

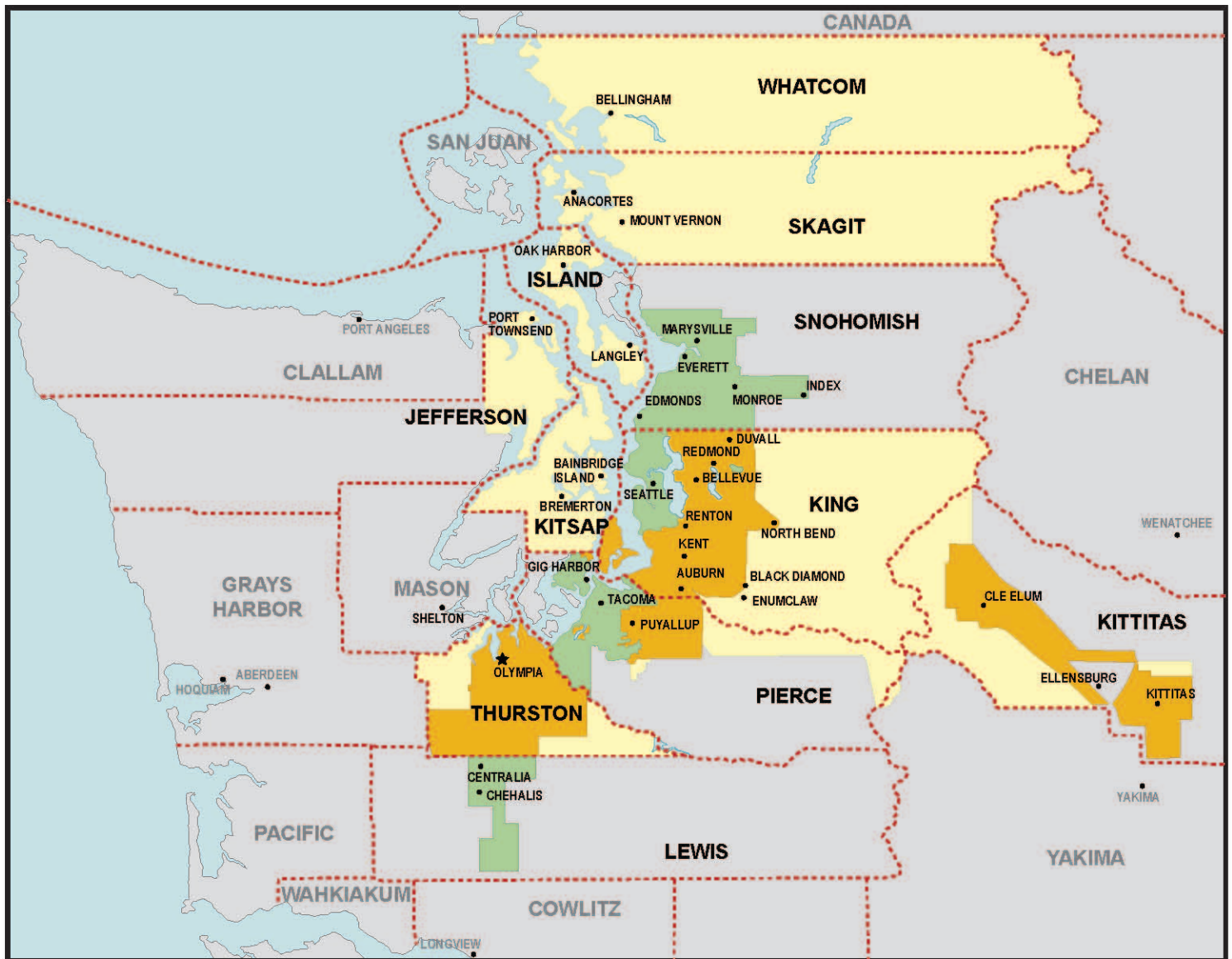
SCHEDULE 74
UNDERGROUND CONVERSIONS
FOR GOVERNMENT ENTITIES
Briefing Book

APPENDICIES

Appendix A

Service Area Map

PUGET SOUND ENERGY SERVICE AREA



- Combined electric and natural gas service
- Electric service
- Natural gas service

Puget Sound Energy's service area:

Electric Service: all of Island, Skagit, Thurston, and Whatcom counties; parts of Jefferson, King (not Seattle), Kitsap, Kittitas, and Pierce (not Tacoma) counties.

Natural Gas Service: parts of King (not Enumclaw), Kittitas (not Ellensburg), Lewis, Pierce (not Buckley), Snohomish, and Thurston counties.

Washington state's oldest and largest energy utility, with a 6,000-square-mile service territory stretching across 11 counties, Puget Sound Energy (PSE) serves more than 1 million electric customers and 737,000 natural gas customers, primarily in the Puget Sound region of Western Washington. PSE meets the energy needs of its growing customer base through incremental, cost-effective energy conservation, low-cost procurement of sustainable energy resources, and far-sighted investment in the energy-delivery infrastructure. For more information, visit PSE.com.

Appendix B
Definitions

The following terms are used in Schedule 74, the Design Agreement or the Construction Agreement.

Company: As used in the Schedule, the Design Agreement and the Construction Agreement means Puget Sound Energy.

Company-Initiated Upgrade: Any feature of the Underground Distribution System which is required by the Company and is not reasonably required to make the Underground Distribution System comparable to the overhead distribution system being replaced. For purposes of the foregoing, a "comparable" system shall include, unless the Parties otherwise agree, the number of empty ducts (not to exceed two (2), typically having a diameter of 6" or less) of such diameter and number as may be specified and agreed upon in the Project Plan necessary to replicate the load-carrying capacity (system amperage class) of the overhead system being replaced. (Construction Agreement section 1)

Construction Agreement: The Schedule 74 Construction Agreement providing the terms and conditions under which the construction work for the Conversion Project will be performed, substantially in the form of Schedule 74 Attachment B. (derived from Schedule 74 section 2)

Construction Work: A detailed description of the work that is required to be performed by each party and any third party in connection with (construction of) the Conversion Project. (Design Agreement section 5)

Conversion Area: The geographical area in which the Company replaces its overhead electric distribution system with an Underground Distribution System. (Schedule 74 section 10)

Conversion Project: Conversion of the Company's existing overhead electric distribution system to a comparable underground electric distribution system, as described in the Scope of Work mutually agreed by the Company and the Government Entity. (Design Agreement Recital B)

Cost of Conversion: The cost of converting an existing overhead distribution system to an Underground Distribution System shall be the sum of:

- (i) the actual, reasonable costs to the Company for labor, materials and overheads and all other reasonable costs, not including mark-up or profit of the Company, for design of the Underground Distribution System, such costs to be determined in accordance with the Design Agreement; plus
- (ii) the actual costs to the Company for labor, materials and overheads and all other costs, not including mark-up or profit of the Company, to construct and install the Underground Distribution System, up to a maximum amount determined in accordance with the Construction Agreement; plus
- (iii) the actual reasonable design costs to the Company (including costs for labor, materials and overheads and all other reasonable costs), and the actual construction

and installation costs to the Company (including costs for labor, materials and overheads and all other costs), less the salvage value to the Company of the facilities removed, up to a maximum amount determined in accordance with the Construction Agreement, in each case not including mark-up or profit of the Company, for removal of the existing electrical facilities; plus

- (iii) the actual costs to the Government Entity (if any) of installation of ducts and vaults or other Facilities that the Government Entity has agreed to install for the Underground Distribution System pursuant to the Construction Agreement, up to a maximum amount determined in accordance with the Construction Agreement; plus
- (v) the actual, reasonable costs to the Government Entity (if any) of obtaining Public Thoroughfare or other equivalent rights for the Facilities pursuant to Section 3.a.

The Cost of Conversion shall not include any costs of Trenching and Restoration, or of the Company's obtaining rights pursuant to Section 3.b of this Schedule. Company upgrades and expansions, Government Entity requested changes and requested upgrades, the cost of delays and overtime labor costs shall be as provided for in the Design Agreement and the Construction Agreement. (Schedule 74 section 10)

Design Agreement: The Schedule 74 Design Agreement providing the terms and conditions under which the Design Work for the Conversion Project will be performed substantially in the form of Schedule 74 Attachment A. (derived from Schedule 74 section 2)

Design Cost Estimate: A reasonably detailed, good faith estimate of the cost to perform the design Work prepared by the Company. (Design Agreement section 3)

Design Schedule: A schedule for completion of the Design Work which, to the extent reasonably practicable, reflects the applicable key milestone dates specified in the Scope of Work and which provides for completion of the Design Work within ninety (90) business days from the date the Company receives the Government Entity's Notice to Proceed with the Design Work. (Design Agreement section 3)

Design Work: The engineering design work performed by PSE in cooperation with the Government Entity to develop a mutually acceptable Project Plan for the Conversion Project. (Design Agreement Recital C)

Estimated Reimbursable Private Conversion Costs: The Company's good faith estimate of the Reimbursable Private Conversion Costs, as specified in the Project Plan and as changed and adjusted from time to time in accordance with Section 6. (Construction Agreement section 1)

Estimated Reimbursable Temporary Service Costs: The Company's good faith estimate of the Reimbursable Temporary Service Costs, as specified in the Project Plan and as changed and adjusted from time to time in accordance with Section 6. (Construction Agreement section 1)

Estimated Reimbursable Upgrade Costs: The Company's good faith estimate of the Reimbursable Upgrade Costs, as specified in the Project Plan and as changed and adjusted from time to time in accordance with Section 6. (Construction Agreement section 1)

Estimated Shared Company Costs: The Company's good faith estimate of the Shared Company Costs, as specified in the Project Plan and as changed and adjusted from time to time in accordance with Section 6. (Construction Agreement section 1)

Estimated Shared Government Costs: The Government Entity's good faith estimate of the Shared Government Costs, as specified in the Project Plan and as changed and adjusted from time to time in accordance with Section 6. (Construction Agreement section 1)

Facilities: All components of the Underground Distribution System, including but not limited to, primary voltage cables, secondary voltage cables, connections, terminations, pad-mounted transformers, pad-mounted switches, ducts, vaults and other associated components. (Schedule 74 section 10)

Government Entity: The municipality, county or other government entity having authority over the Public Thoroughfare in the Conversion Area. (Schedule 74 section 10)

Government-Requested Upgrade: Any feature of the Underground Distribution System which is requested by the Government Entity and is not reasonably required to make the Underground Distribution System comparable to the overhead distribution system being replaced. For purposes of the foregoing, any empty ducts installed at the request of the Government Entity shall be a Government-Requested Upgrade. (Construction Agreement section 1)

Operating Rights: Sufficient space and legal rights for the construction, operation, repair, and maintenance of the Underground Distribution System. (Construction Agreement section 1)

Party: Either the Company, the Government Entity, or both. (Construction Agreement section 1)

Private Property Conversion: That portion, if any, of the Conversion Project for which the existing overhead electric distribution system is located, as of the date determined in accordance with Schedule 74, (i) outside of the Public Thoroughfare, or (ii) pursuant to rights not derived from a franchise previously granted by the Government Entity or pursuant to rights not otherwise previously granted by the Government Entity. (Construction Agreement section 1)

Project Plan: The project plan developed by the Parties under the Design Agreement and attached hereto as Exhibit A, as the same may be changed and amended from time to time in accordance with Section 6. The Project Plan includes, among other things, (i) a detailed description of the Work that is required to be performed by each Party and any third party, (ii) the applicable requirements and specifications for the Work, (iii) a description of the Operating Rights that are required to be obtained by each Party for the Conversion Project

(and the requirements and specifications with respect thereto), (iv) an itemization and summary of the Estimated Shared Company Costs, Estimated Shared Government Costs, Estimated Reimbursable Private Conversion Costs (if any), Estimated Reimbursable Temporary Service Costs (if any) and Estimated Reimbursable Upgrade Costs (if any), and (v) the Work Schedule. (Construction Agreement section 1)

Project Plan: A project plan for the Conversion Project including among others things, a detailed description of the work that is required to be performed by each party and any third party in connection with the Conversion Project, the applicable requirements, drawings and other specifications for the Construction Work, a description of any operating and other property rights required to be obtained by each party for the Conversion Project, a detailed estimate of the costs to be incurred by each party in its performance of the Construction Work, and a detailed schedule for the performance of the Construction Work. (Design Agreement section 6)

Public Thoroughfare: Any municipal, county, state, federal or other public road, highway or throughway, or other public right-of-way or other public real property rights allowing for electric utility use. (Schedule 74 section 10)

Reimbursable Private Conversion Costs: (i) All Costs of Conversion, if any, incurred by the Company which are attributable to a Private Property Conversion, less (ii) the distribution pole replacement costs (if any) that would be avoided by the Company on account of such Private Property Conversion, as determined consistent with the applicable Company distribution facilities replacement program, plus (iii) just compensation as provided by law for the Company's interests in real property on which such existing overhead distribution system was located prior to conversion; provided that the portion of the Reimbursable Private Conversion Costs attributable to the Costs of Conversion under subparagraph (i) of this paragraph shall not exceed the Estimated Reimbursable Private Conversion Costs without the prior written authorization of the Government Entity. (Construction Agreement section 1)

Reimbursable Temporary Service Costs: All costs incurred by the Company which are attributable to (i) any facilities installed as part of the Conversion Project to provide Temporary Service, as provided for in Schedule 74, and (ii) the removal of any facilities installed to provide Temporary Service (less salvage value of removed equipment); provided that the Reimbursable Temporary Service Costs shall not exceed the Estimated Reimbursable Temporary Service Costs without the prior written authorization of the Government Entity. (Construction Agreement section 1)

Reimbursable Upgrade Costs: All Costs of Conversion incurred by the Company which are attributable to any Government-Requested Upgrade; provided that the Reimbursable Upgrade Costs shall not exceed the Estimated Reimbursable Upgrade Costs without the prior written authorization of the Government Entity. (Construction Agreement section 1)

Scope of Work: The written scope of work for the Conversion Project including a reasonably detailed description of the facilities to be converted to underground, a list of key

milestone dates for the Conversion Project, reasonably detailed drawings showing planned improvements to the Public Thoroughfare, and a statement as to whether the Government Entity desires to install the ducts and vaults for the Conversion Project. (Design Agreement section 2)

Shared Company Cost: All Costs of Conversion (other than Reimbursable Upgrade Costs, Reimbursable Private Conversion Costs and Reimbursable Temporary Service Costs) incurred by the Company in connection with the Conversion Project; provided, however, that the Shared Company Costs shall not exceed the Estimated Shared Company Costs without the prior written authorization of the Government Entity. For the avoidance of doubt, the "Shared Company Costs" shall, as and to the extent specified in the Design Agreement, include the actual, reasonable costs to the Company for the "Design Work" performed by the Company under the Design Agreement. (Construction Agreement section 1)

Shared Government Costs: All Costs of Conversion incurred by the Government Entity in connection with (i) any duct and vault installation Work which the Parties have specified in the Project Plan is to be performed by the Government Entity as part of the Government Work, and (ii) the acquisition of any Operating Rights which the Parties have, by mutual agreement, specified in the Project Plan are to be obtained by the Government Entity for the Conversion Project, but only to the extent attributable to that portion of such Operating Rights which is necessary to accommodate the facilities of the Company; provided, however, that the Shared Government Costs shall not exceed the Estimated Shared Government Costs without the prior written authorization of the Company. (Construction Agreement section 1)

