

PROTOTYPE OWNERSHIP TERM SHEET

Background

This Prototype Ownership Term Sheet ("Term Sheet") sets forth the current requirements of PSE that should be addressed by or incorporated into a proposal providing for a PSE ownership arrangement, and is intended to identify certain elements of a potential transaction that would be embodied in Definitive Agreements (as defined herein). PSE reserves the right at any time and from time to time to modify, change, supplement or delete any and all provisions of this Term Sheet and to withdraw and cancel the RFP.

PSE has attempted to set forth herein provisions that would be applicable generally to all Respondents and relevant to any potential transaction arising out of a proposed PSE ownership arrangement involving the sale of the Project to PSE. PSE recognizes, however, that the particular facts and circumstances of individual Respondents and generation projects that are the subject of their proposals may vary substantially from and not strictly conform with the transaction structure described in this Term Sheet, with the result that certain proposals in response to the RFP may not incorporate all elements of a PSE ownership arrangement outlined in this Term Sheet.

PSE further recognizes that certain Respondents, for reasons including, among others, legal ownership structure, regulatory requirements or limitations and financing requirements, may submit proposals regarding PSE ownership arrangements that propose that PSE purchase equity interests (such as limited liability company interests or limited partnership interests) in a project company that owns a generation project.

PSE would prefer the submission of proposals consistent with the PSE ownership arrangement described in this Term Sheet. PSE is willing to review and evaluate such alternative proposals on the basis set forth in the RFP, taking into consideration, however, the different or additional economic, legal, regulatory, tax, risk management, financing, credit support, contractual and other implications presented by such alternative proposals.

Respondent acknowledges that the RFP, including this Term Sheet, has been prepared by PSE in connection with an ongoing process of integrated resource planning and that PSE is considering alternative arrangements for the procurement of generation resources. This Term Sheet is an integral part of, and subject to, the terms and conditions of the RFP. This Term Sheet shall not be interpreted as or deemed to be an offer, agreement or commitment by PSE to acquire any generation resource and shall not limit, restrict or obligate PSE in any way with regard to the conduct of such integrated resource planning process, the

potential implementation of any plan or program of resource procurement or the actual procurement of any generation resources. PSE may, in its sole and absolute discretion, reject any and all proposals received in response to the RFP, request the submission of different proposals for other generation resources and/or seek to acquire generation resources from one or more parties other than any Respondent.

General Ownership Structure

The PSE ownership scenario anticipates a proposal pursuant to which PSE would ultimately own the resource. This may be accomplished at various stages of development and using a variety of approaches such as joint development by the respondent and PSE, development by the respondent followed by the transfer to PSE, initial purchase of power by PSE with transfer of ownership later, or other approaches which may be mutually beneficial. Although PSE is willing to consider a wide range of arrangements, this Term Sheet presumes that PSE would acquire an ownership interest in either (i) a Project (as defined below under "*Respondent and the Project*") prior to the commencement of construction or (ii) a Project that has already commenced commercial operations. If the respondent includes a proposal to shape its resource to PSE's seasonal resource requirements such proposal should provide a fixed price (e.g., not tied to a market price index) and should be for a longer-term arrangement (3, 5 or 7 years).

This Term Sheet sets forth certain terms and conditions which would be embodied in a purchase and sale agreement (the "PSA") pursuant to which PSE would acquire 100% of all assets, properties and rights of the Project from the Respondent.¹

A proposal for a PSE ownership arrangement scenario, in addition to containing the other submissions required by the RFP, shall set forth detailed proposals and supporting documents, information and data regarding the timing, price, terms and conditions of a proposed sale of the Project to PSE and a budget, schedule and other information regarding the funding of construction, operation and maintenance of the Project.

¹ Such assets, properties and rights of the Project would include all of the associated real and personal property, tangible and intangible property, assets, equipment, components, facilities, interconnections, systems, spare and replacement parts, permits, intellectual property, and contractual, expansion and other rights currently held or acquired in the future that are necessary, useful, held for use or appropriate for the ownership, planning, development, permitting, design, engineering, construction, interconnection, transmission, use, operation, maintenance, repair and expansion of the Project.

Respondent and the Project

This Term Sheet assumes that Respondent is the owner of a generation project currently operating or under development and having a nameplate capacity of not less than 25 MW (the "Project").

