

Tumwater Historic District Infrastructure Analysis Summary of Findings

Prepared for

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CITATION

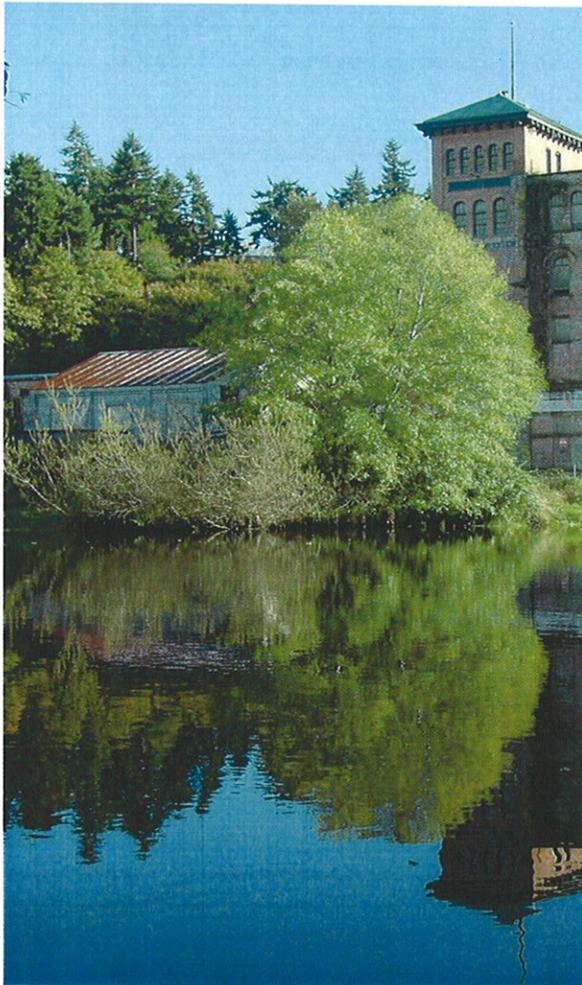
Parametrix. 2005.
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PROJECT BACKGROUND

The Olympia Brewhouse is the central structure within Tumwater's Historic District. The structure was built in 1905-1906 and is testament to the early industry of the area. Washington's 1914 Prohibition law shut down beer production at the brewery, and the plant switched to producing fruit juice products. When Prohibition was repealed in 1933, a new brewery was constructed at the top of the hill.

A paper mill took over the Old Brewhouse in the 1920s, and later Boeing Co. used the building for manufacturing airplane parts.

Following World War II, Western Metalcraft constructed a metal cabinet factory that remained in the building until it was phased out in the 1950s. The Brewhouse has now been vacant for many years and has fallen into disrepair as a result.



Brewhouse Site

The historic nature of the site and architectural importance of the building resulted in its listing on the National Register of Historic Places. The present complex is a series of attached industrial buildings, which together have been classified as Pivotal structures owing to their landmark qualities. Since 1995, the Brewhouse has been on the Washington Trust for Historic Preservation's annual list of the ten most endangered historic sites statewide. The Old Brewhouse has sentimental significance to many in the community who propose to restore and re-use this endangered historical landmark.

The City of Tumwater is now considering sponsoring redevelopment of the Brewhouse as a Public Facilities District project. In order to determine whether or not the site is a viable project to sponsor, the City has requested an analysis of the access, infrastructure, and permitting issues associated with redevelopment of the site. This memo summarizes the findings of our investigation.

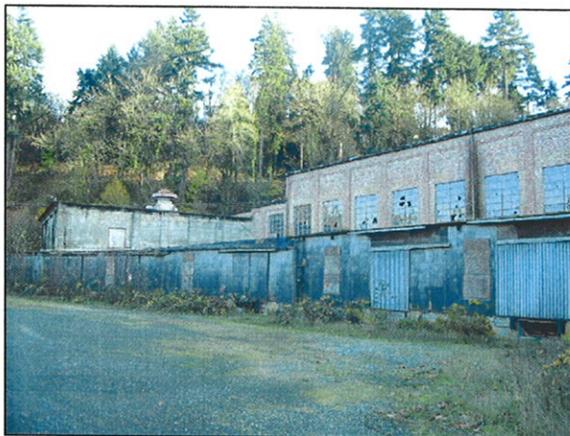
EXISTING CONDITIONS



This addition to the Brewhouse doesn't reflect the historic character of the site.

between the Brewhouse and the Deschutes River and ends at a retaining wall along the south boundary of the warehouse structure.

The site has gone through multiple additions and expansions over the years. Most of the structures are consistent with the architecture of the Brewhouse tower and are therefore



North Facade of Brewhouse Complex

Water, sewer, and power currently serve the site. Due to the period in which these utilities were installed, and the potential for more intense use of the site, all utility lines would need to be replaced to support adaptive re-use of the site. The specifics of the needed utility upgrades are discussed further below.

Historic use of the Brewhouse for production of beer and other beverages has been discontinued since the 1920s. For the past several decades the property has been largely abandoned, providing only limited storage for materials belonging to the property owner. Boston Street, a narrow paved roadway provides access to the site down the hill from Custer Street. At the base of the hill the road transitions from pavement to gravel. A gravel lane provides access to the south and east sides of the buildings and widens into a large staging area in the front of the Brewhouse (north). A small gravel lane continues around to the west

considered important components of the complex. The exception to this is a one-story addition on the northeast portion of the site consisting primarily of plywood and metal, which does not reflect the historic or unique character of the remainder of the buildings on site.



South Facade of Brewhouse Complex

REDEVELOPMENT SCENARIO

Parametrix staff worked with a focus group made up of representatives from the City of Tumwater Public Works, Development Services, and Planning and Facilities Departments, as well as the City Administrator, and representatives from the Friends of the Brewhouse group. This committee determined the redevelopment scenario to be used in the analysis. The preferred redevelopment scenario included adaptive re-use of the existing buildings to house the following:

- 35,000 square feet cultural center (special events, exhibitions, conference facilities, ballroom and commercial kitchen).
- 5,000 square feet quality restaurant.
- 5,000 square feet deli/espresso.
- 15,000 square feet of specialty retail.
- 90,000 square feet office space.

FINDINGS

The evaluation considered the following issues related to re-use of the site: access, parking, utilities, connection to rail service, permitting, and storm water. The findings for each of these issues are discussed further below and an approximate cost estimate provided. Additional detail regarding the specifics of project costs is provided in attached spreadsheets. (Appendix A)

ACCESS

The existing Boston Street access to the site does not meet current standards for two-way traffic or pedestrian facilities. Two primary options for gaining access to the site were evaluated: upgrade of Boston Street and construction of a bridge across the Deschutes River. Both options are described further below. In addition, we have included a description of site improvements necessary to support emergency vehicle access within the site.

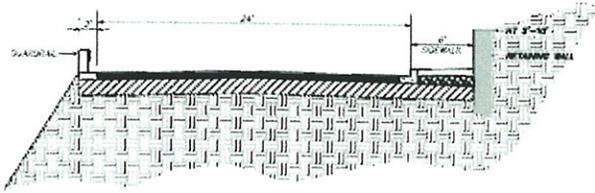
Upgrade of Boston Street

Construction of a modern two-way road at Boston Street to the site will require widening of the road surface, incorporation of pedestrian facilities, and deviations from the City's design standards for public streets. Although not inexpensive, this alternative is the most cost effective means of providing access to the site. See Appendix A for a larger scale street section graphic.



Boston Street Approaching Brewhouse

BOSTON STREET
TYPICAL SECTION



The following elements are associated with widening of Boston Street:

- Road width of 24 feet for two-way traffic.
- Six-foot sidewalk on one side of road only.
- Construction of a retaining wall to allow additional width

to be gained on the east side of the road and minimization of impacts to the slopes, vegetation and buffers associated with the Deschutes River.

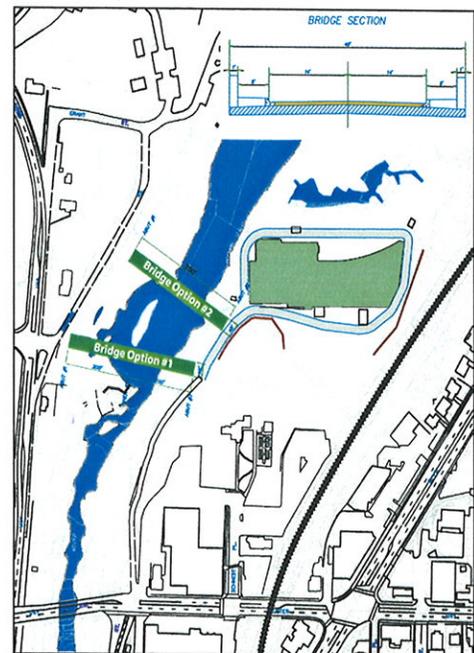
- Modifications to the existing intersection of Boston Street and Custer Way to accommodate a traffic signal and allow two way traffic into and out of the site.
- Custer Way overpass does not have sufficient width to support a left turn lane into site. The cost estimate below includes costs associated with widening the bridge.
- Deviation from City requirement for sidewalk on both sides of the road.
- Geotechnical analysis to assure appropriate protection of the hillside.

Approximate Cost for Boston Street Access: \$3.2 million

Bridge Across the Deschutes River

Construction of a bridge over the Deschutes River would offer a direct route into the site and reduce project related congestion on Custer Way. Two bridge location alternatives were considered in this analysis. The first alternative would require a 350 foot bridge span and connect to Simmons Road in the immediate vicinity of the intersection of Simmons Road and Deschutes Parkway. The second alternative would require a 400 foot span and connect to Simmons Road midway down the hill, approximately 300 feet north of the intersection at Deschutes Parkway. Both bridge alternatives would connect behind the Brewhouse and provide visitors easy access to Interstate 5 and Highway 101.

While a bridge provides direct and convenient access to the site, it is also the most costly and difficult of the options with regard to the permitting process. See Figure 2 in Appendix A for a larger scale version of bridge location section.



Access Via Bridge Over Deschutes River

The following elements are associated with construction of a bridge across the Deschutes River:

- Location should be selected to minimize impacts to the river and associated vegetation.
- View of the falls should be considered in determining the bridge location.
- Geotechnical investigation of the canyon will be necessary to help determine the most appropriate location.
- A Nationwide permit from the Army Corps of Engineers will be necessary to construct the bridge. This will trigger full NEPA review, including evaluation of impacts to endangered species, and review under Section 106 of the National Historic Preservation Act.
- Aesthetics of the bridge must be considered in selecting a design to assure it is consistent with the historic context of the site (necessary for Section 106 review and to assure tax credits can be obtained for the project).
- Improvements to Simmons Road will be necessary to support the additional traffic generated by the development, including the intersection at Deschutes Parkway.

Approximate Cost for Bridge Over River: \$4.7 million

Emergency Vehicle Access



Ponding at Base of Retaining Wall

Regardless of how the site is accessed or how parking is provided, on site roadways will need to be upgraded to a minimum of 20 feet wide and must provide emergency vehicle access within 150 feet of all exterior portions of the building. This will require that the existing road on the east side of the complex be widened to allow fire trucks and other emergency vehicles access around the building. A small retaining wall currently exists at this location and will need to be removed and reconstructed further into the hillside to widen the road without impacting the eastern portion of the warehouse

building. The hillside is very wet in this location and widening the road will likely include impacts to wetland areas in this vicinity. Costs associated with construction of a retaining wall along the eastern side of the site are included in the parking discussion below and in the parking garage and surface parking spreadsheets contained in Appendix D.

Rail Access

Parametrix mass transit engineers reviewed the existing rail line adjacent to the Brewhouse and researched the current status of the tracks to determine the viability of providing train access to the site. Tri-Cities Railroad currently operates the existing tracks, and is interested

in providing passenger service in Olympia. The tracks currently support occasional freight shipments to the Port of Olympia, and will continue to do so into the future.

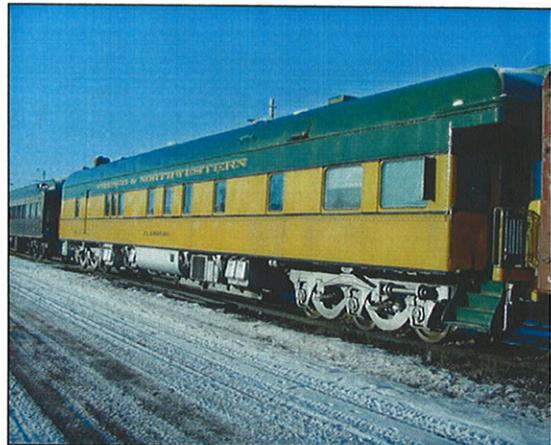


Existing Railroad Tracks

could be done either by construction of a spur line down to the site or construction of a depot at the existing track elevation that is incorporated into a parking structure (parking structure discussed further below).

The following elements are associated with provision of rail access to the site:

- Passenger depot would be necessary either via spur line to Brewhouse elevation, or via parking garage in hillside behind Brewhouse.
- Location and construction of a depot/destination in downtown Olympia.
- Upgrade of tracks and ties would be necessary.
- Establishment of lease agreement with Tri-Cities Railroad to operate the train service.
- Purchase or lease of passenger cars and locomotive.



Potential Railcar Option

Approximate Start-up Cost Range for Rail Access to Site: \$1-\$2.8 million

PARKING

There are currently no formal parking areas on the Brewhouse site. A large gravel area on the north side of the building provides parking and circulation for the limited vehicular activity the site has supported in the past, but is not sufficient for the more intense development scenario considered in this analysis. The following table summarizes the parking required to support the planned development of the site.

Required Parking by Use Category

| Land Use | Parking Spaces Required by TMC 18.50* | Number Required Spaces |
|------------------------|---------------------------------------|------------------------|
| Arts & Cultural Center | 5 spaces per 1,000 sf | 175 |
| Quality Restaurant | 10 spaces per 1,000 sf | 50 |
| Deli/Espresso | 10 spaces per 1,000 sf | 50 |
| Specialty Retail | 4 spaces per 1,000 sf | 60 |
| Office | 2.5 spaces per 1,000 sf | 225 |
| Total | | 560 |

*Up to a 40% decrease or increase may be allowed if additional requirements are met (combined on-site parking, shared parking, accessibility for transit, etc.).

There are two primary means of providing adequate parking on the site. The first is to construct a multi-level parking garage on the south side of the Brewhouse, the second is to provide a combination of surface parking and convert a portion of the existing warehouse building to parking. Both of these options are discussed further below.

Multi-level Parking Garage South of Brewhouse

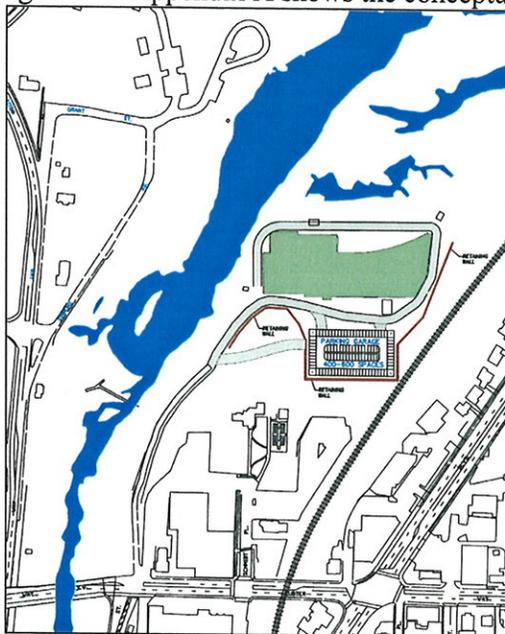
A steep vegetated hillside is located immediately south of the Brewhouse complex. The change in elevation from the top of the bank to the base of the hill is approximately 100 feet. A small flat area is located between the base of the hill and the south wall of the large warehouse on site. Planning level analysis indicates that a multilevel parking garage could be constructed into the hillside and provide the number of spaces required to serve the proposed redevelopment. This would require construction of a large retaining wall. A geotechnical and wetland analysis of the hillside, which was beyond the scope of this study, would be needed to make a final determination with regard to the viability of this option. For this study, an assumption was made that the environmental obstacles are not insurmountable through proper engineering and mitigation.



Forested Hillside

Access to the garage could be gained either via Boston Street or the proposed bridge, depending on which option is implemented. Depending on the number of floors constructed, there is potential to provide vehicular access to the top of the hill in the vicinity of Schmidt Place allowing additional circulation options. The roof of the garage could be designed in a manner that allows for construction of office space or, alternatively, a green roof with park features could offer commanding views of Capitol Lake and Budd Inlet and function as an expansion of the grounds surrounding the Schmidt Mansion. Depending on the design of the

garage, a passenger depot for rail passengers could also be incorporated into the upper floor. Figure 3 in Appendix A shows the conceptual parking garage at a larger scale.



Parking Garage Behind Brehouse

The following elements are associated with construction of a parking garage south of the Brehouse:

- Parking for 600 or more vehicles could be accommodated within the parking garage.
- Geotechnical evaluation of the hillside to determine stability of slope and protection of adjacent properties.
- Wetland evaluation to determine presence or absence of wetlands on the hillside and at the base of the slope, their functions, values and size (needed to determine whether or not a Section 404 permit from the Army Corps of Engineers for wetland fill will be required, what City of Tumwater wetland permitting will be necessary, and appropriate mitigation if impacts are unavoidable).

- Design of garage must be sensitive to the historic nature of the site. Exterior facades should be designed in a manner that complements the existing historic structures.
- Removal of vegetation from hillside may change the historic context of the site. If federal permitting or tax credits are sought, coordination with the State Historic Preservation Office should be done early in the planning process.
- Garage will likely require excavation of wetland area in excess of 1/10 of an acre, triggering need for Section 404 Permit (Nationwide) and full NEPA analysis of project. If fill exceeds 1/2 an acre, an Individual Permit will be required.
- Garage should be located and constructed in a manner that preserves and protects views from the Schmidt Mansion.

Approximate Cost Range for Parking Structure (Including Retaining Walls): \$10.5-\$14.5 million

Surface Parking

A second option for providing parking on site is to create two smaller surface parking lots, one on the south side of the Brehouse complex, and the other on the north side. This option also includes an assumption that approximately 100 parking spaces could be created by conversion of one of the ground floors of the existing warehouse building on site to parking.

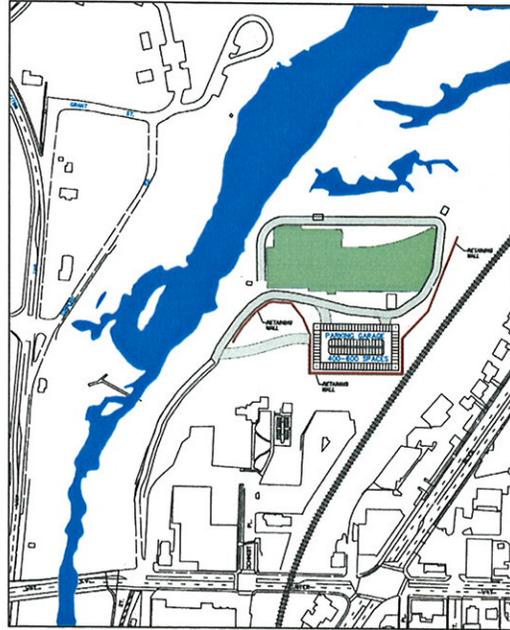
A surface parking area on the south side of the building would also require installation of a retaining wall to widen the existing level area behind the building. This retaining wall would be smaller than the one required to facilitate a parking garage. Approximately 80 spaces could be constructed on the south side of the building in this scenario. A small plateau midway down Boston Street just below the Schmidt Mansion offers a location for approximately 30 additional spaces. North of the building, approximately 125 additional

spaces could be constructed within the existing impacted area of the site. This option provides approximately 235 surface spaces and 100 additional spaces through conversion of warehouse space to parking. The total number of parking spaces on site would be 335, which falls short of the 560 total needed to accommodate the proposed uses. The shortfall could be mitigated by considering a reduction in office space on site, which has a high parking demand, obtaining reductions allowed in the Tumwater Parking Code for the number of on site parking spaces required, or pursuing off-site parking. There is a potential for shared parking within the lots that serve the Schmidt Mansion, although these lots do not provide convenient pedestrian access to the Brewhouse site.

Businesses that may locate on the Brewhouse site will likely demand convenient and plentiful parking for their patrons. Figure 4 in Appendix A contains a larger scale graphic of the conceptual surface parking areas.

