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January 20, 1998

Office of Natural Gas and Petroleum
Import and Export Activities
Fossil Energy
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, DC 20585

Re: Tenaska Washington Partners, L.P.
Docket No. 98-05 NG

Dear Sir or Madam:

Enclosed for filing on behalf of Tenaska Washington Partners, L.P. are an original and 15 copies of an Application for Long Term Authorization To Import Natural Gas. Due to its length, Tenaska is providing only three copies of the related Gas Purchase Agreement. It is requested that any required waivers be granted.

Also enclosed is a check in the amount of \$50.00 payable to the Treasurer of United States.

Respectfully submitted,



Allan W. Anderson, Jr.
Counsel for
Tenaska Washington Partners, L.P.

AWA/eb

Enclosures

UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

Tenaska Washington Partners, L.P.)

Docket No. 98-___NG

**APPLICATION OF TENASKA WASHINGTON PARTNERS, L.P.
FOR LONG TERM AUTHORIZATION TO IMPORT NATURAL GAS**

Pursuant to Section 3 of the Natural Gas Act ("NGA"), 15 U.S.C. Section 717(b), Department of Energy Delegation Order Nos. 0204-111 and 0204-127 and the Regulations of the Department of Energy in 10 C.F.R. Part 590, Tenaska Washington Partners, L.P. ("Applicant") hereby submits this application for long term authorization to import natural gas from Canada for a term commencing on the date that the authorization requested herein is issued through December 31, 2011. Tenaska proposes to import 50,000 MMBtu per day of natural gas from Canada at the U.S./Canadian border near Sumas, Washington. In support of its application, Applicant states the following:

I.

CORRESPONDENCE AND COMMUNICATIONS

The name, titles and mailing addresses of the persons to whom correspondence and communications concerning this application are to be addressed are as follow:

Larry V. Pearson, Vice President
Tenaska Washington, Inc.
1044 North 115th Street, Suite 400
Omaha, NE 68154
(402)691-9505

and

David B. Ward
Allan W. Anderson, Jr.
Ward & Anderson, P.C.
1000 Thomas Jefferson Street, N.W.
Suite 503
Washington, D.C. 20007
(202)298-6910

II.

DESCRIPTION OF EXISTING OPERATIONS

The exact legal name of Applicant is Tenaska Washington Partners, L.P., which is a partnership formed under the laws of the State of Washington, having its principal place of business at 1044 North 115th Street, Suite 400, Omaha, Nebraska 68154. Tenaska is the owner of a cogeneration facility located in Whatcom County, Washington.

III.

PROPOSAL

Applicant requests long term authorization to import 50,000 MMBtu per day of natural gas for a period commencing on the date that the authorization is issued through December 31, 2011 at the U.S./Canadian border near Sumas, Washington.¹

Pursuant to Section 590.202(b) of the Office of fossil Energy, Fuels Program's Regulations, 10 C.F.R. 590.202(b), the following information is provided:

1) Scope of Project

Applicant owns and operates a gas fired cogeneration project having a combined net generating capacity of approximately 245 megawatts located in Whatcom County, Washington ("Project"). The Project is a "qualifying facility" within the meaning of 18 C.F.R. Section 292.101(b)(i) and Section 201 of the Public Utility Regulatory Policies Act. The electrical output of the Project is being sold to Puget Sound Energy, Inc. ("Puget") pursuant to the terms and conditions of a long term agreement effective as of March 30, 1991 between Applicant and Puget. The steam from such Project is being sold to Tosco Northwest Company.

Applicant and Puget have executed a Gas Purchase Agreement dated January 1, 1998 which is attached. Pursuant to the terms and conditions of this Agreement, Applicant will purchase from Puget up

¹Applicant presently is authorized to import gas from Canada pursuant to DOE/FE Order No. 134 granting blanket authorization to import and export natural gas from and to Canada and Mexico issued December 17, 1997 in FE Docket No. 97-102-NG.

to 50,000 MMBtu per day for a term commencing on January 1, 1998 through December 31, 2011. The natural gas which Applicant will purchase and import will be utilized to satisfy the requirements of the Project.

2) Source And Security Of The Natural Gas Supply

All natural gas supply under the requested authorization would come from Canada. Canada for many years has had surplus natural gas available for sale to be imported into the United States. Such natural gas has been a reliable source of energy and is expected to continue to be available in the future.

3) Identification Of Participants In The Transaction

The participants in this transaction are Tenaska Washington Partners, L.P. and Puget Sound Energy, Inc.

4) Terms And Transactions

Puget will sell and Applicant will purchase in accordance with the terms and conditions of the Gas Purchase Agreement dated January 1, 1998.

5) Provisions Of The Import Arrangements Which Establish Price, Volume, Transportation And Other Costs

The price for gas delivered to Applicant under the Gas Purchase Agreement will be the Market Index Price for the Daily Midpoint for NW Sumas as published in the Daily Price survey of Gas Daily plus six cents per MMBtu. Applicant is further obligated to take or pay for a Minimum Monthly quantity of 86% times 50,000 MMBtu per day and times the number of days in a month less any short falls in delivery of gas. Applicant has firm transportation contracts in place with Cascade Natural Gas Corporation ("Cascade") to accept the proposed volumes for transportation to the Project site.

6) Need For Canadian Gas In United States

The proposed authorization would provide Applicant with a secure and reliable supply of natural gas for consumption at the Project.

7) Environmental Impact

Since no new facilities will be constructed for this proposed importation of natural gas, granting the subject application is not a federal action affecting the quality of the environment and no environmental assessments are required.

Also attached hereto is an opinion of legal counsel, pursuant to 10 C.F.R. 590.202(e) of the Office of Fossil Energy, Fuels Program's Regulations that the proposed importation and exportation of natural gas is within the partnership powers of Tenaska.

IV.

PUBLIC INTEREST

Applicant submits that the subject application should be approved within the standards of Section 3 of the Natural Gas Act. Such gas will be imported under a freely negotiated Gas Purchase Agreement. Canadian supplies of gas are reliable and are expected to continue to be available. Further, under Section 3(c) of the Natural Gas Act, the importation of natural gas from nations with which there are in effect free trade agreements requiring national treatment for trade in natural gas is deemed to be consistent with the public interest and must be granted without modification or delay. Canada is a nation with which free trade agreements are in effect. The authorization sought herein to import natural gas meets the Section 3 criteria and is, therefore, consistent with the public interest.