In its response to the RFP, in addition to the other submissions that should accompany a proposal that contemplates the sale of all of the Project to PSE, Respondent shall comprehensively demonstrate to PSE that the Project, as proposed to be owned, financed, permitted, constructed, operated and maintained, is capable of being "placed in service" on or before [December 31, 2005],² in full compliance with all technical, performance and operating criteria and standards and the requirements of the RFP, applicable laws, regulations, permits and governmental authorities having jurisdiction over the parties or the Project.

Certain Definitive Agreements

PSE currently contemplates that the agreements associated with the potential transaction described in this Term Sheet (the "Definitive Agreements") would include, among other agreements: (1) a PSA for the sale by Respondent to PSE of all of the Project and (2) if Respondent itself is not sufficiently creditworthy, a guaranty by an affiliate of Respondent acceptable to PSE (the "Guarantor") of the obligations of Respondent and affiliates of Respondent under the Definitive Agreements (the "Respondent Guaranty").

The execution and delivery of the Definitive Agreements would be subject, among other things, to PSE's satisfactory completion of its due diligence as described herein and the approval of such agreements on behalf of each party by all necessary boards of directors or other appropriate management bodies.

Closing

The Closing would occur after receipt by the parties of all consents, authorizations and approvals and satisfaction or waiver of conditions precedent specified in the Definitive Agreements. At the Closing, PSE would purchase the Project from Respondent, free and clear of all liens, charges, encumbrances, and conflicting or competing claims.

Transaction Taxes

Respondent would be responsible for the payment of all sales, conveyance, transfer, real estate excise, business and occupation or similar transaction taxes assessed with respect to or imposed on either party relating to PSE's purchase of the Project or otherwise in connection with a potential transaction. Respondent and PSE would agree to cooperate to minimize each party's respective transaction taxes

² PSE's preference is that the Project would be placed in service on or before [December 31, 2005]; however, PSE will evaluate proposals that contemplate a later placed in service date.

resulting from or arising with respect to such potential transaction.

**Regulatory
Approvals**

PSE currently anticipates that the following regulatory approvals, among others, might be required prior to Closing to implement a proposed transaction:

- (1) Receipt of FERC approval under Section 203 of the Federal Power Act required for the transfer of an interest in FERC-jurisdictional facilities included as part of the Project;
- (2) Expiration of any waiting period (or obtaining of any approval required) under Hart-Scott-Rodino; and
- (3) Receipt by PSE from the Washington Utilities and Transportation Commission (the "WUTC") of approvals and orders, as applicable, pertaining to PSE's acquisition of the Project and the other aspects of the potential transaction, and confirming the inclusion of the full amount of the purchase price plus all or substantially all of PSE's transaction costs and other amounts allocable to the construction, start-up, testing and commissioning of the Project in PSE's rate base, such approvals and/or orders to be in form and substance satisfactory to PSE in its sole discretion.

**Transaction
Representations &
Warranties**

The Definitive Agreements would contain customary representations and warranties by Respondent and PSE for transactions similar to the transaction relating to, among other things:

- (1) Receipt by the parties of regulatory and other approvals necessary to consummate the potential transaction;
- (2) The financial condition of each of Respondent, Guarantor and any affiliate that is a party to a Definitive Agreement and PSE;
- (3) The nature and extent of Respondent's right, title and interest in and to the Project and the condition of the Project (including with respect to environmental matters);
- (4) The sufficiency of the assets, properties, equipment and rights constituting the Project, including permits and governmental authorizations, for the construction, operation, maintenance and repair of the Project and for the full operation, utilization and maintenance of the Project in accordance with the requirements of the RFP;
- (5) The Project's compliance with the requirements of applicable law;
- (6) Labor and employment matters; and
- (7) Other appropriate representations and warranties as may reasonably

be required by PSE or Respondent.

**Transaction
Covenants**

The Definitive Agreements would contain covenants of Respondent and PSE customary for similar transactions.

