

AGREEMENT FOR FIRM POWER PURCHASE
(Thermal Project)

This Agreement, dated as of January 4, 1988, is made by and between Puget Sound Power & Light Company, a Washington corporation ("Puget"), and the City of Spokane, a Washington municipal corporation ("Spokane"). Puget and Spokane are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS

A. Spokane desires to design, finance, construct, own and operate a project located in Spokane County, Washington, capable of generating electricity as a by-product of solid waste combustion.

B. Pursuant to its authority under R.C.W. 35.92.022, Spokane has provided for a system of solid waste disposal and for the processing and conversion of solid wastes into other valuable or useful products, including electric energy, with full jurisdiction and authority to enter into agreements with private parties for the sale of said energy.

C. Spokane County, a political subdivision of the State of Washington ("County"), together with Spokane and other cities in the County, has adopted a joint solid waste management plan in accordance with Chapter 70.95 R.C.W., pursuant to which Spokane intends to design, construct, own and operate a solid waste refuse combustion project to dispose of solid waste for the County and Spokane, which project will be a "qualifying facility" within the meaning of 18 C.F.R. § 292.101(b)(1).

D. Spokane has investigated various options for selling the energy to be produced by said project and has concluded that Puget is the only potential purchaser of said energy prepared to offer terms and conditions of sale satisfying the needs and interest of Spokane. Spokane has, therefore, authorized its officials and representatives to negotiate an agreement with Puget for the sale of energy from the project.

E. Puget is an investor-owned electric utility company and is interested in acquiring a firm supply of electric power at a reasonable cost.

F. Spokane and Puget desire to establish the terms and conditions relating to the sale of the output of the project by Spokane to Puget.

G. Puget considers the purchase of the output of the project to be the purchase of firm power, and that the project meets the definition of a "Firm Resource" under the Pacific Northwest Coordination Agreement.

H. The project is not directly interconnected with Puget's electric system. Consequently, the output of the project will have to be wheeled from the project to Puget's electric system by the Bonneville Power Administration ("Bonneville") and the Washington Water Power Company ("Water Power"). Bonneville and Water Power are sometimes collectively referred to herein as the "Wheeling Entities".

AGREEMENT

The Parties therefore agree as follows:

Section 1. Definitions.

Whenever used in this Agreement, the following terms shall have the following specified meanings, unless the particular context clearly requires a different meaning:

1.1 "Puget", "Spokane", "Party", "Parties", "Bonneville", "Water Power" and "Wheeling Entities" shall have their respective meanings as set forth above.

1.2 "Construction Activities" means all design, engineering, procurement and construction activities related to the construction, inspection, testing, start-up, repair, replacement, improvement, alteration or modification of, or addition to, the Project, together with all activities to be performed by Spokane for the interconnection of the Project with Water Power's electric system.

1.3 "Date of Commercial Operation" means the date acknowledged by the Parties in writing as the date upon which the Project is capable of delivering energy on a continuous basis; such acknowledgment shall not be unreasonably withheld or delayed by either party. Unless otherwise agreed by the Parties, the Project shall be considered to be capable of delivering energy on a continuous basis upon completion of performance tests to the satisfaction of both Parties and uninterrupted operation of the Project for a period of 30 consecutive days thereafter.

1.4 "Escalation Quotient" for any calendar year means the Index for such year divided by the Index for 1987.

1.5 "Excusable Delay" means any of the events described in paragraph 5.1.

1.6 "Indemnitees" means Puget, its successors and assigns, and the respective directors, officers, employees, agents and representatives of Puget and its successors and assigns.

1.7 "Index" for any calendar year means the index for the gross national product last published prior to the commencement of such year by the Bureau of Economic Analysis of the United States Department of Commerce in the table for Implicit Price Deflators for Gross National Product (1982 = 100) included in the Survey of Current Business, or any similar replacement index as may be agreed upon by the Parties.

1.8 "Operating Period" means the period commencing with the Date of Commercial Operation and ending upon the first of the following to occur"

- (a) the expiration of twenty-one (21) Years; or
- (b) any termination pursuant to Section 7.

1.9 "Point of Delivery" means the point where the Project is interconnected with the electric system of Water Power, as shown on the diagram attached hereto as Exhibit A.

1.10 "Project" means the solid waste combustion project having a net generating capacity of approximately 22.9 megawatts, together with all related equipment, facilities, structures, improvements, alterations, modifications, additions, betterments, property and property rights (e.g. for access to the Project), as generally described in the Spokane Regional Waste to Energy Project, Addendum to Final Environmental Impact Statement, dated April 6, 1987, Section 2. A one-line electrical diagram of the Project is attached as Exhibit B.

1.11 "Prudent Electrical Practice" means those practices, methods and acts which:

(a) when engaged in are commonly used in prudent electrical engineering and operations to operate electric equipment lawfully and with safety, reliability, efficiency and expedition; or

(b) in the exercise of reasonable judgment considering the facts known when engaged in, could have been expected to achieve the desired result consistent with applicable law, safety, reliability, efficiency and expedition.

