

**EXHIBIT NO. ___ (DEG-17)
DOCKET NO. UG-040640, et al. (consolidated)
2004 PSE GENERAL RATE CASE
WITNESS: DONALD E. GAINES**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

**Docket No. UG-040640
Docket No. UE-040641
(consolidated)**

In the Matter of the Petition of

PUGET SOUND ENERGY, INC.

**For an Order Regarding the Accounting
Treatment for Certain Costs of the Company's
Power Cost Only Rate Filing.**

Docket No. UE-031471 (consolidated)

In the Matter of the Petition of

PUGET SOUND ENERGY, INC.

**For an Accounting Order Authorizing
Deferral and Recovery of the Investment
And Costs Related to the White River
Hydroelectric Project.**

Docket No. UE-032043 (consolidated)

**EIGHTH EXHIBIT TO THE
PREFILED REBUTTAL TESTIMONY OF
DONALD E. GAINES (NONCONFIDENTIAL)
ON BEHALF OF PUGET SOUND ENERGY, INC.**

NOVEMBER 3, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003
OR

// TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number	Exact name of registrant as specified in its charter, state of incorporation, address of principal executive offices, telephone number	I.R.S. Employer Identification Number
1-16305	PUGET ENERGY, INC. A Washington Corporation 10885 NE 4 th Street, Suite 1200 Bellevue, Washington 98004-5591 (425) 454-6363	91-1969407
1-4393	PUGET SOUND ENERGY, INC. A Washington Corporation 10885 NE 4 th Street, Suite 1200 Bellevue, Washington 98004-5591 (425) 454-6363	91-0374630

and 2002. Acquired companies accounted for an increase of \$5.8 million offset by a reduction in the effective tax rate due to certain non-deductible or partially deductible items.

Interest charges increased \$1.9 million in 2002 compared to 2001 due to an increase in the amount drawn on InfrastruX's revolving credit facilities primarily used for funding acquisitions.

Other income, net of federal income tax, increased \$2.7 million in 2002 compared to 2001 due primarily to implementation of SFAS No. 142 which ceased amortization of goodwill. Goodwill amortization expense in 2001 was \$2.8 million.

CAPITAL RESOURCES AND LIQUIDITY

CAPITAL REQUIREMENTS

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

Puget Energy. The following are Puget Energy's aggregate consolidated (including PSE) contractual and commercial commitments as of December 31, 2003:

Puget Energy CONTRACTUAL OBLIGATIONS (DOLLARS IN MILLIONS)	Total	Payments Due Per Period			
		2004	2005-2006	2007-2008	2009 and Thereafter
Long-term debt	\$ 2,216.3	\$ 246.8	\$ 128.3	\$ 307.3	\$1,533.9
Short-term debt	13.9	13.9	--	--	--
Junior subordinated debentures payable to a subsidiary trust (1)	280.3	--	--	--	280.3
Mandatorily redeemable preferred stock	1.9	--	--	--	1.9
Service contract obligations	181.0	21.7	45.0	47.4	66.9
Capital lease obligations	6.5	1.6	2.9	2.0	--
Non-cancelable operating leases	72.5	18.0	25.1	19.0	10.4
Fredonia combustion turbines lease (2)	69.6	4.5	8.7	8.5	47.9
Energy purchase obligations	4,737.4	928.2	1,245.0	1,036.7	1,527.5
Financial hedge obligations	67.0	30.5	17.7	18.8	--
Non-qualified pension funding	38.6	11.1	3.1	4.5	19.9
Total contractual cash obligations	<u>\$7,685.0</u>	<u>\$1,276.3</u>	<u>\$1,475.8</u>	<u>\$1,444.2</u>	<u>\$3,488.7</u>

COMMERCIAL COMMITMENTS (DOLLARS IN MILLIONS)	Total	Amount of Commitment Expiration Per Period			
		2004	2005-2006	2007-2008	2009 and Thereafter
Guarantees (3)	\$ 137.0	\$ --	\$ 137.0	\$ --	\$ --
Liquidity facilities – available (4)	288.5	249.5	39.0	--	--
Lines of credit – available (5)	39.1	26.1	3.0	10.0	--
Energy operations letter of credit (6)	0.5	0.5	--	--	--
Total commercial commitments	<u>\$ 465.1</u>	<u>\$ 276.1</u>	<u>\$ 179.0</u>	<u>\$ 10.0</u>	<u>\$ --</u>

(1) In 1997 and 2001, PSE formed Puget Sound Energy Capital Trust I and Puget Sound Energy Capital Trust II, respectively, for the sole purpose of issuing and selling preferred securities (Trust Securities) and lending the proceeds to PSE. The proceeds from the sale of Trust Securities were used by the Trusts to purchase Junior Subordinated Debentures (Debentures) from PSE. The Debentures are the sole assets of the Trusts and PSE owns all common securities of the Trusts.

(2) In April 2001, PSE revised its master operating lease to \$70 million plus interest with a financial institution. See "Fredonia 3 and 4 Operating Lease" under "Off-Balance Sheet Arrangements" below for further discussion.

(3) In June 2001, InfrastruX signed a credit agreement with several banks to provide up to \$150 million in financing. Under the credit agreement, Puget Energy is the guarantor of the line of credit. Certain InfrastruX subsidiaries also have certain borrowing capacities for working capital purposes of which Puget Energy is not the guarantor.

(4) At December 31, 2003, PSE had available a \$250 million unsecured credit agreement and a three-year \$150 million receivables securitization facility. At December 31, 2003, PSE had available \$39.0 million of receivables for sale under its receivables securitization facility. See "Accounts Receivable Securitization Program" under "Off-Balance Sheet

Arrangements” below for further discussions. The credit agreement and securitization facility provide credit support for an outstanding letter of credit totaling \$0.5 million, thereby effectively reducing the available borrowing capacity under these liquidity facilities to \$288.5 million.

- (5) Puget Energy has a \$15 million line of credit with a bank. At December 31, 2003, \$5.0 million was outstanding, reducing the available borrowing capacity under this line of credit to \$10 million. InfrastruX had \$34.7 million in lines of credit with various banks to fund capital requirements of InfrastruX and its subsidiaries. InfrastruX and its subsidiaries had outstanding loans of \$13.9 million, effectively reducing the available borrowing capacity under these lines of credit to \$20.8 million.
- (6) In May 2002, PSE provided an energy trading counterparty a letter of credit in the amount of \$0.5 million to satisfy the counterparty’s credit requirements following PSE’s senior unsecured debt downgrade in October 2001. The letter of credit has been renewed and expires on March 15, 2004.

Puget Sound Energy. The following are PSE’s aggregate contractual and commercial commitments as of December 31, 2003:

Puget Sound Energy CONTRACTUAL OBLIGATIONS (DOLLARS IN MILLIONS)	Total	Payments Due Per Period			
		2004	2005- 2006	2007-2008	2009 and Thereafter
Long-term debt	\$ 2,053.0	\$ 102.6	\$ 112.0	\$ 304.5	\$ 1,533.9
Junior subordinated debentures payable to a subsidiary trust (1)	280.3	--	--	--	280.3
Mandatorily redeemable preferred stock	1.9	--	--	--	1.9
Service contract obligations	181.0	21.7	45.0	47.4	66.9
Non-cancelable operating leases	55.5	10.7	17.6	16.8	10.4
Fredonia combustion turbines lease (2)	69.6	4.5	8.7	8.5	47.9
Energy purchase obligations	4,737.4	928.2	1,245.0	1,036.7	1,527.5
Financial hedge obligations	67.0	30.5	17.7	18.8	--
Non-qualified pension funding	38.6	11.1	3.1	4.5	19.9
Total contractual cash obligations	<u>\$ 7,484.3</u>	<u>\$ 1,109.3</u>	<u>\$ 1,449.1</u>	<u>\$ 1,437.2</u>	<u>\$ 3,488.7</u>

COMMERCIAL COMMITMENTS (DOLLARS IN MILLIONS)	Total	Amount of Commitment Expiration Per Period			
		2004	2005- 2006	2007- 2008	2009 and Thereafter
Liquidity facilities – available (3)	\$ 288.5	\$ 249.5	\$ 39.0	\$ --	\$ --
Energy operations letter of credit (4)	0.5	0.5	--	--	--
Total commercial commitments	<u>\$ 289.0</u>	<u>\$ 250.0</u>	<u>\$ 39.0</u>	<u>\$ --</u>	<u>\$ --</u>

(1) See note (1) on previous table.

(2) See “Fredonia 3 and 4 Operating Lease” under “Off-Balance Sheet Arrangements” below for further discussion.

(3) See note (4) on previous table with respect to PSE.

(4) See note (6) on previous table.

OFF-BALANCE SHEET ARRANGEMENTS

ACCOUNTS RECEIVABLE SECURITIZATION PROGRAM

In order to provide a source of liquidity for PSE at attractive cost of capital rates, PSE entered into a Receivables Sales Agreement with Rainier Receivables, Inc., a wholly owned subsidiary of PSE, in December 2002. Pursuant to the Receivables Sales Agreement, PSE sold all of its utility customer accounts receivable and unbilled utility revenues to Rainier Receivables. Concurrently with entering into the Receivables Sales Agreement, Rainier Receivables entered into a Receivables Purchase Agreement with PSE and a third party. The Receivables Purchase Agreement allows Rainier Receivables to sell the receivables purchased from PSE to the third party. The amount of receivables sold by Rainier Receivables is not permitted to exceed \$150 million at any time. However, the maximum amount may be less than \$150 million

depending on the outstanding amount of PSE's receivables which fluctuate with the seasonality of energy sales to customers.

The receivables securitization facility is the functional equivalent of a secured revolving line of credit. In the event Rainier Receivables elects to sell receivables under the Receivables Purchase Agreement, Rainier Receivables is required to pay the purchasers fees that are comparable to interest rates on a revolving line of credit. As receivables are collected by PSE as agent for the receivables purchasers, the outstanding amount of receivables purchased by the purchasers declines until Rainier Receivables elects to sell additional receivables to the purchasers.

The receivables securitization facility has a three-year term, but is terminable by PSE and Rainier Receivables upon notice to the receivables purchasers. At December 31, 2003, Rainier Receivables had sold \$111.0 million in accounts receivable and the maximum remaining receivables available for sale was \$39.0 million.

FREDONIA 3 AND 4 OPERATING LEASE

PSE leases two combustion turbines for its Fredonia 3 and 4 electric generating facility pursuant to a master operating lease that was amended for this purpose in April 2001. The lease has a term expiring in 2011, but can be canceled by PSE after August 2004. Payments under the lease vary with changes in the London Interbank Offered Rate (LIBOR). At December 31, 2003, PSE's outstanding balance under the lease was \$59.1 million. The expected residual value under the lease is the lesser of \$37.4 million or 60% of the cost of the equipment. In the event the equipment is sold to a third party upon termination of the lease and the aggregate sales proceeds are less than the unamortized value of the equipment, PSE would be required to pay the lessor contingent rent in an amount equal to the deficiency up to a maximum of 87% of the unamortized value of the equipment.

UTILITY CONSTRUCTION PROGRAM

Current utility construction expenditures for generation, transmission and distribution are designed to meet continuing customer growth and to improve efficiencies of PSE's energy delivery systems. Construction expenditures, excluding equity Allowance for Funds Used During Construction (AFUDC), were \$270.0 million in 2003. PSE expects construction expenditures will be approximately \$424.0 million in 2004, which includes \$80.0 million for new generating resources subject to regulatory approval. The proposed generating resource, if approved in 2004, will be funded initially with short-term debt. Construction expenditure estimates are subject to periodic review and adjustment in light of changing economic, regulatory, environmental and conservation factors.

NEW GENERATION RESOURCES

In October 2003, PSE completed negotiations to purchase a 49.85% interest in a 275 MW (250 MW capacity with 25 MW planned capital improvements) gas-fired electric generating facility located within PSE's service territory. The purchase will add approximately 137 MW of electric generation capacity to serve PSE's retail customers. PSE submitted a power cost only rate case in October 2003 to the Washington Commission to recover the approximately \$80 million cost of the new generating facility and other power costs. The power cost only rate case is expected to last approximately five months. Accordingly, the acquisition of the plant is subject to approval by the Washington Commission, and is expected by mid-April 2004. In addition, the acquisition will require approval from FERC. PSE filed its application in January 2004 with FERC and anticipates approval in early 2004.

In addition, PSE has issued an RFP to acquire approximately 50 average MW of energy from wind power for its electric-resource portfolio. PSE issued an RFP in February 2004 for approximately 305 MW of thermal and other generation with proposals due back in March 2004.

OTHER ADDITIONS

Other property, plant and equipment additions were \$15.5 million in 2003. Puget Energy expects InfrastruX's capital additions to be \$16.2 million, \$18.0 million and \$20.0 million in 2004, 2005 and 2006, respectively. Construction expenditure estimates are subject to periodic review and adjustment in light of changing economic, regulatory, environmental and conservation factors.

follows:

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

YEARS ENDED DECEMBER 31	2003	2002	2001
Income for common stock, as reported	\$ 116,197	\$ 110,052	\$ 98,426
Add: Total stock-based employee compensation expense included in net income, net of tax	4,180	4,103	1,352
Less: Total stock-based employee compensation expense per the fair value method of SFAS No. 123, net of tax	(3,314)	(3,495)	(2,429)
Pro forma income for common stock	<u>\$ 117,063</u>	<u>\$ 110,660</u>	<u>\$ 97,349</u>
Earnings per share:			
Basic as reported	\$ 1.23	\$ 1.24	\$ 1.14
Diluted as reported	\$ 1.22	\$ 1.24	\$ 1.14
Basic pro forma	\$ 1.24	\$ 1.25	\$ 1.13
Diluted pro forma	\$ 1.23	\$ 1.25	\$ 1.12

DEBT RELATED COSTS

Debt premiums, discounts and expenses are amortized over the life of the related debt. The premiums and costs associated with reacquired debt are deferred and amortized over the life of the related new issuance, in accordance with ratemaking treatment.

GOODWILL AND INTANGIBLES (PUGET ENERGY ONLY)

On January 1, 2002, SFAS No. 142, "Goodwill and Other Intangible Assets," became effective and as a result Puget Energy ceased amortization of goodwill. During 2001, Puget Energy recorded approximately \$2.8 million of goodwill amortization. Puget Energy performed an initial impairment review of goodwill and an annual impairment review thereafter. The initial review was completed during the first half of 2002, which did not result in an impairment charge. Goodwill is reviewed annually to determine if any impairment exists. If goodwill is determined to have an impairment, Puget Energy would record in the period of determination an impairment charge to earnings. Intangibles with finite lives are amortized on a straight-line basis over the expected periods to be benefited. For those acquisitions occurring subsequent to June 30, 2001, there was no amortization of goodwill. For acquisitions made prior to June 30, 2001, goodwill and intangibles were amortized on a straight-line basis over the expected periods to be benefited, up to 30 years through December 31, 2001. The goodwill and intangibles recorded on the balance sheet of Puget Energy are the result of several acquisitions of companies by InfrastruX.

EARNINGS PER COMMON SHARE (PUGET ENERGY ONLY)

Basic earnings per common share has been computed based on weighted average common shares outstanding of 94,750,000, 88,372,000 and 86,445,000 for 2003, 2002 and 2001, respectively. Diluted earnings per common share has been computed based on weighted average common shares outstanding of 95,309,000, 88,777,000 and 86,703,000 for 2003, 2002 and 2001, respectively, which includes the dilutive effect of securities related to employee stock-based compensation plans.

ACCOUNTS RECEIVABLE SECURITIZATION PROGRAM

Rainier Receivables, Inc. is a wholly owned, bankruptcy-remote subsidiary of PSE formed in December 2002 for the purpose of purchasing customers' accounts receivable, both billed and unbilled, of PSE. Rainier Receivables and PSE have an agreement whereby Rainier Receivables can sell, on a revolving basis, up to \$150 million of those receivables. The current agreement expires in December 2005. Rainier Receivables is obligated to pay fees that approximate the third-party purchaser's cost of issuing commercial paper equal in value to the interests in receivables sold. At December 31, 2003, Rainier Receivables sold \$111 million of receivables compared to no sales at December 31, 2002.

NEW ACCOUNTING PRONOUNCEMENTS

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46), which was further revised in December 2003 with FIN 46R, which clarified the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not

NOTE 8.

Liquidity Facilities and Other Financing Arrangements

At December 31, 2003, PSE had short-term borrowing arrangements that included a \$250 million unsecured 364-day line of credit with various banks and a \$150 million three-year receivables securitization program. These agreements provide PSE with the ability to borrow at different interest rate options and include variable fee levels. The line of credit allows the Company to make floating rate advances at prime plus a spread and Eurodollar advances at LIBOR plus a spread. The agreement contains "credit sensitive" pricing with various spreads associated with various credit rating levels. The agreement also allows for drawing letters of credit up to \$50 million.

PSE has entered into a Receivables Sales Agreement with Rainier Receivables, Inc., a wholly owned subsidiary of PSE, in December 2002. Pursuant to the Receivables Sales Agreement, PSE sells all of its utility customer accounts receivable and unbilled utility revenues to Rainier Receivables. In addition, Rainier Receivables entered into a Receivables Purchase Agreement with PSE and a third party. The Receivables Purchase Agreement allows Rainier Receivables to sell the receivables purchased from PSE to the third party. The amount of receivables sold by Rainier Receivables is not permitted to exceed \$150 million at any time. However, the maximum amount may be less than \$150 million depending on the outstanding amount of PSE's receivables which fluctuate with the seasonality of energy sales to customers.

The receivables securitization facility is the functional equivalent of a secured revolving line of credit. In the event Rainier Receivables elects to sell receivables under the Receivables Purchase Agreement, Rainier Receivables is required to pay the purchasers fees that are comparable to interest rates on a revolving line of credit. As receivables are collected by PSE as agent for the receivables purchasers, the outstanding amount of receivables purchased by the purchasers declines until Rainier Receivables elects to sell additional receivables to the purchasers.

The receivables securitization facility has a three-year term, but is terminable by PSE and Rainier Receivables upon notice to the receivables purchasers. During the year ended December 31, 2003, Rainier Receivables had sold \$348.0 million in accounts receivable. At December 31, 2003, Rainier Receivables had sold \$111.0 million in accounts receivable and the maximum remaining receivables available for sale was \$39.0 million.

In addition, PSE has agreements with certain banks to borrow on an uncommitted, as available, basis at money market rates quoted by the banks. There are no costs, other than interest, for these arrangements. PSE also uses commercial paper to fund its short-term borrowing requirements. The following table presents the liquidity facilities and other financing arrangements at December 31, 2003 and 2002.

(DOLLARS IN THOUSANDS)	2003	2002
AT DECEMBER 31		
Short-term borrowings outstanding:		
Commercial paper notes	\$ --	\$ 30,340
InfrastruX bank line of credit borrowings	13,893	16,955
Weighted average interest rate	2.59%	2.81%
Financing arrangements:		
Puget Energy line of credit ¹	\$ 15,000	\$ --
InfrastruX revolving credit facilities ²	184,725	179,750
PSE line of credit ³	250,000	250,000
PSE receivables securitization program ⁴	150,000	150,000

¹ Includes \$5.0 million outstanding at December 31, 2003, effectively reducing the available borrowing capacity to \$10.0 million.

² The revolving credit facility requires InfrastruX and its subsidiaries to maintain certain financial covenants, including requirements to maintain certain levels of net worth and debt coverage. The agreement also places certain restrictions on expenditures, other indebtedness and executive compensation. For 2003 and 2002, InfrastruX had \$155.6 million and \$144.0 million outstanding under the credit facilities, effectively reducing available borrowing capacity to \$29.1 million and \$35.8 million, respectively.

³ Provides liquidity support for PSE's outstanding commercial paper in the amount of \$0.5 million and \$30.3 million for 2003 and 2002, respectively, effectively reducing the available borrowing capacity under these credit lines to \$249.5 million and \$219.7 million, respectively.

⁴ Provides liquidity support for PSE's outstanding letters of credit and commercial paper. At December 31, 2003, PSE had sold \$111.0 million in

The Company has, on occasion, entered into interest rate swap agreements to reduce the impact of changes in interest rates on portions of its floating-rate debt. There were no such agreements outstanding at December 31, 2003 and 2002.

NOTE 9.

Estimated Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2003 and 2002:

(DOLLARS IN MILLIONS)	2003		2002	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets:				
Cash	\$27.5	\$27.5	\$176.7	\$176.7
Restricted cash	2.5	2.5	18.9	18.9
Equity securities ¹	3.6	3.6	10.4	10.4
Notes receivable and other	44.9	44.9	41.5	41.5
Energy derivatives	16.2	16.2	13.6	13.6
Financial liabilities:				
Short-term debt	\$13.9	\$13.9	\$47.3	\$47.3
Preferred stock subject to mandatory redemption	1.9	1.9	43.2	42.4
Corporation obligated, mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated debentures of the corporation	--	--	300.0	303.1
Junior subordinated debentures of the corporation payable to a subsidiary trust holding mandatorily redeemable preferred securities	280.3	304.6	--	--
Long-term debt ²	2,216.3	2,408.7	2,237.1	2,395.9
Energy derivatives	3.6	3.6	2.4	2.4

The fair value of equity securities is based on valuations provided by the investment fund manager.

The fair value of outstanding bonds including current maturities is estimated based on quoted market prices.

The fair value of the preferred stock subject to mandatory redemption and corporation obligated, mandatorily redeemable preferred securities of a subsidiary trust holding solely junior subordinated debentures of the corporation is estimated based on dealer quotes.

The fair value of the junior subordinated debentures of the corporation payable to a subsidiary trust holding mandatorily redeemable preferred securities is estimated based on dealer quotes.

The carrying values of short-term debt and notes receivable are considered to be a reasonable estimate of fair value. The carrying amount of cash, which includes temporary investments with original maturities of three months or less, is also considered to be a reasonable estimate of fair value.

Derivative instruments have been used by the Company on a limited basis and are recorded at fair value. The Company has a policy that financial derivatives are to be used only to mitigate business risk.

In 2003, PSE redeemed the 7.75% mandatorily redeemable preferred stock. 75,000 shares were redeemed in February 2003 at the par value of \$100 per share and the remaining 337,500 shares were redeemed in August 2003 at \$102.07 per share. Also in

receivables, effectively reducing the available borrowing capacity to \$39.0 million. There were no receivables sold as of December 31, 2002.

¹ The 2002 carrying amount includes an adjustment of \$2.4 million, to report the available-for-sale securities at market value. This amount (or unrealized gain) was included as a component of other comprehensive income net of deferred taxes of \$0.8 million for 2002.

² PSE's carrying and fair value of long-term debt for 2003 was \$2,053.0 million and \$2,250.4 million, respectively.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002
OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission
FileNumber

1-16305

1-4393

Exact name of registrant as specified
in its charter, state of incorporation,
address of principal executive offices,
telephone number

PUGET ENERGY, INC.
A Washington Corporation
411 - 108th Avenue N.E.
Bellevue, Washington 98004-5515
(425) 454-6363

PUGET SOUND ENERGY, INC.
A Washington Corporation
411 - 108th Avenue N.E.
Bellevue, Washington 98004-5515
(425) 454-6363

I.R.S.
Employer
Identification
Number

91-1969407

91-0374630

Puget Sound Energy. The following are PSE's aggregate contractual and commercial commitments as of December 31, 2002:

Puget Sound Energy Contractual Obligations (Dollars in millions)	Payments Due Per Period				
	Total	2003	2004-2005	2006-2007	2008 and Thereafter
Long-term debt	\$ 2,093.9	\$ 72.0	\$ 169.5	\$ 216.0	\$ 1,636.4
Short-term debt	30.3	30.3	—	—	—
Trust preferred securities (1)	300.0	—	—	—	300.0
Preferred dividends (2)	1.1	1.1	—	—	—
Service contract obligations	190.2	19.4	40.7	43.4	86.7
Non-cancelable operating leases	51.8	12.6	16.9	13.0	9.3
Fredonia combustion turbines lease (3)	77.4	5.0	9.7	9.4	53.3
Energy purchase obligations	4,603.8	849.6	951.1	827.9	1,975.2
Financial hedge obligations	(21.5)	(6.3)	(7.6)	(6.3)	(1.3)
Total contractual cash obligations	\$ 7,327.0	\$ 983.7	\$ 1,180.3	\$ 1,103.4	\$ 4,059.6

Commercial Commitments (Dollars in millions)	Amount of Commitment Expiration Per Period				
	Total	2003	2004-2005	2006-2007	2008 and Thereafter
Liquidity facilities - available (4)	\$ 369.7	\$ 219.7	\$ 150.0	—	—
Energy operations letter of credit (5)	0.5	0.5	—	—	—
Total commercial commitments	\$ 370.2	\$ 220.2	\$ 150.0	—	—

- (1) See note (1) above.
- (2) See note (2) above.
- (3) See "Fredonia 3 and 4 Operating Lease" under "Off-Balance Sheet Arrangements" below for further discussion.
- (4) See note (5) above with respect to PSE.
- (5) See note (7) above.

OFF-BALANCE SHEET ARRANGEMENTS CONSERVATION TRUST

In 1995 and 1997, PSE sold a stream of future electric revenues associated with \$237.7 million of its investment in conservation assets in its electric general rate tariff to two grantor trusts. As a result of this sale, PSE collects these revenues from its electric customers and remits them to the trusts. On August 29, 2001, PSE purchased the remaining 1997 trust securities. During 2002, PSE collected and remitted \$12.7 million to the 1995 trust as compared to \$31.0 million for both trusts in 2001. The remaining principal expected to be collected on behalf of the 1995 trust is \$18.9 million at December 31, 2002.

ACCOUNTS RECEIVABLE SECURITIZATION PROGRAM

In order to provide a source of liquidity for PSE, in December 2002, PSE entered into a Receivables Sales Agreement with Rainier Receivables, Inc., a wholly owned subsidiary of PSE, pursuant to which PSE sold all of its utility customers accounts receivable and unbilled utility revenues to Rainier Receivables. Concurrently with entering into the Receivables Sales Agreement, Rainier Receivables entered into a Receivables Purchase Agreement with PSE and several financial institutions. The Receivables Purchase Agreement allows Rainier Receivables to sell the receivables purchased from PSE to the financial institutions. The amount of receivables sold by Rainier Receivables is not permitted to exceed \$150 million at any time.

The receivables securitization facility is the functional equivalent of a secured revolving line of credit. In the event Rainier Receivables elects to sell receivables under the Receivables Purchase Agreement, Rainier Receivables is required to pay the purchasers of the receivables fees that are analogous to interest on a revolving line of credit. As receivables are collected by PSE as agent for the receivables purchasers, the outstanding amount of receivables purchased by the purchasers declines until Rainier Receivables elects to sell additional receivables to the purchasers.

The receivables securitization facility has a three year term, but is terminable by PSE and Rainier Receivables upon notice to the receivables purchasers. At December 31, 2002 there were no amounts outstanding under the accounts receivable securitization facility.

FREDONIA 3 AND 4 OPERATING LEASE

In April 2001, PSE revised its master operating lease to \$70 million plus interest with a financial institution. Under this revised agreement PSE leases two combustion turbines for its Fredonia 3 and 4 electric generation facility. The lease has a term expiring in 2011, but can be cancelled by PSE after three years. Payments under the lease vary with changes in the London inter-bank offered rate (LIBOR). At December 31, 2002, PSE's outstanding balance under the lease was \$61.7 million. Lease payments assume a LIBOR of 1.38%. The expected residual value under the lease is the lesser of \$37.4 million or 60% of the cost of the equipment. In the event the equipment is sold to a third party upon termination of the lease and the aggregate sales proceeds are less than 87% of the unamortized value of the equipment, PSE would be required to pay the lessor an amount equal to the deficiency.

UTILITY CONSTRUCTION PROGRAM

Current utility construction expenditures for generation, transmission and distribution are designed to meet continuing customer growth and to improve efficiencies of PSE's energy delivery systems. Construction expenditures, excluding equity Allowance for Funds Used During Construction (AFUDC), were \$224.2 million in 2002. PSE expects construction expenditures will be approximately \$271.9 million, \$265.3 million and \$265.0 million in 2003, 2004 and 2005, respectively. Construction expenditure estimates are subject to periodic review and adjustment in light of changing economic, regulatory, environmental and conservation factors.

EARNINGS PER COMMON SHARE (PUGET ENERGY ONLY)

Basic earnings per common share has been computed based on weighted average common shares outstanding of 88,372,000, 86,445,000, and 85,411,000 for 2002, 2001 and 2000, respectively. Diluted earnings per common share has been computed based on weighted average common shares outstanding of 88,777,000, 86,703,000, and 85,690,000 for 2002, 2001 and 2000 respectively, which includes the dilutive effect of securities related to employee stock-based compensation plans.

ACCOUNTS RECEIVABLE SECURITIZATION PROGRAM

Rainier Receivables, Inc., is a wholly owned, bankruptcy-remote subsidiary of PSE formed in December 2002 for the purpose of purchasing customers' accounts receivable, both billed and unbilled, of PSE. Rainier Receivables and PSE have an agreement whereby Rainier Receivables can sell on a revolving basis, up to \$150.0 million of those receivables. The current agreement expires in December 2005. Rainier Receivables is obligated to pay fees that approximate the third party purchaser's cost of issuing commercial paper equal in value to the interests in receivables sold. At December 31, 2002, there were no borrowings outstanding under the receivable securitization program.

NEW ACCOUNTING PRONOUNCEMENTS

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46 - "Consolidation of Variable Interest Entities" (FIN 46). FIN 46 clarifies the application of Accounting Research Bulletin No. 51 - "Consolidated Financial Statements" to certain entities in which equity investors do not have controlling interest or sufficient equity at risk for the entity to finance its activities without additional financial support. This Interpretation requires that if a business entity has a controlling financial interest in a variable interest entity the financial statements must be included in the consolidated financial statements of the business entity. The adoption of this Interpretation for all interests in variable interest entities created after January 31, 2003 is effective immediately. For variable interest entities created before February 1, 2003, it is effective July 1, 2003. The Company is in the process of determining the impacts of this Interpretation.

On January 1, 2002, SFAS No. 142, "Goodwill and Other Intangible Assets" became effective and as a result, Puget Energy ceased amortization of goodwill. During 2001, Puget Energy recorded approximately \$2.8 million of goodwill amortization. Puget Energy performed an initial impairment review of goodwill and an annual impairment review thereafter. The initial review was completed during the first half of 2002, which did not result in an impairment charge. Puget Energy then performed its annual impairment review as of October 31, 2002 and determined that its goodwill was not impaired.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which is effective for fiscal years beginning after June 15, 2002. SFAS No. 143 requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, that cost should be capitalized as part of the related long-lived asset and allocated to expense over the useful life of the asset. The Company will adopt the new rules on asset retirement obligations on January 1, 2003. Application of the new rules is not expected to result in a material increase in net property, plant and equipment or expense.

Execution Copy

RECEIVABLES PURCHASE AGREEMENT

dated as of December 23, 2002

Among

RAINIER RECEIVABLES, INC.,
as Seller,

PUGET SOUND ENERGY, INC.,
as Servicer,

JUPITER SECURITIZATION CORPORATION,
THE FINANCIAL INSTITUTIONS PARTY HERETO

and

BANK ONE, NA (MAIN OFFICE CHICAGO),
as Agent

RECEIVABLES PURCHASE AGREEMENT

This Receivables Purchase Agreement dated as of December 23, 2002, is among Rainier Receivables, Inc., a Washington corporation ("Seller"), Puget Sound Energy, Inc., a Washington corporation ("PSE"), as initial Servicer (the Servicer together with Seller, the "Seller Parties" and each a "Seller Party"), the entities listed on Schedule A to this Agreement (together with any of their respective successors and assigns hereunder, the "Financial Institutions"), Jupiter Securitization Corporation ("Conduit") and Bank One, NA (Main Office Chicago), as agent for the Purchasers hereunder or any successor agent hereunder (together with its successors and assigns hereunder, the "Agent"). Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in Exhibit I.

PRELIMINARY STATEMENTS

Seller desires to transfer and assign Purchaser Interests to the Purchasers from time to time.

Conduit may, in its absolute and sole discretion, purchase Purchaser Interests from Seller from time to time.

In the event that Conduit declines to make any purchase, the Financial Institutions shall, at the request of Seller, purchase Purchaser Interests from time to time. In addition, the Financial Institutions have agreed to provide a liquidity facility to Conduit in accordance with the terms of the Liquidity Agreement.

Bank One, NA (Main Office Chicago) has been requested and is willing to act as Agent on behalf of Conduit and the Financial Institutions in accordance with the terms hereof.

ARTICLE I

PURCHASE ARRANGEMENTS

Section 1.1 Purchase Facility.

(a) Upon the terms and subject to the conditions hereof, Seller may, at its option, sell and assign Purchaser Interests to the Agent for the benefit of one or more of the Purchasers. In accordance with the terms and conditions set forth herein, Conduit may, at its option, instruct the Agent to purchase on behalf of Conduit, or if Conduit shall decline to purchase, the Agent shall purchase, on behalf of the Financial Institutions, Purchaser Interests from time to time in an aggregate amount not to exceed at such time the lesser of (i) the Purchase Limit and (ii) the aggregate amount of the Commitments during the period from the date hereof to but not including the Facility Termination Date.

(b) Seller may, upon at least 15 Business Days' prior written notice to the Agent, terminate in whole or reduce in part, ratably among the Financial Institutions, the unused portion of the Purchase Limit; provided that each partial reduction of the Purchase Limit shall be in an amount equal to \$5,000,000 or an integral multiple thereof.

Section 1.2 Increases. Seller shall provide the Agent with at least two Business Days' prior notice in a form set forth as Exhibit II hereto of each Incremental Purchase (a "Purchase Notice"). Each Purchase Notice shall be subject to Section 6.2 hereof and, except as set forth below, shall be irrevocable and shall specify the requested Purchase Price (which shall not be less than \$1,000,000 and in additional increments of \$100,000), the date of purchase, the account number and bank name to which the proceeds of the Incremental Purchase are to be remitted (the "Designated Account"), and, in the case of an Incremental Purchase to be funded by the Financial Institutions, the requested Bank Rate and Tranche Period. Following receipt of a Purchase Notice, the Agent will determine whether Conduit agrees to make the purchase. If Conduit declines to make a proposed purchase, the Agent shall so notify Seller and Seller may cancel the Purchase Notice or, in the absence of such a cancellation, the Incremental Purchase of the Purchaser Interest will be made by the Financial Institutions. On the date of each Incremental Purchase, upon satisfaction of the applicable conditions precedent set forth in Article VI, Conduit or the Financial Institutions, as applicable, shall deposit to the Designated Account, in immediately available funds, no later than 12:00 noon (Chicago time), an amount equal to (i) in the case of Conduit, the aggregate Purchase Price of the Purchaser Interests Conduit is then purchasing or (ii) in the case of a Financial Institution, such Financial Institution's Pro Rata Share of the aggregate Purchase Price of the Purchaser Interests the Financial Institutions are purchasing.

Section 1.3 Decreases. Seller shall provide the Agent with prior written notice in conformity with the Required Notice Period and substantially in the form of Exhibit XI (a "Reduction Notice") of any proposed reduction of Aggregate Capital from Collections. Such Reduction Notice shall designate (i) the date upon which any such reduction of Aggregate Capital shall occur (which date shall give effect to the applicable Required Notice Period), and (ii) the amount of Aggregate Capital to be reduced which shall be applied ratably to the Purchaser Interests of Conduit and the Financial Institutions in accordance with the amount of Capital (if any) owing to Conduit, on the one hand, and the amount of Capital (if any) owing to the Financial Institutions (ratably, based on their respective Pro Rata Shares), on the other hand (the "Aggregate Reduction"). Only one (1) Reduction Notice shall be outstanding at any time. No Aggregate Reduction will be made following the occurrence of the Amortization Date without the consent of the Agent.