The Definitive Agreements may, depending upon certain factors including the financial condition and experience of the Respondent and Guarantor, the status of development and completion of the Project, the nature of existing contractual arrangements, the capacity, equipment and other technical characteristics of the Project, and the details of Respondent's proposal and potential alternatives to the PSE ownership arrangement described in this Term Sheet, set forth covenants and commitments of Respondent to refrain from taking certain actions, including but not limited to the following:

(1) making any loans, advances or contributions to any person or furnishing a guaranty of the obligations of any person;

(2) amending, modifying, supplementing or changing its organizational and governing documents or reorganizing into any other legal form, entering into any joint venture or partnership, or consolidating, converting or merging with or acquiring any other entity;

(3) engaging in any business other than the management, administration, operation and maintenance of the Project;

(4) incurring any indebtedness, other than, if the proposed transaction contemplates the sale of less than all of the Project to PSE, project financing for the construction, operation and maintenance of its undivided interest in the Project, including any:

(a) indebtedness (other than trade liabilities incurred in the ordinary course of business) for money borrowed or for the deferred purchase price of money or services in excess of an aggregate of [\$ _____]³ outstanding at any one time;

(b) reimbursement obligation under any letter of credit or banker's acceptance;

(c) obligation under any capital lease; and

³ Amount to depend on facts pertaining to the particular Project, including but not limited to the Project's size and cost.

(d) obligation with respect to interest rate or currency swap or similar hedging agreement, in excess of an aggregate of [\$ _____]⁴ outstanding at any one time;

(5) settling any third party claim relating to the Project without the prior written consent of PSE, which consent would not be unreasonably withheld, delayed or conditioned; and

(6) Liquidating, dissolving, or reorganizing, or seeking the appointment of a receiver, trustee or administrator.

**Terms and
Conditions
Relating to Projects
Under
Development**

In the event that the proposed transaction contemplates a Project that has not yet commenced commercial operations, PSE is willing to entertain proposals that contemplate Definitive Agreements that provide either (i) for the transfer to PSE of responsibility for the completion, start-up and commissioning of the Project or (ii) for the retention by Respondent of responsibility for the completion, start-up and commissioning of the Project.

In either such case, the Definitive Agreements would include a schedule that provides in reasonable detail the status of the design, engineering and construction of the Project, including performance and technical specifications of the Project; performance guarantees; major equipment and systems and vendors; major subcontractors; the status of permit applications; the status of contractors' and vendors' obligations and warranties; the schedule for completion of the Project and other related information and data.

The Definitive Agreements would also provide that prior to Final Completion (defined below) of the Project, Respondent (and its affiliates) would, subject to their respective reasonable policies and procedures applicable to the presence of third parties at the Project, provide to certain designated PSE employees, representatives and agents access to the Project for the purpose of observing and monitoring the manufacture, fabrication, assembly, installation, construction, start-up, testing and commissioning of the Project and any parts or components thereof. PSE's employees, representatives and agents would be permitted access to the Project and specified areas therein and the premises of contractors, vendors and consultants and attend meetings and review and copy (subject to provisions of any applicable confidentiality agreement between the parties) information, data and documents in connection with its due diligence review. PSE's employees, representatives and agents would be subject to and would be

⁴ Amount to depend on facts pertaining to the particular Project, including but not limited to the Project's size and cost.

required to observe Respondent's (and contractors') rules regarding safety, security and confidentiality and would not interfere with or hinder the construction of the Project.

In the event that Respondent retains responsibility for the completion, start-up and commissioning of the Project, PSE currently contemplates that the following additional terms and conditions would apply to the proposed transaction:

Purchase Price

The portion of the purchase price allocable to the cost of completion of the Facility would be payable in predetermined installment amounts through Final Completion (as defined below) as set forth in a funding schedule to be incorporated in the Definitive Agreements, with the first such payment due at Closing. The procedure for invoicing and payment of such incremental amounts would be in accordance with agreed procedures set forth in the Definitive Agreements.

Respondent's Completion of the Project

Subject to certain approval rights of PSE, Respondent would be responsible for the direction of, and the cost and expense necessary, incidental to or appropriate for, the construction, completion, start-up and commissioning of the Project, including mobilization, design, engineering, procurement, supply, supervision, and testing expenses (with the exception of such expenses related to fuel for certain tests as set forth below). Guarantor would unconditionally guarantee Respondent's payment, performance, warranty and other obligations with respect to the design, engineering, construction and completion of the Project in accordance with the criteria set forth in the Definitive Agreements. Respondent would cause construction of the Project to be performed or supervised by an EPC contractor experienced in the design, engineering and construction of electric generating facilities similar to the Project and in accordance with applicable laws, regulations, permits, the standards and criteria of original equipment manufacturers, good industry practices and insurance requirements.

In completing the construction of the Project, Respondent would notify PSE in writing, in advance of making any proposed change order or any

⁵ Amount to depend on facts pertaining to the particular Project, including but not limited to the Project's size and cost.

