

## Exhibit 2

### PROTOTYPE OWNERSHIP TERM SHEET

#### **Introduction**

The RFP describes two basic contract scenarios pursuant to which PSE would potentially acquire wind generation resources. The first, the "Power Purchase Agreement" scenario, contemplates proposals for the sale of energy and "Environmental Attributes" (as defined in the Prototype Power Purchase Agreement, attached as Exhibit 1 to the RFP) from the Project (as defined herein under "*Respondent and the Project*") by Respondent to PSE pursuant to terms and conditions substantially similar to those set forth in the Prototype Power Purchase Agreement. The second, the "PSE ownership arrangement" scenario, contemplates proposals for the sale by Respondent to PSE of all or a portion of the ownership interest in the Project. Additionally, the RFP invites Respondents to submit proposals which combine elements of each scenario.

This Prototype Ownership Term Sheet ("Term Sheet") sets forth certain terms and conditions which would be embodied in a purchase and sale agreement (the "PSA") pursuant to which PSE would acquire a 50% undivided interest as tenant in common in and to all assets, properties and rights of the Project owned by Respondent, with the other 50% interest in the Project being retained by Respondent.<sup>1</sup> This Term Sheet contemplates that the Project would be placed into service on or before December 31, 2004.<sup>2</sup> This Term Sheet also contemplates that, in addition to Respondent's sale to PSE of a 50% undivided interest in the Project, Respondent and PSE would execute a power purchase agreement (the "Power Purchase Agreement") pursuant to which PSE would purchase the entire energy output and Environmental Attributes produced by Respondent's 50% undivided interest in the Project for a specified term. In the PSE ownership arrangement scenario, therefore, PSE would be entitled to 50% of the output and Environmental Attributes from the Project as a partial owner thereof and 50% in its capacity as the purchaser of the output and Environmental Attributes attributable to Respondent's retained ownership interest, in the latter case for the term agreed upon.

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<sup>1</sup> Such assets, properties and rights of the Project would include all of the associated real and personal property, tangible and intangible property, assets, equipment, components, facilities, interconnections, systems, spare and replacement parts, permits, intellectual property, and contractual, expansion and other rights currently held or acquired in the future that are necessary, useful, held for use or appropriate for the ownership, planning, development, permitting, design, engineering, construction, interconnection, transmission, use, operation, maintenance, repair and expansion of the Project.

<sup>2</sup> PSE's preference is that the Project would be placed in service on or before December 31, 2004, however, PSE will evaluate proposals that contemplate a later placed in service date.

A proposal for a PSE ownership arrangement scenario, in addition to containing the other submissions required by the RFP, shall set forth detailed proposals and supporting documents, information and data regarding the timing, price, terms and conditions of a proposed sale of a 50% undivided interest in the Project to PSE and a budget, schedule and other information regarding the funding of construction, operation and maintenance of the Project.

## **Background**

Respondent acknowledges that the RFP, including this Term Sheet, has been prepared by PSE in connection with an ongoing process of integrated resource planning and that PSE is considering alternative arrangements for the procurement of generation resources, including wind generation resources. This Term Sheet is an integral part of, and subject to, the terms and conditions of the RFP. This Term Sheet shall not be interpreted as or deemed to be an offer, agreement or commitment by PSE to acquire any generation resource and shall not limit, restrict or obligate PSE in any way with regard to the conduct of such integrated resource planning process, the potential implementation of any plan or program of resource procurement or the actual procurement of any generation resources. PSE may, in its sole and absolute discretion, reject any and all proposals received in response to the RFP, request the submission of different proposals for other generation resources and/or seek to acquire generation resources from one or more parties other than any Respondent.

This Term Sheet sets forth the current requirements of PSE that should be addressed by or incorporated into a proposal providing for a PSE ownership arrangement, and is intended to identify certain elements of a potential transaction which would be embodied in Definitive Agreements (as defined herein). PSE reserves the right at any time and from time to time to modify, change, supplement or delete any and all provisions of this Term Sheet and to withdraw and cancel the RFP.