Issues associated with surface parking on site include:

- Limited area on site does not provide sufficient space for the number of parking spaces required by the redevelopment scenario analyzed.
- Construction of retaining walls for surface parking lots on the south side of the Brewhouse complex will inflate the cost per space over traditional surface parking lots.
- Surface parking will create similar impacts to wetlands as those described in the parking garage scenario, likely triggering the need for a Nationwide Permit from the Army Corps of Engineers.
- The actual number of spaces that can be created inside the warehouse may be more or less than the 100 spaces assumed in this study. Analysis of the building and total area available for parking inside is needed to make a final determination.
- If surface parking were the alternative chosen, the square footage of office and retail space on site would likely need to be reduced. Depending on the nature of the activities of the Cultural Center (peak times and days of use) shared parking between the on-site users may be an option, but overflow parking for peak demand would be necessary.
- Removal of historically significant buildings on site (most structures on site are likely to be considered significant) to accommodate additional surface parking will likely result in disqualifying the project from receiving tax credits and complicate a Section 106 review.



Conceptual Surface Parking

Approximate Cost for Surface Parking (235 spaces): \$1.2 million

Approximate Cost for Additional Parking Within Warehouse (100 spaces): \$1 million

SITE GENERATED TRAFFIC

The current traffic levels and future traffic loadings with and without the proposed Historic District redevelopment were evaluated as a part of this study. We evaluated two options for gaining access to the site and the resulting traffic impacts of each. The two access options evaluated are improvements to Boston Street into the site, and construction of a bridge over the Deschutes River, which are described in detail above. The anticipated traffic issues associated with each access option and other key area intersections are described further below.

Custer Way/Boston Street-Site Access Intersection

The proposed development would add approximately 350 PM Peak trips to the intersection of Boston Street and Custer Way. In order to provide efficient access into and out of the site, a signal would need to be installed, and modifications to lanes on the south leg of Boston Street would be needed to allow northbound traffic on Boston Street to travel across Custer and into the site. Left turns into the site from Custer Way would hinder through traffic unless a dedicated left turn lane were installed. The existing bridge structure is not wide enough to accommodate a left turn lane at the Boston Street intersection. The costs associated with providing site access via Boston Street discussed above include the costs associated with widening the bridge to accommodate a left turn lane.

The key issues associated with the Boston Street access include:

- The Custer Way/Boston Street intersection would require signalization to allow safe ingress/egress. The intersection would function acceptably during the near term, but may eventually result in unacceptable vehicle delay and “queuing” on Custer Way.
- The eastbound left-turn movement into the site access (approximately 60 vehicles in the evening peak hour) would be required to use the inside through lane. This is less desirable than providing a separate left-turn lane for the movement. Constructing an eastbound left-turn lane would require widening the Deschutes River Bridge on Custer Way.
- If the bridge access alternative is selected, there would be no direct vehicular access onto Custer Way to support the proposed development.

Deschutes Parkway/SR 101 WB On-Ramp

If the primary access to the site is provided via a bridge over the Deschutes River, the bridge would likely connect at Simmons Road, near its intersection with Deschutes Parkway at the SR 101 on-ramp. Approximately 350 new PM peak trips would be added to this intersection. An increase of 350 cars in the PM peak would require installation of a traffic signal at the intersection of Simmons Road/SR 101 on-ramps and Deschutes Parkway. From a traffic perspective, access to the site via a bridge over the river provides for better overall system performance by reducing the number of vehicles traveling through the Custer/Capitol area intersections, which currently experience significant congestion during peak travel periods.

Key traffic issues associated with the bridge include:

- Signalization of the Deschutes Parkway/Simmons Road/SR 101 on-ramp intersection.
- Improved system performance over the Boston Street access option.

Other intersections in the project vicinity would also be impacted by redevelopment of the Brewhouse site. The key area intersections are discussed further below:

Boston Street Bridge

With an access onto Custer Way, the Boston Street Bridge would experience an increase of approximately 140 vehicles during the PM peak hour. With an access only on Deschutes Parkway via a bridge over the Deschutes River, the Boston Street Bridge impact would increase to approximately 220 vehicles during the evening peak hour. Under either scenario, the traffic increase would not require improvements to the Boston Street Bridge. Minor re-striping of the lanes at the 3-way stop at Boston Street and Deschutes Parkway would be needed.

Capitol Boulevard/Custer Way Intersection

It is anticipated that with or without the Historic District redevelopment, the intersection will require upgrades to accommodate future traffic levels as predicted in the TRPC 2025 Regional Transportation Plan. The proposed redevelopment would add approximately 100 vehicles to the intersection during the PM peak hour. Phasing changes to the signal at the Capitol/Custer intersection could help provide adequate Level of Service in the short term, but the intersection would be expected to fail again over time. The additional traffic generated by the redevelopment would not significantly affect the level of improvements required at this intersection.

UTILITIES

Water

An existing 6 inch cast iron water line serves the site. This line runs down the existing Boston Street access road and dead ends at a fire hydrant at the northwest corner of the Brewhouse structure. For the redevelopment scenario proposed, the required minimum fire flow would be 2000 gallons per minute (gpm). To achieve this, the existing water service will need to be upgraded to a 10 inch water main. Because the static water pressure is in excess of 100 pounds per square inch (psi), a pressure reducer will also be necessary prior to individual service connection. Additional fire hydrants will also be required on the site to meet current building codes.

Sewer

An existing sewer pump station is located at

the northeast corner of the site. This lift station is owned and operated by the City of Tumwater.

The components include a wet well and dry well pump system, an emergency generator, generator building, and pump controls. While the pump station is over-designed for the existing flows, City engineering and maintenance staff have indicated that the pumps are extremely old and in need of replacement. City



Sewer Lift Station

engineering staff also indicated that they are planning to reroute the flows that currently drain to the pump station. This step will reduce the needed capacity to the flows generated by the potential redevelopment of the Brewhouse property and approximately 15 single family homes located along Capital Boulevard directly east of the Brewhouse site.

Based on this information, we have projected a design flow of 75 gpm for redesigning the pump capacity of the pump station. We obtained a budget level quote from a pump supplier for the replacement of the pumps and controls assuming that the existing wet and dry wells could be reused, as well as the emergency generator. The pump station would discharge either through approximately 1300 LF of force main installed inside the existing sewer main under the river to sewer manhole 10 in the LOTT trunk line (static head of 50 feet) or through approximately 1600 LF of force main installed up the Boston Street access road to a sewer main in Custer Way (static head of 120 feet).

Storm Drainage

Stormwater quantity control (retention/detention) will not be required, as the site is permitted to discharge directly to the Deschutes River subsequent to treatment per City of Tumwater direction. The planning level stormwater analysis completed for this study did not include runoff from off-site areas. Any offsite tributary flows from the south/east forested or developed areas were assumed to bypass the on-site storm system. Roof runoff from existing and proposed structures, as well as the future pedestrian plaza area, was also assumed to bypass the system. These flows will discharge to the Deschutes River untreated and undetained.

A conventional wetpond was used to accommodate runoff from up to 2.35 acres of impervious surface and 1.18 acres of disturbed pervious area. These areas include the 1,585 foot long access road, a proposed 0.86-acre parking area, and 0.32 acres of possible future bridge. Stormwater would be conveyed to the wetpond via a network of catch basins and pipe. The treatment facility was sized per the new (draft) Thurston County Stormwater Manual, which requires a pond volume equal to or greater than the total volume of runoff from the 6-month, 24-hour storm event. Preliminary storm modeling calculations result in a two-celled wetpond design encompassing a permanent pool volume of approximately 16,000 cubic feet (CF) (not including freeboard).

Siting of the wetpond is dependent on the final project design; however, it appears that an area to the northeast of the existing warehouse could be utilized with minimal disruption of the existing natural surroundings. It is likely that the wetpond configuration can be harmoniously integrated into the finish contours of the project site.

Power

The existing electrical system in the project area includes a three-phase feeder line along Custer Way with a three-phase distribution line extending from Custer Way along the existing Boston Street access road and around the south and east sides of the Brewhouse site. The redevelopment scenario will have an estimated 35 amp or 1.6 MW electrical load, which can be served from the existing system.

The property rights for the existing line serving the site are derived from a private easement. Therefore the costs for relocating or converting this line to accommodate the Public Facility District would be the responsibility of the requestor.

Any requested relocation of the facilities would be accomplished in accordance with Puget Sound Energy's (PSE) standard Facility Relocation Agreement. Relocation costs are difficult to estimate without knowing the exact conflicts or what the proposed new alignment would

be. Assuming that all of the existing poles are in conflict and can be relocated without a drastic realignment or installation of several additional poles, relocation costs would be approximately \$60,000.

If a request is made to convert the existing line to an underground system, PSE would apply Schedule 73 or Schedule 74 (see Appendix E). Schedule 73 would be used if a private developer requested the conversion and Schedule 74 would be used if a government agency requested the conversion. In either case, the converted facilities would be covered by private property rights not derived from a franchise, and the cost for the conversion will be 100% the responsibility of the party requesting the conversion.

The cost of converting the existing line to an underground system will depend on a number of factors. An accurate estimate requires detailed engineering. Based on the limited available information and assuming a route that generally follows the existing access road, the cost will be approximately \$150,000 plus the cost of trenching and backfill and road restoration.

Gas

Puget Sound Energy has existing gas facilities in the vicinity of the Brewhouse site, which can be extended to serve the projected new load (see attached facilities map). An existing 2-inch gas main can be extended approximately 1,400 to 1,600 feet to serve the Brewhouse site. The costs for extending existing gas facilities to serve new residential, commercial or industrial customers is determined in accordance with PSE gas tariffs, Rule Number 7 and Schedule 7 (see attached Rule No. 7 and Schedule 7 in Appendix E). In accordance with Rule Number 7, all applications to extend gas distribution facilities to new customers are subject to a Facilities Investment Analysis (FIA). If the results of the FIA meet or exceed PSE's Target Rate of Return, the facilities extension will be made without charge to the customer. If the projected load for the proposed Public Facility District is less than approximately 15,000 SCFH (Standard Cubic Feet per Hour) or more than approximately 7,500 SCFH, the customer would not incur any costs to extend a new 2-inch main from the existing 2-inch main in the project vicinity. If the projected load exceeds 15,000 SCFH, a larger diameter main may be required and the customer would incur a portion of the costs for installing the larger diameter main. If the projected load were less than 7,500 SCFH, a customer contribution would be required to extend the 2-inch main. In summary, the required customer contribution for extending gas facilities to the Brewhouse site is dependent upon an accurate estimate of projected loads. As plans for the proposed redevelopment become better defined, an FIA can be run to determine what the customer's contribution would be, if any. The customer loads and distances of main and services would be required for an accurate FIA.

Approximate Costs Associated With Utilities: \$900,000

PERMITTING



Deschutes River at Brewhouse Site

resource agencies, and review under Section 106 of the National Historic Preservation Act.

- Tax Credits. Pursuit of tax credits requires compliance with the Secretary of the Interior's 10 standards for Certified Rehabilitations (see Appendix F). The standards take into consideration economic and technical feasibility, but are expected to be implemented as fully as possible. Removal of significant buildings, or portions thereof, or significant changes to the context of the site would likely disqualify the project from receipt of tax credits.
- Flooding. The site is located within a flood plain. This means that finished floor elevations must be higher than the flood elevation, and that flood insurance will be mandatory (and potentially costly). Flood proofing can be done on site to minimize impacts, but will require local permits and demonstration that proofing activities will not damage downstream properties.
- Shoreline Substantial Development. Redevelopment will require a Shoreline Substantial Development Permit. The shoreline classification for the area is Deschutes River Special Management Area. The Special Management Area Plan states "viable commercial use of the old Brewhouse is encouraged and will be permitted. However, the principal access to the site should be from the east side of the river. Adequate parking should be provided on the east bank for all but the most unusual circumstances, or special provisions made for transporting people to the Brewhouse". Construction of a bridge would conflict with the access route encouraged by the Plan and would have to be justified to the City's and Washington State Department of Ecology's satisfaction in order to obtain approval.
- Wetlands. A wetland analysis of the site will be required to determine the presence and extent of wetland areas within the footprint of the proposed redevelopment activities. If over 1/10 of an acre of wetland will be filled as a result of the project, an Army Corps of Engineers Nationwide Permit (39) will be required. If over a 1/2

The features of the Brewhouse site that made it an attractive location for development at the turn of the century are the same ones that make redevelopment under today's regulations challenging. The location adjacent to the Deschutes River and freshwater springs in the hillside surrounding the site provided valuable resources for the original production activities. Both these site features now make permitting challenging and limit the amount of space available for development. Key permitting issues for the project include the following:

- NEPA. Any project related activities that require federal permits or approvals (bridge across river, wetland fill, etc.) will trigger analysis under the National Environmental Policy Act (NEPA). This includes evaluation of potential impacts to endangered species, including preparation of biological assessment and coordination with State and Federal

acre of wetland fill is required for the project, an Individual Permit from the Army Corps of Engineers will be required. The project will have to demonstrate that impacts were minimized to the greatest extent possible, and provide mitigation for those impacts. If a permit from the Army Corps of Engineers is required, NEPA will be triggered (see above).

- **Bridge.** Construction of a bridge over the Deschutes River will necessitate an Army Corps of Engineers Nationwide Permit (14). This will require a NEPA review as discussed above. If the project also requires a Nationwide Permit for wetland fill, the need for two Nationwide Permits may trigger that the project obtain an Individual Permit. This decision is made by the Army Corps of Engineers at the time application is made.

A number of other permits will also be required, most of which are described in the matrix contained in Appendix B. To date, our analysis has not identified permits that we feel are not obtainable. However, the permitting for redevelopment of the site will be complex and time consuming. Given careful planning, time, and designs that avoid impacts to the greatest extent possible, we believe permits can be obtained for the planned scenario.

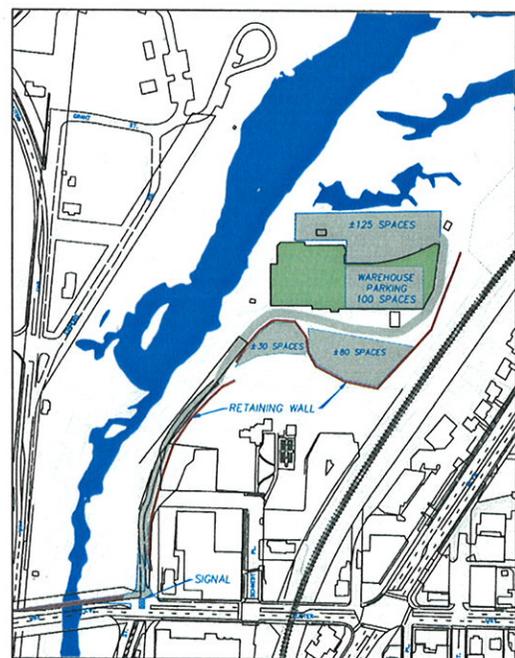
Approximate Range for Permitting: \$500,000 to \$800,000

REDEVELOPMENT ALTERNATIVES

Following our analysis of the issues and costs associated with the redevelopment of the Brevhouse, Parametrix staff created four alternative development scenarios that combine different approaches to project elements. These were created to help clarify how certain decisions regarding access, parking configuration, and the like affect project costs. Detailed information regarding the cost breakdown for the various project elements is provided in spreadsheets located in Appendix D.

ALTERNATIVE 1

Alternative one envisions access to the site via an upgraded Boston Street. Parking would be provided via a combination of surface lots and conversion of a portion of the existing warehouse building to parking. A total of 335 parking spaces would be provided. This number falls short of the total required to support the envisioned redevelopment scenario and would require a reduction in the total leasable square footage proposed to be located on site, or changes in the proposed uses. If rail service to the site is desired, costs will increase dramatically due to required construction of spur line from the elevated main tracks down to the site. Feasibility of the spur line will require additional analysis because significant retaining wall structures would be required to protect the hillside and allow construction of tracks that do not exceed grade standards for rail service. The costs for Alternative 1 are located in the table below.



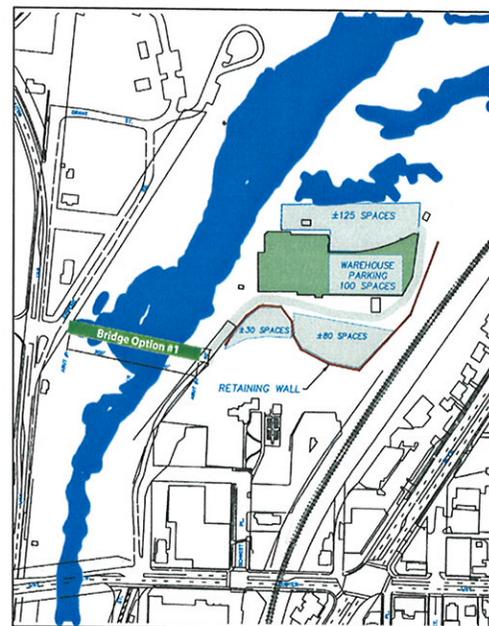
Redevelopment Alternative 1

Estimated Costs for Redevelopment Alternative 1

| | |
|--------------------------------|----------------------|
| Access via Boston Street | \$3.2 million |
| Surface Parking (235 spaces) | \$1.2 million |
| Warehouse Parking (100 spaces) | \$1.0 million |
| Utilities | \$0.9 million |
| Permitting | \$0.5 million |
| Total | \$6.8 million |
| Add Rail Service | \$2.8 million |
| Project Total | \$9.6 million |

ALTERNATIVE 2

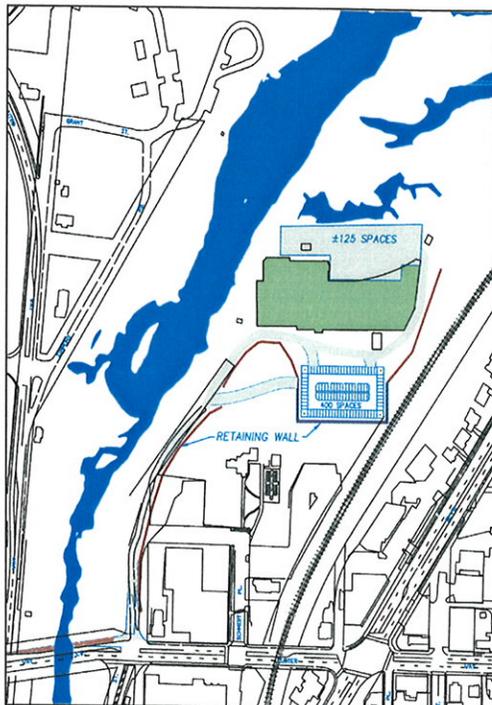
This redevelopment scenario is identical to Alternative 1 in every regard except the access point to the site. Access to the site in Alternative 2 would be via a bridge over the Deschutes River. Parking would be provided via a combination of surface parking and conversion of a portion of the warehouse building. Permitting costs are assumed to be higher due to the more complex task of obtaining local, state and federal permits for construction of a new bridge. Like Alternative 1, rail service to the site would necessitate significant costs due to the need for a new spur line and associated retaining structures. The costs associated with Alternative 2 are located in the table below.



Redevelopment Alternative 2

Estimated Costs for Redevelopment Alternative 2

| | |
|----------------------|-----------------------|
| Access via Bridge | \$4.7 million |
| Surface Parking | \$1.2 million |
| Warehouse Parking | \$1.0 million |
| Utilities | \$0.9 million |
| Permitting | \$0.8 million |
| Total | \$8.6 million |
| Add Rail Service | \$2.8 million |
| Project Total | \$11.4 million |



Redevelopment Alternative 3

ALTERNATIVE 3

Access to the site under Alternative 3 would be provided via an upgraded Boston Street. The majority of on-site parking would be provided within a parking structure (400 spaces), with additional spaces being available within a surface lot on the north side of the site (125 spaces). Rail service to the site would be less expensive under this scenario than in Alternatives 1 and 2 because a depot could be constructed in conjunction with the top floor of the parking structure. Visitors arriving via rail would then access the site via the elevators or stairs located within the parking structure. Estimated costs associated with Alternative 3 are described in the table below.