Prudent Electrical Practice is not limited to the optimum practice, method or act, but rather is a spectrum of possible practices, methods or acts.

1.12 "Purchase Price" means the purchase price, measured in mills per kilowatt-hour, payable by Puget to Spokane for energy sold to Puget in accordance with this Agreement. The Purchase Price shall be determined in accordance with subsection 2.2. The Purchase Price determined in accordance with subsection 2.2 includes, and is not in addition to, any and all taxes, payments in lieu of taxes, assessments or similar obligations that may now or hereafter be payable by Puget to Spokane with respect to: the generation, purchase, sale, delivery or receipt of electrical output of the Project; payment of any amounts pursuant to Section 2 or any other provision of this Agreement; or any of the other transactions contemplated by this Agreement.

1.13 "Summer Month" means any of the months of April, May, June, July and August.

1.14 "Transfer" means any sale, assignment, encumbrance, disposition or other transfer (whether voluntarily, involuntarily, by operation of law or otherwise).

1.15 "Wheeling Contracts" mean the contracts entered into and approved by the Parties pursuant to paragraph 8.4 for the transmission of the electrical output of the Project from the Point of Delivery to Puget's electric system.

1.16 "Winter Month" means any of the months of September, October, November, December, January, February or March.

1.17 "WUTC" means the Washington Utilities & Transportation Commission or its successor.

1.18 "Year" means calendar year, except that:

(a) if the Date of Commercial Operation occurs prior to 1990, the first Year shall commence with the Date of Commercial Operation and shall end with December 31, 1990; or

(b) if the Date of Commercial Operation occurs after 1989, the first Year shall commence with the Date of Commercial Operation and shall end upon expiration of the calendar year during with the Date of Commercial Operation occurs.

Section 2. Purchase and Sale of Energy.

2.1 General. Subject to the provisions of this Agreement, Puget purchases and shall take from Spokane, and Spokane sells and shall deliver to Puget, the entire net electrical output of the Project (i.e., the total output of the Project reduced by any amounts of electric power and energy utilized in connection with the operation

of the Project) prior to and during the Operating Period. Spokane shall deliver the entire net electrical output of the Project to Puget at the Point of Delivery.

2.2 Purchase Price.

2.2.1 Puget shall pay to Spokane the Purchase Price times the kilowatt-hours of energy delivered to Puget's electric system from the Project. Unless otherwise agreed to by the Parties, the amount of such energy shall be determined as the amount delivered to Puget at the Point of Delivery reduced by:

(a) energy losses incurred to transmit such energy from the Point of Delivery to Puget's electric system (e.g., as determined under the Wheeling Contracts); and

(b) any amounts not delivered to Puget's system on account of any interruption, suspension or curtailment of deliveries by either of the Wheeling Entities.

2.2.2 For energy delivered pursuant to paragraph 2.2.1 prior to the Date of Commercial Operation, the Purchase Price shall equal Puget's avoided energy cost at the time of delivery. Such avoided energy cost per kilowatt-hour of energy shall be determined in accordance with Schedule 91 of Puget's Electric Tariff G filed with the WUTC, as such schedule may be amended or superseded from time to time.

2.2.3 For energy delivered pursuant to paragraph 2.2.1 on or after the Date of Commercial Operation and prior to the end of the Operating Period, the Purchase Price shall equal the sum of:

(a) seven and four-tenths mills (\$0.0074) per kilowatt-hour multiplied by the Escalation Quotient for the calendar year in which such energy is delivered; and

(b) an amount determined in accordance with the applicable rate set forth in the attached Exhibit C.

2.3 Payment. Puget shall pay the Purchase Price for the output delivered during any calendar month on or before the end of the next following calendar month.

Section 3. Construction and Operation of the Project.

3.1 Schedule. Spokane anticipates that the Date of Commercial Operation will occur on approximately march 1, 1990. Spokane shall notify Puget promptly of any condition or event that might substantially change this anticipated Date of Commercial Operation.

3.2 Permits and Other Rights. Spokane shall obtain and comply with all permits, licenses, authorizations and other rights required to perform the Construction Activities and to own, operate, use and maintain the Project. Spokane shall furnish to Puget on request copies of all documents granting, evidencing or otherwise related to such permits, licenses, authorizations and rights.

3.3 Performance. Spokane shall own the Project and shall, either directly or by contract, perform the Construction Activities and operate, use and maintain the Project:

- (a) at its own risk and expense;
- (b) in a safe, prudent, dependable, efficient, orderly, skillful and workmanlike manner;
- (c) in compliance with the permits, licenses, authorizations and rights described in paragraph 3.2;

(d) in compliance with all applicable laws, ordinances, rules, regulations, orders and other requirements, now or hereafter in effect, or any governmental authority; and

(e) in accordance with Prudent Electrical Practice.