Section 1.4 Payment Requirements. All amounts to be paid or deposited by any Seller Party pursuant to any provision of this Agreement shall be paid or deposited in accordance with the terms hereof no later than 12:00 noon (Chicago time) on the day when due in immediately available funds, and if not received before 12:00 noon (Chicago time) shall be deemed to be received on the next succeeding Business Day. If such amounts are payable to a Purchaser they shall be paid to the Agent, for the account of such Purchaser, at 1

Bank One Plaza, Chicago, Illinois 60670 until otherwise notified by the Agent. All computations of Yield, per annum fees calculated as part of any CP Costs, per annum fees hereunder and per annum fees under the Fee Letter shall be made on the basis of a year of 360 days for the actual number of days elapsed. If any amount hereunder shall be payable on a day which is not a Business Day, such amount shall be payable on the next succeeding Business Day.

ARTICLE II

PAYMENTS AND COLLECTIONS

Section 2.1 Payments. Notwithstanding any limitation on recourse contained in this Agreement, Seller shall immediately pay to the Agent when due, for the account of the relevant Purchaser or Purchasers on a full recourse basis, (i) such fees as set forth in the Fee Letter (which fees shall be sufficient to pay all fees owing to the Financial Institutions), (ii) all amounts payable as CP Costs, (iii) all amounts payable as Yield, (iv) all amounts payable as Deemed Collections (which shall be immediately due and payable by Seller and applied to reduce outstanding Aggregate Capital hereunder in accordance with Sections 2.2 and 2.3 hereof), (v) all amounts required pursuant to Section 2.6, (vi) all amounts payable pursuant to Article X, if any, (vii) all Servicer costs and expenses, including the Servicing Fee, in connection with servicing, administering and collecting the Receivables, provided, that so long as PSE shall act as Servicer hereunder, Seller may pay such Servicer costs and expenses directly to PSE, (viii) all Broken Funding Costs and (ix) all Default Fees (collectively, the "Obligations"). If any Person fails to pay or make any deposit of any of the Obligations when due, such Person agrees to pay, on demand, the Default Fee in respect thereof until paid. Notwithstanding the foregoing, no provision of this Agreement, the Fee Letter or any other Transaction Document shall require the payment or permit the collection of any amounts hereunder in excess of the maximum permitted by applicable law. If at any time Seller receives any Collections or is deemed to receive any Collections, Seller shall immediately pay such Collections or Deemed Collections to the Servicer for application in accordance with the terms and conditions hereof and, at all times prior to such payment, such Collections or Deemed Collections shall be held in trust by Seller for the exclusive benefit of the Purchasers and the Agent.

Section 2.2 Collections Prior to Amortization. Prior to the Amortization Date, any Collections and/or Deemed Collections received by the Servicer shall be set aside and held in trust by the Servicer for the payment of any accrued and unpaid Aggregate Unpaid or for a Reinvestment as provided in this Section 2.2. If at any time any Collections and/or Deemed Collections are received by the Servicer prior to the Amortization Date, (i) the Servicer shall set aside the Termination Percentage (hereinafter defined) of Collections evidenced by the Purchaser Interests of each Terminating Financial Institution and (ii) Seller hereby requests and the Purchasers (other than any Terminating Financial Institutions) hereby agree to make, simultaneously with such receipt, a reinvestment (each a "Reinvestment") with that portion of the balance of each and every Collection and Deemed Collection received by the Servicer that is part of any Purchaser Interest (other than any Purchaser Interests of Terminating Financial Institutions), such that after giving effect to such Reinvestment, the amount of Aggregate Capital immediately after such receipt and corresponding Reinvestment shall be equal to the amount of Aggregate Capital immediately prior to such receipt. On each Settlement Date prior to the occurrence of the Amortization Date, the Servicer shall remit to the Agent's account the amounts set aside during the preceding Settlement Period that have not been subject to a Reinvestment and apply such amounts (if not previously paid in accordance with Section 2.1) first, to reduce unpaid Obligations, second, to reduce the Capital of all Purchaser Interests of Terminating Financial Institutions, applied ratably to each Terminating Financial Institution according to its respective Termination Percentage and third, to reduce Aggregate Capital in an amount, if any necessary, so that the aggregate of the Purchaser Interests does not exceed the Applicable Maximum Purchaser Interest, applied ratably in accordance with the Pro Rata Shares. If such Capital and Obligations shall be reduced to zero, any additional Collections received by the Servicer (i) if applicable, shall be remitted to the Agent's account no later than 12:00 noon. (Chicago time) to the extent required to fund any Aggregate Reduction on such Settlement Date and (ii) any balance remaining thereafter shall be remitted from the Servicer to Seller on such Settlement Date. Each Terminating Financial Institution shall be allocated a ratable portion of Collections from the date of its becoming a Terminating Financial Institution in accordance with Section 12.3 (the "Termination Date") until such Terminating Financial Institution's Capital shall be paid in full. This ratable portion shall be calculated on the Termination Date of each Terminating Financial Institution as a percentage equal to (i) Capital of such Terminating Financial Institution outstanding on its Termination Date, divided by (ii) the Aggregate Capital outstanding on such Termination Date (the "Termination Percentage"). Each Terminating Financial Institution's Termination Percentage shall remain constant prior to the Amortization Date. On and after the Amortization Date, each Termination Percentage shall be disregarded, and each Terminating Financial Institution's Capital shall be reduced ratably with all Financial Institutions in accordance with Section 2.3.

Section 2.3 Collections Following Amortization. On the Amortization Date and on each day thereafter, the Servicer shall set aside and hold in trust, for the holder of each Purchaser Interest, all Collections received on such day and an additional amount of funds of Seller for the payment of any Aggregate Unpaid owed by Seller and not previously paid by Seller in accordance with Section 2.1. On and after the Amortization Date, the Servicer shall, at any time upon the request from time to time by (or pursuant to standing instructions from) the Agent (i) remit to the Agent's account the amounts set aside pursuant to the preceding sentence, and (ii) apply such amounts to reduce the Capital associated with each such Purchaser Interest and any other Aggregate Unpaid.

Section 2.4 Application of Collections. If there shall be insufficient funds on deposit for the Servicer to distribute funds in payment in full of the aforementioned amounts pursuant to Section 2.2 or 2.3 (as applicable), the Servicer shall distribute funds:

first, to the payment of the Servicer's reasonable out-of-pocket costs and expenses in connection with servicing, administering and collecting the Receivables, including the Servicing Fee, if Seller or one of its Affiliates is not then acting as the Servicer,

second, to the reimbursement of the Agent's costs of collection and enforcement of this Agreement,

third, ratably to the payment of all accrued and unpaid fees under the Fee Letter, CP Costs and Yield,

fourth, (to the extent applicable) to the ratable reduction of the Aggregate Capital (without regard to any Termination Percentage),

fifth, for the ratable payment of all other unpaid Obligations, provided that to the extent such Obligations relate to the payment of Servicer costs and expenses, including the Servicing Fee, when Seller or one of its Affiliates is acting as the Servicer, such costs and expenses will not be paid until after the payment in full of all other Obligations, and

sixth, after the Aggregate Unpays have been indefeasibly reduced to zero, to Seller.

Collections applied to the payment of Aggregate Unpays shall be distributed in accordance with the aforementioned provisions, and, giving effect to each of the priorities set forth in Section 2.4 above, shall be shared ratably (within each priority) among the Agent and the Purchasers in accordance with the amount of such Aggregate Unpays owing to each of them in respect of each such priority.

Section 2.5 Payment Rescission. No payment of any of the Aggregate Unpays shall be considered paid or applied hereunder to the extent that, at any time, all or any portion of such payment or application is rescinded by application of law or judicial authority, or must otherwise be returned or refunded for any reason. Seller shall remain obligated for the amount of any payment or application so rescinded, returned or refunded, and shall promptly pay to the Agent (for application to the Person or Persons who suffered such rescission, return or refund) the full amount thereof, plus the Default Fee from the date of any such rescission, return or refunding.

Section 2.6 Maximum Purchaser Interests. Seller shall ensure that the Purchaser Interests of the Purchasers shall at no time exceed in the aggregate the Applicable Maximum Purchaser Interest. If the aggregate of the Purchaser Interests of the Purchasers exceeds the Applicable Maximum Purchaser Interest at any time, Seller shall pay to the Agent within (i) at any time a Monthly Reporting Period is in effect, two (2) Business Days, and (ii) at any time a Daily or Weekly Reporting Period is in effect, one (1) Business Day, an amount to be applied to reduce the Aggregate Capital (as allocated by the Agent), such that, after giving effect to such payment, the aggregate Purchaser Interests equal or is less than the Applicable Maximum Purchaser Interest.

Section 2.7 Clean Up Call. In addition to Seller's rights pursuant to Section 1.3, Seller shall have the right (after providing written notice to the Agent in accordance with the Required Notice Period), at any time following the reduction of the Aggregate Capital to a level that is less than 10.0% of the original Purchase Limit, to repurchase from the Purchasers all, but not less than all, of the then outstanding Purchaser Interests. The purchase price in respect thereof shall be an amount equal to the Aggregate Unpays through the date of such repurchase, payable in immediately available funds. Such repurchase shall be without representation, warranty or recourse of any kind by, on the part of, or against any Purchaser or the Agent.

ARTICLE III

CONDUIT FUNDING

Section 3.1 CP Costs. Seller shall pay CP Costs with respect to the Capital associated with each Purchaser Interest of Conduit for each day that any Capital in respect of such Purchaser Interest is outstanding. Each Purchaser Interest funded substantially with Pooled Commercial Paper will accrue CP Costs each day on a pro rata basis, based upon the percentage share the Capital in respect of such Purchaser Interest represents in relation to all assets held by Conduit and funded substantially with Pooled Commercial Paper.

Section 3.2 CP Costs Payments. On each Interest Payment Date, Seller shall pay to the Agent (for the benefit of Conduit) an aggregate amount equal to all accrued and unpaid CP Costs in respect of the Capital associated with all Purchaser Interests of Conduit for the immediately preceding Accrual Period in accordance with Article II.

Section 3.3 Calculation of CP Costs. On the 3rd Business Day immediately preceding each Interest Payment Date, Conduit shall calculate the aggregate amount of CP Costs for the applicable Accrual Period and shall notify Seller of such aggregate amount.

ARTICLE IV

FINANCIAL INSTITUTION FUNDING

Section 4.1 Financial Institution Funding. Each Purchaser Interest of the Financial Institutions shall accrue Yield for each day during its Tranche Period at either the LIBO Rate or the Prime Rate in accordance with the terms and conditions hereof. Until Seller gives notice to the Agent of another Bank Rate in accordance with Section 4.4, the initial Bank Rate for any Purchaser Interest transferred to the Financial Institutions pursuant to the terms and conditions hereof shall be the Prime Rate. If the Financial Institutions acquire by assignment from Conduit any Purchaser Interest pursuant to the Liquidity Agreement, each Purchaser Interest so assigned shall each be deemed to have a new Tranche Period commencing on the date of any such assignment.

Section 4.2 Yield Payments. On the Interest Payment Date for each Purchaser Interest of the Financial Institutions, Seller shall pay to the Agent (for the benefit of the Financial Institutions) an aggregate amount equal to the accrued and unpaid Yield for the entire Tranche Period of each such Purchaser Interest in accordance with Article II.

Section 4.3 Selection and Continuation of Tranche Periods.

(a) With consultation from the Agent, Seller shall from time to time request Tranche Periods for the Purchaser Interests of the Financial Institutions, provided that, if at any time the Financial Institutions

shall have a Purchaser Interest, Seller shall always request Tranche Periods such that at least one Tranche Period shall end on the date specified in clause (A) of the definition of Interest Payment Date.

(b) Seller or the Agent, upon notice to and consent by the other (which consent shall not be unreasonably withheld) received at least three (3) Business Days prior to the end of a Tranche Period (the "Terminating Tranche") for any Purchaser Interest, may, effective on the last day of the Terminating Tranche: (i) divide any such Purchaser Interest into multiple Purchaser Interests, (ii) combine any such Purchaser Interest with one or more other Purchaser Interests that have a Terminating Tranche ending on the same day as such Terminating Tranche or (iii) combine any such Purchaser Interest with a new Purchaser Interests to be purchased on the day such Terminating Tranche ends, provided, that in no event may a Purchaser Interest of Conduit be combined with a Purchaser Interest of the Financial Institutions.

Section 4.4 Financial Institution Bank Rates. Seller may select the LIBO Rate or the Prime Rate for each Purchaser Interest of the Financial Institutions. Seller shall by 12:00 noon (Chicago time): (i) at least three (3) Business Days prior to the expiration of any Terminating Tranche with respect to which the LIBO Rate is being requested as a new Bank Rate and (ii) at least one (1) Business Day prior to the expiration of any Terminating Tranche with respect to which the Prime Rate is being requested as a new Bank Rate, give the Agent irrevocable notice of the new Bank Rate for the Purchaser Interest associated with such Terminating Tranche. Until Seller gives notice to the Agent of another Bank Rate, the initial Bank Rate for any Purchaser Interest transferred to the Financial Institutions pursuant to the terms and conditions hereof shall be the Prime Rate.

Section 4.5 Suspension of the LIBO Rate. If any Financial Institution notifies the Agent that it has determined that funding its Pro Rata Share of the Purchaser Interests of the Financial Institutions at the LIBO Rate would violate any applicable law, rule, regulation, or directive of any governmental or regulatory authority, whether or not having the force of law, or that (i) deposits of a type and maturity appropriate to match fund its Purchaser Interests at the LIBO Rate are not available or (ii) the LIBO Rate does not accurately reflect the cost of acquiring or maintaining a Purchaser Interest at the LIBO Rate, then the Agent shall suspend the availability of the LIBO Rate and require Seller to select the Prime Rate for any Purchaser Interest accruing Yield at the LIBO Rate, and the then current Tranche Period for such Purchaser Interest shall thereupon be terminated.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

Section 5.1 Representations and Warranties of The Seller Parties. Each Seller Party hereby represents and warrants to the Agent and the Purchasers, as to itself, as of the date hereof and as of the date of each Incremental Purchase and the date of each Reinvestment that:

(a) Corporate Existence and Power. Such Seller Party is (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation; (b) has all requisite corporate power, and has all material governmental licenses, authorizations, consents and approvals, necessary to own its property and carry on its business as now being conducted; and (c) is qualified to do business in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure so to qualify could reasonably be expected to have a Material Adverse Effect.

(b) Power and Authority; Due Authorization, Execution and Delivery. Such Seller Party has all necessary corporate power and authority to execute and deliver this Agreement and each other Transaction Document to which it is a party, and to perform its obligations hereunder and thereunder and, in the case of Seller, to use the proceeds of purchases made hereunder. The execution and delivery by such Seller Party of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder and, in the case of Seller, the use of the proceeds of purchases made hereunder have been duly authorized by all necessary corporate action on the part of such Seller Party; and this Agreement and each other Transaction Document to which such Seller Party is a party has been duly and validly executed and delivered by such Seller Party.

(c) No Conflict. None of the execution and delivery by such Seller Party of this Agreement and each other Transaction Document to which it is a party, nor the performance of its obligations hereunder and thereunder will conflict with or result in a breach of, or a default under, or require any consent under, (i) its certificate or articles of incorporation or by-laws, (ii) any law, rule or regulation applicable to it, (iii) any agreement or instrument to which it is a party or by which it or any of its property is bound or subject, or (iv) any order, writ, judgment, injunction or decree of any court or governmental authority or agency binding on or affecting it or its property, and will not result in or require the creation or imposition of any Adverse Claim upon any of the revenues or assets of such Seller Party or its Subsidiaries (except as created hereunder); and no transaction contemplated hereby requires compliance with any bulk sales act or similar law.

(d) Governmental Authorization. Other than the filing of the financing statements required hereunder and the approval of the Washington Utilities and Transportation Commission (which Servicer has obtained), no authorizations, approvals or consents of, and no notices to, or filings or registrations with, any governmental authority or regulatory authority or agency (other than informational filings) are necessary for the execution and delivery by such Seller Party of this Agreement and each other Transaction Document to which it is a party and the performance of its obligations hereunder and thereunder or for the validity or enforceability hereof or thereof.

(e) Actions, Suits. There are not, in any court or before any arbitrator of any kind or before or by any governmental body, any actions, suits or proceedings pending or, to such Seller Party's knowledge, threatened against or affecting such Seller Party or any of its respective businesses or properties except for actions, suits or proceedings (i) that exist as of the date of this Agreement and are disclosed in PSE's Annual Report on Form 10-K for the year ended December 31, 2001, PSE's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2002, June 30, 2002 or September 30, 2002 or on Schedule D and (ii) which, singly or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. Such Seller Party is not in default with respect to any order of any court, arbitrator or governmental body, which default could reasonably be expected to have a Material Adverse Effect.

(f) Binding Effect. This Agreement and each other Transaction Document to which such Seller Party is a party constitute the legal, valid and binding obligations of such Seller Party enforceable against such Seller Party in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(g) Accuracy of Information. No information, exhibit or report furnished by such Seller Party or any of its Affiliates to the Agent or the Purchasers in connection with the negotiation of, or compliance with, this Agreement (including any Monthly Report, Weekly Report or Daily Report) or any of the other Transaction Documents contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not misleading.

(h) Use of Proceeds. Such Seller Party is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying margin stock, as defined in Regulation U promulgated by the Board of Governors of the Federal Reserve System from time to time, and no part of the proceeds of any purchase hereunder will be used to buy or carry any margin stock. No part of the proceeds of any purchase hereunder will be used to acquire stock of any corporation the board of directors of which has publicly stated its opposition to such acquisition or fails to endorse such acquisition.

(i) Good Title. Immediately prior to each purchase hereunder, Seller shall be the legal and beneficial owner of the Receivables and Related Security with respect thereto, free and clear of any Adverse Claim, except as created by the Transaction Documents. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Seller's ownership interest in each Receivable, its Collections and the Related Security.

(j) Perfection. This Agreement, together with the filing of the financing statements contemplated hereby, is effective to, and shall, upon each purchase hereunder, transfer to the Agent for the benefit of the relevant Purchaser or Purchasers (and the Agent for the benefit of such Purchaser or Purchasers shall acquire from Seller) a valid and perfected first priority undivided percentage ownership or security interest in each Receivable existing or hereafter arising and in the Related Security and Collections with respect thereto, free and clear of any Adverse Claim, except as created by the Transaction Documents. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Agent's (on behalf of the Purchasers) ownership or security interest in the Receivables, the Related Security and the Collections.

(k) Jurisdiction of Organization; Places of Business and Locations of Records. The jurisdiction of organization, principal places of business and chief executive office of such Seller Party and the offices where it keeps all of its Records are located at the address(es) listed on Exhibit III or such other locations of which the Agent has been notified in accordance with Section 7.2(a) in jurisdictions where all action required by Section 7.1(h) and/or Section 14.4(a) has been taken and completed. Such Seller Party's organizational number assigned to it by its jurisdiction of organization and such Seller Party's Federal Employer Identification Number are correctly set forth on Exhibit III. Such Seller Party has not, within a period of one year prior to the date hereof, (i) changed the location of its principal place of business or chief executive office or its organizational structure, (ii) changed its legal name, (iii) changed its "location" (within the meaning of Section 9-307 of the UCC as in effect in all applicable jurisdictions), or (iv) become a "new debtor" (as defined in Section 9-102(a)(56) of the UCC as in effect in all applicable jurisdictions) with respect to a currently effective security agreement previously entered into by any other Person. Such Seller Party has not changed its jurisdiction of organization. Seller is a Washington corporation and is a "registered organization" (within the meaning of Section 9-102 of the UCC as in effect in the State of Washington).

(l) Collections. The conditions and requirements set forth in Section 7.1(j) and Section 8.2 have at all times been satisfied and duly performed. The names and addresses of all Collection Banks, together with the account numbers of the Collection Accounts at each Collection Bank and the post office box number of each Lock-Box or P.O. Box, are listed on Exhibit IV. Seller has not granted any Person, other than the Agent as contemplated by this Agreement, dominion and control or "control" (within the meaning of Section 9-104 of the UCC of all applicable jurisdictions) of any Lock-Box, P.O. Box or Collection Account, or the right to take dominion and control or "control" (within the meaning of Section 9-104 of the UCC of all applicable jurisdictions) of any such Lock-Box, P.O. Box or Collection Account at a future time or upon the occurrence of a future event. Each Seller Party has taken all steps necessary to ensure that the Agent has "control" (within the meaning of Section 9-104 of the UCC of all applicable jurisdictions) over all Collection Accounts. Such Seller Party has the ability to identify, within one Business Day of receipt or deposit, all amounts that are received in any Lock-Box or P.O. Box or deposited to any Collection Account as constituting Collections or non-Collections. Except for proceeds of Excluded Receivables (which shall be electronically swept or otherwise transferred out of such Collection Account within 1 Business Day of being deposited therein in accordance with Section 7.1(j)), no funds other than the proceeds of Receivables are deposited to any Collection Account.

(m) Material Adverse Effect. (i) The initial Servicer represents and warrants that since December 31, 2001, no event has occurred that would have a material adverse effect on the financial condition or operations of the initial Servicer and its Subsidiaries or the ability of the initial Servicer to perform its obligations under this Agreement or any other Transaction Document to which it is a party, and (ii) Seller represents and warrants that since the date of this Agreement, no event has occurred that would have a material adverse effect on (A) the financial condition or operations of Seller, (B) the ability of Seller to perform its obligations under the Transaction Documents, or (C) the collectibility of the Receivables generally or any material portion of the Receivables.

(n) Names. In the past five (5) years, Seller has not used any corporate or other names, trade names or assumed names other than the name in which it has executed this Agreement.

(o) Ownership of Seller. Originator owns, directly or indirectly, 100% of the issued and outstanding capital stock of Seller, free and clear of any Adverse Claim. Such capital stock is validly issued, fully

paid and nonassessable, and there are no options, warrants or other rights to acquire securities of Seller.

(p) PUHCA; Investment Company Act. Such Seller Party is a wholly-owned Subsidiary of Puget Energy, Inc., a public utility holding company under the Public Utility Holding Company Act of 1935, as amended ("PUHCA"), which is exempt from regulation under PUHCA and the Securities and Exchange Commission's ("SEC") rules thereunder (except for regulation under Section 9(a)(2) of PUHCA) pursuant to Section 3(a)(1) and SEC Rule 2 under PUHCA. Such Seller Party is not, and after giving effect to the transactions contemplated hereby, will not be required to register as, an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or any successor statute.

(q) Compliance with Law. Such Seller Party has complied in all material respects with all applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof having jurisdiction over the conduct of its businesses or the ownership of its property, except for any failure to comply with any of the foregoing that could not reasonably be expected to have a Material Adverse Effect. Each Receivable, together with the Contract related thereto, does not contravene any laws, rules or regulations applicable thereto (including, without limitation, laws, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices or privacy), and no part of such Contract is in violation of any such law, rule or regulation.

(r) Compliance with Credit and Collection Policy. Such Seller Party has complied in all material respects with the Credit and Collection Policy with regard to each Receivable and the related Contract, and has not made any change to such Credit and Collection Policy, except as permitted under Section 7.2(c) and as to which the Agent has been notified, and if applicable, as to which the Agent has consented, in each case, in accordance with Section 7.1(a)(vii).

(s) Payments to Originator. With respect to each Receivable transferred to Seller under the Receivables Sale Agreement, Seller has given reasonably equivalent value to Originator in consideration therefor and such transfer was not made for or on account of an antecedent debt. No transfer by Originator of any Receivable under the Receivables Sale Agreement is or may be voidable under any section of the Federal Bankruptcy Code.

(t) Enforceability of Contracts. Each Contract with respect to each Receivable is effective to create, and has created, a legal, valid and binding obligation of the related Obligor to pay the Outstanding Balance of the Receivable created thereunder and any accrued interest thereon, enforceable against the Obligor in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(u) Eligible Receivables. Each Receivable included in the Net Receivables Balance as an Eligible Receivable was an Eligible Receivable on the date of its purchase under the Receivables Sale Agreement.

(v) Net Receivables Balance. Seller has determined that, immediately after giving effect to each purchase hereunder, the Net Receivables Balance is at least equal to the sum of (i) the Aggregate Capital, plus (ii) the Aggregate Reserves, plus (iii) the Seller's Interest.

(w) Accounting. The manner in which such Seller Party accounts for the transactions contemplated by this Agreement and the Receivables Sale Agreement does not jeopardize the true sale analysis.

(x) Identification of Receivables. Each Seller Party identifies the receivables purchased (or purported to be purchased) by Seller under the Receivables Sale Agreement and in which an interest is transferred (or purported to be transferred) hereunder on its books and records (including any accounting system) with the account code "FERC 142 Account Receivable."

Section 5.2 Financial Institution Representations and Warranties. Each Financial Institution hereby represents and warrants to the Agent and Conduit that:

(a) Existence and Power. Such Financial Institution is a corporation or a banking association duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, and has all corporate power to perform its obligations hereunder.

(b) No Conflict. The execution and delivery by such Financial Institution of this Agreement and the performance of its obligations hereunder are within its corporate powers, have been duly authorized by all necessary corporate action, do not contravene or violate (i) its certificate or articles of incorporation or association or by-laws, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on its assets. This Agreement has been duly authorized, executed and delivered by such Financial Institution.

(c) Governmental Authorization. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by such Financial Institution of this Agreement and the performance of its obligations hereunder.

(d) Binding Effect. This Agreement constitutes the legal, valid and binding obligation of such Financial Institution enforceable against such Financial Institution in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law).

Exhibit No. (DEG-17)
Page 17 of 95

ARTICLE VI

CONDITIONS OF PURCHASES

Section 6.1 Conditions Precedent to Initial Incremental Purchase. The initial Incremental Purchase of a Purchaser Interest under this Agreement is subject to the conditions precedent that (a) the Agent shall

have received on or before the date of such purchase those documents listed on Schedule B, (b) the Agent shall have received all fees and expenses required to be paid on or prior to such date pursuant to the terms of this Agreement and the Fee Letter, and (c) Seller shall have marked its books and records with a legend satisfactory to the Agent identifying the Agent's interest in the Receivables, Related Security and Collections.

Section 6.2 Conditions Precedent to All Purchases and Reinvestments. Each purchase of a Purchaser Interest hereunder and each Reinvestment shall be subject to the further conditions precedent that (a) in the case of each such purchase or Reinvestment: (i) the Servicer shall have delivered to the Agent on or prior to the date of such purchase, in form and substance satisfactory to the Agent, all reports as and when due under Section 8.5 and (ii) upon the Agent's request, the Servicer shall have delivered to the Agent at least three (3) days prior to such purchase or Reinvestment an interim Monthly Report showing the amount of Eligible Receivables; (b) the Facility Termination Date shall not have occurred; (c) the Agent shall have received such other approvals, opinions or documents as it may reasonably request and (d) on the date of each such Incremental Purchase or Reinvestment, the following statements shall be true (and acceptance of the proceeds of such Incremental Purchase or Reinvestment shall be deemed a representation and warranty by Seller that such statements are then true):

(i) the representations and warranties set forth in Section 5.1 are true and correct on and as of the date of such Incremental Purchase or Reinvestment as though made on and as of such date;

(ii) no event has occurred and is continuing, or would result from such Incremental Purchase or Reinvestment, that will constitute an Amortization Event, and no event has occurred and is continuing, or would result from such Incremental Purchase or Reinvestment, that would constitute a Potential Amortization Event; and

(iii) the Aggregate Capital does not exceed the Purchase Limit and the aggregate Purchaser Interests do not exceed the Applicable Maximum Purchaser Interest.

It is expressly understood that each Reinvestment shall, unless otherwise directed by the Agent or any Purchaser, occur automatically on each day that the Servicer shall receive any Collections without the requirement that any further action be taken on the part of any Person and notwithstanding the failure of Seller to satisfy any of the foregoing conditions precedent in respect of such Reinvestment. The failure of Seller to satisfy any of the foregoing conditions precedent in respect of any Reinvestment shall give rise to a right of the Agent, which right may be exercised at any time on demand of the Agent, to rescind the related purchase and direct Seller to pay to the Agent for the benefit of the Purchasers an amount equal to the Collections prior to the Amortization Date that shall have been applied to the affected Reinvestment.

ARTICLE VII

COVENANTS

Section 7.1 Affirmative Covenants of The Seller Parties. Until the date on which the Aggregate Unpaid have been indefeasibly paid in full and this Agreement terminates in accordance with its terms, each Seller Party hereby covenants, as to itself, as set forth below:

(a) Financial Reporting. Such Seller Party will maintain, for itself and each of its Subsidiaries, a system of accounting established and administered in accordance with GAAP, and furnish or cause to be furnished to the Agent:

(i) Annual Reporting. As soon as available and in any event within 120 days after the end of each fiscal year of PSE, (i) a copy of the Annual Report on Form 10-K (or any successor form) for PSE for such year, together with a copy of the accompanying report of PSE's independent certified public accounting firm; and (ii) a copy of the unaudited balance sheet of Seller as at the close of each such period and statements of income and retained earnings and a statement of cash flows for Seller for the period from the beginning of such fiscal year to the end of such fiscal year, all certified by its chief financial officer.

(ii) Quarterly Reporting. As soon as available and in any event within 60 days after the close of each of the first three quarterly accounting periods in each fiscal year of PSE, (i) a copy of the Quarterly Report on Form 10-Q (or any successor form) for PSE for such quarter; and (ii) unaudited balance sheets of Seller as at the close of each such period and statements of income and retained earnings and a statement of cash flows for Seller for the period from the beginning of such fiscal year to the end of such quarter, all certified by its chief financial officer.

(iii) Compliance Certificate. Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit V signed by such Seller Party's Authorized Officer and dated the date of such annual financial statement or such quarterly financial statement, as the case may be.

(iv) Shareholders Statements and Reports. In addition to the information required to be furnished in accordance with clauses (i) and (ii) above, promptly upon the furnishing thereof to the shareholders of such Seller Party copies of all other financial statements, reports and proxy statements so furnished.

(v) S.E.C. Filings. Promptly upon the filing thereof, copies of all annual, quarterly, monthly or other regular reports, and promptly upon the request of the Agent, copies of all registration statements, in each case, which Originator or any of its Subsidiaries files with the Securities and Exchange Commission.

(vi) Copies of Notices. Promptly upon its receipt of any notice, request for consent, financial statements, certification, report or other communication under or in connection with any Transaction Document from any Person other than the Agent or Conduit, copies of the same.

- (vii) Change in Credit and Collection Policy. At least thirty (30) days prior to the effectiveness of any material change in or material amendment to the Credit and Collection Policy, a copy of the Credit and Collection Policy then in effect and a notice (A) indicating such change or amendment, and (B) if such proposed change or amendment would be reasonably likely to adversely affect the collectibility of the Receivables or decrease the credit quality of any newly created Receivables, requesting the Agent's consent thereto.
- (viii) Other Information. Promptly, from time to time, such other information, documents, records or reports relating to the Receivables or the condition or operations, financial or otherwise, of such Seller Party as the Agent may from time to time reasonably request in order to protect the interests of the Agent and the Purchasers under or as contemplated by this Agreement.
- (b) Notices. Such Seller Party will notify the Agent in writing of any of the following promptly upon learning of the occurrence thereof, describing the same and, if applicable, the steps being taken with respect thereto:
 - (i) Amortization Events or Potential Amortization Events. The occurrence of each Amortization Event and each Potential Amortization Event, by a statement of an Authorized Officer of such Seller Party.
 - (ii) Judgment and Proceedings. (1) The entry of any judgment or decree against the Servicer or any of its respective Subsidiaries if the aggregate amount of all judgments and decrees then outstanding against the Servicer and its Subsidiaries exceeds \$25,000,000, (2) the institution of any litigation, arbitration proceeding, investigation or governmental proceeding against the Servicer which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect; and (3) any material development in any previously disclosed litigation, arbitration proceeding, investigation or governmental proceeding; and (B) (1) the entry of any judgment or decree or the institution of any litigation, arbitration proceeding, investigation or governmental proceeding against Seller and (2) any material adverse development in any previously disclosed litigation, arbitration proceeding, investigation or governmental proceeding.
 - (iii) Material Adverse Effect. The occurrence of any event or condition that has had, or could reasonably be expected to have, a Material Adverse Effect.
 - (iv) Termination Date. The occurrence of the "Termination Date" under and as defined in the Receivables Sale Agreement.
 - (v) Defaults Under Other Agreements. The occurrence of a default or an event of default under any other financing arrangement pursuant to which such Seller Party is a debtor or an obligor.
 - (vi) Downgrade of PSE. Any downgrade in the rating of any Indebtedness of PSE by S&P or by Moody's, setting forth the Indebtedness affected and the nature of such change.
- (c) Compliance with Laws and Preservation of Corporate Existence.
 - (i) Such Seller Party will comply with the requirements of all applicable laws, rules, regulations and governmental approvals, and all orders, writs, injunctions and decrees of any court or governmental authority or agency, if failure to comply with such requirements could reasonably be expected to have a Material Adverse Effect.
 - (ii) Such Seller Party (A) will preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation and (B) will qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where its business is conducted, except where the failure to so qualify could not reasonably be expected to have a Material Adverse Effect.
- (d) Audits. Such Seller Party will furnish to the Agent from time to time such information with respect to it and the Receivables as the Agent may reasonably request. Such Seller Party will, from time to time during regular business hours as requested by the Agent upon reasonable notice and at the sole cost of such Seller Party, permit the Agent, or its agents or representatives, (i) to examine and make copies of and abstracts from all Records in the possession or under the control of such Person relating to the Receivables and the Related Security, including, without limitation, the related Contracts, and (ii) to visit the offices and properties of such Person for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to such Person's financial condition or the Receivables and the Related Security or any Person's performance under any of the Transaction Documents or any Person's performance under the Contracts and, in each case, with any of the Authorized Officers of Seller or the Servicer having knowledge of such matters (the activities referred to in the preceding clauses (i) and (ii), collectively, an "Audit"). Notwithstanding the foregoing, unless an Amortization Event shall have occurred and be continuing or a Daily Reporting Period shall be in effect, Seller Parties shall not be responsible for the costs of more than two Audits performed during any consecutive 12-month period.
- (e) Keeping and Marking of Records and Books.
 - (i) The Servicer will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Receivables (including, without limitation, records adequate to permit the immediate identification of each new Receivable and all Collections of and adjustments to each existing Receivable). The Servicer will give the Agent notice of any material change in the administrative and operating procedures referred to in the previous sentence.

