

PSE Schedule 92 Qualifying Facility (QF) Term Sheet:

Non-Binding QF PPA Term Sheet

Non-Binding Schedule 92 Qualifying Facility (QF) PPA Term Sheet

Background	This Non-Binding Schedule 92 Qualifying Facility (QF) PPA Term Sheet (“Term Sheet”) sets forth the current requirements that PSE requests potential QFs to address or incorporate into any proposal made to PSE that contemplates the sale of energy products to PSE from a qualifying facility and under Schedule 92. It is intended to identify certain, but not all, of the elements of a potential transaction that would be embodied in a definitive power purchase agreement (“PPA”).
Parties	Puget Sound Energy, Inc. (“Buyer”) and [_____] (“Seller”).
Generating Facility	A qualifying facility with a planned nameplate capacity of [_____] MW to be developed by Seller and located [_____].
Product	Electrical energy from the Generating Facility as delivered to the Point of Delivery, as further described and defined below, as well as any associated electrical capacity rights shall accrue to Buyer.
Term	The PPA shall be effective when signed and shall terminate [_____] years from the Commercial Operation Date (as defined below under “Commercial Operation”) (the “Term”).
Point of Delivery	[_____] (“Point of Delivery”).
Contract Quantity	[_____] % of the net electrical output of the Generating Facility, and any capacity rights.
Avoided Cost	\$(_____) per MWh of energy delivered by the Generating Facility to the Point of Delivery (the “Avoided Cost”). The Avoided Cost shall (i) become applicable on the Commercial Operation Date, (ii) remain in effect for the Term and (iii) not be subject to change by Seller or Buyer for any reason.
Green Attributes	All environmental, renewable energy or green attributes of any kind or nature, current or future, whether in the form of renewable energy credits or certificates (RECs), green tags, emissions credits or allowances or other credits or allowances similar to the foregoing (“Green Attributes”) shall not be conveyed to Buyer unless otherwise agreed to between Buyer and Seller outside of this contract.

Electrical Output Buyer agrees to buy, at the Point of Delivery, [___]% of the total amount of electrical capacity and energy produced by the Generating Facility (the “Net Output”) at all times during the Term on an “as generated” basis, subsequent to the Commercial Operation Date and also as stipulated in the “Test Power” section below.

Test Power Subsequent to the commissioning of the any portion of the Generating Facility, but before the Commercial Operation Date, Buyer shall purchase [___]% of the electric power produced by the Generating Facility prior to the Commercial Operation Date (collectively, “Test Products”). The price for such Test Products shall be equal to the applicable Avoided Cost at the time of purchase.

Commercial Operation Commercial Operation shall mean, with respect to the Generating Facility, that date designated by Seller and confirmed by Buyer on which ninety-five percent (95%) of the nameplate capacity of the Generating Facility have been placed in commercial operation, as evidenced by an officer’s certificate of Seller and a confirmation from Buyer (which confirmation shall not be unreasonably withheld or delayed), but such date shall be no earlier than the date upon which the following have occurred: (i) the interconnection agreement for the Generating Facility has been executed, (ii) the Generating Facility has been satisfactorily tested and (iii) all related facilities and rights have been completed or obtained, including all interconnection facilities and substations, to allow for continuous operation of the Generating Facility and the sale of energy (“Commercial Operation”). The “Commercial Operation Date” shall be the date that the Generating Facility achieves Commercial Operation. Seller shall use commercially reasonable efforts achieve Commercial Operation for any remaining portion of the Generating Facility as soon as reasonably possible thereafter.

Commercial Operation shall mean, with respect to any portion of the Generating Facility, that the following conditions have been fulfilled: (i) such portion of the Generating Facility is able to generate electricity, (ii) such portion of the Generating Facility has been satisfactorily tested, as evidenced by an officer’s certificate of Seller and a confirmation from Buyer (which confirmation shall not be unreasonably withheld or delayed) and (iii) all related facilities and rights have been completed or obtained, including all interconnecting facilities and substations, to allow for continuous operation of such portion of the Generating Facility and the sale of energy to the Point of Delivery.