Temporary Service: Temporary Service shall have the meaning set forth in the General Rules and Provisions of the Company's Electric Tariff G and, in addition, shall mean (i) limited overhead facilities that, at the request of the Government Entity, the Company may elect in its sole discretion to leave in place within the Conversion Area after installation of the Underground Distribution System and/or (ii) limited overhead or underground facilities that, at the request of the Government Entity, the Company may elect in its sole discretion to install concurrently with the installation of the Underground Distribution System, and that, in each case, shall be used to provide overhead distribution service within the Conversion Area for such period as may be approved by the Company acting reasonably under the circumstances, (e.g., to accommodate other demolition or construction projects within the Conversion Area). (Schedule 74 section 10)

Trenching and Restoration: Includes, but is not limited to, any or all of the following, whether in Public Thoroughfares or on other property: breakup of sidewalks, driveways, street surfaces and pavements; disturbance or removal of landscaping; excavating for vaults; trenching for ducts or cable; shoring, flagging, barricading and backfilling; installation of select backfill or concrete around ducts (if required); compaction; and restoration of Public Thoroughfares and other property; all in accordance with the specifications applicable thereto set forth in the Design Agreement and the Construction Agreement. (Schedule 74 section 10)

Total Shared Costs: The sum of the Shared Company Costs and the Shared Government Costs. For the avoidance of doubt, the Total Shared Costs shall not include, without limitation, (i) costs to the Government Entity for Trenching and Restoration, or (ii) costs associated with any joint use of trenches by other utilities as permitted under Section 3(b). (Construction Agreement section 1)

Underground Distribution System: An underground electric distribution system, excluding "Underground Service Lines" as such term is defined herein, that is comparable to the overhead distribution system being replaced. The Underground Distribution System includes the Facilities as defined herein. For purposes of this Schedule, a "comparable" system shall include, unless the Government Entity and the Company otherwise agree, the number of empty ducts (not to exceed two (2), typically having a diameter of 6" or less) of such diameter and number as may be specified and agreed upon in the Design Agreement and Construction Agreement necessary to replicate the load-carrying capacity (system amperage class) of the overhead system being replaced. (Schedule 74 section 10)

Underground Service Lines: The underground electric cables and associated components extending from the service connections at the outside of the customers' structures to the designated primary voltage or secondary voltage service connection points of an Underground Distribution System. (Schedule 74 section 10)

Work: All work to be performed in connection with the Conversion Project, as more specifically described in the Project Plan, including, without limitation, the Company Work (as defined in Section 2(a), below) and the Government Work (as defined in Section 3(a), below). (Construction Agreement section 1)

Work Schedule: The schedule specified in the Project Plan which sets forth the milestones for completing the Work, as the same may be changed and amended from time to time in accordance with Section 6, below. (Construction Agreement section 1)

Appendix C
Schedule 74 & Agreements

**PUGET SOUND ENERGY
Electric Tariff G**

**SCHEDULE 74
CONVERSION TO UNDERGROUND SERVICE
FOR GOVERNMENT ENTITIES**

(N)

1. AVAILABILITY

The Company shall install an Underground Distribution System and shall remove the existing overhead electric distribution system of 15,000 volts or less together with Company-owned poles following removal of all utility wires therefrom under this Schedule when all of the following conditions are met:

- a. The Government Entity has determined that installation of an Underground Distribution System is or will be required and has notified the Company in writing of such determination, and the Company and such Government Entity have agreed upon the provisions of the Design Agreement and the Construction Agreement pursuant to which the Company shall design and install an Underground Distribution System and provide service under this Schedule.
- b. The Company has the right to install, construct, operate, repair and maintain an electrical distribution system (including an Underground Distribution System) within the Public Thoroughfare in the Conversion Area pursuant to a franchise previously granted by the Government Entity requesting such installation and executed by the Company, or, if there is no such franchise, or if such franchise does not provide such right, pursuant to some other grant of rights mutually agreed upon by the Company and the Government Entity.
- c. All customers served by the Company within the Conversion Area will receive electric service through Underground Service Lines from the Underground Distribution System, unless the Company explicitly agrees to other electric service arrangements.

Government Entities that are eligible to receive service under this Schedule are not eligible for service under Schedule 73 of the Company's Electric Tariff G.

2. AGREEMENT PROVISIONS

The Company shall provide and install an Underground Distribution System within the Conversion Area subject to the terms and conditions of a Schedule 74 Design Agreement (the "Design Agreement") and a Schedule 74 Construction Agreement (the "Construction Agreement"), and the following shall apply:

(N)

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By:



George Pohndorf

Title: Director, Rates & Regulation

**PUGET SOUND ENERGY
Electric Tariff G**

**SCHEDULE 74
CONVERSION TO UNDERGROUND SERVICE
FOR GOVERNMENT ENTITIES
(Continued)**

(N)

- a. The Design Agreement and the Construction Agreement shall (i) be consistent with this Schedule, and (ii) be substantially in the forms of Attachment A and Attachment B hereto, which attachments are by this reference incorporated in this Schedule as if fully set forth herein. Without limiting the possibility that the Company and the Government Entity may (consistent with this Schedule) mutually agree upon terms that are in addition to those contained in the forms set forth in Attachments A and B hereto, neither the Government Entity nor the Company shall be required to agree to additional terms as a condition of service under this Schedule.
- b. The Design Agreement and the Construction Agreement shall:
- (1) except as otherwise provided in Section 2.b(2), obligate the Government Entity to pay the Company 40% of the total Cost of Conversion and the Company to pay 60% of the total Cost of Conversion;
 - (2) obligate the Government Entity to pay (i) 100% of the total Cost of Conversion for conversion of that portion, if any, of the existing overhead distribution system located, as of the date on which the Government Entity provides the notice referred to in Section 4.a or the date on which the Government Entity commences acquisition or condemnation of real property to facilitate construction of any public improvements related to the conversion project, whichever occurs first, (A) outside of the Public Thoroughfare or (B) pursuant to rights not derived from a franchise previously granted by the Government Entity or pursuant to rights not otherwise previously granted by the Government Entity, less (ii) the distribution pole replacement costs (if any) that would be avoided by the Company on account of such conversion, as determined consistent with the applicable Company distribution facilities replacement program, plus (iii) just compensation as provided by law for the Company's interests in real property on which such existing overhead distribution system was located prior to conversion;
 - (3) obligate the Government Entity to pay the Company 100% of the costs of (i) cancellation as provided herein; (ii) any facilities installed at the time of the conversion to provide Temporary Service, as provided for herein; and (iii) removal of any facilities installed to provide Temporary Service (less salvage value of removed equipment);
 - (4) obligate the Company to pay 100% of the cost of obtaining the rights referred to in Section 3.b; and
 - (5) obligate the Government Entity to (i) perform or to cause to be performed (A) all Trenching and Restoration and job coordination required for the installation of the Underground Distribution System and (B) all surveying for alignment and grades of vaults and ducts and (ii) to pay 100% of the cost of performance under clause (i) of this Section 2.b(5).

(N)

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**PUGET SOUND ENERGY
Electric Tariff G**

**SCHEDULE 74
CONVERSION TO UNDERGROUND SERVICE
FOR GOVERNMENT ENTITIES
(Continued)**

(N)

- c. The Government Entity may, at its option, install ducts and vaults, provided that (i) pursuant to the Design Agreement and the Construction Agreement the Government Entity and the Company have mutually agreed upon (A) the cost of such installation to be included in the Cost of Conversion and (B) the specifications and standards applicable to such installation, and (ii) such installation is accomplished by the Government Entity in accordance with the applicable design and construction specifications provided by the Company for such installation pursuant to the Design Agreement. To the extent the Government Entity installs any of the Facilities pursuant to the Construction Agreement, the Company shall not be required to do so under this Schedule.
- d. A Government Entity that is a municipality shall notify all persons and entities within the Conversion Area that electric service to such persons and entities must be converted from overhead to underground (as provided for in the Company's Electric Tariff G) within the applicable statutory period following written notice from the Government Entity that service from underground facilities is available in accordance with RCW 35.96.050. The Government Entity shall exercise its authority to order disconnection and removal of overhead facilities with respect to persons and entities failing to convert service lines from overhead to underground within the timelines provided in RCW 35.96.050.
3. INSTALLATION AND OPERATING RIGHTS:
- a. The Company may install all of the Facilities within a Public Thoroughfare in the locations provided for in a franchise previously granted by the Government Entity or otherwise provided for in the grant of rights referred to in Section 1.b. The Government Entity shall act in good faith and shall use its best efforts to provide space sufficient for the safe and efficient installation, operation, repair and maintenance of all of the Facilities ("Sufficient Space") within the Public Thoroughfare in the Conversion Area, and the Company shall act in good faith and shall use its best efforts to install Facilities in such space within the Public Thoroughfare. If the Company and the Government Entity agree that there is not or will not be Sufficient Space within the Public Thoroughfare in the Conversion Area, then the Government Entity shall provide Sufficient Space by obtaining additional Public Thoroughfare or other equivalent rights mutually agreeable to the Government Entity and the Company, title to which shall be in the Government Entity's name.

(N)

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SCHEDULE 74
CONVERSION TO UNDERGROUND SERVICE
FOR GOVERNMENT ENTITIES
(Continued)

(N)

- b. If, notwithstanding the use of best efforts by each of the Government Entity and the Company as provided in Section 3.a, the Government Entity and the Company do not agree whether there is or will be Sufficient Space within the Public Thoroughfare in the Conversion Area, the Company shall install those Facilities, for which there is not Sufficient Space within the Public Thoroughfare, on property outside the Public Thoroughfare, the rights for which shall be obtained by the Company at its sole expense. Subject to the other provisions of this Schedule, nothing in this section shall excuse the Company from complying with any work schedule agreed to by the Government Entity and the Company pursuant to the Design Agreement and the Construction Agreement.
- c. If the Government Entity requires the relocation of any Facilities installed pursuant to this Schedule in a Public Thoroughfare within five (5) years from the date of the energization for service of such Facilities, the Government Entity shall reimburse the Company for all costs incurred by the Company in connection with the relocation and reinstallation of facilities substantially equivalent to the relocated Facilities.
- d. If the Government Entity requires (or takes any action that has the effect of requiring) a third party not acting as an agent or a contractor of Government Entity to relocate any Facilities installed pursuant to this Schedule in a Public Thoroughfare within five (5) years from the date of the energization for service of such Facilities, the Government Entity shall require the third party, as a condition to the Company's performance of any relocation, to pay the Company for all costs incurred by the Company in connection with the relocation and reinstallation of facilities substantially equivalent to the relocated Facilities.
4. GENERAL
- a. Timing: The Company shall commence performance (as contemplated in the forms of Design Agreement and Construction Agreement attached hereto as Attachments A and B) within ten (10) business days of written notice from a Government Entity of its determination that it requires installation of an Underground Distribution System under this Schedule.
- b. Ownership of Facilities: Except as otherwise provided in the Company's Electric Tariff G, the Company shall own, operate, and maintain the Underground Distribution System installed or provided pursuant to this Schedule.
- c. Prior Contracts: Nothing herein contained shall affect the rights or obligations of the Company under any previous agreements pertaining to existing or future facilities of greater than 15,000 Volts within any Conversion Area.

(N)

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Electric Tariff G**

**SCHEDULE 74
CONVERSION TO UNDERGROUND SERVICE
FOR GOVERNMENT ENTITIES
(Continued)**

(N)

d. Temporary Service: Temporary Service shall not exceed a term of 18 months from the date on which service from the Underground Distribution System is available, unless the Company acting reasonably agrees to extend such term. Should a Temporary Service not be removed within such 18-month period or such other period of time that has been approved by the Company acting reasonably, a Government Entity that is a municipality shall exercise its authority under RCW 35.96.050 to order such Temporary Service disconnected and removed within the applicable statutory period following the date of mailing of the Government Entity's notice under RCW 35.96.050. Otherwise, if a Temporary Service is not disconnected or removed within such time approved by the Company acting reasonably, the Government Entity shall pay either (i) 100% of the Cost of Conversion for the entire Underground Distribution System or (ii) 100% of the costs of converting only the Temporary Service to underground, whichever the Government Entity may elect.

5. USE BY OTHER UTILITIES OF TRENCHES PROVIDED BY GOVERNMENT ENTITY

Other utilities may be permitted by the Government Entity to use trenches provided by the Government Entity pursuant to this Schedule for the installation of such other utilities' facilities, so long as such facilities, or the installation thereof, do not interfere (as determined pursuant to the Company's electrical standards) with the installation, operation or maintenance of the Company's Facilities located within such trenches.

6. CANCELLATION

If by written notice or other official action a Government Entity cancels or suspends indefinitely or takes similar official action regarding a conversion project undertaken under this Schedule prior to completion of the conversion to an Underground Distribution System, the Government Entity shall pay the Company all of the costs incurred by the Company to the date of such cancellation consistent with the termination provisions of the Design Agreement and Construction Agreement.

7. STREET LIGHTING

Removal and replacement of existing street lighting or installation of new street lighting within the Conversion Area suitable for service from the Underground Distribution System installed pursuant to this Schedule shall be arranged separately as provided in the Company's Electric Tariff G.

(N)

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**PUGET SOUND ENERGY
Electric Tariff G**

**SCHEDULE 74
CONVERSION TO UNDERGROUND SERVICE
FOR GOVERNMENT ENTITIES
(Continued)**

(N)

8. UNDERGROUND SERVICE LINES

Underground Service Lines shall be installed, owned, and maintained as provided in the Company's Electric Tariff G.

9. GENERAL RULES AND PROVISIONS

Service under this Schedule is subject to the General Rules and Provisions contained in Schedule 80 of the Company's Electric Tariff G.

10. DEFINITIONS

The following terms when used in this Schedule, the Design Agreement or the Construction Agreement shall, solely for purposes of this Schedule and such agreements, have the meanings given below:

- a. Conversion Area: The geographical area in which the Company replaces its overhead electric distribution system with an Underground Distribution System.
- b. Cost of Conversion: The cost of converting an existing overhead distribution system to an Underground Distribution System shall be the sum of:
 - (i) the actual, reasonable costs to the Company for labor, materials and overheads and all other reasonable costs, not including mark-up or profit of the Company, for design of the Underground Distribution System, such costs to be determined in accordance with the Design Agreement; plus
 - (ii) the actual costs to the Company for labor, materials and overheads and all other costs, not including mark-up or profit of the Company, to construct and install the Underground Distribution System, up to a maximum amount determined in accordance with the Construction Agreement; plus
 - (iii) the actual reasonable design costs to the Company (including costs for labor, materials and overheads and all other reasonable costs), and the actual construction and installation costs to the Company (including costs for labor, materials and overheads and all other costs), less the salvage value to the Company of the facilities removed, up to a maximum amount determined in accordance with the Construction Agreement, in each case not including mark-up or profit of the Company, for removal of the existing electrical facilities; plus

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SCHEDULE 74
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(Continued)

(N)

- (iv) the actual costs to the Government Entity (if any) of installation of ducts and vaults or other Facilities that the Government Entity has agreed to install for the Underground Distribution System pursuant to the Construction Agreement, up to a maximum amount determined in accordance with the Construction Agreement; plus
- (v) the actual, reasonable costs to the Government Entity (if any) of obtaining Public Thoroughfare or other equivalent rights for the Facilities pursuant to Section 3.a.