- (ii) Such Seller Party will (A) on or prior to the date hereof, mark its master data processing records and other books and records relating to the Purchaser Interests with a legend, acceptable to the Agent, describing the Purchaser Interests and (B) upon the request of the Agent (x) mark each Contract with a legend describing the Purchaser Interests and (y) deliver to the Agent all Contracts (including, without limitation, all multiple originals of any such Contract) relating to the Receivables.
- (f) Compliance with Contracts and Credit and Collection Policy. Such Seller Party will timely and fully (i) perform and comply with all provisions, covenants and other promises required to be observed by it under the Contracts related to the Receivables, and (ii) comply in all material respects with the Credit and Collection Policy in regard to each Receivable and the related Contract.
- (g) Performance and Enforcement of Receivables Sale Agreement. Seller will, and will require Originator to, perform each of their respective obligations and undertakings under and pursuant to the Receivables Sale Agreement, will purchase Receivables thereunder in strict compliance with the terms thereof and will vigorously enforce the rights and remedies accorded to Seller under the Receivables Sale Agreement. Seller will take all actions to perfect and enforce its rights and interests (and the rights and interests of the Agent and the Purchasers as assignees of Seller) under the Receivables Sale Agreement as the Agent may from time to time reasonably request, including, without limitation, making claims to which it may be entitled under any indemnity, reimbursement or similar provision contained in the Receivables Sale Agreement.
- (h) Ownership. Seller will take all necessary action to (i) vest legal and equitable title to the Receivables, the Related Security and the Collections purchased under the Receivables Sale Agreement irrevocably in Seller, free and clear of any Adverse Claims other than Adverse Claims in favor of the Agent and the Purchasers (including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Seller's interest in such Receivables, Related Security and Collections and such other action to perfect, protect or more fully evidence the interest of Seller therein as the Agent may reasonably request), and (ii) establish and maintain, in favor of the Agent, for the benefit of the Purchasers, a valid and perfected first priority undivided percentage ownership interest (and/or a valid and perfected first priority security interest) in all Receivables, Related Security and Collections to the full extent contemplated herein, free and clear of any Adverse Claims other than Adverse Claims in favor of the Agent for the benefit of the Purchasers (including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Agent's (for the benefit of the Purchasers) interest in such Receivables, Related Security and Collections and such other action to perfect, protect or more fully evidence the interest of the Agent for the benefit of the Purchasers as the Agent may reasonably request).
- (i) Purchasers' Reliance. Seller acknowledges that the Purchasers are entering into the transactions contemplated by this Agreement in reliance upon Seller's identity as a legal entity that is separate from each Related Entity. Therefore, from and after the date of execution and delivery of this Agreement, Seller shall take all reasonable steps, including, without limitation, all steps that the Agent or any Purchaser may from time to time reasonably request, to maintain Seller's identity as a separate legal entity and to make it manifest to third parties that Seller is an entity with assets and liabilities distinct from those of each Related Entity and not just a division of any Related Entity. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, Seller will:
- (A) conduct its own business in its own name and require that all full-time employees of Seller, if any, identify themselves as such and not as employees of any Related Entity (including, without limitation, by means of providing appropriate employees with business or identification cards identifying such employees as Seller's employees);
 - (B) compensate all employees, consultants and agents directly, from Seller's own funds, for services provided to Seller by such employees, consultants and agents and, to the extent any employee, consultant or agent of Seller is also an employee, consultant or agent of any Related Entity, allocate the compensation of such employee, consultant or agent between Seller and such Related Entity, on a basis that reflects the services rendered to Seller and such Related Entity;
 - (C) to the extent Seller maintains a separate office for the operation of its business, clearly identify its offices (by signage or otherwise) as its offices and, if such office is located in the offices of any Related Entity, Seller shall lease such office at a fair market rent;
 - (D) have a separate telephone number, which will be answered only in its name and separate stationery, invoices and checks in its own name;
 - (E) conduct all transactions with each Related Entity and the Servicer and their respective Affiliates (including, without limitation, any delegation of its obligations hereunder as Servicer) strictly on an arm's-length basis, allocate all overhead expenses (including, without limitation, telephone and other utility charges) for items shared between Seller and any Related Entity on the basis of actual use to the extent practicable and, to the extent such allocation is not practicable, on a basis reasonably related to actual use;
 - (F) at all times have a Board of Directors consisting of at least three members, at least one member of which is an Independent Director;
 - (G) observe all corporate formalities as a distinct entity, and ensure that all corporate actions relating to (A) the selection, maintenance or replacement of the Independent Director, (B) the dissolution or liquidation of Seller or (C)

the initiation of, participation in, acquiescence in or consent to any bankruptcy, insolvency, reorganization or similar proceeding involving Seller, are duly authorized by unanimous vote of its Board of Directors (including the Independent Director);

- (H) maintain Seller's books and records separate from those of each Related Entity and otherwise readily identifiable as its own assets rather than assets of any Related Entity;
- (I) prepare its financial statements separately from those of each Related Entity and insure that any consolidated financial statements of any Related Entity that include Seller, including any that are filed with the Securities and Exchange Commission or any other governmental agency, have notes clearly stating that Seller is a separate corporate entity and that its assets will be available first and foremost to satisfy the claims of the creditors of Seller;
- (J) except as herein specifically otherwise provided, maintain the funds or other assets of Seller separate from, and not commingled with, those of any Related Entity and only maintain bank accounts or other depository accounts to which Seller alone (or the Servicer in the performance of its duties hereunder) is the account party, and from which Seller alone (or the Servicer in the performance of its duties hereunder or the Agent hereunder) has the power to make withdrawals;
- (K) pay all of Seller's operating expenses from Seller's own assets (except for certain payments by any Related Entity or other Persons pursuant to allocation arrangements that comply with the requirements of this Section 7.1(i));
- (L) operate its business and activities such that: it does not engage in any business or activity of any kind, or enter into any transaction or indenture, mortgage, instrument, agreement, contract, lease or other undertaking, other than the transactions contemplated and authorized by this Agreement and the Receivables Sale Agreement; and does not create, incur, guarantee, assume or suffer to exist any indebtedness or other liabilities, whether direct or contingent, other than (1) as a result of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, (2) the incurrence of obligations under this Agreement, (3) the incurrence of obligations, as expressly contemplated in the Receivables Sale Agreement, to make payment to Originator thereunder for the purchase of Receivables from Originator under the Receivables Sale Agreement, and (4) the incurrence of operating expenses in the ordinary course of business of the type otherwise contemplated by this Agreement;
- (M) maintain its corporate charter in conformity with this Agreement, such that it does not amend, restate, supplement or otherwise modify its Articles of Incorporation or By-Laws in any respect that would impair its ability to comply with the terms or provisions of any of the Transaction Documents, including, without limitation, Section 7.1(i) of this Agreement;
- (N) maintain the effectiveness of, and continue to perform under the Receivables Sale Agreement, such that it does not amend, restate, supplement, cancel, terminate or otherwise modify the Receivables Sale Agreement, or give any consent, waiver, directive or approval thereunder or waive any default, action, omission or breach under the Receivables Sale Agreement or otherwise grant any indulgence thereunder, without (in each case) the prior written consent of the Agent;
- (O) maintain its corporate separateness such that it does not merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions, and except as otherwise contemplated herein) all or substantially all of its assets (whether now owned or hereafter acquired) to, or acquire all or substantially all of the assets of, any Person, nor at any time create, have, acquire, maintain or hold any interest in any Subsidiary.
- (P) maintain at all times the Required Capital Amount (as defined in the Receivables Sale Agreement) and refrain from making any dividend, distribution, redemption of capital stock or payment of any subordinated indebtedness which would cause the Required Capital Amount to cease to be so maintained; and
- (Q) take such other actions as are necessary on its part to ensure that the facts and assumptions set forth in the opinion issued by Perkins Coie LLP, as counsel for Seller, in connection with the closing or initial Incremental Purchase under this Agreement and relating to substantive consolidation issues, and in the certificates accompanying such opinion, remain true and correct in all material respects at all times.

(j) Collections. Such Seller Party will instruct all Obligor to remit all Collections directly to a Lock-Box, P.O. Box or Collection Account. Such Seller Party will cause (1) all items from all P.O. Boxes to be processed and deposited to a Collection Account within 1 Business Day after receipt in a P.O. Box and all proceeds from all Lock-Boxes to be directly deposited by a Collection Bank into a Collection Account, (2) all non-Collection amounts deposited to any Collection Account to be electronically swept or otherwise transferred out of such Collection Account within 1 Business Day of being deposited therein, and (3) from

and after January 31, 2003, each Lock-Box, P.O. Box and Collection Account to be subject at all times to a Collection Account Agreement that is in full force and effect. In the event any payments relating to Receivables are remitted directly to any Seller Party or any Affiliate of any Seller Party, such Seller Party will remit (or will cause all such payments to be remitted) directly to a Collection Bank and deposited into a Collection Account within two (2) Business Days following receipt thereof, and, at all times prior to such remittance, such Seller Party will itself hold or, if applicable, will cause such payments to be held in trust for the exclusive benefit of the Agent and the Purchasers. Seller will maintain exclusive ownership, dominion and control and "control" (within the meaning of Section 9-104 of the UCC of all applicable jurisdictions), subject to the terms of this Agreement, of each Lock-Box, P.O. Box and Collection Account and shall not grant the right to take dominion and control or "control" (within the meaning of Section 9-104 of the UCC of all applicable jurisdictions) of any Lock-Box, P.O. Box or Collection Account at a future time or upon the occurrence of a future event to any Person, except to the Agent as contemplated by this Agreement. With respect to each Collection Account, each Seller Party shall take all steps necessary to ensure that the Agent has "control" (within the meaning of Section 9-104 of the UCC of all applicable jurisdictions) over each such Collection Account.

(k) Taxes. Such Seller Party will file all tax returns and reports required by law to be filed by it and will promptly pay and discharge, before the same shall become delinquent, all taxes, assessments and governmental charges or levies imposed upon it or upon its property, except any such taxes, assessments, charges or levies (i) that are being diligently contested in good faith by appropriate proceedings or (ii) subject to the last sentence of this subsection (k), the non-payment of which could not reasonably be expected to have a Material Adverse Effect. Seller will pay when due any taxes payable in connection with the Receivables, exclusive of taxes on or measured by income or gross receipts of Conduit, the Agent or any Financial Institution.

(l) Insurance. Such Seller Party will maintain with responsible insurance companies or through PSE's program of self-insurance, insurance against at least such risks and in at least such amounts as is customarily maintained by similar businesses, or as may be required by any applicable law, rule or regulation, any governmental approval, or any order, writ, injunction or decree of any court or governmental authority or agency.

(m) Payment to Originator. With respect to any Receivable purchased by Seller from Originator, such sale shall be effected under, and in strict compliance with the terms of, the Receivables Sale Agreement, including, without limitation, the terms relating to the amount and timing of payments to be made to Originator in respect of the purchase price for such Receivable.

(n) Identification of Receivables. Such Seller Party shall at all times identify receivables purchased (or purported to be purchased) by Seller under the Receivables Sale Agreement and in which an interest is transferred (or purported to be transferred) hereunder on its books and records (including its accounting system) with the account code "FERC 142 Account Receivable."

(o) Conservation Trust Event. Upon the occurrence of any Conservation Trust Event, such Seller Party shall within 30 days thereafter, redeem or repurchase all Certificates (as defined in the Pooling and Servicing Agreement) then outstanding, pay in full all obligations of Seller then outstanding under the Conservation Trust and cause the Pooling and Servicing Agreement, the Certificates, and all related documents to be cancelled and terminated.

Section 7.2 Negative Covenants of The Seller Parties. Until the date on which the Aggregate Unpaid have been indefeasibly paid in full and this Agreement terminates in accordance with its terms, each Seller Party hereby covenants, as to itself, that:

(a) Name and Jurisdiction Change, Offices and Records. Such Seller Party will not change its name, jurisdiction of organization, identity or corporate structure (within the meaning of Sections 9-503 and/or 9-507 of the UCC of all applicable jurisdictions), become a "new debtor" (as defined in Section 9-102(a)(56) of the UCC of all applicable jurisdictions) with respect to a currently effective security agreement previously entered into by any other Person, change its "location" (within the meaning of Section 9-307 of the UCC of all applicable jurisdictions) or relocate its chief executive office, principal place of business or any office where Records are kept unless it shall have: (i) given the Agent at least forty-five (45) days' prior written notice thereof and (ii) delivered to the Agent all financing statements, instruments and other documents requested by the Agent in connection with such change, event or relocation.

(b) Change in Payment Instructions to Obligors. Except as may be required by the Agent pursuant to Section 8.2(b), such Seller Party will not add or terminate any bank as a Collection Bank, or make any change in the instructions to Obligors regarding payments to be made to any Lock-Box, P.O. Box or Collection Account, unless the Agent shall have received, at least ten (10) days before the proposed effective date therefor, (i) written notice of such addition, termination or change and (ii) with respect to the addition of a Collection Bank or a Collection Account, P.O. Box or Lock-Box, an executed Collection Account Agreement with respect to the new Collection Account, P.O. Box or Lock-Box; provided, however, that the Servicer may make changes in instructions to Obligors regarding payments if such new instructions require such Obligor to make payments to another existing Collection Account.

(c) Modifications to Contracts and Credit and Collection Policy. Such Seller Party will not make any change to the Credit and Collection Policy that could adversely affect the collectibility of the Receivables or decrease the credit quality of any newly created Receivables. Except as provided in Section 8.2(d), the Servicer will not extend, amend or otherwise modify the terms of any Receivable or any Contract related thereto other than in accordance with the Credit and Collection Policy.

(d) Sales, Liens. Seller will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, or create or suffer to exist any Adverse Claim upon (including, without limitation, the filing of any financing statement) or with respect to, any Receivable, Related Security or Collections, or upon or with respect to any Contract under which any Receivable arises, or any Lock-Box, P.O. Box or Collection Account, or assign any right to receive income with respect thereto (other than, in each case, the creation of the interests therein in favor of the Agent and the Purchasers provided for herein), and Seller will defend the right, title and interest of the Agent and the Purchasers in, to and under any of the foregoing property, against all claims of third parties claiming through or under Seller or

Originator. Seller will not create or suffer to exist any mortgage, pledge, security interest, encumbrance, lien, charge or other similar arrangement on any of its inventory.

(e) Net Receivables Balance. At no time prior to the Amortization Date shall Seller permit the Net Receivables Balance to be less than an amount equal to the sum of (i) the Aggregate Capital plus (ii) the Aggregate Reserves, plus (iii) the Seller's Interest.

(f) Termination Date Determination. Seller will not designate the Termination Date (as defined in the Receivables Sale Agreement), or send any written notice to Originator in respect thereof, without the prior written consent of the Agent, except with respect to the occurrence of such Termination Date arising pursuant to Section 5.1(d) of the Receivables Sale Agreement.

(g) Restricted Junior Payments. From and after the occurrence of any Amortization Event, Seller will not make any Restricted Junior Payment if, after giving effect thereto, Seller would fail to meet its obligations set forth in Section 7.2(e).

(h) Collections. Except for proceeds of Excluded Receivables (which shall be electronically swept or otherwise transferred out of such Collection Account within 1 Business Day of being deposited therein in accordance with Section 7.1(j)), no Seller Party will deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Collection Account cash or cash proceeds other than Collections. Except as may be required by the Agent pursuant to the last sentence of Section 8.2(b), from and after January 31, 2003, no Seller Party will deposit or otherwise credit, or cause or permit to be so deposited or credited, any Collections or proceeds thereof to any lock-box account or to any other account not covered by a Collection Account Agreement.

ARTICLE VIII

ADMINISTRATION AND COLLECTION

Section 8.1 Designation of Servicer.

(a) The servicing, administration and collection of the Receivables shall be conducted by such Person (the "Servicer") so designated from time to time in accordance with this Section 8.1. PSE is hereby designated as, and hereby agrees to perform the duties and obligations of, the Servicer pursuant to the terms of this Agreement. The Agent may at any time following the occurrence of an Amortization Event, designate as Servicer any Person to succeed PSE or any successor Servicer.

(b) Without the prior written consent of the Agent and the Required Financial Institutions, PSE shall not be permitted to delegate any of its duties or responsibilities as Servicer to any Person other than (i) Seller and (ii) with respect to certain Charged-Off Receivables, outside collection agencies in accordance with its customary practices. Seller shall not be permitted to further delegate to any other Person any of the duties or responsibilities of the Servicer delegated to it by PSE. If at any time following the occurrence of an Amortization Event the Agent shall designate as Servicer any Person other than PSE, all duties and responsibilities theretofore delegated by PSE to Seller may, at the discretion of the Agent, be terminated forthwith on notice given by the Agent to PSE and to Seller.

(c) Notwithstanding any delegation by PSE pursuant to the foregoing subsection (b), (i) PSE shall be and remain primarily liable to the Agent and the Purchasers for the full and prompt performance of all duties and responsibilities of the Servicer hereunder and (ii) the Agent and the Purchasers shall be entitled to deal exclusively with PSE in matters relating to the discharge by the Servicer of its duties and responsibilities hereunder. The Agent and the Purchasers shall not be required to give notice, demand or other communication to any Person other than PSE in order for communication to the Servicer and its sub-servicer or other delegate with respect thereto to be accomplished. PSE, at all times that it is the Servicer, shall be responsible for providing any sub-servicer or other delegate of the Servicer with any notice given to the Servicer under this Agreement.

Section 8.2 Duties of Servicer.

(a) The Servicer shall take or cause to be taken all such actions as may be necessary or advisable to collect each Receivable from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policy.

(b) The Servicer will instruct all Obligors to pay all Collections either (i) directly to a Collection Account by means of an automatic electronic funds transfer, wire transfer or otherwise or (ii) directly to a Lock-Box or P.O. Box. From and after January 31, 2003, the Servicer shall effect a Collection Account Agreement substantially in the form of Exhibit VI with each bank party to a Collection Account at any time. In the case of any remittances received in any Lock-Box, P.O. Box or Collection Account that shall have been identified, to the satisfaction of the Servicer, to not constitute Collections or other proceeds of the Receivables or the Related Security, the Servicer shall promptly remit such items to the Person identified to it as being the owner of such remittances. From and after the date the Agent delivers a Collection Notice to any Collection Bank or a Postal Notice to any post office pursuant to Section 8.3, the Agent may request that the Servicer, and the Servicer thereupon promptly shall instruct all Obligors with respect to the Receivables, to remit all payments thereon to a new lock-box, post office box or depository account specified by the Agent and, at all times thereafter, Seller and the Servicer shall not deposit or otherwise credit, and shall not permit any other Person to deposit or otherwise credit to such new lock-box, post office box or depository account any cash or payment item other than Collections.

(c) The Servicer shall administer the Collections in accordance with the procedures described herein and in Article II. The Servicer shall set aside and hold in trust for the account of Seller and the Purchasers their respective shares of the Collections in accordance with Article II. The Servicer shall, upon the request of the Agent, segregate, in a manner acceptable to the Agent, all cash, checks and other instruments received by it from time to time constituting Collections from the general funds of the Servicer or Seller prior to the remittance thereof in accordance with Article II. If the Servicer shall be required to segregate Collections pursuant to the preceding sentence, the Servicer shall segregate and deposit with a bank designated by the Agent such allocable share of Collections of Receivables set aside for the Purchasers on the first Business Day following receipt by the Servicer of such Collections, duly endorsed or with duly

executed instruments of transfer.

(d) The Servicer may, in accordance with the Credit and Collection Policy, extend the maturity of any Receivable or adjust the Outstanding Balance of any Receivable as the Servicer determines to be appropriate to maximize Collections thereof; provided, however, that such extension or adjustment shall not alter the status of such Receivable as a Delinquent Receivable, Defaulted Receivable or Charged-Off Receivable or limit the rights of the Agent or the Purchasers under this Agreement. Notwithstanding anything to the contrary contained herein, the Agent shall have the absolute and unlimited right to direct the Servicer to commence or settle any legal action with respect to any Receivable or to foreclose upon or repossess any Related Security.

(e) The Servicer shall hold in trust for Seller and the Purchasers all Records that (i) evidence or relate to the Receivables, the related Contracts and Related Security or (ii) are otherwise necessary or desirable to collect the Receivables and shall, as soon as practicable upon demand of the Agent, deliver or make available to the Agent all such Records, at a place selected by the Agent. The Servicer shall, as soon as practicable following receipt thereof turn over to Seller any cash collections or other cash proceeds received with respect to Indebtedness not constituting Receivables. The Servicer shall, from time to time at the request of any Purchaser, furnish to the Purchasers (promptly after any such request) a calculation of the amounts set aside for the Purchasers pursuant to Article II.

(f) Any payment by an Obligor in respect of any indebtedness owed by it to Originator or Seller shall, except as otherwise specified by such Obligor or otherwise required by contract or law and unless otherwise instructed by the Agent, be applied as a Collection of any Receivable of such Obligor (starting with the oldest such Receivable) to the extent of any amounts then due and payable thereunder before being applied to any other receivable or other obligation of such Obligor.

Section 8.3 Collection Notices. The Agent is authorized at any time when an Amortization Event exists or any Daily Reporting Period is in effect, to date and to deliver to the Collection Banks the Collection Notices and to date and deliver the Postal Notices to the applicable post offices. Seller hereby transfers to the Agent for the benefit of the Purchasers, effective when the Agent delivers such notices, the exclusive ownership and control and "control" (within the meaning of Section 9-104 of the UCC of all applicable jurisdictions) of each Lock-Box, P.O. Box, each Collection Accounts and the amounts on deposit in any Collection Account. In case any authorized signatory of Seller whose signature appears on a Collection Account Agreement shall cease to have such authority before the delivery of such notice, such Collection Notice or Postal Notice shall nevertheless be valid as if such authority had remained in force. Effective when the Agent delivers such notices, Seller hereby authorizes the Agent, and agrees that the Agent shall be entitled to (i) endorse Seller's name on checks and other instruments representing Collections, (ii) enforce the Receivables, the related Contracts and the Related Security and (iii) take such action as shall be necessary or desirable to cause all cash, checks and other instruments constituting Collections of Receivables to come into the possession of the Agent rather than Seller.

Section 8.4 Responsibilities of Seller. Anything herein to the contrary notwithstanding, the exercise by the Agent and the Purchasers of their rights hereunder shall not release the Servicer, Originator or Seller from any of their duties or obligations with respect to any Receivables or under the related Contracts. The Purchasers shall have no obligation or liability with respect to any Receivables or related Contracts, nor shall any of them be obligated to perform the obligations of Seller or Originator.

Section 8.5 Reports. The Servicer shall prepare and forward to the Agent (i) (A) during a Monthly Reporting Period, on the 15th calendar day of each month (or if such day is not a Business Day, on the next succeeding Business Day), a Monthly Report, (B) during a Weekly Reporting Period, on the 15th calendar day of each month (or if such day is not a Business Day, on the next succeeding Business Day), a Monthly Report and on Tuesday of each calendar week (or if such day is not a Business Day, on the next succeeding Business Day), a Weekly Report covering the period from and including Monday of the preceding week to but excluding Monday of such week and (C) during a Daily Reporting Period, on the 15th calendar day of each month (or if such day is not a Business Day, on the next succeeding Business Day), a Monthly Report and on each Business Day (or such other schedule as may be consented to by the Agent), a Daily Report and (ii) at such times as the Agent shall reasonably request, a listing by Obligor of all Receivables together with an aging of Receivables.

Section 8.6 Servicing Fees. In consideration of PSE's agreement to act as Servicer hereunder, the Purchasers hereby agree that, so long as PSE shall continue to perform as Servicer hereunder, Seller shall pay over to PSE a fee (the "Servicing Fee") on the first calendar day of each month (or, if such day is not a Business Day, then the next Business Day thereafter), in arrears for the immediately preceding month, equal to 0.50% per annum of the average aggregate Outstanding Balance of all Receivables during such period, as compensation for its servicing activities.

ARTICLE IX

AMORTIZATION EVENTS

Section 9.1 Amortization Events. The occurrence of any one or more of the following events shall constitute an "Amortization Event":

- (a) Any Seller Party shall fail:
- (i) to make any payment or deposit required hereunder when due and, for any such payment or deposit which is not in respect of Capital, such failure continues for two (2) Business Days, or to perform or observe any term, covenant or agreement set forth in Section 7.1(a), (b), (c)(ii)(A), (j), (n) or (o) or Section 7.2, and, with respect to Servicer only, Section 8.2(b) and Section 8.5,
 - (ii) to perform or observe any term, covenant or agreement set forth in Section 7.1(d), (g), (h) or (i) and such failure shall continue for five (5) consecutive Business Days after the earlier of (A) any Seller Party obtains knowledge thereof or (B) the Agent delivers written notice thereof,

- (iii) to perform or observe any other term, covenant or agreement hereunder (other than as referred to in clauses (i) and (ii) of this subsection (a) and Section 9.1(e)) or any other Transaction Document and such failure shall continue for thirty (30) consecutive days after the earlier of (A) any Seller Party obtains knowledge thereof or (B) the Agent delivers written notice thereof,
- (b) Any representation, warranty, certification or statement made by any Seller Party in this Agreement, any other Transaction Document or in any other document delivered pursuant hereto or thereto shall prove to have been materially false on the date as of which made or deemed made.
- (c) Failure of Seller to pay any Indebtedness when due or the failure of any other Seller Party (or PSE at any time when PSE is not acting as Servicer) to pay Indebtedness when due in excess of \$25,000,000 in the aggregate; or the default by any Seller Party (or PSE at any time when PSE is not acting as Servicer) in the performance of any term, provision or condition contained in any agreement under which any such Indebtedness was created or is governed, the effect of which is to cause, or to permit the holder or holders of such Indebtedness to cause, such Indebtedness to become due prior to its stated maturity; or any such Indebtedness of any Seller Party (or PSE at any time when PSE is not acting as Servicer) shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the date of maturity thereof.
- (d) (i) Any Seller Party (or PSE at any time when PSE is not acting as Servicer) or any of its Significant Subsidiaries shall generally not pay its debts as such debts become due or shall admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors; or (ii) any proceeding shall be instituted by or against any Seller Party (or PSE at any time when PSE is not acting as Servicer) or any of its Significant Subsidiaries seeking to adjudicate it bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or any substantial part of its property or (iii) any Seller Party (or PSE at any time when PSE is not acting as Servicer) or any of its Significant Subsidiaries shall take any corporate action to authorize any of the actions set forth in clauses (i) or (ii) above in this subsection (d).
- (e) Seller shall fail to comply with the terms of Section 2.6 hereof.
- (f) As of the last day of any fiscal quarter of PSE, the aggregate outstanding principal amount of all Consolidated Indebtedness exceeds 65% of Total Capitalization as of the last day of such fiscal quarter.
- (g) As of the last day of any fiscal quarter of PSE for the period of four consecutive fiscal quarters of PSE ending on such day, the ratio of (i) EBIT for such period to (ii) consolidated interest expense of PSE and its Subsidiaries for such period shall be less than (a) 1.75 to 1.0 for the fiscal quarter ending December 31, 2002 and (b) 2.0 to 1.0 thereafter.
- (h) As at the end of any calendar month, (a) the three month average Dilution Ratio shall exceed 1.50%, (b) the three month average Default Ratio shall exceed 7.00%, (c) the three month average Past Due Ratio shall exceed 4.50%, or (d) the three month average Days Sales Outstanding Ratio shall exceed 60 days.
- (i) the Report Completion Date shall fail to occur on or before April 30, 2003.
- (j) A Change of Control shall occur.
- (k) (i) One or more final judgments for the payment of money shall be entered against Seller or (ii) one or more final judgments for the payment of money in an amount in excess of \$25,000,000, individually or in the aggregate, shall be entered against the Servicer on claims not covered by insurance or as to which the insurance carrier has denied its responsibility, and such judgment shall continue unsatisfied and in effect for 60 days without a stay of execution.
- (l) The "Termination Date" under and as defined in the Receivables Sale Agreement shall occur under the Receivables Sale Agreement or Originator shall for any reason cease to transfer, or cease to have the legal capacity to transfer, or otherwise be incapable of transferring Receivables to Seller under the Receivables Sale Agreement, or Seller shall for any reason cease to purchase, or cease to have the legal capacity to purchase, or otherwise be incapable of accepting Receivables from Originator under the Receivables Sale Agreement.
- (m) This Agreement shall terminate in whole or in part (except in accordance with its terms), or shall cease to be effective or to be the legally valid, binding and enforceable obligation of any Seller Party, or any Obligor shall directly or indirectly contest in any manner such effectiveness, validity, binding nature or enforceability, or the Agent for the benefit of the Purchasers shall cease to have a valid and perfected first priority security interest in the Receivables, the Related Security and the Collections with respect thereto and the Collection Accounts.
- (n) (i) Unless the Conservation Trust Obligations shall have been paid in full and the Pooling and Servicing Agreement and the related documents shall have been terminated, once executed and delivered to the Agent, the Intercreditor Agreement shall terminate in whole or in part or shall cease to be in full force and effect, or cease to be the legal, valid and binding obligation of the Conservation Trustee, or the Conservation Trustee or any entity for whom the Conservation Trustee acts shall directly or indirectly contest in any manner the effectiveness, validity, binding nature or enforceability thereof or (ii) the Conservation Trustee or any entity for whom the Conservation Trustee acts shall directly or indirectly contest in any manner the effectiveness, validity, binding nature or enforceability of this Agreement or any other Transaction Document.

Section 9.2 Remedies. Upon the occurrence and during the continuation of an Amortization Event, the Agent may, or upon the direction of the Required Financial Institutions shall, take any of the following actions: (i) replace the Person then acting as Servicer, (ii) declare the Amortization Date to have occurred, whereupon the Amortization Date shall forthwith occur, without demand, protest or further notice

of any kind, all of which are hereby expressly waived by each Seller Party; provided, however, that upon the occurrence of an Amortization Event described in Section 9.1(d), or of an actual or deemed entry of an order for relief with respect to any Seller Party under the Federal Bankruptcy Code or under any other applicable bankruptcy, insolvency, arrangement, moratorium or similar laws of any other jurisdiction (foreign or domestic), the Amortization Date shall automatically occur, without demand, protest or any notice of any kind, all of which are hereby expressly waived by each Seller Party, (iii) to the fullest extent permitted by applicable law, declare that the Default Fee shall accrue with respect to any of the Aggregate Unpaid outstanding at such time, (iv) deliver the Collection Notices to the Collection Banks and the Postal Notices to any post office where a P.O. Box is located, and (v) notify Obligors of the Purchasers' interest in the Receivables. The aforementioned rights and remedies shall be without limitation, and shall be in addition to all other rights and remedies of the Agent and the Purchasers otherwise available under any other provision of this Agreement or any other Transaction Document, by operation of law, at equity or otherwise, all of which are hereby expressly preserved, including, without limitation, all rights and remedies provided under the UCC in effect in any jurisdiction, all of which rights shall be cumulative.

ARTICLE X

INDEMNIFICATION

Section 10.1 Indemnities by The Seller Parties. Without limiting any other rights that the Agent or any Purchaser may have hereunder or under applicable law, (A) Seller hereby agrees to indemnify (and pay upon demand to) the Agent and each Purchaser and their respective Affiliates, successors, assigns, officers, directors, agents and employees (each an "Indemnified Party") from and against any and all damages, losses, claims, taxes, liabilities, costs, expenses and for all other amounts payable, including reasonable attorneys' fees (which attorneys may be employees of the Agent or such Purchaser) and disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded against or incurred by any of them arising out of or as a result of this Agreement, any other Transaction Document or the transactions contemplated by any Transaction Document, or any Receivable, Contract or Related Security, or the use of the proceeds of any purchase or advance hereunder, or the acquisition, funding or ownership, either directly or indirectly, by a Purchaser of a Purchaser Interest or an interest in the Receivables, the Contract or any Related Security and (B) the Servicer hereby agrees to indemnify (and pay upon demand to) each Indemnified Party for Indemnified Amounts awarded against or incurred by any of them arising out of the Servicer's activities as Servicer hereunder or under any other Transaction Document excluding, however, in all of the foregoing instances under the preceding clauses (A) and (B):

- (i) Indemnified Amounts to the extent a final judgment of a court of competent jurisdiction holds that such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of the Indemnified Party seeking indemnification;
- (ii) Indemnified Amounts to the extent the same includes losses in respect of Receivables that are uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor; or
- (iii) taxes imposed by the United States federal government or the jurisdiction in which such Indemnified Party's principal executive office is located, on or measured by the overall net or gross income of such Indemnified Party to the extent that the computation of such taxes is consistent with the characterization for income tax purposes of the acquisition by the Purchasers of Purchaser Interests as a loan or loans by the Purchasers to Seller secured by the Receivables, the Related Security, the Collection Accounts and the Collections;

provided, however, that nothing contained in this sentence shall limit the liability of any Seller Party or limit the recourse of the Purchasers to any Seller Party for amounts otherwise specifically provided to be paid by such Seller Party under the terms of this Agreement or any other Transaction Document. Without limiting the generality of the foregoing indemnification, Seller shall indemnify each Indemnified Party for Indemnified Amounts (including, without limitation, losses in respect of uncollectible receivables, regardless of whether reimbursement therefor would constitute recourse to Seller or the Servicer) relating to or resulting from:

- (i) any representation or warranty made by any Seller Party or Originator (or any officers of any such Person) under or in connection with this Agreement, any other Transaction Document or any other information or report delivered by any such Person pursuant hereto or thereto, which shall have been false or incorrect when made or deemed made;
- (ii) the failure by Seller, the Servicer or Originator to comply with any applicable law, rule or regulation with respect to any Receivable or Contract related thereto, or the nonconformity of any Receivable or Contract included therein with any such applicable law, rule or regulation or any failure of Originator to keep or perform any of its obligations, express or implied, with respect to any Contract;
- (iii) any failure of Seller, the Servicer or Originator to perform its duties, covenants or other obligations in accordance with the provisions of this Agreement or any other Transaction Document;
- (iv) any products liability, personal injury or damage suit, or other similar claim arising out of or in connection with merchandise, insurance or services that are the subject of any Contract or any Receivable;
- (v) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or service related to such Receivable or the furnishing or failure to furnish such merchandise or services;
- (vi) the commingling of Collections of Receivables at any time with other funds;

- (vii) any investigation, litigation or proceeding related to or arising from this Agreement or any other Transaction Document, the transactions contemplated hereby or thereby, the use of the proceeds of an Incremental Purchase or a Reinvestment, the ownership of the Purchaser Interests or any other investigation, litigation or proceeding relating to Seller, the Servicer or Originator in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby or by any other Transaction Document;
- (viii) any inability to litigate any claim against any Obligor in respect of any Receivable as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;
- (ix) any Amortization Event described in Section 9.1(d);
- (x) any failure of Seller to acquire and maintain legal and equitable title to, and ownership of any Receivable and the Related Security and Collections with respect thereto from Originator, free and clear of any Adverse Claim (other than as created hereunder); or any failure of Seller to give reasonably equivalent value to Originator under the Receivables Sale Agreement in consideration of the transfer by Originator of any Receivable, or any attempt by any Person to void such transfer under statutory provisions or common law or equitable action;
- (xi) any failure to vest and maintain vested in the Agent for the benefit of the Purchasers, or to transfer to the Agent for the benefit of the Purchasers, legal and equitable title to, and ownership of, a first priority perfected undivided percentage ownership interest (to the extent of the Purchaser Interests contemplated hereunder) or security interest in the Receivables, the Related Security and the Collections, free and clear of any Adverse Claim (except as created by the Transaction Documents);
- (xii) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivable, the Related Security and Collections with respect thereto, and the proceeds of any thereof, whether at the time of any Incremental Purchase or Reinvestment or at any subsequent time;
- (xiii) any action or omission by any Seller Party which reduces or impairs the rights of the Agent or the Purchasers with respect to any Receivable or the value of any such Receivable;
- (xiv) any attempt by any Person to void any Incremental Purchase or Reinvestment hereunder under statutory provisions or common law or equitable action and;
- (xv) the failure of any Receivable included in the calculation of the Net Receivables Balance as an Eligible Receivable to be an Eligible Receivable at the time so included.

Section 10.2 Increased Cost and Reduced Return. If after the date hereof, any Funding Source shall be charged any fee, expense or increased cost on account of the adoption of any applicable law, rule or regulation (including any applicable law, rule or regulation regarding capital adequacy) or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency or any change in any accounting guideline by an accounting board or authority (whether or not part of a government or instrumentality thereof) which is responsible for the establishment of or interpretation of national or international accounting principles (in each case whether foreign or domestic): (i) that subjects any Funding Source to any charge or withholding on or with respect to any Funding Agreement or a Funding Source's obligations under a Funding Agreement, or on or with respect to the Receivables, or changes the basis of taxation of payments to any Funding Source of any amounts payable under any Funding Agreement (except for changes in the rate of tax on the overall net income of a Funding Source or taxes excluded by Section 10.1) or (ii) that imposes, modifies or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of a Funding Source, or credit extended by a Funding Source pursuant to a Funding Agreement or (iii) that imposes any other condition the result of which is to increase the cost to a Funding Source of performing its obligations under a Funding Agreement, or to reduce the rate of return on a Funding Source's capital as a consequence of its obligations under a Funding Agreement, or to reduce the amount of any sum received or receivable by a Funding Source under a Funding Agreement or to require any payment calculated by reference to the amount of interests or loans held or interest received by it, then, upon demand by the Agent, Seller shall pay to the Agent, for the benefit of the relevant Funding Source, such amounts charged to such Funding Source or such amounts to otherwise compensate such Funding Source for such increased cost or such reduction. Without limiting the foregoing, any interpretation of Accounting Research Bulletin No. 51 by the Financial Accounting Standards Board shall constitute an adoption, change, request or directive pursuant to this Section 10.2.