⁶ Amount to depend on facts pertaining to the particular Project, including but not limited to the Project's size and cost.

other modification to the design, component parts or equipment or operational characteristics of the Project which (A) (i) involves individually an amount in excess of \$[]⁵ or (ii) is proposed after the aggregate value of prior change orders or modifications is \$[]⁶, or (B) which would reasonably be expected to adversely affect the operational characteristics, reliability or costs of operation and maintenance of the Project. PSE would have (x) ten (10) days to notify Respondent in writing that it does not consent to the proposed change order or modification described by Respondent in such notice; otherwise PSE would be deemed to concur with the proposed change order or modification, provided, however, that such change orders or modifications shall not operate to modify the design, component parts, warranties, or equipment or operational characteristics of the Project except as expressly set forth in the proposed change order or modification as consented, or deemed consented, to by PSE. Subject to the foregoing, Respondent shall have the right, without PSE's consent, to make such substitutions of parts, materials and/or equipment in completing the construction of the Project as would not be reasonably expected to adversely affect the operational characteristics, reliability or costs of operation or maintenance of the Project. Respondent shall provide PSE with a list of such substitutions on a monthly basis and at Substantial Completion and Final Completion (each as defined below). In the event Respondent fails to provide timely notice to PSE of any proposed change order or modification of the nature or effect described in the first sentence of this paragraph, and such change order or modification results in a material adverse change to the operational characteristics, reliability or costs of operation and maintenance of the Project, the Definitive Agreements would set forth the mutually agreed upon rights and remedies therefor.

For purposes of this Term Sheet, (i) "Substantial Completion" means the completion of the Project, the completion of the facilities necessary to interconnect the Project to the electric grid and to receive water, fuel supplies and other supplies and services, and the delivery of all permits, interim manuals sufficient for interim operations during the period between Substantial Completion and Final Completion, and other deliverables necessary for PSE to operate the Project on a commercial basis in accordance with the requirements of the Definitive Agreements at an electrical output not less than and heat rate not greater than certain "Minimum Performance Guarantees" to be agreed to in the Definitive Agreements and (ii) "Final Completion" shall mean the final completion by Respondent of all items of work remaining at Substantial Completion, delivery of all outstanding deliverables, including manuals and lien releases from contractors and vendors, clean-up of the site and removal of all equipment.

No later than at Final Completion, and at all times consistent with the

normal and customary requirements (for transactions and projects of this nature) of any financing obtained by PSE in connection with the transaction, Respondent would provide PSE with statutory lien releases from the EPC contractor and its subcontractors furnishing services, equipment or goods used in the design, engineering, equipping, construction and completion of the Project, evidencing that all amounts due to such parties have been paid or bonded around, such that PSE and the Project would not be liable for payment of any such amounts owed therefor.

Subsequent to Closing, PSE would be the owner of and receive one hundred percent (100%) of all energy products produced in connection with the start-up, testing and commissioning of the Project. PSE would be responsible for (i) the procurement, cost and delivery to the Project of all fuel and station power necessary for the start-up, testing, and commissioning of the Project, and (ii) the receipt of such energy products from the Project and the cost of any associated electric transmission service for such energy products. PSE would schedule such fuel deliveries and electric transmission at such times and in such manner as set forth in a plan and schedule for the conduct of such start-up, testing and commissioning of the Project agreed upon by Respondent and PSE no later than one (1) month prior to the commencement of such testing, consistent with the schedule for achievement of Substantial Completion. Respondent shall not be liable under the Definitive Agreements for any schedule delays attributable to PSE's failure to have such fuel, station power and electric transmission available for the start-up, testing and commissioning of the Project in accordance with such plan and schedule.

PSE would provide Respondent and its designees access to the Project as required or deemed desirable to Respondent and its designees after Substantial Completion, consistent with all safety and similar practices as reasonably requested by PSE, for the purpose of achieving Final Completion and performing warranty work. PSE shall ensure that a sufficient number of qualified operators are available to support such start-up, testing and commissioning activities, all as recommended by Respondent.

Title and Risk of Loss

PSE would take title to the Project upon the closing of the transaction. Notwithstanding the passage of title to the Project at the closing, risk of loss with respect to the Project would transfer to PSE only upon the achievement of Substantial Completion of the Project.

Liquidated Damages and Performance Bonuses

Respondent would be liable for schedule liquidated damages based on Respondent's failure to achieve Substantial Completion of the Project by an agreed upon date, as set forth in the Definitive Agreements, and performance liquidated damages for non-attainment of the Minimum Performance Guarantees agreed to in the Definitive Agreements.