The Cost of Conversion shall not include any costs of Trenching and Restoration, or of the Company's obtaining rights pursuant to Section 3.b of this Schedule. Company upgrades and expansions, Government Entity requested changes and requested upgrades, the cost of delays and overtime labor costs shall be as provided for in the Design Agreement and the Construction Agreement.

- c. Facilities: All components of the Underground Distribution System, including but not limited to, primary voltage cables, secondary voltage cables, connections, terminations, pad-mounted transformers, pad-mounted switches, ducts, vaults and other associated components.
- d. Government Entity: The municipality, county or other government entity having authority over the Public Thoroughfare in the Conversion Area.
- e. Public Thoroughfare: Any municipal, county, state, federal or other public road, highway or thoroughway, or other public right-of-way or other public real property rights allowing for electric utility use.
- f. Temporary Service: Temporary Service shall have the meaning set forth in the General Rules and Provisions of the Company's Electric Tariff G and, in addition, shall mean (i) limited overhead facilities that, at the request of the Government Entity, the Company may elect in its sole discretion to leave in place within the Conversion Area after installation of the Underground Distribution System and/or (ii) limited overhead or underground facilities that, at the request of the Government Entity, the Company may elect in its sole discretion to install concurrently with the installation of the Underground Distribution System, and that, in each case, shall be used to provide overhead distribution service within the Conversion Area for such period as may be approved by the Company acting reasonably under the circumstances, (e.g., to accommodate other demolition or construction projects within the Conversion Area).

(N)

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(Continued)**

(N)

- g. Trenching and Restoration: Includes, but is not limited to, any or all of the following, whether in Public Thoroughfares or on other property: breakup of sidewalks, driveways, street surfaces and pavements; disturbance or removal of landscaping; excavating for vaults; trenching for ducts or cable; shoring, flagging, barricading and backfilling; installation of select backfill or concrete around ducts (if required); compaction; and restoration of Public Thoroughfares and other property; all in accordance with the specifications applicable thereto set forth in the Design Agreement and the Construction Agreement.
- h. Underground Distribution System: An underground electric distribution system, excluding "Underground Service Lines" as such term is defined herein, that is comparable to the overhead distribution system being replaced. The Underground Distribution System includes the Facilities as defined herein. For purposes of this Schedule, a "comparable" system shall include, unless the Government Entity and the Company otherwise agree, the number of empty ducts (not to exceed two (2), typically having a diameter of 6" or less) of such diameter and number as may be specified and agreed upon in the Design Agreement and Construction Agreement necessary to replicate the load-carrying capacity (system amperage class) of the overhead system being replaced.
- i. Underground Service Lines: The underground electric cables and associated components extending from the service connections at the outside of the customers' structures to the designated primary voltage or secondary voltage service connection points of an Underground Distribution System.

(N)

Issued: June 26, 2002

Effective: July 1, 2002

Advice No.: 2002-12

By Authority of the Washington Utilities and Transportation Commission in Docket Nos. UE-011570 & UG-011571

Issued By Puget Sound Energy

By:



George Pohndorf

Title: Director, Rates & Regulation

SCHEDULE 74 UNDERGROUND CONVERSION
Project Design Agreement

Project Name: _____

Project Number: _____

THIS Agreement, dated as of this ____ day of _____, 200__, is made by and between _____, a _____ (the "Government Entity"), and PUGET SOUND ENERGY, Inc., a Washington Corporation (the "Company").

RECITALS

A. The Company is a public service company engaged in the sale and distribution of electric energy and, pursuant to its franchise or other rights from the Government Entity, currently locates its electric distribution facilities within the jurisdictional boundaries of the Government Entity.

B. The Government Entity is considering conversion of the Company's existing overhead electric distribution system to a comparable underground electric distribution, as more specifically described in the Scope of Work (as defined in paragraph 2, below) furnished to the Company by the Government Entity (the "Conversion Project").

C. The Government Entity has requested that the Company perform certain engineering design services and otherwise work cooperatively with the Government Entity to develop a mutually acceptable Project Plan (as defined in paragraph 6, below) for the Conversion Project, in accordance with and subject to the terms and conditions of this Agreement (the "Design Work").

D. The Government Entity and the Company wish to execute this written contract in accordance with Schedule 74 of the Company's Electric Tariff G ("Schedule 74") to govern the Design Work for the Conversion Project.

AGREEMENT

The Government Entity and the Company therefore agree as follows:

1. Unless specifically defined otherwise herein, all terms defined in Schedule 74 shall have the same meanings when used in this Agreement.
2. The Government Entity shall, within ten (10) business days after the date of this Agreement, provide the Company with a written scope of work for the Conversion Project which includes, among other things, (a) a reasonably detailed description of the scope of the work required for the Conversion Project, (b) a list of the key milestone dates for the Conversion Project, (c) reasonably detailed drawings showing any associated planned improvements to the Public Thoroughfare, and (d) a statement as to whether the Government Entity desires to install the ducts and vaults for the Conversion Project (the "Scope of Work"). The Government Entity shall provide the Company two (2) hard copies of the Scope of Work and a copy of the relevant electronic file(s) in a mutually agreed electronic format.
3. Within ten (10) business days of its receipt of the Scope of Work, the Company shall prepare and submit to the Government Entity (a) a reasonably detailed, good faith estimate of the cost to perform the Design Work (the "Design Cost Estimate"), and (b) a proposed schedule for completion of the Design Work which, to the extent reasonably practicable, reflects the applicable key milestone dates

specified in the Scope of Work and provides for completion of the Design Work within ninety (90) business days from the date the Company receives the Government Entity's notice to proceed under paragraph 5, below (the "Design Schedule"). The proposed Design Cost Estimate and the proposed Design Schedule shall be based upon the then-current Scope of Work. Unless otherwise specified in the Scope of Work, the Design Work shall not include negotiation or acquisition of third party property rights but shall include preliminary planning between the Company and the Government Entity regarding their respective obligations for negotiating and acquiring third party property rights.

4. Within ten (10) business days after the Government Entity's receipt of the proposed Design Cost Estimate and the proposed Design Schedule from the Company, the Government Entity and the Company shall meet in order to (a) review the proposed Design Cost Estimate, (b) review the proposed Design Schedule; (c) review the Scope of Work, and (d) make any changes necessary to create a final Scope of Work, final Design Cost Estimate, and final Design Schedule that are reasonably acceptable to both parties. If the parties are unable to agree upon a final version of the Scope of Work, Design Cost Estimate, and/or Design Schedule, then either party may, by written notice to the other party, submit the matter for resolution pursuant to the dispute resolution procedures in paragraph 16, below. The final Scope of Work, Design Cost Estimate and Design Schedule, once determined in accordance with this paragraph 4, may thereafter be changed or amended only in accordance with the change procedures set forth in paragraph 13, below.
5. The Government Entity shall, within ten (10) business days after determination of the final of the Scope of Work, Design Cost Estimate, and Design Schedule, issue (a) a written notice to proceed which shall delineate the final Scope of Work, Design Cost Estimate, and Design Schedule, or (b) a written notice to terminate this Agreement without cost to the Government Entity. If the Government Entity terminates this Agreement, the costs incurred by the Company in preparing and submitting the Design Cost Estimate and the Design Schedule shall not be reimbursable to the Company, and the rights and obligations of the parties under this Agreement shall be terminated in their entirety and without liability to either party.
6. Following the Company's receipt of the notice to proceed, and within the applicable time period specified in the Design Schedule, the Company shall, with the cooperation and assistance of the Government Entity as outlined in this Agreement, prepare a project plan for the Conversion Project (the "Project Plan") which shall include, among other things, the following: (a) a detailed description of the work that is required to be performed by each party and any third party in connection with the Conversion Project (the "Construction Work"), (b) the applicable requirements, drawings, and specifications for the Construction Work, (c) a description of any operating and other property rights that are required to be obtained by each party for the Conversion Project (and the requirements and specifications with respect thereto), (d) a detailed estimate of the costs to be incurred by each party in its performance of the Construction Work, and (e) a detailed schedule for completing the Construction Work (including, without limitation, the dates for delivery of the ducts and vaults and other materials for use at the site of the Construction Work).
7. The Government Entity shall be responsible for coordinating the Design Work with all other design work to be performed in connection with the Conversion Project and any associated planned improvements to the Public Thoroughfare. The parties shall work together in an effort to mitigate the costs of the Conversion Project to each party, including, without limitation, identifying ways to accommodate the facilities of the Company to be installed as part of the Conversion Project within the Public Thoroughfare.
8. Within the applicable time period specified in the Design Schedule, the Company shall prepare and submit to the Government Entity a proposed initial draft of the Project Plan. The parties understand and acknowledge that the proposed Project Plan submitted by the Company shall be preliminary in nature and shall not include, without limitation, information required to be supplied by the Government Entity (e.g., scope and estimate of the cost of the Construction Work to be performed by the Government Entity).

9. Within the applicable time period specified in the Design Schedule, the Government Entity shall (a) review the proposed Project Plan submitted by the Company, (b) complete any information required to be supplied by the Government Entity, (c) make any changes required to conform the proposed Project Plan to the Scope of Work and this Agreement, and (d) return the amended Project Plan to the Company.
10. Within the applicable time period specified in the Design Schedule, the Company shall review the amended Project Plan submitted by the Government Entity and notify the Government Entity in writing of either the Company's acceptance of, or the Company's specific objections to, the amended Project Plan. If the Company makes any objection to the amended Project Plan, and the parties are unable to resolve the objections and mutually agree upon the Project Plan prior to the final design date specified in the Design Schedule, then either party may, by written notice to the other party, submit the matter for resolution pursuant to the dispute resolution procedures in paragraph 16, below. The Project Plan, as mutually agreed upon by the parties or established through the dispute resolution process, shall be attached to and incorporated in a Project Construction Agreement substantially in the form attached hereto as Exhibit A (the "Construction Agreement") which is to be signed by the parties prior to commencement of the Construction Work.
11. The parties intend and agree that the Design Work and the Project Plan in its final form shall conform to the following requirements:
 - (a) The Project Plan shall, if requested by the Government Entity in its initial Scope of Work, specify that the Government Entity shall install the ducts and vaults for the Conversion Project; provided that (i) the parties mutually agree upon and set forth in the Project Plan (A) the costs of such installation work to be included in the Cost of Conversion, and (B) the specifications and standards applicable to such installation work, and (ii) such installation work is accomplished by the Government Entity in accordance with the applicable design and construction specifications provided by the Company and set forth in the Project Plan.
 - (b) Each estimate of the costs to be incurred by a party shall, at a minimum, be broken down by (i) the design and engineering costs, (ii) property and related costs, including any costs of obtaining operating rights, and (iii) construction costs, including and listing separately inspection, labor, materials, and equipment.
 - (c) All facilities of the Company installed as part of the Conversion Project shall be located, and all related property and operating rights shall be obtained, in the manner set forth in the applicable provisions of Schedule 74. The Project Plan shall describe in detail the location of such facilities, any related property and operating rights required to be obtained, and the relative responsibilities of the parties with respect thereto.
 - (d) The schedule set forth in the Project Plan for completing the Construction Work shall include, at a minimum, milestone time periods for completion of the Trenching, installation of ducts and vaults, the construction and removal of any Temporary Service, and the removal of overhead facilities.
 - (e) The Project Plan may include the specification of work and requirements for Government-Requested Upgrades and Company-Initiated Upgrades; provided, however, that the costs incurred by the Company with respect to the design and engineering of Company-Initiated Upgrades shall not be included in the costs reimbursable to the Company under this Agreement or the Construction Agreement. For purposes of the foregoing, (i) the term "Government-Requested Upgrade" shall mean any feature of the Underground Distribution System which is requested by the Government Entity and is not reasonably required to make the Underground Distribution System comparable to the overhead distribution system being replaced, and (ii) the term "Company-Initiated Upgrade" shall mean any feature of the Underground Distribution System which is required by the Company and is not reasonably required to make the Underground Distribution System comparable to the overhead distribution system being

replaced. For purposes of subparagraph (ii), above, a "comparable" system shall include, unless the parties otherwise agree, the number of empty ducts (not to exceed two (2), typically having a diameter of 6" or less) of such diameter and number as may be specified and agreed upon in the final Scope of Work necessary to replicate the load-carrying capacity (system amperage class) of the overhead system being replaced. For purposes of subparagraph (i), above, any empty ducts installed at the request of the Government Entity shall be a Government-Requested Upgrade.

- (f) The Project Plan shall set forth all specifications, design standards and other requirements for the Construction Work and the Conversion Project, including, but not limited to, the following:
 - (i) applicable federal and state safety and electric codes and standards, (ii) applicable construction and other standards of the Company, and (iii) applicable street design and other standards of the Government Entity which are in effect as of the commencement of the Conversion Project.

12. Upon request of the Government Entity, and in any event at the times specified in the Design Schedule, the Company shall provide periodic reports which compare the actual costs of the Design Work incurred to that point in time to the Design Cost Estimate, as changed or amended in accordance with paragraph 13, below. Further, if at any time the Company reasonably expects that the actual cost of the Design Work will exceed the Design Cost Estimate, as changed or amended in accordance with paragraph 13, below, the Company shall notify the Government Entity immediately. Upon receipt of the Company's notice, the Government Entity may, at its option,

- (a) notify the Company in writing that this Agreement is terminated; or
- (b) request a reasonably detailed explanation supported by documentation (reasonably satisfactory to the Government Entity) to establish that the actual costs in excess of the Design Cost Estimate are:
 - (i) reasonable,
 - (ii) consistent with the Scope of Work, and
 - (iii) consistent with sound engineering practices.

If the Government Entity requests an explanation, the Government Entity shall, within ten (10) business days after receipt of the explanation,

- (a) change the Scope of Work in accordance with paragraph 13, below, or
- (b) direct the Company to continue with the Design Work without a change in the Scope of Work, but reserving to the Government Entity the right to dispute the reasonableness of the costs to be paid the Company under paragraph 14, below, in accordance with the dispute resolution procedures in paragraph 16, below, or
- (c) direct the Company to discontinue performing the Design Work pending resolution, pursuant to paragraph 16, below, of any dispute regarding the reasonableness of the costs, in which event the Design Schedule will be adjusted to reflect the delay, or
- (d) notify the Company in writing that this Agreement is terminated.

In the event the Government Entity terminates this Agreement or discontinues the performance of the Design Work under subparagraph (c), above, for more than ninety (90) days, the Government Entity shall pay the Company for all costs incurred by the Company in its performance of the Design Work prior to the date the Company receives the Government Entity's notice of termination, plus any costs incurred by the Company for materials and other items ordered or procured by the Company with the prior authorization of the Government Entity in order to meet the schedule for the Conversion Project. The foregoing payment obligation shall survive any termination of this Agreement.