PSE has attempted to set forth herein provisions that would be applicable generally to all Respondents and relevant to any potential transaction arising out of a proposed PSE ownership arrangement involving the sale of an undivided interest in the Project to PSE. PSE recognizes, however, that the particular facts and circumstances of individual Respondents and the wind generation projects that are the subject of their proposals may vary substantially from and not strictly conform with the transaction structure described in this Term Sheet, with the result that certain proposals in response to the RFP may not incorporate all elements of a PSE ownership arrangement outlined in this Term Sheet.

PSE further recognizes that certain Respondents, for reasons including, among others, legal ownership structure, regulatory requirements or

limitations and financing requirements, may submit proposals regarding PSE ownership arrangements that propose that PSE purchase equity interests (such as limited liability company interests or limited partnership interests) in a project company that owns a wind generation project.

PSE would prefer the submission of proposals consistent with the PSE ownership arrangement described in this Term Sheet. PSE is willing to review and evaluate such alternative proposals on the basis set forth in the RFP, taking into consideration, however, the different or additional economic, legal, regulatory, tax, risk management, financing, credit support, contractual and other implications presented by such alternative proposals.

**Respondent and the Project**

This Term Sheet assumes that Respondent is the owner of a wind generation project currently under development and having a nameplate capacity of not less than 25 MW that would meet the requirements of a "qualified energy resource" and a "qualified facility," such that sales of electricity generated therefrom (the "Project") would be eligible for production tax credits under section 45 of the Internal Revenue Code of 1986, as amended (the "Code").

In its response to the RFP, in addition to the other submissions that should accompany a proposal that contemplates the sale of an undivided ownership interest in the Project to PSE, Respondent shall comprehensively demonstrate to PSE that the Project, as proposed to be owned, financed, permitted, constructed, operated and maintained, would at all times during the ten-year period after the date that it is "placed in service" constitute a "qualified energy resource" and a "qualified facility" and be capable of generating production tax credits for such period, subject to the general availability of such credits under the Code. Respondent must similarly demonstrate that the Project is capable of being "placed in service," in full compliance with all technical, performance and operating criteria and standards and the requirements of the RFP, the Power Purchase Agreement, applicable laws, regulations, permits and governmental authorities having jurisdiction over the parties or the Project, on or before December 31, 2004.

**Certain Definitive Agreements**

PSE currently contemplates that the Definitive Agreements associated with the potential transaction described in this Term Sheet would include, among other agreements (1) a PSA for the sale by Respondent to PSE of a 50% undivided interest in the Project, (2) an ownership or co-tenancy agreement between PSE and Respondent (the "Ownership Agreement"), (3) to the extent not addressed in the Ownership Agreement, a construction management agreement among PSE, Respondent and, typically, an affiliate of Respondent acceptable to PSE

pursuant to which such affiliate would perform or support the performance by PSE and Respondent of certain obligations of PSE and Respondent under the EPC Contract (as defined herein)(the "CM Agreement") (4) an operation and maintenance agreement among PSE, Respondent and, typically, an affiliate of Respondent acceptable to PSE (the "Operator") governing the day to day operation and maintenance of the Project (the "O&M Agreement") and (5) a guaranty by an affiliate of Respondent acceptable to PSE (the "Guarantor") of the obligations of Respondent and affiliates of Respondent under the Definitive Agreements (the "Respondent Guaranty"). The execution and delivery of the Definitive Agreements would be subject, among other things, to PSE's satisfactory completion of its due diligence as described herein and the approval of such agreements on behalf of each party by all necessary boards of directors or other appropriate management bodies.

### **Closing**

The Closing would occur after receipt by the parties of all consents, authorizations and approvals and satisfaction or waiver of conditions precedent specified in the Definitive Agreements (the date of the Closing, the "Closing Date"). At the Closing, PSE would purchase from Respondent, a 50% undivided interest in the Project, free and clear of all liens, charges, encumbrances, and conflicting or competing claims. PSE would not assume any responsibility, liability or obligation for, and Respondent would indemnify, hold harmless and defend PSE for any claims, losses, liabilities or obligations relating to or associated with the Project or the actions and omissions of Respondent and its affiliates arising from or relating to events, occurrences, circumstances or conditions occurring or existing prior to the Closing Date.