Section 10.3 Other Costs and Expenses. Seller shall reimburse the Agent and Conduit on demand for all costs and out-of-pocket expenses in connection with the preparation, negotiation, arrangement, execution, delivery, and administration of this Agreement, the transactions contemplated hereby and the other documents to be delivered hereunder, including, without limitation, the cost of Conduit's auditors auditing the books, records and procedures of Seller (subject to the cost restrictions set forth in Section 7.1(d)), reasonable fees and out-of-pocket expenses of legal counsel for Conduit and the Agent (which such counsel may be employees of Conduit or the Agent) with respect thereto and with respect to advising Conduit and the Agent as to their respective rights and remedies under this Agreement. Seller shall reimburse the Agent on demand for any and all costs and expenses of the Agent and the Purchasers, if any, including reasonable counsel fees and expenses in connection with the enforcement of this Agreement and the other documents delivered hereunder and in connection with any restructuring or workout of this Agreement or such documents, or the administration of this Agreement following an Amortization Event.

Section 11.1 Authorization and Action. Each Purchaser hereby designates and appoints Bank One to act as its agent hereunder and under each other Transaction Document, and authorizes the Agent to take such actions as agent on its behalf and to exercise such powers as are delegated to the Agent by the terms of this Agreement and the other Transaction Documents, together with such powers as are reasonably incidental thereto. The Agent shall not have any duties or responsibilities, except those expressly set forth herein or in any other Transaction Document, or any fiduciary relationship with any Purchaser, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of the Agent shall be read into this Agreement or any other Transaction Document or otherwise exist for the Agent. In performing its functions and duties hereunder and under the other Transaction Documents, the Agent shall act solely as agent for the Purchasers and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for any Seller Party or any of such Seller Party's successors or assigns. The Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement, any other Transaction Document or applicable law. The appointment and authority of the Agent hereunder shall terminate upon the indefeasible payment in full of all Aggregate Unpaid. Each Purchaser hereby authorizes the Agent to authorize, execute and file each of the Uniform Commercial Code financing or continuation statements (and amendments thereto and assignments or terminations thereof) and the Intercreditor Agreement on behalf of such Purchaser (the terms of which shall be binding on such Purchaser).

Section 11.2 Delegation of Duties. The Agent may execute any of its duties under this Agreement and each other Transaction Document by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

Section 11.3 Exculpatory Provisions. Neither the Agent nor any of its directors, officers, agents or employees shall be (i) liable for any action lawfully taken or omitted to be taken by it or them under or in connection with this Agreement or any other Transaction Document (except for its, their or such Person's own gross negligence or willful misconduct), or (ii) responsible in any manner to any of the Purchasers for any recitals, statements, representations or warranties made by any Seller Party contained in this Agreement, any other Transaction Document or any certificate, report, statement or other document referred to or provided for in, or received under or in connection with, this Agreement, or any other Transaction Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, or any other Transaction Document or any other document furnished in connection herewith or therewith, or for any failure of any Seller Party to perform its obligations hereunder or thereunder, or for the satisfaction of any condition specified in Article VI, or for the perfection, priority, condition, value or sufficiency of any collateral pledged in connection herewith. The Agent shall not be under any obligation to any Purchaser to ascertain or to inquire as to the observance or performance of any of the agreements or covenants contained in, or conditions of, this Agreement or any other Transaction Document, or to inspect the properties, books or records of the Seller Parties. The Agent shall not be deemed to have knowledge of any Amortization Event or Potential Amortization Event unless the Agent has received notice from Seller or a Purchaser.

Section 11.4 Reliance by Agent. The Agent shall in all cases be entitled to rely, and shall be fully protected in relying, upon any document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to any Seller Party), independent accountants and other experts selected by the Agent. The Agent shall in all cases be fully justified in failing or refusing to take any action under this Agreement or any other Transaction Document unless it shall first receive such advice or concurrence of Conduit or the Required Financial Institutions or all of the Purchasers, as applicable, as it deems appropriate and it shall first be indemnified to its satisfaction by the Purchasers, provided that unless and until the Agent shall have received such advice, the Agent may take or refrain from taking any action, as the Agent shall deem advisable and in the best interests of the Purchasers. The Agent shall in all cases be fully protected in acting, or in refraining from acting, in accordance with a request of Conduit or the Required Financial Institutions or all of the Purchasers, as applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Purchasers.

Section 11.5 Non-Reliance on Agent and Other Purchasers. Each Purchaser expressly acknowledges that neither the Agent, nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by the Agent hereafter taken, including, without limitation, any review of the affairs of any Seller Party, shall be deemed to constitute any representation or warranty by the Agent. Each Purchaser represents and warrants to the Agent that it has and will, independently and without reliance upon the Agent or any other Purchaser and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of each Seller Party and made its own decision to enter into this Agreement, the other Transaction Documents and all other documents related hereto or thereto.

Section 11.6 Reimbursement and Indemnification. The Financial Institutions agree to reimburse and indemnify the Agent and its officers, directors, employees, representatives and agents ratably according to their Pro Rata Shares, to the extent not paid or reimbursed by the Seller Parties (i) for any amounts for which the Agent, acting in its capacity as Agent, is entitled to reimbursement by the Seller Parties hereunder and (ii) for any other expenses incurred by the Agent, in its capacity as Agent and acting on behalf of the Purchasers, in connection with the administration and enforcement of this Agreement and the other Transaction Documents.

Section 11.7 Agent in its Individual Capacity. The Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with any Seller Party or any Affiliate of any Seller Party as though the Agent were not the Agent hereunder. With respect to the acquisition of Purchaser Interests pursuant to this Agreement, the Agent shall have the same rights and powers under this Agreement in its individual capacity as any Purchaser and may exercise the same as though it were not the Agent, and the terms "Financial Institution," "Purchaser," "Financial Institutions" and "Purchasers" shall include the Agent in its individual capacity.

Section 11.8 Successor Agent. The Agent may, upon five days' notice to Seller and the Purchasers, and

the Agent will, upon the direction of all of the Purchasers (other than the Agent, in its individual capacity) resign as Agent. If the Agent shall resign, then the Required Financial Institutions during such five-day period shall appoint from among the Purchasers a successor agent. If for any reason no successor Agent is appointed by the Required Financial Institutions during such five-day period, then effective upon the termination of such five day period, the Purchasers shall perform all of the duties of the Agent hereunder and under the other Transaction Documents and Seller and the Servicer (as applicable) shall make all payments in respect of the Aggregate Unpaid directly to the applicable Purchasers and for all purposes shall deal directly with the Purchasers. After the effectiveness of any retiring Agent's resignation hereunder as Agent, the retiring Agent shall be discharged from its duties and obligations hereunder and under the other Transaction Documents and the provisions of this Article XI and Article X shall continue in effect for its benefit with respect to any actions taken or omitted to be taken by it while it was Agent under this Agreement and under the other Transaction Documents.

ARTICLE XII

ASSIGNMENTS; PARTICIPATIONS

Section 12.1 Assignments.

(a) Seller, Servicer, the Agent and each Financial Institution hereby agree and consent to the complete or partial assignment by Conduit of all or any portion of its rights under, interest in, title to and obligations under this Agreement to the Financial Institutions pursuant to this Agreement or pursuant to the Liquidity Agreement or to any other Person, and upon such assignment, Conduit shall be released from its obligations so assigned. Further, Seller, Servicer, the Agent and each Financial Institution hereby agree that any assignee of Conduit of this Agreement or all or any of the Purchaser Interests of Conduit shall have all of the rights and benefits under this Agreement as if the term "Conduit" explicitly referred to such party (provided that the Purchaser Interest of any such assignee shall accrue Yield pursuant to Article IV as if such assignee were a Financial Institution hereunder), and no such assignment shall in any way impair the rights and benefits of Conduit hereunder. Neither Seller nor the Servicer shall have the right to assign its rights or obligations under this Agreement.

(b) Any Financial Institution may at any time and from time to time assign to one or more Persons ("Purchasing Financial Institutions") all or any part of its rights and obligations under this Agreement pursuant to an assignment agreement, substantially in the form set forth in Exhibit VII hereto (the "Assignment Agreement") executed by such Purchasing Financial Institution and such selling Financial Institution. The consent of Conduit, Seller and Servicer (such consent in the case of Seller and Servicer not to be unreasonably withheld) shall be required prior to the effectiveness of any such assignment, provided, that no such consent of Seller or Servicer shall be required (i) if an Amortization Event has occurred and is continuing or (ii) the assigning Financial Institution is an Affected Financial Institution. Each assignee of a Financial Institution must (i) have a short-term debt rating of A-1 or better by S&P and P-1 by Moody's and (ii) agree to deliver to the Agent, promptly following any request therefor by the Agent or Conduit, an enforceability opinion in form and substance satisfactory to the Agent and Conduit. Upon delivery of the executed Assignment Agreement to the Agent, such selling Financial Institution shall be released from its obligations hereunder to the extent of such assignment. Thereafter the Purchasing Financial Institution shall for all purposes be a Financial Institution party to this Agreement and shall have all the rights and obligations of a Financial Institution under this Agreement to the same extent as if it were an original party hereto and no further consent or action by Seller, the Purchasers or the Agent shall be required.

(c) Each of the Financial Institutions agrees that in the event that it shall cease to have a short-term debt rating of A-1 or better by S&P and P-1 by Moody's (an "Affected Financial Institution"), such Affected Financial Institution shall be obliged, at the request of Conduit or the Agent, to assign all of its rights and obligations hereunder to (x) another Financial Institution or (y) another funding entity nominated by the Agent and acceptable to Conduit, and willing to participate in this Agreement through the Liquidity Termination Date in the place of such Affected Financial Institution; provided that the Affected Financial Institution receives payment in full, pursuant to an Assignment Agreement, of an amount equal to such Financial Institution's Pro Rata Share of the Aggregate Capital and Yield owing to the Financial Institutions and all accrued but unpaid fees and other costs and expenses payable in respect of its Pro Rata Share of the Purchaser Interests of the Financial Institutions.

Section 12.2 Participations. Any Financial Institution may, in the ordinary course of its business at any time sell to one or more Persons (each a "Participant") participating interests in its Pro Rata Share of the Purchaser Interests of the Financial Institutions, its obligation to pay Conduit its Acquisition Amounts or any other interest of such Financial Institution hereunder. Notwithstanding any such sale by a Financial Institution of a participating interest to a Participant, such Financial Institution's rights and obligations under this Agreement shall remain unchanged, such Financial Institution shall remain solely responsible for the performance of its obligations hereunder, and Seller, Conduit and the Agent shall continue to deal solely and directly with such Financial Institution in connection with such Financial Institution's rights and obligations under this Agreement. Each Financial Institution agrees that any agreement between such Financial Institution and any such Participant in respect of such participating interest shall not restrict such Financial Institution's right to agree to any amendment, supplement, waiver or modification to this Agreement, except for any amendment, supplement, waiver or modification described in Section 14.1(b)(i).

Section 12.3 Terminating Financial Institutions.

(a) Each Financial Institution hereby agrees to deliver written notice to the Agent not more than 30 Business Days and not less than 5 Business Days prior to the Liquidity Termination Date indicating whether such Financial Institution intends to renew its Commitment hereunder. If any Financial Institution fails to deliver such notice on or prior to the date that is 5 Business Days prior to the Liquidity Termination Date, such Financial Institution will be deemed to have declined to renew its Commitment (each Financial Institution which has declined or has been deemed to have declined to renew its Commitment hereunder, a "Non-Renewing Financial Institution"). The Agent shall promptly notify Conduit of each Non-Renewing Financial Institution and Conduit, in its sole discretion, may (A) to the extent of Commitment Availability, declare that such Non-Renewing Financial Institution's Commitment shall, to such extent, automatically terminate on a date specified by Conduit on or before the Liquidity Termination Date or (B) upon one (1)

Business Days' notice to such Non-Renewing Financial Institution assign to such Non-Renewing Financial Institution on a date specified by Conduit its Pro Rata Share of the aggregate Purchaser Interests then held by Conduit, subject to, and in accordance with, the Liquidity Agreement. In addition, Conduit may, in its sole discretion, at any time (x) to the extent of Commitment Availability, declare that any Affected Financial Institution's Commitment shall automatically terminate on a date specified by Conduit or (y) assign to any Affected Financial Institution on a date specified by Conduit its Pro Rata Share of the aggregate Purchaser Interests then held by Conduit, subject to, and in accordance with, the Liquidity Agreement (each Affected Financial Institution or each Non-Renewing Financial Institution is hereinafter referred to as a "Terminating Financial Institution"). The parties hereto expressly acknowledge that any declaration of the termination of any Commitment, any assignment in accordance with the terms of this Section 12.3 and the order of priority of any such termination or assignment among Terminating Financial Institutions shall be made by Conduit in its sole and absolute discretion.

(b) Upon any assignment to a Terminating Financial Institution as provided in this Section 12.3, any remaining Commitment of such Terminating Financial Institution shall automatically terminate. Upon reduction to zero of the Capital of all of the Purchaser Interests of a Terminating Financial Institution (after application of Collections thereto pursuant to Sections 2.2 and 2.3) all rights and obligations of such Terminating Financial Institution hereunder shall be terminated and such Terminating Financial Institution shall no longer be a "Financial Institution" hereunder; provided, however, that the provisions of Article X shall continue in effect for its benefit with respect to Purchaser Interests held by such Terminating Financial Institution prior to its termination as a Financial Institution.

Section 12.4 Extension of Liquidity Termination Date. Seller may advise the Agent in writing of its desire to extend the Liquidity Termination Date for an additional 364 days, provided such request is made not more than 90 days prior to, and not less than 60 days prior to, the then current Liquidity Termination Date. Upon receipt of such notice, the Agent shall promptly notify each Financial Institution and each such Financial Institution shall notify the Agent and Seller of its decision to accept or decline the request for such extension no later than 30 days prior to the then current Liquidity Termination Date (it being understood that each Financial Institution may accept or decline such request in its sole discretion and on such terms as it may elect, and the failure to so notify the Agent and Seller shall be deemed an election not to extend by such Financial Institution). In the event that at least one Financial Institution agrees to extend the Liquidity Termination Date, the Seller Parties, the extending Financial Institutions and the Agent shall enter into such documents as such extending Financial Institutions may deem necessary or appropriate to reflect such extension, and all reasonable costs and expenses incurred by such Financial Institutions and the Agent (including reasonable attorneys' fees) shall be paid by Seller. In the event that any Financial Institution declines the request to extend the Liquidity Termination Date, it shall be a Non-Renewing Financial Institution for all purposes hereof, and if the Commitment of such Non-Renewing Financial Institution is not assigned to another Person in accordance with the terms of this Article XII prior to the then current Liquidity Termination Date, the Purchase Limit shall be reduced by an amount equal to each such Non-Renewing Financial Institution's Commitment on the then current Liquidity Termination Date.

ARTICLE XIII

[INTENTIONALLY OMITTED]

ARTICLE XIV

MISCELLANEOUS

Section 14.1 Waivers and Amendments.

(a) No failure or delay on the part of the Agent or any Purchaser in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.

(b) No provision of this Agreement may be amended, supplemented, modified or waived except in writing in accordance with the provisions of this Section 14.1(b). Conduit, Seller and the Agent, at the direction of the Required Financial Institutions, may enter into written modifications or waivers of any provisions of this Agreement, provided, however, that no such modification or waiver shall:

(i) without the consent of each affected Purchaser, (A) extend the Liquidity Termination Date or the date of any payment or deposit of Collections by Seller or the Servicer, (B) reduce the rate or extend the time of payment of Yield or any CP Costs (or any component of Yield or CP Costs), (C) reduce any fee payable to the Agent for the benefit of the Purchasers, (D) except pursuant to Article XII hereof, change the amount of the Capital of any Purchaser, any Financial Institution's Pro Rata Share (except pursuant to Sections 13.1 or 13.5) or any Financial Institution's Commitment, (E) amend, modify or waive any provision of the definition of Required Financial Institutions or this Section 14.1(b), (F) consent to or permit the assignment or transfer by Seller of any of its rights and obligations under this Agreement, (G) change the definition of "Aggregate Reserves," "Applicable Maximum Purchaser Interest," "Days Sales Outstanding Ratio," "Default Ratio," "Eligible Receivable," "Net Receivables Balance" and "Past Due Ratio" or (H) amend or modify any defined term (or any defined term used directly or indirectly in such defined term) used in clauses (A) through (G) above in a manner that would circumvent the intention of the restrictions set forth in such clauses; or

(ii) without the written consent of the then Agent, amend, modify or waive any provision of this Agreement if the effect thereof is to affect the rights or duties of such Agent.

Notwithstanding the foregoing, (i) without the consent of the Financial Institutions, but with the consent of Seller, the Agent may amend this Agreement solely to add additional Persons as Financial Institutions hereunder and (ii) the Agent, the Required Financial Institutions and Conduit may enter into amendments to modify any of the terms or provisions of Article XI, Article XII, Section 14.13 or any other provision of this Agreement without the consent of any Seller Party, provided that such amendment has no negative impact

upon such Seller Party. Any modification or waiver made in accordance with this Section 14.1 shall apply to each of the Purchasers equally and shall be binding upon each Seller Party, the Purchasers and the Agent.

Section 14.2 Notices. Except as provided in this Section 14.2, all communications and notices provided for hereunder shall be in writing (including bank wire, teletype or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses or teletype numbers set forth on the signature pages hereof or at such other address or teletype number as such Person may hereafter specify for the purpose of notice to each of the other parties hereto. Each such notice or other communication shall be effective (i) if given by teletype, upon the receipt thereof, (ii) if given by mail, three (3) Business Days after the time such communication is deposited in the mail with first class postage prepaid or (iii) if given by any other means, when received at the address specified in this Section 14.2. Seller hereby authorizes the Agent to effect purchases and Tranche Period and Bank Rate selections based on telephonic notices made by any Person whom the Agent in good faith believes to be acting on behalf of Seller. Seller agrees to deliver promptly to the Agent a written confirmation of each telephonic notice signed by an authorized officer of Seller; provided, however, the absence of such confirmation shall not affect the validity of such notice. If the written confirmation differs from the action taken by the Agent, the records of the Agent shall govern absent manifest error.

Section 14.3 Ratable Payments. If any Purchaser, whether by setoff or otherwise, has payment made to it with respect to any portion of the Aggregate Unpaid amounts owing to such Purchaser (other than payments received pursuant to Section 10.2 or 10.3) in a greater proportion than that received by any other Purchaser entitled to receive a ratable share of such Aggregate Unpaid amounts, such Purchaser agrees, promptly upon demand, to purchase for cash without recourse or warranty a portion of such Aggregate Unpaid amounts held by the other Purchasers so that after such purchase each Purchaser will hold its ratable proportion of such Aggregate Unpaid amounts; provided that if all or any portion of such excess amount is thereafter recovered from such Purchaser, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

Section 14.4 Protection of Ownership Interests of the Purchasers.

(a) Seller agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be necessary or desirable, or that the Agent may reasonably request, to perfect, protect or more fully evidence the Purchaser Interests, or to enable the Agent or the Purchasers to exercise and enforce their rights and remedies hereunder. Without limiting the foregoing, Seller will, upon the request of the Agent, file such financing or continuation statements, or amendments thereto or assignments thereof, and execute and file such other instruments and documents, that may be necessary or desirable, or that the Agent may reasonably request, to perfect, protect or evidence such Purchaser Interests. At any time after the occurrence and during the continuation of an Amortization Event, the Agent may, or the Agent may direct Seller or the Servicer to, notify the Obligors of Receivables, at Seller's expense, of the ownership or security interests of the Purchasers under this Agreement and may also direct that payments of all amounts due or that become due under any or all Receivables be made directly to the Agent or its designee. Seller or the Servicer (as applicable) shall, at any Purchaser's request, withhold the identity of such Purchaser in any such notification.

(b) If any Seller Party fails to perform any of its obligations hereunder, the Agent or any Purchaser may (but shall not be required to) perform, or cause performance of, such obligations, and the Agent's or such Purchaser's costs and expenses incurred in connection therewith shall be payable by Seller as provided in Section 10.3. Each Seller Party irrevocably authorizes the Agent at any time and from time to time in the sole and absolute discretion of the Agent, and appoints the Agent as its attorney-in-fact, to act on behalf of such Seller Party (i) to authorize and/or execute on behalf of such Seller Party as debtor and to file financing or continuation statements (and amendments thereto and assignments thereof) necessary or desirable in the Agent's sole and absolute discretion to perfect and to maintain the perfection and priority of the interest of the Purchasers in the Receivables and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Receivables, the Related Security and the Collections as a financing statement in such jurisdictions and in such offices as the Agent in its sole and absolute discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the interests of the Purchasers in the Receivables, the Related Security and the Collections. This appointment is coupled with an interest and is irrevocable. The authorization by each Seller Party set forth in the second sentence of this Section 14.4(b) is intended to meet all requirements for authorization by a debtor under Article 9 of any applicable enactment of the UCC, including, without limitation, Section 9-509 thereof.

Section 14.5 Confidentiality.

(a) Each Seller Party and each Purchaser shall maintain and shall cause each of its employees and officers to maintain the confidentiality of this Agreement and the other confidential or proprietary information with respect to the Transaction Documents and the transactions contemplated thereby, the Agent and Conduit and their respective businesses obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein, except that such Seller Party and such Purchaser and its officers and employees may disclose such information to such Seller Party's and such Purchaser's external accountants and attorneys, to any regulatory authority having jurisdiction over such Person or as required by any applicable law or order of any judicial or administrative proceeding.

(b) Anything herein to the contrary notwithstanding, each Seller Party hereby consents to the disclosure of any nonpublic information with respect to it (i) to the Agent, the Financial Institutions or Conduit by each other, (ii) by the Agent or the Purchasers to any prospective or actual assignee or participant of any of them and (iii) by the Agent to any rating agency, Commercial Paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to Conduit or any entity organized for the purpose of purchasing, or making loans secured by, financial assets for which Bank One acts as the administrative agent and to any officers, directors, employees, outside accountants and attorneys of any of the foregoing. In addition, the Purchasers and the Agent may disclose any such nonpublic information pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law).

Section 14.6 Bankruptcy Petition. Seller, the Servicer, the Agent and each Financial Institution hereby

covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of Conduit or any Funding Source that is a special purpose bankruptcy remote entity, it will not institute against, or join any other Person in instituting against, Conduit or any such entity any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 14.7 Limitation of Liability. Except with respect to any claim arising out of the willful misconduct or gross negligence of Conduit, the Agent or any Financial Institution, no claim may be made by any Seller Party or any other Person against Conduit, the Agent or any Financial Institution or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and each Seller Party hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

Section 14.8 CHOICE OF LAW. THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS.

Section 14.9 CONSENT TO JURISDICTION. EACH SELLER PARTY HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR ILLINOIS STATE COURT SITTING IN CHICAGO, ILLINOIS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SUCH PERSON PURSUANT TO THIS AGREEMENT AND EACH SELLER PARTY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENT OR ANY PURCHASER TO BRING PROCEEDINGS AGAINST ANY SELLER PARTY IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY ANY SELLER PARTY AGAINST THE AGENT OR ANY PURCHASER OR ANY AFFILIATE OF THE AGENT OR ANY PURCHASER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SUCH SELLER PARTY PURSUANT TO THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN CHICAGO, ILLINOIS.

Section 14.10 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, ANY DOCUMENT EXECUTED BY ANY SELLER PARTY PURSUANT TO THIS AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 14.11 Integration; Binding Effect; Survival of Terms.

(a) This Agreement and each other Transaction Document contain the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof superseding all prior oral or written understandings.

(b) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns (including any trustee in bankruptcy). This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms and shall remain in full force and effect until terminated in accordance with its terms; provided, however, that the rights and remedies with respect to (i) any breach of any representation and warranty made by any Seller Party pursuant to Article V, (ii) the indemnification and payment provisions of Article X, and Sections 14.5 and 14.6 shall be continuing and shall survive any termination of this Agreement.

Section 14.12 Counterparts; Severability; Section References. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Unless otherwise expressly indicated, all references herein to "Article," "Section," "Schedule" or "Exhibit" shall mean articles and sections of, and schedules and exhibits to, this Agreement.

Section 14.13 Bank One Roles. Each of the Financial Institutions acknowledges that Bank One acts, or may in the future act, (i) as administrative agent for Conduit or any Financial Institution, (ii) as issuing and paying agent for the Commercial Paper, (iii) to provide credit or liquidity enhancement for the timely payment for the Commercial Paper and (iv) to provide other services from time to time for Conduit or any Financial Institution (collectively, the "Bank One Roles"). Without limiting the generality of this Section 14.13, each Financial Institution hereby acknowledges and consents to any and all Bank One Roles and agrees that in connection with any Bank One Role, Bank One may take, or refrain from taking, any action that it, in its discretion, deems appropriate, including, without limitation, in its role as administrative agent for Conduit, and the giving of notice to the Agent of a mandatory purchase pursuant to the Liquidity Agreement.

Section 14.14 Characterization.

(a) It is the intention of the parties hereto that each purchase hereunder shall constitute and be treated as an absolute and irrevocable sale, which purchase shall provide the applicable Purchaser with the full benefits of ownership of the applicable Purchaser Interest. Except as specifically provided in this Agreement, each sale of a Purchaser Interest hereunder is made without recourse to Seller; provided, however, that (i) Seller shall be liable to each Purchaser and the Agent for all representations, warranties, covenants and indemnities made by Seller pursuant to the terms of this Agreement, and (ii) such sale does not constitute and is not intended to result in an assumption by any Purchaser or the Agent or any assignee thereof of any obligation of Seller or Originator or any other person arising in connection with the Receivables, the Related Security, or the related Contracts, or any other obligations of Seller or Originator.

(b) In addition to any ownership interest which the Agent may from time to time acquire pursuant hereto, Seller hereby grants to the Agent for the ratable benefit of the Purchasers a valid and perfected security interest in all of Seller's right, title and interest in, to and under all Receivables now existing or hereafter arising, the Collections, each Lock-Box, each P.O. Box, each Collection Account, all Related Security, all other rights and payments relating to such Receivables, and all proceeds of any thereof prior to all other liens on and security interests therein to secure the prompt and complete payment of the Aggregate Unpaid. The Agent and the Purchasers shall have, in addition to the rights and remedies that they may have under this Agreement, all other rights and remedies provided to a secured creditor under the UCC in effect in any jurisdiction and other applicable law, which rights and remedies shall be cumulative.

Section 14.15 Excess Funds. Each of Seller, the Servicer, each Purchaser and the Agent agrees that Conduit shall be liable for any claims that such party may have against Conduit only to the extent that Conduit has funds in excess of those funds necessary to pay matured and maturing Commercial Paper and to the extent such excess funds are insufficient to satisfy the obligations of Conduit hereunder, Conduit shall have no liability with respect to any amount of such obligations remaining unpaid and such unpaid amount shall not constitute a claim against Conduit. Any and all claims against Conduit shall be subordinate to the claims against Conduit of the holders of Commercial Paper and any Person providing liquidity support to Conduit.

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

RAINIER RECEIVABLES, INC.

By:
Name:
Title:

Address: One Bellevue Center
411-108th Avenue N.E., 15th Floor
Bellevue, WA 98004

Attention: Donald E. Gaines
Facsimile: (425) 462-3300

PUGET SOUND ENERGY, INC.

By:
Name:
Title:

Address: One Bellevue Center
411-108th Avenue N.E., 15th Floor
Bellevue, WA 98004

Attention: Donald E. Gaines
Facsimile: (425) 462-3300

JUPITER SECURITIZATION CORPORATION

By:

Name: Leo Loughead
Title: Authorized Signatory

Address: c/o Bank One, NA (Main Office Chicago), as Agent
Asset Backed Finance
Suite IL1-0079, 1-19
1 Bank One Plaza
Chicago, Illinois 60670-0079
Fax: (312) 732-1844

BANK ONE, NA (MAIN OFFICE CHICAGO), as a Financial Institution
and as Agent

By:

Name: Leo Loughead
Title: Director, Capital Markets

Address: Bank One, NA (Main Office Chicago)
Asset Backed Finance
Suite IL1-0596, 1-19
1 Bank One Plaza
Chicago, Illinois 60670-0596
Fax: (312) 732-3600

EXHIBIT I

DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Accrual Period" means each calendar month, provided that the initial Accrual Period hereunder means the period from (and including) the date of the initial purchase hereunder to (and including) the last day of the calendar month thereafter.

"Administrative Agent" means Bank One, in its capacity as agent under the Credit Agreement.

"Adverse Claim" means any lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or preference, priority or other pledge and security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement).

"Affected Financial Institution" has the meaning specified in Section 12.1(c).

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person or any Subsidiary of such Person. A Person shall be deemed to control another Person if the controlling Person owns 10% or more of any class of voting securities of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

"Agent" has the meaning set forth in the preamble to this Agreement.

"Aggregate Capital" means, on any date of determination, the aggregate amount of Capital of all Purchaser Interests outstanding on such date.

"Aggregate Reduction" has the meaning specified in Section 1.3.

"Aggregate Reserves" means, on any date of determination, the sum of the Loss Reserve, the Yield and Servicer Fee Reserve and the Dilution Reserve.

"Aggregate Unpays" means, at any time, an amount equal to the sum of all accrued and unpaid fees under the Fee Letter, CP Costs, Yield, Aggregate Capital and all other unpaid Obligations (whether due or accrued) at such time.

"Agreement" means this Receivables Purchase Agreement, as it may be amended, restated, supplemented or otherwise modified and in effect from time to time.

"Amortization Date" means the earliest to occur of (i) the day on which any of the conditions precedent set forth in Section 6.2 are not satisfied, (ii) the Business Day immediately prior to the occurrence of an Amortization Event set forth in Section 9.1(d), (iii) the Business Day specified in a written notice from the Agent following the occurrence of any other Amortization Event and (iv) the date which is 15 Business Days after the Agent's receipt of written notice from Seller that it wishes to terminate the facility evidenced by this Agreement.

"Amortization Event" has the meaning specified in Article IX.

"Applicable Unbilled Receivables Limit" means, (i) during any Monthly Reporting Period, 80%, (ii) during any Weekly Reporting Period, 60% and (iii) during any Daily Reporting Period, 40%.

"Applicable Margin" has the meaning set forth in the Fee Letter.

"Applicable Maximum Purchaser Interest" means (i) at any time during a Daily Reporting Period, 100%, and (ii) at any time during a Monthly Reporting Period or Weekly Reporting Period, the percentage as set forth in the schedule below based upon the Monthly Report Coverage Period then also in effect:

Monthly Report Coverage Period	Applicable Maximum Purchase Interest
Any Monthly Report Coverage Period which commences in the month of January, February, March, April, May, September, October, November, or December	100%
Any Monthly Report Coverage Period which commences in the month of July or August	80%
Any Monthly Report Coverage Period which commences in the month of June	75%

"Applicable Stress Factor" means, at any time, the amount set forth below based upon the PSE Debt Rating then in effect as rated by each of S&P and Moody's, respectively; provided, however, that (a) if the ratings established or deemed to have been established by S&P and Moody's, respectively, fall within different levels, the Applicable Stress Factor will be based on the lower of the two ratings, (b) if S&P or Moody's (but not both) is then rating PSE, the Applicable Stress Factor will be based on the single rating then in effect and (c) if neither S&P nor Moody's is then rating PSE, the Applicable Stress Factor will be the highest amount set forth in the table below:

Rating by S&P/Moody's	Applicable Stress Factor

Greater than or equal to BB+/Ba1 2.0

Less than BB+/Ba1, but greater than or equal to
BB-/Ba3 2.25

Less than BB-/Ba3 or unrated 2.5

"Assignment Agreement" has the meaning set forth in Section 12.1(b).

"Authorized Officer" means, with respect to any Person, its president, corporate controller, treasurer, assistant treasurer or chief financial officer.

"Bank One" means Bank One, NA (Main Office Chicago) in its individual capacity and its successors.

"Bank Rate" means, the LIBO Rate or the Prime Rate, as applicable, with respect to each Purchaser Interest of the Financial Institutions and any Purchaser Interest of Conduit, an undivided interest in which has been assigned by Conduit to a Financial Institution pursuant to the Liquidity Agreement.

"BBP Receivable" means a Receivable arising under an Obligor's account which is subject to a balanced or levelized payment plan of Originator.

"Billed Receivable" means a Receivable for which, as of the time of determination, an invoice addressed to the Obligor thereof has been sent.

"Broken Funding Costs" means for any Purchaser Interest which: (i) has its Capital reduced without compliance by Seller with the notice requirements hereunder or (ii) does not become subject to an Aggregate Reduction following the delivery of any Reduction Notice or (iii) is assigned under the Liquidity Agreement or terminated prior to the date on which it was originally scheduled to end; an amount equal to the excess, if any, of (A) the CP Costs or Yield (as applicable) that would have accrued during the remainder of the Tranche Periods or the tranche periods for Commercial Paper determined by the Agent to relate to such Purchaser Interest (as applicable) subsequent to the date of such reduction, assignment or termination (or in respect of clause (ii) above, the date such Aggregate Reduction was designated to occur pursuant to the Reduction Notice) of the Capital of such Purchaser Interest if such reduction, assignment or termination had not occurred or such Reduction Notice had not been delivered, over (B) the sum of (x) to the extent all or a portion of such Capital is allocated to another Purchaser Interest, the amount of CP Costs or Yield actually accrued during the remainder of such period on such Capital for the new Purchaser Interest, and (y) to the extent such Capital is not allocated to another Purchaser Interest, the income, if any, actually received during the remainder of such period by the holder of such Purchaser Interest from investing the portion of such Capital not so allocated. In the event that the amount referred to in clause (B) exceeds the amount referred to in clause (A), the relevant Purchaser or Purchasers agree to pay to Seller the amount of such excess. All Broken Funding Costs shall be due and payable hereunder upon demand.

"Business Day" means any day on which banks are not authorized or required to close in New York, New York or Chicago, Illinois and The Depository Trust Company of New York is open for business, and, if the applicable Business Day relates to any computation or payment to be made with respect to the LIBO Rate, any day on which dealings in dollar deposits are carried on in the London interbank market.

"Capital" of any Purchaser Interest means, at any time, (A) the Purchase Price of such Purchaser Interest, minus (B) the sum of the aggregate amount of Collections and other payments received by the Agent which in each case are applied to reduce such Capital in accordance with the terms and conditions of this Agreement; provided that such Capital shall be restored (in accordance with Section 2.5) in the amount of any Collections or other payments so received and applied if at any time the distribution of such Collections or payments are rescinded, returned or refunded for any reason.

"Capitalized Lease" of a Person means any lease of Property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with GAAP.

"Capitalized Lease Obligations" of a Person means the amount of the obligations of such Person under Capitalized Leases which would be shown as a liability on a balance sheet of such Person prepared in accordance with GAAP.

"Change of Control" means (i) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities and Exchange Act of 1934) of 20% or more (by number of votes) of the outstanding shares of voting stock of PSE or (ii) PSE ceases to own, directly or indirectly, 100% of the outstanding capital stock of Seller, free and clear of any Adverse Claim.