3.4 Wheeling Contracts. Spokane shall reimburse Puget for any costs or expenses incurred by Puget in accordance with the Wheeling Contracts (including, but not necessarily limited to, any charges, reimbursable expenses or other amounts payable to the Wheeling Entities). Further, to the fullest extent permitted by applicable law, Spokane releases and shall defend, indemnify and hold harmless of the Indemnitees from all claims, losses, harm, liabilities, damages, costs, and expenses (including, but not limited to, reasonable attorneys' fees) arising out of any act or omission of Spokane in connection with the Wheeling Contracts (including, but not limited to, any breach of or default under any of the Wheeling Contracts by Spokane).

3.5 Responsibility. Spokane shall have full responsibility for the Construction Activities and the ownership, operation, use and maintenance of the Project, and delivery of energy from the Project to Puget's electric system (whether by Spokane, any of Spokane's assignees, contractors or suppliers of any tier, or any other person or entity), notwithstanding any:

(a) review, approval, consent, advice, recommendation, authorization, notice, inspection, test or other act by Puget;

(b) failure or delay by Puget to review, approve, consent, advise, recommend, authorize, notify, inspect, test or perform any act; or

(c) knowledge or information of Puget.

No review, approval, consent, advice, recommendation, authorization, notice, inspection, test or other act by Puget regarding the Construction Activities or the ownership, operation, use or maintenance of the Project or the delivery of energy from the Project to Puget's electric system shall constitute or be interpreted or construed as, or be relied upon or held out by Spokane or any other person or entity as, any warranty, representation or endorsement by Puget.

3.6 Outages. Spokane shall operate the Project on a continuous, reliable and sustained basis until the end of the Operating Period, subject to forced outages and outages for scheduled maintenance, repairs, replacements, improvements, alterations and modifications of, and additions to, the Project. To the extent consistent with prudent operation of the Project for the disposal of solid waste, Spokane shall coordinate all scheduled outages to such periods as may be requested by Puget. On or before January 1 of each year, Spokane shall give Puget written notice of all outages scheduled for the ensuing eighteen (18) months. Spokane shall give Puget notice of all other outages as soon as practicable.

3.7 Metering. All energy delivered under this Agreement shall be measured by meters to be installed, operated and maintained at approximately the locations shown on the diagram attached hereto as Exhibit A. Such meters shall be adjusted to compensate for any energy

losses incurred between the meters and the Point of Delivery. Spokane shall reimburse Puget for all costs reasonably incurred by Puget in connection with such metering (including, but not limited to, all costs of metering, telemetering and other equipment to be installed by Puget for the Project). All metering, telemetering and other equipment installed by Puget shall be and remain Puget's property, notwithstanding such reimbursement. Such reimbursement shall be made within thirty (30) days after Spokane's receipt of Puget's invoice therefore. If, upon test, any meters for determining amounts of energy delivered under this Agreement are found to be in error by not more than two percent (2%), then any previous recordings of such meters shall be deemed accurate, but such meters shall be immediately adjusted to record more accurately. If such meters are found to be in error by more than two percent (2%) or if such meters are for any reason out of service or fail to register, then the Parties shall use their best efforts to determine or estimate amounts delivered during the periods affected by such error, service outage or failure to register by the best available means.

3.8 Interruptions by Puget. Puget may interrupt, suspend or curtail delivery, receipt or acceptance of delivery of energy from the Project, if and to the extent Puget determines that the failure to do so:

(a) may endanger any person or property, or Puget's electric system, or any electric system with which Puget's system is interconnected;

(b) may cause or contribute to an imminent significant disruption of electric service to Puget's customers;

(c) may interfere with any construction, installation, inspection, testing, repair, replacement, improvement, alteration, modification, operation, use or maintenance of, or addition to, Puget's electric system or other property of Puget; or

(d) is contrary to Prudent Electrical Practice.

Puget shall promptly notify Spokane of the reasons for any such disconnection, interruption, suspension or curtailment and shall use its best efforts to give Spokane reasonable advance notice of any scheduled activity described in paragraph 3.8(c). Puget shall use its best efforts to mitigate and limit the duration of any such disconnection, interruption, suspension or curtailment. This paragraph shall not be interpreted or construed to permit any interruption, suspension or curtailment solely for the purpose of enabling Puget to purchase less expensive energy from other sources or to utilize less expensive resources for the generation or supply of electrical energy.

3.9 Protection of Persons and Property. Spokane shall take all precautions which are necessary to prevent bodily harm to persons and damage to any property (including, but not limited to, the Project, Puget's electric system and any electric system with which Puget's electric system is interconnected) in connection with the Construction Activities or the interconnection of the Project with Puget's electric system or any electric system with which Puget's electric system is interconnected. Spokane shall inspect all materials, tool, supplies, equipment, goods or other items used, consumed or incorporated in the Construction Activities or

the interconnection of the Project to discover any conditions which involve a risk of bodily harm to persons or a risk of damage to any property and shall be fully responsible for the discovery and correction of, and protection against, such conditions.