### **Management Committee**

The Ownership Agreement would set forth PSE's and Respondent's rights, benefits, remedies, obligations, duties and liabilities in respect of the ownership and administration of the Project, including the construction, operation, maintenance, repair, expansion or restoration of the Project and the assignment, sale, transfer or other conveyance of the interests of the parties in the Project. It would also provide for the formation of a management committee (the "Management Committee"), which would be responsible for overall management and administration of the Project. The Management Committee would include an equal number of representatives of each of PSE and Respondent, and PSE and Respondent would each have one (1) vote on matters before the Management Committee, with decisions of the Management Committee requiring unanimous approval. The Ownership Agreement would contain appropriate provisions for the timely resolution of deadlocks of the Management Committee. The rights of the Management Committee would include the right to delegate limited authority to the Operator for the day to day operation and maintenance of the Project and to PSE for its performance of the asset management function for the Project.

**Payment of  
Operating Costs**

The Ownership Agreement would include covenants regarding the payment of the costs and expenses of operation and maintenance of the Project, permitted liens and the rights and remedies of a party upon a failure, breach, default or non-performance of the other party (or an affiliate of the other party), including the following:

(1) Revenues received by Respondent pursuant to the Power Purchase Agreement would be deposited into accounts established pursuant to the Ownership Agreement and/or the applicable agreements relating to the financing of Respondent's undivided interest in the Project before being available for unrestricted use by Respondent, to secure the payment or funding of: (a) the costs of operation and maintenance of the Project, (b) the fees and expenses of any lender, including any trustee, collateral agent or administrative agent, which has provided financing to Respondent of its undivided interest in the Project or its share of the costs of construction, operation and maintenance of the Project, (c) applicable interest, principal and costs, expenses or fees in respect of the financing of Respondent's undivided interest in the Project and (d) working capital, capital improvement, debt service and maintenance reserves.

(2) Respondent would not create, grant, suffer or permit to exist, in connection with the financing of Respondent's undivided interest in the Project, the funding of the Respondent's share of the cost of construction, operation and maintenance of the Project or otherwise, any mortgage, lien, security interest or other encumbrance in respect of PSE's undivided interest in the Project, and Respondent would not at any time seek to partition the Project.

(3) PSE (or its designee) would have certain rights to "step-in" and control the operation and maintenance of the Project, consistent with the reasonable terms of the agreements relating to Respondent's financing of its undivided interest in the Project, upon any breach, default or non-performance by Respondent, Guarantor, Operator or an affiliate of Respondent, as applicable, under any Definitive Agreement.

**Construction  
Arrangements**

The allocation of the respective roles of PSE and Respondent in the administration, management and oversight of the development and construction of the Project would be set forth in the Ownership Agreement. The Ownership Agreement would allocate to Respondent principal responsibility for managing, supervising and overseeing the performance of the design, engineering, construction and other work necessary for the completion and initial commercial operation of the Project in accordance with an agreed budget and schedule established by PSE and Respondent and set forth in the Ownership Agreement. PSE and Respondent may enter into a CM Agreement to the extent that they agree to delegate to a third party, typically an affiliate of

Respondent, limited responsibility for the performance and administration of certain obligations of PSE and Respondent under the EPC Contract and/or the performance of Respondent's obligations under the Ownership Agreement relating to construction of the Project.

From and after the date of the Definitive Agreements, and until final completion of the Project, Respondent would maintain a construction manager to oversee and coordinate the construction of the Project. The Ownership Agreement would also provide that an independent engineer be retained to verify the Project's attainment of performance levels, compliance with other specified construction and operation criteria and the EPC contractor's timely achievement of project milestones and the requirements of substantial completion and final completion under the EPC Contract. The fees and expenses of such independent engineer would be shared equally by Respondent and PSE.