"Charged-Off Receivable" means a Receivable: (i) as to which the Obligor thereof has taken any action, or suffered any event to occur, of the type described in Section 9.1(d) (as if references to Seller Party therein refer to such Obligor); (ii) as to which the Obligor thereof, if a natural person, is deceased, (iii) which, consistent with the Credit and Collection Policy, would be written off Seller's books as uncollectible or (iv) which has been identified by Seller as uncollectible.

"Collection Account" means each concentration account, depository account, lock-box account or similar account in which any Collections are collected or deposited.

"Collection Account Agreement" means (i) with respect to each Lock-Box or Collection Account, an agreement substantially in the form of Exhibit VI, among Originator, Seller, the Agent and a Collection Bank or any similar or analogous agreement among Originator, Seller, the Agent and a Collection Bank and (ii) with respect to each P.O. Box, a Postal Notice.

"Collection Bank" means, at any time, any of the banks holding one or more Collection Accounts.

"Collection Notice" means a notice, in substantially the form of Annex A to Exhibit VI, from the Agent to a Collection Bank or any similar or analogous notice from the Agent to a Collection Bank.

"Collections" means, with respect to any Receivable, all cash collections and other cash proceeds in respect of such Receivable, including, without limitation, all yield, Finance Charges or other related amounts accruing in respect thereof and all cash proceeds of Related Security with respect to such

Receivable.

"Commercial Paper" means promissory notes of Conduit issued by Conduit in the commercial paper market.

"Commitment" means, for each Financial Institution, the commitment of such Financial Institution to purchase Purchaser Interests from (i) Seller and (ii) Conduit, in an amount not to exceed (i) in the aggregate, the amount set forth opposite such Financial Institution's name on Schedule A to this Agreement, as such amount may be modified in accordance with the terms hereof and (ii) with respect to any individual purchase hereunder, its Pro Rata Share of the Purchase Price therefor.

"Commitment Availability" means at any time the positive difference (if any) between (a) an amount equal to the aggregate amount of the Commitments minus an amount equal to 2% of such aggregate Commitments at such time minus (b) the Aggregate Capital at such time.

"Concentration Limit" means, at any time, for any Obligor, 2.0% of the aggregate Outstanding Balance of all Eligible Receivables at such time, or such other greater amount (a "Special Concentration Limit") for such Obligor designated by the Agent; provided, that in the case of an Obligor and any Affiliate of such Obligor, the Concentration Limit shall be calculated as if such Obligor and such Affiliate are one Obligor; and provided, further, that Conduit or the Required Financial Institutions may, upon not less than three Business Days' notice to Seller, cancel any Special Concentration Limit.

"Conduit" has the meaning set forth in the preamble to this Agreement.

"Conservation Trust" means the Puget Power Conservation Grantor Trust 1995-1 created pursuant to the Pooling and Servicing Agreement.

"Conservation Trust Assets" means the property assigned and conveyed (or purported to be assigned and conveyed) by PSE to the Conservation Trust pursuant to the Pooling and Servicing Agreement and the documents related thereto.

"Conservation Trust Event" means (i) an Event of Default (as such term is defined in the Pooling and Servicing Agreement) shall occur and be continuing or (ii) the Conservation Trustee shall commence, prosecute or participate in (A) any administrative, legal or equitable action against PSE or SPV relating to any Conservation Trust Assets or Conservation Trust Obligations, including, without limitation, any proceeding of the type described in Section 9.1(d) of this Agreement, (B) any other administrative, legal or equitable action relating to any Conservation Trust Assets or Conservation Trust Obligations or (iii) any action to enforce or collect any judgment obtained in respect of, or to enforce or exercise remedies arising under or pursuant to any lien or other security interest securing, any Conservation Trust Obligations.

"Conservation Trust Obligations" means any and all of the indebtedness and other obligations owed by PSE to the Conservation Trust, the Conservation Trustee and the Certificateholders (as defined in the Pooling and Servicing Agreement) pursuant to the Pooling and Servicing Agreement, the Certificates (as defined in the Pooling and Servicing Agreement) and any other documents relating to either of the foregoing.

"Conservation Trustee" means JPMorgan Chase Bank (as successor in interest to Chemical Bank), in its capacity as trustee under the Pooling and Servicing Agreement, together with any successor trustee thereunder.

"Consolidated Indebtedness" means at any time all Indebtedness of PSE and its Subsidiaries calculated on a consolidated basis as of such time.

"Contingent Obligation" of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement, take or pay contract, application for a letter of credit or the obligations of any such Person as general partner of a partnership with respect to the liabilities of the partnership.

"Contract" means, with respect to any Receivable, any and all instruments, agreements, invoices or other writings pursuant to which such Receivable arises or which evidences such Receivable.

"CP Costs" means, for each day, the sum of (i) discount or yield accrued on Pooled Commercial Paper on such day, plus (ii) any and all accrued commissions in respect of placement agents and Commercial Paper dealers, and issuing and paying agent fees incurred, in respect of such Pooled Commercial Paper for such day, plus (iii) other costs associated with funding small or odd-lot amounts with respect to all receivable purchase facilities which are funded by Pooled Commercial Paper for such day, minus (iv) any accrual of income net of expenses received on such day from investment of collections received under all receivable purchase facilities funded substantially with Pooled Commercial Paper, minus (v) any payment received on such day net of expenses in respect of Broken Funding Costs related to the prepayment of any Purchaser Interest of Conduit pursuant to the terms of any receivable purchase facilities funded substantially with Pooled Commercial Paper. In addition to the foregoing costs, if Seller shall request any Incremental Purchase during any period of time determined by the Agent in its reasonable discretion to result in incrementally higher CP Costs applicable to such Incremental Purchase, the Capital associated with any such Incremental Purchase shall, during such period, be deemed to be funded by Conduit in a special pool (which may include capital associated with other receivable purchase facilities) for purposes of determining such additional CP Costs applicable only to such special pool and charged each day during such period against such Capital.

"Credit Agreement" means that certain Credit Agreement, dated as of December 23, 2002, among PSE, the financial institutions party thereto, Bank One, as Administrative Agent, Union Bank of California, N.A., as Syndication Agent and Keybank National Association as Documentation Agent.

"Credit and Collection Policy" means Seller's and/or Originator's credit and collection policies and practices relating to Contracts and Receivables existing on the date hereof and summarized in Exhibit VIII hereto, as modified from time to time in accordance with this Agreement.

"Customer Deposits" means, at any time, the aggregate amount of cash deposits held by Originator, Seller or the Servicer against Obligors' accounts.

"Cutoff Date" means the specified date in each calendar month occurring after the date hereof which is specified in Schedule C.

"Daily Report" means a report in a form agreed to by the Agent and the Servicer, and furnished by the Servicer to the Agent pursuant to Section 8.5.

"Daily Reporting Period" means any period during which the PSE Debt Rating shall be B+ or lower as rated by S&P, or B1 or lower as rated by Moody's.

"Days Sales Outstanding Ratio" means, at any time, (i) the aggregate Outstanding Balance of all Receivables as of the last day of the prior Accrual Period, divided by (ii) the aggregate amount of Collections received during such Accrual Period, multiplied by (iii) 30.

"Deemed Collections" means the aggregate of all amounts Seller shall have been deemed to have received as a Collection of a Receivable. Seller shall be deemed to have received a Collection in full of a Receivable if at any time (i) the Outstanding Balance of any such Receivable is either (x) reduced as a result of any defective or rejected goods or services, any discount or any adjustment or otherwise by Seller (other than cash Collections on account of the Receivables) or (y) reduced or canceled as a result of a setoff in respect of any claim by any Person (whether such claim arises out of the same or a related transaction or an unrelated transaction) or (ii) any of the representations or warranties in Article V are no longer true with respect to any Receivable.

"Default Fee" means with respect to any amount due and payable by Seller in respect of any Aggregate Unpaid, an amount equal to the greater of (i) \$1000 and (ii) interest on any such unpaid Aggregate Unpaid at a rate per annum equal to 2% above the Prime Rate.

"Default Ratio" means, at any time, a percentage equal to (i) the aggregate Outstanding Balance of all Receivables that were Defaulted Receivables as of the Cutoff Date occurring in the most recently ended Accrual Period, divided by (ii) the aggregate Outstanding Balance of all Receivables as of the end of the most recently ended Accrual Period.

"Defaulted Receivable" means a Receivable that is a Billed Receivable and as to which any payment, or part thereof, remains unpaid for 91 days or more from the original due date for such payment.

"Delinquent Receivable" means a Receivable that is a Billed Receivable and as to which any payment, or part thereof, remains unpaid for 31 days or more from the original due date for such payment.

"Designated Account" has the meaning set forth in Section 1.2.

"Dilution Horizon Factor" means, at any time, a fraction, the numerator of which equals the sum of (a) the aggregate Original Balance of all Billed Receivables originated during the three Accrual Periods ending immediately prior to the last day of the most recently ended Accrual Period and (b) the aggregate Original Balance of Unbilled Receivables as of the end of the most recently ended Accrual Period, and the denominator of which equals the Net Receivables Balance as of the end of the most recently ended Accrual Period.

"Dilution Percentage" means, as of any date of determination the greater of (i) 6.0% and (ii) a percentage calculated in accordance with the following formula:

$$DP = [(ASF \times ADR) + [(HDR - ADR) \times (HDR/ADR)]] \times DHF$$

where:

DP = the Dilution Percentage;
ADR = the average of the monthly Dilution Ratios occurring during the 12 most recent Accrual Periods;
ASF = the Applicable Stress Factor;
HDR = the highest average three-month Dilution Ratio occurring during the 12 most recent Accrual Periods, provided however, that the highest three-month Dilution Ratio for the Accrual Periods of October 2002 and November, 2002, shall be deemed to be 1.0%; and
DHF = the Dilution Horizon Factor at such time.

"Dilution Ratio" means, for each Accrual Period, a percentage equal to (i) the aggregate amount of Dilutions which occurred during such Accrual Period, divided by (ii) the aggregate Original Balance of all Receivables generated by Originator during the Accrual Period which ended two Accrual Periods prior.

"Dilution Reserve" means, at any time, an amount equal to the product of (a) the Net Receivables Balance as of the close of business on such date, times (b) the Dilution Percentage.

"Dilutions" means, at any time, the aggregate amount of reductions or cancellations described in clause (i) of the definition of "Deemed Collections".

"EBIT" means, for any period, the sum of (a) consolidated net income (or net loss) of PSE and its Subsidiaries for such period as determined in accordance with GAAP, plus (b) interest expense for such period to the extent included in the determination of such consolidated net income (or loss), plus (c) all taxes accrued for such period on or measured by income to the extent included in the determination of such consolidated net income (or loss).

"Eligible Receivable" means, at any time, a Receivable:

- (i) that is not a Charged-Off Receivable or a Delinquent Receivable,
- (ii) that by its terms is due and payable within 30 days of the original billing date therefor and has not had its payment terms extended,
- (iii) that is an "account" or "general intangible" within the meaning of Section 9-102 of the UCC of all applicable jurisdictions,
- (iv) that is denominated and payable only in United States dollars in the United States or for which payment is guaranteed in United States dollars,
- (v) the Obligor of which (a) if a natural person, maintains a service address in the United States or, if a corporation or other business organization, maintains a principal place of business in the United States or any political subdivision thereof,
- (vi) the Obligor of which is not an Affiliate of any of the parties hereto or Originator,
- (vii) which does not arise under a Contract created pursuant to a public assistance program, nor require payments based on a percentage of Obligor's income,

- (viii) that arises under a Contract that, together with such Receivable, is in full force and effect and constitutes the legal, valid and binding obligation of the related Obligor enforceable against such Obligor in accordance with its terms subject to no offset, counterclaim or other defense, except as such enforcement may be limited by applicable bankruptcy, insolvency or other similar laws affecting creditors' rights generally,
- (ix) that arises under a Contract that (A) does not require the Obligor under such Contract to consent to the transfer, sale or assignment of the rights and duties of Originator or any of its assignees under such Contract and (B) does not contain a confidentiality provision that purports to restrict the ability of any Purchaser to exercise its rights under this Agreement, including, without limitation, its right to review the Contract,
- (x) that arises under a Contract that contains an obligation to pay a specified sum of money, contingent only upon the sale of goods or power or the provision of services by Originator and not by and other Person (in whole or in part),
- (xi) that, together with the Contract related thereto, does not contravene any law, rule or regulation applicable thereto (including, without limitation, any law, rule or regulation relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) and with respect to which no part of the Contract related thereto is in violation of any such law, rule or regulation,
- (xii) that satisfies in all material respects all applicable requirements of the Credit and Collection Policy,
- (xiii) that was generated in the ordinary course of Originator's business,
- (xiv) that is not subject to any right of rescission, set-off, counterclaim, any other defense (including defenses arising out of violations of usury laws) of the applicable Obligor against Originator (it being understood that only a portion of a Receivable equal to the amount of such partial rescission, set-off, counterclaim or defense, if the amount of such partial rescission, set-off, counterclaim or defense can be quantified, shall be deemed not to be an Eligible Receivable) or any other Adverse Claim, and the Obligor thereon holds no right as against Originator to cause Originator to repurchase the goods or merchandise the sale of which shall have given rise to such Receivable (except with respect to sale discounts effected pursuant to the Contract, or defective goods returned in accordance with the terms of the Contract),
- (xv) as to which Originator has satisfied and fully performed all obligations on its part with respect to such Receivable required to be fulfilled by it, and no further action is required to be performed by any Person with respect thereto other than payment thereon by the applicable Obligor, and
- (xvi) all right, title and interest to and in which has been validly transferred by Originator directly to Seller under and in accordance with the Receivables Sale Agreement, and Seller has good and marketable title thereto free and clear of any Adverse Claim (it being understood that so long as the Intercreditor Agreement is in full force and effect, such Receivable shall not be deemed ineligible by virtue of any interest therein held by the Conservation Trust or the Conservation Trustee, provided that a portion of such Receivable shall be deemed to be ineligible to the extent of the amount of any Collections thereof which are to be allocated to the Conservation Trust in accordance with the Pooling and Servicing Agreement and the related documents).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Excess Unbilled Receivables Amount" means at any time, an amount equal to the positive difference, if any, between (i) the aggregate Outstanding Balance of the Eligible Receivables consisting of Unbilled Receivables as of the last day of the most recently ended Accrual Period and (ii) the product of (a) the Applicable Unbilled Receivables Limit, multiplied by (b) the aggregate Original Balance of all Billed Receivables originated during the most recently ended Accrual Period.

"Excluded Receivable" means all receivables of the Originator other than the Receivables.

"Facility Termination Date" means the earliest of (i) the Liquidity Termination Date and (ii) the Amortization Date.

"Federal Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy," as amended and any successor statute thereto.

"Federal Funds Effective Rate" means, for any period, a fluctuating interest rate per annum for each day during such period equal to (a) the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York in the Composite Closing Quotations for U.S. Government Securities; or (b) if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:30 a.m. (Chicago time) for such day on such transactions received by the Agent from three federal funds brokers of recognized standing selected by it.

"Fee Letter" means that certain letter agreement dated as of the date hereof among Seller, Company and the Agent, as it may be amended, restated, supplemented or otherwise modified and in effect from time to time.

"Finance Charges" means, with respect to a Contract, any finance, interest, late payment charges or similar charges owing by an Obligor pursuant to such Contract.

"Financial Institutions" has the meaning set forth in the preamble in this Agreement.

"Funding Agreement" means this Agreement and any agreement or instrument executed by any Funding Source with or for the benefit of Conduit, including the Liquidity Agreement.

"Funding Source" means (i) any Financial Institution or (ii) any insurance company, bank or other funding entity providing liquidity, credit enhancement or back-up purchase support or facilities to Conduit.

"GAAP" means generally accepted accounting principles in effect in the United States of America as in effect from time to time.

"Government Receivable" means a Receivable, the Obligor of which is a federal, state or local government, or an agency, branch, division, district or other political subdivision thereof.

"Government Receivable Concentration Limit" means, with respect to Government Receivables that are otherwise Eligible Receivables, an amount equal to the lesser of (A) \$10,000,000 and (B) 5% of the aggregate Outstanding Balance of all Eligible Receivables.

"Incremental Purchase" means a purchase of one or more Purchaser Interests which increases the total outstanding Aggregate Capital hereunder.

"Indebtedness" of a Person means such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of Property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by Adverse Claims or payable out of the proceeds or production from Property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, bankers' acceptances, or other instruments, (v) obligations to purchase accounts, securities or other Property arising out of or in connection with the sale of the same or substantially similar accounts, securities or Property, (vi) Capitalized Lease Obligations, (vii) other obligations for borrowed money or other financial accommodation which in accordance with GAAP would be shown as a liability on the consolidated balance sheet of such Person, (viii) net liabilities under interest rate swap, exchange or cap agreements, obligations or other liabilities with respect to accounts or notes, (ix) sale and leaseback transactions which do not create a liability on the consolidated balance sheet of such Person, (x) obligations in connection with other transactions which are the functional equivalent, or take the place, of borrowing but which do not constitute a liability on the consolidated balance sheet of such Person, and (xi) Contingent Obligations; provided, that, except for purposes of Section 9.1(c), the following shall not constitute "Indebtedness": (a) obligations with respect to Trust Preferred Securities that are not due and unpaid; and (b) obligations arising under Qualified Receivables Transactions.

"Independent Director" shall mean a member of the Board of Directors of Seller who is not at such time, and has not been at any time during the preceding five (5) years, (A) a director, officer, employee or affiliate of Seller, Originator, or any of their respective Subsidiaries or Affiliates, or (B) the beneficial owner (at the time of such individual's appointment as an Independent Director or at any time thereafter while serving as an Independent Director) of any of the outstanding common shares of Seller, Originator, or any of their respective Subsidiaries or Affiliates, having general voting rights.

"Intercreditor Agreement" means an intercreditor agreement, entered into, by and among PSE, Seller, the Agent and the Conservation Trustee, which agreement shall be satisfactory in form and substance to the Agent in its sole and absolute discretion.

"Interest Payment Date" means (i) the date in each calendar month that is two (2) Business Days after the Monthly Report is due in such month, and (ii) the last day of the relevant Tranche Period in respect of each Purchaser Interest of the Financial Institutions.

"LIBO Rate" means the rate per annum equal to the sum of (i) (a) the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars appearing on Reuters Screen LIBOR01 as of 11:00 a.m. (London time) two Business Days prior to the first day of the relevant Tranche Period, and having a maturity equal to such Tranche Period, provided that, (i) if Reuters Screen LIBOR01 is not available to the Agent for any reason, the applicable LIBO Rate for the relevant Tranche Period shall instead be the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars as reported by any other generally recognized financial information service as of 11:00 a.m. (London time) two Business Days prior to the first day of such Tranche Period, and having a maturity equal to such Tranche Period, and (ii) if no such British Bankers' Association Interest Settlement Rate is available to the Agent, the applicable LIBO Rate for the relevant Tranche Period shall instead be the rate determined by the Agent to be the rate at which Bank One offers to place deposits in U.S. dollars with first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Tranche Period, in the approximate amount to be funded at the LIBO Rate and having a maturity equal to such Tranche Period, divided by (b) one minus the maximum aggregate reserve requirement (including all basic, supplemental, marginal or other reserves) which is imposed against the Agent in respect of Eurocurrency liabilities, as defined in Regulation D of the Board of Governors of the Federal Reserve System as in effect from time to time (expressed as a decimal), applicable to such Tranche Period plus (ii) the Applicable Margin. The LIBO Rate shall be rounded, if necessary, to the next higher 1/16 of 1%.

"Liquidity Agreement" means (i) the Liquidity Agreement, dated as of December 23, 2002, by an among Conduit, the Financial Institutions and the Agent, and (ii) any other agreement entered into by Conduit with one or more financial institutions in connection herewith for the purpose of providing liquidity with respect to the Capital funded by Conduit under this Agreement.

"Liquidity Termination Date" means December 23, 2005.

"Lock-Box" means each locked postal box with respect to which a bank who has executed a Collection Account Agreement has been granted exclusive access for the purpose of retrieving and processing payments made on the Receivables and which is listed on Exhibit IV.

"Loss Horizon Factor" means, at any time, a fraction, the numerator of which equals the sum of (a) the aggregate Original Balance of all Billed Receivables originated during the two Accrual Periods ending immediately prior to the last day of the most recently ended Accrual Period and (b) the aggregate Original Balance of Unbilled Receivables as of the last day of the most recently ended Accrual Period, and the denominator of which equals the Net Receivables Balance as of the end of the most recently ended Accrual Period.

"Loss Percentage" means at any time the greater of (i) until the Report Completion Date has occurred, 15%, and after the Agent confirms the Report Completion Date has occurred, 10.0% and (ii) a percentage calculated in accordance with the following formula:

$$LP = ASF \times LHF \times LR$$

where:

ASF = the Applicable Stress Factor;
LP = the Loss Percentage;
LHF = the Loss Horizon Factor; and
LR = the highest three month rolling average of the Loss Ratios occurring during the 12 most recent Accrual Periods.

"Loss Ratio" means, at any time, a ratio (expressed as a percentage) equal to (i) the sum of (a) the aggregate Outstanding Balance of all Billed Receivables which are more than ninety (90) and less than

Exhibit No. DEG-17
Page 41 of 95

one hundred and twenty-one (121) days past due as of the Cutoff Date occurring during the most recently ended Accrual Period, plus (b) all Charged-Off Receivables less than ninety-one (91) days past due that have been written off during the most recently ended Accrual Period, divided by (ii) the aggregate Original Balance of all Receivables originated during the Accrual Period which ended four Accrual Periods prior to the most recently ended Accrual Period; provided however, that for each Accrual Period commencing with September, 2001 through August, 2002, the Loss Ratio shall be deemed to be 1.25%.

"Loss Reserve" means, at any time, an amount equal to the Loss Percentage multiplied by the Net Receivables Balance as of the close of business of the Servicer on such date.

"Material Adverse Effect" means a material adverse effect on (i) the financial condition, operations or prospects of any Seller Party and its Subsidiaries, (ii) the ability of any Seller Party to perform its obligations under this Agreement or any other Transaction Document, (iii) the legality, validity or enforceability of this Agreement or any other Transaction Document, (iv) any Purchaser's interest in the Receivables generally or in any significant portion of the Receivables, the Related Security or the Collections with respect thereto, or (v) the collectibility of the Receivables generally or of any material portion of the Receivables.

"Monthly Report" means a report, in substantially the form of Exhibit X hereto (appropriately completed), furnished by the Servicer to the Agent pursuant to Section 8.5.

"Monthly Report Coverage Period" means a period of time commencing on each due date for a Monthly Report and ending on the day occurring immediately prior to the due date for the next Monthly Report.

"Monthly Reporting Period" means any period during which the PSE Debt Rating shall be BB+ or higher as rated by S&P and Bal or higher as rated by Moody's.

"Moody's" means Moody's Investors Service, Inc.

"Net Receivables Balance" means, at any time, the aggregate Outstanding Balance of all Eligible Receivables at such time, minus the sum of (without duplication): (i) the aggregate amount by which the Outstanding Balance of all Eligible Receivables of each Obligor and its Affiliates exceeds the Concentration Limit for such Obligor, (ii) the Excess Unbilled Receivables Amount at such time, (iii) the aggregate amount of Unapplied Cash at such time, (iv) the aggregate amount of the Customer Deposits at such time, (v) the credit balance portion of all BBP Receivables at such time, (vi) the aggregate amount by which the Outstanding Balance of all Eligible Receivables that are Government Receivables exceeds the Government Receivable Concentration Limit and (vii) the aggregate amount of Finance Charges then due and owing with respect to all Eligible Receivables.

"Net Worth" means PSE's consolidated stockholders' equity.

"Non-Renewing Financial Institution" has the meaning set forth in Section 12.3(a).

"Obligations" shall have the meaning set forth in Section 2.1.

"Obligor" means a Person obligated to make payments pursuant to a Contract.

"Original Balance" means, with respect to any Receivable, the Outstanding Balance of such Receivable on the date it was originated.

"Originator" means PSE, in its capacity as seller under the Receivables Sale Agreement.

"Outstanding Balance" of any Receivable at any time means the then outstanding principal balance thereof.

"Participant" has the meaning set forth in Section 12.2.

"Past Due Ratio" means, at any time, a percentage equal to (i) the sum of (a) the aggregate Outstanding Balance of all Receivables which are greater than 60 days but less than 91 days past due as of the Cutoff Date occurring during the most recently ended Accrual Period and (b) all Charged-Off Receivables written off during such Accrual Period, divided by (ii) the aggregate Original Balance of all Receivables originated during the Accrual Period which ended three Accrual Periods prior to the most recently ended Accrual Period.

"Person" means any natural person, corporation, firm, joint venture, partnership, limited liability company, association, enterprise, trust or other entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.

"P.O. Box" means a locked postal box located in a United States post office to which Obligors remit payments of Receivables.

"Pooling and Servicing Agreement" means the Pooling and Servicing Agreement, dated as of June 8, 1995, between PSE, as seller and servicer and the Conservation Trustee on behalf of the Certificateholders (as defined therein), as the same has been or may be amended, restated, supplemented or otherwise modified and in effect from time to time.

"Postal Notice" means a notice from Originator directing the United States post office where any P.O. Box is located to transfer control of such P.O. Box to the Agent, which notice shall be substantially in the form of Exhibit XII.

"Pooled Commercial Paper" means Commercial Paper notes of Conduit subject to any particular pooling arrangement by Conduit, but excluding Commercial Paper issued by Conduit for a tenor and in an amount specifically requested by any Person in connection with any agreement effected by Conduit.

"Potential Amortization Event" means an event which, with the passage of time or the giving of notice, or both, would constitute an Amortization Event.

"Prime Rate" means a rate per annum equal to the prime rate of interest announced from time to time by Bank One or its parent (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"Property" of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned, leased or operated by such Person.

"Pro Rata Share" means, for each Financial Institution, a percentage equal to (i) the Commitment of such Financial Institution, divided by (ii) the aggregate amount of all Commitments of all Financial

Institutions hereunder, adjusted as necessary to give effect to the application of the terms of Sections 13.5 or 13.6.

"PSE" has the meaning set forth in the preamble hereto.

"PSE Debt Rating" means, at any time, the rating then assigned by S&P and/or Moody's to PSE's senior unsecured long-term debt securities without third party credit enhancement.

"Purchase Limit" means \$150,000,000.

"Purchase Notice" has the meaning set forth in Section 1.2.

"Purchase Price" means, with respect to any Incremental Purchase of a Purchaser Interest, the amount paid to Seller for such Purchaser Interest which shall not exceed the least of (i) the amount requested by Seller in the applicable Purchase Notice, (ii) the unused portion of the Purchase Limit on the applicable purchase date and (iii) the excess, if any, of the Net Receivables Balance (less the Aggregate Reserves and the Seller's Interest) on the applicable purchase date over the aggregate outstanding amount of Aggregate Capital determined as of the date of the most recent Monthly Report, taking into account such proposed Incremental Purchase.

"Purchaser Interest" means, at any time, an undivided percentage ownership interest (computed as set forth below) associated with a designated amount of Capital, selected pursuant to the terms and conditions hereof in (i) each Receivable arising prior to the time of the most recent computation or recomputation of such undivided interest, (ii) all Related Security with respect to each such Receivable, and (iii) all Collections with respect to, and other proceeds of, each such Receivable. Each such undivided percentage interest shall equal:

C

NRB-AR

where:
C = the Capital of such Purchaser Interest.
AR = the Aggregate Reserves.
NRB = the Net Receivables Balance.

Such undivided percentage ownership interest shall be initially computed on its date of purchase. Thereafter, until the Amortization Date, each Purchaser Interest shall be automatically recomputed (or deemed to be recomputed) on each day prior to the Amortization Date. From and after the Amortization Date, the variable percentage represented by any Purchaser Interest shall be deemed to equal 100%.

"Purchasers" means Conduit and each Financial Institution.

"Purchasing Financial Institution" has the meaning set forth in Section 12.1(b).

"Qualified Receivables Transaction" means any transaction or series of transactions that may be entered into by PSE or any Subsidiary pursuant to which PSE or any Subsidiary may sell, convey, pledge or otherwise transfer to a newly-formed Subsidiary or other special purpose entity, or any other Person, any accounts receivable (including chattel paper, instruments and general intangibles) or notes receivable and the rights and certain other property related thereto, provided that (i) all of the terms and conditions of such transaction or series of transactions, including, without limitation, the amount and type of any recourse to PSE or any Subsidiary PSE with respect to the assets transferred, are acceptable to the Administrative Agent and the Required Lenders (or, if the Credit Agreement is no longer in full force and effect, the Agent and the Required Financial Institutions) and (ii) the Receivables Transaction Attributed Indebtedness incurred in such transaction or series of transactions does not exceed \$175,000,000 at any time outstanding. For the avoidance of doubt, the transactions contemplated by this Agreement shall constitute a "Qualified Receivables Transaction."

"Receivable" means all indebtedness and other obligations arising in connection with the sale of goods or the rendering of services by Originator and which are owed to Originator (at the time it arises, and before giving effect to any transfer or conveyance under the Receivables Sale Agreement or hereunder) or Seller (after giving effect to transfers or conveyances under the Receivables Sale Agreement) or in which Seller or Originator has a security interest or other interest, including, without limitation, any indebtedness, obligation or interest constituting an account, chattel paper, instrument or general intangible, and which are identified on the books and records of Originator or Seller (including its accounting system) with the account code "FERC 142 Account Receivable", and further includes, without limitation, the obligation to pay any Finance Charges with respect thereto. Indebtedness and other rights and obligations arising from any one transaction, including, without limitation, indebtedness and other rights and obligations represented by an individual invoice, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other rights and obligations arising from any other transaction; provided, that any indebtedness, rights or obligations referred to in the immediately preceding sentence shall be a Receivable regardless of whether the account debtor, Originator or Seller treats such indebtedness, rights or obligations as a separate payment obligation.

"Receivables Sale Agreement" means that certain Receivables Sale Agreement, dated as of December 23, 2002, between Originator and Seller, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Receivables Transaction Attributed Indebtedness" means, with respect to any Qualified Receivables Transaction on any date of determination, the unrecovered purchase price on such date of all assets sold, conveyed, pledged or otherwise transferred by PSE or any of its Subsidiaries to the third-party conduit entity or other receivables credit provider under such Qualified Receivables Transaction.

"Records" means, with respect to any Receivable, all Contracts and other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to such Receivable, any Related Security therefor and the related Obligor.

"Reduction Notice" has the meaning set forth in Section 1.3.

"Reinvestment" has the meaning set forth in Section 2.2.

"Related Entity" means each of Originator and each of its Affiliates and their respective successors.

"Related Security" means, with respect to any Receivable:

(i) all of Seller's interest in the inventory and goods (including returned or repossessed inventory or goods), if any, the sale, licensing, financing or lease of which by Originator gave rise to such Receivable, and all insurance contracts with respect thereto,

(ii) all other security interests or liens and property subject thereto from time to time, if any, purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all financing statements and security agreements describing any collateral securing such Receivable,

(iii) all guaranties, letters of credit, insurance, "supporting obligations" (within the meaning of Section 9-102(a) of the UCC of all applicable jurisdictions) and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable whether pursuant to the Contract related to such Receivable or otherwise,

(iv) all service contracts and other contracts and agreements associated with such Receivable,

(v) all Records related to such Receivable,

(vi) all of Seller's right, title and interest in, to and under the Receivables Sale Agreement,

(viii) all of Seller's right, title and interest in and to each Lock-Box, P.O. Box and Collection Account, and any and all agreements related thereto, and

(ix) all proceeds of any of the foregoing.

"Report Completion Date" means the date on which (a) the Servicer shall have furnished to the Agent, a Monthly Report that is complete in all respects and (b) the Agent and the Servicer have agreed on the form of Weekly Report and Daily Report.

"Required Financial Institutions" means, at any time, Financial Institutions with Commitments in excess of 50% of the Purchase Limit.

"Required Lenders" means lenders under the Credit Agreement in the aggregate having more than 50% of the aggregate commitments thereunder or, if the aggregate commitments have been terminated, lenders thereunder in the aggregate holding more than 50% of the aggregate outstanding credit exposure thereunder.

"Required Notice Period" means the number of days required notice set forth below applicable to the Aggregate Reduction indicated below:

Aggregate Reduction	Required Notice Period
= \$100,000,000	two Business Days
\$100,000,000 to \$250,000,000	five Business Days

"Restricted Junior Payment" means (i) any dividend or other distribution, direct or indirect, on account of any shares of any class of capital stock of Seller now or hereafter outstanding, except a dividend payable solely in shares of that class of stock or in any junior class of stock of Seller, (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of capital stock of Seller now or hereafter outstanding, (iii) any payment or prepayment of principal of, premium, if any, or interest, fees or other charges on or with respect to, and any redemption, purchase, retirement, defeasance, sinking fund or similar payment and any claim for rescission with respect to the Subordinated Loans (as defined in the Receivables Sale Agreement), (iv) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of capital stock of Seller now or hereafter outstanding, and (v) any payment of management fees by Seller (except for reasonable management fees to the Originator or its Affiliates in reimbursement of actual management services performed).

"S&P" means Standard and Poor's Ratings Services, a division of The McGraw Hill Companies, Inc.

"Seller" has the meaning set forth in the preamble to this Agreement.

"Seller's Interest" means, at any time, an amount equal to the product of (i) one minus the aggregate of the Purchaser Interests, multiplied by (ii) the Net Receivables Balance as such time.

"Seller Parties" has the meaning set forth in the preamble to this Agreement.

"Servicer" means at any time the Person (which may be the Agent) then authorized pursuant to Article VIII to service, administer and collect Receivables.

"Servicing Fee" has the meaning set forth in Section 8.6.

"Settlement Date" means (A) (i) if during a Monthly Reporting Period, the date which is two (2) Business Days after a Monthly Report is due, (B) if during a Weekly Reporting Period, the date which is one (1) Business Day after a Weekly Report is due, (C) if during a Daily Reporting Period, the date which is one (1) Business Day after a Daily Report is due, and (B) the last day of the relevant Tranche Period in respect of each Purchaser Interest of the Financial Institutions.

"Settlement Period" means (A) in respect of each Purchaser Interest of Conduit, the immediately preceding Accrual Period, and (B) in respect of each Purchaser Interest of the Financial Institutions, the entire Tranche Period of such Purchaser Interest.

"Significant Subsidiary" means a "significant subsidiary" (as defined in Regulation S-X of the Securities and Exchange Commission as in effect on the date of this Agreement) of PSE.

"Subsidiary" of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, limited liability company, association, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned

or controlled. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a Subsidiary of Seller.

"Termination Date" has the meaning set forth in Section 2.2.

"Termination Percentage" has the meaning set forth in Section 2.2.

"Terminating Financial Institution" has the meaning set forth in Section 12.3.

"Terminating Tranche" has the meaning set forth in Section 4.3(b).

"Total Capitalization" means, at any time, the sum of the following for PSE and its Subsidiaries, determined on a consolidated basis in accordance with GAAP (without duplication and excluding minority interests in Subsidiaries):

- (i) Net Worth; plus
 - (ii) the aggregate obligations of PSE with respect to the Trust Preferred Securities;
- plus
- (iii) the aggregate outstanding principal amount of all Consolidated Indebtedness; plus

"Tranche Period" means, with respect to any Purchaser Interest held by a Financial Institution, including any Purchaser Interest or undivided interest in a Purchaser Interest assigned to a Financial Institution pursuant to the Liquidity Agreement:

(a) if Yield for such Purchaser Interest is calculated on the basis of the LIBO Rate, a period of one, two, three or six months, or such other period as may be mutually agreeable to the Agent and Seller, commencing on a Business Day selected by Seller or the Agent pursuant to this Agreement. Such Tranche Period shall end on the day in the applicable succeeding calendar month which corresponds numerically to the beginning day of such Tranche Period, provided, however, that if there is no such numerically corresponding day in such succeeding month, such Tranche Period shall end on the last Business Day of such succeeding month; or

(b) if Yield for such Purchaser Interest is calculated on the basis of the Prime Rate, a period commencing on a Business Day selected by Seller and agreed to by the Agent, provided no such period shall exceed one month.