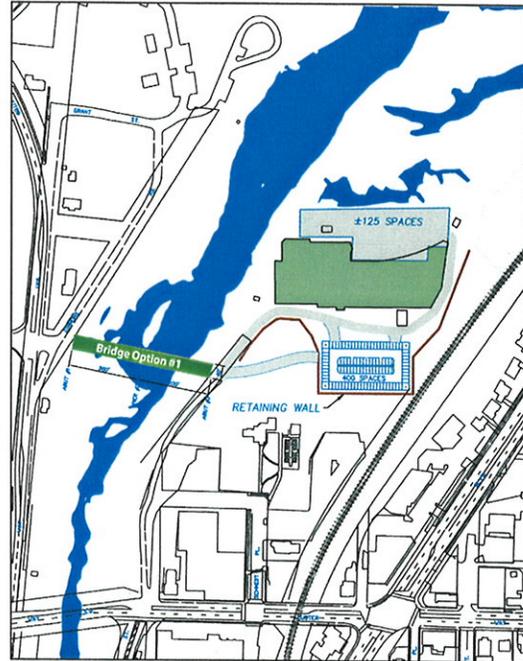
Estimated Costs for Redevelopment Alternative 3

| | |
|--------------------------|-----------------------|
| Access Via Boston Street | \$3.2 million |
| Parking Structure | \$10.5 million |
| Surface Parking | \$0.3 million |
| Utilities | \$0.9 million |
| Permitting | \$0.5 million |
| Total | \$15.4 million |
| Add Rail Service | \$1.0 million |
| Project Total | \$16.4 million |

ALTERNATIVE 4

Alternative 4 is identical to Alternative 3, with the exception of the location of the access point to the site. Instead of accessing the site via Boston Street as described under Alternative 3 above, primary vehicular access would be provided via a bridge over the Deschutes River. Permitting costs are assumed to be higher due to the more complex task of obtaining local, state and federal permits for construction of a new bridge. Rail service to the site would be less expensive under this scenario than in Alternatives 1 and 2 because a depot

could be constructed in conjunction with the top floor of the parking structure. Visitors arriving via rail would then access the site via the elevators or stairs located within the parking structure. The estimated costs associated with Alternative 4 are detailed in the table below.



Redevelopment Alternative 4

Estimated Costs for Redevelopment Alternative 4

| | |
|--------------------------|-----------------------|
| Access Via Boston Street | \$4.7 million |
| Parking Structure | \$10.5 million |
| Surface Parking | \$0.3 million |
| Utilities | \$0.9 million |
| Permitting | \$0.8 million |
| Total | \$17.2 million |
| Add Rail Service | \$1.0 million |
| Project Total | \$18.2 million |

ALTERNATIVES SUMMARY

Alternatives 1 through 4 present a range of options for providing access to the site, as well as parking for the envisioned uses, utility upgrades, and permitting for the project. The alternatives compare the costs between the two access options (Boston Street or bridge) and the two parking options (surface parking or parking structure), as well as the estimated costs for providing a rail connection to the site. There are any number of other combinations of alternatives that could be chosen when a redevelopment effort gets underway. The spreadsheets located in Appendix D are provided to allow the reader to review and create other redevelopment scenarios if desired.

CONCLUSION

Adaptive re-use of the Olympia Brewhouse will present a number of significant challenges. However, nothing in this analysis indicates that the challenges are insurmountable. The project costs will be high due to the exceptionally sensitive nature of the site, and the need for significant upgrades to accommodate vehicular access and parking. For the purposes of this study, Parametrix assumed that environmental constraints would not prohibit future development of the site. However, based on what we observed in the field, several additional studies are clearly indicated.

WETLAND ANALYSIS

There are a number of hillside seeps in the slopes on the south and east sides of the site. There appeared to be small wetland areas at the base of the slope, as well as plants and trees often found in wetlands growing on the hillside above the Brewhouse. A professional wetland biologist should review the entire site to determine the location and extent of wetland areas. It is possible that construction of the proposed parking garage could be significantly constrained by the presence of wetland areas. If there are wetlands present, and should they be deemed eligible for fill, determination of the size and type of the areas would be necessary to establish the appropriate permitting process as well as the extent of mitigation required.

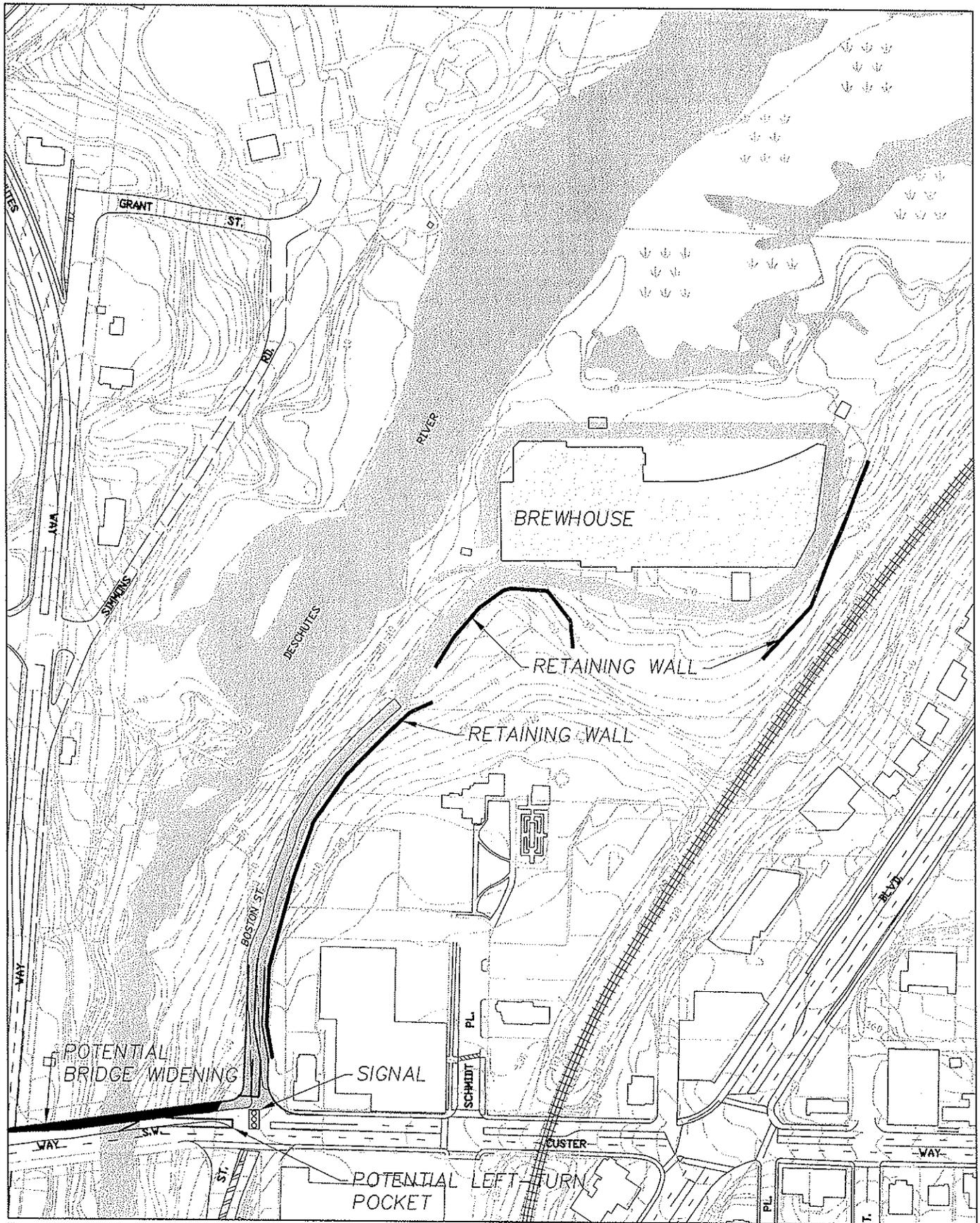
GEOTECHNICAL ANALYSIS

The hillside on the south and east portions of the site would sustain significant alteration under any development scenario. A geotechnical engineer should evaluate the hillside to determine whether it will tolerate vegetation removal, excavation, and construction of retaining walls, as well as how the walls should be constructed. This study assumed extensive use of retaining walls which might not be feasible if the soils or structural composition of the hillside is such that it is subject to failure once disturbed.

SUMMARY

The eventual redevelopment of the Olympia Brewhouse will provide public access to one of the most significant historic buildings in the area. The project will require considerable financial investment, as well as a commitment to preservation of the site by the public, the City of Tumwater, and a number of state and federal agencies. The design of the prospective site redevelopment must be sensitive to the critical areas that surround the site, and strive to minimize impacts to the Deschutes River and its associated wetlands. Parking structures, bridges to the site, or use of a portion of the existing buildings for parking will demand both careful attention to the historic nature of the site, and design elements consistent with the architecture of the existing buildings. With a sensitive redevelopment plan, and investments of financial resources and time, a languishing historic resource could become a focal point for the community.

APPENDIX A



Parametrix DATE: 05/06/04 09:44am FILE: LJ 8150XP PAGE SETUPS

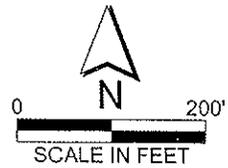
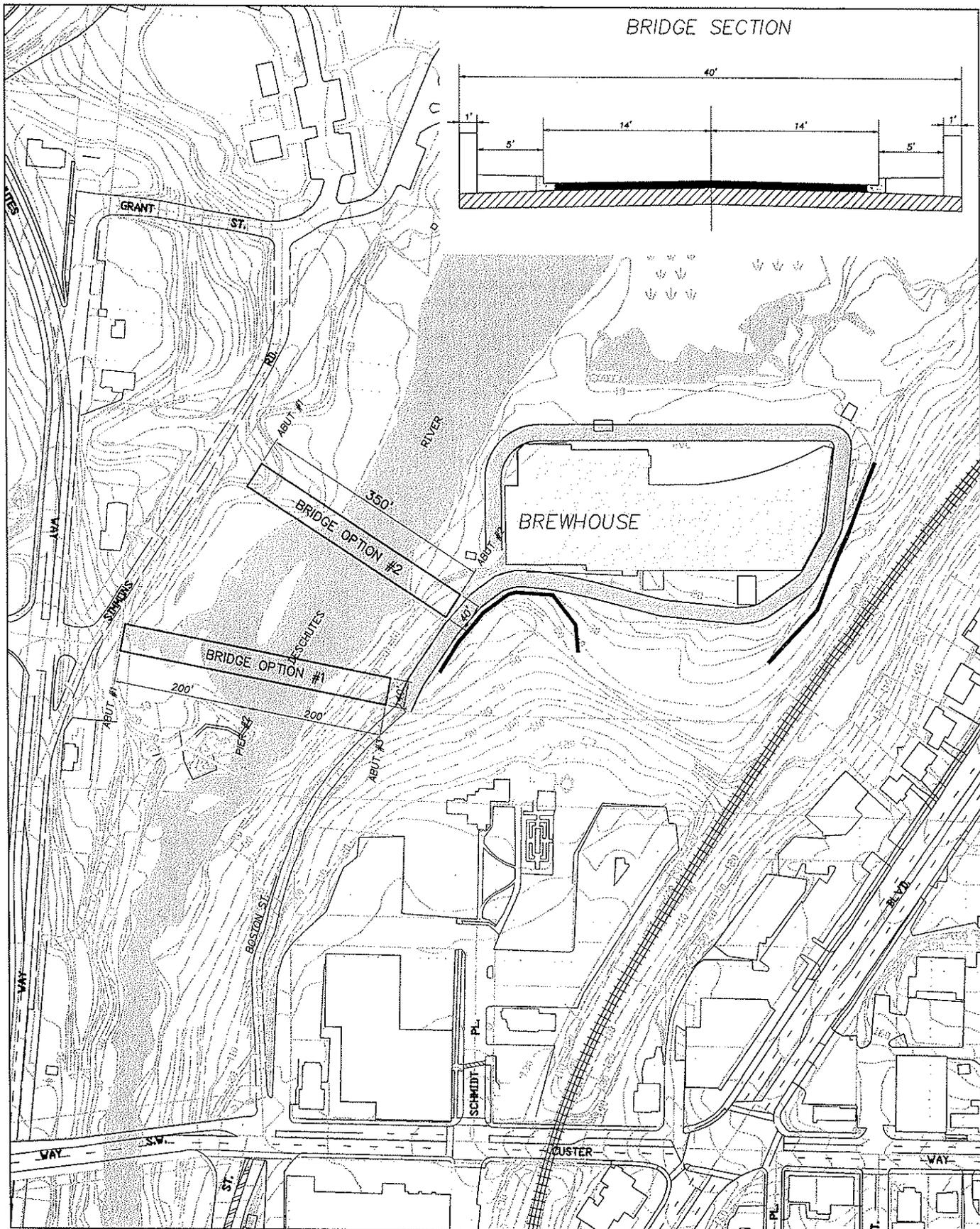
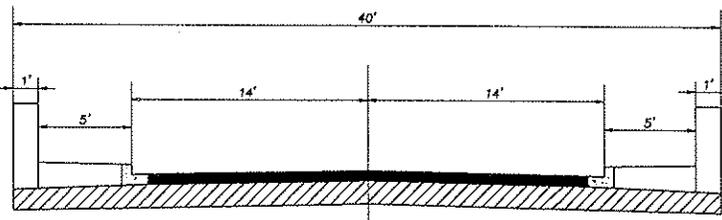


Figure 1
BOSTON ACCESS

BRIDGE SECTION



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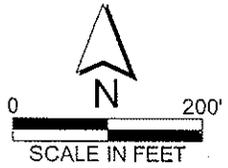
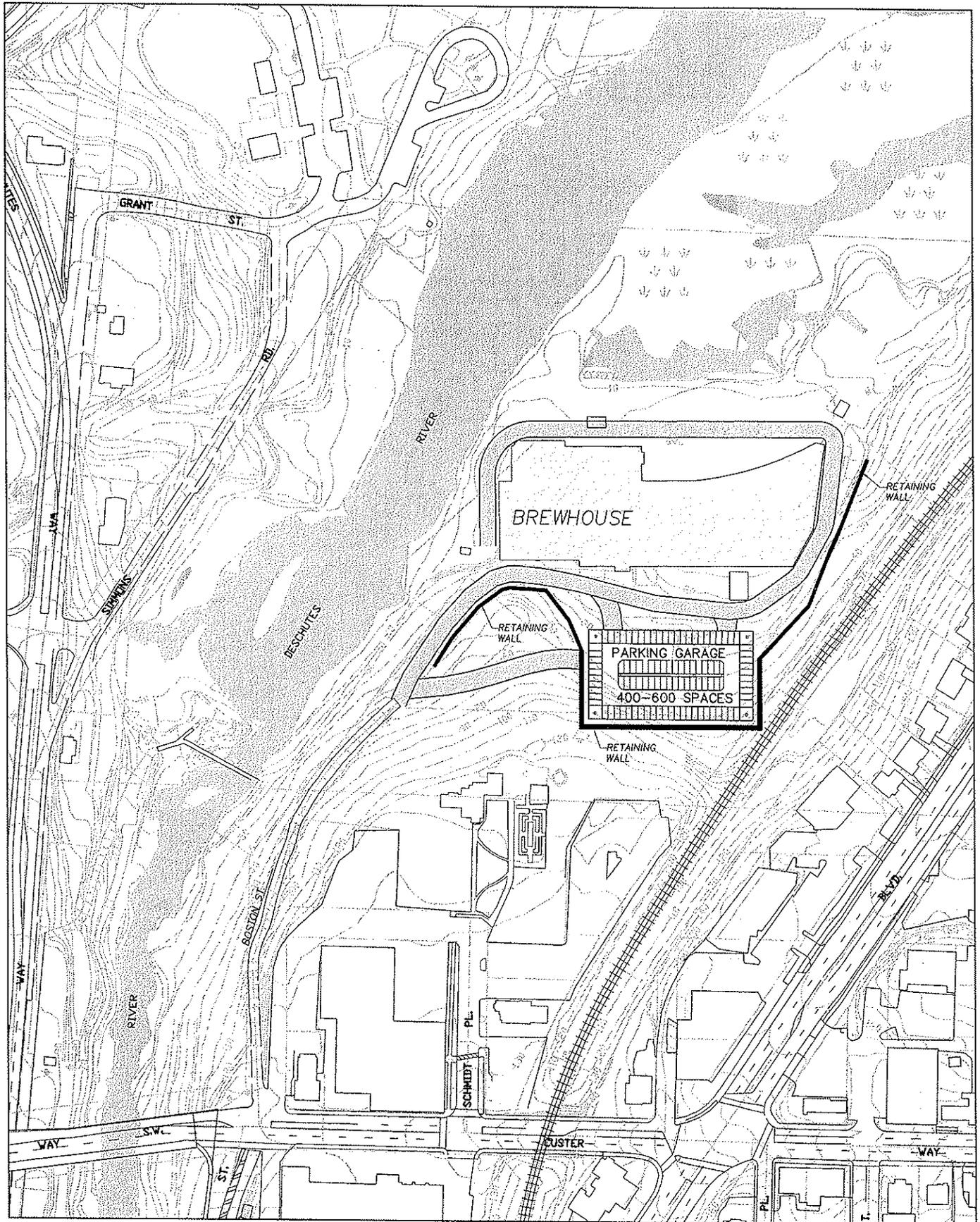


Figure 2
BRIDGE OPTIONS



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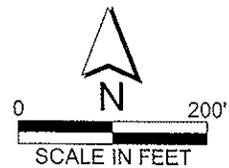
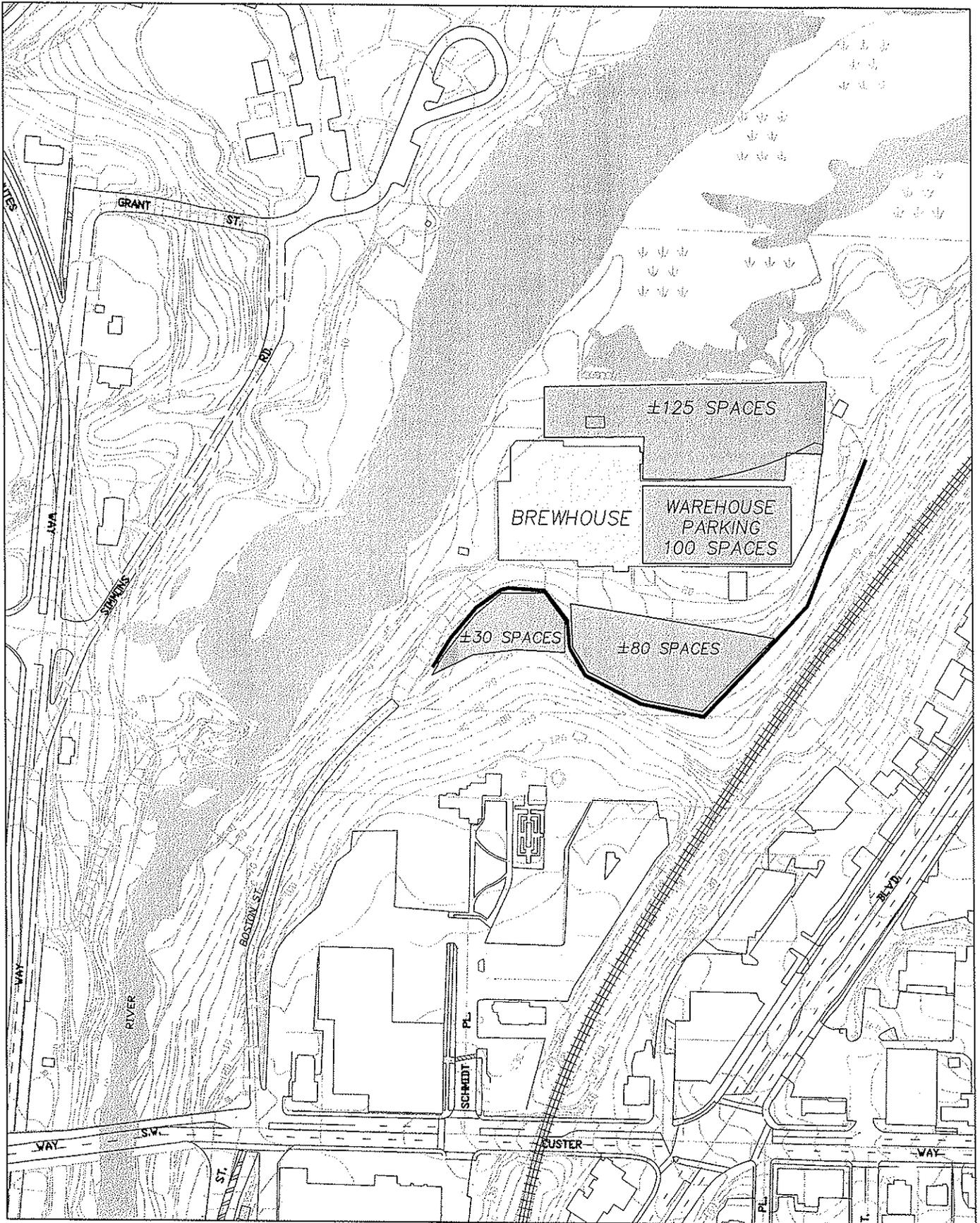
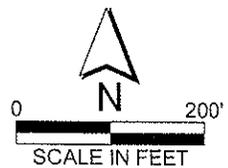