13. (a) Either party may, at any time, by written notice thereof to the other party, request changes to the Scope of Work (a "Request for Change"). No Request for Change shall be effective and binding upon the parties unless signed by an authorized representative of each party. If any approved Request for Change would cause an increase in the cost of, or the time required for, the performance of any part of the Design Work, an equitable adjustment in the Design Cost Estimate and the Design Schedule shall be made to reflect such increase. The parties shall negotiate in good faith with the objective of agreeing in writing on a mutually acceptable equitable adjustment. If the parties are unable to agree upon the terms of the equitable adjustment, either party may submit the matter for resolution pursuant to the dispute resolution procedures in paragraph 16, below. Notwithstanding any dispute or delay in reaching agreement or arriving at a mutually acceptable equitable adjustment, each party shall, if requested by the other party, proceed with the Design Work in accordance with the Request for Change. Any such request to proceed must be accompanied by a written statement setting forth the requesting party's reasons for rejecting the proposed equitable adjustment of the other party.
- (b) The Design Cost Estimate and/or the Design Schedule shall be equitably adjusted from time to time to reflect any change in the costs or time required to perform the Design Work to the extent such change is caused by: (i) any Force Majeure Event under paragraph 17, below, (ii) the discovery of any condition within the Conversion Area which affects the scope, cost, schedule or other aspect of the Design Work and was not known by or disclosed to the affected party prior to the date of this Agreement, or (iii) any change or inaccuracy in any assumptions regarding the scope, cost, schedule or other aspect of the Design Work which are expressly identified by the parties in the final Scope of Work. Upon the request of either party, the parties will negotiate in good faith with the objective of agreeing in writing on a mutually acceptable equitable adjustment. If, at any time thereafter, the parties are unable to agree upon the terms of the equitable adjustment, either party may submit the matter for resolution pursuant to the dispute resolution provisions in paragraph 16, below.
14. Upon completion of the Design Work (i.e., the date on which the Project Plan is final under paragraph 10, above, either by mutual agreement of the parties or as established through the dispute resolution procedures), the Government Entity shall pay the Company all actual, reasonable costs to the Company for the Design Work (which, if disputed in good faith by the Government Entity, may be submitted by either party for resolution pursuant to the dispute resolution provisions in paragraph 16, below), plus any costs incurred by the Company for materials and other items ordered by the Company with the prior authorization of the Government Entity in order to meet the schedule for the Conversion Project. If, thereafter, the Construction Agreement is executed by the parties and the Conversion Project is completed within five (5) years from the date of this Agreement, the full amount of the costs incurred by the Company in its performance of the Design Work shall be included in the "Shared Company Costs" under the Construction Agreement and any payment of such amounts under this Agreement shall be credited to the Government Entity in calculating the "Net Amount" payable under the Construction Agreement.
15. Within sixty (60) business days after completion of the Design Work, the Company shall issue to the Government Entity an itemized invoice for the amounts payable under this Agreement. Such invoice shall be in a form mutually agreed upon by the Company and the Government Entity and shall, at a minimum, itemize the design and engineering costs, including and listing separately inspection, labor, materials and equipment. In the event the Government Entity does not verify such invoice within ten (10) business days of receipt, the Government Entity shall provide a written request to the Company specifying the additional information needed to verify the invoice. The Company will provide, within a reasonable period after receipt of any request, such documentation and information as the Government Entity may reasonably request to verify such invoice. The Government Entity shall pay the Company all amounts payable under this Agreement within thirty (30) days after receipt of the Company's invoice. Payment as provided in this Agreement shall be full compensation for the Company's performance of the Design Work, including without limitation all services rendered and all materials, supplies, equipment, and incidentals necessary to complete the Design Work.

16. Dispute Resolution Procedures:

- (a) Any dispute, disagreement or claim arising out of or concerning this Agreement must first be presented to and considered by the parties. A party who wishes dispute resolution shall notify the other party in writing as to the nature of the dispute. Each party shall appoint a representative who shall be responsible for representing the party's interests. The representatives shall exercise good faith efforts to resolve the dispute. Any dispute that is not resolved within ten (10) business days of the date the disagreement was first raised by written notice shall be referred by the parties' representatives in writing to the senior management of the parties for resolution. In the event the senior management are unable to resolve the dispute within twenty (20) business days (or such other period as the parties may agree upon), each party may pursue resolution of the dispute through other legal means consistent with the terms of this Agreement. All negotiations pursuant to these procedures for the resolution of disputes shall be confidential and shall be treated as compromise and settlement negotiations for purposes of the state and federal rules of evidence.
- (b) Any claim or dispute arising hereunder which relates to the Scope of Work, Design Cost Estimate, and Design Schedule under paragraph 4, above; the Project Plan under paragraph 10, above; or any Request for Change (including, without limitation, any associated equitable adjustment) under paragraph 13, above; and is not resolved by senior management within the time permitted under paragraph 16(a), above, shall be resolved by arbitration in Seattle, Washington, under the Construction Industry Arbitration Rules of the American Arbitration Association then in effect. The decision(s) of the arbitrator(s) shall be final, conclusive and binding upon the Parties. All other disputes shall be resolved by litigation in any court or governmental agency, as applicable, having jurisdiction over the Parties and the dispute.
- (c) In connection with any arbitration under this paragraph 16, costs of the arbitrator(s), hearing rooms and other common costs shall be divided equally among the parties. Each party shall bear the cost and expense of preparing and presenting its own case (including, but not limited to, its own attorneys' fees); provided, that, in any arbitration, the arbitrator(s) may require, as part of his or her decision, reimbursement of all or a portion of the prevailing party's costs and expenses by the other party.
- (d) Unless otherwise agreed by the parties in writing, the parties shall continue to perform their respective obligations under this Agreement during the pendency of any dispute.

17. In the event that either party is prevented or delayed in the performance of any of its obligations under this Agreement by reason beyond its reasonable control (a "Force Majeure Event"), then that party's performance shall be excused during the Force Majeure Event. Force Majeure Events shall include, without limitation, war; civil disturbance; flood, earthquake or other Act of God; storm, earthquake or other condition which necessitates the mobilization of the personnel of a party or its contractors to restore utility service to customers; laws, regulations, rules or orders of any governmental agency; sabotage; strikes or similar labor disputes involving personnel of a party, its contractors or a third party; or any failure or delay in the performance by the other party, or a third party who is not an employee, agent or contractor of the party claiming a Force Majeure Event, in connection with the Work or this Agreement. Upon removal or termination of the Force Majeure Event, the party claiming a Force Majeure Event shall promptly perform the affected obligations in an orderly and expedited manner under this Agreement or procure a substitute for such obligation. The parties shall use all commercially reasonable efforts to eliminate or minimize any delay caused by a Force Majeure Event.

18. This Agreement is subject to the General Rules and Provisions set forth in Tariff Schedule 80 of the Company's electric Tariff G and to Schedule 74 of such Tariff as approved by the Washington Utilities and Transportation Commission and in effect as of the date of this Agreement.

19. Any notice under this Agreement shall be in writing and shall be faxed (with a copy followed by mail or hand delivery), delivered in person, or mailed, properly addressed and stamped with the required postage, to the intended recipient as follows:

If to the Government Entity:

Attn: _____
Fax: _____

If to the Company:

Puget Sound Energy, Inc.

Attn: _____
Fax: _____

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

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

21. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and all other agreements and understandings of the Parties, whether written or oral, with respect to the subject matter of this Agreement are hereby superseded in their entireties.

22. This Agreement shall be binding upon and inure to the benefit of the respective successors, assigns, purchasers, and transferees of the parties, including but not limited to, any entity to which the rights or obligations of a party are assigned, delegated, or transferred in any corporate reorganization, change of organization, or purchase or transfer of assets by or to another corporation, partnership, association, or other business organization or division thereof.

Government Entity:

Company:

PUGET SOUND ENERGY, INC.

BY _____

BY _____

ITS _____

ITS _____

Date Signed _____

Date Signed _____

Approved as to form:

SCHEDULE 74 UNDERGROUND CONVERSION
Project Construction Agreement

Project Name: _____
Project Number: _____

THIS Agreement, dated as of this ____ day of _____, 200__, is made by and between _____, a _____ (the "Government Entity"), and PUGET SOUND ENERGY, Inc., a Washington Corporation (the "Company").

RECITALS

A. The Company is a public service company engaged in the sale and distribution of electric energy, and pursuant to its franchise or other rights from the Government Entity, currently locates its electric distribution facilities within the jurisdictional boundaries of the Government Entity.

B. The Government Entity has determined that it is necessary to replace the existing overhead electric distribution system within the area specified in the Project Plan (as defined below) (the "Conversion Area") with a comparable underground electric distribution system, all as more specifically described in the Project Plan (the "Conversion Project").

C. The Government Entity and the Company have previously entered into a Project Design Agreement dated as of _____ (the "Design Agreement"), pursuant to which the parties completed certain engineering design, cost assessment, operating rights planning and other preliminary work relating to the Conversion Project and, in connection with that effort, developed the Project Plan.

D. The Government Entity and the Company wish to execute this written contract in accordance with Schedule 74 of the Company's Electric Tariff G ("Schedule 74") to govern the completion of the Conversion Project, which both parties intend shall qualify as an underground conversion under the terms of Schedule 74.

AGREEMENT

The Government Entity and the Company therefore agree as follows:

1. Definitions.

(a) Unless specifically defined otherwise herein, all terms defined in Schedule 74 shall have the same meanings when used in this Agreement, including, without limitation, the following:

- i) Cost of Conversion;
- ii) Public Thoroughfare;
- iii) Temporary Service;
- iv) Trenching and Restoration;
- v) Underground Distribution System; and
- vi) Underground Service Lines.

(b) "Company-Initiated Upgrade" shall mean any feature of the Underground Distribution System which is required by the Company and is not reasonably required to make the Underground Distribution System comparable to the overhead distribution system being replaced. For purposes of the foregoing, a "comparable" system shall include, unless the Parties otherwise agree, the number of empty ducts (not to exceed two (2), typically having a diameter of 6" or less)

of such diameter and number as may be specified and agreed upon in the Project Plan necessary to replicate the load-carrying capacity (system amperage class) of the overhead system being replaced.

- (c) "Estimated Reimbursable Private Conversion Costs" shall mean the Company's good faith estimate of the Reimbursable Private Conversion Costs, as specified in the Project Plan and as changed and adjusted from time to time in accordance with Section 6, below.
- (d) "Estimated Reimbursable Temporary Service Costs" shall mean the Company's good faith estimate of the Reimbursable Temporary Service Costs, as specified in the Project Plan and as changed and adjusted from time to time in accordance with Section 6, below.
- (e) "Estimated Reimbursable Upgrade Costs" shall mean the Company's good faith estimate of the Reimbursable Upgrade Costs, as specified in the Project Plan and as changed and adjusted from time to time in accordance with Section 6, below.
- (f) "Estimated Shared Company Costs" shall mean the Company's good faith estimate of the Shared Company Costs, as specified in the Project Plan and as changed and adjusted from time to time in accordance with Section 6, below.
- (g) "Estimated Shared Government Costs" shall mean the Government Entity's good faith estimate of the Shared Government Costs, as specified in the Project Plan and as changed and adjusted from time to time in accordance with Section 6, below.
- (h) "Government-Requested Upgrade" shall mean any feature of the Underground Distribution System which is requested by the Government Entity and is not reasonably required to make the Underground Distribution System comparable to the overhead distribution system being replaced. For purposes of the foregoing, any empty ducts installed at the request of the Government Entity shall be a Government-Requested Upgrade.
- (i) "Party" shall mean either the Company, the Government Entity, or both.
- (j) "Private Property Conversion" shall mean that portion, if any, of the Conversion Project for which the existing overhead electric distribution system is located, as of the date determined in accordance with Schedule 74, (i) outside of the Public Thoroughfare, or (ii) pursuant to rights not derived from a franchise previously granted by the Government Entity or pursuant to rights not otherwise previously granted by the Government Entity.
- (k) "Project Plan" shall mean the project plan developed by the Parties under the Design Agreement and attached hereto as Exhibit A, as the same may be changed and amended from time to time in accordance with Section 6, below. The Project Plan includes, among other things, (i) a detailed description of the Work that is required to be performed by each Party and any third party, (ii) the applicable requirements and specifications for the Work, (iii) a description of the Operating Rights that are required to be obtained by each Party for the Conversion Project (and the requirements and specifications with respect thereto), (iv) an itemization and summary of the Estimated Shared Company Costs, Estimated Shared Government Costs, Estimated Reimbursable Private Conversion Costs (if any), Estimated Reimbursable Temporary Service Costs (if any) and Estimated Reimbursable Upgrade Costs (if any), and (v) the Work Schedule.
- (l) "Operating Rights" shall mean sufficient space and legal rights for the construction, operation, repair, and maintenance of the Underground Distribution System.
- (m) "Reimbursable Private Conversion Costs" shall mean (i) all Costs of Conversion, if any, incurred by the Company which are attributable to a Private Property Conversion, less (ii) the distribution pole replacement costs (if any) that would be avoided by the Company on account of such Private Property Conversion, as determined consistent with the applicable Company distribution

facilities replacement program, plus (iii) just compensation as provided by law for the Company's interests in real property on which such existing overhead distribution system was located prior to conversion; provided that the portion of the Reimbursable Private Conversion Costs attributable to the Costs of Conversion under subparagraph (i) of this paragraph shall not exceed the Estimated Reimbursable Private Conversion Costs without the prior written authorization of the Government Entity.

- (n) "Reimbursable Temporary Service Costs" shall mean all costs incurred by the Company which are attributable to (i) any facilities installed as part of the Conversion Project to provide Temporary Service, as provided for in Schedule 74, and (ii) the removal of any facilities installed to provide Temporary Service (less salvage value of removed equipment); provided that the Reimbursable Temporary Service Costs shall not exceed the Estimated Reimbursable Temporary Service Costs without the prior written authorization of the Government Entity.
- (o) "Reimbursable Upgrade Costs" shall mean all Costs of Conversion incurred by the Company which are attributable to any Government-Requested Upgrade; provided that the Reimbursable Upgrade Costs shall not exceed the Estimated Reimbursable Upgrade Costs without the prior written authorization of the Government Entity.
- (p) "Shared Company Costs" shall mean all Costs of Conversion (other than Reimbursable Upgrade Costs, Reimbursable Private Conversion Costs and Reimbursable Temporary Service Costs) incurred by the Company in connection with the Conversion Project; provided, however, that the Shared Company Costs shall not exceed the Estimated Shared Company Costs without the prior written authorization of the Government Entity. For the avoidance of doubt, the "Shared Company Costs" shall, as and to the extent specified in the Design Agreement, include the actual, reasonable costs to the Company for the "Design Work" performed by the Company under the Design Agreement.
- (q) "Shared Government Costs" shall mean all Costs of Conversion incurred by the Government Entity in connection with (i) any duct and vault installation Work which the Parties have specified in the Project Plan is to be performed by the Government Entity as part of the Government Work, and (ii) the acquisition of any Operating Rights which the Parties have, by mutual agreement, specified in the Project Plan are to be obtained by the Government Entity for the Conversion Project, but only to the extent attributable to that portion of such Operating Rights which is necessary to accommodate the facilities of the Company; provided, however, that the Shared Government Costs shall not exceed the Estimated Shared Government Costs without the prior written authorization of the Company.
- (r) "Total Shared Costs" shall mean the sum of the Shared Company Costs and the Shared Government Costs. For the avoidance of doubt, the Total Shared Costs shall not include, without limitation, (i) costs to the Government Entity for Trenching and Restoration, or (ii) costs associated with any joint use of trenches by other utilities as permitted under Section 3(b).
- (s) "Work" shall mean all work to be performed in connection with the Conversion Project, as more specifically described in the Project Plan, including, without limitation, the Company Work (as defined in Section 2(a), below) and the Government Work (as defined in Section 3(a), below).
- (t) "Work Schedule" shall mean the schedule specified in the Project Plan which sets forth the milestones for completing the Work, as the same may be changed and amended from time to time in accordance with Section 6, below.