If any Tranche Period would end on a day which is not a Business Day, such Tranche Period shall end on the next succeeding Business Day, provided, however, that in the case of Tranche Periods corresponding to the LIBO Rate, if such next succeeding Business Day falls in a new month, such Tranche Period shall end on the immediately preceding Business Day. In the case of any Tranche Period for any Purchaser Interest which commences before the Amortization Date and would otherwise end on a date occurring after the Amortization Date, such Tranche Period shall end on the Amortization Date. The duration of each Tranche Period which commences after the Amortization Date shall be of such duration as selected by the Agent.

"Transaction Documents" means, collectively, this Agreement, each Purchase Notice, the Receivables Sale Agreement, each Collection Account Agreement, the Intercreditor Agreement, the Fee Letter, the Subordinated Note (as defined in the Receivables Sale Agreement) and all other instruments, documents and agreements executed and delivered in connection herewith.

"Trust Preferred Securities" means (a) the \$200,000,000 8.4% Trust Preferred Securities due June 30, 2041 issued by PSE on May 24, 2001 and (b) the \$100,000,000 8.231% Trust Preferred Securities due June 1, 2027 issued by PSE on June 6, 1997.

"UCC" means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

"Unapplied Cash" means, at any time, the aggregate amount of Collections or other cash then held by or for the account of the Servicer, Originator or Seller in respect of the payment of Billed Receivables, but not yet applied to the payment of such Receivables.

"Unbilled Receivable" means a Receivables in respect of which an invoice addressed to the Obligor thereof has not been sent.

"Weekly Report" means a report in a form to agreed by the Agent and the Servicer and furnished by the Servicer to the Agent pursuant to Section 8.5.

"Weekly Reporting Period" means (i) any period during which the PSE Debt Rating shall be lower than BB+ as rated by S&P and Bal as rated by Moody's, but higher than B+ by S&P and B1 by Moody's.

"Yield" means for each respective Tranche Period relating to Purchaser Interests of the Financial Institutions (including any Purchaser Interest or undivided interest in a Purchaser Interest assigned to a Financial Institution pursuant to the Liquidity Agreement), an amount equal to the product of the applicable Bank Rate for each Purchaser Interest multiplied by the Capital of such Purchaser Interest for each day elapsed during such Tranche Period, annualized on a 360 day basis.

"Yield and Servicer Fee Percentage" means, at any time, an amount equal to the greater of (i) 1.5% and (ii) the ratio (expressed as a percentage) equal to (a) the product of (x) 1.5, multiplied by (y) the Prime Rate plus 2.0%, multiplied by (z) the highest three-month average Days Sales Outstanding Ratio over the prior twelve (12) months, divided by (b) 360.

"Yield and Servicer Fee Reserve" means, at any time, an amount equal to the product of (a) the Yield and Servicer Fee Percentage, multiplied by (b) the Net Receivables Balance as of the close of business of the Servicer on such date.

All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of Illinois, and not specifically defined herein, are used herein as defined in such Article 9.

EXHIBIT II
FORM OF PURCHASE NOTICE

[Date]

Bank One, NA (Main Office Chicago), as Agent
1 Bank One Plaza, 21st Floor
Asset-Backed Finance
Chicago, Illinois 60670-0596

Attention: Asset Backed Finance Treasury (Pete Andrews)

Re: PURCHASE NOTICE

Ladies and Gentlemen:

Reference is hereby made to the Receivables Purchase Agreement, dated as of December 23, 2002, by and among Rainier Receivables, Inc., a Washington corporation (the "Seller"), Puget Sound Energy, Inc., as Servicer, the Financial Institutions, Jupiter Securitization Corporation ("Conduit"), and Bank One, NA (Main Office Chicago), as Agent (as amended, restated, supplemented or otherwise modified from time to time, the "Receivables Purchase Agreement"). Capitalized terms used herein shall have the meanings assigned to such terms in the Receivables Purchase Agreement.

The Agent is hereby notified of the following Incremental Purchase:

Purchase Price: \$

Date of Purchase: -----

Requested Bank Rate: -----

[LIBO Rate] [Prime Rate] [Pooled Commercial
Paper rate]

Please wire-transfer the Purchase Price in immediately available funds on the above-specified date of purchase to:

[Account Name]
[Account No.]
[Bank Name & Address]
[ABA #]

Reference:

Telephone advice to: [Name] @ tel. No. ()

Please advise [Name] at telephone no () _____ if Conduit will not be making this purchase.

In connection with the Incremental Purchase to be made on the above listed "Date of Purchase" (the "Purchase Date"), the Seller hereby certifies that the following statements are true on the date hereof, and will be true on the Purchase Date (before and after giving effect to the proposed Incremental Purchase):

(i) the representations and warranties of the Seller set forth in Section 5.1 of the Receivables Purchase Agreement are true and correct on and as of the Purchase Date as though made on and as of such date;

(ii) no event has occurred and is continuing, or would result from the proposed Incremental Purchase, that will constitute an Amortization Event or a Potential Amortization Event;

(iii) the Facility Termination Date has not occurred, the Aggregate Capital does not exceed the Purchase Limit and the aggregate Purchaser Interests do not exceed the Applicable Maximum Purchaser Interest; and

(iv) the amount of Aggregate Capital is \$ _____ after giving effect to the Incremental Purchase to be made on the Purchase Date.

Very truly yours,

RAINIER RECEIVABLES, INC.

By:
Name:
Title:

EXHIBIT IV

NAMES OF COLLECTION BANKS; COLLECTION ACCOUNTS

EXHIBIT IV

NAMES OF COLLECTION BANKS; COLLECTION ACCOUNTS

Lock-Box/P.O. Box	Related Collection Account
P.O. Box No. 91269 at the U.S. Post Office branch located at 103 rd Avenue NE, Bellevue, WA 98004	Union Bank of California Account no. 4430000808 for receipts from Payment Processing
N/A	Union Bank of California Account no. 4430000816 for receipts from Bill Payment Consolidator
N/A	Key Bank Account no. 479681024614 for receipts from UBOC accounts above
N/A	Key Bank Account no. 479681024622 for receipts from Customer Direct Debits
N/A	Key Bank Account no. 479681024655 for receipts from Customer Internet Payments
N/A	Key Bank Account no. 479681024663 for receipts from Customer Credit Card Payments

EXHIBIT V

FORM OF COMPLIANCE CERTIFICATE

To: Bank One, NA (Main Office Chicago), as Agent

This Compliance Certificate is furnished pursuant to that certain Receivables Purchase Agreement dated as of December 23, 2002, by and among Rainier Receivables, Inc. (the "Seller"), Puget Sound Energy, Inc. (the "Servicer"), the Purchasers party thereto and Bank One, NA (Main Office Chicago), as agent for such Purchasers (as amended, restated, supplemented or otherwise modified from time to time, the "Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings assigned thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected _____ of [Insert name of applicable entity] (the "Applicable Party").
2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Applicable Party and its Subsidiaries during the accounting period covered by the attached financial statements.
3. The examinations described in paragraph 2 above did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes an Amortization Event or Potential Amortization Event, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth in paragraph 4 below.
4. Described below are the exceptions, if any, to paragraph 3 above by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Applicable Party has taken, is taking, or proposes to take with respect to each such condition or event:

5. As of the date hereof, the jurisdiction of organization of Seller is [Insert State], the jurisdiction of organization of the Servicer is [Insert State], each of Seller and the Servicer is a "registered organization" (within the meaning of Section 9-102 of the UCC in effect in [Insert State]) and neither Seller nor the Servicer has changed its jurisdiction of organization since the date of the Agreement.

The foregoing certifications, together with the financial statements delivered with this Certificate in support hereof, are made and delivered this __ day of _____, ____.

EXHIBIT VI

FORM OF COLLECTION ACCOUNT AGREEMENT

[TO COME]

EXHIBIT VII

FORM OF ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT (this "Assignment Agreement") is entered into as of the _____ day of _____, _____, by and between _____ ("Assignor") and _____ ("Assignee").

PRELIMINARY STATEMENTS

A. This Assignment Agreement is being executed and delivered in accordance with Section 12.1(b) of that certain Receivables Purchase Agreement dated as of December 23, 2002, by and among Rainier Receivables, Inc., Puget Sound Energy, Inc., as Servicer, Jupiter Securitization Corporation, Bank One, NA (Main Office Chicago), as Agent, and the Financial Institutions party thereto (as amended, restated, supplemented or otherwise modified from time to time, the "Purchase Agreement"). Capitalized terms used and not otherwise defined herein are used with the meanings set forth or incorporated by reference in the Purchase Agreement.

B. Assignor is a Financial Institution party to the Purchase Agreement, and Assignee wishes to become a Financial Institution thereunder; and

C. Assignor is selling and assigning to Assignee an undivided _____% (the "Transferred Percentage") interest in all of Assignor's rights and obligations under the Purchase Agreement and the Transaction Documents, including, without limitation, Assignor's Commitment and (if applicable) the Capital of Assignor's Purchaser Interests as set forth herein.

AGREEMENT

The parties hereto hereby agree as follows:

1. The sale, transfer and assignment effected by this Assignment Agreement shall become effective (the "Effective Date") two (2) Business Days (or such other date selected by the Agent in its sole and absolute discretion) following the date on which a notice substantially in the form of Schedule II to this Assignment Agreement ("Effective Notice") is delivered by the Agent to Conduit, Assignor and Assignee. From and after the Effective Date, Assignee shall be a Financial Institution party to the Purchase Agreement for all purposes thereof as if Assignee were an original party thereto and Assignee agrees to be bound by all of the terms and provisions contained therein.

2. If Assignor has no outstanding Capital under the Purchase Agreement, on the Effective Date, Assignor shall be deemed to have hereby transferred and assigned to Assignee, without recourse, representation or warranty (except as provided in paragraph 6 below), and the Assignee shall be deemed to have hereby irrevocably taken, received and assumed from Assignor, the Transferred Percentage of Assignor's Commitment and all rights and obligations associated therewith under the terms of the Purchase Agreement, including, without limitation, the Transferred Percentage of Assignor's future funding obligations under Article I of the Purchase Agreement and under the Liquidity Agreement.

3. If Assignor has any outstanding Capital under the Purchase Agreement, at or before 12:00 noon, local time of Assignor, on the Effective Date Assignee shall pay to Assignor, in immediately available funds, an amount equal to the sum of (i) the Transferred Percentage of the outstanding Capital of Assignor's Purchaser Interests (such amount, being hereinafter referred to as the "Assignee's Capital"); (ii) all accrued but unpaid (whether or not then due) Yield attributable to Assignee's Capital; and (iii) accruing but unpaid fees and other costs and expenses payable in respect of Assignee's Capital for the period commencing upon each date such unpaid amounts commence accruing, to and including the Effective Date; whereupon, Assignor shall be deemed to have sold, transferred and assigned to Assignee, without recourse, representation or warranty (except as provided in paragraph 6 below), and Assignee shall be deemed to have hereby irrevocably taken, received and assumed from Assignor, the Transferred Percentage of Assignor's Commitment and the Assignee's Capital (if applicable) and all related rights and obligations under the Purchase Agreement and the Transaction Documents, including, without limitation, the Transferred Percentage of Assignor's future funding obligations under Article I of the Purchase Agreement and under the Liquidity Agreement.

4. Concurrently with the execution and delivery hereof, Assignor will provide to Assignee copies of all documents requested by Assignee which were delivered to Assignor pursuant to the Purchase Agreement.

5. Each of the parties to this Assignment Agreement agrees that at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Assignment Agreement.

6. By executing and delivering this Assignment Agreement, Assignor and Assignee confirm to and agree with each other, the Agent, Conduit and the other Financial Institutions as follows: (a) other than the representation and warranty that it has not created any Adverse Claim upon any interest being transferred hereunder, Assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made by any other Person in or in connection with the Purchase Agreement or the Transaction Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of Assignee, the Purchase Agreement or any other instrument or document furnished pursuant thereto or the perfection, priority, condition, value or sufficiency of any collateral; (b) Assignor makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Seller Party, any Obligor, any Affiliate of any Seller Party or the performance or

observance by any Seller Party, any Obligor or any Affiliate of any Seller Party of any of their respective obligations under the Transaction Documents or any other instrument or document furnished pursuant thereto or in connection therewith; (c) Assignee confirms that it has received a copy of the Purchase Agreement and copies of such other Transaction Documents, and other documents and information as it has requested and deemed appropriate to make its own credit analysis and decision to enter into this Assignment Agreement; (d) Assignee will, independently and without reliance upon the Agent, Conduit, any Seller Party or any other Financial Institution or Purchaser and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Purchase Agreement and the Transaction Documents; (e) Assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Transaction Documents as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (f) Assignee agrees that it will perform in accordance with their terms all of the obligations which, by the terms of the Purchase Agreement and the other Transaction Documents, are required to be performed by it as a Financial Institution or, when applicable, as a Purchaser.

7. Each party hereto represents and warrants to and agrees with the Agent that it is aware of and will comply with the provisions of the Purchase Agreement, including, without limitation, Sections 1.1, 4.1, 13.1 and 14.6 thereof.

8. Schedule I hereto sets forth the revised Commitment of Assignor and the Commitment of Assignee, as well as administrative information with respect to Assignee.

9. THIS ASSIGNMENT AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF ILLINOIS.

10. Assignee hereby covenants and agrees that, prior to the date which is one year and one day after the payment in full of all senior indebtedness for borrowed money of Conduit, it will not institute against, or join any other Person in instituting against, Conduit any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment Agreement to be executed by their respective duly authorized officers of the date hereof.

[ASSIGNOR]

By:
Title:

[ASSIGNEE]

By:
Title:

SCHEDULE I TO ASSIGNMENT AGREEMENT

LIST OF LENDING OFFICES, ADDRESSES
FOR NOTICES AND COMMITMENT AMOUNTS

Date: _____, ____

Transferred Percentage: _____%

	A-1	A-2	B-1	B-2
Assignor	Commitment (prior to giving effect to the Assignment Agreement)	Commitment (after giving effect to the Assignment Agreement)	Outstanding Capital (if any)	Ratable Share of Outstanding Capital
Assignee		Commitment (after giving effect to the Assignment Agreement)	Outstanding Capital (if any)	Ratable Share of Outstanding Capital

Address for Notices

Attention:
Phone:
Fax:

SCHEDULE II TO ASSIGNMENT AGREEMENT

EFFECTIVE NOTICE

TO: _____, Assignor

TO: _____, Assignee

The undersigned, as Agent under the Receivables Purchase Agreement dated as of December 23, 2002, by and among Rainier Receivables, Inc., a Washington corporation, Puget Sound Energy, Inc., as Servicer, Jupiter Securitization Corporation, Bank One, NA (Main Office Chicago), as Agent, and the Financial Institutions party thereto, hereby acknowledges receipt of executed counterparts of a completed Assignment Agreement dated as of _____, _____ between _____, as Assignor, and _____, as Assignee. Terms defined in such Assignment Agreement are used herein as therein defined.

1. Pursuant to such Assignment Agreement, you are advised that the Effective Date will be _____, _____.

2. Conduit hereby consents to the Assignment Agreement as required by Section 12.1(b) of the Purchase Agreement.

[3. Pursuant to such Assignment Agreement, the Assignee is required to pay \$_____ to Assignor at or before 12:00 noon (local time of Assignor) on the Effective Date in immediately available funds.]

Very truly yours,

BANK ONE, NA (MAIN OFFICE CHICAGO),
individually and as Agent

By: _____

Title: _____

JUPITER SECURITIZATION
CORPORATION

By: _____
Authorized Signatory

EXHIBIT VIII

CREDIT AND COLLECTION POLICY

See Exhibit V to Receivables Sale Agreement

EXHIBIT IX

[INTENTIONALLY OMITTED]

See Attached

EXHIBIT X
FORM OF MONTHLY REPORT
See Attached.

EXHIBIT XI
FORM OF REDUCTION NOTICE

Attention: Asset Backed Finance Treasury (Pete Andrews)

Re: REDUCTION NOTICE

Ladies and Gentlemen:

Reference is hereby made to the Receivables Purchase Agreement, dated as of December 23, 2002, by and among Rainier Receivables, Inc., a Washington corporation (the "Seller"), Puget Sound Energy, Inc., as Servicer, the Financial Institutions, Jupiter Securitization Corporation ("Company"), and Bank One, NA (Main Office Chicago), as Agent (the "Receivables Purchase Agreement"). Capitalized terms used herein shall have the meanings assigned to such terms in the Receivables Purchase Agreement.

The Agent is hereby notified of the following Aggregate Reduction:

Aggregate Reduction Amount: \$ _____

Date of Aggregate Reduction: _____

Aggregate Reduction Amount will be made in available funds (by 12:00 NOON CST) to:

Jupiter Securitization Corporation
Account #: 5948118
Bank One N.A.
Chicago, IL. 60670
ABA# 071000013
Reference: Rainier Receivables, Inc.

The amount of Aggregate Capital is \$ _____ after giving effect to the Aggregate Reduction to be made on the Aggregate Reduction Date.

Very truly yours,

Rainier Receivables, Inc.

By: _____
Name:
Title:

SCHEDULE A
COMMITMENTS OF FINANCIAL INSTITUTIONS

Financial Institution	Commitment
Bank One, NA (Main Office Chicago)	\$153,000,000

SCHEDULE B

DOCUMENTS TO BE DELIVERED TO THE AGENT
ON OR PRIOR TO THE INITIAL INCREMENTAL PURCHASE

PART I: Documents to be Delivered in Connection with the Receivables Sale Agreement

1. Executed copies of the Receivables Sale Agreement, duly executed by the parties thereto.
2. Copy of the Resolutions of the Board of Directors of Originator certified by its Secretary, authorizing Originator's execution, delivery and performance of the Receivables Sale Agreement and the other documents to be delivered by it thereunder.
3. Articles or Certificate of Incorporation of Originator certified by the Secretary of State of the jurisdiction of incorporation of Originator on or within thirty (30) days prior to the initial Purchase (as defined in the Receivables Sale Agreement).
4. Good Standing Certificates for Originator issued by the Secretaries of State of its state of incorporation and each jurisdiction where it has material operations, each of which is listed below:

Jurisdiction of Organization	Locations of Material Operations
Washington	Washington

5. A certificate of the Secretary of Originator, dated as of the date hereof, certifying: (i) the names and signatures of the officers authorized on its behalf to execute the Receivables Sale Agreement and any other documents to be delivered by it thereunder and (ii) a copy of Originator's By-Laws.
6. Pre-filing state and federal tax lien, judgment lien and UCC lien searches against Originator (including former names, trade names or other names and names of any entity merged into Originator) from each of the jurisdictions listed in item 4 above and any other jurisdiction reasonably requested by the Agent.
7. Time stamped receipt copies of proper financing statements, duly filed under the UCC on or before the date of the initial Purchase (as defined in the Receivables Sale Agreement) in all jurisdictions as may be necessary or, in the opinion of Seller (or its assigns), desirable, under the UCC of all appropriate jurisdictions or any comparable law in order to perfect the ownership interests contemplated by the Receivables Sale Agreement.
8. Time stamped receipt copies of proper UCC termination statements, if any, necessary to release all security interests and other rights of any Person in the Receivables, Contracts or Related Security previously granted by Originator.
9. Executed Collection Account Agreements for each Lock-Box. P.O. Box and Collection Account.
10. A favorable opinion of legal counsel for Originator reasonably acceptable, in form and substance, to Seller (or its assigns) which addresses the following matters and such other matters as Seller (or its assigns) may reasonably request:
 - Originator is a corporation duly incorporated, validly existing, and in good standing under the laws of its state of incorporation.
 - Originator has all requisite authority to conduct its business in each jurisdiction where failure to be so qualified would have a material adverse effect on Originator's business.
 - Originator has all requisite power and authority to execute, deliver and perform all of its obligations under the Receivables Sale Agreement and each other Transaction Document to which it is a party.
 - The execution and delivery by Originator of the Receivables Sale Agreement and each other Transaction Document to which it is a party and its performance of its obligations thereunder have been duly authorized by all necessary corporate action and proceedings on the part of Originator and will not:
 - (a) require any action by or in respect of, or filing with, any governmental body, agency or official (other than the filing of UCC financing statements);
 - (b) contravene, or constitute a default under, any provision of applicable law or regulation or of its articles or certificate of incorporation or bylaws or of any agreement, judgment, injunction, order, decree or other instrument binding upon Originator; or

(c) result in the creation or imposition of any Adverse Claim on assets of Originator or any of its Subsidiaries (except as contemplated by the Receivables Sale Agreement).

- The Receivables Sale Agreement and each other Transaction Document to which it is a party has been duly executed and delivered by Originator and constitutes the legal, valid, and binding obligation of Originator enforceable in accordance with its terms, except to the extent the enforcement thereof may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and subject also to the availability of equitable remedies if equitable remedies are sought.
- The provisions of the Receivables Sale Agreement are sufficient to constitute authorization by Originator for the filing of the financing statements required under the Receivables Sale Agreement.
- The financing statements include not only all of the types of information required by Section 9-502(a) of the Washington UCC but also the types of information without which the Filing Office may refuse to accept the Financing Statement pursuant to Section 9-516 of the Washington UCC.
- For the purposes of the Washington UCC, Originator is a "registered organization".
- The provisions of the Receivables Sale Agreement are effective to create a valid security interest in favor of Seller in all Receivables and upon the filing of financing statements, Seller shall acquire a first priority, perfected security interest in such Receivables.
- To the best of the opinion giver's knowledge, there is no action, suit or other proceeding against Originator or any Affiliate of Originator, which would materially adversely affect the business or financial condition of Originator and its Affiliates taken as a whole or which would materially adversely affect the ability of Originator to perform its obligations under the Receivables Sale Agreement.

- 11. A "true sale" opinion and "substantive consolidation" opinion of counsel for Originator with respect to the transactions contemplated by the Receivables Sale Agreement, in form and substance satisfactory to Seller and the Agent.
- 12. Executed copies of (i) all consents from and authorizations by any Persons and (ii) all waivers and amendments to existing credit facilities, that are necessary in connection with the Receivables Sale Agreement.
- 13. Executed copies of the Subordinated Note (as defined in the Receivables Sale Agreement) by Seller in favor of Originator.
- 14. A direction letter executed by Originator authorizing Seller (and its assignees) and directing warehousemen to allow Seller (and its assignees) to inspect and make copies from Originator's books and records maintained at off-site data processing or storage facilities.

PART II: Documents to Be Delivered in Connection with the Agreement

- 1. Executed copies of the Agreement, duly executed by the parties thereto.
- 2. Copy of the Resolutions of the Board of Directors of each Seller Party certified by its Secretary authorizing such Person's execution, delivery and performance of this Agreement and the other documents to be delivered by it hereunder.
- 3. Articles or Certificate of Incorporation of each Seller Party and certified by the Secretary of State of its jurisdiction of incorporation on or within thirty (30) days prior to the initial Incremental Purchase.
- 4. Good Standing Certificates for each Seller Party issued by the Secretaries of State of its state of incorporation and each jurisdiction where it has material operations, each of which is listed below:

Seller Party	Jurisdiction of Organization	Locations of Material Operations
Seller	Washington	Washington
Servicer	Washington	Washington

- 5. A certificate of the Secretary of each Seller Party, dated as of the date hereof, certifying (i) the names and signatures of the officers authorized on its behalf to execute this Agreement and any other documents to be delivered by it hereunder and (ii) a copy of such Person's By-Laws.
- 6. Pre-filing state and federal tax lien, judgment lien and UCC lien searches against each Seller Party from the following jurisdictions:

- a. Seller:
 - b. Servicer:
7. Time stamped receipt copies of proper financing statements, duly filed under the UCC on or before the date of the initial Incremental Purchase in all jurisdictions as may be necessary or, in the opinion of the Agent, desirable, under the UCC of all appropriate jurisdictions or any comparable law in order to perfect the ownership interests contemplated by this Agreement.
 8. Time stamped receipt copies of proper UCC termination statements, if any, necessary to release all security interests and other rights of any Person in the Receivables, Contracts or Related Security previously granted by Seller.
 9. Executed copies of Collection Account Agreements for each Lock-Box, P.O. Box and Collection Account.
 10. Executed copies of the Intercreditor Agreement, duly executed by each of the parties thereto.
 11. A favorable opinion of legal counsel for the Seller Parties reasonably acceptable, in form and substance, to the Agent which addresses the following matters and such other matters as the Agent may reasonably request:
 - Each Seller Party is a corporation duly incorporated, validly existing, and in good standing under the laws of its state of incorporation.
 - Each Seller Party has all requisite authority to conduct its business in each jurisdiction where failure to be so qualified would have a material adverse effect on such Person's business.
 - Each Seller Party has all requisite power and authority to execute, deliver and perform all of its obligations under this Agreement and each other Transaction Document to which it is a party.
 - The execution and delivery by each Seller Party of this Agreement and each other Transaction Document to which it is a party and its performance of its obligations thereunder have been duly authorized by all necessary corporate action and proceedings on the part of such Person and will not:
 - (a) require any action by or in respect of, or filing with, any governmental body, agency or official (other than the filing of UCC financing statements);
 - (b) contravene, or constitute a default under, any provision of applicable law or regulation or of its articles or certificate of incorporation or bylaws or of any agreement, judgment, injunction, order, decree or other instrument binding upon such Person; or
 - (c) result in the creation or imposition of any Adverse Claim on assets of such Person or any of its Subsidiaries (except as contemplated by this Agreement).
 - This Agreement and each other Transaction Document to which such Person is a party has been duly executed and delivered by such Person and constitutes the legal, valid, and binding obligation of such Person, enforceable in accordance with its terms, except to the extent the enforcement thereof may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and subject also to the availability of equitable remedies if equitable remedies are sought.
 - The provisions of this Agreement are sufficient to constitute authorization by Seller for the filing of the financing statements required under this Agreement.
 - The financing statements include not only all of the types of information required by Section 9-502(a) of the Washington UCC but also the types of information without which the Filing Office may refuse to accept the Financing Statement pursuant to Section 9-516 of the Washington UCC.
 - For the purposes of the Washington UCC, Seller is a "registered organization".
 - The provisions of the Agreement are effective to create a valid security interest in favor of the Agent for the benefit of the Purchasers in all Receivables, and upon the filing of financing statements, the Agent for the benefit of the Purchasers shall acquire a first priority, perfected security interest in such Receivables.
 - To the best of the opinion giver's knowledge, there is no action, suit or other proceeding against any Seller Party or any of their respective Affiliates, which would materially adversely affect the business or financial condition of such Person and its Affiliates taken as a whole or which would materially adversely affect the ability of such Person to perform its obligations under any Transaction Document to which it is a party.
 12. If requested by Conduit or the Agent, a favorable opinion of legal counsel for each Financial Institution, reasonably acceptable to the Agent which addresses the following matters:

-- This Agreement has been duly executed and delivered by such Financial Institution and, assuming due authorization, execution and delivery by each of the other parties thereto, constitutes a legal, valid and binding obligation of such Financial Institution, enforceable against such Financial Institution in accordance with its terms.

13. A Compliance Certificate.
14. The Fee Letter.
15. A Monthly Report as at the last day of the calendar month immediately prior to the initial Incremental Purchase.
16. Executed copies of (i) all consents from and authorizations by any Persons and (ii) all waivers and amendments to existing credit facilities, that are necessary in connection with this Agreement.
17. A direction letter executed by Seller and the Servicer authorizing the Agent and Conduit, and directing warehousemen to allow the Agent and Conduit to inspect and make copies from Seller's books and records maintained at off-site data processing or storage facilities.
18. For each Purchaser that is not incorporated under the laws of the United States of America, or a state thereof, two duly completed copies of United States Internal Revenue Service Form W-8BEN or W-8ECI, certifying in either case that such Purchaser is entitled to receive payments under the Agreement without deduction or withholding of any United States federal income taxes.
19. Executed Purchase Notice.

SCHEDULE C
CUTOFF DATES

SCHEDULE D
LITIGATION

None.

TABLE OF CONTENTS

Page

ARTICLE I PURCHASE ARRANGEMENTS

-1- Section 1.1.....Purchase Facility

-2- Section 1.2.....Increases

-2- Section 1.3.....Decreases

-3- Section 1.4.....Payment Requirements

ARTICLE II PAYMENTS AND COLLECTIONS

-3- Section 2.1.....Payments

-4- Section 2.2.....Collections Prior to Amortization

-4- Section 2.3.....Collections Following Amortization

-5- Section 2.4.....Application of Collections

-5- Section 2.5.....Payment Rescission

-6- Section 2.6.....Maximum Purchaser Interests.

ARTICLE III CONDUIT FUNDING

-6- Section 3.1.....CP Costs

-6- Section 3.2.....CP Costs Payments

-7- Section 3.3.....Calculation of CP Costs

ARTICLE IV FINANCIAL INSTITUTION FUNDING

-7- Section 4.1.....Financial Institution Funding

-7- Section 4.2.....Yield Payments

-7- Section 4.3.....Selection and Continuation of Tranche Periods

-7- Section 4.4.....Financial Institution Bank Rates

-8- Section 4.5.....Suspension of the LIBO Rate

ARTICLE V REPRESENTATIONS AND WARRANTIES

-8- Section 5.1.....Representations and Warranties of The Seller Parties

-13- Section 5.2.....Financial Institution Representations and Warranties

ARTICLE VI CONDITIONS OF PURCHASES

-14- Section 6.1.....Conditions Precedent to Initial Incremental Purchase

-14- Section 6.2.....Conditions Precedent to All Purchases and Reinvestments

ARTICLE VII COVENANTS

-15- Section 7.1.....Affirmative Covenants of The Seller Parties

-24- Section 7.2.....Negative Covenants of The Seller Parties

ARTICLE VIII ADMINISTRATION AND COLLECTION

-26- Section 8.1.....Designation of Servicer

-26- Section 8.2.....Duties of Servicer

-28- Section 8.3.....Collection Notices

-28- Section 8.4.....Responsibilities of Seller

-28- Section 8.5.....Reports

-29- Section 8.6.....Servicing Fees

ARTICLE IX AMORTIZATION EVENTS

-29- Section 9.1.....Amortization Events

-31- Section 9.2.....Remedies

ARTICLE X INDEMNIFICATION

-32- Section 10.1.....Indemnities by The Seller Parties

-35- Section 10.2.....Increased Cost and Reduced Return

-36-	Section 10.3.....	Other Costs and Expenses
ARTICLE XI THE AGENT		
-36-	Section 11.1.....	Authorization and Action
-37-	Section 11.2.....	Delegation of Duties
-37-	Section 11.3.....	Exculpatory Provisions
-37-	Section 11.4.....	Reliance by Agent
-38-	Section 11.5.....	Non-Reliance on Agent and Other Purchasers
-38-	Section 11.6.....	Reimbursement and Indemnification
-38-	Section 11.7.....	Agent in its Individual Capacity
-39-	Section 11.8.....	Successor Agent
ARTICLE XII ASSIGNMENTS; PARTICIPATIONS		
-39-	Section 12.1.....	Assignments
-40-	Section 12.2.....	Participations
ARTICLE XIII MISCELLANEOUS		
-42-	Section 14.1.....	Waivers and Amendments
-43-	Section 14.2.....	Notices
-44-	Section 14.3.....	Ratable Payments
-44-	Section 14.4.....	Protection of Ownership Interests of the Purchasers
-45-	Section 14.5.....	Confidentiality
-45-	Section 14.6.....	Bankruptcy Petition
-46-	Section 14.7.....	Limitation of Liability
-46-	Section 14.8.....	CHOICE OF LAW
-46-	Section 14.9.....	CONSENT TO JURISDICTION
-46-	Section 14.10.....	WAIVER OF JURY TRIAL
-47-	Section 14.11.....	Integration; Binding Effect; Survival of Terms
-47-	Section 14.12.....	Counterparts; Severability; Section References
-47-	Section 14.13.....	Bank One Roles
-48-	Section 14.14.....	Characterization

Execution Copy
RECEIVABLES SALE AGREEMENT

dated as of
December 23, 2002

between

PUGET SOUND ENERGY, INC.,
as Originator

AND

RAINIER RECEIVABLES, INC.
as Buyer

RECEIVABLES SALE AGREEMENT

THIS RECEIVABLES SALE AGREEMENT, dated as of December 23, 2002, is by and between Puget Sound Energy, Inc., a Washington corporation ("Originator"), and Rainier Receivables, Inc., a Washington corporation ("Buyer"). Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in Exhibit I hereto (or, if not defined in Exhibit I hereto, the meaning assigned to such term in Exhibit I to the Purchase Agreement).

PRELIMINARY STATEMENTS

Originator now owns, and from time to time hereafter will own, Receivables. Originator wishes to sell and assign to Buyer, and Buyer wishes to purchase from Originator, all of Originator's right, title and interest in and to such Receivables, together with the Related Security and Collections with respect thereto.

Originator and Buyer intend the transactions contemplated hereby to be true sales of the Receivables from Originator to Buyer, providing Buyer with the full benefits of ownership of the Receivables, and Originator and Buyer do not intend these transactions to be, or for any purpose to be characterized as, loans from Buyer to Originator.

Following the purchase of Receivables from Originator, Buyer will sell undivided interests therein and in the associated Related Security and Collections pursuant to that certain Receivables Purchase Agreement dated as of December 23, 2002 (as the same may from time to time hereafter be amended, supplemented, restated or otherwise modified, the "Purchase Agreement") among Buyer, Originator, as Servicer, Jupiter Securitization Corporation ("Conduit"), the financial institutions from time to time party thereto as "Financial Institutions" and Bank One, NA (Main Office Chicago) or any successor agent appointed pursuant to the terms of the Purchase Agreement, as agent for Conduit and such Financial Institutions (in such capacity, the "Agent").

NOW, THEREFORE, in consideration of the foregoing premises and the mutual agreements herein contained and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I AMOUNTS AND TERMS OF THE PURCHASE

Section 1.1 Purchase of Receivables.

(a) Effective on the date hereof, in consideration for the Purchase Price and upon the terms and subject to the conditions set forth herein, Originator does hereby sell, assign, transfer, set-over and otherwise convey to Buyer, without recourse (except to the extent expressly provided herein), and Buyer does hereby purchase from Originator, all of Originator's right, title and interest in and to all Receivables existing as of the close of business on the Business Day immediately prior to the date hereof and all Receivables thereafter arising through and including the Termination Date, together, in each case, with all Related Security relating thereto and all Collections thereof. In accordance with the preceding sentence, on the date hereof Buyer shall acquire all of Originator's right, title and interest in and to all Receivables existing as of the close of business on the Business Day immediately prior to the date hereof and thereafter arising through and including the Termination Date, together with all Related Security relating thereto and all Collections thereof. Buyer shall be obligated to pay the Purchase Price for the Receivables purchased hereunder in accordance with Section 1.2. In connection with consummation of the Purchase Price for any Receivables purchased hereunder, Buyer may request that Originator deliver, and Originator shall deliver, such approvals, opinions, information, reports or documents as Buyer may reasonably request.