Figure 3
MULTISTORY PARKING
GARAGE

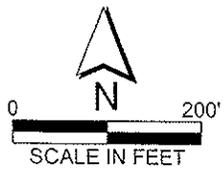
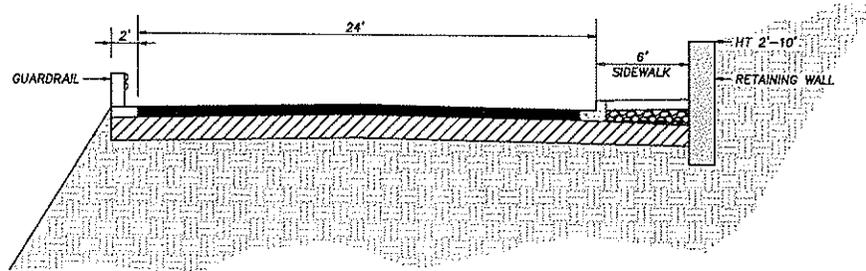


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**Figure 4
SURFACE PARKING
OPTIONS**

BOSTON STREET
TYPICAL SECTION



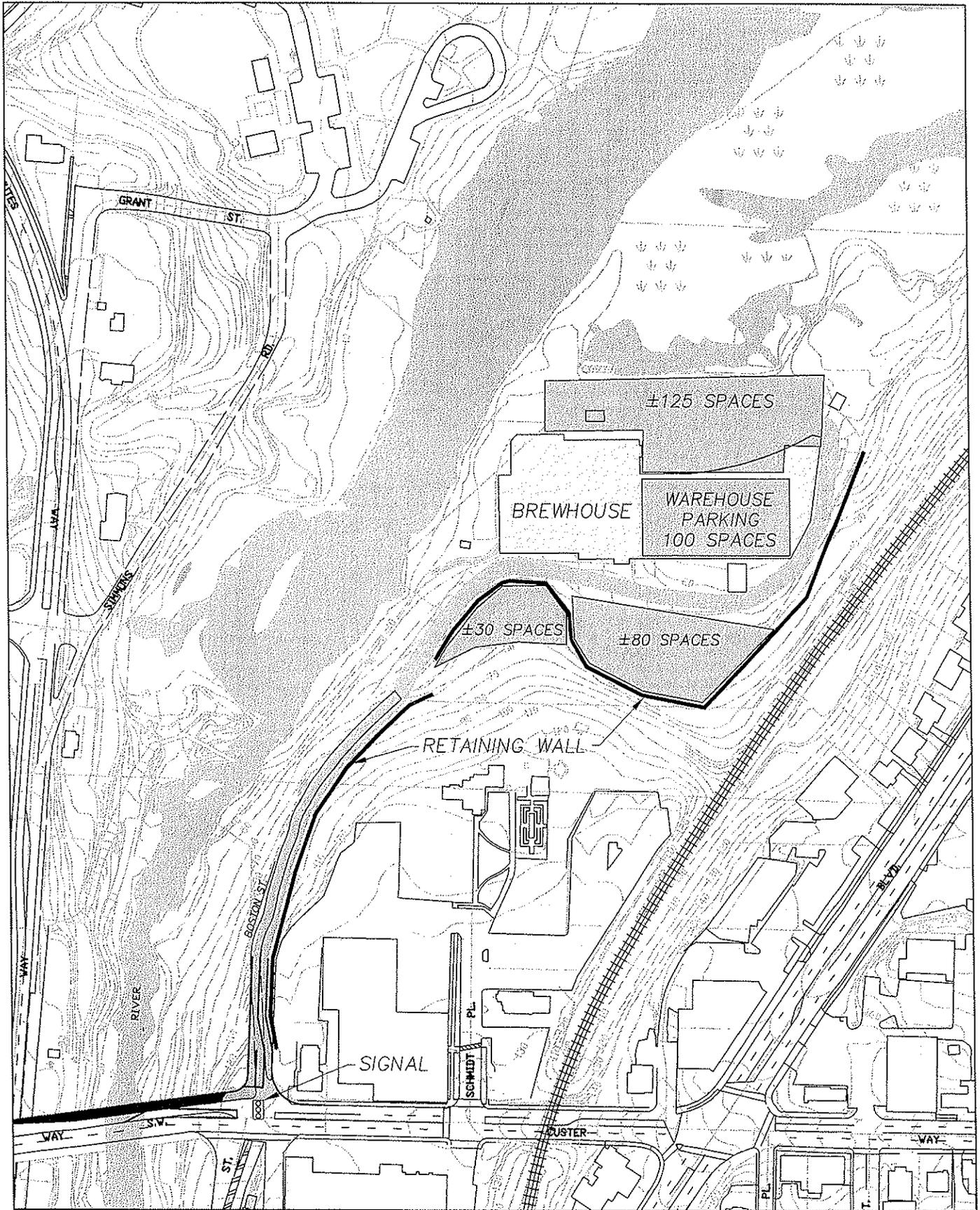
APPENDIX B

**POTENTIAL ENVIRONMENTAL AND PERMITTING APPROVALS
FOR REDEVELOPMENT OF OLD BREWHOUSE COMPLEX**

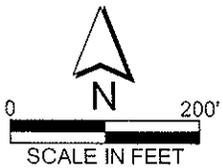
| Permit or Approval | Trigger | Approving Agency | Approval Criteria |
|---|--|--|--|
| <p>Section 404 Nationwide Permit (NW14/Linear Transportation Projects) (for bridge) Discharge of dredged materials to waters of the State, including wetlands. In non-tidal waters, the discharge can not cause the loss of greater than 1/2 acre of waters of the US – if greater, requires individual permit</p> | <p>Dredge and/or fill in waters of the US</p> | <p>Army Corps of Engineers (Corps)</p> | <p>No practicable alternative to the discharge exists that would have less adverse impact on the aquatic ecosystem. Appropriate and practicable steps have been taken that will minimize adverse impacts. Discharge can not cause or contribute to significant degradation of the waters of the US. Discharge may not cause violation of any state water quality standard; violate Section 307 toxic effluent standard or prohibition; or jeopardize existence of listed species or result in adverse modification of critical habitat; or violate marine sanctuary protection requirements. Before Section 404 permit can be obtained, must demonstrate compliance with:</p> <ul style="list-style-type: none"> • National Environmental Policy Act (NEPA) • Coastal Zone Management Act • Section 401 of Clean Water Act • Endangered Species Act (ESA) • Magnuson-Stevens Fishery Conservation and Management Act (Essential Fish Habitat) |
| <p>Section 404 Permit (NW39/Residential, Commercial and Institutional Developments)</p> | <p>Discharge of dredged or fill material into non-tidal waters</p> | <p>Army Corps of Engineers</p> | <p>Does not cause loss of greater than 1/2 acre of non-tidal waters of the US; Does not cause the loss of greater than 300 linear feet of a stream bed; Discharge is part of a single and complete project; Discharges are avoided and minimized to maximum extend practicable Work must not cause more than minimal degradation of water quality or more than minimal changes to the flow characteristics of any stream Wetland or upland vegetated buffers must be maintained next to open waters or streams.</p> |

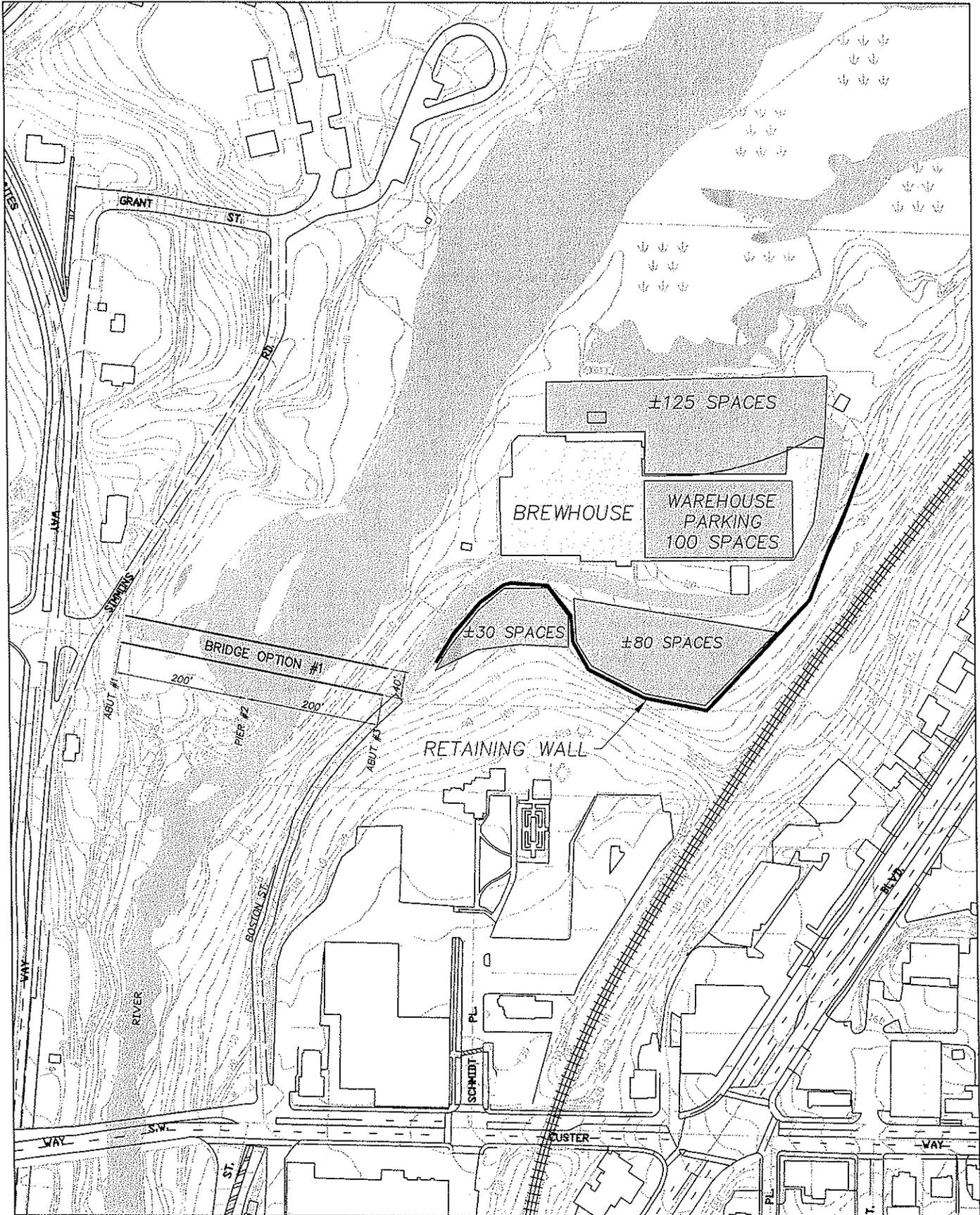
| Permit or Approval | Trigger | Approving Agency | Approval Criteria |
|--|---|---|---|
| Flood Plain Development Permit | Project is located within Floodplain overlay zone | City of Tumwater | Uses vulnerable to floods are provided with flood protection. Flood proofing standards in Army Corps "Flood-Proofing Regulations" are employed. |
| Building Flood Proofing Permit (for construction of wall/berm) | Project is located within Floodplain overlay zone | City of Tumwater | Plans must be designed and certified by professional engineer to be watertight and substantially impermeable to passage of water. |
| Wetland Development Permit | Work within a wetland or buffer | City of Tumwater | Damage to wetlands avoided wherever possible; activities not dependent upon a wetland location located at upland sites; and there is no net loss of wetlands |
| Section 106, Historic Preservation | Federal permit is required, federal funding or tax credits are involved | Office of Archaeology and Historic Preservation Consultation with Tribes | Preserve cultural heritage. Identify historic properties affected by the project; seek ways to avoid, minimize or mitigate effects on historic properties. Special consideration to protect National Historic Landmarks. |

APPENDIX C

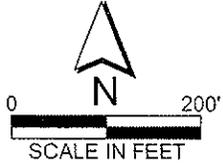


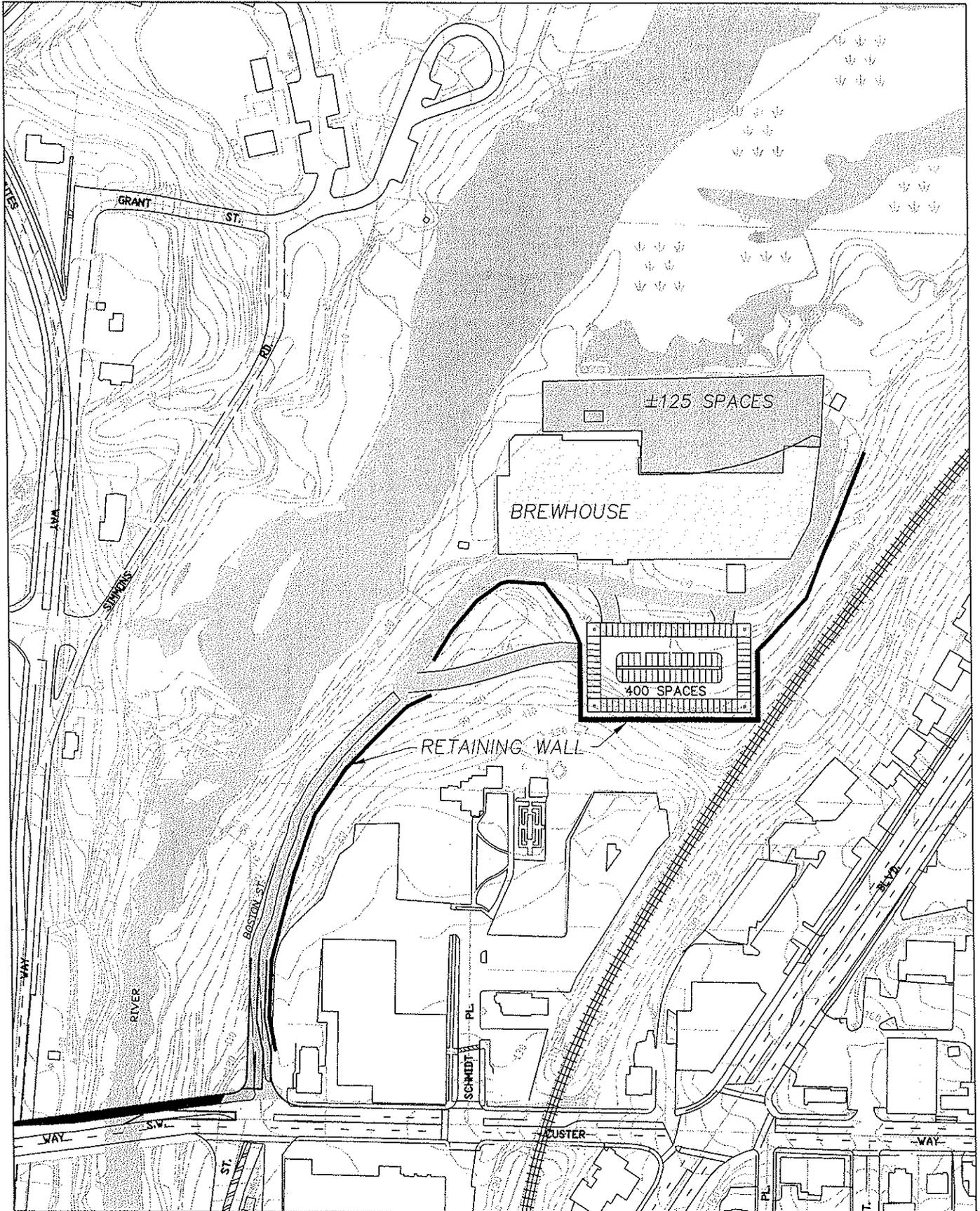
Alternative 1



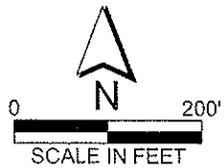


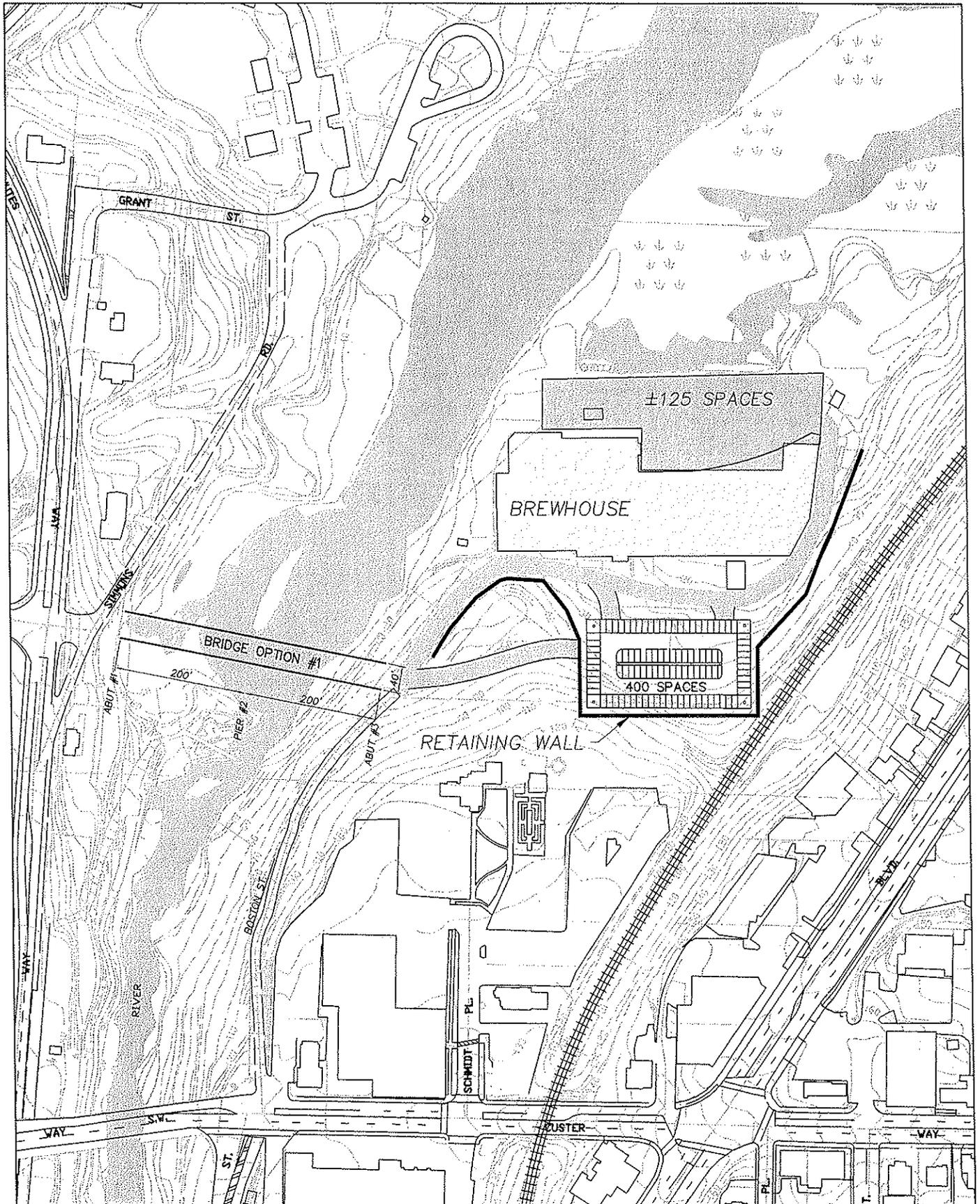
Alternative 2



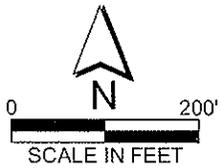


Alternative 3





Alternative 4



APPENDIX D

Tumwater Historic District
Infrastructure Costs
Summary

Parametrix

Project No.: _____ Date: 12/6/04
 Client: City of Tumwater Prepared by: G. Stidham
 Project: Brewhouse Infrastructure Analysis Checked by: J. Carr
 Description: Access

| Project Elements | Item Cost | Alternative 1 | Alternative 2 | Alternative 3 | Alternative 4 |
|--|--------------|---------------|---------------|---------------|---------------|
| Access & Transportation | | | | | |
| Access at Boston / Custer Way | \$3,167,614 | \$3,200,000 | | \$3,200,000 | |
| Access via Bridge over Deschutes River | \$4,740,732 | | \$4,700,000 | | \$4,700,000 |
| Parking ** | | | | | |
| Garage south of Brewhouse complex (400 spaces) | \$10,454,234 | | | | |
| Garage south of Brewhouse complex (600 spaces) | \$14,559,200 | | | \$10,500,000 | \$10,500,000 |
| Garage inside existing warehouse | | | | | |
| Surface parking only on site(235 spaces) | \$1,161,371 | \$1,200,000 | \$1,200,000 | | |
| Surface parking only on site(125 spaces) | \$320,000 | | | \$300,000 | \$300,000 |
| Small garage north/east of brewhouse | | | | | |
| Assume 100 spaces at \$10,000/space | \$1,000,000 | \$1,000,000 | \$1,000,000 | | |
| Utilities | | | | | |
| | \$859,098 | \$900,000 | \$900,000 | \$900,000 | \$900,000 |
| Rail Access To Parking Garage | | | | | |
| Rail Access via new spur to Site Elevation | \$1,000,000 | | | | |
| | \$2,800,000 | \$2,800,000 | \$2,800,000 | \$1,000,000 | \$1,000,000 |
| Permitting & Mitigation | | | | | |
| | \$500,000 | \$500,000 | \$800,000 | \$500,000 | \$800,000 |