Respondent would be required at all times, in connection with its management and oversight of the construction of the Project, to assure that PSE and its designees have access to the Project, the site and the facilities of contractors, subcontractors and vendors for the purpose of enabling PSE to be continually apprised of and knowledgeable about the status, progress and developments in the construction of the Project. Respondent would be obligated to promptly inform PSE of any proposed changes to the Project or events potentially impacting the Project, including proposed changes to (1) the plans, specifications, technical requirements and permit requirements for the Project, (2) the cost of, or completion schedule for, the Project and (3) the performance guarantees, warranties or indemnities provided by the EPC contractor or equipment manufacturers. Respondent would be obligated to promptly notify PSE of any actual or threatened claims by any third person, loss, damage, destruction or threatened condemnation of any portion of the Project and any governmental inspections, investigation or requests for information relating to the Project.

The Ownership Agreement would set forth procedures for PSE to timely receive copies of certain correspondence, notices, documents, information or data sent to or received from the EPC contractor and other contractors or vendors furnishing services, supplies or equipment used in the construction of the Project. Such procedures would assure that PSE is permitted to timely review all proposed plans, drawings and specifications related to the design, construction, operation and maintenance of the Project and to provide comments to be addressed by Respondent with the EPC contractor. Respondent shall assure that PSE is permitted to observe and monitor performance of all work related to the construction of the Project and components thereof, at the Project

site and the premises of the EPC contractor and other contractors or vendors providing services, supplies or equipment for the Project.

**EPC Contract**

Respondent and PSE would enter into an agreement with an experienced contractor acceptable to PSE that has performed EPC services for wind generation projects similar to the Project (the "EPC Contract"). Respondent and PSE would be severally liable for the performance of obligations under the EPC Contract. The EPC Contract would be for a fixed price, and would contain terms, conditions, indemnities, remedies (including schedule and performance liquidated damages), and schedule, technical, insurance, warranty and guarantee requirements customary for the construction of a project financed wind generation project, including the general terms and conditions set forth in Exhibit A to this Term Sheet. The EPC contractor would provide a comprehensive "wrap" of the performance and other warranties relating to the design, workmanship, equipment and performance of the Project.

Payments would be made under the EPC Contract in predetermined incremental amounts upon accomplishment of specified milestones in the design, engineering and construction of the Project, through final completion of the Project. The parties would fund their respective portion of the of the EPC Contract price in accordance with procedures set forth in the Ownership Agreement, provided, however, that Respondent would be liable to fund the costs of construction of the Project in excess of the amounts budgeted therefor, unless such additional amounts result from the occurrence of a force majeure, change in applicable law or changes to the Project requested by PSE.

**Asset Management/O&M**

The Ownership Agreement would establish the scope of PSE's responsibility for the asset management function for the Project, which would include, without limitation, the keeping of books, records and accounts, preparation of reports, and community and governmental relations for the Project. The scope of Respondent's and PSE's responsibilities relating to operation and maintenance of the Project, and the allocation of responsibilities to the Operator, would also be set forth in the Ownership Agreement.

Respondent and PSE would enter into an O&M Agreement providing the terms governing Operator's operation, maintenance and repair of the Project for a specified term. Operator would be under the direction of the Management Committee. Operator's responsibilities would include the preparation and submission of a proposed annual O&M budget (including capital and operating expenses) and an annual operating plan for approval by the Management Committee.

**Power Purchase Agreement**

Respondent and PSE would enter into a Power Purchase Agreement for the sale by Respondent to PSE of all of the output and Environmental Attributes produced by Respondent's undivided interest in the Project. The Power Purchase Agreement would contain terms and conditions substantially similar to those reflected in the Prototype Power Purchase Agreement.

**Financing**

PSE would, at Respondent's cost and expense, reasonably support the efforts of Respondent to obtain project financing or other financing for its share of the cost of the construction, operation, maintenance, repair, restoration and expansion of the Project, provided that Respondent shall be solely responsible for its own financing requirements. Respondent would not enter into any agreements, contracts, arrangements or commitments related to such financing which would be reasonably likely to (1) relieve Respondent, Guarantor or other affiliate of Respondent of any of their respective obligations under the Definitive Agreements, (2) decrease the economic benefits, or increase the costs, of the potential transaction to PSE, (3) create any additional or increased economic, legal or other risk to PSE in connection with the potential transaction or under the Definitive Agreements, (4) permit or allow any liens, charges or other encumbrances relating to any such financing to encumber or otherwise affect PSE's undivided interest in the Project or (5) permit partition of the Project.