3.10 Release and Indemnity. To the extent permitted by applicable law, Spokane releases and shall defend, indemnify and hold harmless each of the Indemnitees from all claims, losses, harm, liabilities, damages, costs and expenses (including, but not limited to, reasonable attorneys' fees) arising out of or in connection with the Construction Activities, the interconnection of the Project with Water Power's electric system or any electric system with which Water Power's electric system is interconnected, the delivery of energy from the project to the Point of Delivery or the ownership, operation, use or maintenance of the Project. To the fullest extent permitted by applicable law, the foregoing shall apply regardless of any fault, negligence, strict liability or product liability of any Indemnatee and to any claim, action, suit or proceeding brought by any employee of Spokane. However, Spokane shall not be required to so defend, indemnify or hold harmless such Indemnatee from any claim, loss, harm, liability, damage, cost or expense to the extent caused by or resulting from the negligence of such Indemnatee or its directors, officers, employees, agents or representatives.

3.11 Property Insurance. Spokane shall maintain throughout the Operating Period property insurance covering the Project to the full replacement value of the Project, subject to such self-insurance as Spokane may from time to time certify to Puget. Such insurance shall

be placed with insurers and under forms of policies approved by Puget, which approval shall not be unreasonably withheld or delayed. The proceeds of such insurance shall be payable under such arrangements as may be approved by Puget to ensure that such proceeds are used to repair, replace or otherwise restore the Project to at least as good condition or state of repair as it was in prior to the occurrence with respect to which such proceeds were payable. Spokane shall provide Puget with certificates of insurance, copies of insurance policies and such other evidence of the insurance required by this paragraph as Puget may from time to time request.

Section 4. Inspection; Access and Information.

4.1 Inspection. To the extent necessary or appropriate for Puget to protect its facilities, perform its obligations or exercise its rights under this Agreement, Spokane shall permit Puget to inspect, on reasonable advance notice, (and be present at all test of) the Project, the Construction Activities or the operation, use or maintenance of the Project, consistent with requirements of safety, security and minimal interference with the construction and operation of the Project. Spokane shall provide Puget reasonable advance notice of any such test or inspection by or at the direction of Spokane.

4.2 Access. Spokane shall provide Puget, and Puget shall have the right of, reasonable and sufficient access to the Project for the following purposes:

(a) installation, inspection, testing, repair, replacement, improvement, alteration, modification,

operation, use, maintenance, reading and removal of any meters, equipment or other property owned by Puget;

(b) any disconnection, interruption, suspension or curtailment described in paragraph 3.8; and

(c) inspection and testing described in paragraph 4.1

Spokane shall and hereby does grant to Puget all necessary licenses, rights-of-way and easements for the access and purposes described in this paragraph and shall execute, acknowledge and deliver to Puget such additional documents as Puget may reasonably request to effectuate, evidence, vest, record or give notice of such licenses, rights-of-way and easements.

4.3 Information. Spokane shall promptly furnish Puget with copies of such plans, specifications, records and other information within Spokane's control relating to the Project, the Construction Activities, the interconnection of the Project with Water Power's electric system, the arrangements between Spokane and any other person or entity for transmission or delivery of energy from the Project to Puget's electric system, or the ownership, operation, use or maintenance of the Project, as may be reasonably requested by Puget from time to time in connection with the performance of its obligations or the exercise of its rights under this Agreement. All such information, together with all other documents and information furnished to Puget under this Agreement, shall be given to Puget on a nonconfidential basis; provided, however, that such information may be provided on a confidential basis if and to the extent Spokane is

required to keep the same confidential and Spokane gives Puget written notice of such confidentiality requirements prior to Puget's receive of such information.

Section 5. Limitations of Liability.

5.1 Force Majeure. Neither Party shall be liable to the other Party for, or be considered to be in breach of or default under this Agreement on account of, any delay or failure to deliver, receive or accept delivery of energy due to any of the following events:

(a) any cause or condition beyond such party's reasonable control which such Party is unable to overcome by the exercise of reasonable diligence (including but not limited to: fire, flood, earthquake, volcanic activity, wind, drought or other acts of the elements, court order and act of civil, military or governmental authority; strike, lockout and other labor dispute; riot, insurrection, sabotage and war; breakdown of or damage to facilities or equipment; electrical disturbance originating in or transmitted through such Party's electric system or any electric system with which such Party's system is interconnected; and, act or omission of any person or entity other than such Party, and Party's contractors or suppliers of any tier or anyone acting on behalf of such Party); or

(b) any action taken by such Party which is, in the sole judgment of such party, necessary or prudent to protect the operation, performance, integrity, reliability or stability of such Party's electric system or any electric system with which such Party's electric system is interconnected, whether such actions occur automatically or manually.