Respondent would have the right, as set forth in the Definitive Agreements, to earn a performance bonus in the event that the Project achieves Substantial Completion earlier than the scheduled date therefor and exceeded performance standards for capacity and heat rate of the Project specified in the Definitive Agreements.

Additional Representations, Warranties and Covenants of Respondent

PSE currently contemplates that the Definitive Agreements would include the following additional representations, warranties and covenants in the event that Respondent retains responsibility for the completion, start-up and commissioning of the Project:

- (1) Respondent would cause the Project to be designed, engineered, equipped and constructed in accordance with the provisions of the Definitive Agreements so as to meet the Minimum Performance Guarantees and other criteria set forth in the Definitive Agreements and be Substantially Complete and commercially operable on or before a guaranteed Substantial Completion date;
- (2) Respondent shall provide a full "wrap" of obligations with respect to the Project and all equipment warranties and cause Guarantor to guarantee Respondent's obligations in respect of the foregoing;
- (3) Respondent would at all times maintain sufficient rights and entitlements to such services and facilities as may be necessary to develop, construct and complete the Project such that upon Substantial Completion the Project may be operated on a commercial basis;
- (4) Respondent would obtain and maintain during the construction of the Project, at its cost and expense, builder's risk insurance, the terms, conditions, limits of coverage and other provisions of which are normal and customary;
- (5) Respondent, with PSE's commercially reasonable cooperation and assistance, would at its cost be responsible for applying for, obtaining and maintaining and complying with all permits and other governmental authorizations necessary or appropriate for the construction, start-up, testing, ownership, occupancy, use, operation and maintenance of the Project; and
- (6) Respondent would cause all equipment warranties, the terms and

conditions of which shall be acceptable to PSE, to be in full force with the respective contractors and vendors and fully assignable to PSE in respect of the Project and shall so assign such warranties to PSE as of Substantial Completion of the Project.

Project Managers and Independent Engineer

PSE and Respondent would each designate a construction project manager no later than the date of Closing. Notices, correspondence and other communication required or contemplated by the Definitive Agreements relating to the construction of the Project would be made through PSE's and Respondent's respective construction project managers, except as otherwise provided in the Definitive Agreements.

An independent engineer would be retained to verify that performance levels and other criteria associated with the Respondent's achievement of the requirements of Substantial Completion and Final Completion under the Definitive Agreements have been attained. The fees and expenses of such independent engineer would be shared equally by Respondent and PSE. PSE and Respondent would select an independent engineer from a mutually agreed list of qualified engineers included in the Definitive Agreements.

**Respondent
Guaranty
Requirements**

If Respondent itself is not sufficiently creditworthy, Respondent would be required to cause Guarantor to provide the Respondent Guaranty to PSE, pursuant to which Guarantor would guarantee the performance by Respondent (and its affiliates) of its obligations to or for the benefit of PSE under the Definitive Agreements and the payment of any damages, losses, liabilities, costs and expenses incurred by PSE and payable by Respondent (and its affiliates) under the Definitive Agreements. The parties would address in the Definitive Agreements the circumstances, if any, in which PSE might require adequate assurance by the Respondent (or Respondent's Guarantor) of Respondent's performance of its obligations under the Definitive Agreements, and the nature of such assurance.

**Conditions
Precedent**

The Definitive Agreements shall contain customary conditions precedent for transactions of this type including, but not limited to, those set forth in this Term Sheet and the following:

(1) Delivery of all instruments, consents, assignments, certificates and opinions required by the Definitive Agreements, including, but not limited to, customary opinions regarding (a) the satisfaction of requisite regulatory approvals and requirements and (b) if applicable, the absence of any conflict with any legal, regulatory, contractual or other limitation applicable to any of the parties resulting from granting of a security interest in respect of the undivided interest of a party in the Project to

any designated third party lender;

(2) No material adverse change in the financial condition or business and operations of Respondent, Guarantor, any affiliate of Respondent that is a party to a Definitive Agreement or PSE;

(3) No material adverse change in the budget, schedule, permit and legal requirements, technical requirements and plans relating to construction, operation, maintenance and repair of the Project, or in the performance levels, operability, output and condition of the Project;

(4) Receipt by PSE of the approvals or orders discussed above under "*Regulatory Approvals*"; and

(5) Such other customary conditions precedent as the parties in good faith determine are reasonably necessary taking into account the obligations of the parties in connection with a potential transaction, including appropriate provisions to address the consequences of material adverse changes in the physical condition and performance of the Project prior to the Closing.