In the event that PSE subsequently desires to effect a financing or refinancing relating to its undivided interest in the Project, Respondent would provide reasonable support to PSE in that regard.

**Certain Tax Considerations**

Respondent and PSE would agree to cooperate to maximize the production tax credits available for energy produced by the Project and minimize each party's respective transaction taxes resulting from or arising with respect to a potential transaction. Respondent would be responsible for the payment of all sales, conveyance, transfer, real estate excise, business and occupation or similar transaction taxes assessed or incurred by either party relating to PSE's purchase of an 50% undivided interest in the Project or otherwise in connection with a potential transaction.

Respondent would not secure financing relating to the Project by (1) governmental grants, (2) tax-exempt bonds, (3) direct or indirect subsidized financing through government programs or (4) any other arrangement which would be reasonably likely to result in the disallowance of or reduction in production tax credits for energy produced by the Project.



**Regulatory Approvals**

PSE currently anticipates that the following regulatory approvals, among others, might be required prior to Closing to implement a proposed transaction:

- (1) Receipt of FERC approval under Section 203 of the Federal Power Act required for the transfer of a (direct or indirect) interest in FERC-jurisdictional facilities included as part of the Project; and
- (2) Receipt by PSE from the Washington Utilities and Transportation Commission (the "WUTC") of approvals and orders, as applicable, pertaining to PSE's acquisition of the undivided interest in the Project and the other aspects of the potential transaction, and confirming (a) the inclusion of the full amount of the purchase price of such undivided interest and other amounts allocable to the construction, start-up, testing and commissioning of the Project in PSE's rate base and (b) full rate recovery of the amounts paid pursuant to the Power Purchase Agreement, each of such approvals and/or orders to be in form and substance satisfactory to PSE in its sole discretion.

**Transaction Representations & Warranties**

The Definitive Agreements would contain customary representations and warranties by Respondent and PSE for transactions similar to the transaction and would include the following:

- (1) Appropriate representations regarding receipt of regulatory and other approvals necessary to consummate the potential transaction;
- (2) Appropriate representations by Respondent as to the financial condition of each of Respondent, Guarantor and any affiliate that is a party to a Definitive Agreement, and appropriate representations by PSE as to the financial condition of PSE;
- (3) Appropriate representations by Respondent as to the nature and extent of its rights, title and interests in and to the Project and the condition (including with respect to environmental matters) of the Project;
- (4) Appropriate representations by Respondent as to the sufficiency of the assets, properties, equipment and rights constituting the Project, including permits and governmental authorizations, for the construction, operation, maintenance and repair of the Project and for the full operation, utilization and maintenance of the Project in accordance with the requirements of the RFP and the Power Purchase Agreement;
- (5) Appropriate representations by Respondent with regard to the Project's qualification as a "qualified energy resource" and a "qualified facility" under the Code and compliance with the requirements of

applicable law for purposes of the eligibility of the sales of electricity produced by the Project for production tax credits;

(6) Appropriate representations by Respondent regarding labor and employment matters; and

(7) Other appropriate representations and warranties as may reasonably be required by PSE or Respondent.

**Transaction  
Covenants**

The Definitive Agreements would contain covenants of Respondent and PSE customary for similar transactions, taking into account, among other things, PSE's interest that Respondent or an affiliate of Respondent acceptable to PSE manage and oversee the development, construction, interconnection, start-up, testing and commissioning of the Project (as well as, if applicable, operation, maintenance and repair of the Project) in accordance with budgets, schedules, technical requirements, plans and other criteria during the period between execution of the Definitive Agreements and the Closing.