In the event of any Excusable Delay, the time for performance thereby delayed shall be extended by a period of time reasonably necessary to compensate for such delay. Nothing contained in this paragraph shall require any Party to settle any strike, lockout or other labor dispute. Each Party shall give the other Party prompt written notice of any delay which the Party giving notice considers to be an Excusable Delay of its performance.

5.2 Release by Puget. Puget releases Spokane, its successors and assigns and the respective directors, officers, employees, agents and representatives of Spokane and its successors and assigns from any and all claims, losses, harm, liabilities, damages, costs and expenses to the extent resulting from any;

(a) Excusable Delay;

(b) operation of the Project in parallel with Puget's electric system; or

(c) transfer, transmission, use or disposition of energy produced by the Project after it is delivered to Puget's electric system.

5.3 Release by Spokane. Spokane releases each of the Indemnitees from any and all claims, losses, harm, liabilities, damages, costs and expenses to the extent resulting from any:

(a) Excusable Delay;

(b) operation of the Project in parallel with Puget's electric system;

(c) transfer, transmission, use or disposition of energy produced by the Project prior to its delivery to Puget at the Point of Delivery;

(d) electric disturbance or fluctuation that migrates, directly or indirectly, to the Project; or

(e) disconnection, interruption, suspension or curtailment by Puget pursuant to paragraph 3.8.

5.4 Waiver of Subrogation. Each party shall ensure that any policy of insurance that it carries as insurance against property damage or against liability for property damage or bodily injury (including death) that may occur in connection with the Project, the Construction Activities, the interconnection of the Project with Puget's or Water Power's electric system or any electric system with which Puget's or Water Power's electric system is interconnected or the ownership, operation, use or maintenance of the Project shall either name as additional insured, or include a waiver of the insurer's rights of subrogation against, the other Party, its successors and assigns, and the respective directors, officers, employees, agents and representatives of such other Party and its successors and assigns. Further, to the extent permitted by such policy, each Party hereby waives such rights of subrogation.

Section 6 Transfer

6.1 Restriction. Spokane shall not Transfer or permit the Transfer of all or any portion of its interests in the Project, the electrical output of the Project (e.g., after the end of the Operating Period) or this Agreement, except as follows:

(a) to any person or entity that directly or indirectly controls, is controlled by or under common control with Spokane;

(b) to a trustee for the purpose of securing bonds issued by Spokane to finance the Construction Activities, provided that any transferee of such trustee (e.g., in connection with a Transfer pursuant to or in lieu of foreclosure of such security) shall assume or otherwise be bound by all Spokane's obligations under this Agreement;

(c) to Wheelabrator Spokane, Inc. ("Wheelabrator") pursuant to Section 8.2, 16.2 or 16.3 of the Design and Construction Contract or Section 14.2 or 14.3 of the Operation and Maintenance Contract, each made and entered into as of November 3, 1987, by and between Spokane and Wheelabrator, provided that Wheelabrator assumes or is otherwise bound by all of Spokane's obligations under this Agreement;

(d) to any person or entity within six (6) months after expiration of the Option described in paragraph 6.2, provided that such Option is not exercised as provided therein; or

(e) to any other person or entity with the written consent of Puget, which consent shall not be unreasonably withheld (such consent shall not be interpreted or construed as unreasonably withheld, if withheld by Puget for purposes of exercising the Option described in paragraph 6.2).

For purposes of subsection (a) above, a Transfer of the Project to Spokane County or to any municipal corporation formed by Spokane and another government agency shall be considered a Transfer to a person or entity that is controlled by or under common control with Spokane.

6.2 The Option. The Option referred to in (d) of paragraph 6.1 (the "Option") is an option of Puget to purchase all of the interests that are subject to the proposed Transfer on terms not less advantageous to Puget than those which Spokane is willing to accept from the proposed transferee. The Option shall be exercisable at any time within sixty (60) days after Puget received written notice of the Option (the "Option Notice") from Spokane. The Option Notice shall contain a clear and concise statement that it is an offer to sell to Puget the interests in the Project subject to the proposed Transfer, a description of the proposed Transfer, the name and address of the prospective transferee and all of the terms of the proposed Transfer (including, but not limited to, the purchase price and terms of payment). Spokane shall give the Option Notice at least sixty (60) days in advance of the proposed Transfer. Puget may exercise the Option by giving Spokane written notice of such exercise within the applicable sixty (60) day period. If the Option is not exercised in accordance with this paragraph 6.2, Spokane may Transfer the specified interests to the prospective transferee named in the Option notice, provided that the Transfer is made in strict accordance with the terms of the proposed Transfer set forth in the Option Notice and is completed within six (6) months after the expiration of the right to exercise the Option, after which any Transfer by Spokane shall again be subject to the restriction set forth in paragraph 6.1.