V.

CONCLUSION


WHEREFORE, in view of the above, Tenaska respectfully requests that the Department of Energy issue promptly, pursuant to Section 3 of the Natural Gas Act, authorization for the long term importation from Canada of up to 50,000 MMBtu per day of natural gas for a period for a term commencing on the date that the authorization is issued and ending on December 31, 2011.

Respectfully submitted,

TENASKA WASHINGTON PARTNERS, L.P.

By: Tenaska Washington I, L.P., Managing Partner

By: Tenaska Washington, Inc., Managing Partner



Larry V. Pearson
Vice President

Of Counsel:

David B. Ward

Allan W. Anderson, Jr.

Ward & Anderson, P.C.

1000 Thomas Jefferson Street, N.W.

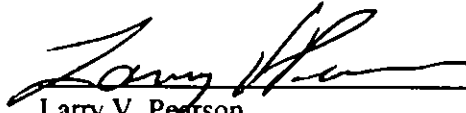
Suite 503

Washington, D.C. 20007

VERIFICATION

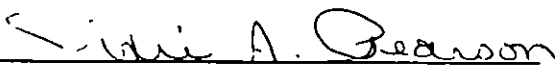
STATE OF NEBRASKA)
) cc.
COUNTY OF DOUGLAS)

Larry V. Pearson, being first duly sworn, states that he is Vice President of Tenaska Washington, Inc., Managing Partner of Tenaska Washington I, L.P., Managing Partner of Tenaska Washington Partners, L.P.; that he is authorized to execute this verification; that has read the above and foregoing Application and is familiar with the contents thereof; and that all allegations and facts contained therein are true and correct to the best of his knowledge, information and belief.



Larry V. Pearson
Vice President

Subscribed to and sworn before me this 19 day of January, 1998.



Notary Public

My Commission Expires:
May 30, 1998



980106AL/dek

TENASKA WASHINGTON PARTNERS, L.P.

1044 N 115 Street, Suite 400
Omaha, Nebraska 68154-4446

Telephone: (402) 691-9500
Fax: (402) 691-9526

January 19, 1998

Department of Energy
Office of Fossil Energy, Natural Gas Branch
Room 3F056 FE-531
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Gentlemen:

Pursuant to 1 C.F.R. Section 590.202(c), this opinion of counsel is hereby furnished in connection with the Application of Tenaska Washington Partners, L.P., a Washington limited partnership (hereinafter referred to as "Tenaska") for authorization to import natural gas from Canada pursuant to Section 3 of the Natural Gas Act.

In respect to the above, I am of the opinion that:

- Tenaska is a general partnership duly organized, validly existing and in good standing under the laws of the State of Washington; and
- The proposed importation of natural gas from Canada is within the partnership powers of Tenaska.

Respectfully submitted,

TENASKA WASHINGTON PARTNERS, L.P.

By:


Daniel B. O'Brien, Attorney

980106AL/dck

GAS PURCHASE AGREEMENT
Puget Sound Energy, Inc.
Tenaska Washington Partners, L.P.

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GAS PURCHASE AGREEMENT

THIS GAS PURCHASE AGREEMENT (hereinafter "Agreement") is made and entered into as of January 1, 1998, by and between Puget Sound Energy, Inc., ("Seller"), a Washington corporation with offices at 411 - 108th Avenue NE, Bellevue, Washington 98004 and Tenaska Washington Partners, L.P. ("Buyer"), a Washington limited partnership with offices at 1044 North 115th Street, Suite 400, Omaha, Nebraska 68154. Each of Seller and Buyer is sometimes referred to in this Agreement as "Party"; Seller and Buyer are sometimes referred to in this Agreement together as "Parties."

W I T N E S S E T H:

WHEREAS, the Buyer owns a cogeneration facility situated in Whatcom County, Washington ("Facility") and desires a supply of natural gas for said Facility; and

WHEREAS, Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, natural gas for use at the Facility or by other resale customers to be determined by Buyer upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises above and the mutual covenants and agreements herein set forth, Buyer and Seller agree as follows:

ARTICLE I
DEFINITIONS

The following terms when used herein shall have the following meaning:

- 1.1 "Btu" means British thermal unit, defined as the quantity of heat required to raise the temperature of one (1) pound avoirdupois of pure water from fifty-eight and five-tenths degrees Fahrenheit (58.5° F.) to fifty-nine and five-tenths degrees Fahrenheit (59.5° F.) at a constant pressure of fourteen and seventy-three hundredths pounds per square inch absolute (14.73 psia).
- 1.2 "Contract Year" means any period of twelve (12) consecutive Months during the term of this Agreement beginning on January 1 and extending through the next following December 31.
- 1.3 "Daily Contract Quantity" or "DCQ" means 50,000 MMBtu per Day on a firm basis; provided, that the DCQ for each Day in the Month of May during each Contract Year shall be equal to zero MMBtu.
- 1.4 "Day" or "Daily" means or refers to a period of twenty-four (24) consecutive hours beginning and ending at seven o'clock (7:00) A.M. Pacific Time. The reference date for any Day shall be the calendar date upon which such twenty-four (24) hour period commences.
- 1.5 "Gas" means pipeline quality natural gas (measured by volume of gas or in MMBtu, as the context may require).
- 1.6 "Heating Value" means the total Btu content for a cubic foot

of Gas on a dry basis as determined by calculation from compositional analysis using physical properties of Gases at 14.73 psia and 60⁰F as prescribed by the American Gas Association.

