION 18; THENCE NORTH 00° 06' 58" WEST, ALONG SAID WEST LINE, 2,748.00 FEET, MORE OR LESS, TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THAT PORTION CONVEYED TO THE STATE OF WASHINGTON, DEPARTMENT OF GAME BY INSTRUMENT RECORDED AUGUST 18, 1972 UNDER AUDITOR'S FILE NO. 872705.

TOWNSHIP FIFTEEN (15) NORTH, RANGE ONE (1) WEST OF THE WILLAMETTE MERIDIAN

PARCEL 4 - SECTION TWELVE (12)

EXHIBIT C

THE SOUTH HALF OF THE SOUTHEAST QUARTER, THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER, THE EAST HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER, AND THAT PORTION OF THE WEST HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER BOUNDED ON THE EAST BY THE EAST LINE OF SAID WEST HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER AND BOUNDED ON THE SOUTHERLY SIDE BY THE NORTHEASTERLY RIGHT OF WAY LINE OF THE TROLLER (SKOOKUMCHUCK) COUNTY ROAD AND BOUNDED ON THE NORTHWESTERLY SIDE BY A LINE THAT IS PARALLEL WITH AND 37.50 FEET NORTHWESTERLY OF THE CENTER SURVEY LINE OF THAT CERTAIN RIGHT OF WAY GRANTED TO PACIFIC NORTHWEST PIPELINE CORPORATION BY INSTRUMENT DATED FEBRUARY 24, 1956 AND RECORDED FEBRUARY 28, 1956 UNDER AUDITOR'S FILE NO. 557791B, ALL IN SAID SECTION 12.

EXCEPTING THEREFROM COUNTY ROAD KNOWN AS TROLLER ROAD, AND EXCEPT ANY OTHER COUNTY ROADS.

PARCEL 5 - SECTION THIRTEEN (13)

THE SOUTH HALF, THE NORTHEAST QUARTER, AND THE EAST HALF OF THE NORTHWEST QUARTER OF SAID SECTION 13.

EXCEPTING THEREFROM COUNTY ROAD KNOWN AS TROLLER ROAD, AND EXCEPT ANY OTHER COUNTY ROADS.

IN THE COUNTY OF THURSTON, STATE OF WASHINGTON

EXHIBIT B

(Additional tax parcel account numbers)

1151332000(TCA-540)	1151341000(TCA-540)
1151342000(TCA-540)	21507330100(TCA-540)
21511440200(TCA-320)	21514110100(TCA-540)
21514120100(TCA-540)	21515110000(TCA-320)
21515310000(TCA-320)	21516200000(TCA-320)
21516230100(TCA-320)	21517110000(TCA-540)
21518120100(TCA-540)	21518210000(TCA-540)

EXHIBIT C

EXHIBIT C

[INSERT PERMITTED ENCUMBRANCES LISTED ON SCHEDULE 3.7 AT CLOSING]