

TO:  
ATTN:  
FROM: PUGET SOUND ENERGY, INC.  
SUBJ: ELECTRIC POWER SWAP  
SWAP TRANSACTION  
FIXED/FLOATING  
DATE: \_\_\_\_\_

FROM: \_\_\_\_\_

[Addressee]

ATTN: Mr.  
Title:

We are pleased to confirm the following transaction between PUGET SOUND ENERGY, INC. ("Puget") and \_\_\_\_\_ (the "Counterparty"):

- (1) Trade Date:
- (2) Effective Date:
- (3) Termination Date:
- (4) Commodity: ELECTRIC POWER
- (5) Total Notional Quantity: \_\_\_\_\_ MEGAWATT HOURS
- (6) Fixed Price Payer: Counterparty
- (7) Fixed Price: USD \_\_\_\_\_ Per MEGAWATT HOUR

FIELDNAMES(Settlement Period  
)

MWh Quantity~  
~ENDRECORD

\_\_\_\_\_ ENDFIELD  
ENDFIELD  
\_\_\_\_\_ ENDFIELD  
ENDRECORD

\_\_\_\_\_ ENDFIELD  
ENDFIELD  
\_\_\_\_\_ ENDFIELD  
ENDRECORD

\_\_\_\_\_ ENDFIELD  
ENDFIELD  
\_\_\_\_\_ ENDFIELD  
ENDRECORD

(8) Floating Price Payer: PUGET

(9) Floating Price Determinant for Settlement Period(s): The arithmetic average of the daily Firm, On-Peak energy prices reported during the applicable Settlement Period in the Dow Jones Mid-Columbia Daily Index made available to Dow Jones Telerate subscribers.

PRICING PERIOD: \_\_\_\_\_ through \_\_\_\_\_ EXCLUDING  
SUNDAYS AND NERC Holidays.

FIELDNAMES(QUANTITY;

NUMBER OF HOURS;

PRICING DAYS

)ENDRECORD

\_\_ MWh/hourENDFIELD  
16 On PeakENDFIELD  
\_\_\_\_ENDFIELD  
ENDRECORD

On-Peak hours are defined as HEO700 through HE2200 Pacific Prevailing Time excluding Sundays and NERC Holidays.

(10) Cap Price (If Any): NOT APPLICABLE

(11) Floor Price (If Any): NOT APPLICABLE

(12) Period End Date(s): The last trading day of each Settlement Period from and including \_\_\_\_\_ to and including \_\_\_\_\_.

(13) Settlement Period(s) and Quantity Per Settlement Period:

FIELDNAMES(Settlement Period;

Quantity

)ENDRECORD

\_\_\_\_\_ ENDFIELD  
\_\_\_\_\_ ENDFIELD  
ENDRECORD

\_\_\_\_\_ ENDFIELD  
\_\_\_\_\_ ENDFIELD  
ENDRECORD

\_\_\_\_\_ ENDFIELD  
\_\_\_\_\_ ENDFIELD  
ENDRECORD

The first Settlement Period shall begin on the Effective Date and shall end on the first Period End Date, and each subsequent Settlement Period shall begin on the day immediately following a Period End Date and end on the next following Period End Date. For purposes of this agreement, each Settlement Period is coextensive with the calendar month indicated above and the Period End Date for such Settlement Period is the last day of such Settlement Period.

(14) Payment Date(s): Five Business Days after each Settlement Period.

For purposes of this agreement, "Business Day" means each day that is observed by both Puget and Counterparty as a working day.

(15) Settlement: This contract will be settled in U.S. dollars.

Promptly after each Settlement Period, Puget shall determine the Floating Price for such Settlement Period and shall notify the Counterparty by facsimile of the amount owed by one Party to the other (the "Payment Notice"). If Puget fails to send the Payment Notice to the Counterparty within four Business Days after a Settlement Period, then the Counterparty may determine the Floating Price and send a Payment Notice to Puget, with the same effect as if Puget had sent the Payment Notice.

If, following a Settlement Period, the Floating Price is greater than the Fixed Price, then the Floating Price Payer shall pay the Fixed Price Payer an amount equal to the product of the Quantity Per Settlement Period for that Settlement Period, multiplied by the amount by which the Floating Price exceeds the Fixed Price.

If, following a Settlement Period, the Fixed Price is greater than the Floating Price, then the Fixed Price Payer shall pay the Floating Price Payer an amount equal to the Quantity Per Settlement Period for that Settlement Period, multiplied by the amount by which the Fixed Price exceeds the Floating Price.

MARKET DISRUPTION EVENT: If Puget reasonably determines that for any day for which a Floating Price Determinant is required to be published or announced for the purpose of calculating the Floating Price, (a) the Floating Price Determinant has not been published or announced, or (b) the Floating Price Determinant has ceased to exist or otherwise is unavailable, or (c) a material change has taken place in the formula for the method of calculation of the closing or other price reported in the Floating Price Determinant, then,

(i) Puget shall consult with the Counterparty to attempt to agree upon such adjustments to the Floating Price Determinant or the selection of an alternate Floating Price Determinant that will result in a Floating Price that, as nearly as possible, will be equal to the Floating Price that would have been calculated had any of the events described in (a), (b) and (c) of this paragraph not occurred; and

(ii) if, within eight Business Days after the date on which Puget is required to make a determination and give notice to the Counterparty pursuant to Section 15, the Parties fail to agree upon adjustments to the Floating Price Determinant or upon the selection of an

alternate Floating Price Determinant then, the Parties shall attempt to agree upon payments to be made between the Parties on account of the transaction and if the Parties are unable to agree upon the payment within four Business Days, then the payment shall be determined using as an alternate Floating Price Determinant the arithmetic average of the daily Firm, On-Peak energy prices reported during the applicable Settlement Period in the Dow Jones COB Daily Index made available to Dow Jones Telerate subscribers, less one-half mill (\$0.0005).