- 1.7 "Immediate Outage" means the occurrence of an immediate reduction or suspension of the electrical or steam output from one or more generating units of the Facility in response to an abnormal operating condition. An Immediate Outage is distinguished from an Unplanned Required Outage in that the abnormal condition causing an Immediate Outage requires prompt shutdown or curtailment of one or more units.
- 1.8 "Initial Delivery Date" means the Day January 1, 1998.
- 1.9 "Lender(s)" means the entity or entities providing debt financing to Buyer as specified pursuant to Article XIV.
- 1.10 "MMBtu" means one million (1,000,000) Btu's.
- 1.11 "Month" or "Monthly" means or refers to a period beginning at seven o'clock (7:00) A.M. Pacific Time on the first day of a calendar month and ending at seven o'clock (7:00) A.M. Pacific Time on the first day of the next succeeding calendar month.
- 1.12 "Monthly Nomination" means the nomination to be submitted by the twentieth (20th) Day of each Month as more fully described in the first sentence of Paragraph 3.2.
- 1.13 "Point(s) of Delivery" means the points at which Gas is to be delivered to Buyer, identified in Paragraph 6.1.
- 1.14 "Power Purchase Agreement" or "PPA" means the Agreement for

Firm Power Purchase between Puget Sound Energy, Inc. (formerly Puget Sound Power & Light Company) and Tenaska Washington Partners, L.P. (as assignee of Tenaska Washington, Inc.) dated March 20, 1991, as amended.

- 1.15 "PSIA" or "psia" means pounds per square inch absolute.
- 1.16 "PSIG" or "psig" means pounds per square inch gauge.
- 1.17 "Resale Price" means the highest reasonable price at which comparable quantities of Gas could be sold at or in the immediate vicinity of the Point(s) of Delivery.
- 1.18 "Scheduled Maintenance" means the occurrence of reduced or suspended operation of the Facility for the purpose of performing routine or regular maintenance to the Facility. Scheduled Maintenance is distinguished from Immediate Outages and Unplanned Required Outages in that the duration and timing of Scheduled Maintenance can be reasonably forecasted.
- 1.19 "Unplanned Required Outage" means the occurrence of reduced or suspended operation of the Facility caused by abnormal operating conditions that require corrective action. An Unplanned Required Outage is distinguished from an Immediate Outage in that the required repair or maintenance for an Unplanned Required Outage can be delayed or scheduled.

ARTICLE II
EFFECTIVE DATE AND TERM

- 2.1 This Agreement shall become effective upon the date first above written and shall continue in effect until the Day December 31, 2011; provided, that notwithstanding the foregoing this Agreement shall terminate on the date of termination of the Power Purchase Agreement.
- 2.2 In the event of termination as aforesaid, Buyer's sole liability to Seller shall be the payment of any amounts due Seller, including, without limitation, for Daily Deficiency Payments (as described in Paragraph 3.5), Monthly Deficiency Payments (as described in Paragraph 3.4) and Gas deliveries prior to the date of such termination, including the cost of any imbalance penalties, and Buyer shall have the right to receive Gas for which it has paid but not received prior to termination.

ARTICLE III
QUANTITY

- 3.1 Beginning with the Initial Delivery Date and during the term of this Agreement, Seller shall be obligated to sell and deliver to Buyer a Daily quantity of Gas requested by Buyer not to exceed the Daily Contract Quantity. Seller shall not be obligated in any Contract Year to sell and deliver an annual quantity of Gas requested by Buyer exceeding the Daily Contract Quantity times the number of Days in such Contract Year.
- 3.2 Buyer, by the twentieth (20th) Day of each Month, shall submit to Seller, Buyer's Monthly Nomination of its Daily Gas requirements, including the quantity of Gas to be delivered to each Point of Delivery, for each Day of the next succeeding Month. Buyer may, without liability other than as set forth in Paragraphs 3.4 and 3.5 of this Agreement, update or revise its Daily Gas requirements set forth in its Monthly Nominations from time to time during any Month; provided however, that Buyer makes such changes at least three (3) hours prior to the deadlines for nominations on the pipelines delivering Gas to and receiving Gas from the Point(s) of Delivery, or such shorter period as may be necessary to make nominations to implement displacement decisions under the Power Purchase Agreement. If Buyer desires to update or revise its Daily Gas requirements after the deadline for nominations set forth above, Seller shall use reasonable commercial efforts (which need not include any change in Seller's operation of its storage facilities) to adjust its deliveries of Gas to Buyer to match Buyer's update or revision, subject to pipeline acceptance of nominations, and if Seller is able to so adjust its deliveries, such update or revision will be the Daily quantity nominated.

When nominating volumes for purchase or transportation to or from the Point(s) of Delivery, Buyer and Seller will forward to each other, by facsimile, a copy of each nomination and confirmation relevant to deliveries under this Agreement, including nominations and confirmations on receiving and delivering pipelines upstream and downstream of the Point(s) of Delivery. Buyer and Seller each agree to comply with the operational provisions of the tariffs of the delivering and receiving pipelines. On a Daily basis, Seller's obligation to deliver and Buyer's obligation to purchase shall be the Daily quantity nominated pursuant to this Paragraph 3.2. Buyer agrees that to the extent Buyer purchases Gas from Seller under contracts other than this Agreement, and such contracts call for deliveries at the Point(s) of Delivery, Buyer shall separately specify, on each Day of nomination, the amount of Gas nominated under this Agreement and the amount of Gas nominated under such other contracts.

- 3.3 Seller shall, not later than twenty-four (24) hours prior to the deadline for nominations to Cascade Natural Gas Corporation ("Cascade"), advise Buyer of the quantities nominated by Buyer for delivery to Cascade that Seller wishes to deliver to the Point(s) of Delivery designated as 1. and 2. in Exhibit A (the "Cascade Points of Delivery"). Seller may, at any time after the beginning of the Month, without liability, adjust its designation of the quantities of Gas to be delivered to the Cascade Point(s) of Delivery during the remaining Days of the Month ("Daily Adjustments"); provided that any Daily Adjustments are given by Seller to Buyer at least two (2) hours prior to the deadlines for nominations on the pipelines delivering Gas to and receiving Gas from the Point(s) of Delivery, or such shorter period as may be necessary to make nominations to implement displacement decisions under the Power Purchase Agreement,

subject to pipeline acceptance of nominations.

If, in any Month, Cascade notifies Buyer that Buyer's transportation service is to be interrupted or curtailed for any reason, including but not limited to Force Majeure (as defined in Buyer's transportation agreement with Cascade), Buyer shall so notify Seller. Upon receipt of such notice, Seller shall be obligated, at the earliest practicable time, to commence and thereafter maintain deliveries during the duration of the interruption or curtailment at the Cascade Point of Delivery for which service is not then subject to interruption or curtailment.