(b) It is the intention of the parties hereto that the Purchase of Receivables made hereunder shall constitute a sale, which sale is absolute and irrevocable and provides Buyer with the full benefits of ownership of the Receivables. Except for the Purchase Price Credits owed pursuant to Section 1.3, the sale of Receivables hereunder is made without recourse to Originator; provided, however, that (i) Originator shall be liable to Buyer for all representations, warranties, covenants and indemnities made by Originator pursuant to the terms of the Transaction Documents to which Originator is a party, and (ii) such sale does not constitute and is not intended to result in an assumption by Buyer or any assignee thereof of any obligation of Originator or any other Person arising in connection with the Receivables, the related Contracts and/or other Related Security or any other obligations of Originator. In view of the intention of the parties hereto that the Purchase of Receivables made hereunder shall constitute a sale of such Receivables rather than loans secured thereby, Originator agrees that it will, on or prior to the date hereof and in accordance with Section 4.1(e)(ii), mark its master data processing records relating to the Receivables with a legend acceptable to Buyer and to the Agent (as Buyer's assignee), evidencing that Buyer has purchased such Receivables as provided in this Agreement and to note in its financial statements that its Receivables have been sold to Buyer. Upon the request of Buyer or the Agent (as Buyer's assignee), Originator will execute and/or file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as

may be necessary or appropriate to perfect and maintain the perfection of Buyer's ownership interest in the Receivables and the Related Security and Collections with respect thereto, or as Buyer or the Agent (as Buyer's assignee) may reasonably request.

Section 1.2 Payment for the Purchase.

(a) The Purchase Price for the Purchase of Receivables in existence on the close of business on the Business Day immediately preceding the date hereof (the "Initial Cutoff Date") shall be payable in full by Buyer to Originator on the date hereof, and shall be paid to Originator in the following manner:

- (i) by delivery of immediately available funds, to the extent of funds made available to Buyer in connection with its subsequent sale of an interest in such Purchasers under the Purchase Agreement; provided that a portion of such funds Receivables to the shall be offset by amounts owed by Originator to Buyer on account of the initial issuance of equity by Buyer to Originator and having a total value of not less than the Required Capital Amount, and
- (ii) the balance, by delivery of the proceeds of a subordinated revolving loan from Originator to Buyer (a "Subordinated Loan") in an amount not to exceed the least of (i) the remaining unpaid portion of such Purchase Price, (ii) the maximum Subordinated Loan that could be borrowed without rendering Buyer's Net Worth less than the Required Capital Amount and (iii) the maximum Subordinated Loan that could be borrowed without rendering the Net Value less than the aggregate outstanding principal balance of the Subordinated Loans (including the Subordinated Loan proposed to be made on such date). Originator is hereby authorized by Buyer to endorse on the schedule attached to the Subordinated Note an appropriate notation evidencing the date and amount of each advance thereunder, as well as the date of each payment with respect thereto, provided that the failure to make such notation shall not affect any obligation of Buyer thereunder.

The Purchase Price for each Receivable coming into existence after the Initial Cutoff Date shall be due and owing in full by Buyer to Originator or its designee on the date each such Receivable came into existence (except that Buyer may, with respect to any such Purchase Price, offset against such Purchase Price any amounts owed by Originator to Buyer hereunder and which have become due but remain unpaid) and shall be paid to Originator in the manner provided in the following paragraphs (b), (c) and (d).

(b) With respect to any Receivables coming into existence after the Initial Cutoff Date, on each Settlement Date, Buyer shall pay the Purchase Price therefor in accordance with Section 1.2(d) and in the following manner:

first, by delivery of immediately available funds, to the extent of funds available to Buyer from its subsequent sale of an interest in the Receivables to the Agent for the benefit of the Purchasers under the Purchase Agreement or other cash on hand;

second, by delivery of the proceeds of a Subordinated Loan, provided that the making of any such Subordinated Loan shall be subject to the provisions set forth in Section 1.2(a)(ii); and

third, unless Originator has declared the Termination Date to have occurred pursuant to Section 5.2, by accepting a contribution to its capital in an amount equal to the remaining unpaid balance of such Purchase Price.

Subject to the limitations set forth in Section 1.2(a)(ii), Originator irrevocably agrees to advance each Subordinated Loan requested by Buyer on or prior to the Termination Date. The Subordinated Loans shall be evidenced by, and shall be payable in accordance with the terms and provisions of the Subordinated Note and shall be payable solely from funds which Buyer is not required under the Purchase Agreement to set aside for the benefit of, or otherwise pay over to, the Purchasers.

(c) From and after the Termination Date, Originator shall not be obligated to (but may, at its option): (i) sell Receivables to Buyer, or (ii) contribute Receivables to Buyer's capital pursuant to clause third of Section 1.2(b) unless Originator reasonably determines that the Purchase Price therefor will be satisfied with funds available to Buyer from sales of interests in the Receivables pursuant to the Purchase Agreement, Collections, proceeds of Subordinated Loans, other cash on hand or otherwise.

(d) Although the Purchase Price for each Receivable coming into existence after the Initial Cutoff Date shall be due and payable in full by Buyer to Originator on the date such Receivable came into existence, settlement of the Purchase Price between Buyer and Originator shall be effected on a monthly basis on Settlement Dates with respect to all Receivables coming into existence during the same Calculation Period and based on the information contained in the Monthly Report delivered by the Servicer pursuant to Article VIII of the Purchase Agreement for the Calculation Period then most recently ended. Although settlement shall be effected on Settlement Dates, increases or decreases in the amount owing under the Subordinated Note made pursuant to Section 1.2(b) and any contribution of capital by Originator to Buyer made pursuant to Section 1.2(b) shall be deemed to have occurred and shall be effective as of the last Business Day of the Calculation Period to which such settlement relates.

Section 1.3 Purchase Price Credit Adjustments. If on any day:

Exhibit No. (DEG-17)
Page 68 of 95

(a) the Outstanding Balance of a Receivable is:

- (i) reduced as a result of any defective or rejected or returned goods or services, any

discount or any adjustment or otherwise by Originator (other than cash Collections on account of the Receivables),

(ii) reduced or canceled as a result of a setoff in respect of any claim by any Person (whether such claim arises out of the same or a related transaction or an unrelated transaction), or

(b) any of the representations and warranties set forth in Article II are not true when made or deemed made with respect to any Receivable,

then, in such event, Buyer shall be entitled to a credit (each, a "Purchase Price Credit") against the Purchase Price otherwise payable hereunder equal to the Outstanding Balance of such Receivable (calculated before giving effect to the applicable reduction or cancellation). If such Purchase Price Credit exceeds the Original Balance of the Receivables coming into existence on any day, then Originator shall pay the remaining amount of such Purchase Price Credit in cash immediately, provided that if the Termination Date has not occurred, Originator shall be allowed to deduct the remaining amount of such Purchase Price Credit from any indebtedness owed to it under the Subordinated Note.

Section 1.4 Payments and Computations, Etc. All amounts to be paid or deposited by Buyer hereunder shall be paid or deposited in accordance with the terms hereof on the day when due in immediately available funds to the account of Originator designated from time to time by Originator or as otherwise directed by Originator. In the event that any payment owed by any Person hereunder becomes due on a day that is not a Business Day, then such payment shall be made on the next succeeding Business Day. If any Person fails to pay any amount hereunder when due, such Person agrees to pay, on demand, the Default Fee in respect thereof until paid in full; provided, however, that such Default Fee shall not at any time exceed the maximum rate permitted by applicable law. All computations of interest payable hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first but excluding the last day) elapsed.

Section 1.5 Transfer of Records.

(a) In connection with the Purchase of Receivables hereunder, Originator hereby sells, transfers, assigns and otherwise conveys to Buyer all of Originator's right and title to and interest in the Records relating to all Receivables sold hereunder, without the need for any further documentation in connection with the Purchase. In connection with such transfer, Originator hereby grants to each of Buyer, the Agent and the Servicer an irrevocable, non-exclusive license to use, without royalty or payment of any kind, all software used by Originator to account for the Receivables, to the extent necessary to administer the Receivables, whether such software is owned by Originator or is owned by others and used by Originator under license agreements with respect thereto, provided that should the consent of any licensor of such software be required for the grant of the license described herein, to be effective, Originator hereby agrees that upon the request of Buyer (or Buyer's assignee), Originator will use its reasonable efforts to obtain the consent of such third-party licensor. The license granted hereby shall be irrevocable until the indefeasible payment in full of the Aggregate Unpaid, and shall terminate on the date this Agreement terminates in accordance with its terms.

(b) Originator (i) shall take such action requested by Buyer and/or the Agent (as Buyer's assignee), from time to time hereafter, that may be necessary or appropriate to ensure that Buyer and its assigns under the Purchase Agreement have an enforceable ownership interest in the Records relating to the Receivables purchased from Originator hereunder, and (ii) shall use its reasonable efforts to ensure that Buyer, the Agent and the Servicer each has an enforceable right (whether by license or sublicense or otherwise) to use all of the computer software used to account for the Receivables and/or to recreate such Records.

Section 1.6 Characterization. If, notwithstanding the intention of the parties expressed in Section 1.1(b), the sale or contribution by Originator to Buyer of Receivables hereunder shall be characterized as a secured loan and not a sale or such sale shall for any reason be ineffective or unenforceable, then this Agreement shall be deemed to constitute a security agreement under the UCC and other applicable law. For this purpose and without being in derogation of the parties' intention that the sale of Receivables hereunder shall constitute a true sale thereof, Originator hereby grants to Buyer a duly perfected security interest in all of Originator's right, title and interest in, to and under all Receivables now existing and hereafter arising, all Collections and Related Security with respect thereto, each Lock-Box, P.O. Box and Collection Account, all other rights and payments relating to the Receivables and all proceeds of the foregoing to secure the prompt and complete payment of a loan deemed to have been made in an amount equal to the Purchase Price of the Receivables together with all other obligations of Originator hereunder, which security interest shall be prior to all other Adverse Claims thereto. Buyer and its assigns shall have, in addition to the rights and remedies which they may have under this Agreement, all other rights and remedies provided to a secured creditor under the UCC and other applicable law, which rights and remedies shall be cumulative.

Exhibit No. (DEG-17)
Page 69 of 95

ARTICLE II REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties of Originator. Originator hereby represents and warrants to Buyer on the date hereof, on the date of the Purchase and on each date that any Receivable comes into existence that:

(a) Corporate Existence and Power. Originator is (a) a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation; (b) has all requisite corporate power, and has all material governmental licenses, authorizations, consents and approvals necessary to own its property and carry on its business as now being conducted; and (c) is qualified to do business in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure so to qualify could reasonably be expected

to have a Material Adverse Effect.

(b) Power and Authority; Due Authorization, Execution and Delivery. Originator has all necessary corporate power and authority to execute and deliver this Agreement and each other Transaction Document to which it is a party, and to perform its obligations hereunder and thereunder and to use the proceeds of the Purchase made hereunder. The execution and delivery by Originator of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder have been duly authorized by all necessary corporate action on its part. This Agreement and each other Transaction Document to which Originator is a party has been duly and validly executed and delivered by Originator.

(c) No Conflict. None of the execution and delivery by Originator of this Agreement and each other Transaction Document to which it is a party, nor the performance of its obligations hereunder and thereunder will conflict with or result in a breach of, or a default under, or require any consent under, (i) its certificate or articles of incorporation or by-laws, (ii) any law, rule or regulation applicable to it, (iii) any agreement or instrument to which it is a party or by which it or any of its property is bound or subject, or (iv) any order, writ, judgment, injunction or decree of any court or governmental authority or agency binding on or affecting it or its property, and will not result in or require the creation or imposition of any Adverse Claim upon any of the revenues or on assets of Originator or its Subsidiaries (except as created hereunder); and no transaction contemplated hereby requires compliance with any bulk sales act or similar law.

(d) Governmental Authorization. Other than the filing of the financing statements required hereunder and the approval of the Washington Utilities and Transportation Commission (which Originator has obtained), no authorizations, approvals or consents of, and no notices to, or filings or registrations with, any governmental authority or regulatory authority or agency (other than informational filings) are necessary for the execution and delivery by Originator of this Agreement and each other Transaction Document to which it is a party and the performance of its obligations hereunder and thereunder or for the validity or enforceability hereof or thereof.

(e) Actions, Suits. There are not, in any court or before any arbitrator of any kind or before or by any governmental body, any actions, suits or proceedings pending or, to Originator's knowledge, threatened against or affecting Originator or any of its businesses or properties except for actions, suits or proceedings (i) that exist as of the date of this Agreement and are disclosed in PSE's Annual Report on Form 10-K for the year ended December 31, 2001, PSE's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2002, June 30, 2002 or September 30, 2002 or on Schedule D to the Purchase Agreement and (ii) which, singly or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. Originator is not in default with respect to any order of any court, arbitrator or governmental body, which default could reasonably be expected to have a Material Adverse Effect.

(f) Binding Effect. This Agreement and each other Transaction Document to which Originator is a party constitute the legal, valid and binding obligations of Originator enforceable against Originator in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(g) Accuracy of Information. No information, exhibit or report furnished by Originator or any of its Affiliates to Buyer (or its assigns) in connection with the negotiation of, or compliance with, this Agreement (including any Monthly Report, Weekly Report or Daily Report) or any of the other Transaction Documents contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not misleading.

(h) Use of Proceeds. Originator is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying margin stock, as defined in Regulation U promulgated by the Board of Governors of the Federal Reserve System from time to time, and no part of the proceeds of any Purchase Price payment will be used to buy or carry any margin stock. No part of the proceeds of any Purchase Price payment hereunder will be used to acquire stock of any corporation the board of directors of which has publicly stated its opposition to such acquisition or fails to endorse such acquisition.

(i) Good Title. Immediately prior to the Purchase hereunder and upon the creation of each Receivable coming into existence after the Initial Cut-Off Date, Originator (i) is the legal and beneficial owner of the Receivables and (ii) is the legal and beneficial owner of the Related Security with respect thereto or possesses a valid and perfected security interest therein, in each case, free and clear of any Adverse Claim, except as created by the Transaction Documents. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Originator's ownership interest in each Receivable, its Collections and the Related Security.

(j) Perfection. This Agreement, together with the filing of the financing statements contemplated hereby, is effective to transfer to Buyer (and Buyer shall acquire from Originator) (i) legal and equitable title to, with the right to sell and encumber each Receivable existing and hereafter arising, together with the Collections with respect thereto, and (ii) all of Originator's right, title and interest in the Related Security associated with each Receivable, in each case, free and clear of any Adverse Claim, except as created by the Transaction Documents. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Buyer's ownership interest in the Receivables, the Related Security and the Collections.

(k) Jurisdiction of Organization; Places of Business, etc. The jurisdiction of organization, principal places of business and chief executive office of Originator and the offices where it keeps all of its Records are located at the address(es) listed on Exhibit II or such other

locations of which Buyer has been notified in accordance with Section 4.2(a) in jurisdictions where all action required by Section 4.1(g) and Section 7.3(a) has been taken and completed. Originator's organizational number assigned to it by its jurisdiction of organization and its Federal Employer's Identification Number are correctly set forth on Exhibit II. Originator has not, within a period of one year prior to the date hereof, (i) changed the location of its principal place of business or chief executive office or its organizational structure, (ii) changed its legal name, (iii) changed its "location" (within the meaning of Section 9-307 of the UCC as in effect in all applicable jurisdictions), or (iv) become a "new debtor" (as defined in Section 9-102(a)(56) of the UCC as in effect in all applicable jurisdictions) with respect to a currently effective security agreement previously entered into by any other Person. Originator has not changed its jurisdiction of organization. Originator is a Washington corporation and is a "registered organization" (within the meaning of Section 9-102 of the UCC as in effect in the State of Washington).

(l) Collections. The conditions and requirements set forth in Section 4.1(j) have at all times been satisfied and duly performed. The names and addresses of all Collection Banks, together with the account numbers of the Collection Accounts at each Collection Bank and the post office box number of each Lock-Box or P.O. Box are listed on Exhibit III. Originator has not granted any Person, other than Buyer (and its assigns) dominion and control or "control" (within the meaning of Section 9-104 of the UCC of all applicable jurisdictions) of any Lock-Box, P.O. Box or Collection Account, or the right to take dominion and control or "control" (within the meaning of Section 9-104 of the UCC of all applicable jurisdictions) of any such Lock-Box, P.O. Box or Collection Account at a future time or upon the occurrence of a future event. Originator has taken all steps necessary to ensure that Buyer (or its assigns) has "control" (within the meaning of Section 9-104 of the UCC of all applicable jurisdictions) over all Collection Accounts. Originator has the ability to identify, within one Business Day of receipt or deposit, all amounts that are received in any Lock-Box or P.O. Box or deposited to any Collection Account as constituting Collections or non-Collections. Except for proceeds of Excluded Receivables (which shall be electronically swept or otherwise transferred out of such Collection Account within 1 Business Day of being deposited therein in accordance with Section 4.1(i)), no funds other than the proceeds of Receivables are deposited to any Collection Account.

(m) Material Adverse Effect. Since December 31, 2001, no event has occurred that could reasonably be expected to have a Material Adverse Effect.

(n) Names. In the past five (5) years, Originator has not used any corporate or other names, trade names or assumed names other than the name in which it has executed this Agreement.

(o) Ownership of Buyer. Originator owns, directly or indirectly, 100% of the issued and outstanding capital stock of Buyer, free and clear of any Adverse Claim. Such capital stock is validly issued, fully paid and nonassessable, and there are no options, warrants or other rights to acquire securities of Buyer.

(p) PUHCA Investment Company Act. Originator is a wholly-owned Subsidiary of Puget Energy, Inc., a public utility holding company under the Public Utility Holding Company Act of 1935, as amended ("PUHCA"), which is exempt from regulation under PUHCA and the Securities and Exchange Commission's ("SEC"), rules thereunder (except for regulation under Section 9(a)(2) of PUHCA) pursuant to Section 3(a)(1) and SEC Rule 2 under PUHCA. Originator is not, and after giving effect to the transactions contemplated hereby, will not be required to register as, an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or any successor statute.

(q) Compliance with Law. Originator has complied in all material respects with all applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof having jurisdiction over the conduct of its businesses or the ownership of its property, except for any failure to comply with any of the foregoing that could not reasonably be expected to have a Material Adverse Effect. Each Receivable, together with the Contract related thereto, does not contravene any laws, rules or regulations applicable thereto (including, without limitation, laws, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices or and privacy), and no part of such Contract is in violation of any such law, rule or regulation.

(r) Compliance with Credit and Collection Policy. Originator has complied in all material respects with the Credit and Collection Policy with regard to each Receivable and the related Contract, and has not made any change to such Credit and Collection Policy, except as permitted under Section 4.2(c) and as to which Buyer (or its assigns) has been notified, and if applicable, as to which Buyer (or its assigns) has consented, in each case, in accordance with Section 4.1(a)(vii).

(s) Payments to Originator. With respect to each Receivable transferred to Buyer hereunder, the Purchase Price received by Originator constitutes reasonably equivalent value in consideration therefor and such transfer was not made for or on account of an antecedent debt. No transfer by Originator of any Receivable hereunder is or may be voidable under any section of the Federal Bankruptcy Code.

(t) Enforceability of Contracts. Each Contract with respect to each Receivable is effective to create, and has created, a legal, valid and binding obligation of the related Obligor to pay the Outstanding Balance of the Receivable created thereunder and any accrued interest thereon, enforceable against the Obligor in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(u) Eligible Receivables. Each Receivable included at any time in the Net Receivables Balance as an Eligible Receivable was, on the later to occur of the date of the Purchase and the date it

came into existence, an Eligible Receivable on such date.

(v) Accounting. The manner in which Originator accounts for the transactions contemplated by this Agreement does not jeopardize the characterization of the transactions contemplated herein as being true sales.

(w) Identification of Receivables. Originator identifies the receivables sold (or purported to be sold) to Buyer hereunder on its books and records (including any accounting system) with the account code "FERC 142 Account Receivable."

ARTICLE III CONDITIONS OF PURCHASE

Section 3.1 Conditions Precedent to Purchase. The Purchase under this Agreement is subject to the conditions precedent that (a) Buyer shall have received on or before the date of such purchase those documents listed on Schedule A, (b) all of the conditions to the initial purchase under the Purchase Agreement shall have been satisfied or waived in accordance with the terms thereof and (c) Originator shall have marked its books and records with a legend satisfactory to Buyer (and its assigns) identifying Buyer's ownership interest in the Receivables, Related Security and Collections.

Section 3.2 Conditions Precedent to Subsequent Payments. Buyer's obligation to pay for Receivables coming into existence after the Initial Cutoff Date shall be subject to the further conditions precedent that (a) the Facility Termination Date shall not have occurred; (b) Buyer (or its assigns) shall have received such other approvals, opinions or documents as it may reasonably request; and (c) on the date such Receivable came into existence, the following statements shall be true (and acceptance of the proceeds of any payment for such Receivable shall be deemed a representation and warranty by Originator that such statements are then true):

(i) the representations and warranties set forth in Article II are true and correct on and as of the date such Receivable came into existence as though made on and as of such date; and

(ii) no event has occurred and is continuing that will constitute a Termination Event or a Potential Termination Event.

Notwithstanding the foregoing conditions precedent, upon payment of the Purchase Price for any Receivable (whether by payment of cash, through an increase in the amounts outstanding under the Subordinated Note, by offset of amounts owed to Buyer and/or by capital contributions), title to such Receivable and the Related Security and Collections with respect thereto shall vest in Buyer, whether or not the conditions precedent to Buyer's obligation to pay for such Receivable were in fact satisfied. The failure of Originator to satisfy any of the foregoing conditions precedent, however, shall give rise to a right of Buyer to rescind the related purchase and direct Originator to pay to Buyer an amount equal to the Purchase Price payment that shall have been made with respect to any Receivables related thereto.

ARTICLE IV COVENANTS

Section 4.1 Affirmative Covenants of Originator. Until the date on which this Agreement terminates in accordance with its terms, Originator hereby covenants as set forth below:

(a) Financial Reporting. Originator will maintain, for itself and each of its Subsidiaries, a system of accounting established and administered in accordance with GAAP, and furnish to Buyer (or its assigns):

(i) Annual Reporting. As soon as available and in any event within 120 days after the end of each fiscal year of Originator, a copy of the Annual Report on Form 10-K (or any successor form) for Originator for such year, together with a copy of the accompanying report of Originator's independent certified public accounting firm.

(ii) Quarterly Reporting. As soon as available and in any event within 60 days after the close of each of the first three quarterly accounting periods in each fiscal year of Originator, a copy of the Quarterly Report on Form 10-Q (or any successor form) for Originator for such quarter.

(iii) Compliance Certificate. Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit IV signed by Originator's Authorized Officer and dated the date of such annual financial statement or such quarterly financial statement, as the case may be.

(iv) Shareholders Statements and Reports. In addition to the information required to be furnished in accordance with clauses (i) and (ii) above, promptly upon the furnishing thereof to the shareholders of Originator, copies of all other financial statements, reports and proxy statements so furnished.

(v) S.E.C. Filings. Promptly upon the filing thereof, copies of all annual, quarterly, monthly or other regular reports, and promptly upon the request of Buyer (or its assigns), copies of all registration statements, in each case, which Originator or any of its Subsidiaries files with the Securities and Exchange Commission.

(vi) Copies of Notices. Promptly upon its receipt of any notice, request for consent, financial statements, certification, report or other communication under or in connection with any Transaction Document from any Person other than Buyer, the

Agent or Conduit, copies of the same.

(vii) Change in Credit and Collection Policy. At least thirty (30) days prior to the effectiveness of any material change in or material amendment to the Credit and Collection Policy, a copy of the Credit and Collection Policy then in effect and a notice (A) indicating such change or amendment, and (B) if such proposed change or amendment would be reasonably likely to adversely affect the collectibility of the Receivables or decrease the credit quality of any newly created Receivables, requesting Buyer's consent thereto.

(viii) Other Information. Promptly, from time to time, such other information, documents, records or reports relating to the Receivables or the condition or operations, financial or otherwise, of Originator as Buyer (or its assigns) may from time to time reasonably request in order to protect the interests of Buyer (and its assigns) under or as contemplated by this Agreement.

(b) Notices. Originator will notify the Buyer (or its assigns) in writing of any of the following promptly upon learning of the occurrence thereof, describing the same and, if applicable, the steps being taken with respect thereto:

(i) Termination Events or Potential Termination Events. The occurrence of each Termination Event and each Potential Termination Event, by a statement of an Authorized Officer of Originator.

(ii) Judgment and Proceedings. (1) The entry of any judgment or decree against Originator or any of its Subsidiaries if the aggregate amount of all judgments and decrees then outstanding against Originator and its Subsidiaries exceeds \$25,000,000, (2) the institution of any litigation, arbitration proceeding, investigation or governmental proceeding against Originator which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, and (3) any material development in any previously disclosed litigation, arbitration proceeding, investigation or governmental proceeding.

(iii) Material Adverse Effect. The occurrence of any event or condition that has had, or could reasonably be expected to have, a Material Adverse Effect.

(iv) Defaults Under Other Agreements. The occurrence of a default or an event of default under any other financing arrangement pursuant to which Originator is a debtor or an obligor.

(v) Downgrade of the Originator. Any downgrade in the rating of any Indebtedness of Originator by S&P or by Moody's, setting forth the Indebtedness affected and the nature of such change.

(c) Compliance with Laws and Preservation of Corporate Existence.

(i) Originator will comply with the requirements of all applicable laws, rules, regulations and governmental approvals, and all orders, writs, injunctions and decrees of any court or governmental authority or agency, if failure to comply with such requirements could reasonably be expected to have a Material Adverse Effect.

(ii) Originator will (A) preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation and (B) qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where its business is conducted, except where the failure to so qualify could not reasonably be expected to have a Material Adverse Effect.

(d) Audits. Originator will furnish to Buyer (or its assigns) from time to time such information with respect to it and the Receivables as Buyer (or its assigns) may reasonably request. Originator will, from time to time during regular business hours as requested by Buyer (or its assigns), upon reasonable notice and at the sole cost of Originator, permit Buyer (or its assigns) or their respective agents or representatives, (i) to examine and make copies of and abstracts from all Records in the possession or under the control of Originator relating to the Receivables and the Related Security, including, without limitation, the related Contracts, and (ii) to visit the offices and properties of Originator for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to Originator's financial condition or the Receivables and the Related Security or Originator's performance under any of the Transaction Documents or Originator's performance under the Contracts and, in each case, with any of the Authorized Officers of Originator having knowledge of such matters (the activities referred to in the preceding clauses (i) and (ii), collectively, an "Audit"). Notwithstanding the foregoing, unless a Termination Event shall have occurred and be continuing or a Daily Reporting Period shall be in effect, Originator shall not be responsible for the costs of more than two Audits performed during any consecutive 12-month period.

(e) Keeping and Marking of Records and Books.

(i) Originator will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Receivables (including, without limitation, records adequate to permit the immediate identification of each new Receivable and all Collections of and adjustments to each existing Receivable). Originator will give Buyer (or its assigns) notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(ii) Originator will (A) on or prior to the date hereof, mark its master data processing records and other books and records relating to the Receivables with a legend, acceptable to Buyer (or its assigns), describing Buyer's ownership interests in the Receivables and further describing the Purchaser Interests of the Agent (on behalf of the Purchasers) under the Purchase Agreement and (B) upon the request of Buyer (or its assigns), (x) mark each Contract with a legend describing Buyer's ownership interests in the Receivables and further describing the Purchaser Interests of the Agent (on behalf of the Purchasers) and (y) deliver to Buyer (or its assigns) all Contracts (including, without limitation, all multiple originals of any such Contract) relating to the Receivables.

(f) Compliance with Contracts and Credit and Collection Policy. Originator will timely and fully (i) perform and comply with all provisions, covenants and other promises required to be observed by it under the Contracts related to the Receivables, and (ii) comply in all material respects with the Credit and Collection Policy in regard to each Receivable and the related Contract.

(g) Ownership. Originator will take all necessary action to establish and maintain, irrevocably in Buyer, (A) legal and equitable title to the Receivables and the Collections and (B) all of Originator's right, title and interest in the Related Security associated with the Receivables, in each case, free and clear of any Adverse Claims other than Adverse Claims in favor of Buyer (and its assigns) (including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Buyer's interest in such Receivables, Related Security and Collections and such other action to perfect, protect or more fully evidence the interest of Buyer as Buyer (or its assigns) may reasonably request).

(h) Purchasers' Reliance. Originator acknowledges that the Agent and the Purchasers are entering into the transactions contemplated by the Purchase Agreement in reliance upon Buyer's identity as a legal entity that is separate from Originator and any Affiliates thereof. Therefore, from and after the date of execution and delivery of this Agreement, Originator will take all reasonable steps including, without limitation, all steps that Buyer or any assignee of Buyer may from time to time reasonably request to maintain Buyer's identity as a separate legal entity and to make it manifest to third parties that Buyer is an entity with assets and liabilities distinct from those of each Related Entity and not just a division of any Related Entity. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, Originator (i) will not hold itself out to third parties as liable for the debts of Buyer nor purport to own the Receivables and other assets acquired by Buyer, (ii) will take all other actions necessary on its part to ensure that Buyer is at all times in compliance with the covenants set forth in Section 7.1(i) of the Purchase Agreement and (iii) will cause all tax liabilities arising in connection with the transactions contemplated herein or otherwise to be allocated between Originator and Buyer on an arm's-length basis and in a manner consistent with the procedures set forth in U.S. Treasury Regulations ss.1.1502-33(d) and 1.1552-1.

(i) Collections. Originator will instruct all Obligors to remit all Collections directly to a Lock-Box, P.O. Box or Collection Account. Originator will cause (1) all items from all P.O. Boxes to be processed and deposited into a Collection Account within 1 Business Day after receipt in a P.O. Box and all proceeds from all Lock-Boxes to be directly deposited by a Collection Bank into a Collection Account, (2) all non-Collection amounts deposited to any Collection Account to be electronically swept or otherwise transferred out of such Collection Account within 1 Business Day of being deposited therein and (3) from and after January 31, 2003, each Lock-Box, P.O. Box and Collection Account to be subject at all times to a Collection Account Agreement that is in full force and effect. In the event any payments relating to Receivables are remitted directly to Originator or any Affiliate of Originator, Originator will remit (or will cause all such payments to be remitted) directly to a Collection Bank and deposited into a Collection Account within two (2) Business Days following receipt thereof and, at all times prior to such remittance, Originator will itself hold or, if applicable, will cause such payments to be held in trust for the exclusive benefit of Buyer and its assigns. Originator will transfer exclusive ownership, dominion and control and "control" (within the meaning of Section 9-104 of the UCC of all applicable jurisdictions) of each Lock-Box, P.O. Box and Collection Account to Buyer and, will not grant the right to take dominion and control or "control" (within the meaning of Section 9-104 of the UCC of all applicable jurisdictions) of any Lock-Box, P.O. Box or Collection Account at a future time or upon the occurrence of a future event to any Person, except to Buyer (or its assigns) as contemplated by this Agreement and the Purchase Agreement. With respect to each Collection Account, Originator shall take all steps necessary to ensure that Buyer (and its assigns) has "control" (within the meaning of Section 9-104 of the UCC of all applicable jurisdictions) over each such Collection Account.

(j) Taxes. Originator will file all tax returns and reports required by law to be filed by it and will promptly pay and discharge, before the same shall become delinquent, all taxes, assessments and governmental charges or levies imposed upon it or upon its property, except any such taxes, assessments, charges or levies (i) that are being diligently contested in good faith by appropriate proceedings or (ii) subject to the last sentence of this subsection (j), the non-payment of which could not reasonably be expected to have a Material Adverse Effect. Originator will pay when due any taxes payable in connection with the Receivables, exclusive of taxes on or measured by income or gross receipts of Buyer and its assigns.

(k) Insurance. Originator will maintain with responsible insurance companies or through its program of self-insurance, insurance against at least such risks and in at least such amounts as is customarily maintained by similar businesses, or as may be required by any applicable law, rule or regulation, any governmental approval, or any order, writ, injunction or decree of any court or governmental authority or agency.

(l) Identification of Receivables. Originator shall at all times identify receivables sold

(or purported to be sold) to Buyer hereunder on its books and records (including its accounting system) with the account code "FERC 142 Account Receivable."

Section 4.2 Negative Covenants of Originator. Until the date on which this Agreement terminates in accordance with its terms, Originator hereby covenants that:

(a) Name and Jurisdiction Change, Offices and Records. Originator will not change its name, jurisdiction of organization, identity or corporate structure (within the meaning of Sections 9-503 and/or 9-507 of the UCC of all applicable jurisdictions), become a "new debtor" (as defined in Section 9-102(a)(56) of the UCC of all applicable jurisdictions) with respect to a currently effective security agreement previously entered into by any other Person, change its "location" (within the meaning of Section 9-307 of the UCC of all applicable jurisdictions) or relocate its chief executive office, principal place of business or any office where Records are kept unless it shall have: (i) given Buyer (or its assigns) at least forty-five (45) days' prior written notice thereof and (ii) delivered to Buyer (or its assigns) all financing statements, instruments and other documents requested by Buyer (or its assigns) in connection with such change, event or relocation.

(b) Change in Payment Instructions to Obligors. Originator will not add or terminate any bank as a Collection Bank, or make any change in the instructions to Obligors regarding payments to be made to any Lock-Box, P.O. Box or Collection Account, unless Buyer (or its assigns) shall have received, at least ten (10) days before the proposed effective date therefor, (i) written notice of such addition, termination or change and (ii) with respect to the addition of a Collection Bank or a Collection Account, P.O. Box or Lock-Box, an executed Collection Account Agreement with respect to the new Collection Account, P.O. Box or Lock-Box; provided, however, that Originator may make changes in instructions to Obligors regarding payments if such new instructions require such Obligor to make payments to another existing Collection Account.

(c) Modifications to Contracts and Credit and Collection Policy. Originator will not make any change to the Credit and Collection Policy that could adversely affect the collectibility of the Receivables or decrease the credit quality of any newly created Receivables. Except as otherwise permitted in its capacity as Servicer pursuant to Article VIII of the Purchase Agreement, Originator will not extend, amend or otherwise modify the terms of any Receivable or any Contract related thereto other than in accordance with the Credit and Collection Policy.

(d) Sales, Liens. Originator will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, or create or suffer to exist any Adverse Claim upon (including, without limitation, the filing of any financing statement) or with respect to, any Receivable, Related Security or Collections, or upon or with respect to any Contract under which any Receivable arises, or any Lock-Box, P.O. Box or Collection Account, or assign any right to receive income with respect thereto (other than, in each case, the creation of the interests therein in favor of Buyer provided for herein), and Originator will defend the right, title and interest of Buyer in, to and under any of the foregoing property, against all claims of third parties claiming through or under Originator. Originator shall not create or suffer to exist any mortgage, pledge, security interest, encumbrance, lien, charge or other similar arrangement on any of its inventory.

(e) Accounting for Purchase. Originator will not, and will not permit any Affiliate to, account for or treat (whether in financial statements or otherwise) the transactions contemplated hereby in any manner other than the sale of the Receivables and the Related Security by Originator to Buyer or in any other respect account for or treat the transactions contemplated hereby in any manner other than as a sale of the Receivables and the Related Security by Originator to Buyer except to the extent that such transactions are not recognized on account of consolidated financial reporting in accordance with generally accepted accounting principles.

(f) Collections. Except for proceeds of Excluded Receivables (which shall be electronically swept or otherwise transferred out of such Collection Account within 1 Business Day of being deposited therein in accordance with Section 4.1(i)), Originator will not deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Collection Account cash or cash proceeds other than Collections. From and after January 31, 2003, Originator will not deposit or otherwise credit, or cause or permit to be so deposited or credited, any Collections or proceeds thereof to any lock-box account or to any other account not covered by a Collection Account Agreement.

ARTICLE V TERMINATION EVENTS

Section 5.1 Termination Events. The occurrence of any one or more of the following events shall constitute a "Termination Event":

- (a) Originator shall fail:
- (i) to make any payment or deposit required hereunder when due and such failure continues for two (2) Business Days, or to perform or observe any term, covenant or agreement set forth in Section 4.1(a), (b), (c)(ii)(A), (i) or (l) or Section 4.2,
 - (ii) to perform or observe any term, covenant or agreement set forth in Section 4.1(d), (g) or (h) and such failure shall continue for five (5) consecutive Business Days after the earlier of (A) Originator obtaining knowledge thereof or (B) Buyer (or its assigns) delivers written notice thereof, or
 - (iii) to perform or observe any term, covenant or agreement hereunder (other than as referred to in clauses (i) and (ii) of this subsection (a)) or any other Transaction Document to which it is a party and such failure shall continue for thirty (30) consecutive days after the earlier of (A) Originator obtaining knowledge thereof

or (B) Buyer (or its assigns) delivers written notice thereof.