6.3 Purchase Pursuant to Option. If the Option is exercised in accordance with paragraph 6., Puget shall purchase the specified interests in accordance with the terms of the proposed Transfer set forth in the Option

Notice. If the terms of the proposed Transfer include consideration other than money, Puget may at its option substitute for such consideration the monetary equivalent thereof. If the Parties cannot agree upon such monetary equivalent, then the monetary equivalent shall be determined by appraisal. In such event, the Parties shall select an appraiser who shall, within thirty (30) days after his appointment, determine the monetary equivalent of the nonmonetary consideration. If the Parties cannot agree upon an appraiser within thirty (30) days after the exercise of the Option, then the Parties shall, within ten (10) days thereafter, each select an appraiser and the two (2) appraisers so selected shall, within thirty (30) days after their selection, select a third appraiser. If the two (2) appraisers cannot agree upon a third appraiser, then any Party may petition the American Arbitration Association to appoint such third appraiser. Within thirty (30) days after the appointment of the last of the appraisers to be appointed, the three (3) appraisers shall determine by majority vote, the monetary equivalent of the nonmonetary consideration.

6.4 Closing. Unless otherwise agreed by the Parties, the closing of any sale pursuant to the exercise of an Option shall take place at the principal office of Puget on the first regular business day more than sixty (60) days after the determination of the terms of the sale in accordance with paragraph 6.3. Unless otherwise agreed by the Parties, the purchase price shall be paid in full upon closing.

6.5 Survival. This Section 6 (and the Option) shall survive for a period of fifteen (15) years after the end of the Operating Period.

6.6 Applicable Law. This Section 6 shall be subject to, and enforceable only if and to the extent permitted by, applicable law (including, but not necessarily limited to, the Revised Code of Washington, Chapter 35.94). Spokane covenants that it shall not adopt any resolution, regulation, order, rule, ordinance or other law, lobby any other legislative authority for the adoption of any law, or take any other action to impair the enforceability of this Section 6.

6.7 Limitations. Nothing contained in this Section 6 shall be interpreted or construed:

(a) as a waiver of any right Spokane may have to require Puget to purchase the output of the Project after the end of the Operating Period (e.g., pursuant to the provisions of section 210 of the Public Utility Regulatory Policies Act of 1978, Public Law 95-617); or

(b) to hinder or delegate performance of Spokane's primary duties with respect to solid waste disposal (e.g., the terms of any Transfer under this Section 6 may include a requirement of demonstrated ability in the area of solid waste disposal).

Section 7. Termination

7.1 Cure by Puget. If Puget directs Spokane to cure any breach of or default under this Agreement, and Spokane thereafter fails to comply or indicates its inability or unwillingness to comply, then Puget may cure (or cause to be cured) the breach or default by the most expeditious means available to it (by contract or otherwise) and charge to or otherwise recover (for example, by offset against the compensation otherwise payable to Spokane under this Agreement) from Spokane all costs thereof.

Puget's right to cure any breach or default by Spokane shall not be construed or interpreted as obligating Puget to make any such cure.

7.2 Termination for Default. If either Party commits a material breach of or default under this Agreement (the "Defaulting Party"), the other Party (the "Terminating Party") may terminate the Operating Period by giving the Defaulting Party written notice of such breach and termination. For purposes of the foregoing, a Party shall be deemed to be in material breach of or default under this Agreement if such Party:

(a) fails to cure any material breach of or default under this Agreement by such Party prior to the later of (i) the expiration of 60 days after the Terminating Party gives the Defaulting Party written notice of the breach or default and (ii) the date upon which the Terminating Party gives the Defaulting Party written notice of termination;

(b) becomes insolvent (e.g., is generally unable to meet its obligations as they become due or its liabilities exceed its assets);

(c) makes a general assignment of substantially all of its assets for the benefit of its creditors, files a petition for bankruptcy or reorganization, or seeks other relief under any applicable insolvency laws; or

(d) has filed against it a petition for bankruptcy, reorganization or other relief under any applicable insolvency laws and such petition is not dismissed within 60 days after it is filed.

7.3 Wheeling Contracts. In the event of the termination, cancellation or expiration of any of the Wheeling Contracts, Puget may terminate the Operating

Period by giving Spokane written notice of such termination which shall be effective upon the termination, cancellation or expiration of the applicable Wheeling Contract.

7.4 Rights and Remedies Cumulative. Any right or remedy afforded to either Party under any provision of this Agreement on account of the breach or default by the other Party is in addition to, and not in lieu of, all other rights or remedies afforded to such Party under and other provision of this Agreement, by law or otherwise on account of the breach or default.

Section 8. Miscellaneous.

8.1 Qualifying Facility Status. Spokane represents and warrants that:

(a) the Project is a "qualifying small power production facility" within the meaning of subsection 3(17)(C) of the Federal Power Act, as amended; and

(b) pursuant to an application filed under to 18 C.F.R. § 292.207(b), Spokane has received from the Federal Energy Regulatory Commission a certification that the Project is a "qualifying facility" within the meaning of 18 C.F.R. § 292.101(b)(1); the representations and statements set forth in such application are true, accurate and complete as the date of the application and the date of this Agreement; and such certification has not been revoked, terminated or cancelled and is in full, force and effect on the date of this Agreement.