- 3.4 From and after the beginning of the Month in which the Initial Delivery Date occurs, the term "Minimum Monthly Quantity" ("MMQ") for that Month and subsequent Months shall mean that quantity of Gas determined in accordance with the following formula:

MMQ = a quantity of Gas equal to the product of (i) 86% multiplied by (ii) the number of Days in the Month multiplied by (iii) the DCQ, such product reduced by the sum of (a), (b), and (c).

WHERE:

"DCQ" is the Daily Contract Quantity.

"(a)" is the DCQ times the aggregate (expressed in Days and partial Days) of all partial and full Force Majeure Days (as described in Paragraph 10.4) in such Month.

"(b)" is the aggregate amounts of any shortfalls in Gas between (i) Daily Gas requirements as nominated by Buyer for such Month pursuant to Paragraph 3.2 up to the DCQ, and (ii) such lesser quantities of Gas as are made available for sale and delivery by Seller during such Month for reasons other than Force Majeure.

"(c)" is the DCQ multiplied by the aggregate (expressed in Days and partial Days) of all partial and full Days during such Month that Buyer did not request Seller to deliver Gas or could not burn Gas at the Facility because of the occurrence at the Facility of an Immediate Outage, an Unplanned Required Outage or Scheduled Maintenance as such terms are defined herein.

If at the end of any Month, Buyer's takes of Gas during such Month are less than the Minimum Monthly Quantity for that Month, then in accordance with Article XIII, Buyer shall pay Seller a Monthly Deficiency Payment which shall equal the product of (i) the difference between (a) the Minimum Monthly Quantity for such Month, and (b) the quantity of Gas (in MMBtu), if any, delivered to Buyer in such Month multiplied by (ii) \$0.06 per MMBtu.

3.5 If at the end of any Day, Buyer's takes of Gas during such Day are less than the Daily Quantity (as defined below) for that Day, then, in accordance with Article XIII, Buyer shall pay Seller, in addition to any Monthly Deficiency Payment, a Daily Deficiency Payment equal to the product of (i) the net positive difference between (a) the Market Index Price (pursuant to Article V) for such Day minus (b) the Resale Price for such Day, and (ii) the net positive difference between (a) the Daily Quantity for such Day minus (b) the quantity of Gas that Buyer actually receives on such Day. All such Daily Deficiency Payments shall be accumulated for all of such Days in the Month for purposes of payment pursuant to this Agreement. For purposes of this Paragraph 3.5, "Daily Quantity" shall mean that quantity of Gas nominated for such Day in Buyer's Monthly Nomination as updated or revised pursuant to Section 3.2, as further adjusted for (1) unavailability of Gas for sale and delivery by Seller or nonreceipt of Gas by Buyer on account of any

Force Majeure (as defined in Paragraph 10.2) occurring during such Day, (2) any unavailability of Gas for sale and delivery by Seller during such Day for reasons other than Force Majeure and (3) any nondelivery of Gas by Seller at the request of Buyer because of the occurrence at the Facility of an Immediate Outage, an Unplanned Required Outage or Scheduled Maintenance during such Day.

The payment of Monthly Deficiency Payments and Daily Deficiency Payments pursuant to this Agreement shall be the sole liability of Buyer for its failure to take Gas under this Agreement.

- 3.6 Seller recognizes that Buyer is very reliant upon Seller for Gas under this Agreement, and, upon entering into this Agreement, Buyer may suffer substantial damages which are difficult to predict or quantify if the Seller fails or is unable for any cause to deliver Gas under this Agreement. For that reason among others, the Parties agree that Buyer is entitled to enforce the specific performance by Seller of Seller's obligations to deliver Gas under this Agreement, in addition to any other remedies Buyer may have to enforce any of the provisions hereof, and both Parties hereby waive any claim or defense that an adequate remedy at law exists for Seller's failure to deliver Gas under this Agreement.

ARTICLE IV
WARRANTY OF DELIVERABILITY

- 4.1 Seller warrants the delivery of the quantities of Gas set forth herein, and Seller further warrants that it has or will have sufficient quantities of Gas which it owns or controls or will own or control and firm transportation capacity which it has contracted for or will contract for to the extent necessary to meet its obligations under this Agreement.
- 4.2 As one of the remedies available to Buyer, Buyer may replace the quantities of Gas that Seller fails to deliver with Gas purchased from a third party. If sufficient Gas is unavailable to Buyer to replace the quantities of Gas not delivered, Buyer may replace the quantities of Gas not delivered with, in Buyer's sole discretion, oil or such other fuel appropriate to cause the continued operation of the Facility; provided that Buyer shall have the right but not the obligation in its sole discretion and without limiting its right to use oil, if it so chooses, to replace the volumes of Gas not delivered by the Seller with natural gas purchased from third parties, notwithstanding the availability of oil or other alternative fuel at a price which is less than the comparable price of natural gas. Buyer will use commercially reasonable efforts to acquire the replacement Gas, or, if applicable, oil or other fuel at the lowest reasonable cost consistent with the fuel requirements of the Facility.

In the event that for any reason other than Force Majeure Seller fails to meet its Gas delivery obligations under this Agreement, Seller shall reimburse Buyer for replacement Gas, oil or other fuel purchased as a result of Seller's failure to deliver in an amount equal to (i) the actual purchase and

actual transportation costs of the replacement fuel delivered to and consumed in the Facility to the extent such costs (including applicable taxes) exceed the costs of Gas of equivalent heating value, and transportation for such Gas, that would otherwise have been delivered to the Facility plus (ii) such other reasonable costs that Buyer incurs in purchasing and transporting replacement Gas, oil or other fuel; provided, that:

- (a) For the first ten (10) Days during any Contract Year when (1) Seller fails to meet its obligations to deliver Gas and (2) Buyer purchases replacement Gas at a price which exceeds the price of available oil (and Buyer could have used such oil using commercially reasonable efforts and within the limits of its permits to operate the Facility), Seller's reimbursement obligation under this Paragraph 4.2 shall be calculated using the prevailing purchase and prevailing transportation costs of such available oil;
- (b) For all periods after the period specified in clause (a) during which (1) Seller fails to meet its obligations to deliver Gas and (2) Buyer purchases replacement Gas at a price which exceeds the price of available oil, Seller's reimbursement obligation under this Paragraph 4.2 shall be calculated using the actual purchase and actual transportation costs of the replacement Gas delivered to and consumed in the Facility; and
- (c) Buyer shall assume full responsibility and liability for and shall indemnify and save harmless Seller from all liability and expense on account of any and all damages, loss, claims or actions resulting from

property damage, and injury and death to persons, arising from any act or accident occurring in connection with the purchase or transportation of such replacement Gas, oil or other fuel.