(16) Payment: Payment of any amount payable under this agreement shall be made by the Party which is obligated to pay as described in item 15,

(a) if the Counterparty is the Party obligated to so pay, within twenty (20) days following the Counterparty's receipt of the Payment Notice and

(b) if Puget is the Party obligated to so pay, within twenty (20) days following delivery by Puget of the Payment Notice to the Counterparty or within twenty (20) days following Puget's receipt of the Payment Notice from the Counterparty, whichever is later.

All payments under this agreement shall be made without deduction, set-off or counterclaim, in U.S. dollars, at the address specified in the applicable Payment Notice.

(17) Representations and Warranty: Each Party represents and warrants that it is entering into this transaction in connection with its line of business and that the terms hereof have been individually tailored and negotiated.

(18) Assignment: This agreement may not be assigned by a Party without prior written consent of the other Party, which consent shall not be unreasonably withheld.

(19) Liquidation: If a Party (the "Defaulting Party") fails to make a payment that it is obligated to perform under this agreement within three Business Days after written notice of that failure has been given to it by the Non-Defaulting Party (as defined in this item 19) or if the Defaulting Party is the subject of a bankruptcy, insolvency or similar proceeding or fails to pay its debts generally as they become due or transfers a materials portion of its assets or dissolves, then the other Party (the "Non-Defaulting Party") at any time may terminate this agreement between the Parties by delivering written notice of such termination to the Defaulting Party whereupon this agreement shall be terminated and the only remaining obligation between the Parties shall be that described in the immediately following sentence. Promptly after the date of the termination of this agreement the Non-Defaulting Party shall determine, by obtaining quotations from third party dealers or by any other commercially reasonable methods, the amounts that the Non-Defaulting Party would be required to pay (which shall be a positive amount) or would receive (which shall be a negative amount) pursuant to this agreement if the Non-Defaulting Party were to obtain one or more new parties to perform the Defaulting Party's obligations that the Defaulting Party would have been required to perform had this agreement not been terminated, and the Non-Defaulting Party shall aggregate or net each of those amounts to a single amount. If such amount is positive the Defaulting Party shall pay such amount (plus all amounts that the Defaulting Party owes to the Non-Defaulting Party and less all amounts that the Non-Defaulting Party owes to the Defaulting Party under this agreement

with respect to the period before the termination to the Non-Defaulting Party and less all amounts that the Non-Defaulting Party owes to the Defaulting Party under this agreement with respect to the period before the termination) to the Non-Defaulting Party upon demand. The remedies provided for in this item 19 shall be the sole remedies that are available in the case of a breach of or default under this agreement. In no event shall either Party be liable to the other under this agreement for any indirect, special, consequential, exemplary or punitive damages.

(20) Governing Law: This contract shall be governed by and construed in accordance with the laws of the State of Washington (without reference to any conflict of law rules).

(21) Jurisdiction: Each Party submits to the nonexclusive jurisdiction of the courts and of the State of Washington and the Federal courts situated in Seattle (without recourse to arbitration) and to service of process by certified mail.

(22) Communication: Any notice or communication in connection with this agreement will be sufficiently given to a party, if in writing and delivered in person, sent by registered or certified mail, in each case with return receipt requested, or by overnight courier, or given by facsimile (in each case with answerback or other confirmation of its receipt received by the sender) at the address or facsimile number specified below. A notice or communication will be effective (a) if delivered by hand or sent by overnight courier, on the day it is delivered, (b) if transmitted by facsimile, at the time of successful transmission, or (c) if sent by registered or certified mail return receipt requested, on the date of receipt.

If to Puget: Puget Sound Energy, Inc.

Power Management Group

P.O. Box 97034, OBC-09

Bellevue, WA 98038-0734

Facsimile: (206)

Attn:

If to Counterparty:

Facsimile:

Attn:

(23) Entire Agreement: This agreement constitutes a binding agreement between the Parties and contains the entire agreement between the Parties with respect to the subject matter hereof, into which all proposals, negotiations and representations with respect thereto are merged herein.

(24) Amendment: No amendment or modification of this agreement shall be valid unless set forth in a written amendment signed hereafter by each of the Parties to this agreement.

**PLEASE CONFIRM YOUR AGREEMENT WITH THE ABOVE TERMS PROMPTLY**

BY SIGNING AND RETURNING THIS AGREEMENT TO:

Tel:

Fax:

WE LOOK FORWARD TO THE RECEIPT OF YOUR CONFIRMATION OF THIS CONTRACT.

REGARDS,  
PUGET SOUND ENERGY, INC.

By

Title

ACCEPTED BY:

By \_\_\_\_\_

PRINT NAME:

Its \_\_\_\_\_