\$9,600,000 \$11,400,000 \$16,400,000 \$18,200,000

**Total Parking Spaces 335 355 525 525

Client: City of Tumwater
Project: Brewhouse Infrastructure Analysis
Description: Access

Prepared by: G. Stidham
Checked by: J. Carr

| Item | Quantity | Unit | Unit Cost | Item Total |
|---|----------|------|----------------------|--------------------|
| Access at Boston Street | | | | |
| Widen Custer Bridge for left turn lane | | | | |
| Bridge widening | 3200 | SF | \$153 | \$489,600 |
| Project Change contingency | 1.20 | | | \$587,520 |
| Estimate Change contingency | 1.10 | | | \$646,272 |
| Design Cost 10% | 0.10 | | | \$64,627 |
| | | | | \$710,899 |
| Improvements to Boston Street & Custer Way | | | | |
| Intersection improvements | | | | \$100,000 |
| Signal | | | | \$200,000 |
| Improvements to Boston Street & Deschutes | | | | |
| Signal or Channelization Modifications | | | | \$200,000 |
| Boston Access Road Construction | | | | |
| Curb & Gutter | 3150 | LF | \$16 | \$50,400 |
| Sidewalk | 9450 | SY | \$30 | \$283,500 |
| Asphalt | 1020 | TN | \$60 | \$61,200 |
| Road Excavation | 2750 | CY | \$20 | \$55,000 |
| Guard Rail | 900 | LF | \$25 | \$22,500 |
| Retaining walls | 15000 | SF | \$50 | \$750,000 |
| Storm Drainage | 2500 | LF | \$50 | \$125,000 |
| Subtotal | | | | \$1,347,600 |
| Project Change contingency | 1.20 | | | \$1,617,120 |
| Estimate Change contingency | 1.10 | | | \$1,778,832 |
| Design Cost 10% | 0.10 | | | \$177,883 |
| | | | | \$1,956,715 |
| Access at Boston | | | Project Total | \$3,167,614 |

Parametrix

Project No.:
Date: 12/6/04

Client: City of Tumwater
Project: Brewhouse Infrastructure Analysis
Description: Access

Prepared by: G. Stidham
Checked by: J. Carr

Access via Bridge over Deshutes River

| Item | Quantity | Unit | Unit Cost | Item Total |
|--|----------|------|-----------|--------------------|
| Bridge Construction | | | | \$3,500,000 |
| Improvements to Simmons and Deschutes Parkway | | | | |
| Intersection improvements | | | | \$100,000 |
| Signal | | | | \$200,000 |
| Improvements to Boston Street & Deschutes | | | | |
| Signal or Channelization Modifications | | | | \$200,000 |
| Access Road Construction | | | | |
| Curb & Gutter | 1746 | LF | \$16 | \$27,936 |
| Sidewalk | 582 | SY | \$30 | \$17,460 |
| Asphalt | 360 | TN | \$60 | \$21,600 |
| Road Excavation | 970 | CY | \$20 | \$19,400 |
| Guard Rail | 200 | LF | \$25 | \$5,000 |
| Retaining walls | 7500 | SF | \$50 | \$375,000 |
| Storm Drainage | 875 | LF | \$50 | \$43,750 |
| Subtotal | | | | \$510,146 |
| Project Change contingency 1.20 | | | | \$612,175 |
| Estimate Change contingency 1.10 | | | | \$673,393 |
| Design Cost 10% 0.10 | | | | \$67,339 |
| | | | | \$740,732 |

Access via Bridge over Deshutes River

Project Total \$4,740,732

Client: Brewhouse Project
Project: Structural Construction Cost
Description: Bridge Estimate

Prepared by: W. Moy
Checked by: B. Murray

Bridge Location #1

| | Alt #1 | Alt #2 | Alt #3 | Alt #4 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | PT Box Girder | Precast Girder | Steel Girder | Arch Bridge |
| Bridge Width = | 40.0 | | | |
| Bridge Length = | 400.0 | | | |
| Total Deck Area = | 16000.0 | | | |
| Inflation Rate Increase = (2002 to 2004) | 1.097 | | | |
| Project Change Contingency = | 1.20 | | | |
| Estimate Change Contingency = | 1.10 | | | |
| Engineering Design Cost = (Percentage of Construction) | 10.00% | | | |
| | \$140.00 | \$120.00 | \$180.00 | \$210.00 |
| | \$2,240,000.00 | \$1,920,000.00 | \$2,880,000.00 | \$3,360,000.00 |
| | \$2,467,280.00 | \$2,106,240.00 | \$3,159,360.00 | \$3,685,920.00 |
| | \$2,948,736.00 | \$2,527,488.00 | \$3,791,232.00 | \$4,423,104.00 |
| | \$3,243,609.60 | \$2,780,236.80 | \$4,170,355.20 | \$4,865,414.40 |
| | \$324,360.96 | \$278,023.68 | \$417,035.52 | \$486,541.44 |
| Total Bridge Design & Construction = | \$3,667,970.56 | \$3,058,260.48 | \$4,587,390.72 | \$5,351,955.84 |
| | | (note #1) | | (note #2) |

Bridge Location #2

| | Alt #1 | Alt #2 | Alt #3 | Alt #4 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | PT Box Girder | Steel Girder | Arch Bridge | Precast 2-span System |
| Bridge Width = | 40.0 | | | |
| Bridge Length = | 350.0 | | | |
| Total Deck Area = | 14000.0 | | | |
| Inflation Rate Increase = (2002 to 2004) | 1.097 | | | |
| Project Change Contingency = | 1.20 | | | |
| Estimate Change Contingency = | 1.10 | | | |
| Engineering Design Cost = (Percentage of Construction) | 10.00% | | | |
| | \$140.00 | \$180.00 | \$210.00 | \$120.00 |
| | \$1,960,000.00 | \$2,520,000.00 | \$2,940,000.00 | \$1,680,000.00 |
| | \$2,150,120.00 | \$2,764,440.00 | \$3,225,180.00 | \$1,842,960.00 |
| | \$2,580,144.00 | \$3,317,328.00 | \$3,870,216.00 | \$2,211,552.00 |
| | \$2,838,158.40 | \$3,649,060.80 | \$4,257,237.60 | \$2,432,707.20 |
| | \$283,815.84 | \$364,906.08 | \$425,723.76 | \$243,270.72 |
| Total Bridge Design & Construction = | \$3,121,974.24 | \$4,013,966.88 | \$4,682,961.36 | \$2,675,977.92 |
| | | | (note #2) | (note #3) |

General Notes:

- 1 - This alternative will require a unique center pier in order to reduce span length. Shipping length and weight will generally control the design and this value assumes that this would not prohibit this alternative.
- 2 - This value from WSDOT is based on very limited cost information since this is not a commonly constructed bridge
- 3 - This location assumed that only a single span structure would be proposed. This alternative would require the construction of a center pier. Greater environmental considerations will be required due to the center pier in the waterway.

Client: City of Tumwater
 Project: Brewhouse Infrastructure Analysis
 Description: Parking Structure and Wall Estimate

Prepared by: W. Moy
 Checked by: B. Murray

Parking Garage

| | Alt #1 400 Spaces Garage | Alt #2 600 Spaces Garage |
|--|--------------------------------|--------------------------------|
| Maximum Number of Spaces = | 600.0 | |
| Minimum Number of Spaces = | 400.0 | |
| Cost per Car (RS Means 2001 value) = | \$12,000.00 | |
| Inflation Rate Increase = (2001 to 2004) | 1.111 | |
| Project Change Contingency = | 1.20 | |
| Estimate Change Contingency = | 1.10 | |
| Arch/Engineering Design Cost = (Percentage of Construction) | 7.00% | |
| Total Garage Design & Construction = | \$7,532,047 | \$11,298,070 |
| Sales Tax on construction | \$677,884 | \$1,016,826 |
| Total Project | <u>\$8,209,931</u> | <u>\$12,314,896</u> |
| | (Minimum Cost) | (Maximum Cost) |

Soil-Nailed Retaining Walls

| | Soiled Nailed Retaining Wall |
|---|---------------------------------|
| Approx. Wall Length = | 400.0 ft |
| Average Wall Height = | 65.0 ft |
| Total Wall Area = | 26000.0 ft ² |
| Inflation Rate Increase = (2002 to 2004) | 1.111 |
| Additional Rock Cutting Contingency = | 1.25 |
| Project Change Contingency = | 1.20 |
| Estimate Change Contingency = | 1.10 |
| Engineering Design Cost = (Percentage of Construction) | 8.00% |
| Total Wall Design & Construction = | \$2,058,994 |
| Sales Tax on construction | \$185,309 |
| Total Project | <u>\$2,244,304</u> |

\$40.00 per SF of Wall (RS Means Value)

Office Space Above Garage

| | Office Space Above Garage |
|--|------------------------------|
| Building Length = | 250.0 ft |
| Building Width = | 150.0 ft |
| Total Plan Area = | 37500.0 ft ² |
| Inflation Rate Increase = (2001 to 2004) | 1.111 |
| Project Change Contingency = | 1.20 |
| Estimate Change Contingency = | 1.10 |
| Arch/Engineering Design Cost = (Percentage of Construction) | 8.00% |
| Total Office Design & Construction = | <u>\$475,152</u> |
| | <u>\$6,414,558</u> |

\$99.00 per SF of building (RS Means 2001 Value)

Parametrix

Project No.:
Date: 12/6/04

Client: City of Tumwater
Project: Brewhouse Infrastructure Analysis
Description: Surface Parking

Prepared by: G. Stidham
Checked by: J. Carr

| Item | Quantity | Unit | Unit Cost | Item Total |
|------|----------|------|-----------|------------|
|------|----------|------|-----------|------------|

Surface Parking

88,000 SF area available
Assume 375 SF per space

235 Spaces

| | | | | |
|------------------------------|-------|----|------|-------------|
| Asphalt Paving | 1030 | TN | \$60 | \$61,800 |
| Gravel Base | 2450 | CY | \$20 | \$49,000 |
| Curbing(assume 10 LF/space) | 2350 | LF | \$5 | \$11,750 |
| Retaining wall | 7100 | SF | \$50 | \$355,000 |
| Drainage | 900 | LF | \$50 | \$45,000 |
| Landscaping and Irrigation | 84500 | SF | \$3 | \$211,250 |
| Project Change contingency | 1.20 | | | \$733,800 |
| Estimate Change contingency | 1.10 | | | \$880,560 |
| Design Cost 10% | 0.10 | | | \$96,862 |
| Total Construction | | | | \$1,065,478 |
| Sales Tax on construction | | 9% | | \$95,893 |

Project Total \$1,161,371

Parametrix

Project No.:
Date: 12/6/04

Client: City of Tumwater
Project: Brewhouse Infrastructure Analysis
Description: Utilities

Prepared by: G. Stidham
Checked by: J. Carr

| Item | Quantity | Unit | Unit Cost | Item Total |
|-----------------------------|----------|------|-----------|------------|
| Water | | | | |
| 10 inch Water Main | 1000 | LF | \$50 | \$50,000 |
| 8 inch Water Main | 2000 | LF | \$35 | \$70,000 |
| Fire Hydrants | 10 | EA | \$3,000 | \$30,000 |
| Pressure Reducing Station | 1 | EA | \$25,000 | \$25,000 |
| | | | | <hr/> |
| Project Change contingency | 1.20 | | | \$175,000 |
| Estimate Change contingency | 1.10 | | | \$210,000 |
| Design Cost 10% | 0.10 | | | \$231,000 |
| | | | | <hr/> |
| Sales Tax on construction | 9% | | | \$254,100 |
| | | | | <hr/> |
| | | | | \$22,869 |
| | | | | <hr/> |
| | | | | \$276,969 |

| | | | | |
|-----------------------------|------|----|----------|-----------|
| Sewer | | | | |
| Sewer Pump Station Upgrade | 1 | EA | \$75,000 | \$75,000 |
| 3" HDPE sewer force main | 1400 | LF | \$40 | \$56,000 |
| | | | | <hr/> |
| Project Change contingency | 1.20 | | | \$131,000 |
| Estimate Change contingency | 1.10 | | | \$157,200 |
| Design Cost 10% | 0.10 | | | \$172,920 |
| | | | | <hr/> |
| Sales Tax on construction | 9% | | | \$190,212 |
| | | | | <hr/> |
| | | | | \$17,119 |
| | | | | <hr/> |
| | | | | \$207,331 |

| | | | | |
|-----------------------------|------|----|----------|----------|
| Storm Drainage | | | | |
| Wet pond grading | 750 | CY | \$50 | \$37,500 |
| Drainage Structures | 1 | LS | \$25,000 | \$25,000 |
| | | | | <hr/> |
| Project Change contingency | 1.20 | | | \$62,500 |
| Estimate Change contingency | 1.10 | | | \$75,000 |
| Design Cost 10% | 0.10 | | | \$82,500 |
| | | | | <hr/> |
| Sales Tax on construction | 9% | | | \$90,750 |
| | | | | <hr/> |
| | | | | \$8,168 |
| | | | | <hr/> |
| | | | | \$98,918 |

| | | | | |
|-----------------------------|------|----|-----------|-----------|
| Power | | | | |
| Opt 1 Pole relocation | 1 | LS | \$60,000 | \$60,000 |
| Opt 2 Underground | 1 | LS | \$150,000 | \$150,000 |
| Trenching and Backfill | 1600 | LF | \$25 | \$40,000 |
| | | | | <hr/> |
| Project Change contingency | 1.20 | | | \$190,000 |
| Estimate Change contingency | 1.10 | | | \$228,000 |
| Design Cost 10% | 0.10 | | | \$250,800 |
| | | | | <hr/> |
| | | | | \$25,080 |
| | | | | <hr/> |
| | | | | \$275,880 |

Assume undergrounding

Gas No cost anticipated

Utilities Total \$859,098

Parametrix

Project No:

Date: 12/6/04

Client: City of Tumwater
Project: Brewhouse Infrastructure Analysis
Description: Rail AccessPrepared by: J. Carr
Checked by: G. Stidham

Rail Access To Parking Garage

| | Item Cost | Status |
|------------------------------------|------------|--------------------|
| Track restoration | \$500,000 | Startup |
| Rail car purchase | \$100,000* | Startup |
| Restoration of rail car | \$100,000 | Startup |
| Lease of locomotive | | Ongoing |
| Insurance | \$3,000/mo | Ongoing |
| Operations | \$1,000/mo | Ongoing |
| Depot Construction Downtown | \$100,000 | Startup |
| Depot Construction @ site | \$100,000 | Startup |
| Total for 600 space parking garage | | \$800,000 |
| Pedestrian acces to Parking Garage | | \$200,000 |
| | | \$1,000,000 |

Rail Access via new spur to Site Elevation

| | | |
|-------------------------------------|-------------|--------------------|
| Track restoration | \$500,000 | Startup |
| Rail car purchase | \$100,000* | Startup |
| Restoration of rail car | \$100,000 | Startup |
| Lease of locomotive | | Ongoing |
| Insurance | \$3,000/mo | Ongoing |
| Operations | \$1,000/mo | Ongoing |
| Depot Construction Downtown | \$ 100,000 | Startup |
| Depot Construction @ site | \$100,000 | Startup |
| Spur line to site elevation (.5 mi) | \$500,000 | Startup |
| Retaining wall for spur line | \$1,500,000 | Startup |
| | | \$2,800,000 |

* Tri Cities may provide cars at no cost

Client: City of Tumwater
Project: Brewhouse Infrastructure Analysis
Description: Permitting Estimate

Prepared by: J. Carr
Checked by: G. Stidham

Permits

| | | |
|---|------------------|------------------|
| Biological Assessment | \$20,000 | \$30,000 |
| Wetland Delineation & Mitigation Plan | \$35,000 | \$50,000 |
| NEPA/SEPA Environmental Assessment/EIS | \$60,000 | \$200,000 |
| Historic/Archaeological Eval | \$20,000 | \$35,000 |
| NW Permits, incl 401 & CZM | \$25,000 | \$50,000 |
| HPA | \$5,000 | \$7,000 |
| Shoreline Substantial Dev't | \$15,000 | \$20,000 |
| HPA | \$10,000 | \$15,000 |
| NPDES | \$4,000 | \$6,000 |
| Mitigation Installation | \$200,000 | \$350,000 |
| Local Permitting | \$10,000 | \$20,000 |
| Outreach/involvement for SEPA/NEPA incl scoping | \$35,000 | \$50,000 |
| Project Total | \$439,000 | \$833,000 |

APPENDIX E

PUGET SOUND ENERGY
RULES AND REGULATIONS (Continued)
RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County

Section 1: Purpose

The purpose of this rule is to make natural Gas Service available to prospective Customers outside Kittitas County, based on long-term economic benefits consistent with prudent utility practices. However, service may not be provided, extended or modified for reasons described in WAC 480-90-123, Refusal of Service. (N)
(T)

This rule defines the terms and conditions under which Distribution Facilities will be extended to new residential, commercial, or industrial Customers outside Kittitas County. It also defines the terms and conditions for modifying existing Distribution Facilities to meet changed requirements for Customers outside of Kittitas County. (C)
|
|
(C)

Section 2: Definitions

- 1. Customer Advance: A potentially refundable prepayment (see Sections 8 and 11 for details) by a Customer for the extension of Distribution Facilities. The amount of the advance will be calculated using the Facilities Investment Analysis. The Customer Advance will be equal to the difference between the present value of estimated future incremental net operating income from the Customer and estimated costs of construction, as described within this Rule 7 and Schedule 7. The Customer Advance shall include the effect of applicable federal income taxes as per Rule 28. (C)
|
|
|
(C)
- 2. Distribution Facilities: Mains, service piping, meters, regulators, valves, and associated fittings.
- 3. Estimated Annual Consumption: Estimated gas usage based on the usage parameters specified in Rate Schedule No. 7.
- 4. Facilities Investment Analysis ("FIA"): A discounted cash flow calculation for determining the rate of return, Customer Advances, and Qualification Payments related to facilities extensions. (A copy of the Facilities Investment Analysis computer algorithm on electronic medium is on file with the Washington Utilities and Transportation Commission.) (T)
(D)
- 5. New Customer Rate: A rate to be applied in addition to a Customer's underlying sales rate for the purpose of recovering the marginal revenue shortfall. (C)
(C)

(Continued on Sheet No. 18-A)

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Original Sheet No. 18-A

PUGET SOUND ENERGY
RULES AND REGULATIONS (Continued)

RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County (Continued)

6. Qualification Payment: A nonrefundable payment by a Customer made in order to qualify for the New Customer Rate. The payment shall be equal to the Customer Advance determined by utilizing the 75% Threshold Rate Of Return in the FIA calculation. (T)
7. Target Rate Of Return: Current system average rate of return as authorized by the Washington Utilities and Transportation Commission.
8. 80% Threshold Rate Of Return: Eighty percent of Target Rate Of Return. (C)
9. 75% Threshold Rate of Return: Seventy-five percent of Target Rate Of Return (N)

Section 3: General

1. Unused facilities extensions. If the Company provides a facilities extension and the Customer fails to commence gas usage within twelve months from the date of installation the Company will bill the Customer the following costs as applicable:
 - a. the cost to cut and cap the service line,
 - b. all costs of providing the Customer's service line,
 - c. the costs of providing any main dedicated to the Customer,
 - d. the Customer's contribution toward any shared main costs.