If Buyer reasonably determines that Seller's failure to meet its Gas delivery obligations under this Agreement is chronic, Buyer shall give Seller written notice of such determination and Seller shall, during the 60-day period beginning 10 days after the date of such notice, consistently meet its Gas delivery obligations. If at the end of such 60-day period Seller has not consistently met its Gas delivery obligations, Buyer may contract with a third party to acquire, manage and deliver Gas on a stand-by basis and charge Seller for such services in accordance with this Paragraph 4.2. Buyer shall terminate such stand-by services within 90 days after Seller provides reasonable assurances to Buyer that Seller has cured the conditions which caused the chronic failure of Seller to meet its Gas delivery obligations.

Buyer shall forward a statement to Seller following any Month in which Buyer replaces any Gas pursuant to this Paragraph 4.2. Such statement shall provide all data relevant to any liability of Seller's under this Paragraph 4.2. Seller shall pay or reimburse to Buyer the amount of Seller's liability to Buyer under this Paragraph 4.2 within twenty (20) Days of receipt of Buyer's statement. Other than the remedies available to Buyer under Section 3.5, the payment or reimbursement by Seller to Buyer for replacement Gas, oil or other fuel pursuant to this Paragraph 4.2 shall be the sole liability of Seller for failure for any reason other than Force Majeure to meet its delivery obligations under this Agreement with respect to the Gas, oil or other fuel replaced by Buyer pursuant to this Paragraph 4.2.

ARTICLE V
PRICE

5.1 The price for all Gas delivered under this Agreement during each Day shall be the sum of (a) the Market Index Price (as described below) for such Day, in U.S. dollars per MMBtu, plus (b) an amount equal to six cents (\$0.06) per MMBtu. For each Day in any Month, Buyer shall be obligated to pay to Seller, in accordance with Article XIII, an amount equal to the product of (i) the price for such Day multiplied by (ii) the quantity of Gas (expressed in MMBtu) delivered by Seller under this Agreement during such Day.

5.2 The Market Index Price for each Day during the term of this Agreement shall be the Daily Midpoint for NW Sumas as published in the Daily Price Survey of *Gas Daily* for the Day of Gas deliveries under this Agreement ("Gas Daily"). In the event that the *Gas Daily* ceases publication or the index value ceases to be available, the Parties shall use a mutually agreeable substitute publication or index for the purposes hereof.

5.2.1 From the date that *Gas Daily* ceased to be published or the index value ceased to be available until the date that an alternative publication or index is selected, the Market Index Price for such period of time shall be the Market Index Price as computed utilizing the Day prior to the Day in which the published price indices ceased to be published or otherwise became unavailable.

5.2.2 At such time as an alternative index or publication is selected and the Market Index

Price can be determined from such index or publication, the amounts paid by Buyer to Seller during the period of time described in Subsection 5.2.1 above shall be adjusted to reflect payments utilizing the Market Index Price as would have been determined using the alternative index pursuant to this Paragraph 5.2. In the event that either Buyer or Seller is found to owe payment to the other pursuant to this adjustment, payment shall be made by the owing Party with interest accruing from each Month when due at a rate equal to the posted prime lending rate of The Chase Manhattan Bank, New York for the last Day of each Month with such rate to apply to the next succeeding Month. Such payment shall be made within sixty (60) days of the selection of an alternative index or publication as an adjustment within the Monthly bill issued pursuant to Article XIII.

- 5.3 If Gas Daily ceases publication or the index specified in Paragraph 5.2 ceases to be available and the Parties are unable to mutually agree on a substitute publication or index, a substitute publication and index shall be selected by binding arbitration. The Parties shall continue to perform their obligations under this Agreement during such arbitration. The arbitration shall be conducted by a single arbitrator under the Commercial Arbitration Rules of the American Arbitration Association, except as provided in this Paragraph. The arbitrator shall establish a schedule and procedure for the arbitration and may issue protective orders to prevent disclosure of any confidential information. The arbitrator's authority with respect to the dispute shall be

limited to determining a substitute publication and index to be used under this Agreement for the Market Price Index for the Point(s) of Delivery which shall be indicative of the price of Gas sold at the United States-Canadian border. The costs of the arbitration shall be shared equally by the Parties. Judgement upon the decision rendered by the arbitrator may be entered in any court having jurisdiction over the Party against whom the decision is rendered.

ARTICLE VI

POINT(s) of DELIVERY; TITLE

- 6.1 The Point(s) of Delivery for Gas shall be as described in Exhibit "A".
- 6.2 The Parties agree that Buyer may request Point(s) of Delivery in addition to those specified on Exhibit A as of the date of this Agreement. If no additional costs would be incurred by Seller due to the addition of any such Point(s) of Delivery, Seller shall add such additional Point(s) of Delivery and the location of such Point(s) shall be described on Exhibit A. If additional costs would be incurred by Seller due to the addition of any such Point(s) of Delivery, Buyer may, at its option, elect to pay such costs and add such Point(s) of Delivery, and if Buyer so elects, Seller shall add such additional Point(s) of Delivery and the location of such Point(s) shall be described on Exhibit A. The Parties shall cooperate to assure coordination between multiple Points of Delivery.
- 6.3 Seller shall contract for and manage the transportation of the Gas upstream of the Point(s) of Delivery. Buyer shall contract for and manage the transportation of the Gas downstream of the Point(s) of Delivery. In the event either Buyer or Seller causes the other to incur penalties for imbalances, then the Party causing such imbalance penalty shall bear the cost of such.
- 6.4 Title to all Gas delivered under this Agreement shall pass from Seller to Buyer at the Point(s) of Delivery. As between the Parties, Seller shall be deemed to be in control and possession of the Gas delivered under this Agreement and responsible for any damage or injury caused thereby until the

same shall have been delivered to Buyer at the Point(s) of Delivery, after which delivery Buyer shall be deemed to be in exclusive control and possession thereof and responsible for any damage or injury caused thereby.