Spokane shall furnish Puget with such documentation and information as Puget may request to verify Spokane's representations and warranties set forth in this paragraph (including, but not limited to, copies of the application and certification referred to in (b) above, together with copies of any correspondence or other communication to or from the Federal Energy Regulatory Commission).

8.2 Notices. Any notice, request, authorization, direction, or other communication under this Agreement shall be given in writing and be delivered in person or by first-class U.S. mail, properly addressed and stamped with the required postage, to the intended recipient as follows:

If to Puget: Puget Sound Power & Light Spokane
 Puget Power Building
 Bellevue, Washington 98009
 Attention: R.G. Bailey,
 Vice President, Power Systems

If to Spokane: City of Spokane
 West 808 Spokane Falls Blvd.
 Spokane, WA 99201
 Attention: City Manager

Either Party may change its address specified above by giving the other Party notice of such change in accordance with this paragraph. All notices, requests, authorizations, directions or other communications by a Party shall be deemed delivered when mailed as provided in this paragraph or personally delivered to the other Party.

8.3 Governmental Authority. This Agreement is subject to the rules, regulations, orders and other requirements, now or hereafter in effect, of all

governmental authorities having jurisdiction (i.e., other than Spokane and County). Without limiting the generality of the foregoing, this Agreement shall not be effective unless and until approved by the WUTC. Upon execution of this Agreement, Puget shall submit this Agreement to the WUTC for approval and shall notify Spokane of the granting or denial of any such approval. If the WUTC shall deny such approval or shall grant such approval subject to any terms, conditions or other provisions that are not acceptable to Puget, then Puget may cancel this Agreement by giving Spokane written notice of such cancellation, whereupon this Agreement shall be void and of no further force or effect. All laws, ordinances, rules, regulations, orders and other requirements, now or hereafter in effect, of governmental authorities that are required to be incorporated in agreements of this character are by this reference incorporated in this Agreement.

8.4 Condition Precedent. This Agreement is conditioned and contingent upon the execution and delivery of one or more contracts (e.g., between or both Parties and one or both of the Wheeling Entities) for the transmission of the electrical output of the Project from the Point of Delivery to Puget's electric system. Each such contract shall be subject to the written approval of each Party, which approval may be conditioned upon such modifications to provisions of this Agreement pertaining to the Wheeling Contracts or the delivery of energy under this Agreement as either Party may in good faith determine to be necessary to reflect corresponding provisions of the Wheeling Contracts. The Parties shall use their best efforts to complete the Wheeling Contracts prior to August

1, 1988. However, if after the exercise of such best efforts the Wheeling Contracts are not entered into and approved by the Parties as contemplated by this paragraph prior to August 1, 1988 or such later date as may be agreed upon by the Parties, then either Party may cancel this Agreement by giving the other Party written notice of such cancellation, whereupon this Agreement shall be void and of no further force or effect.

8.5 Equal Opportunity. Spokane shall comply with the Executive order No. 11246, Executive order No. 11701, the Vietnam Era Veterans' Readjustment Act of 1972 and the Rehabilitation Act of 1973, and all orders, rules and regulations promulgated thereunder (including, but not limited to, 41 CFR Part 60-1, 41 CFR Part 60-250 and 41 CFR Part 60-741), all as the same may have been or may be amended. The "equal opportunity clause" or 41 CFR Section 60-1.4, the "Affirmative Action Obligations for Disabled Veterans and Veterans of the Vietnam Era" clause of 41 CFR Section 60-250.4 and the "Affirmative Action for Handicapped Workers" clause of 41 CFR Section 60-741.4 are by this reference incorporated in this Agreement. Spokane certified that segregated facilities (within the meaning of 41 CFR Section 60-1.8) are not and will not be maintained or provided for its employees and that it will not permit its employees to perform their services at any location under Spokane's control where segregated facilities are maintained. Spokane shall obtain a similar certification from its subcontractors, vendors or suppliers as required by 41 CFR Section 60-1.8.

8.6 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, either 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.

8.7 Nonwaiver. The failure of either Party to insist upon or enforce strict performance by the other Party of any provision of this Agreement or to exercise any right under this Agreement shall not be construed as a waiver or relinquishment to any extent of such Party's right to assert or rely upon any such provision or right in that or any other instance; rather, the same shall be and remain in full force and effect.

8.8 Survival. Paragraphs 3.5, 3.10 and 4.2, and Section 5, and all provisions of this Agreement which may reasonably be interpreted or construed as surviving the completion, termination or cancellation of this Agreement, shall survive the completion, termination or cancellation of this Agreement.

8.9 Entire Agreement. This Agreement sets for the entire agreement, and supersedes any and all prior agreements of the Parties with respect to the subject matters hereof.