If the Customer takes service within 5 years of the original installation, costs relating to b., c. and d. above will be refunded less the following charges, as applicable:

- a. the cost of reactivating the service line,
- b. any Customer Advance or Qualification Payment the Customer agreed to pay for the original extension (if such payment remains unpaid),
- c. any New Customer Rate the Customer agreed to pay for the original extension, calculated using the Customer's original estimated volumes for the period of time extending from the date the original facilities were installed to the actual date the Customer takes service (and then continuing for the remaining term),
- d. the amount of margin (revenue less revenue for gas costs) the Customer would have paid, calculated using the Customer's original estimated volumes for the period of time extending from the date the original facilities were installed to the actual date the Customer takes service.

If the charges exceed the refund the Customer shall pay balance.

(Continued on Sheet No. 19)

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Fifth Revised Sheet No. 19

PUGET SOUND ENERGY
RULES AND REGULATIONS (Continued)

RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County (Continued)

- 2. Gas Service Agreement. Upon requesting Gas Service, the Customer shall complete, sign, and submit to the Company a Gas Service Agreement in the form of a gas service agreement or developer agreement which are attached to this schedule as Attachments A through D. (K)
(N)
|
(N)
 - 3. Rights of way. Adequate legal rights for construction of the facilities installed across all property, including property not owned by the Customer, shall be obtained by the Company prior to the commencement of construction.
 - 4. Ownership of facilities. All extensions of the distribution system will remain the property of the Company.
 - 5. Underground fuel line. Company owned and maintained underground fuel line will be installed beyond the Customer's meter by the Company only for the Company's operational convenience. (T)
 - 6. Twin services. Twin service lines will be provided, if, in the Company's sole judgment, such system configuration is economical, safe, and otherwise feasible. No more than two single-family residences may be connected on a twin service line. (T)
(T)(N)
(N)
- (K)

(Continued on Sheet No. 19-A)

(K) Transferred to Sheet No. 18-A

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PUGET SOUND ENERGY
RULES AND REGULATIONS (Continued)
RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County (Continued) (T)

Section 4: Facilities Investment Analysis--An Economic Test of Viability

All applications to extend Distribution Facilities to new Customers will be subject to a Facilities Investment Analysis to determine economic viability. The economic test will be used to determine if a Distribution Facilities extension or modification is justified without contribution and will determine the level of contribution, if required. The Company will estimate the annual consumption and all costs relating to the line extension (including operating and maintenance costs) associated with a Customer or group of Customers requesting facilities extensions or modifications, as provided within this Rule No. 7 and as described in Schedule 7. The margin (revenue less revenue for gas costs) resulting from the Estimated Annual Consumption will be compared with all costs relating to the line extension as described above. In the case of existing facilities modified at the Customer's request in order to provide for increased usage, the Facilities Investment Analysis will be based on the incremental margin. The Company shall have the right to verify all information that is supplied by a Customer and used as input into the Facilities Investment Analysis, including the rating and number of gas consuming devices. (C) (N) (N)

Section 5: Facilities Investment Analysis--Revenue Projections

The revenue projection will take into consideration the estimated number and type of gas appliances used and the age and square footage of the premises, as listed in Rate Schedule No. 7. Only those Customers completing a request for facilities extension, or expected to connect to the facilities extension in accordance with a developer agreement, will be considered.

The projected revenue to be used in the economic test will be determined by:

- a. the number of Customers to be served by the facilities extension;
- b. establishing consumption estimates for each Customer;
- c. projecting when the Customers will be connected to the facilities extension; and
- d. applying the appropriate revenue margins for each Customer's consumption.

Section 6: Facilities Investment Analysis--Cost Calculations

The total costs relating to the line extension to be used in the Facilities Investment Analysis include: (T)

- a. the full labor, material, and other costs as included in the standard costs listed in Schedule No. 7, including appropriate overhead costs and taxes associated with the facilities extension; (T) (T)

(Continued on Sheet No. 19-B)

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PUGET SOUND ENERGY
RULES AND REGULATIONS (Continued)
RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County (Continued)

- b. incremental operating and maintenance expenses listed in Schedule No. 7;
- c. site-specific, non-standard permits, easements, or other costs described in Schedule No. 7.

In addition, the Facilities Investment Analysis will include the appropriate Target Rate Of Return as approved by the Washington Utilities and Transportation Commission.

In the case where additional facilities are installed as part of the Company's long-range system planning, the cost difference between installed and minimum required facilities shall be excluded from the Facilities Investment Analysis for the purpose of determining the Customer Advance or Qualification Payment.

Section 7: Results of Test and Customer Advance

If the results of the Facilities Investment Analysis meet or exceed the Company's Target Rate Of Return, the facilities extension or modification will be made without charge. However, if the extension is from a prior extension, a New Customer Rate may be required as described in Section 12 below.

If the results of the Facilities Investment Analysis indicate a rate of return below the Company's Target Rate Of Return, the facilities extension may proceed provided the marginal revenue shortfall is addressed by the Customer selecting to pay either:

- a. the Customer Advance, subject to review and refund as provided below; or
- b. the applicable New Customer Rate as listed in Supplemental Schedule No. 107, provided the results of the Facilities Investment Analysis meet or exceed the 75% Threshold Rate Of Return stipulated in Section 2 above. However, if the results of the Facilities Investment Analysis fail to meet the 75% Threshold Rate Of Return, the Customer(s) may choose to pay a Qualification Payment and the applicable New Customer Rate. (T)
(C)
(C)

In cases where the Customer has elected to pay the New Customer Rate and subsequently sells the premises served by the facilities extension within the five-year term of the rate, the purchaser of the premises will be given the option of paying either:

- a. the applicable New Customer Rate for the remainder of the five-year term; or
- b. the pro-rata share of the originally required Customer Advance, subject to refund as provided in Section 8 below.

(Continued on Sheet No. 19-C)

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PUGET SOUND ENERGY
RULES AND REGULATIONS (Continued)
RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County (Continued)

Section 8: Review of Contribution and Refund

Facilities extensions requiring a Customer Advance will be reviewed after five years from completion of construction; and refunds, if applicable, will be paid at that time. For the purpose of review, a new Facilities Investment Analysis will be performed using original cost and revenue estimates. However, estimated marginal revenues and costs (based on the version of Schedule No. 7 under which the facilities were constructed) attributable to additional new Customers not projected in the original analysis will be added. Estimated marginal revenues shall include New Customer Rate revenues from latecomers. No additional reviews will be performed after the fifth year. The Company will honor requests by Customers who paid a Customer Advance for reviews of facilities extensions prior to the expiration of the five-year period; and refunds, if applicable, will be made at that time.

In cases where review of the facilities extension indicates refunds are due, interest will be paid on a Customer Advance subsequently refunded at the rate established for Customer deposits in Rule No. 5. Refunds, excluding interest, will not be greater than the amount of the original Customer Advance(s). The total amount of any refund shall be refundable to the original contributor.

For the purposes of refunds, Customers will be treated in accordance with the version of Rule No. 7 or other rule governing extensions of facilities that was in effect and used for the purposes of charging the Customer the Customer Advance.

Section 9: Application of Economic Test to New Construction Development Plats

For new development plats, a Facilities Investment Analysis will be prepared based on the project build-out plan outlined in the developer agreement. If no Customer Advance is required, based on the Facilities Investment Analysis results, no New Customer Rate will be assessed; and the facilities will be extended at no charge. If the Facilities Investment Analysis indicates a Customer Advance is needed, the developer will have the option of paying either:

- a. the Customer Advance, subject to review and refund to the developer as provided in Section 8 above, as applicable, except that the review period shall be the lesser of seven years or the duration of the developer's build-out plan; or

(C)

(Continued on Sheet No. 19-D)

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PUGET SOUND ENERGY
RULES AND REGULATIONS (Continued)

RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County (Continued)

- b. the nonrefundable Qualification Payment, if any. Initial subsequent Customers within the development will be given the option of paying either:
 - (1) their prorata share of the required Customer Advance for the development (less the Qualification Payment paid by the developer), or
 - (2) the applicable New Customer Rate as listed in the Rates section of Supplemental Schedule No. 107. (C)

Section 10: Security Deposit Required from Developers

Regardless of the results of the Facilities Investment Analysis, a security deposit will be required from the builder/developer to ensure payment of potential contribution deficiencies resulting from delays in the build-out plan. The security deposit required shall be equivalent to the Customer Advance impact of a two-year delay in the original build-out plan. However, the amount of the security deposit shall not limit the remedies otherwise available to the Company under the developer agreement.

In lieu of cash payment of the security deposit, developers may provide a letter of credit, contractor's bond, or other credit instrument in form and substance satisfactory to the Company. No interest shall be charged or paid by the Company on the amount of the credit instrument. The full amount of any balance due shall be immediately due and payable by the issuer of the credit instrument or the Customer upon the expiration or earlier termination of the applicable credit instrument. The maximum term of any credit instrument shall be seven years.

Section 11: Review of Development Build-out and Refunds to Developers and to Customers within Developments

Upon the completion of build-out or at the end of the review period (whichever occurs first), a Facilities Investment Analysis will be run reflecting the actual build-out. Refunds or charges for any deficiency in the security deposit plus interest at the rate established for Customer deposits in Rule No. 5 will be made.

If the developer elected to contribute the required Customer Advance, the developer may be eligible for a refund. To determine if a refund is appropriate, the Facilities Investment Analysis will be reapplied to the project reflecting the timing of actual Customer additions. If a review indicates that a lower contribution would have been required than originally determined, a refund equal to the difference will be made to the developer. If the results of the Facilities Investment Analysis indicate a larger contribution would have been required, the developer's deposit will be applied to the difference. Any remaining deficiency will be recovered from the developer under the terms of the developer agreement.

(Continued on Sheet No. 19-E)

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PUGET SOUND ENERGY
 RULES AND REGULATIONS (Continued)
 RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County (Continued)

If a Customer within a development chooses to pay a Customer Advance, the Customer may be eligible for a refund. To determine if a refund is appropriate, the Facilities Investment Analysis will be reapplied to the project at the end of the review period reflecting the timing of actual Customer additions and original cost and revenue estimates. If a review indicates that a lower contribution than originally determined would have been required, a refund equal to the pro-rata share of the difference will be made to the Customer. If the results of the Facilities Investment Analysis indicate a larger contribution would have been required, the individual Customer shall not be charged or refunded.

If the developer opted not to contribute the required Customer Advance and the original build-out plan did not occur on schedule, the Facilities Investment Analysis will be reapplied to the project reflecting the timing of the actual Customer additions, as in the preceding paragraph. If the results of the Facilities Investment Analysis indicate a larger Qualification Payment would have been required, the developer's deposit will be applied to the difference. If the results of the FIA indicate that the higher NCR rate would apply, the developers deposit will be applied to make up any difference. Any remaining deficiency will be recovered from the developer under the terms of the developer agreement.

(N)
(N)

Section 12: Extensions from Extensions

When the subsequent facilities extension requires a Customer Advance, the options under Section 7 above apply.

When the subsequent facilities extension

- a. required no Customer Advance, and
- b. will be constructed within the five-year installation review period for the existing facilities extension, and
- c. the existing facilities extension required a Customer Advance, Qualifying Payment, or New Customer Rate,

the Company will perform a Facilities Investment Analysis that combines the existing and subsequent facilities extensions to determine whether the Customer Advance or New Customer Rate, as applicable, remains necessary.

If the combined Facilities Investment Analysis:

- a. results in elimination of the Customer Advance on the existing facilities extension or the need to continue the New Customer Rate, the Customer Advance will be refunded to the original contributor(s) and/or the New Customer Rate will cease, as appropriate, and Customers located on the downstream extension make no payment, or
- b. results in a reduction of the New Customer Rate, the New Customer Rate shall be adjusted for existing customers if the applicable tariff contained such a provision at the time of construction, or
- c. does not result in elimination of the Customer Advance and/or the need to continue the New Customer rate on the existing facilities, Customers located on the downstream extension must pay the applicable New Customer Rate or the Customer may pay a Customer Advance as provided in Section 15. The duration of the New Customer Rate will be the remaining duration of the existing extension's New Customer Rate.

(N)
(N)
(T)

(Continued on Sheet No. 19-F)

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PUGET SOUND ENERGY
RULES AND REGULATIONS (Continued)
RULE NO. 7: Extension of Distribution Facilities—Other Than Kittitas County (Continued) (T)

Section 13: Latecomers

Any Customer who connects a new service line to an existing facilities extension during the facilities extension review period and that existing extension required a Customer Advance, Qualification Payment or New Customer Rate, the latecomer will be required to pay the applicable New Customer Rate for at least the remainder of the original facilities extension review period or the latecomer may pay a Customer Advance as provided in Section 15. If the Facilities Investment Analysis result for the Customer's service line requires a Customer Advance, the provisions of the Customer Advance under Section 7 above apply in addition to the New Customer Rate as described herein. (C)

Section 14: Option to Terminate the New Customer Rate (N)

Any Customer who is paying the New Customer Rate may terminate the New Customer Rate by paying the Company an additional Qualifying Payment. Such payment shall be calculated by multiplying the applicable rate in Schedule 107 of this tariff by the therms from Schedule 7 of this tariff that were used as input to the original Facilities Investment Analysis times the remaining number of years (with up to 2 decimals) that the New Customer Rate would be applicable.

Section 15: Option to Choose Customer Advance for Latecomers or Extension from Extension Customers

Any Customer required to pay the New Customer Rate under Section 12 or 13 of this Rule may have the option of paying their pro-rata share of the original Customer Advance as if they had been part of the original extension in lieu of the New Customer Rate. (N)

Section 16: Extensions for Large Commercial or Industrial Loads (T)

The request for facilities extensions by large commercial or industrial Customers whose maximum hourly connected load exceeds 1,100 cubic feet per hour shall be assessed in the following manner:

A Facilities Investment Analysis will be performed. If a Customer Advance is required, the Customer may elect either to pay a refundable Customer Advance or to pay a New Customer Rate pursuant to a special contract. The review and refund procedures are as outlined in Section 8 above. However, subsequent incremental load will be included in the review process.

Section 17: Rule 28 (N)

The installation of facilities under the provisions of this rule and Schedule 7 shall be subject to the provisions of Rule 28, Income Tax Rider, Contributions In Aid of Construction. (N)

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Fifth Revised Sheet No. 107
Canceling
Fourth Revised Sheet No. 107

PUGET SOUND ENERGY
SCHEDULE NO. 7
Facilities Extension Standards

Section 1: Applicability and Definitions

(T)

The following estimates of usage in Sections 2 and 3 along with the special conditions in Section 4 will determine the annual consumption for use in the Facilities Investment Analysis (FIA) when evaluating facility extensions to Customers. The costs in Sections 5 through 7 will determine the costs for use in the FIA. Terms defined in Rule Nos. 2, 7, and 7A of this tariff shall have the same meanings in this Schedule No. 7.

(T)

(T)(N)

(N)

Section 2: Single Family Residences

- 1. Space Heating: For single family residences where space heating requirements are met entirely with a gas central heating system, the following tables will be used to estimate annual consumption.

TABLE 7.1: Areas Outside Kittitas County

| Sq. ft. | Annual Therms | Sq. Ft. | Annual Therms |
|-------------|---------------|--------------|---------------|
| Up to 800 | 591 | 2901 - 3000 | 759 |
| 801 - 900 | 599 | 3001 - 3100 | 767 |
| 901 - 1000 | 606 | 3101 - 3200 | 775 |
| 1001 - 1100 | 614 | 3201 - 3300 | 782 |
| 1101 - 1200 | 622 | 3301 - 3400 | 790 |
| 1201 - 1300 | 629 | 3401 - 3500 | 798 |
| 1301 - 1400 | 637 | 3501 - 3600 | 805 |
| 1401 - 1500 | 645 | 3601 - 3700 | 813 |
| 1501 - 1600 | 652 | 3701 - 3800 | 821 |
| 1601 - 1700 | 660 | 3801 - 3900 | 828 |
| 1701 - 1800 | 668 | 3901 - 4000 | 836 |
| 1801 - 1900 | 675 | 4001 - 4100 | 844 |
| 1901 - 2000 | 683 | 4101 - 4200 | 851 |
| 2001 - 2100 | 691 | 4201 - 4300 | 859 |
| 2101 - 2200 | 698 | 4301 - 4400 | 867 |
| 2201 - 2300 | 706 | 4401 - 4500 | 874 |
| 2301 - 2400 | 714 | 4501 - 4600 | 882 |
| 2401 - 2500 | 721 | 4601 - 4700 | 890 |
| 2501 - 2600 | 729 | 4701 - 4800 | 897 |
| 2601 - 2700 | 737 | 4801 - 4900 | 905 |
| 2701 - 2800 | 744 | 4901 - 5000* | 913 |
| 2801 - 2900 | 752 | | |

(D)

(I)(R)

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(D) (R)

*For each 100 sq. ft. above 5,000, add 8 therms to annual amount.

(C)

(Continued on Sheet 107-A)

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Second Revised Sheet No. 107-A

PUGET SOUND ENERGY
SCHEDULE NO. 7
Facilities Extension Standards (Continued)

Section 2: Single Family Residences (Continued)

(T)

Table 7.1A For Kittitas County

| Sq. ft. | Annual Therms | Sq. Ft. | Annual Therms |
|-------------|---------------|--------------|---------------|
| Up to 800 | 729 | 2901 - 3000 | 913 |
| 801 - 900 | 737 | 3001 - 3100 | 932 |
| 901 - 1000 | 745 | 3101 - 3200 | 942 |
| 1001 - 1100 | 753 | 3201 - 3300 | 950 |
| 1101 - 1200 | 761 | 3301 - 3400 | 960 |
| 1201 - 1300 | 769 | 3401 - 3500 | 969 |
| 1301 - 1400 | 777 | 3501 - 3600 | 977 |
| 1401 - 1500 | 785 | 3601 - 3700 | 987 |
| 1501 - 1600 | 793 | 3701 - 3800 | 996 |
| 1601 - 1700 | 801 | 3801 - 3900 | 1005 |
| 1701 - 1800 | 809 | 3901 - 4000 | 1014 |
| 1801 - 1900 | 817 | 4001 - 4100 | 1024 |
| 1901 - 2000 | 825 | 4101 - 4200 | 1032 |
| 2001 - 2100 | 833 | 4201 - 4300 | 1041 |
| 2101 - 2200 | 841 | 4301 - 4400 | 1051 |
| 2201 - 2300 | 849 | 4401 - 4500 | 1059 |
| 2301 - 2400 | 859 | 4501 - 4600 | 1069 |
| 2401 - 2500 | 867 | 4601 - 4700 | 1078 |
| 2501 - 2600 | 877 | 4701 - 4800 | 1087 |
| 2601 - 2700 | 886 | 4801 - 4900 | 1096 |
| 2701 - 2800 | 895 | *4901 - 5000 | 1106 |
| 2801 - 2900 | 904 | | |

(D)

(I)(R)

(D)(R)(R)

*For each 100 sq. ft. above 5000 add 8 therms to the annual amount.

(C)

(Continued on Sheet 107-B)

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PUGET SOUND ENERGY
SCHEDULE NO. 7
Facilities Extension Standards (Continued)

Section 2: Single Family Residences (Continued)

(T)

2. Water heating: 240 therms / year

(R)

- 3. Other end uses:
 - Range 50 therms / year
 - Dryer 49 therms / year
 - Hot tub 65 therms / year
 - Fireplace 107 therms/year

(I)
(R)
(R)
(N)

Section 3: Multi-Family Dwellings

1. Space heating: For multi-family dwellings with two, three, or four units, use the values in Table 7.1 or Table 7.1A above for the entire building and then divide by the number of units to yield per unit consumption estimates. If unit size varies greatly, prorate load based on square footage.

(T)

For multi-family dwellings with more than four units, use the following factor:
.26 therms / sq.ft. / year

(T)
(C)(I)
(D)

2. Water heating: For all multi-family dwellings, use the following numbers of therms.

(C)

| | |
|---|--|
| Annual therms per unit <u>with laundry</u> 182 | Annual therms per unit <u>without laundry</u> 152 |
|---|--|

(D)(C)
|
|
(C)

3. Other end uses: Other end-use consumption estimates for multi-family dwellings will be the same as for single family dwellings.