The Definitive Agreements may, depending upon certain factors including the financial condition and experience of the Respondent and Guarantor, the status of development and completion of the Project, the nature of existing contractual arrangements, the capacity, equipment and other technical characteristics of the Project, and the details of Respondent's proposal and potential alternatives to the PSE ownership arrangement described in this Term Sheet, set forth covenants and commitments of Respondent to refrain from the following:

(1) making any loans, advances or contributions to any person or guarantying the obligations of any person;

(2) amending, modifying, supplementing or changing its organizational and governing documents or reorganizing into any other legal form, entering into any joint venture or partnership, or consolidating, converting or merging with or acquiring any other entity;

(3) engaging in any business other than the ownership, management, administration, operation and maintenance of the Project and its undivided interest in the Project;

(4) incurring any indebtedness, other than project financing for the construction, operation and maintenance of its undivided interest in the Project, including any:

(a) indebtedness (other than trade liabilities incurred in the ordinary course of business) for money borrowed or for the deferred

purchase price of money or services in excess of an aggregate of [\$ \_\_\_\_\_] outstanding at any one time;

(b) reimbursement obligation under any letter of credit or banker's acceptance;

(c) obligation under any capital lease; and

(d) obligation with respect to interest rate or currency swap or similar hedging agreement, in excess of an aggregate of [\$ \_\_\_\_\_] outstanding at any one time.

(5) Liquidating, dissolving, or reorganizing, or seeking the appointment of a receiver, trustee or administrator.

**Respondent  
Guaranty  
Requirements**

Respondent would be required to cause Guarantor to provide the Respondent Guaranty to PSE, pursuant to which Guarantor would guarantee the performance by Respondent (and its affiliates) of its obligations to or for the benefit of PSE under the Definitive Agreements and the payment of any damages, losses, liabilities, costs and expenses incurred by PSE and payable by Respondent (and its affiliates) under the Definitive Agreements. The parties would address in the Definitive Agreements the circumstances, if any, in which PSE and Respondent might require adequate assurance by the other (or Guarantor) of such other party's performance of its obligations under the Definitive Agreements, and the nature of such assurance.

**Conditions  
Precedent**

The Definitive Agreements shall contain customary conditions precedent for transactions of this type including, but not limited to, those set forth in this Term Sheet and the following:

(1) Delivery of all instruments, consents, assignments, certificates and opinions required by the Definitive Agreements, including, but not limited to, customary opinions regarding (a) the satisfaction of requisite regulatory approvals and requirements, (b) the status of the Project as a "qualified energy resource" and "qualified facility" under the Code and the eligibility of the sale of energy produced by the Project for production tax credits, which would be provided by counsel for Respondent and (c) if applicable, the absence of any conflict with any legal, regulatory, contractual or other limitation applicable to any of the parties resulting from granting of a security interest in respect of the undivided interest of a party in the Project to any designated third party lender;

(2) No material adverse change in the financial condition or business and operations of Respondent, Guarantor, any affiliate of Respondent that is a party to a Definitive Agreement or PSE;

(3) No material adverse change in the budget, schedule, permit and legal requirements, technical requirements and plans relating to construction, operation, maintenance and repair of the Project, or in the performance levels, operability, output and condition of the Project;

(4) Receipt by PSE of the WUTC regulatory approvals or orders discussed above under "*Regulatory Approvals*"; and

(5) Such other customary conditions precedent as the parties in good faith determine are reasonably necessary taking into account the obligations of the parties in connection with a potential transaction, including appropriate provisions to address the consequences of material adverse changes in the physical condition and performance of the Project prior to the Closing.

**Limitations on Liability**

Notwithstanding anything to the contrary provided in this Term Sheet or the Definitive Agreements, in the event of a breach of the obligations of one of the parties or otherwise, such party would be liable for direct damages only and shall under no circumstances would such party be liable to the other party for consequential (including, without limitation, lost profits, business interruption and the like), incidental, punitive, exemplary or similar damages.

**Indemnification**

Respondent would indemnify, hold harmless and defend PSE and its affiliates, directors, officers, employees, representatives, and agents from and against any claims, damages, loss, liability, judgment, award, fine, penalty, cost or expense, including reasonable fees of attorneys arising out of, relating to or in connection with any event, occurrence, circumstance, condition, action or omission prior to Closing. The Definitive Agreements would also set forth provisions by which each party would indemnify, hold harmless and defend the other party and its affiliates, directors, officers, employees, representatives and agents from and against certain losses with respect to false or inaccurate representations and warranties or breaches of covenants and obligations under the Definitive Agreements.