2. Obligations of the Company.

- (a) Subject to the terms and conditions of this Agreement, the Company shall do the following as specified in, and in accordance with the design and construction specifications and other requirements set forth in, the Project Plan (the "Company Work"):

- i) furnish and install an Underground Distribution System within the Conversion Area (excluding any duct and vault installation or other Work which the Parties have specified in the Project Plan is to be performed by the Government Entity);
 - ii) provide a Company inspector on-site at the times specified in the Work Schedule to inspect the performance of any duct and vault installation Work which the Parties have specified in the Project Plan is to be performed by the Government Entity; and
 - iii) upon connection of those persons or entities to be served by the Underground Distribution System and removal of facilities of any other utilities that are connected to the poles of the overhead system, remove the existing overhead system (including associated wires and Company-owned poles) of 15,000 volts or less within the Conversion Area except for Temporary Services.
- (b) Upon request of the Government Entity, the Company shall provide periodic reports of the progress of the Company Work identifying (i) the Company Work completed to date, (ii) the Company Work yet to be completed, and (iii) an estimate regarding whether the Conversion Project is on target with respect to the Estimated Shared Company Costs, the Estimated Reimbursable Private Conversion Costs (if any), the Estimated Reimbursable Temporary Service Costs (if any), the Estimated Reimbursable Upgrade Costs (if any) and the Work Schedule.
- (c) Except as otherwise provided in the Company's Electric Tariff G, the Company shall own, operate and maintain all electrical facilities installed pursuant to this Agreement including, but not limited to, the Underground Distribution System and Underground Service Lines.
- (d) Subject to the terms and conditions of this Agreement, the Company shall perform all Company Work in accordance with the Project Plan, the Work Schedule and this Agreement.

3. Obligations of the Government Entity.

- (a) Subject to the terms and conditions of this Agreement, the Government Entity shall do the following as specified in, and in accordance with the design and construction specifications and other requirements set forth in, the Project Plan (the "Government Work"):
 - i) provide the Trenching and Restoration;
 - ii) perform the surveying for alignment and grades for ducts and vaults; and
 - iii) perform any duct and vault installation and other Work which the Parties have specified in the Project Plan is to be performed by the Government Entity.
- (b) Other utilities may be permitted by the Government Entity to use the trenches provided by the Government Entity for the installation of their facilities so long as such facilities or the installation thereof do not interfere (as determined pursuant to the Company's electrical standards) with the Underground Distribution System or the installation or maintenance thereof. Any such use of the trenches by other utilities shall be done subject to and in accordance with the joint trench design specifications and installation drawings set forth or otherwise identified in the Project Plan, and the Government Entity shall be responsible for the coordination of the design and installation of the facilities of the other utilities to ensure compliance with such specifications and drawings.
- (c) Upon request of the Company, the Government Entity shall provide periodic reports of the progress of the Government Work identifying (i) the Government Work completed to date, (ii) the Government Work yet to be completed, and (iii) an estimate regarding whether the Conversion Project is on target with respect to the Estimated Shared Government Costs and the Work Schedule.
- (d) The Government Entity shall be responsible for coordinating all work to be performed in connection with the street improvement program within the Conversion Area.

- (e) Subject to the terms and conditions of this Agreement, the Government Entity shall perform all Government Work in accordance with the Project Plan, the Work Schedule and this Agreement.

4. Work Schedule.

- (a) The Government Entity and the Company have agreed upon the Work Schedule as set forth in the Project Plan. Changes to the Work Schedule shall be made only in accordance with Section 6, below.
- (b) Promptly following the execution of this Agreement, and upon completion by the Government Entity of any necessary preliminary work, the Government Entity shall hold a pre-construction meeting involving all participants in the Conversion Project to review project design, coordination requirements, work sequencing and related pre-mobilization requirements. Following the pre-construction meeting, the Government Entity shall give the Company written notice to proceed with the Work at least ten (10) business days prior to the commencement date specified in the Work Schedule.
- (c) Subject to the terms and conditions of this Agreement, each Party shall perform the Work assigned to it under this Agreement in accordance with the Work Schedule. So long as the Company performs the Company Work in accordance with the Work Schedule, the Company shall not be liable to the Government Entity (or its agents, servants, employees, contractors, subcontractors, or representatives) for any claims, actions, damages, or liability asserted or arising out of delays in the Work Schedule.

5. Location of Facilities.

All facilities of the Company installed within the Conversion Area pursuant to this Agreement shall be located, and all related Operating Rights shall be obtained, in the manner set forth in the applicable provisions of Schedule 74, as specified by the Parties in the Project Plan.

6. Changes.

- (a) Either Party may, at any time, by written notice thereof to the other Party, request changes in the Work within the general scope of this Agreement (a "Request for Change"), including, but not limited to: (i) changes in, substitutions for, additions to or deletions of any Work; (ii) changes in the specifications, drawings and other requirements in the Project Plan, (iii) changes in the Work Schedule, and (iv) changes in the location, alignment, dimensions or design of items included in the Work. No Request for Change shall be effective and binding upon the Parties unless signed by an authorized representative of each Party.
- (b) If any change included in an approved Request for Change would cause a change in the cost of, or the time required for, the performance of any part of the Work, an equitable adjustment shall be made in the Estimated Shared Company Costs, the Estimated Shared Government Costs, the Estimated Reimbursable Private Conversion Costs (if any), the Estimated Reimbursable Temporary Service Costs (if any), the Estimated Reimbursable Upgrade Costs (if any) and/or the Work Schedule to reflect such change. The Parties shall negotiate in good faith with the objective of agreeing in writing on a mutually acceptable equitable adjustment. If the Parties are unable to agree upon the terms of the equitable adjustment, either Party may submit the matter for resolution pursuant to the dispute resolution provisions in Section 10, below.
- (c) The Work Schedule, the Estimated Shared Company Costs, the Estimated Shared Government Costs, the Estimated Reimbursable Private Conversion Costs, the Estimated Reimbursable Temporary Service Costs and/or the Estimated Reimbursable Upgrade Costs shall be further equitably adjusted from time to time to reflect any change in the costs or time required to perform the Work to the extent such change is caused by: (i) any Force Majeure Event under Section 11, below, (ii) the discovery of any condition within the Conversion Area which affects the scope,

cost, schedule or other aspect of the Work and was not known by or disclosed to the affected Party prior to the date of this Agreement, or (iii) any change or inaccuracy in any assumptions regarding the scope, cost, schedule or other aspect of the Work which are expressly identified by the Parties in the Project Plan. Upon the request of either Party, the Parties will negotiate in good faith with the objective of agreeing in writing on a mutually acceptable equitable adjustment. If, at any time thereafter, the Parties are unable to agree upon the terms of the equitable adjustment, either Party may submit the matter for resolution pursuant to the dispute resolution provisions in Section 10, below.

- (d) Notwithstanding any dispute or delay in reaching agreement or arriving at a mutually acceptable equitable adjustment, each Party shall, if requested by the other Party, proceed with the Work in accordance with any approved Request for Change. Any request to proceed hereunder must be accompanied by a written statement setting forth the requesting Party's reasons for rejecting the proposed equitable adjustment of the other Party.

7. Compensation and Payment.

- (a) Subject to and in accordance with the terms and conditions of this Agreement (including, without limitation, the payment procedures set forth in this Section 7), payment in connection with the Conversion Project and this Agreement shall be as follows:
 - i) The Total Shared Costs shall be allocated to the Parties in the following percentages: (A) sixty percent (60%) to the Company, and (B) forty percent (40%) to the Government Entity.
 - ii) The Government Entity shall pay one hundred percent (100%) of all Reimbursable Private Conversion Costs, if any.
 - iii) The Government Entity shall pay one hundred percent (100%) of all Reimbursable Upgrade Costs, if any.
 - iv) The Government Entity shall pay one hundred percent (100%) of all Reimbursable Temporary Service Costs, if any.
 - v) The Government Entity shall pay one hundred percent (100%) of the costs it incurs to perform that portion of the Government Work specified in Section 3(a)(i) and (ii) (i.e., Trenching and Restoration and surveying).
 - vi) The Company shall pay one hundred percent (100%) of the costs it incurs to design, provide and construct any Company-Initiated Upgrade.
 - vii) The Company shall pay one hundred percent (100%) of the costs it incurs to obtain Operating Rights outside the Public Thoroughfare.
- (b) Based on the allocation of responsibilities set forth in Section 7(a), above, the Parties shall determine the net amount payable by the Government Entity or the Company, as applicable, to the other Party under this Agreement (the "Net Amount"). The Net Amount shall be determined by using the amount of the Total Shared Costs allocated to the Government Entity under Section 7(a)(i), and adjusting such amount as follows:
 - i) Subtracting (as a credit to the Government Entity) the amount of the Shared Government Costs.
 - ii) Adding (as a credit to the Company) the amount of all Reimbursable Private Conversion Costs, Reimbursable Upgrade Costs and Reimbursable Temporary Service Costs.
 - iii) Subtracting (as a credit to the Government Entity) any payments previously made to the Company by the Government Entity under the Design Agreement which, under the terms of the Design Agreement, are to be credited to the Government Entity under this Agreement.

The Net Amount, as so calculated, (A) will be an amount payable to the Company if it is a positive number, and (B) shall be an amount payable to the Government Entity if it is a negative number.

- (c) Within sixty (60) business days of completion of the Conversion Project, the Government Entity shall provide the Company with an itemization of the Shared Government Costs (the "Government Itemization"), together with such documentation and information as the Company may reasonably request to verify the Government Itemization. The Government Itemization shall, at a minimum, break down the Shared Government Costs by the following categories, as applicable: (i) property and related costs incurred and/or paid by the Government Entity, including any costs of obtaining Operating Rights, and (ii) construction costs incurred and/or paid by the Government Entity, including and listing separately inspection, labor, materials and equipment, overhead and all costs charged by any agent, contractor or subcontractor of the Government Entity.
- (d) Within thirty (30) business days after the Company's receipt of the Government Itemization and requested documentation and information, the Company shall provide the Government Entity a written statement (the "Company Statement") showing (i) an itemization of the Shared Company Costs, (ii) the Parties' relative share of the Total Shared Costs based on the Company's itemization of the Shared Company Costs and the Government Entity's itemization of the Shared Government Costs set forth in the Government Itemization, (iii) any Reimbursable Private Conversion Costs, (iv) any Reimbursable Upgrade Costs, (v) any Reimbursable Temporary Service Costs, (vi) any credits to the Government Entity for payments previously made to the Company by the Government Entity under the Design Agreement which, under the terms of the Design Agreement, are to be credited to the Government Entity under this Agreement, and (vii) the Net Amount, as determined in accordance with Section 7(b), above, together with such documentation and information as the Government Entity may reasonably request to verify the Company Statement. The itemization of the Shared Company Costs included in the Company Statement shall, at a minimum, break down the Shared Company Costs by the following categories, as applicable: (i) design and engineering costs, and (ii) construction costs, including and listing separately inspection, labor, materials and equipment, overhead and all costs charged by any agent, contractor or subcontractor of the Company.
- (e) Within thirty (30) business days after the Government Entity's receipt of the Company Statement and requested documentation and information, the Net Amount shall be paid by the owing Party to the other Party, as specified in the Company Statement.

8. Indemnification.

- (a) The Government Entity releases and shall defend, indemnify and hold the Company harmless from all claims, losses, harm, liabilities, damages, costs and expenses (including, but not limited to, reasonable attorneys' fees) caused by or arising out of any negligent act or omission or willful misconduct of the Government Entity in its performance under this Agreement. During the performance of such activities the Government Entity's employees or contractors shall at all times remain employees or contractors, respectively, of the Government Entity.
- (b) The Company releases and shall defend, indemnify and hold the Government Entity harmless from all claims, losses, harm, liabilities, damages, costs and expenses (including, but not limited to, reasonable attorneys' fees) caused by or arising out of any negligent act or omission or willful misconduct of the Company in its performance under this Agreement. During the performance of such activities the Company's employees or contractors shall at all times remain employees or contractors, respectively, of the Company.
- (c) Solely for purposes of enforcing the indemnification obligations of a Party under this Section 8, each Party expressly waives its immunity under Title 51 of the Revised Code of Washington, the Industrial Insurance Act, and agrees that the obligation to indemnify, defend and hold harmless provided for in this Section 8 extends to any such claim brought against the indemnified Party by or on behalf of any employee of the indemnifying Party. The foregoing waiver shall not in any

way preclude the indemnifying Party from raising such immunity as a defense against any claim brought against the indemnifying Party by any of its employees.

9. Conversion of Service to Customers within Conversion Area.

- (a) Upon commencement of the Work, the Government Entity shall notify all persons and entities within the Conversion Area that service lines to such customers must be converted from overhead to underground service within the applicable statutory period following written notice from the Government Entity that service from underground facilities are available in accordance with RCW 35.96.050. Upon the request of any customer, other than a single family residential customer, within the Conversion Area, the Company shall remove the overhead system and connect such persons' and entities' Underground Service Lines to the Underground Distribution System.
- (b) The Parties acknowledge that single family residences within the Conversion Area must (i) provide a service trench and conduit, in accordance with the Company's specifications, from the underground meter base to the point of service provided during the conversion, and (ii) pay for the secondary service conductors as defined in Schedule 85 of the Company's Electric Tariff G. The Government Entity shall exercise its authority to order disconnection and removal of overhead facilities with respect to owners failing to convert service lines from overhead to underground within the timelines provided in RCW 35.96.050.