ARTICLE VII
DELIVERY PRESSURE, QUALITY, MEASUREMENT

- 7.1 Gas delivered by Seller shall comply with the applicable pressure and quality standards or effective tariff sheets of the receiving pipeline at the Point(s) of Delivery.
- 7.2 The measurement of Gas delivered under this Agreement, including but not limited to, determination of Heating Value, temperature and specific gravity, and calibration and correction of metering equipment, shall comply with the applicable measurement standards or tariff sheets of the receiving pipeline at the Point(s) of Delivery.
- 7.3 Buyer, at its option, may refuse to accept delivery of any Gas not meeting the quality specifications set out in this Article. If Buyer exercises its option to refuse to accept delivery, such refusal shall be deemed to be a failure on the part of Seller to deliver the quantities of Gas as set forth herein.

ARTICLE VIII
WARRANTIES

- 8.1 Seller hereby warrants title to or the right to sell all of the Gas delivered under this Agreement and Seller further warrants that said Gas is free from all adverse claims, including without limitation, royalties, and other interest owners' claims. Seller agrees to indemnify and hold Buyer harmless from and against any and all claims arising out of the wrongful payment of or failure to pay an owner of an interest in such Gas, and against all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of any adverse claims to or against title to such Gas, to any interest therein or in the value thereof.
- 8.2 Seller further warrants to Buyer that entering into and performance of this Agreement by Seller have been duly authorized by all necessary corporate action. Seller represents that, to the best of its present knowledge, no legal impediment exists to its performance under this Agreement.
- 8.3 Buyer warrants that entering into and performance of this Agreement by Buyer have been duly authorized by all requisite action. Buyer represents that, to the best of its present knowledge, no legal impediment exists to its performance under this Agreement.
- 8.4 Buyer warrants that all Gas produced in Canada and sold hereunder will be imported to and consumed within the United States. Buyer agrees to provide Seller with such documentation as may be required to substantiate the importation into and consumption within the United States of all Gas produced in Canada and sold hereunder.

ARTICLE IX
TAXES

- 9.1 Seller shall pay or cause to be paid all severance and other taxes applicable to the production, handling or sale of the Gas prior to and including the Point(s) of Delivery, now or hereafter required by law to be paid to governmental authorities. Buyer shall pay or cause to be paid all taxes which are levied or imposed on or with respect to Gas under this Agreement after Buyer has purchased and received such Gas, now or hereafter required by law to be paid to governmental authorities.

ARTICLE X
FORCE MAJEURE

- 10.1 Provided that notice is given as required by Paragraph 10.5 below, a Party shall not be considered to be in breach of or default under this Agreement, and its obligations under this Agreement shall be suspended in the event and for as long as such Party is prevented from fulfilling its obligations by reason of Force Majeure; provided, however, that Buyer shall be obligated to pay for Gas previously delivered.
- 10.2 The term "Force Majeure" shall be deemed for the purposes of this Agreement to mean any cause or condition beyond a Party's reasonable control which such Party is unable to overcome by the exercise of reasonable diligence including but not limited to storm, tornado, landslide, washout, flood, lightning, earthquake, volcano, fire, explosion, act of God, freezing of lines of pipe, breakdown or accident to or the reasonable potential of breakdown or accident to machinery, equipment or lines of pipe, civil disturbance, strike, lockout, national emergency, restraint by court or public authority, failure to act or delay in acting of civil, military or governmental or regulatory authority, or a change in law or regulation with which any Party subject to such change cannot reasonably comply. No Party shall be required to accede or agree to any provisions not satisfactory to it in order to settle or terminate a strike or other labor disturbance. Force Majeure shall include the failure or inability of any Party to perform because of a failure or inability of transportation upstream or downstream of the Point(s) of Delivery provided that such failure or disability is caused by an event of Force Majeure as described in this Paragraph 10.2. Force Majeure shall also include the failure or inability of Buyer to perform because of the failure of

Buyer to accept delivery of Gas or to consume Gas at the Facility provided that such failure or inability is caused by an event of Force Majeure as described in this Paragraph 10.2. Any inability or failure of Seller to perform its obligations under the Power Purchase Agreement including to accept delivery of energy under the Power Purchase Agreement for any reason (except if such inability or failure of Seller is due to any delay or failure by Buyer to perform any of Buyer's obligations under the Power Purchase Agreement) shall be deemed to be Force Majeure affecting Buyer for purposes of this Paragraph 10.2, if the effect of such inability or failure of Seller is to cause Buyer to fail or be unable to perform any of its obligations hereunder.

10.3 Force Majeure shall not include:

- (a) changes in market conditions, including but not limited to (i) changes that affect the cost or availability of Gas to be supplied by Seller under this Agreement, (ii) the inability of any producer to supply Gas to Seller for any reason other than a failure or inability of transportation upstream or downstream of the Points of Delivery (provided that such failure or disability is caused by an event of Force Majeure as described in Paragraph 10.2), and (iii) changes which affect the cost or demand for electricity; or
- (b) the failure to obtain or maintain necessary authorizations to export or remove Gas from Canada or any of its provinces.

10.4 The Party claiming Force Majeure shall exercise due diligence to remove any disability to its performance caused by such

Force Majeure with reasonable promptness and dispatch. In the event that the Party claiming Force Majeure may partially carry out such obligations, then such obligations of the Party claiming Force Majeure shall be partially suspended, such partial suspension to be commensurate with the reduction in the ability of the Party claiming Force Majeure to carry out its obligations under this Agreement. Prior to reducing deliveries to Buyer, Seller agrees to use commercially reasonable efforts to reduce to zero (0) all deliveries of Gas to customers purchasing under nonfirm contracts who are not core retail customers of Seller and, to the extent the Force Majeure affects firm customers who are not core customers other than Buyer, allocate any further reduction of deliveries of Gas equitably among Buyer and such other firm customers. For purposes of this Paragraph, a core retail customer is a customer that takes service under a tariff schedule on file with the Washington Utilities and Transportation Commission.