(D)

(Continued on Sheet No. 107-C)

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PUGET SOUND ENERGY
SCHEDULE NO. 7
Facilities Extension Standards (Continued)

Section 4: Special Conditions

- 1. Space heating: For permanently installed space heaters (such as wall heaters, room heaters, free-standing stoves, fireplace inserts and fireplace units equipped with a blower or thermostat) therm credit may be given if the Customer commits to using the space heater as the sole source of heat in that area. The square footage to be heated by the appliance must be listed in the "gas usage" section of the residential gas service agreement. Partial space heating load credit will be based on the table or factors above and prorated for the square footage served by the space heater. When therm credit is given for a fireplace as a space heater the fireplace therm credit listed in Section 2, paragraph 3 shall not be given. The total therm credit for space heating uses shall not exceed the sum of the space heating therm credit (table 7.1 or 7.1A) plus one fireplace therm credit. (C)
- 2. Other end uses: No credit will be given for any log lighter, (unless used as a permanently installed space heater as described in 1. above) private residential swimming pools, or residential barbecue grill loads in the Facilities Investment Analysis. (T)
- 3. Commercial and industrial loads: Commercial and industrial loads, other than multi-family domestic use, will be estimated on a case-by-case basis. (T)
- 4. Interruptible loads in Kittitas County: Interruptible service shall be available to Customers that do not take any gas service during the months of October through March, until such time as the Project supply main becomes capacity constrained due to additional build-out. (T)

Section 5: Standard Costs

The following table of standard costs is to be used for estimating the cost of facilities extensions. However, non-standard permits, easements, costs imposed by local governmental authorities or other extraordinary costs are not included in the standard costs and should be applied as an adjustment to the following standard costs. Where PSE provides the trench, standard costs include labor, materials, equipment and overheads for (i) excavation or percussion boring, (ii) installation of the main or service pipe necessary to provide service to the Customer(s) being connected, (iii) backfill in accordance to PSE standards, (iv) restoration up to one foot in excess of the trench width, and (v) a standard street use permit. Where the Customer provides the trench, standard costs include labor, materials, equipment and overheads for installation of the main or service pipe necessary to provide service to the Customer(s) being connected. Scope and associated costs in excess of the above standard costs are considered extraordinary costs. Examples of scope changes resulting in extraordinary costs include, but are not limited to, blasting, bridge crossings, or system improvements such as district regulators that are required for the specific Customer. Additionally, facilities extensions utilizing larger than 4" PE pipe or having unusual or complex characteristics may require individual cost estimates. If extraordinary cost items are incurred, a detailed cost breakdown, including the description and cost of each item, will be provided to the Customer. The table of standard costs will be reviewed annually and updated as needed. (C)

(Continued on Sheet No. 107-D)

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PUGET SOUND ENERGY
SCHEDULE NO. 7
Facilities Extension Standards (Continued)

Section 5: Standard Costs (Continued)
TABLE 7.2

| Facility Type | Base Cost | 9/1/03 Cost per foot | 9/1/04 Cost per foot | (T) |
|---|-----------|----------------------|----------------------|-----|
| 1. Gas Main (up to 4" PE in size) | | | | |
| With Company provided trench for gas only- | | \$19.00 | \$33.85 | (I) |
| With Customer provided trench-(*) | | \$10.00 | \$13.40 | |
| 2. Gas Service | | | | |
| a. Residential Gas Service (any size PE service) | | | | |
| With Company provided trench for stub and service extension or from existing stub for service extension to meter location | \$2,080 | | | |
| With Company provided trench for stub; Customer provided trench or conduit for service extension from stub to meter location. | \$1,690 | | | |
| With Customer provided trench or conduit from main or from stub to meter location. (**) | \$ 620 | | | |
| With Customer provided trench or conduit from existing service on contiguous lot for twin services | \$ 620 | | | |
| b. Commercial Gas Service (up to 4" PE in size) | | | | |
| The sum of the following charges, as applicable: | | | | |
| i. With Company provided trench in right-of-way to private property for stub | \$2,900 | | | |
| ii. With Company provided trench for service extension from stub to meter location | | \$27.50 | \$27.50 | |
| iii. With Customer provided trench from either stub or main to meter location.(**) | | \$13.40 | \$13.40 | (I) |

* Includes installation of up to 4" PE main in a customer provided trench on private property within the boundaries of the development.

** If the Customer elects to provide trench from main or stub in the public right-of-way adjacent to the service location, the Customer will be responsible for obtaining the street use permit, all restoration of the trench to local government standards, and insurance and bonding to Company requirements.

(Continued on Sheet No. 107-E)

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PUGET SOUND ENERGY
 SCHEDULE NO. 7
 Facilities Extension Standards (Continued)

Section 5: Standard Costs (Continued)

TABLE 7.2 (Continued)

| Facility type | Base cost | Cost per foot | (T)(D) |
|--------------------------------------|-----------------|---------------|---------|
| 3. Meter set assembly | | | (M) |
| a. Diaphragm meters | | | |
| Class 250 meter set assembly | \$ 94 | | (R) |
| Class 400 meter set assembly | 193 | | (R) |
| 1000 meter set assembly LP delivery | 1,064 | | (I) |
| 1000 meter set assembly IP delivery | Estimated Costs | | (C) |
| 1400 meter set assembly LP delivery | Estimated Costs | | |
| 1400 meter set assembly IP delivery | Estimated Costs | | |
| 2300 meter set assembly LP delivery | Estimated Costs | | |
| 2300 meter set assembly IP delivery | Estimated Costs | | |
| 5000 meter set assembly LP delivery | Estimated Costs | | |
| 5000 meter set assembly IP delivery | Estimated Costs | | |
| b. Rotary meters | | | |
| 1500 meter set assembly LP delivery | Estimated Costs | | |
| 1500 meter set assembly IP delivery | Estimated Costs | | |
| 3000 meter set assembly LP delivery | Estimated Costs | | |
| 3000 meter set assembly IP delivery | Estimated Costs | | |
| 5000 meter set assembly LP delivery | Estimated Costs | | |
| 5000 meter set assembly IP delivery | Estimated Costs | | |
| 7000 meter set assembly IP delivery | Estimated Costs | | |
| 11000 meter set assembly IP delivery | Estimated Costs | | |
| 16000 meter set assembly IP delivery | Estimated Costs | | (M) (C) |
| | | | (D) |

(Continued on Sheet No. 107-F)

(M) Transferred from Sheet No. 107-F

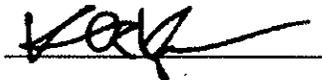
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PUGET SOUND ENERGY
SCHEDULE NO. 7
Facilities Extension Standards (Continued)

Section 5: Standard Costs (Continued)

(T)

TABLE 7.2 (Continued)

(K)(M)

| Facility type | Base cost | Cost per foot | |
|---|-----------------|---------------|--------|
| 4. Miscellaneous | | | |
| Residential meter relocation (Base cost includes first 25' or less) | | | (D)(C) |
| With Customer provided trench | 339.00 | 13.40 | (I) |
| With Company provided trench | 795.00 | 18.20 | (I) |
| Cut & reset riser only (no additional service line) | 282.00 | | (C)(I) |
| Commercial/Industrial meter relocation | Estimated Costs | | (D)(N) |
| Excess Flow Valve Installation | Estimated Costs | | (N) |

Section 6: Operation and Maintenance Expense

The following standard operation and maintenance expense costs shall be used for input into the Facilities Investment Analysis.

| | Annual cost per customer | |
|---------------------------------|--------------------------|-----------|
| Residential – Schedules 23 & 53 | \$ 30.00 | (R) |
| Commercial/Industrial | | |
| Schedules 31, 36 & 51 | 50.00 | (R)(C) |
| Schedule 41 | 980.00 | (K)(M)(I) |
| Schedule 50 | 1,490.00 | (I) |
| Schedule 57 | 2,400.00 | (I) |
| Schedules 85 & 87 | 1,240.00 | (I) |
| Schedule 86 | 910.00 | (I)(C) |

(K) Transferred to Sheet No. 107-E

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PUGET SOUND ENERGY
SCHEDULE NO. 7
Facilities Extension Standards (Continued)

(K)

(K)

(D)

(D)

(K) Transferred to Sheet No. 107-F

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Karl R. Karzmar

Title: Director, Regulatory Relations

FACILITY RELOCATION AGREEMENT

This Agreement, dated as of _____, 2004, is made and entered into by and between Puget Sound Energy, Inc., a Washington corporation ("PSE"), and [Municipality], ("Government Entity"). PSE and the Government Entity are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS

A. PSE owns and operates certain utility systems and facilities necessary and convenient to the transmission and distribution of electricity [and][or] [natural gas] ("Facilities") that are located on or in relation to certain operating rights ("Existing Operating Rights"). The Facilities and Existing Operating Rights are more particularly described on Exhibit A attached hereto and incorporated herein by this reference.

B. The Government Entity plans to construct improvements to [identify street name of improvements including start and stop boundaries where appropriate] ("Improvements").

C. In connection with the Improvements Project, the Government Entity has requested that PSE perform certain engineering design work relating to modification or relocation of its Facilities ("Design Work"), and certain construction work relating to modification or relocation of its Facilities ("Relocation Work"), all in accordance with and subject to the terms and conditions of this Agreement, and any applicable tariff on file with the Washington Utilities and Transportation Commission ("WUTC").

AGREEMENT

The Parties, therefore, agree as follows:

Section 1. Design Work

1.1 Improvements Plan. Upon execution of this Agreement by the Parties, the Government Entity shall provide to PSE a written plan for the Improvements ("Improvements Plan"), which shall include, among other things, (a) plans and specifications sufficient in detail, as reasonably determined by PSE, for use by PSE in preparation of the Design Work, including reasonably detailed drawings showing the planned Improvements, (b) a list of the key milestone dates for the Improvements, and (c) information concerning possible conflicts between PSE's Facilities and other utilities or facilities.

1.2 Design Work Plan. Within _____ days of PSE's receipt of the Improvements Plan, PSE shall prepare and submit to the Government Entity a proposed work plan for performance of the Design Work requested by the Government Entity ("Design Work Plan"), which shall include, among other things, (a) a description of the scope of the

Design Work to be performed by PSE; (b) a good faith estimate of the cost to perform the Design Work ("Design Cost Estimate"); (c) a schedule for completion of the Design Work that, to the extent reasonably practicable, reflects the applicable key milestone dates provided by the Government Entity; and (d) a description of any additional information needed from the Government Entity to support performance of the Design Work.

1.3 Notice to Proceed. Within [redacted] days after the Parties mutually agree on the final Design Work Plan, the Government Entity shall either (a) provide to PSE a written notice to proceed with the Design Work or (b) terminate this Agreement by written notice to PSE. In the event of such termination, the Government Entity shall promptly pay PSE the amounts payable to PSE in connection with such termination under Section 7.5.

1.4 Performance of Design Work. Subject to the terms and conditions of this Agreement and any applicable tariffs on file with the WUTC, PSE shall use reasonable efforts to perform the Design Work as described in the Design Work Plan. As part of the Design Work, PSE shall prepare and submit to the Government Entity a proposed work plan for the Relocation Work to be performed by PSE ("Relocation Plan"), which shall include, among other things, (a) a reasonably detailed description of the Relocation Work to be performed by PSE, (b) a good faith estimate of the costs to perform the Relocation Work ("Relocation Cost Estimate"), and (c) a proposed schedule for performance of the Relocation Work that, to the extent reasonably practicable, reflects the applicable key milestone dates provided by the Government Entity in the Improvements Plan ("Relocation Schedule"). The Design Work Plan shall be based upon the Improvements Plan provided by the Government Entity.

1.5 Relocation Plan. Within [redacted] days after the Government Entity's receipt of the proposed Relocation Plan, the Government Entity and PSE shall discuss the Relocation Plan and make any changes necessary to create a final Relocation Plan that is mutually acceptable to both Parties. The final Relocation Plan mutually agreed upon by the Parties thereafter will be attached as Exhibit B to this Agreement.

Section 2. Relocation Work

2.1 Notice to Proceed. At least [redacted] days prior to the Relocation Work commencement date specified in the Relocation Schedule, the Government Entity shall either (a) provide to PSE a written notice to proceed with the Relocation Work or (b) terminate this Agreement by written notice to PSE. In the event of such termination, the Government Entity shall promptly pay PSE the amounts payable to PSE in connection with such termination under Section 7.5.

2.2 Performance of Relocation Work. Subject to the terms and conditions of this Agreement and any applicable tariffs on file with the WUTC, PSE shall use reasonable efforts to perform the Relocation Work as described in the Relocation Plan. Unless

otherwise specified in the Relocation Plan, PSE shall provide all necessary materials, equipment and labor for the Relocation Work.

2.3 Adjustments to Relocation Plan. The Government Entity and PSE acknowledge that additional requirements not contemplated by the Relocation Plan may arise during the course of performing the Relocation Work. In the event such additional requirements arise, the Parties shall use good faith reasonable efforts to appropriately respond to such requirements in a prompt and efficient manner, including appropriate adjustment(s) to the applicable cost estimate(s) and work schedule(s). All notices of such requirements shall be in writing.

2.4 Relocation Schedule. PSE shall perform the Relocation Work in accordance with the Relocation Schedule with reasonable diligence in the ordinary course of its business and in light of any operational issues as to the remainder of its utility systems that may be influenced by the Relocation Work. PSE shall have no liability to the Government Entity or any third party, nor shall the Government Entity be relieved or released from its obligations hereunder, in the event of any delay in the performance of the Relocation Work due to any (a) repair, maintenance, improvement, renewal or replacement work on PSE's utility systems, which work is necessary or prudent as determined by PSE in its sole discretion; or (b) actions taken by PSE which are necessary or consistent with prudent utility practices to protect the performance, integrity, reliability or stability of PSE's utility systems or any systems to which such systems are connected.

Section 3. Operating rights

Unless otherwise provided for in the Relocation Plan, the Government Entity shall be solely responsible for [the acquisition, and] any costs related to acquisition of any and all operating rights for the Facilities that are necessary or appropriate, in addition to or as replacement for the Existing Operating Rights, for completion of the Relocation Work ("New Operating Rights"). Unless otherwise provided for in the Relocation Plan, such New Operating Rights shall be in PSE's name, shall be of equivalent quality and kind as the Existing Operating Rights and shall be provided in a form acceptable to PSE, all as determined by PSE in its sole discretion. The New Operating Rights shall be provided with sufficient title information demonstrating to PSE's satisfaction that PSE shall obtain clear, good and sufficient title to such rights, if applicable. PSE shall not be obligated to commence the Relocation Work, or otherwise in any way change, limit, curtail, impair or otherwise affect the normal and reliable operation of the Facilities as located upon or relative to the Existing Operating Rights, unless and until PSE is in possession of the New Operating Rights.

Section 4. Permits

The Government Entity shall be solely responsible for [the acquisition, and] any costs related to acquisition of any and all permits, licenses, certificates, inspections, reviews, impact statements, determinations, authorizations, exemptions or any other form of review or

approval given, made, done, issued or provided by any one or more governmental authorities with jurisdiction necessary or convenient for the Relocation Work (collectively, "Permits"). The Permits shall be on such terms and conditions as PSE shall, in its sole discretion, determine to be appropriate to its needs. PSE shall not be obligated to commence the Relocation Work, or otherwise in any way change, limit, curtail, impair or otherwise affect the normal and reliable operation of the Facilities, unless and until PSE is in possession of all Permits necessary for the Relocation Work and all rights of appeal with respect to the Permits shall have been exhausted. The Government Entity shall be responsible for the performance of and all costs associated with any mitigation required by the Permits.

Section 5. Revisions to Relocation Plan

5.1 Performance by Government Entity. In the event the Government Entity does not perform its obligations under Sections 3 and/or 4 above to PSE's reasonable satisfaction in accordance with the Relocation Plan (as evidenced by PSE's written notice to the Government Entity regarding such satisfaction), absent written waiver by PSE of such obligation, PSE and the Government Entity shall use reasonable efforts to adjust the Relocation Schedule to allow time for the Government Entity to perform such obligations; provided, that if the Parties cannot reasonably agree upon such schedule adjustment, PSE may, at its option, thereafter terminate this Agreement by giving written notice to the Government Entity, and the Government Entity shall promptly pay PSE the amounts payable to PSE in connection with such termination under Section 7.5. PSE's determination as to the satisfaction or waiver of any such obligation under this Agreement shall not be deemed to be a determination of satisfaction or waiver of any other condition arising under this Agreement.

5.2 Revisions to Improvements Plan or Delays. PSE shall notify the Government Entity in writing of any reasonably anticipated changes to the Relocation Plan (including the Relocation Schedule and/or Relocation Cost Estimate) that result from (a) the revision or modification of any Improvements in a manner that requires PSE to revise its plans and specifications for the Relocation Work; (b) delay in PSE's performance of the Relocation Work caused by the Government Entity (or its agents, servants, employees, contractors, subcontractors, or representatives); or (c) conditions or circumstances otherwise beyond the control of PSE.

Section 6. Ownership

All materials, information, property and other items provided for, used or incorporated into the Relocation Work (including but not limited to the Facilities) shall be and remain the property of PSE.

Section 7. Cost Reimbursement

7.1 Estimates. The Parties agree that the Design Cost Estimate and Relocation Cost Estimate set forth in the Design Work Plan and the Relocation Plan are estimates only

and PSE shall be entitled to reimbursement of all actual costs incurred in or allocable to the performance of the Design Work and the Relocation Work.

7.2 Costs in Excess of Estimates. PSE shall use reasonable efforts to monitor its actual costs incurred during the performance of the Design Work and the Relocation Work, and in the event PSE determines that such costs are likely to exceed the then-current Design Cost Estimate or Relocation Cost Estimate by more than twenty percent (20%), PSE shall so notify the Government Entity in writing. In such event PSE may, at its discretion, suspend performance of the Design Work or the Relocation Work until such time that PSE receives from the Government Entity its written acceptance of PSE's revised cost estimate(s). PSE shall not be obligated to take any further action with respect to performance of any work unless and until PSE receives the Government Entity's written acceptance of PSE's revised cost estimate(s) and authorization to proceed with the Design Work or the Relocation Work based on the revised cost estimate(s). In the event PSE does not receive written authorization from the Government Entity to proceed with the performance of the Design Work or the Relocation Work within ten (10) working days from the date of PSE's written notice, PSE may, at its discretion, terminate this Agreement. In the event of such termination, the Government Entity shall promptly pay PSE the amounts payable to PSE in connection with such termination under Section 7.5.

7.3 Design Work Costs & Relocation Costs. The Government Entity shall be responsible for, and shall reimburse PSE for, all costs and expenses incurred by PSE in connection with the performance of the Design Work ("Design Costs") and the Relocation Work ("Relocation Costs"). For purposes of this Agreement, the Design Costs and Relocation Costs shall include, without limitation, any and all direct or indirect costs incurred by PSE in connection with the performance of the Design Work (including preparation of the Design Work Plan) and the Relocation Work, including, but not limited to, labor, personnel, supplies, materials, overheads, contractors, consultants, attorneys and other professionals, administration and general expenses and taxes.

7.4 Statement of Costs - Invoice. Within thirty (30) days of the completion of the Design Work and sixty (60) days of the completion of the Relocation Work, PSE shall provide the Government Entity with a statement and invoice of the actual Design Costs or Relocation Costs incurred by PSE; provided, however, that the statement and invoice of Design Costs may, at the PSE's option, be deferred to and provided concurrent with the statement and invoice of Relocation Costs. PSE shall provide, within a reasonable period after receipt of any written request from the Government Entity, such documentation and information as the Government Entity may reasonably request to verify any such invoice.

7.5 Costs Upon Termination of Agreement. In the event either Party terminates this Agreement, the Government Entity shall promptly pay PSE the following:

- (a) all costs and expenses incurred by PSE in connection with the Design Work and the Relocation Work prior to termination of this Agreement (including,

without limitation, all Design Costs and Relocation Costs incurred through the date of termination and such additional costs PSE may incur in connection with its suspension or curtailment of the Design Work and the Relocation Work and the orderly termination of the Design Work and the Relocation Work); and

(b) all costs and expenses incurred by PSE in returning and restoring the Facilities to normal and reliable commercial operations.

7.6 Payment. The Government Entity shall, within thirty (30) days after the receipt of an invoice for costs payable under this Agreement, remit to PSE a payment for the full amount of the invoice.

Section 8. Indemnification

8.1 Indemnification. The Government Entity releases and shall defend, indemnify and hold harmless PSE 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. PSE releases and shall defend, indemnify and hold harmless the Government Entity 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 PSE in its performance under this Agreement. During the performance of such activities employees or contractors of each Party shall at all times remain employees or contractors, respectively, that Party and shall not be, or be construed to be, employees or contractors, respectively, of the other Party.

8.2 Title 51 Waiver. 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.

Section 9. Disclaimers and Limitation of Liability

9.1 Disclaimer. PSE makes no representations or warranties of any kind, express or implied, with respect to the Design Work, Relocation Work or other items or services provided under this Agreement including, but not limited to, any implied warranty of merchantability or fitness for a particular purpose or implied warranty arising out of course of performance, course of dealing or usage of trade.