10. Dispute Resolution.

- (a) Any dispute, disagreement or claim arising out of or concerning this Agreement must first be presented to and considered by the Parties. A Party who wishes dispute resolution shall notify the other Party in writing as to the nature of the dispute. Each Party shall appoint a representative who shall be responsible for representing the Party's interests. The representatives shall exercise good faith efforts to resolve the dispute. Any dispute that is not resolved within ten (10) business days of the date the disagreement was first raised by written notice shall be referred by the Parties' representatives in writing to the senior management of the Parties for resolution. In the event the senior management are unable to resolve the dispute within twenty (20) business days (or such other period as the Parties may agree upon), each Party may pursue resolution of the dispute through other legal means consistent with the terms of this Agreement. All negotiations pursuant to these procedures for the resolution of disputes shall be confidential and shall be treated as compromise and settlement negotiations for purposes of the state and federal rules of evidence.
- (b) Any claim or dispute arising hereunder which relates to any Request for Change or any equitable adjustment under Section 6, above, or the compensation payable by or to either Party under Section 7, above, and which is not resolved by senior management within the time permitted under Section 10(a), above, shall be resolved by arbitration in Seattle, Washington, under the Construction Industry Arbitration Rules of the American Arbitration Association then in effect. The decision(s) of the arbitrator(s) shall be final, conclusive and binding upon the Parties. All other disputes shall be resolved by litigation in any court or governmental agency, as applicable, having jurisdiction over the Parties and the dispute.
- (c) In connection with any arbitration under this Section 10, costs of the arbitrator(s), hearing rooms and other common costs shall be divided equally among the Parties. Each Party shall bear the cost and expense of preparing and presenting its own case (including, but not limited to, its own attorneys' fees); provided, that, in any arbitration, the arbitrator(s) may require, as part of his or her decision, reimbursement of all or a portion of the prevailing Party's costs and expenses (including, but not limited to, reasonable attorneys' fees) by the other Party.
- (d) Unless otherwise agreed by the Parties in writing, the Parties shall continue to perform their respective obligations under this Agreement during the pendency of any dispute.

11. Uncontrollable Forces.

In the event that either Party is prevented or delayed in the performance of any of its obligations under this Agreement by reason beyond its reasonable control (a "Force Majeure Event"), then that Party's performance shall be excused during the Force Majeure Event. Force Majeure Events shall include, without limitation, war; civil disturbance; flood, earthquake or other Act of God; storm, earthquake or other condition which necessitates the mobilization of the personnel of a Party or its contractors to restore utility service to customers; laws, regulations, rules or orders of any governmental agency; sabotage; strikes or similar labor disputes involving personnel of a Party, its contractors or a third party; or any failure or delay in the performance by the other Party, or a third party who is not an employee, agent or contractor of the Party claiming a Force Majeure Event, in connection with the Work or this Agreement. Upon removal or termination of the Force Majeure Event, the Party claiming a Force Majeure Event shall promptly perform the affected obligations in an orderly and expedited manner under this Agreement or procure a substitute for such obligation. The Parties shall use all commercially reasonable efforts to eliminate or minimize any delay caused by a Force Majeure Event.

12. Insurance.

- (a) PSE shall, and shall require each of its contractors to, secure and maintain in force throughout the duration of the Conversion Project (or, if sooner, until termination of this Agreement) comprehensive general liability insurances, with a minimum coverage of \$_____ per occurrence and \$_____ aggregate for personal injury; and \$_____ per occurrence/aggregate for property damages, and professional liability insurance in the amount of \$_____.
- (b) The Government Entity shall ensure that each of its contractors performing any Government Work secures and maintains in force throughout the duration of the Conversion Project (or, if sooner, until termination of this Agreement) insurance policies having the same coverage, amounts and limits as specified Section 12(a), above.
- (c) In lieu of the insurance requirements set forth in Section 12(a), above, the Company may self-insure against such risks in such amounts as are consistent with good utility practice. Upon the Government Entity's request, the Company shall provide the Government Entity with reasonable written evidence that the Company is maintaining such self-insurance.

13. Other.

- (a) Agreement Subject To Tariff. This Agreement is subject to the General Rules and Provisions set forth in Tariff Schedule 80 of the Company's electrical Tariff G and to Schedule 74 of such Tariff as approved by the Washington Utilities and Transportation Commission and in effect as of the date of this Agreement.
- (b) Termination. The Government Entity reserves the right to terminate the Conversion Project and this Agreement upon written notice to the Company. In the event that the Government Entity terminates the Conversion Project and this Agreement, the Government Entity shall reimburse the Company for all costs reasonably incurred by the Company in connection with the Work performed prior to the effective date of termination. In such event, the costs reimbursable to the Company (i) shall not be reduced by any Shared Government Costs or other costs incurred by the Government Entity, and (ii) shall be paid within thirty (30) days after the receipt of the Company's invoice therefor. Sections 1, 5, 7, 8, 9, 10, 11 and 13 shall survive any termination of the Conversion Project and/or this Agreement.
- (c) Facilities Greater Than 15,000 Volts. Nothing in this Agreement shall in any way affect the rights or obligations of the Company under any previous agreements pertaining to the existing or future facilities of greater than 15,000 Volts within the Conversion Area.

- (d) Compliance With Law. The Parties shall, in performing the Work under this Agreement, comply with all applicable federal, state, and local laws, ordinances, and regulations.
- (e) No Discrimination. The Company, with regard to the Work performed by the Company under this Agreement, shall comply with all applicable laws relating to discrimination on the basis race, color, national origin, religion, creed, age, sex, or the presence of any physical or sensory handicap in the selection and retention of employees or procurement of materials or supplies.
- (f) Independent Contractor. The Company and the Government Entity agree that the Company is an independent contractor with respect to the Work and this Agreement. The Company is acting to preserve and protect its facilities and is not acting for the Government Entity in performing the Work. Nothing in this Agreement shall be considered to create the relationship of employer and employee between the Parties. Neither the Company nor any employee of the Company shall be entitled to any benefits accorded employees of the Government Entity by virtue of the Work or this Agreement. The Government Entity shall not be responsible for withholding or otherwise deducting federal income tax or social security or contributing to the State Industrial Insurance Program, or otherwise assuming the duties of an employer with respect to the Company, or any employee of the Company.
- (g) Nonwaiver of Rights or Remedies. No failure or delay of either Party to insist upon or enforce strict performance by the other Party of any provision of this Agreement or to exercise any other right under this Agreement, and no course of dealing or performance with respect thereto, shall, except to the extent provided in this Agreement, be construed as a waiver or, or choice of, or relinquishment of any right under any provision of this Agreement or any right at law or equity not otherwise provided for herein. The express waiver by either Party of any right or remedy under this Agreement or at law or equity in a particular instance or circumstance shall not constitute a waiver thereof in any other instance or circumstance.
- (h) No Third Party Beneficiaries. There are no third-party beneficiaries of this Agreement. Nothing contained in this Agreement is intended to confer any right or interest on anyone other than the Parties, their respective successors, assigns and legal representatives.
- (i) Governmental Authority. This Agreement is subject to the rules, regulations, orders and other requirements, now or hereafter in effect, of all governmental regulatory authorities and courts having jurisdiction over this Agreement, the Parties or either of them. All laws, ordinances, rules, regulations, orders and other requirements, now or hereafter in effect, of governmental regulatory authorities and courts that are required to be incorporated into agreements of this character are by this reference incorporated in this Agreement.
- (j) No Partnership. This Agreement shall not be interpreted or construed to create an association, joint venture or partnership between the Parties or to impose any partnership obligations or liability upon either Party. Further, neither Party shall have any right, power or authority to enter into any agreement or undertaking for or on behalf of, to act as or be an agent or representative of, or to otherwise bind the other Party.
- (k) Severability. In the event that any provision of this Agreement or the application of any such provision shall be held invalid as to either Party or any circumstance by any court having jurisdiction, such provision shall remain in force and effect to the maximum extent provided by law, and all other provisions of this Agreement and their application shall not be affected thereby but shall remain in force and effect unless a court or arbitrator holds they are not severable from the invalid provisions.

- (l) Notice. Any notice under this Agreement shall be in writing and shall be faxed (with a copy followed by mail or hand delivery), delivered in person, or mailed, properly addressed and stamped with the required postage, to the intended recipient as follows:

If to the Government Entity:

 Attn: _____
 Fax: _____

If to the Company:

Puget Sound Energy, Inc.

 Attn: _____
 Fax: _____

Any Party may change its address specified in this Section 13(l) by giving the other Party notice of such change in accordance with this Section 13(l).

- (m) Applicable Law. This Agreement shall in all respects be interpreted, construed and enforced in accordance with the laws of the State of Washington (without reference to rules governing conflict of laws), except to the extent such laws may be preempted by the laws of the United States of America.
- (n) Entire Agreement. This Agreement constitutes the entire agreement of the Parties with respect to the subject matter hereof and all other agreements and understandings of the Parties, whether written or oral, with respect to the subject matter of this Agreement are hereby superseded in their entireties; provided, however, that except as expressly set forth in this Agreement, nothing herein is intended to or shall alter, amend or supersede the Design Agreement and the same shall remain in full force and effect in accordance with its terms.
- (o) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the respective successors, assigns, purchasers, and transferees of the Parties, including but not limited to, any entity to which the rights or obligations of a Party are assigned, delegated, or transferred in any corporate reorganization, change of organization, or purchase or transfer of assets by or to another corporation, partnership, association, or other business organization or division thereof.

Government Entity:

Company:

PUGET SOUND ENERGY, INC.

BY _____

BY _____

ITS _____

ITS _____

Date Signed _____

Date Signed _____

Approved as to form:

Appendix D

**Scope of Work Template
&
Improvements Drawings Checklist**



EXAMPLE Schedule 74 Underground Conversion Project Scope of Work EXAMPLE

This is an example of an adequate "Scope of Work" document (when accompanied by appropriate attachments) as called for by Section 2 of the Schedule 74 Design Agreement.

CITY OF SPRINGFIELD -- ELM AVENUE BETWEEN 1ST & 4TH
UNDERGROUND CONVERSION -- SCOPE OF WORK
February 1, 2005

CITY CONTACT: John Smith, Project Manager, 425-123-4567, john.smith@city.wa
1234 Main Street, PO Box 357, Springfield, WA 98999

CONVERSION PROJECT DESCRIPTION

The City of Springfield (the City) requests that Puget Sound Energy convert its existing overhead electric distribution system of 15,000 volts or less to a comparable Underground Distribution System within the following Conversion Area: Along both sides of Elm Avenue from the east side of 1st Street to the west side of 4th Street and extending along the cross streets between 1st Street and 4th Street inclusive for a distance of approximately 200 feet either side of Elm Avenue. The Conversion Area includes all properties adjacent to both sides of the above-described streets.

Government Requested Upgrades. The following Government-Requested Upgrades are included in this Scope of Work: Use of total underground equipment.

Additional Considerations. The following additional considerations should be accommodated in this Conversion Project: The City desires that existing overhead service to properties along the south side of Elm Street between 2nd Street and 3rd Street will be retained for approximately twelve months following completion of the Conversion Project pending removal of the existing buildings for site redevelopment.

Drawings depicting the City's improvement project, including existing and future public right-of-way limits, and all properties to be included in the Conversion Area are attached hereto as a part of this Scope of Work.

KEY MILESTONE DATES FOR THE CONVERSION PROJECT

The City plans to commence construction of its improvement project on or about July 5, 2005. The City desires that the Design Work for this Conversion Project be completed not later than May 10, 2005. The City desires Conversion Project construction to start on or about July 12, 2005 and to be complete not later than September 1, 2005.

City improvement project design schedule and status: design is currently at 30%; 60% design and final design are scheduled to be ready on or about March 15, 2005 and April 15, 2005 respectively.

City right-of-way acquisition contact, schedule and status: Jane Doe, GoGetUm Consultants, 425-462-1234, jdoe@gogetum.com; acquisition is currently in progress and is expected to be completed by May 1, 2005.

City improvement project bid schedule and status: bid May 15, 2005; award June 15, 2005.

INSTALLATION OF DUCTS AND VAULTS FOR THE CONVERSION PROJECT

The City desires to install the ducts and vaults for this Conversion Project.

STREET LIGHTING

The City desires that PSE install a new street lighting system in conjunction with this Conversion Project.

EXAMPLE Schedule 74 Underground Conversion Project Scope of Work EXAMPLE

Government Entity Improvement Project Design Drawings Checklist

The following information must be included in improvement project design drawings provided by the Government Entity to PSE to enable PSE to commence Conversion Project Design Work. This minimum content must be provided to PSE with the Government Entity's written Notice to Proceed with Design Work.

Preliminary design drawings which include:

- Right-of-way plan (existing and proposed rights-of-way and public easements)
- Property lines adjacent to right-of-way
- Road design plan and profile (stationing, grade and alignment, cuts and fills)
- Civil infrastructure (curbs, gutters, sidewalks, driveways aprons, walls, planters, tree boxes, etc., existing and proposed)
- Wet utility systems (plan and profile, existing and proposed)
- Dry utility systems (existing and proposed)
- Clear zone requirements (if any)
- Known surface and subsurface obstacles within right-of-way
- Known environmentally sensitive areas (wetlands, streams, steep slopes, etc.)
- Property addresses and parcel numbers (if available)

Two hard copy sets (scale 1"=20'preferred) of the above drawings/information should be provided together with a copy of the relevant electronic files (CAD or similar) on disk. PSE's preferred electronic file format is AutoCad version 2000 or earlier.

Appendix E

Project Plan Template



Exhibit “A” Project Plan Schedule 74 Underground Conversion

City of **INScitynameERT** – **INSprojectnameERT**
PSE Project Number: **INSorder#ERT**
INSdateERT

Pursuant to Puget Sound Energy (PSE’s) Rate Schedule 74 and as described in this Project Plan, PSE will convert its existing overhead electrical distribution system of 15,000 volts or less to an equivalent Underground Distribution System. This Project Plan describes work to be performed by PSE and the City of **INScitynameERT** (the “City”) for the conversion of certain PSE electrical distribution system facilities as described herein (the “Conversion Area”). Construction of this Conversion Project is contingent upon and shall not commence prior to both written acceptance of this Project Plan and written execution of a Schedule 74 Construction Agreement by the City and PSE.

This Project Plan includes and consists of:

- Detailed description of the Construction Work to be performed
- Applicable requirements, drawings and specifications for the work (attached)
- Operating Rights to be obtained for the Conversion Project (attached)
- Construction Work Schedule
- Construction Costs Estimate Summary (attached)

Revisions to this Project Plan must be mutually approved by all the City and PSE.

Scope of Work

This Conversion Project will replace PSE’s existing overhead electrical distribution system with an Underground Distribution System within the following area (the “Conversion Area”): **INSconversion area descriptionERT**. The Conversion Project is approximately **INSnumberERT** feet in length, including laterals and road crossings.

The Conversion Project includes modification or replacement of all existing services lines within the Conversion Area to connect to the Underground Distribution System and removal of PSE’s existing overhead electric distribution facilities (including PSE distribution poles and pole mounted street lights) from the Conversion Area.

There are no Company Initiated Upgrades, Government Entity Requested Upgrades or Temporary Service elements included in the Conversion Project Scope of Work.

PSE initiated upgrades included in this project consist of: **INStextERT**.

City requested upgrades included in this project consist of: **INStextERT**.

Temporary Service included in this project consists of: **INStextERT**.

The following portions of PSE's existing facilities to be converted are located outside of Public Thoroughfare: **INStextERT**.

In conjunction with the Conversion Project, PSE will remove its existing street lighting system within the Conversion Area. Provision of a new street lighting system within the Conversion Area under terms of applicable PSE Tariff Schedules will be addressed on a separate work order and work sketch. Additional costs will apply and will be quoted separately.