Seller shall provide a Guaranteed Commercial Operation Date for the Generating Facility. The Guaranteed Commercial Operation Date shall be extended for delays caused by Buyer or force majeure events, subject to compliance by Seller of its obligation to mitigate such delays. In the event Seller fails to achieve Commercial Operation on or before the Guaranteed Commercial Operation Date, Seller shall be required to pay to Buyer liquidated damages for each day of delay beyond the Guaranteed Commercial Operation Date in the amount per day of \$[] per MW with respect to each portion of the Generating Facility that does not achieve Commercial Operation by such date. If the Commercial Operation Date has not been achieved within [] days after the Guaranteed Commercial Operation Date, Seller shall be in default under the PPA and Buyer shall be entitled to terminate the PPA and seek damages or exercise other remedies at law or equity.

**Development
Milestones**

Seller shall use commercially reasonable efforts to achieve the agreed upon Development Milestones for the Generating Facility, which shall include "interim" major milestones, such as the receipt of all applicable permits, commencement of physical construction, completion of construction of foundations, etc. The guaranteed major Development Milestone dates shall be subject to extension for delays caused by Buyer or force majeure events, subject to compliance by Seller of its obligation to mitigate such delays. In the event Seller fails to achieve a major Development Milestone on or before the guaranteed date therefor, Seller shall be required to pay to Buyer "interim" liquidated damages for each day of delay beyond the applicable guaranteed date in an amount to be agreed upon in the definitive agreements. If the Commercial Guaranteed Operation Date ultimately is achieved despite Seller's failure to satisfy one or more of the other major Development Milestones, Buyer shall refund such interim liquidated damages to Seller.

**Standard of
Operation**

Seller shall operate the Generating Facility in accordance with the practices, methods, acts, guidelines, standards and criteria of relevant system operators or reliability councils, and all applicable Laws. Seller shall obtain all certifications, permits, licenses and approvals necessary to construct, operate and maintain the Generating Facility and to perform its obligations under the PPA.

Curtailments

Under no circumstances shall Buyer have any liability or owe any damages to Seller due to any curtailment of the Generating Facility; provided, however, that if Buyer requests Seller to curtail energy deliveries for economic reasons, Buyer shall pay to Seller the Avoided Cost for the lost energy production based on actual output and availability data during the

period of curtailment. Seller shall use reasonable efforts to sell energy generated by the Generating Facility during any such curtailment at the best price reasonably available in the market at the time of sale in order to minimize negative financial impacts to Buyer and such amounts received shall be credited to the account of Buyer and applied as a credit in favor of Buyer in the invoice for the immediately succeeding month. Notwithstanding the foregoing, in the event that Seller is required to curtail energy deliveries from the Generating Facility in response to a force majeure event, an "emergency condition," or any other event or circumstance declared by the Bonneville Power Administration ("BPA") or any other transmission provider (including the transmission function of Buyer), Buyer shall have no liability to Seller on account of any such curtailment.

**Transmission Services;
Interconnection**

During the Term, Seller shall be responsible for delivery of the energy generated by the Generating Facility (less applicable transmission losses) to the Point of Delivery and Buyer shall be responsible for arranging, at Buyer's expense, all transmission and distribution services from the Point of Delivery. Seller shall be responsible for all costs of interconnection of the Generating Facility and any associated network upgrades required by BPA, Buyer's transmission function or any other transmission provider. It shall be the specific responsibility of Seller to have secured transmission necessary to deliver the energy to Buyer's system. Buyer shall consider arrangements whereby Seller secures such transmission rights from the Generating Facility to Buyer's system and assigns those transmission rights to Buyer, with Buyer taking on responsibility for the costs of transmitting such energy to Buyer's system. Buyer shall also consider alternative arrangements where the Point of Delivery shall be at an appropriate point on Buyer's system.

Metering

Subject to the requirements of the interconnection agreement for the Generating Facility, Seller shall be responsible for the provision, maintenance, reading and testing of all metering equipment in conformance with all applicable regulatory requirements, with Buyer having rights to inspect, observe tests and conduct its own tests in its reasonable discretion.