Where the obligation or operations, as the case may be, of the Party claiming Force Majeure are wholly suspended, each Day during the continuation of such suspension shall be a full Force Majeure Day; and where such obligations or operations, as the case may be, are partially suspended, a commensurate fraction of each Day shall be a partial Force Majeure Day.

- 10.5 A Party may not assert Force Majeure as an excuse for failure to perform under this Agreement unless such Party notifies the other Parties in writing within a reasonable time, but not in excess of six (6) days, after the commencement of the failure to perform due to Force Majeure. The notice shall specify in full the nature of the Force Majeure, the date of its commencement, the date of the commencement of the failure

to perform (if different from the date of the commencement of the Force Majeure), the measures to be taken to alleviate such Force Majeure and the estimated time such corrective action is expected to take.

- 10.6 If because of Force Majeure, Seller is unable to deliver any quantities of Gas to Buyer for a period of twelve (12) consecutive Months, Buyer shall have the right to terminate this Agreement by delivering written notice of such termination to Seller at least thirty (30) days prior to such termination.
- 10.7 If because of Force Majeure, Buyer is unable to receive any quantities of Gas from Seller for a period of twelve (12) consecutive Months, Seller shall have the right to terminate this Agreement by delivering written notice of such termination to Buyer at least thirty (30) days prior to such termination; provided, however, that the termination of this Agreement shall not occur if, within such thirty-day period prior to the date on which this Agreement otherwise would have terminated pursuant to this Paragraph 10.8 (the "Abated Termination Date"), Buyer pays to Seller an amount equal to \$77,400 United States dollars, and this Agreement shall not terminate, for a period not to exceed twenty-four (24) Months following Buyer's receipt of such termination notice from Seller (the "24-Month Period"), if Buyer pays to Seller an amount equal to \$77,400 United States dollars in advance of the commencement of each Month following the Abated Termination Date. If at any time Buyer fails to make any payment as contemplated in this Paragraph 10.8, this Agreement shall terminate and shall be of no further force or effect. In any event, this Agreement shall terminate pursuant to this Paragraph 10.8 and shall be of no further force or effect at the end of the 24-Month Period, unless the

event of Force Majeure is cured during the twenty-four (24) month period in which event Seller and Buyer shall resume their performance under this Agreement.

ARTICLE XI
GOVERNMENTAL RULES AND REGULATIONS

- 11.1 This Agreement shall be subject to all present and future State and federal laws, orders, directives, rules and regulations of any governmental body or official having jurisdiction, and no Party has or will knowingly undertake or knowingly cause or require to be undertaken any activity which would conflict with such laws, orders, directives, rules or regulations; provided, however, that nothing herein shall be construed to restrict or limit any Party's right to object to or contest any such law, order, directive, rule or regulation.
- 11.2 Seller shall enter into all necessary agreements with transporters to allow the transportation of the Gas to be sold and purchased under this Agreement to commence by the Initial Delivery Date.
- 11.3 Buyer shall use due diligence in prosecuting applications so as to obtain and maintain from United States regulatory authorities and maintain all necessary authorizations under Section 3 of the Natural Gas Act, as amended, to import Gas from Canada at the Point(s) of Delivery.
- 11.4 Seller shall use due diligence in prosecuting applications so as to obtain and maintain a Short-Term Export Order issued by the National Energy Board of Canada and a Short-Term Energy Removal Certificate issued by the provincial authorities in British Columbia for any Gas received from Canada.
- 11.5 The obligations of Seller to deliver Gas under this Agreement shall not be conditional upon Seller obtaining or maintaining

the regulatory authorization to export Gas from Canada for the purposes of making deliveries under this Agreement and, if Seller is unable to obtain or maintain such regulatory authorizations, then Seller shall be obligated to utilize Gas procured from U.S. domestic sources to be delivered to Buyer at the Point(s) of Delivery under this Agreement.

ARTICLE XII
ASSIGNMENT

- 12.1 The terms and provisions of this Agreement shall be binding upon and inure to the benefit of the successors, assigns and legal representatives of the Parties. Except as provided in Paragraph 12.2 below, neither the Seller nor the Buyer may assign this Agreement or any of its rights or obligations under this Agreement, without the prior written consent of the other Party, which consent will not be unreasonably withheld.
- 12.2 Notwithstanding the foregoing, Seller or Buyer may pledge or mortgage its rights under this Agreement without the other's consent for collateral security purposes for its indebtedness or aid in providing financing. If Buyer pledges or mortgages its rights under this Agreement to the Lenders, Seller shall, upon the request of Buyer, deliver a consent and agreement, in form and substance satisfactory to each of Seller and Buyer, to the Lender and Buyer containing such matters which may be agreed to including, if requested by the Lender, the right to cure or mitigate any breach of the obligations of Buyer under this Agreement, the right to perform this Agreement on behalf of Buyer and the right to dispose of this Agreement in favor of any third party, who shall thereupon become the Buyer under this Agreement, in connection with any realization, insolvent reorganization or enforcement proceedings pursued by the Lender. Moreover, upon request by Buyer, Seller shall provide to Lender an opinion of counsel in form and substance satisfactory to each of Seller and Buyer.
- 12.3 No assignment shall in any way relieve the assignor of any obligation it may have under this Agreement.