Responsibilities of Parties

City Responsibilities

- a) Provide written notice to customers within the Conversion Area in advance of Conversion Project Construction Work start. The notice will include contact information for both the City and PSE, the expected Conversion Project schedule, anticipation of service interruptions and work required to be performed by customers.
- b) Coordinate other utility conversion, removal and relocation from PSE's poles.
- c) Provide all surveying for equipment placement, locations, and establish all grade elevations for the Underground Distribution System within the Conversion Area.
- d) Provide all necessary excavation, bedding, backfill, off-site disposal, site restoration and coordination for installation of the Underground Distribution System. This includes trenching, backfill, and restoration for cut-over and transfer of existing underground system and service lines from the existing overhead distribution system to the new Underground Distribution System.

Coordinate private property trenching, excavation and restoration activity with private property owners affected by this Conversion Project.

- f) Provide flagging and traffic control as required for all work performed by the City.
- g) Provide PSE at least ten (10) business days notice prior to the start of trenching and excavation to allow for mobilization of PSE crew for duct and vault installation. Provide two at least (2) business days notice for scheduled delivery of vaults from the manufacture.
- h) Provide secure staging and storage area(s) for duct and vault materials provided by PSE.
- i) Promptly following notice from PSE that the Underground Distribution System has been energized, provide notice to customers within the Conversion Area informing them of their obligation and responsibility to convert their overhead service lines to underground service lines as provided by state law or to modify existing underground service lines for connection to the Underground Distribution System. Affected service lines are listed in the Service Lines section of this Project Plan.
- j) Facilitate weekly (or as otherwise agreed by the City and PSE) construction coordination meetings to include all relevant parties participating in the conversion including PSE and its contractor(s), the City and its contractor(s), and other utilities.

Provide any necessary operating rights for the installation of PSE's facilities in accordance with PSE's Schedule 74 Section 3 and as mutually agreed by the PSE and the City. Operating rights are further addressed in the Operating Rights section of this Project Plan.

Modify, reroute or replace service lines to City owned facilities to connect to the Underground Distribution System.

m) Following notification from PSE that Construction Work is complete, provide to PSE any Shared Government Costs as provided for in the Construction Agreement.

Puget Sound Energy Responsibilities

- a) Install the Underground Distribution System in trenches and excavations provided by the City. Provide written notice to the City when the Underground Distribution System is energized.
- b) Perform cut-over and transfer of existing Underground Distribution System and existing underground service lines from the overhead distribution system to the new Underground Distribution System where applicable (see City Responsibility item "d" concerning trenching responsibility). PSE will notify the City for excavation and the affected customers at least two (2) business days prior to installation, transfer, and connection of underground service lines. Affected service lines are listed in the Service Lines section of this Project Plan.
- c) Install and connect replacement underground service lines to single family residences and connect replacement non-residential underground service lines provided by customers within the Conversion Area pursuant to PSE Tariff Schedule 85. Affected service lines are listed in the Service Lines section of this Project Plan.
- d) Remove the existing overhead electric distribution system including, conductors, equipment, down guys, anchors and poles after all service lines to customers within the Conversion Area are connected to the Underground Distribution System and all other utilities have been removed from PSE's poles. Holes left following removal of poles will be filled with crushed rock and compacted in accordance with applicable City standards or specifications.
- e) Provide flagging and traffic control as required for all work performed by PSE (except as may otherwise be reasonably provided by the City during installation of ducts and vaults in conjunction with City performed trenching, excavation, back-fill and restoration).
- f) Attend weekly (or as otherwise agreed by the City and PSE) construction coordination meetings facilitated by the City and its contractor.

Operating Rights

The Underground Distribution System will be located within existing Public Thoroughfare. No additional operating rights have been identified as being needed for this Conversion Project.

The Underground Distribution System will be located within Public Thoroughfare except as described in the Operating Rights Attachment. The Construction Work will not be released by PSE for construction until i) all operating rights necessary for the installation of PSE's facilities

have been obtained and have been verified by PSE, or ii) the City otherwise signs an agreement releasing PSE from any and all financial obligations associated with the location or relocation of PSE facilities resulting from commencement of construction prior to acquisition of all identified necessary operating rights.

Construction Work Schedule

The work will be performed in accordance with the following Work Schedule, unless this schedule is revised by mutual agreement of the City and PSE or circumstances beyond the reasonable control of the City and/or PSE preclude such performance.

Installation of ducts and vaults: INSSchedule textERT.

Installation and energization of the Underground Distribution System: INSSchedule textERT.

Removal of overhead facilities: INSSchedule textERT.

Installation and removal of Temporary Service: INSSchedule textERT.

Work Schedule Restrictions: INSwork restrictions textERT.

Construction Cost Estimate

The estimated costs to perform the Construction Work and the allocation of costs between the parties are presented in the attached Construction Costs Estimate Summary.

Project Assumptions

The project design, construction plans and cost estimates are based on and reflect the following assumptions. Construction conditions that are not consistent with these assumptions may result in a request for change or an equitable adjustment to project compensation under Section 6 of the Construction Agreement.

Cost Assumptions

1. The Construction Work will be performed in accordance with the Construction Work Schedule.
2. All PSE cables can be pulled through the ducts and vaults system to be used for the Conversion Project utilizing normal cable pulling techniques.
3. A City Street Use permit is the only permit necessary for PSE to perform its work for this Conversion Project and will be issued within two (2) weeks of PSE submitting a complete permit application (including any supporting documentation reasonably required by the City). There will be no charge for the permit or inspection fees.

4. The daily productivity rate for PSE duct and vault installation is based on the City's contractor opening a minimum of **INSnumberERT** feet of trench per working day.
5. Work to be performed by PSE does not include installation and/or removal of Temporary Service facilities at the request of others during construction.
6. All cut-over and transfer work will be completed during regular working hours.
7. Installation of protective bollards may be necessary at some locations and may not be included in the project design. In the event unplanned bollards are required, the associated installation cost will be a shared cost.

Where noted on the plans, existing ducts, either empty or currently used, are to be utilized for new cables. The Construction Costs Estimate assumes that such ducts are in place and available for use to pull in new cables using the same equipment and effort as newly installed ducts.

Schedule

1. There will be a total of three (3) PSE crew mobilizations as follows: i) one mobilization of a duct and vault crew; ii) one mobilization of an underground line crew for installation of underground conductors and equipment; and iii) one mobilization of an overhead line crew for removal of the existing overhead facilities. Once mobilized PSE crews will have continuous productive work until all PSE Construction Work is complete.

All PSE Construction Work will be performed during regular working hours from **INSworking hours and daysERT** excluding holidays. In the event that lane closures are necessary for performance of work, PSE shall be limited to working between the hours of **INSlimited working hoursERT**.

3. Work requiring scheduled interruption of electric service (cut-overs and transfers) will be performed during the working hours specified in Schedule Assumption #2 above, and will be scheduled with at least of two (2) business days notice. PSE will notify customers of scheduled service interruptions.

Additional Considerations

Service Lines

Service lines within the Conversion Area must be replaced or modified to provide underground service from the Underground Distribution System as described in the attached Service Lines Replacement & Modification Requirements List. PSE Tariff Schedule 85 will apply to performance of this work.

Cut-overs and Transfers

PSE customers within the Conversion Area will experience interruption of electric service during performance of the Construction Work when transferring system and customer loads from the

overhead distribution system to the Underground Distribution System. PSE will notify customers at least two (2) business days in advance of expected service interruptions. Customers may request that cut-over and transfer work affecting their service be performed outside the regular working hours listed above subject to the customer's written agreement to reimburse PSE for the additional cost (at overtime rates) to perform such work outside the regular working hours.

New Service

Connection of new or increased load for City facilities (such as new traffic signals) under terms of PSE Tariff Schedule 85 will be addressed on a separate work order and work sketch. Additional costs may apply and will be quoted separately.

PSE Design & Construction Standards

This Conversion Project has been designed and will be constructed in accordance with PSE design and construction standards in effect as of the date of this Project Plan. PSE standards applicable to Construction Work to be performed by the City have been provided to the City in PSE's "Electric Distribution Trench/Duct/Vault Construction Standards, 2005". All relevant PSE standards described above are attached to this Project Plan by this reference.

Temporary Support (Holding) of PSE Poles

Whenever any pole(s) are required to be temporarily supported due to excavation in proximity to such poles, the City will coordinate with PSE to provide such support. The need to temporarily support such poles shall be determined by PSE, and if required, such support shall be provided by PSE. As used herein, "temporary support" means supporting one or more poles for a continuous working period of ten hours or less.

Acceptance of Project Plan

The City and PSE mutually agree to and accept this Project Plan as of the date indicated below:

For the City:

For PSE:

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

Appendix F

**Summary of Government Entity & Company
Responsibilities**



SCHEDULE 74

CONVERSION TO UNDERGROUND SERVICE FOR GOVERNMENT ENTITIES

Summary of Government Entity and Company Responsibilities

Underground conversions for a Government Entity shall be performed under the Company's Tariff Schedule 74. The following provide a summary of the respective responsibilities of a Government Entity and the Company under Schedule 74 and the related Design Agreement and Construction Agreement.

Government Entity

Design Phase

- Execute a Design Agreement (with the Company)
- Provide a written Scope of Work to the Company for the conversion project, including optional desire for Government Entity installation of ducts and vaults
- Provide information to and coordinate with the Company concerning any Government Entity improvement project within the conversion project area
- Provide to the Company a written notice to proceed with design work
- Coordinate with the Company on conversion project design and development of the Project Plan
- Acquire public thoroughfare or other rights as agreed with the Company
- Coordinate relocation or underground conversion of other utilities, including joint trenching
- Notify customers of the conversion project and requirement to install underground service lines
- Notify Company of desire for Company provided street lighting

Construction Phase

- Execute a Construction Agreement (with the Company)
- Coordinate with the Company concerning any Government Entity improvement project construction within the conversion project area
- Hold a pre-construction meeting involving all participants, including other utilities
- Provide to the Company a written notice to proceed with construction work
- Acquire and provide public thoroughfare or other rights as called for by the Project Plan
- Provide all trenching and excavation, surveying and restoration for the conversion project
- Install the ducts and vaults for the conversion project if called for in the Project Plan (optional)
- Perform other construction work called for in project plan (if any)
- Require and cause customers to install underground service lines within the conversion project area
- At completion of conversion project, provide to the Company any Government Entity incurred costs for conversion project work excluding costs of trenching, surveying and restoration

Company

Design Phase

- Execute a Design Agreement (with the Government Entity)
- Provide design work cost estimate and schedule in response to Government Entity's Scope of Work
- Develop preliminary design and assess availability of sufficient space with public thoroughfare
- Perform design work and coordinate with Government Entity on development of Project Plan
- Acquire operating rights (under specific, limited circumstances)
- Prepare and provide an initial draft of the Project Plan to the Government Entity
- Work with Government Entity to finalize the Project Plan
- Provide Joint Facilities Notification to other utilities located on Company poles

Construction Phase

- Execute a Construction Agreement (with the Government Entity)
- Coordinate with the Government Entity concerning any improvement project construction within the conversion project area
- Acquire operating rights as called for in the Project Plan
- Perform construction work as may be called for in the Project Plan, including:
 - Installation of underground distribution system (including ducts and vaults when not installed by the Government Entity)
 - Installation and removal of facilities for temporary service (if any)
 - Connection of underground service lines to underground distribution system
 - Removal existing overhead facilities

Cost Allocation

Conversion project costs are allocated under Schedule 74 as summarized below. At the completion of the design work, the Company will invoice, and the Government Entity will pay to the Company, 100% of the costs incurred by the Company to perform the design work. At the completion of construction work, the Company will reconcile all conversion project costs (including costs incurred by Government Entity) and any prior payments to the Company by Government Entity and will invoice Government Entity any amount due to the Company or refund any overpayment by and to the Government Entity.

Government Entity

- 40% of all shared costs of the conversion project (see below)
- 100% of all costs of trenching (including vault excavations), surveying and restoration
- 100% of any Government Entity requested upgrades
- 100% of any excess costs resulting from Government Entity installation of ducts and vaults (see below)
- 100% of any costs of conversion of facilities located by private right together with compensation for any private rights taken from or no longer used by the Company
- 100% of any costs to install and remove facilities to provide temporary service (less salvage value, if any)

Company

- 60% of all shared costs of the conversion project (see below)
- 100% of any Company initiated upgrades
- 100% of any costs incurred by the Company to acquire private operating rights

Shared Costs of the Conversion Project

- Conversion project design work costs including labor, material, equipment and overheads
- Conversion project construction work costs, including labor, material, equipment and overheads, excluding costs of trenching, surveying and restoration, temporary service, service lines and excess ducts and vaults installation costs (see below)
- Government Entity costs to install ducts and vaults (labor and overheads) together with the cost of Company inspection of such installation, up to the amount the Company would have incurred to perform the installation; costs above this amount will be allocated 100% to the Government Entity; duct and vault material are provided by the Company and the costs thereof are shared costs
- Government Entity costs to obtain public thoroughfare or other equivalent rights for the conversion project
- Company costs for removal of the Company's existing facilities within the conversion project area, less salvage value to the Company, if any

Appendix G

Customer Responsibilities Concerning Service Lines



SCHEDULE 74

CONVERSION TO UNDERGROUND SERVICE FOR GOVERNMENT ENTITIES

Summary of Customer Responsibilities Concerning Service Lines

Puget Sound Energy (PSE) performs conversion of its existing overhead electric distribution system to an underground system at the request of Government Entities (cities, towns and counties) under PSE's Electric Tariff G Schedule 74. As provided by Schedule 74 and Washington State Law all customers served from the distribution system being undergrounded must be served by underground service lines unless PSE explicitly agrees to other electric service arrangements. This document has been prepared to help you understand your responsibilities as a PSE customer related to Underground Conversion Projects and installation of electric Underground Service Lines.

Underground Service Lines are Required by Washington State Law

The Revised Code of Washington (RCW 35.96 for cities and towns, RCW 36.88 for counties) provides that when service is available from underground electric and communication facilities in a conversion area, the city, town or county shall mail a notice to the owners of all structures or improvements (including homes and business) in the conversion area informing such owners that:

- 1) Service from the underground facilities is available; and
- 2) All electric and communications service lines from the existing overhead facilities within the conversion area to any structure or improvement must be disconnected and removed; and
- 3) Should such owner fail to convert such services lines from overhead to underground as prescribed by such notice, the city, town or county will order the electric and communications utilities to disconnect and remove the overhead service lines.

In addition to providing such notice, cities, towns and counties often provide additional notices, information and coordination assistance to customers within the conversion area in connection with service line conversion. You may want to talk with your jurisdiction's Project Manager or other representative concerning your jurisdiction's notification process, procedure, timing and expectations.

Note that RCW applies to communications (telephone and cable) facilities as well. Communications facilities are often located on PSE's poles within a conversion area and are typically converted to underground by the respective communications companies. Contact the appropriate communication companies concerning your responsibilities with regard to conversion of communication service lines.

My Home or Business has an Overhead Service Line – What do I do?

As part of a conversion project, PSE removes existing overhead electric service lines in conjunction with the installation and connection of new underground electric service lines. Installation and connection of underground service lines is governed by PSE Electric Tariff G Schedule 85. Your responsibilities will be dependent on your customer type.