9.2 Limitation of Liability. In no event shall PSE be liable, whether in contract, warranty, tort or otherwise, to any other party or to any other person for any indirect,

incidental, special or consequential damages arising out of the performance or nonperformance of the Design Work, Relocation Work or this Agreement.

Section 10. Miscellaneous

10.1 Tariffs Control. This Agreement is in all respects subject to all applicable tariffs of PSE now or hereafter in effect and on file with the WUTC. In the event of any conflict or inconsistency between any provision of this Agreement and any such tariff, the terms of the tariff shall govern and control.

10.2 Survival. Sections 3, and 6 through 10 shall survive any termination of this Agreement. Subject to the foregoing, and except as otherwise provided herein, upon and following termination of this Agreement neither Party shall have any further obligations arising under this Agreement and this Agreement shall be of no further force or effect.

10.3 Waiver. The failure of any Party to enforce or insist upon strict performance of any provision of this Agreement shall not be construed to be a waiver or relinquishment of any such provision or any other provision in that or any other instance; rather, the same shall be and remain in full force and effect.

10.4 Entire Agreement. This Agreement, including any exhibits hereto, sets forth the complete and integrated agreement of the Parties. This Agreement cannot be amended or changed except by written instrument signed by the Party to be bound thereby.

10.5 Force Majeure. 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; storm, 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 Design Work, the Relocation 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 obligation 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 cause by a Force Majeure Event.

10.6 Enforceability. 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.

10.7 Notice. Any notice, request, approval, consent, order, instruction, direction or other communication under this Agreement given by either Party to the other Party shall be in writing and shall be delivered in person to an authorized representative or mailed, properly addressed and stamped with the required postage, to the intended recipient at the address and to the attention of the person specified below the Parties' respective signatures on this Agreement. Either Party may from time to time change such address by giving the other Party notice of such change in accordance with this section.

10.8 Governing Law. This Agreement shall be interpreted, construed and enforced in all respects in accordance with the laws of the State of Washington. This Agreement shall be fully binding upon the Parties and their respective successors, assigns and legal representatives.

In witness whereof, the Parties have executed this Agreement as of the date set forth above.

PSE:

Government Entity

Puget Sound Energy, Inc.

By _____

By _____

Its _____

Its _____

Address: _____

Address: _____

Attn: _____

Attn: _____

EXHIBIT A
FACILITIES AND EXISTING OPERATING RIGHTS

EXHIBIT B

RELOCATION PLAN

(TO BE ATTACHED FOLLOWING ACCEPTANCE BY THE PARTIES)

PUGET SOUND ENERGY
Electric Tariff G**SCHEDULE 73**
CONVERSION TO UNDERGROUND SERVICE
FOR CUSTOMERS OTHER THAN GOVERNMENT ENTITIES

(N)

1. AVAILABILITY

The Company shall, in accordance with the Company's applicable standards and specifications (and subject to the other provisions of this Schedule), design and install an Underground Distribution System in the Conversion Area and remove from the Conversion Area 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. Sufficient materials and equipment are available.
- b. The Customer has requested the Company to install an Underground Distribution System, and the Customer and the Company have entered into a Schedule 73 Underground Conversion Agreement in the form set forth in Attachment A to this Schedule.
- c. The Company has the right to install, construct, operate, repair and maintain an electrical distribution system (including an Underground Distribution System) in the Conversion Area (i) regarding the portions of such system to be installed in a Public Thoroughfare, pursuant to a franchise granted by the applicable Government Entity and executed by the Company, or, if there is no such franchise, pursuant to some other grant of rights mutually agreed upon by the Company and such Government Entity, and (ii) regarding any other portion of such system, pursuant to a grant of rights agreed upon by the Company.
- d. 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.
- e. The Customer requesting service under this Schedule is not a Government Entity.

Customers that are eligible to receive service under this Schedule are not eligible for service under Schedule 74 of the Company's Electric Tariff G.

(N)

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By:



George Pohndorf

Title: Director, Rates & Regulation

**PUGET SOUND ENERGY
Electric Tariff G**

**SCHEDULE 73
CONVERSION TO UNDERGROUND SERVICE
FOR CUSTOMERS OTHER THAN GOVERNMENT ENTITIES
(Continued)**

(N)

2. NON-ELIGIBLE CONVERSIONS IF PERMITTED BY THE COMPANY

Conversions of existing overhead distributions systems or portions thereof that do not meet the availability requirements of Section 1 of this Schedule shall be accomplished at the sole discretion of the Company and after payment by the Customer to the Company of one hundred percent (100%) of the Company's estimated design and construction costs to perform such conversion. Non-eligible conversions, if accomplished by the Company, shall be subject to Sections 3 through 13 of this Schedule.

3. CUSTOMER OBLIGATIONS

a. The Customer shall, at its expense, perform the following within the Conversion Area, all in accordance with the Company's specifications:

- (1) Trenching and Restoration, together with all coordination required for the installation of the Underground Distribution System; and
- (2) surveying for alignment and grades for vaults and ducts.

b. The Customer shall pay to the Company the entire amount of all of the costs described below in this Section 3.b. The Customer shall pay to the Company, prior to the Company's commencing any work under this Schedule, an amount equal to the Company's estimate of the design and construction costs for the conversion project to be accomplished by the Company pursuant to this Schedule. If the actual costs of any amounts payable by the Customer to the Company pursuant to this Schedule are different from such estimate, the Company shall refund any excess payment to the Customer or bill (and be entitled to collect from) the Customer the appropriate amount in the case of any underpayment of actual costs by the Customer, such bill to be paid by the Customer within thirty (30) days.

- (1) the actual costs to the Company for labor, materials and overheads and all other costs for design of the Underground Distribution System;
- (2) the actual costs to the Company for labor, materials and overheads and all other costs to construct and install the Underground Distribution System;
- (3) the actual design costs to the Company (including costs for labor, materials and overheads and all other 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 (if any) to the Company of the facilities removed, for removal of the existing electrical facilities;

(N)

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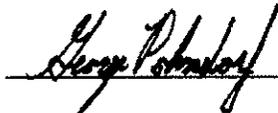
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**PUGET SOUND ENERGY
Electric Tariff G**

**SCHEDULE 73
CONVERSION TO UNDERGROUND SERVICE
FOR CUSTOMERS OTHER THAN GOVERNMENT ENTITIES
(Continued)**

(N)

- (4) the costs, if any, incurred by the Company to obtain the Operating Rights;
- (5) the incremental costs incurred by the Company to implement any Customer Requested Changes (including, without limitation, any overtime labor costs);
- (6) the costs incurred by the Company due to delays in the Company's installation of the Underground Distribution System attributable to the acts or omissions of the Customer, its contractors or other parties the Customer allows to use the trench for the Underground Distribution System (including, without limitation, any overtime labor costs); and
- (7) 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. GENERAL

- a. **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.
- b. **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.
- c. **Temporary Service:** Temporary Service shall not exceed a term of 18 months from the date of completion of the conversion to an Underground Distribution System, unless the Company agrees to extend such term. If a Temporary Service is not disconnected or removed within such time approved by the Company acting reasonably, the Customer shall pay, without duplication of any amounts previously paid by the Customer pursuant to this Schedule, either (i) 100% of the costs for the entire Underground Distribution System or (ii) 100% of the costs of converting only the Temporary Service to underground, whichever the Customer may elect.

5. USE BY OTHER UTILITIES OF TRENCHES PROVIDED BY THE CUSTOMER

Other utilities may be permitted by the Customer to use trenches provided by the Customer 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. Any change to the Company's design to accommodate such use shall be deemed to be a Customer Requested Change.

(N)

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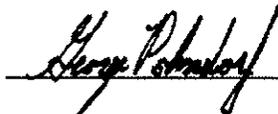
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PUGET SOUND ENERGY
Electric Tariff G

SCHEDULE 73
CONVERSION TO UNDERGROUND SERVICE
FOR CUSTOMERS OTHER THAN GOVERNMENT ENTITIES
(Continued)

(N)

6. CANCELLATION

If a Customer cancels or takes any other action that has substantially the same effect as cancellation regarding a conversion project undertaken under this Schedule prior to completion of the conversion to an Underground Distribution System, the Customer shall pay the Company all of the costs incurred by the Company to the date of such cancellation or other action, plus any future costs of the Company that may not be reasonably avoided. If on account of any Customer action or failure to act construction of a conversion project has not commenced within one year after the Company has provided an estimate of the costs for such project to the Customer, such conversion project shall be deemed to be cancelled. The Customer shall pay all design and construction costs incurred by the Company on account of cancellation (or any other action that has substantially the same effect as cancellation) within thirty (30) days after receipt of the Company's invoice therefor.

7. INSTALLATION AND OPERATING RIGHTS

- a. The Company shall, at the Customer's expense, obtain all rights to space and all legal and other rights necessary, in the Company's sole judgment, for the safe and efficient installation, operation, repair and maintenance of all of the Facilities within the Conversion Area; provided, that with the prior written consent of the Company, the Customer may, at its expense, obtain all or part of such rights. Expenses for which the Customer shall be liable pursuant to this section include, but are not limited to, Company staff costs (including overheads) and the actual costs of any easement, fee, permit, survey and reasonable attorneys' fees.
- b. If any Operating Rights are not available to the Company in a timely manner, service under this Schedule may be delayed or canceled at the discretion of the Company.

8. 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.

9. UNDERGROUND SERVICE LINES

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

(N)

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PUGET SOUND ENERGY
Electric Tariff G

SCHEDULE 73
CONVERSION TO UNDERGROUND SERVICE
FOR CUSTOMERS OTHER THAN GOVERNMENT ENTITIES
(Continued)

(N)

10. DESIGN AND COSTS

The Company exclusively shall determine the appropriate design, phase, voltage and capacity of the Underground Distribution System and appropriate costs using its cost estimating system in conjunction with sound engineering practices. The Company shall provide estimates of its design and construction costs to perform the conversion; provided, that (a) estimates shall be provided for planning purposes only, and may differ from the actual costs of conversion, and (b) the Company may, at its option, require the Customer to pay in advance the Company's cost of providing such estimates. Upon request, the Company shall provide (but not more frequently than once in any calendar month) a report of progress identifying work completed to date, work yet to be completed and an estimate regarding whether the conversion project is on target with respect to estimated budget and schedule.

11. STANDARD PRACTICES

The manner and type of construction of any Underground Distribution System or Underground Service Lines installed under this Schedule shall be determined by the Company in its sole judgment consistent with its standard practices. In the event that the applicable government authority or law requires any type of construction that results in any increase in costs over the costs that would have been incurred for design and construction pursuant to the Company's standard practices, any such increase in costs shall be paid in full by the Customer to the extent that such increased costs are not paid to the Company by the applicable government authority or other person or entity.

12. 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.

13. DEFINITIONS

The following terms when used in this Schedule shall, solely for purposes of this Schedule, 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.

(N)

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PUGET SOUND ENERGY
Electric Tariff G

SCHEDULE 73
CONVERSION TO UNDERGROUND SERVICE
FOR CUSTOMERS OTHER THAN GOVERNMENT ENTITIES
(Continued)

(N)

- b. **Customer Requested Change:** Any change requested or caused by the Customer in the engineering, design, construction and installation plan or in the Trenching and Restoration plan of the Underground Distribution System. Customer Requested Changes may include, but are not limited to, re-routing or re-locating the Underground Distribution System, use of different or non-standard equipment, installation of equipment in indoor vault rooms, expedited installation of the Underground Distribution System or use of Customer-provided contractors to perform work that would otherwise be performed by the Company under this Schedule. Customer Requested Changes do not include any change in the size of the Conversion Area.
- 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:** Any municipality, county or other government entity having authority over the Public Thoroughfare in the Conversion Area.
- e. **Operating Rights:** Any of the rights to space or other rights referred to in Section 7.a of this Schedule.
- f. **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.
- g. **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 a Customer, 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 a Customer, 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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PUGET SOUND ENERGY
Electric Tariff G

SCHEDULE 73
CONVERSION TO UNDERGROUND SERVICE
FOR CUSTOMERS OTHER THAN GOVERNMENT ENTITIES
(Continued)

- h. 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.
- i. 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 Customer 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 necessary to replicate the load-carrying capacity (system amperage class) of the overhead system being replaced.
- j. 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)

(N)

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By:



George Pohndorf

Title: Director, Rates & Regulation

PUGET SOUND ENERGY

Attachment "A" – Conversion Agreement

SCHEDULE 73 UNDERGROUND CONVERSION AGREEMENT

THIS SCHEDULE 73 UNDERGROUND CONVERSION AGREEMENT ("Agreement"), dated as of this ____ day of _____, 200__, is made and entered into by and between [_____] (the "Customer") 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 currently distributes electricity to the Customer.

B. The area to be converted from an overhead distribution system to an underground distribution system is [INSERT DESCRIPTION OF CONVERSION AREA], such area being more specifically identified on Company work order(s) [INSERT WORK SKETCH NUMBERS] ("Conversion Area"). The Conversion Area includes [INSERT BRIEF DESCRIPTION OF STREET AND/OR STREET LIGHT IMPROVEMENT PROGRAM].

C. The Customer has requested that the Company convert the existing overhead distribution system within the Conversion Area to a comparable underground distribution system using above-ground transformers and switchgears. Although overhead and underground distribution systems are inherently different, the underground system to be installed is to be the operational equivalent of the existing overhead distribution system.

D. The parties desire to execute this agreement in accordance with Schedule 73 of the Company's Electric Tariff G ("Schedule 73") to govern the installation of such underground distribution system.

AGREEMENT

The Company and the Customer therefore agree as follows:

1. Capitalized terms used in this Agreement, unless otherwise defined herein, have the meanings set forth in Schedule 73.

PUGET SOUND ENERGY

2. The Customer represents and warrants to the Company that all persons and entities within the Conversion Area have agreed to convert service to such persons and entities from overhead distribution service to underground distribution service. The parties acknowledge that single-family residences within the Conversion Area must (a) 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 (b) pay for the Underground Service Lines as defined in Schedule 85 of the Company's Electric Tariff G (as revised from time to time upon approval of the Washington Utilities and Transportation Commission). The Customer agrees that it is responsible for ensuring that all persons and entities within the Conversion Area provide such trench and conduit and convert from overhead distribution service to Underground Service Lines. Should any person or entity in the Conversion Area fail to convert to Underground Service Lines, the conversion shall be deemed to be a non-eligible conversion pursuant to Section 2 of Schedule 73.
3. The parties acknowledge that under Schedule 73, if the owners of real property to be served from the Underground Distribution System are participants in the conversion through a Local Improvement District ("LID") or other similar process, such owners must provide to the Company, at their expense, all rights to space and all legal and other rights necessary, in the Company's sole judgment, for the safe and efficient installation, operation, repair and maintenance of all of the Facilities within the Conversion Area.
4. The Customer shall be responsible for coordinating all work to be performed in connection with any street improvement program within the Conversion Area. The Company shall not be required to install the Underground Distribution System until the area in which the Underground Distribution System is to be installed has been established to final grade. Upon performance by the Customer of the necessary preliminary work, the Customer shall give the Company not less than ten (10) working days' advance notice thereof, and shall request in such notice that the Company commence installation of the Underground Distribution System. The Customer shall schedule such construction to minimize interference from the installation of other improvements.
5. The Company shall use reasonable efforts to coordinate timing, scheduling and cost control mechanisms for Company crews and sub-contractors performing work pursuant to this Agreement. The Company shall use reasonable diligence in commencing and performing work hereunder, but the Company shall not be liable for any delays resulting from circumstances beyond its control, including, but not limited to, failure to receive necessary Operating Rights. The Customer agrees that work to be performed by the Company shall be scheduled to avoid premium labor charges to the Company. Any overtime provided by the Company at the request of the Customer shall be deemed to be a Customer Requested Change and the cost thereof shall be charged to the Customer.
6. The Customer releases and shall defend, indemnify and hold harmless the Company from all claims, losses, harm, liabilities, damages, costs and expenses (including, but not limited to, reasonable attorneys' fees) caused by, arising out of or in connection with the performance by the Customer, or the Customer's failure to perform, any of its obligations under this Agreement. The employees of the Customer or its contractors shall at no time be deemed to be the employees of the Company.

PUGET SOUND ENERGY

7. This Agreement is subject to the General Rules and Provisions set forth in Schedule 80 of the Company's Electric Tariff G and to Schedule 73 of such tariff, as such schedules may be revised from time to time upon approval of the Washington Utilities and Transportation Commission; provided, however, if either of the foregoing schedules are revised, any price set forth in this Agreement will not be changed for sixty (60) days following such revision. Any conflict in terms between this Agreement and the Company's Schedules 73 and 80 of its tariffs shall be resolved in favor of such schedules.

CUSTOMER

PUGET SOUND ENERGY, INC.

[ENTITY]

By _____

By _____

Its _____

Its _____

Date Signed _____

Date Signed _____

[Name Typed]

Date Signed _____

[Name Typed]

Date Signed _____

[Name Typed]

Date Signed _____

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:

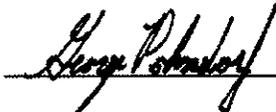
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George Pohndorf

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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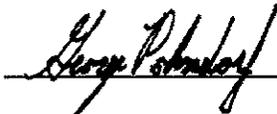
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**PUGET SOUND ENERGY
Electric Tariff G**

**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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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

PUGET SOUND ENERGY
Electric Tariff G

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.

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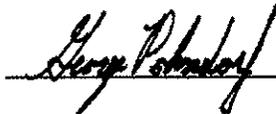
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(N)

- 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.

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(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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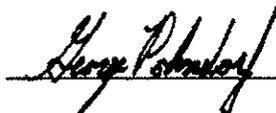
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- (iv) the actual costs to the Government Entity (if any) of installation of ducts and vaults or other Facilities that the Government Entity has agreed to install for the Underground Distribution System pursuant to the Construction Agreement, up to 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 throughway, 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).

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(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.

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Attachment "A" – Project Design Agreement

SCHEDULE 74 UNDERGROUND CONVERSION AGREEMENT

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)

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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

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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-

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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.

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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

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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

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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.

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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:

PUGET SOUND ENERGY

Attachment "B" – Project Construction Agreement

SCHEDULE 74 UNDERGROUND CONVERSION AGREEMENT

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

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- 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.

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- (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).

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- (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.

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- (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 preconstruction meeting involving all participants in the Conversion Project to review project design, coordination requirements, work sequencing and related premobilization requirements. Following the preconstruction 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.

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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.

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- 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

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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

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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

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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.

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- (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.

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- (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 F

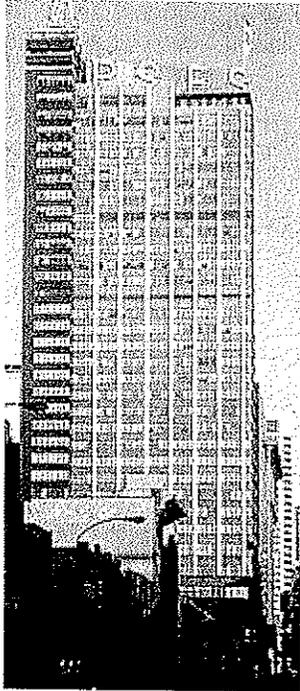
Incentives!

A GUIDE TO THE FEDERAL HISTORIC PRESERVATION TAX INCENTIVES PROGRAM FOR INCOME-PRODUCING PROPERTIES

[Program Essentials](#) | [Application Basics](#) | [The Review Process](#) | [Meeting the Standards for Rehabilitation](#) | [Avoiding Incompatibilities](#)

Standards for Rehabilitation

TOPICS IN THIS SECTION:



This historic, 20th-century bank building in Philadelphia, Pennsylvania, was rehabilitated for hotel use. Photo: NPS files

The Secretary of the Interior's Standards for Rehabilitation are ten basic principles created to help preserve the distinctive character of a historic building and its site, while allowing for reasonable change to meet new needs.

The Standards apply to historic buildings of all periods, styles, types, materials, and sizes. They apply to both the exterior and the interior of historic buildings. The Standards also encompass related landscape features and the building's site and environment as well as attached, adjacent, or related new construction.

Rehabilitation projects must meet the following Standards, as interpreted by the National Park Service, to qualify as "certified rehabilitations" eligible for the 20% rehabilitation tax credit:

The Standards are applied to projects in a reasonable manner, taking into consideration economic and technical feasibility.

1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
2. The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.
3. Each property shall be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.
4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.
5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a historic property shall be preserved.
6. Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.
7. Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.
8. Significant archeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.
9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.
10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.