Scheduling Coordinator;

Seller shall be responsible for arranging all scheduling services necessary to ensure compliance with applicable regional power scheduling regulations and protocols. Seller shall prepare and put in place certain mutually acceptable scheduling protocols to be followed by Seller,

**Imbalances; and
Wind Integration
Charges**

including the nature and extent of information to be supplied to Buyer in connection with the scheduling of the Generating Facility.

Seller shall arrange and be responsible for any transmission services required to deliver energy to the Point of Delivery and shall schedule or arrange scheduling services with its transmission providers to so deliver the energy to the Point of Delivery. Buyer shall arrange and be responsible for transmission services at and from the Point of Delivery and shall schedule or arrange for scheduling services with its transmission providers to receive energy at the Point of Delivery. Buyer shall be responsible for all transmission charges, ancillary service charges, electrical losses and any other transfer-related charges (collectively, "Charges") attributable to or assessed for energy delivered to Buyer at and after the Point of Delivery. Seller shall be responsible for all Charges applicable to the Generating Facility's output prior to the Point of Delivery.

Seller shall be obligated to pay, or reimburse Buyer for the payment of (in the event any obligation is imposed in this respect on Buyer), any generation imbalance charges related to the over-generation or under-generation of energy scheduled to be generated by the Generating Facility, except if such charges directly result from the unexcused failure of Buyer to receive scheduled energy.

Seller shall be responsible for and obligated to pay any "wind integration charge" or similar charge imposed by BPA or any other transmission provider, including charges resulting from or attributable to the integration of wind generation resources into the transmission system of such transmission provider.

Taxes

Seller shall be responsible for and shall pay all taxes incurred by Seller or Buyer on the energy produced and sold prior to the Delivery Point. Buyer shall be responsible for and shall pay all taxes incurred by Seller or Buyer on energy produced and sold at and beyond the Delivery Point.

**Operation and
Maintenance**

Seller shall develop written operating procedures ("Operating Procedures") for the Generating Facility before the applicable initial delivery date which shall set forth the protocol under which the Parties shall perform their respective obligations under the PPA and shall include, without limitation, procedures concerning the following: (i) the method of day-to-day communications, (ii) key personnel lists for Seller and Buyer, including an appointed authorized representative for each Party and (iii) forced outage and planned outage reporting.

During the Term, the Generating Facility shall be operated and maintained by Seller or its designee in accordance with those practices, methods, and acts that are commonly used by a significant portion of the electric generation industry in prudent engineering and operations to design and operate such electric equipment lawfully and with safety, dependability, efficiency, and economy, including any applicable practices, methods, acts, guidelines or standards and criteria of governing regulatory bodies and reliability councils and all applicable requirements of law.

Outages

No later than ninety (90) days prior to the beginning of each calendar year during the Term, Seller shall provide Buyer with a non-binding detailed planned outage schedule for the forthcoming year and Seller shall be excused from providing electricity during any planned outage.

Seller shall furnish Buyer with as much advance notice as practicable of any proposed or necessary maintenance outages. The Parties shall work to plan such outage to mutually accommodate, as practicable, the reasonable requirements of Seller and the reasonable requests of Buyer.

Seller shall promptly provide written notice to Buyer, to the extent information is available, of the reason, timing, expected duration and the impact upon the energy output of any forced outage. Seller also shall provide to Buyer, in a form reasonably acceptable to Buyer, a monthly report of forced outages.

**Availability/
Output
Guarantees**

Seller shall provide Buyer with a guarantee that the overall Generating Facility availability shall be no less than []% (the "Minimum Annual Availability"). Seller shall pay to Buyer liquidated damages if the Generating Facility fails to meet the Minimum Annual Availability in any contract year after the Commercial Operation Date. Annual availability data shall be calculated using a methodology agreed to by the Parties.

In addition to the availability guarantee, Seller shall provide Buyer with an annual output guarantee (the "Minimum Annual Output") in an amount equal to [] MWh, subject to adjustments pertaining to curtailments of the Generating Facility requested by Buyer, Buyer's failure to perform under the PPA and force majeure events. Seller shall pay to Buyer liquidated damages if the Generating Facility fails to meet the Minimum Annual Output in any contract year after the Commercial Operation Date.