(b) Any representation, warranty, certification or statement made by Originator in this Agreement, any other Transaction Document or in any other document delivered pursuant hereto or thereto shall prove to have been materially false on the date as of which made or deemed made.

(c) Failure of Originator to pay any Indebtedness when due in excess of \$25,000,000 in the aggregate; or the default by Originator in the performance of any term, provision or condition contained in any agreement under which any such Indebtedness was created or is governed, the effect of which is to cause, or to permit the holder or holders of such Indebtedness to cause, such Indebtedness to become due prior to its stated maturity; or any such Indebtedness of Originator shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the date of maturity thereof.

(d) (i) Originator or any of its Significant Subsidiaries shall generally not pay its debts as such debts become due or shall admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors; or (ii) any proceeding shall be instituted by or against Originator or any of its Significant Subsidiaries seeking to adjudicate it bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or any substantial part of its property; or (iii) Originator or any of its Significant Subsidiaries shall take any corporate action to authorize any of the actions set forth in the foregoing clauses (i) or (ii) of this subsection (d).

(e) A Change of Control shall occur.

(f) One or more final judgments for the payment of money in an amount in excess of \$25,000,000, individually or in the aggregate, shall be entered against Originator on claims not covered by insurance or as to which the insurance carrier has denied its responsibility, and such judgment shall continue unsatisfied and in effect for sixty (60) days without a stay of execution.

Section 5.2 Remedies. Upon the occurrence and during the continuation of a Termination Event, Buyer may take any of the following actions: (i) declare the Termination Date to have occurred, whereupon the Termination Date shall forthwith occur, without demand, protest or further notice of any kind, all of which are hereby expressly waived by Originator; provided, however, that upon the occurrence of a Termination Event described in Section 5.1(d), or of an actual or deemed entry of an order for relief with respect to Originator under the Federal Bankruptcy Code or under any other applicable bankruptcy, insolvency, arrangement, moratorium or similar laws of any other jurisdiction (foreign or domestic), the Termination Date shall automatically occur, without demand, protest or any notice of any kind, all of which are hereby expressly waived by Originator and (ii) to the fullest extent permitted by applicable law, declare that the Default Fee shall accrue with respect to any amounts then due and owing by Originator to Buyer. The aforementioned rights and remedies shall be without limitation and shall be in addition to all other rights and remedies of Buyer and its assigns otherwise available under any other provision of this Agreement or any other Transaction Document, by operation of law, at equity or otherwise, all of which are hereby expressly preserved, including, without limitation, all rights and remedies provided under the UCC in effect in any jurisdiction, all of which rights shall be cumulative.

ARTICLE VI INDEMNIFICATION

Section 6.1 Indemnities by Originator. Without limiting any other rights that Buyer may have hereunder or under applicable law, Originator hereby agrees to indemnify (and pay upon demand to) Buyer and its assigns, successors officers, directors, agents, employees and Affiliates (each an "Indemnified Party") from and against any and all damages, losses, claims, taxes, liabilities, costs, expenses and for all other amounts payable, including reasonable attorneys' fees (which attorneys may be employees of Buyer or any such assign) and disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded against or incurred by any of them arising out of or as a result of this Agreement or the acquisition, either directly or indirectly, by Buyer of an interest in the Receivables, Contracts or Related Security, excluding, however:

- (i) Indemnified Amounts to the extent a final judgment of a court of competent jurisdiction holds that such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of the Indemnified Party seeking indemnification;
- (ii) Indemnified Amounts to the extent the same includes losses in respect of Receivables that are uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor; or
- (iii) taxes imposed by the United States federal government or the jurisdiction in which such Indemnified Party's principal executive office is located, on or measured by the overall net or gross income of such Indemnified Party to the extent that the computation of such taxes is consistent with the characterization for income tax purposes of the acquisition by the Purchasers of Purchaser Interests under the Purchase Agreement as a loan or loans by the Purchasers to Buyer secured by, among other things, the Receivables, the Related Security and the Collections;

Exhibit No. (DEG-17)
Page 76 of 95

provided, however, that nothing contained in this sentence shall limit the liability of Originator or limit the recourse of Buyer to Originator for amounts otherwise specifically provided to be paid by Originator under the terms of this Agreement or any other Transaction Document. Without limiting the generality of the foregoing indemnification, Originator shall indemnify Buyer for Indemnified Amounts (including, without limitation, losses in respect of uncollectible receivables, regardless of whether reimbursement therefor would constitute recourse to Originator) relating to

or resulting from:

- (i) any representation or warranty made by Originator (or any officers of Originator) under or in connection with this Agreement, any other Transaction Document or any other information or report delivered by Originator pursuant hereto or thereto that shall have been false or incorrect when made or deemed made;
- (ii) the failure by Originator, to comply with any applicable law, rule or regulation with respect to any Receivable or Contract related thereto, or the nonconformity of any Receivable or Contract included therein with any such applicable law, rule or regulation or any failure of Originator to keep or perform any of its obligations, express or implied, with respect to any Contract;
- (iii) any failure of Originator to perform its duties, covenants or other obligations in accordance with the provisions of this Agreement or any other Transaction Document;
- (iv) any products liability, personal injury or damage, suit or other similar claim arising out of or in connection with merchandise, insurance or services that are the subject of any Contract or any Receivable;
- (v) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or service related to such Receivable or the furnishing or failure to furnish such merchandise or services;
- (vi) the commingling of Collections of Receivables at any time with other funds;
- (vii) any investigation, litigation or proceeding related to or arising from this Agreement, the transactions contemplated hereby, the use of the proceeds of any Purchase Price payment, the ownership of the Receivables or any other investigation, litigation or proceeding relating to Originator in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby;
- (viii) any inability to litigate any claim against any Obligor in respect of any Receivable as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;
- (ix) any Termination Event described in Section 5.1(d);
- (x) any failure to vest and maintain vested in Buyer, or to transfer to Buyer, legal and equitable title to, and ownership of, the Receivables and the Collections, and all of Originator's right, title and interest in the Related Security associated with the Receivables, in each case, free and clear of any Adverse Claim;
- (xi) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivable, the Related Security and Collections with respect thereto, and the proceeds of any thereof, whether at the time of the Purchase or at any subsequent time;
- (xii) any action or omission by Originator which reduces or impairs the rights of Buyer with respect to any Receivable or the value of any such Receivable;
- (xiii) any attempt by any Person to void the Purchase hereunder under statutory provisions or common law or equitable action; and
- (xiv) the failure of any Receivable included in the calculation of the Net Receivables Balance as an Eligible Receivable to be an Eligible Receivable at the time so included.

Section 6.2 Other Costs and Expenses. Originator shall reimburse Buyer on demand for all costs and out-of-pocket expenses in connection with the preparation, negotiation, arrangement, execution, delivery and administration of this Agreement, the transactions contemplated hereby and the other documents to be delivered hereunder. Originator shall reimburse Buyer on demand for any and all costs and expenses of Buyer, if any, including reasonable counsel fees and expenses in connection with the enforcement of this Agreement and the other documents delivered hereunder and in connection with any restructuring or workout of this Agreement or such documents, or the administration of this Agreement following a Termination Event.

ARTICLE VII
MISCELLANEOUS

Exhibit No. (DEG-17)
Page 77 of 95

Section 7.1 Waivers and Amendments.

(a) No failure or delay on the part of Buyer (or its assigns) in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which

given.

(b) No provision of this Agreement may be amended, supplemented, modified or waived except in writing signed by Originator and Buyer and, to the extent required under the Purchase Agreement, the Agent and the Financial Institutions or the Required Financial Institutions.

Section 7.2 Notices. All communications and notices provided for hereunder shall be in writing (including bank wire, telecopy or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses or telecopy numbers set forth on the signature pages hereof or at such other address or telecopy number as such Person may hereafter specify for the purpose of notice to each of the other parties hereto. Each such notice or other communication shall be effective (i) if given by telecopy, upon the receipt thereof, (ii) if given by mail, three (3) Business Days after the time such communication is deposited in the mail with first class postage prepaid or (iii) if given by any other means, when received at the address specified in this Section 7.2.

Section 7.3 Protection of Ownership Interests of Buyer.

(a) Originator agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be necessary or desirable, or that Buyer (or its assigns) may reasonably request, to perfect, protect or more fully evidence the interest of Buyer hereunder and the Purchaser Interests, or to enable Buyer (or its assigns) to exercise and enforce their rights and remedies hereunder. Without limiting the foregoing, Originator will, upon the request of Buyer (or its assigns), file such financing or continuation statements, or amendments thereto or assignments thereof, and execute and file such other instruments and documents, that may be necessary or desirable, or that Buyer (or its assigns) may reasonably request, to perfect, protect or evidence such interests. At any time after the occurrence and during the continuation of a Termination Event, Buyer (or its assigns) may, at Originator's sole cost and expense, direct Originator to notify the Obligors of Receivables of the ownership interests of Buyer under this Agreement and may also direct that payments of all amounts due or that become due under any or all Receivables be made directly to Buyer or its designee.

(b) If Originator fails to perform any of its obligations hereunder, Buyer (or its assigns) may (but shall not be required to) perform, or cause performance of, such obligations, and Buyer's (or such assigns') costs and expenses incurred in connection therewith shall be payable by Originator as provided in Section 6.2. Originator irrevocably authorizes Buyer (and its assigns) at any time and from time to time in the sole and absolute discretion of Buyer (or its assigns), and appoints Buyer (and its assigns) as its attorney(ies)-in-fact, to act on behalf of Originator (i) to authorize and/or execute on behalf of Originator as debtor and to file financing or continuation statements (and amendments thereto and assignments thereof) necessary or desirable in Buyer's (or its assigns') sole and absolute discretion to perfect and to maintain the perfection and priority of the interest of Buyer in the Receivables and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Receivables, the Related Security and the Collections as a financing statement in such jurisdictions and in such offices as Buyer (or its assigns) in their sole and absolute discretion deem necessary or desirable to perfect and to maintain the perfection and priority of Buyer's interests in the Receivables, the Related Security and the Collections. This appointment is coupled with an interest and is irrevocable. The authorization by Originator set forth in the second sentence of this Section 7.3(b) is intended to meet all requirements for authorization by a debtor under Article 9 of any applicable enactment of the UCC, including, without limitation, Section 9-509 thereof.

Section 7.4 Confidentiality.

(a) Originator shall maintain and shall cause each of its employees and officers to maintain the confidentiality of this Agreement and the other confidential or proprietary information with respect to the Transaction Documents and the transactions contemplated thereby, the Agent and Conduit and their respective businesses obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein, except that Originator and its officers and employees may disclose such information to Originator's external accountants and attorneys, to any regulatory authority having jurisdiction over such Person or as required by any applicable law or order of any judicial or administrative proceeding.

(b) Anything herein to the contrary notwithstanding, Originator hereby consents to the disclosure of any nonpublic information with respect to it (i) to Buyer, the Agent, the Financial Institutions or Conduit by each other, (ii) by Buyer, the Agent or the Purchasers to any prospective or actual assignee or participant of any of them and (iii) by the Agent to any rating agency, Commercial Paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to Conduit or any entity organized for the purpose of purchasing, or making loans secured by, financial assets for which Bank One acts as the administrative agent and to any officers, directors, employees, outside accountants and attorneys of any of the foregoing. In addition, the Purchasers and the Agent may disclose any such nonpublic information pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law).

Exhibit No. (DEG-17)
Page 78 of 95

Section 7.5 Bankruptcy Petition.

(a) Originator and Buyer each hereby covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of Conduit or any Funding Source that is a special purpose bankruptcy remote entity, it will not institute against, or join any other Person in instituting against, Conduit or any such entity any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

(b) Originator covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding obligations of Buyer under the Purchase Agreement, it will

not institute against, or join any other Person in instituting against, Buyer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 7.6 Limitation of Liability. Except with respect to any claim arising out of the willful misconduct or gross negligence of Conduit, the Agent or any Financial Institution, no claim may be made by Originator or any other Person against Conduit, the Agent or any Financial Institution or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and Originator hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

Section 7.7 CHOICE OF LAW. THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS.

Section 7.8 CONSENT TO JURISDICTION. ORIGINATOR HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR ILLINOIS STATE COURT SITTING IN CHICAGO, ILLINOIS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY ORIGINATOR PURSUANT TO THIS AGREEMENT AND ORIGINATOR HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF BUYER (OR ITS ASSIGNS) TO BRING PROCEEDINGS AGAINST ORIGINATOR IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY ORIGINATOR AGAINST BUYER (OR ITS ASSIGNS) OR ANY AFFILIATE THEREOF INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY ORIGINATOR PURSUANT TO THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN CHICAGO, ILLINOIS.

Section 7.9 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, ANY DOCUMENT EXECUTED BY ORIGINATOR PURSUANT TO THIS AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 7.10 Integration; Binding Effect; Survival of Terms.

(a) This Agreement and each other Transaction Document contain the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof superseding all prior oral or written understandings.

(b) This Agreement shall be binding upon and inure to the benefit of Originator, Buyer and their respective successors and permitted assigns (including any trustee in bankruptcy). Originator may not assign any of its rights and obligations hereunder or any interest herein without the prior written consent of Buyer. Buyer may assign at any time its rights and obligations hereunder and interests herein to any other Person without the consent of Originator. Without limiting the foregoing, Originator acknowledges that Buyer, pursuant to the Purchase Agreement, may assign to the Agent, for the benefit of the Purchasers, its rights, remedies, powers and privileges hereunder and that the Agent may further assign such rights, remedies, powers and privileges to the extent permitted in the Purchase Agreement. Originator agrees that the Agent, as the assignee of Buyer, shall, subject to the terms of the Purchase Agreement, have the right to enforce this Agreement and to exercise directly all of Buyer's rights and remedies under this Agreement (including, without limitation, the right to give or withhold any consents or approvals of Buyer to be given or withheld hereunder) and Originator agrees to cooperate fully with the Agent in the exercise of such rights and remedies. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms and shall remain in full force and effect until terminated in accordance with its terms; provided, however, that the rights and remedies with respect to (i) any breach of any representation and warranty made by Originator pursuant to Article II; (ii) the indemnification and payment provisions of Article VI; and (iii) Section 7.5 shall be continuing and shall survive any termination of this Agreement.

Section 7.11 Counterparts; Severability; Section References. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Unless otherwise expressly indicated, all references herein to "Article," "Section," "Schedule" or "Exhibit" shall mean articles and sections of, and schedules and exhibits to, this Agreement.

Section 7.12 Subordination. Originator shall have the right to receive, and Buyer shall make, any and all payments relating to any indebtedness, obligation or claim, Originator may from time to time hold or otherwise have against Buyer or any assets or properties of Buyer, whether arising hereunder or otherwise existing, provided that, after giving effect to any such payment, the aggregate Outstanding Balance of Receivables owned by Buyer at such time exceeds the sum of (a) the Aggregate Unpaid under the Purchase Agreement, plus (b) the aggregate outstanding principal balance of the Subordinated Loans. Originator hereby agrees that at any time during which the condition set forth in the proviso of the immediately preceding sentence shall not be satisfied, Originator shall be subordinate in right of payment to the prior payment of any indebtedness or obligation of Buyer owing to the Agent or any Purchaser under the Purchase Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

PUGET SOUND ENERGY, INC.

By: _____
Name:
Title:

Address: One Bellevue Center
411-108th Avenue N.E., 15th Floor
Bellevue, WA 98004

Attention:

Facsimile:

RAINIER RECEIVABLES, INC.

By: _____
Name:
Title:

Address: One Bellevue Center
411-108th Avenue N.E., 15th Floor
Bellevue, WA 98004

Attention:

Facsimile:

Exhibit I

Definitions

As used in this Agreement and the Exhibits, Schedules and Annexes thereto, capitalized terms have the meanings set forth in this Exhibit I (such meanings to be equally applicable to the singular and plural forms thereof). If a capitalized term is used in this Agreement, or any Exhibit, Schedule or Annex thereto, and not otherwise defined therein or in this Exhibit I, such term shall have the meaning assigned thereto in Exhibit I to the Purchase Agreement.

"Agent" has the meaning set forth in the Preliminary Statements to this Agreement.

"Agreement" means this Receivables Sale Agreement, dated as of December 23, 2002, between Originator and Buyer, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Buyer" has the meaning set forth in the preamble to this Agreement.

"Calculation Period" means each calendar month or portion thereof which elapses during the term of this Agreement. The first Calculation Period shall commence on the date of the Purchase of Receivables hereunder and the final Calculation Period shall terminate on the Termination Date.

"Change of Control" means the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 20% or more (by number of votes) of the outstanding shares of voting stock of Originator.

"Conduit" has the meaning set forth in the Preliminary Statements to this Agreement.

"Credit and Collection Policy" means Originator's credit and collection policies and practices relating to Contracts and Receivables existing on the date hereof and summarized in Exhibit V, as modified from time to time in accordance with this Agreement.

"Default Fee" means a per annum rate of interest equal to the sum of (i) the Prime Rate, plus (ii) 2% per annum.

"Dilutions" means, at any time, the aggregate amount of reductions or cancellations described in Section 1.3(a) of this Agreement.

"Discount Factor" means a percentage calculated to provide Buyer with a reasonable return on its investment in the Receivables after taking account of (i) the time value of money based upon the anticipated dates of collection of the Receivables and the cost to Buyer of financing its investment in the Receivables during such period and (ii) the risk of nonpayment by the Obligors. Originator and Buyer may agree from time to time to change the Discount Factor based on changes in one or more of the items affecting the calculation thereof, provided that any change to the Discount Factor shall take effect as of the commencement of a Calculation Period, shall apply only prospectively and shall not affect the Purchase Price payment made prior to the Calculation Period during which Originator and Buyer agree to make such change.

"Initial Cutoff Date" has the meaning set forth in Section 1.2(a).

"Material Adverse Effect" means a material adverse effect on (i) the financial condition or operations of Originator and its Subsidiaries, (ii) the ability of Originator to perform its obligations under this Agreement or any other Transaction Document, (iii) the legality, validity or enforceability of this Agreement or any other Transaction Document, (iv) Originator's, Buyer's, the Agent's or any Purchaser's interest in the Receivables generally or in any significant portion of the Receivables, the Related Security or Collections with respect thereto, or (v) the collectibility of the Receivables generally or of any material portion of the Receivables.

"Net Value" means, as of any date of determination, an amount equal to the sum of (i) the aggregate Outstanding Balance of the Receivables at such time, minus (ii) the sum of (A) the Aggregate Capital outstanding at such time, plus (B) the Aggregate Reserves.

"Net Worth" means as of the last Business Day of each Calculation Period preceding any date of determination, the excess, if any, of (a) the aggregate Outstanding Balance of the Receivables at such time, over (b) the sum of (i) the Aggregate Capital outstanding at such time, plus (ii) the aggregate outstanding principal balance of the Subordinated Loans (including any Subordinated Loan proposed to be made on the date of determination).

"Original Balance" means, with respect to any Receivable coming into existence after the Initial Cutoff Date, the Outstanding Balance of such Receivable on the date it was created.

"Originator" has the meaning set forth in the preamble to this Agreement.

"Potential Termination Event" means an event which, with the passage of time or the giving of notice, or both, would constitute a Termination Event.

"Purchase" means the purchase pursuant to Section 1.1(a) of this Agreement by

Buyer from Originator of the Receivables and the Related Security and Collections related thereto, together with all related rights in connection therewith.

"Purchase Agreement" has the meaning set forth in the Preliminary Statements to this Agreement.

"Purchase Price" means, with respect to the Purchase, the aggregate price to be paid by Buyer to Originator for such Purchase in accordance with Section 1.2 of this Agreement for the Receivables, Collections and Related Security being sold to Buyer, which price shall equal on any date (i) the product of (x) the Outstanding Balance of such Receivables on such date, multiplied by (y) one minus the Discount Factor in effect on such date, minus (ii) any Purchase Price Credits to be credited against the Purchase Price otherwise payable in accordance with Section 1.3 of this Agreement.

"Purchase Price Credit" has the meaning set forth in Section 1.3 of this Agreement.

"Receivable" means all indebtedness and other obligations arising in connection with the sale of goods or the rendering of services by Originator and owed to Originator (at the times it arises, and before giving effect to any transfer or conveyance under this Agreement) or Buyer (after giving effect to the transfers under this Agreement) or in which Originator or Buyer has a security interest or other interest, including, without limitation, any indebtedness, obligation or interest constituting an account, chattel paper, instrument or general intangible, and which are identified on the books and records of Originator or Buyer (including its accounting system) with the account code "FERC 142 Account Receivable," and further includes, without limitation, the obligation to pay any Finance Charges with respect thereto. Indebtedness and other rights and obligations arising from any one transaction, including, without limitation, indebtedness and other rights and obligations represented by an individual invoice, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other rights and obligations arising from any other transaction; provided, that any indebtedness, rights or obligations referred to in the immediately preceding sentence shall be a Receivable regardless or whether the account debtor Originator treats such indebtedness, rights or obligations as a separate payment obligation.

"Related Security" means, with respect to any Receivable:

- (i) all of Originator's interest in the inventory and goods (including returned or repossessed inventory or goods), if any, the sale, licensing, financing or lease of which by Originator gave rise to such Receivable, and all insurance contracts with respect thereto,
- (ii) all other security interests or liens and property subject thereto from time to time, if any, purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all financing statements and security agreements describing any collateral securing such Receivable,
- (iii) all guaranties, letters of credit, insurance, "supporting obligations" (within the meaning of Section 9-102(a) of the UCC of all applicable jurisdictions) and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable whether pursuant to the Contract related to such Receivable or otherwise,
- (iv) all service contracts and other contracts and agreements associated with such Receivable,
- (v) all Records related to such Receivable,
- (vi) all of Originator's right, title and interest in each Lock-Box, P.O. Box and each Collection Account and any and all agreements related thereto,
- (vii) all proceeds of any of the foregoing.

"Required Capital Amount" means, as of any date of determination, an amount equal to the product of (i) 10% multiplied by (ii) the aggregate Outstanding Balance of all Receivables at such time.

"Settlement Date" means, with respect to each Calculation Period, the date that two (2) Business Days after a Monthly Report is due.

"Subordinated Loan" has the meaning set forth in Section 1.2(a) of this Agreement.

"Subordinated Note" means a promissory note in substantially the form of Exhibit VII hereto as more fully described in Section 1.2 of this Agreement, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Termination Date" means the earliest to occur of (i) the Facility Termination Date, (ii) the Business Day immediately prior to the occurrence of a Termination Event set forth in Section 5.1(d), (iii) the Business Day specified in a written notice from Buyer to Originator following the occurrence of any other Termination Event, and (iv) the date which is 15 Business Days after Buyer's receipt of written notice from Originator that it wishes to terminate the facility evidenced by this Agreement.

"Termination Event" has the meaning set forth in Section 5.1 of this Agreement.

"Transaction Documents" means, collectively, this Agreement, each Collection

Account Agreement, the Subordinated Note, and all other instruments, documents and agreements executed and delivered in connection herewith.

All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of Illinois, and not specifically defined herein, are used herein as defined in such Article 9.

Exhibit II

UCC and Administrative Information

Jurisdiction of Organization	<ul style="list-style-type: none">• WA
Chief Executive Office/Principal Place of Business	<ul style="list-style-type: none">• 411 108th Ave NE, 15th Floor, Bellevue, WA
Location(s) of Records	<ul style="list-style-type: none">• 411 108th Ave NE, 15th Floor Bellevue, WA 98004.• 19900 North Creek Parkway Bothell, WA 98012
Organizational Number	<ul style="list-style-type: none">• 179 010 055
Federal Employer's Identification Number	<ul style="list-style-type: none">• 91-0374630
Other Names	<ul style="list-style-type: none">• Puget Sound Power & Light Company, Washington Energy Company, Washington Natural Gas Company, Puget Energy, Inc.

Exhibit III

Lock-boxes; Collection Accounts; Collection Banks

Lock-Box/P.O. Box	Related Collection Account
P.O. Box No. 91269 at the U.S. Post Office branch located at 103 rd Avenue NE, Bellevue, WA 98004	Union Bank of California Account no. 4430000808 for receipts from Payment Processing
N/A	Union Bank of California Account no. 4430000816 for receipts from Bill Payment Consolidator
N/A	Key Bank Account no. 479681024614 for receipts from UBOC accounts above
N/A	Key Bank Account no. 479681024622 for receipts from Customer Direct Debits
N/A	Key Bank Account no. 479681024655 for receipts from Customer Internet Payments
N/A	Key Bank Account no. 479681024663 for receipts from Customer Credit Card Payments

Exhibit IV

Form of Compliance Certificate

This Compliance Certificate is furnished pursuant to that certain Receivables Sale Agreement dated as of December 23, 2002, between Puget Sound Energy, Inc. ("Originator") and Rainier Receivables, Inc. (as amended, restated, supplemented or otherwise modified from time to time, the "Agreement"). Capitalized terms used and not otherwise defined herein are used with the meanings attributed thereto in this Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected _____ of Originator.

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of Originator and its Subsidiaries during the accounting period covered by the attached financial statements.

3. The examinations described in paragraph 2 above did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Termination Event or a Potential Termination Event during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below.

4. Described below are the exceptions, if any, to paragraph 3 above by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which Originator has taken, is taking, or proposes to take with respect to each such condition or event:

5. As of the date hereof, the jurisdiction of organization of Originator is [insert state] and Originator is a "registered organization" (within the meaning of Section 9-102 of the UCC in effect in such applicable jurisdiction) and Originator has not changed its jurisdiction of organization since the date of the Agreement.

The foregoing certifications and the financial statements delivered with this Certificate in support hereof, are made and delivered this _____ day of _____, 20__.

[Name]

Credit and Collection Policy

Exhibit VI

Form of Subordinated Note

SUBORDINATED NOTE

December 23, 2002

1. Note. FOR VALUE RECEIVED, the undersigned, Rainier Receivables, Inc., a Washington corporation ("SPV"), hereby unconditionally promises to pay to the order of Puget Sound Energy, Inc., a Washington corporation ("Originator"), in lawful money of the United States of America and in immediately available funds, on the date following the Termination Date which is one year and one day after the date on which (i) the Outstanding Balance of all Receivables sold under the "Sale Agreement" referred to below has been reduced to zero and (ii) Originator has paid to SPV all indemnities, adjustments and other amounts which may be owed thereunder in connection with the Purchase (the "Collection Date"), the aggregate unpaid principal sum outstanding of all "Subordinated Loans" made from time to time by Originator to SPV pursuant to and in accordance with the terms of that certain Receivables Sale Agreement, dated as of December 23, 2002, between Originator and SPV (as amended, restated, supplemented or otherwise modified from time to time, the "Sale Agreement"). Reference to Section 1.2 of the Sale Agreement is hereby made for a statement of the terms and conditions under which the loans evidenced hereby have been and will be made. All terms which are capitalized and used herein and which are not otherwise specifically defined herein shall have the meanings ascribed to such terms in the Sale Agreement.

2. Interest. SPV further promises to pay interest on the outstanding unpaid principal amount hereof from the date hereof until payment in full hereof at a rate equal to the Prime Rate; provided, however, that if SPV shall default in the payment of any principal hereof, SPV promises to pay, on demand, interest at the rate of the Prime Rate plus 2.00% per annum on any such unpaid amounts, from the date such payment is due to the date of actual payment. Interest shall be payable on the first Business Day of each month in arrears; provided, however, that SPV may elect on the date any interest payment is due hereunder to defer such payment and upon such election the amount of interest due but unpaid on such date shall constitute principal under this Subordinated Note. The outstanding principal of any loan made under this Subordinated Note shall be due and payable on the Collection Date and may be repaid or prepaid at any time without premium or penalty.

3. Principal Payments. Originator is authorized and directed by SPV to enter on the grid attached hereto, or, at its option, in its books and records, the date and amount of each loan made by it which is evidenced by this Subordinated Note and the amount of each payment of principal made by SPV, and absent manifest error, such entries shall constitute prima facie evidence of the accuracy of the information so entered; provided that neither the failure of Originator to make any such entry or any error therein shall expand, limit or affect the obligations of SPV hereunder.

4. Subordination. Originator shall have the right to receive, and SPV shall make, any and all payments relating to the loans made under this Subordinated Note provided that, after giving effect to any such payment, the aggregate Outstanding Balance of Receivables (as each such term is defined in the Receivables Purchase Agreement hereinafter referred to) owned by SPV at such time exceeds the sum of (a) the Aggregate Unpaid (as defined in the Receivables Purchase Agreement) outstanding at such time under the Receivables Purchase Agreement, plus (b) the aggregate outstanding principal balance of all loans made under this Subordinated Note. Originator hereby agrees that at any time during which the conditions set forth in the proviso of the immediately preceding sentence shall not be satisfied, Originator shall be subordinate in right of payment to the prior payment of any indebtedness or obligation of SPV owing to the Agent or any Purchaser under that certain Receivables Purchase Agreement, dated as of December 23, 2002, by and among SPV, the Servicer (as defined therein), various "Purchasers" from time to time party thereto, and Bank One, NA (Main Office Chicago), as the "Agent" (as amended, restated, supplemented or otherwise modified from time to time, the "Purchase Agreement"). The subordination provisions contained herein are for the direct benefit of, and may be enforced by, the Agent and the Purchasers and/or any of their respective assignees (collectively, the "Senior Claimants") under the Purchase Agreement. Until the date on which all "Capital" outstanding under the Purchase Agreement has been repaid in full and all other obligations of SPV and/or the Servicer thereunder and under the "Fee Letter" referenced therein (all such obligations, collectively, the "Senior Claim") have been indefeasibly paid and satisfied in full, Originator shall not institute against SPV any proceeding of the type described in Section 5.1(d) of the Sale Agreement unless and until the Collection Date has occurred. Should any payment, distribution or security or proceeds thereof be received by Originator in violation of this Section 4, Originator agrees that such payment shall be segregated, received and held in trust for the benefit of, and deemed to be the property of, and shall be immediately paid over and delivered to the Agent for the benefit of the Senior Claimants.

5. Bankruptcy; Insolvency. Upon the occurrence of any proceeding of the type described in Section 5.1(d) of the Sale Agreement involving SPV as debtor, then and in any such event the Senior Claimants shall receive payment in full of all amounts due or to become due

on or in respect of the Aggregate Capital and the Senior Claim (including "CP Costs" and "Yield" as defined and as accruing under the Purchase Agreement after the commencement of any such proceeding, whether or not any or all of such CP Costs or Yield is an allowable claim in any such proceeding) before Originator is entitled to receive payment on account of this Subordinated Note, and to that end, any payment or distribution of assets of SPV of any kind or character, whether in cash, securities or other property, in any applicable insolvency proceeding, which would otherwise be payable to or deliverable upon or with respect to any or all indebtedness under this Subordinated Note, is hereby assigned to and shall be paid or delivered by the Person making such payment or delivery (whether a trustee in bankruptcy, a receiver, custodian or liquidating trustee or otherwise) directly to the Agent for application to, or as collateral for the payment of, the Senior Claim until such Senior Claim shall have been paid in full and satisfied.

6. Amendments. This Subordinated Note shall not be amended or modified except in accordance with Section 7.1 of the Sale Agreement. The terms of this Subordinated Note may not be amended or otherwise modified without the prior written consent of the Agent for the benefit of the Purchasers.

7. GOVERNING LAW. THIS SUBORDINATED NOTE HAS BEEN MADE AND DELIVERED AT CHICAGO, ILLINOIS, AND SHALL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE PARTIES HERETO DETERMINED IN ACCORDANCE WITH THE LAWS AND DECISIONS OF THE STATE OF ILLINOIS. WHEREVER POSSIBLE EACH PROVISION OF THIS SUBORDINATED NOTE SHALL BE INTERPRETED IN SUCH MANNER AS TO BE EFFECTIVE AND VALID UNDER APPLICABLE LAW, BUT IF ANY PROVISION OF THIS SUBORDINATED NOTE SHALL BE PROHIBITED BY OR INVALID UNDER APPLICABLE LAW, SUCH PROVISION SHALL BE INEFFECTIVE TO THE EXTENT OF SUCH PROHIBITION OR INVALIDITY, WITHOUT INVALIDATING THE REMAINDER OF SUCH PROVISION OR THE REMAINING PROVISIONS OF THIS SUBORDINATED NOTE.

8. Waivers. All parties hereto, whether as makers, endorsers, or otherwise, severally waive presentment for payment, demand, protest and notice of dishonor. Originator additionally expressly waives all notice of the acceptance by any Senior Claimant of the subordination and other provisions of this Subordinated Note and expressly waives reliance by any Senior Claimant upon the subordination and other provisions herein provided.

9. Assignment. This Subordinated Note may not be assigned, pledged or otherwise transferred to any party other than Originator without the prior written consent of the Agent, and any such attempted transfer shall be void.

RAINIER RECEIVABLES, INC.

By: _____
Title:

Schedule A

DOCUMENTS TO BE DELIVERED TO BUYER
ON OR PRIOR TO THE PURCHASE

SEE PART I OF SCHEDULE B TO THE PURCHASE AGREEMENT.

TABLE OF CONTENTS

Page

ARTICLE I

AMOUNTS AND TERMS OF THE PURCHASE

Section 1.1	Purchase of Receivables.....	1
Section 1.2	Payment for the Purchase.....	2
Section 1.3	Purchase Price Credit Adjustments.....	4
Section 1.4	Payments and Computations, Etc.....	5
Section 1.5	Transfer of Records.....	5
Section 1.6	Characterization.....	6

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1	Representations and Warranties of Originator.....	6
-------------	---	---

ARTICLE III

CONDITIONS OF PURCHASE

Section 3.1	Conditions Precedent to Purchase.....	11
Section 3.2	Conditions Precedent to Subsequent Payments.....	11

ARTICLE IV

COVENANTS

Section 4.1	Affirmative Covenants of Originator.....	12
Section 4.2	Negative Covenants of Originator.....	17

ARTICLE V

TERMINATION EVENTS

Section 5.1	Termination Events.....	18
Section 5.2	Remedies.....	19

ARTICLE VI

INDEMNIFICATION

Section 6.1	Indemnities by Originator.....	20
Section 6.2	Other Costs and Expenses.....	22

ARTICLE VII

MISCELLANEOUS

Section 7.1	Waivers and Amendments.....	23
Section 7.2	Notices.....	23
Section 7.3	Protection of Ownership Interests of Buyer.....	23
Section 7.4	Confidentiality.....	24
Section 7.5	Bankruptcy Petition.....	25
Section 7.6	Limitation of Liability.....	25
Section 7.7	CHOICE OF LAW.....	25
Section 7.8	CONSENT TO JURISDICTION.....	25
Section 7.9	WAIVER OF JURY TRIAL.....	26
Section 7.10	Integration; Binding Effect; Survival of Terms.....	26

Section 7.11	Counterparts; Severability; Section References.....	27
Section 7.12	Subordination.....	27

Exhibits and Schedules

Exhibit I	-	Definitions
Exhibit II	-	Principal Place of Business; Location(s) of Records; Federal Employer Identification Number; Other Names
Exhibit III	-	Lock-Boxes; Collection Accounts; Collection Banks
Exhibit IV	-	Form of Compliance Certificate
Exhibit V	-	Credit and Collection Policy
Exhibit VI	-	Form of Subscription Agreement
Exhibit VII	-	Form of Subordinated Note
Schedule A		List of Documents to Be Delivered to Buyer Prior to the Purchase

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