Limitations on Liability

The Definitive Agreements shall provide that notwithstanding anything to the contrary, in the event of a breach of the obligations of one of the parties or otherwise, such party would be liable for direct damages only and under no circumstances shall such party be liable to the other party for consequential (including, without limitation, lost profits, business interruption and the like), incidental, punitive, exemplary or similar damages.

Indemnification

Respondent would indemnify, hold harmless and defend PSE and its affiliates, directors, officers, employees, representatives, and agents from and against any claims, damages, loss, liability, judgment, award, fine, penalty, cost or expense, including reasonable fees of attorneys arising out of, relating to or in connection with any event, occurrence, circumstance, condition, action or omission prior to Closing. The Definitive Agreements would also set forth provisions by which each party would indemnify, hold harmless and defend the other party and its affiliates, directors, officers, employees, representatives and agents from and against certain losses with respect to false or inaccurate representations and warranties or breaches of covenants and obligations under the Definitive Agreements.

Due Diligence

For a specified period commencing on the date of notice by PSE to Respondent that it has been selected for negotiation of the terms and conditions of a potential transaction (such period, including any extension thereof to which the parties may agree, the "Due Diligence Period"), PSE would be entitled to conduct, and Respondent would

fully cooperate (and cause its affiliates to fully cooperate) with PSE and facilitate an in-depth due diligence review of the Project, Respondent, Guarantor and any affiliate of Respondent that would be a party to a Definitive Agreement and matters relating thereto, including without limitation a review of technical matters relating to the Project, construction, engineering and transmission agreements, any other commercial arrangements relating to the Project, legal and regulatory matters (including the availability and terms of all required permits and licenses), information systems, human resources (subject to applicable legal confidentiality and other restrictions), insurance matters and arrangements, and any other matters associated with the development, permitting, design, engineering, construction, interconnection, start-up, commissioning, operation and maintenance of the Project, provided that any such review shall not unreasonably disrupt the business of Respondent (or its affiliates) or its directors, officers, employees and agents. The Due Diligence Period would terminate automatically in the event of the termination of the Term Sheet by either party.

During the Due Diligence Period, Respondent (and its affiliates) would, subject to their respective reasonable policies and procedures applicable to the presence of third parties at the Project, provide to certain designated PSE employees, representatives and agents access to the Project for the purpose of observing and monitoring the manufacture, fabrication, assembly, installation, construction, start-up, testing and commissioning of the Project and any parts or components thereof. PSE's employees, representatives and agents would be permitted access to the Project and specified areas therein and the premises of contractors, vendors and consultants and attend meetings and review and copy (subject to provisions of any applicable confidentiality agreement between the parties) information, data and documents in connection with its due diligence review. PSE's employees, representatives and agents would be subject to and would be required to observe Respondent's (and contractors') rules regarding safety, security and confidentiality and would not interfere with or hinder the construction of the Project.

Dispute Resolution

The Definitive Agreements would contain provisions for the resolution of disputes, including, if appropriate, provisions for the attempted resolution of disputes by alternative dispute resolution. The forum for the resolution of any dispute arising under or in connection with this Term Sheet or the Definitive Agreements would be King County, Washington.

Expenses

Each party shall bear its own legal, accounting, regulatory and other professional fees and expenses and other costs associated with the RFP and a potential transaction, regardless of whether a transaction is

consummated.

Assignability

The parties would not be permitted to assign the Definitive Agreements or their respective rights and obligations thereunder without the prior written consent of the other party, such consent not to be unreasonably withheld or delayed.

This Term Sheet is for discussion purposes only to facilitate PSE's evaluation and assessment of proposals submitted in response to the RFP relating to a potential transaction for the acquisition of rights and interest in a generation project. It is not intended to create a binding or enforceable agreement, contract or commitment or to be complete and all inclusive of the terms and conditions of a potential transaction. This is not an offer, agreement or a commitment of PSE, Respondent or Guarantor or any parent company or affiliate of any of them. The potential transaction described above would be subject to further review and approval of the board of directors of each of PSE, Respondent or Guarantor, the conduct and completion of due diligence by PSE to its satisfaction and the execution of the Definitive Agreements containing all appropriate provisions, including, but not limited to, those relating to credit, limitation of damages, indemnification, remedies and force majeure.