8.10 Successors and Assigns. Except as provided in Section 6, neither Party shall assign (voluntarily, but operation of law or otherwise) this Agreement or any right, interest or benefit under this Agreement without the prior written consent of the other, which consent shall not be unreasonably denied, delayed or withheld. Further, no assignment by either Party shall relieve or release it to any extent of any of its obligations

hereunder. Subject to the foregoing restrictions on assignments, this Agreement shall be fully binding upon, inure to the benefit of and be enforceable by the Parties and their respective successors, assigns and legal representatives.

8.11 No Unspecified Third-Party Beneficiaries.

Except as specifically provided in this Agreement (e.g., in paragraphs 3.10, 5.2, 5.3 and 5.4), 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 permitted under paragraph 8.10, and the third party beneficiaries specifically identified in this Agreement.

8.12 Amendment. No change, amendment or modification of any provision of this Agreement shall be valid unless set forth in a written amendment to this Agreement signed by both Parties.

8.13 Implementation. Each Party shall take such action (including, but not limited to, the execution, acknowledgment and delivery of documents) as may reasonably be requested by the other Party for the implementation or continuing performance of this Agreement.

8.14 Invalid Provision. The invalidity or unenforceability of any provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

8.15 Applicable Law. This Agreement shall be interpreted, construed and enforced in accordance with the laws of the State of Washington, except to the extent such laws may be preempted by the laws of the United States of America.

Puget Sound Power & Light Company

By: /s/
R.G. Bailey, Vice President
Power Systems
Date: December 23, 1987

City of Spokane

By: /s/
Title: Terry L. Novak
City Manager
Date: January 4, 1988

Approved as to Form
By: /s/
Title: City Attorney

EXHIBIT A - Spokane Resource Recovery Project

Point of Delivery

This Exhibit A shall be prepared and agreed upon by the Parties prior to interconnection of the Project to Water Power's electrical system.

EXHIBIT B - Spokane Resource Recovery Project

Project electrical one-line diagram

This Exhibit B shall be prepared and agreed upon by the Parties prior to interconnection of the Project to Water Power's electrical system.

EXHIBIT C - Spokane Resource Recovery Project

<u>Year</u>	Winter Period		Summer Period	
	Sept-March		April-August	
	<u>mills/KWh</u>		<u>mills/KWh</u>	
1	11.4	8.3		
2	18.5	12.4		
3	24.1	19.4		
4	24.8	20.0		
5	25.5	20.4		
6	26.0	20.8		
7	27.1	21.6		
8	29.6	23.7		
9	33.7	27.1		
10	35.0	28.0		
11	96.4	52.8		
12	96.4	52.8		
13	96.4	52.8		
14	96.4	52.8		
15	96.4	52.8		
16	96.4	52.8		
17	96.4	52.8		
18	96.4	52.8		
19	96.4	52.8		
20	96.4	52.8		
21	96.4	52.8		

AMENDMENT NO. 1 TO AGREEMENT FOR FIRM POWER PURCHASE

This Amendment No. 1, dated as of August 10, 1988, is made and entered into with respect to that certain Agreement for Firm Power Purchase dated as of January 4, 1988 (the "Agreement") between Puget Sound Power & Light Company, a Washington corporation ("Puget"), and the City of Spokane, a Washington municipal corporation ("Spokane").

The Parties agree as follows:

1. All terms defined in this Agreement shall have the same meanings when used in this Amendment No. 1.

2. Paragraph 2.2.1 of the Agreement is amended to read in its entirety as follows:

"2.2.1 Puget shall pay to Spokane the Purchase Price times the kilowatt-hours of energy delivered to Puget's electric system from the Project. If either of the Wheeling Entities fails or refuses to deliver all of any portion of the net electrical output of the Project to Puget's electric system, Puget may elect to purchase and take such output at the Point of Delivery. Any such output so purchased and taken by Puget shall, for purposes of this paragraph, be deemed to have been delivered to Puget's electric system. Unless otherwise agreed to by the Parties, the amount of energy delivered to Puget's electric system shall be determined as the amount delivered to Puget at the Point of Delivery reduced by:

(a) energy losses incurred to transmit such energy from the Point of Delivery to Puget's electric system (e.g., as determined under the Wheeling Contracts), or, in the case of energy purchased and

taken by Puget at the Point of Delivery, energy losses which would have been incurred had such energy been transmitted from the Point of Delivery to Puget's electric system (e.g., as determined under the Wheeling Contracts); and

(b) any amounts not delivered to Puget's system (and not otherwise purchased and taken by Puget at the Point of Delivery) on account of any interruption, suspension or curtailment of deliveries by either of the Wheeling Entities."

3. The Agreement, as amended by this Amendment No. 1, remains in full force and effect.

Puget Sound Power & Light Company

By: /s/
R.G. Bailey, Vice President
Power Systems
Date: August 10, 1988

City of Spokane

By: /s/
Title: Terry L. Novak
City Manager
Date: July 28, 1988

Approved as to Form
By: /s/