Credit Support

Upon execution of the PPA, if Buyer deems it necessary due to Seller's credit position, Seller shall provide Buyer with a guaranty, cash collateral and/or letter of credit in forms and amounts acceptable to Buyer. In

addition to the foregoing security, Seller shall furnish Buyer with a lien on its interest in the Generating Facility to secure Seller's obligations to Buyer. Buyer shall agree to subordinate such lien as may be reasonably necessary to accommodate Seller's first lien construction and/or permanent financing of the Generation Facility. Buyer shall not be required to provide credit support or performance assurance of any kind to Seller.

Default

The PPA shall include customary events of default ("Events of Default") including for failure to make payments when due, failure to perform a material obligation, breach of representation or warranty, bankruptcy, failure to maintain required credit support, etc.

In addition to customary Events of Default, the following shall be additional Events of Default:

Subsequent to the Commercial Operation Date, Seller fails to achieve the Minimum Annual Availability for any [____] consecutive contract years or for any [____] contract years during the Term.

Subsequent to the Commercial Operation Date, Seller fails to achieve the Minimum Annual Output for any [____] consecutive contract years or for any [____] contract years during the Term.

Each Party shall have a duty to mitigate damages and covenants that it shall use commercially reasonable efforts to minimize any damages it may incur as a result of the other Party's default or non-performance of the PPA.

Termination

Buyer may terminate the PPA if Seller fails to achieve Commercial Operation by [_____].

If an Event of Default shall have occurred, the non-defaulting Party shall have the right to terminate the PPA and, in such case, each Party shall pay the other all amounts due for all periods prior to termination. In addition, if applicable, the defaulting Party shall make a termination payment to the non-defaulting party.

Any termination payment under the PPA shall be based on a comparison of the net present value of the payments that the non-defaulting Party reasonably expects to be applicable in the market under a replacement contract covering the same products (e.g., energy) to the net present value of the then remaining payments under the PPA, plus the reasonable transactional costs of the non-defaulting Party entering into a new supply or sales arrangement. Any such calculations shall be based on reasonable

assumptions as to future Generating Facility operations, differences between a replacement contract and the PPA, discount rate and similar considerations, as reasonably determined by the non-defaulting Party.

Indemnification The PPA shall include customary indemnification obligations between the Parties including for liabilities related to energy once delivered to Buyer at the Point of Delivery.

Limitation of Liability Unless expressly provided in the PPA, a Party's liability shall be limited to direct actual damages only, which direct actual damages shall be the sole and exclusive remedy and all other remedies or damages at law or equity are waived. Neither Party shall be liable to the other Party for consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages, whether such damages are allowed or provided by statute, in tort, under any indemnity provisions or otherwise except and only to the extent that any actual or liquidated damages expressly provided for in the PPA include an element of profit or other type of damages which are otherwise disclaimed and except to the extent required through indemnification on account of third party claims.

Dispute Resolution Certain specified technical disputes shall be referred to a single technical expert (to be designated by the parties in the PPA) for expedited, binding resolution; other disputes shall proceed through judicial resolution. The Parties shall waive their rights to jury trial, and shall consent to jurisdiction in King County, Washington.

Governing Law The PPA shall be governed by the laws of the State of Washington, without regard to conflicts of laws principles. Venue shall be in King County, Washington.

Assignment Neither Party shall assign any of its rights or obligations under the PPA without the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned or delayed, except that either Party may, without the other Party's consent, (i) transfer, sell, pledge, encumber or assign the PPA or the revenues or proceeds thereof in connection with any financing, (ii) transfer or assign the PPA to an affiliate or (iii) transfer or assign the PPA to any person or entity succeeding to all or substantially all of the assets of such Party; provided that in the case of clauses (ii) or (iii) above, the assignee agrees to be bound by all terms and conditions and, in the case of an assignment by Seller, either the assignee or its guarantor possesses the same or better credit rating as Seller or provides credit support reasonably acceptable to Buyer.