All customers with overhead service lines must make application to PSE for new underground service. Information handbooks and application materials are available from PSE and may be available from your city, town or county. Be sure to request the right handbook for your customer type.

All customers must make their structures ready for underground service. This typically involves work on or replacement of your structure's electric meter box and may require additional structure electrical wiring system work. You will likely need to engage a qualified electrical contractor to perform this work.

Single Family Residential Customers

Single Family Residential Customers are those customers having secondary voltage service to a single family detached home located on a legal residential lot (mobile or manufactured homes meeting these qualifications and permanently installed on a foundation are typically included in this class of service). See PSE Schedule 85 for additional details.

In addition to making your structure ready for underground service, Single Family Residential Customers must provide trenching, installation of conduit under obstructions, backfill and surface restoration from the structure to the service connection point provided by PSE at or near the public right-of-way/property line. The service connection point may be a hand-hole (small box in the sidewalk, lawn or planter strip) or a pad-mounted transformer similarly located. PSE will provide an appropriate location at the property line to which you will need to trench. Contact your jurisdiction concerning permit requirements.

PSE will install, own and maintain the underground service line to your structure. PSE will connect the service line to your structure meter box and our distribution system.

Non-Residential Customers

All customers that are not Single Family Residential Customers are Non-Residential Customers, including multi-family residential structures and mobile home parks; commercial, industrial, recreation and lighting uses.

In addition to making your structure ready for underground service, Non-Residential Customers must provide, install, and maintain customer owned underground service line(s) from your structure meter box to the service connection point provide by PSE, typically at or near the public right-of-way/property line. The service connection point may be a hand-hole (in the sidewalk, lawn or planter strip) or a pad-mounted transformer similarly located. PSE will provide an appropriate location at the property line to which you will need to install your underground service line(s). You will likely need to engage a qualified electrical contractor to perform this work. Contact your jurisdiction concerning permit requirements.

PSE will connect the service line(s) to the distribution system at the service connection point.

My Home or Business Already has an Underground Service Line – What do I do?

Customers already served by underground service lines may need to do very little and if the service line is connected to existing PSE underground distribution system, you may need to do nothing at all. In most cases you do not need to make application to PSE for a new service. Where practical, PSE will locate a new underground service connection point (to the new underground distribution system) in close proximity to your existing underground service line so that the service line can be intercepted and reconnected by PSE to the new connection point. In some instances Non-Residential Customers may need to engage a qualified electrical contractor to reroute your existing underground service line to the new connection point.

Costs Associated for Service Line Conversions

These costs are typically borne by the individual customer and include the cost to engage qualified contractors to perform the work, together with the costs of materials and any permits that may be required. You may want to discuss this with your jurisdiction representative.

In addition, there is a fee charged under Schedule 85 to cover the installation or connection of new underground electric service lines by PSE that varies by customer class. Typically customers already served by existing underground service lines are not charged a fee associated with transferring existing underground service lines from the existing overhead distribution system to the new underground distribution system.

Appendix H

Estimate Sheets & Billing Materials Examples



Date: _____
 Project Title: _____
 Project Description: _____

Rate Schedule: _____
 Project Manager / Phone #: _____
 Project Engineer / Phone #: _____
 Municipal Liaison Mgr / Phone #: _____
 Project #: _____
 Revision #: _____
 Revision Date: _____

Design Costs Estimate Summary^{1,2}

	Shared Costs ³ Estimate	100% Government Entity Reimbursable Costs					Total 100% GE Reimbursable Costs Estimate	100% PSE Costs Estimate	Design Costs Totals Estimate
		Private Conversion Estimate	Gov Req Upgrade Estimate	Temporary Services Estimate	Prior Conv/Reloc Within 5 Years Estimate				
Design & Engineering									
Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Material	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Service Provider Outside Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Overhead	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Design Costs Totals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Estimated Amount Due At Completion of Design Work	\$ -
--	-------------

Notes:
¹ Estimate of Company design work costs prepared in accordance with Section 3 of Schedule 74 Design Agreement
² All amounts shown in this estimate are rounded up to the next \$100
³ Shared Costs are allocated 40% to the Government Entity and 60% to the Company if the Conversion Project is completed



Date: _____
 Project Title: _____
 Project Description: _____

Rate Schedule: _____
 Project Manager / Phone #: _____
 Project Engineer / Phone #: _____
 Municipal Liaison Mgr / Phone #: _____
 Project #: _____
 Revision #: _____
 Revision Date: _____

Design Costs Statement Summary¹

	Shared Costs ²	100% Government Entity Reimbursable Costs					Total 100% GE Reimbursable Costs	100% PSE Costs	Design Costs Totals
		Private Conversion	Gov Req Upgrade	Temporary Services	Prior Conv/Reloc Within 5 Years				
Design & Engineering									
Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Material	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Service Provider Outside Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Overhead	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Totals - Design & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Change Orders									
Change Order 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Change Order 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Change Order 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Change Order 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Change Order 5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Change Order 6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Change Order 7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Change Order 8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Totals - Change Orders	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Design Costs Totals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Notes:
¹ Statement of Company design costs prepared in accordance with Section 15 of Schedule 74 Design Agreement
² Shared Costs are allocated 40% to the Government Entity and 60% to the Company if the Conversion Project is complete

Amount Payable to Company by Government Entity	\$ -
---	-------------



Date: _____
 Project Title: _____
 Project Description: _____

 Rate Schedule: _____
 Project Manager / Phone #: _____
 Project Engineer / Phone #: _____
 Municipal Liaison Mgr / Phone #: _____
 Project #: _____
 Revision #: _____
 Revision Date: _____

Construction Costs Estimate Summary^{1,2}

	Shared Costs ³ Estimate	100% Government Entity Reimbursable Costs						Construction Costs Totals ⁴ Estimate
		Private Conversion Estimate	Gov Req Upgrade Estimate	Temporary Services Estimate	Prior Conv/Reloc Within 5 Years Estimate	Total 100% GE Reimbursable Costs Estimate	100% PSE Costs Estimate	
Company								
Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Materials	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inspection	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Service Provider Outside Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Rights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Overhead	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Government Entity								
Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Rights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction Costs Totals⁴	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Projected allocation of Estimated Construction Costs at Completion of Construction Work

Company	\$ -	\$ -
Government Entity	\$ -	\$ -

Notes:
¹ Estimate prepared in accordance with Sections 6 & 11 of Schedule 74 Design Agreement and Section 7 of Schedule 74 Construction Agreement.
² All amounts shown in this estimate are rounded up to the next \$100
³ Shared Costs are allocated 40% to the Government Entity and 60% to the Company if the Conversion Project is completed
⁴ Total Costs excludes Government Entity costs of trenching, restoration, and surveying



Date: _____
 Project Title: _____
 Project Description: _____
 Rate Schedule: _____
 Project Manager / Phone #: _____
 Project Engineer / Phone #: _____
 Municipal Liaison Mgr / Phone #: _____
 Project #: _____
 Revision #: _____
 Revision Date: _____

Construction Costs Statement Summary ¹

	Shared Costs ²	100% Government Entity Reimbursable Costs				Total 100% GE Reimbursable Costs	100% PSE Costs	Construction Costs Totals ³
		Private Conversion	Gov Req Upgrade	Temporary Services	Prior Conv/Reloc Within 5 Years			
Company								
Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Materials	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Inspection	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Service Provider Outside Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Operating Rights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Overhead	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Government Entity								
Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Operating Rights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total - Construction ³	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Change Orders								
Change Order 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Change Order 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Change Order 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Change Order 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Change Order 5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Change Order 6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Change Order 7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Change Order 8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total - Change Orders ³	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Construction Costs Totals ³	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Allocation of Construction Costs at Completion of Construction Work

Company	\$ -	\$ -
Government Entity	\$ -	\$ -

¹ Statement prepared in accordance with Section 7 of Schedule 74 Construction Agreement
² Shared Costs are allocated 40% to the Government Entity and 60% to the Company
³ Total Costs excludes Government Entity costs of trenching, restoration, and surveying



Date: _____
 Project Title: _____
 Project Description: _____

Rate Schedule: _____
 Project Manager / Phone #: _____
 Project Engineer / Phone #: _____
 Municipal Liaison Mgr / Phone #: _____
 Project #: _____
 Revision #: _____
 Revision Date: _____

Project Costs Statement Summary ¹

	Shared Costs ²	100% Government Entity Reimbursable Costs				Total 100% GE Reimbursable Costs	100% PSE Costs	Project Costs Totals ³
		Private Conversion	Gov Req Upgrade	Temporary Services	Prior Conv/Reloc Within 5 Years			
Design Costs ⁴	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Construction Costs ⁴	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Project Costs Totals ³	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Allocation of Total Project Costs at Completion of Conversion Project

Company	\$ -	ii) \$ -	\$ -
Government Entity	A) \$ -		\$ -

Notes:

- ¹ Prepared to represent allocation and reconciliation of project costs consistent with Schedule 74 Design & Construction Agreements
- ² Shared Costs are allocated 40% to the Government Entity and 60% to the Company
- ³ Total Costs excludes Government Entity costs of trenching, restoration, and surveying
- ⁴ Costs include any approved change orders

Government Entity Payments and Incurred Costs	
Duct & Vault Installation, Operation Rights	i) _____
Design Agreement Payment(s)	iii) _____

Net Amount Payable Calculation [Construction Agreement Section 7(b)]	
Total Shared Costs Allocated to Government Entity Adjustments	A) \$ -
i) Less Shared Government Costs (incurred by GE)	\$ -
ii) Plus Total 100% GE Reimbursable Costs	\$ -
iii) Less Design Agreement payment(s) previously made by GE	\$ -
<i>Total Adjustments</i>	\$ -
Net Amount Payable to Company by Government Entity	\$ -

STATEMENT SUMMARY AS OF JULY 20, 2004

Account No. 123-456-789

Balance as of last billing		Account Balance
Thank you for your payment(s)	EXAMPLE	\$0.00
Balance Forward		<u>\$0.00 CR</u>
Current Charges		<u>\$75,320.00</u>
CURRENT TOTAL AS OF JULY 20, 2004		\$75,320.00

Statement Due Date August 23, 2004

AMOUNT DUE THIS STATEMENT

\$75,320.00

Description of Current Charges

Amount

Main Street Underground Conversion, PSE Project # 101010000 **\$75,320.00**

Design Costs	\$25,100.00
Construction Costs	\$50,220.00

See accompanying Statement Summary sheet(s) for additional detail

Total of Current Charges

\$75,320.00

EXAMPLE

For information, emergencies, to report an outage or for changes to your account, please call 1-888-225-5773 (out of state call 1-425-452-1234)

When paying in person, please present both portions. When mailing remittance, please mail to Puget Sound Energy, BOT-01H, P.O. Box 91269, Bellevue, WA 98009-9269

Please detach along dashed line and return this portion with you payment.



Account
123-456-789

Current Bill Due Date
August 23, 2004

Total Amount Due \$75,320.00

**Please make checks payable to
Puget Sound Energy**

EXAMPLE

CITY OF TOWNSVILLE
123 MAIN STREET
TOWNSVILLE, WA 98000

Puget Sound Energy
BOT-01H
P.O. Box 91269
Bellevue, WA 98009-9269

Appendix I

RCW 35.96.050 & 36.88.

RCW 35.96.050 Notice to owners to convert service lines to underground — Objections — Hearing — Time limitation for conversion

When service from the underground electric and communication facilities is available in all or part of a conversion area, the city or town shall mail a notice to the owners of all structures or improvements served from the existing overhead facilities in the area, which notice shall state that:

- (1) Service from the underground facilities is available;
- (2) All electric and communication service lines from the existing overhead facilities within the area to any structure or improvement must be disconnected and removed within *ninety days* after the date of the mailing of the notice;
- (3) Should such owner fail to convert such service lines from overhead to underground within *ninety days* after the date of the mailing of the notice, the city or town will order the electric and communication utilities to disconnect and remove the service lines;
- (4) Should the owner object to the disconnection and removal of the service lines he may file his written objections thereto with the city or town clerk within thirty days after the date of the mailing of the notice and failure to so object within such time will constitute a waiver of his right thereafter to object to such disconnection and removal.

If the owner of any structure or improvement served from the existing overhead electric and communication facilities within a conversion area shall fail to convert to underground the service lines from such overhead facilities to such structure or improvement within ninety days after the mailing to him of the notice, the city or town shall order the electric and communication utilities to disconnect and remove all such service lines: PROVIDED, That if the owner has filed his written objections to such disconnection and removal with the city or town clerk within thirty days after the mailing of the notice then the city or town shall not order such disconnection and removal until after the hearing on such objections.

Upon the timely filing by the owner of objections to the disconnection and removal of the service lines, the legislative authority of such city or town, or a committee thereof, shall conduct a hearing to determine whether the removal of all or any part of the service lines is in the public benefit. The hearing shall be held at such time as the legislative authority of such city or town may establish for hearings on the objections and shall be held in accordance with the regularly established procedure set by the legislative authority of the city or town. If the hearing is before a committee, the committee shall following the hearing report its recommendation to the legislative authority of the city or town for final action. The determination reached by the legislative authority shall be final in the absence of an abuse of discretion.

[1967 c 119 § 6.]

RCW 36.88.450 Underground electric and communication facilities, installation or conversion to — Notice to owners to convert service lines to underground — Objections — Hearing — Time limitation for conversion.

When service from the underground electric and communication facilities is available in all or part of a conversion area, the county shall mail a notice to the owners of all structures or improvements served from the existing overhead facilities in the area, which notice shall state that:

- (1) Service from the underground facilities is available;
- (2) All electric and communication service lines from the existing overhead facilities within the area to any structure or improvement must be disconnected and removed *within one hundred twenty days* after the date of the mailing of the notice;
- (3) Should such owner fail to convert such service lines from overhead to underground within *one hundred twenty days* after the date of the mailing of the notice, the county will order the electric and communication utilities to disconnect and remove the service lines;
- (4) Should the owner object to the disconnection and removal of the service lines he may file his written objections thereto with the secretary of the board of county commissioners within one hundred twenty days after the date of the mailing of the notice and failure to so object within such time will constitute a waiver of his right thereafter to object to such disconnection and removal.

If the owner of any structure or improvement served from the existing overhead electric and communication facilities within a conversion area shall fail to convert to underground the service lines from such overhead facilities to such structure or improvement within one hundred twenty days after the mailing to him of the notice, the county shall order the electric and communication utilities to disconnect and remove all such service lines: **PROVIDED**, That if the owner has filed his written objections to such disconnection and removal with the secretary of the board of county commissioners within one hundred twenty days after the mailing of said notice then the county shall not order such disconnection and removal until after the hearing on such objections.

Upon the timely filing by the owner of objections to the disconnection and removal of the service lines, the board of county commissioners shall conduct a hearing to determine whether the removal of all or any part of the service lines is in the public benefit. The hearing shall be held at such time as the board of county commissioners may establish for hearings on such objections and shall be held in accordance with the regularly established procedure set by the board. The determination reached by the board of county commissioners shall be final in the absence of an abuse of discretion.

[1967 c 194 § 5.]