**Due Diligence**

For a specified period commencing on the date of notice by PSE to Respondent that it has been selected for negotiation of the terms and conditions of a potential transaction (such period, including any extension thereof to which the parties may agree, the "Due Diligence Period"), PSE would be entitled to conduct, and Respondent would fully cooperate (and cause its affiliates to cooperate) with PSE and facilitate, an in-depth due diligence review of the Project, Respondent, Guarantor and any affiliate of Respondent that would be a party to a Definitive Agreement and matters relating thereto, including without limitation the technical, construction, engineering and transmission agreements, commercial, legal, information systems, human resources (subject to

applicable legal confidentiality and other restrictions), insurance, regulatory aspects (including the availability and terms of all required permits and licenses) associated with the development, permitting, design, engineering, construction, interconnection, start-up, commissioning, operation and maintenance of the Project and reasonable access to the Project site for such purposes, provided that any such review shall not unreasonably disrupt the business of Respondent (or its affiliates) or its directors, officers, employees and agents. The Due Diligence Period would terminate prior to the end of such specified period upon the termination of the Term Sheet by either party.

During the Due Diligence Period, Respondent (and its affiliates) would, subject to its reasonable policies and procedures applicable to the presence of third parties at the Project, provide to certain designated PSE employees, representatives and agents access to the Project for the purpose of observing and monitoring the manufacture, fabrication, assembly, installation, construction, start-up, testing and commissioning of the Project and any parts or components thereof. PSE's employees, representatives and agents would be permitted access to the Project and specified areas therein and the premises of contractors, vendors and consultants and attend meetings and review and copy (subject to provisions of any applicable confidentiality agreement between the parties) information, data and documents in connection with its due diligence review. PSE's employees, representatives and agents would be subject to and observe Respondent's (and contractors') rules regarding safety, security and confidentiality and would not interfere with or hinder the construction of the Project.

**Dispute Resolution** The Definitive Agreements would contain appropriate provisions for the resolution of disputes, including provisions for the attempted resolution of disputes by alternative dispute resolution. The forum for the resolution of any dispute arising under or in connection with this Term Sheet or the Definitive Agreements would be King County, Washington.

**Expenses** Each party shall bear its own legal, accounting, regulatory and other professional fees and expenses and other costs associated with the RFP and a potential transaction, regardless of whether a transaction is consummated.

**Assignability** The parties would not be permitted to assign the Definitive Agreements or its rights and obligations thereunder without the prior written consent of the other, such consent not to be unreasonably withheld or delayed. PSE would have the right, post-Closing or in connection with the Closing, to assign, pledge or otherwise alienate its undivided interest in the Project for security purposes without the consent of the Respondent,

but on prior written notice to Respondent, for the purposes of any financing or refinancing relating thereto. Respondent would have the right, subject to the limitations set forth in this Term Sheet, post-Closing, to assign, pledge or otherwise alienate its undivided interest in the Project for security purposes without the consent of PSE, but on prior written notice to PSE, for the purposes of any financing or refinancing relating thereto. Except as otherwise agreed by the parties in the Definitive Agreements, no such assignment by either PSE or Respondent would relieve the assignor and in the case of Respondent, Guarantor, of its obligations to the other party.

**This Term Sheet is for discussion purposes only to facilitate PSE's evaluation and assessment of proposals submitted in response to the RFP relating to a potential transaction for the acquisition of rights and interest in a wind generation project. It is not intended to create a binding or enforceable agreement, contract or commitment or to be complete and all inclusive of the terms and conditions of a potential transaction. This is not an offer, agreement or a commitment of PSE, Respondent or Guarantor or any parent company or affiliate of any of them. The potential transaction described above would be subject to further review and approval of the board of directors of each of PSE, Respondent or Guarantor, the conduct and completion of due diligence by PSE to its satisfaction and the execution of the Definitive Agreements containing all appropriate provisions, including, but not limited to, those relating to credit, limitation of damages, indemnification, remedies and force majeure.**