ARTICLE XIII
PAYMENTS

- 13.1 For all Gas delivered under this Agreement, Seller, on or before the tenth (10th) Day of each Month, shall render to Buyer a statement showing the quantity of Gas delivered during the preceding Month; provided, however, that in the event Seller has not received from the delivering pipeline(s) the actual volumes delivered during the preceding Month, the statement shall be based on the volumes nominated in accordance with the provisions of Paragraph 3.2, and the Parties agree that the next statement shall be adjusted to reflect the actual volumes delivered. The statement shall also set forth (i) the price calculated in accord with Article V; (ii) the Monthly Deficiency Payment if any calculated in accord with Section 3.4; (iii) the Daily Deficiency Payment if any calculated in accord with Section 3.5; (iv) the amount of any penalties for transportation imbalances as provided for in Section 6.3; (v) any other items of payment or adjustment as provided for in this Agreement; and (vi) the total amount due Seller.
- 13.2 Buyer shall pay Seller the amount invoiced on or before twenty-five (25) Days following the Month in which such Gas was delivered to Buyer or fifteen (15) Days after receipt of statement, whichever is later. Buyer shall be entitled to withhold from, and set off against, the monthly payments that would otherwise be due to Seller any amounts for which Seller is liable to Buyer under this Agreement or any amounts as to which it has defaulted under the Power Purchase Agreement. Payment shall be made by Buyer by wire transfer to Seller's Account No. 5111 414, ABA #125000024 at Seafirst National Bank.

- 13.3 Should Buyer fail to render payment for Gas as set forth in Paragraph 13.2, Buyer shall pay Seller interest on any overdue amount at a rate equal to the lesser of: (i) the posted prime lending rate of The Chase Manhattan Bank, New York, plus two percent (2%), or (ii) the maximum rate allowed by law, such interest to accrue from due date until such principal amount and interest thereon are paid.
- 13.4 Should Buyer fail to render payment of any amount due Seller under this Agreement, as required under this Article XIII, Seller shall have the right to set off such amount against amounts owed by Seller to Buyer as follows: (a) Seller may set off amounts owed by Buyer for imbalance penalties, pursuant to Paragraph 6.3, and tax and indemnification obligations under this Agreement against any amounts owed by Seller to Buyer under the Power Purchase Agreement; and (b) Seller may set off any other amounts owed by Buyer under this Agreement only against the portion of component (i) of factor D in Exhibit D to the Power Purchase Agreement relating to the cost of purchased Gas under this Agreement. Seller shall not have any other right to set off amounts owed to Seller under this Agreement against amounts owed by Seller under the Power Purchase Agreement or otherwise.
- 13.5 Subject to the provisions of Article XVIII, each Party or a nationally recognized third party designated by a Party, shall, at its own expense, have the right at all times during business hours to examine the books and records of each of the other Parties to the extent necessary to verify the accuracy of any statement, charge, computation or demand made under or pursuant to this Agreement. Any error or discrepancy in charts or statements furnished pursuant to the above shall be reported promptly to Seller and Seller shall make proper adjustment thereof within thirty (30) Days after

final determination of the correct quantities or values involved; provided, however, that if no such errors or discrepancies are reported to Seller within two (2) years from the end of the Month in which deliveries occurred, the payments therefore shall be conclusively deemed to be correct.

ARTICLE XIV
NOTICES

14.1 Any notice, request, demand, statement or payment provided for in this Agreement shall be in writing and shall be deemed given upon receipt, if sent by facsimile, telex or other telecommunication, or upon deposit, when deposited with the United States Postal Service, registered or certified mail with postage prepaid and directed to the post office address of the Parties as follows:

Seller: Puget Sound Energy, Inc.
411 - 108th Avenue NE
Bellevue, WA 98004
Attention: Vice President, Energy Supply
Telephone: (425) 462-3145
Fax: (425) 462-3300

Buyer: Tenaska Washington Partners, L.P.
1044 North 115th Street, Suite 400
Omaha, NE 68154-4446
Attention: President, Tenaska Washington, Inc.
Telephone: (402) 691-9500
Fax: (402) 691-9526

Lenders: The Chase Manhattan Bank
Global Power Group - 32nd Floor
270 Park Avenue
New York, NY 10017
Attention: Kevin O'Neill

14.2 Any Party may from time to time designate as the address for notification under this Article any other address of its choice by delivery of registered or certified mail to each of the other Parties. Buyer may from time to time designate as the address for notification to Lenders under this Article any other address of its choice by delivery of registered or certified mail to each of the other Parties.

ARTICLE XV
INDEMNITY

- 15.1 Seller and Buyer each assume full responsibility and liability for and shall indemnify and save harmless the other from all liability and expense on account of any and all damages, loss, claims or actions, resulting from property damage, and injury to and death of persons, arising from any act or accident occurring when the indemnifying Party has title to the Gas under this Agreement.
- 15.2 Seller agrees to indemnify Buyer and save Buyer harmless from all penalties (including imbalance penalties), reimbursements and other costs and charges under the terms of the following contracts to the extent such penalties, reimbursements and other costs and charges are due to or result from Seller's failure to meet its obligations to deliver Gas under this Agreement: (i) the Agreement for Natural Gas Service - Firm Transportation between Buyer and Cascade Natural Gas Corporation, dated January 15, 1991, as amended; (ii) the Agreement for Peak Gas Supply Service (PGSS) between Buyer and Cascade Natural Gas Corporation, dated January 15, 1991, as amended; and (iii) the Steam Agreement between Buyer and BP Exploration & Oil Inc. (now TOSCO Refining Company), dated August 28, 1992, as amended.

ARTICLE XVI
MISCELLANEOUS

- 16.1 No waiver by either Seller or Buyer of any default by the other under this Agreement shall operate as a waiver of any future default, whether of like or different character or nature. Each Party shall use commercially reasonable efforts to mitigate any damages hereunder.
- 16.2 The numbering and titling of particular provisions of this Agreement are for the purposes of facilitating administration and shall not be construed as having any substantive effect on the terms of this Agreement.
- 16.3 The terms of this Agreement shall be construed according to the internal laws, and not the laws pertaining to choice of law, of the State of Washington.
- 16.4 The various Articles, Paragraphs, provisions and clauses of this Agreement are severable. The invalidity of any portion hereof shall not affect the validity of any other portion of or the entire Agreement.
- 16.5 This Agreement, including this instrument and its attached Exhibit A, which is incorporated herein by reference, represent the entire Agreement of the Parties relative to the subject matter hereof and supersede all prior proposals, negotiations, communications, understandings and agreements, oral or written, with respect to the subject matter of this Agreement. No modification of this Agreement, including any modification of the Exhibits, shall be effective unless reduced to writing and duly executed by the Parties.
- 16.6 In interpreting this Agreement, it is acknowledged by each

of the Parties that: (i) this Agreement was prepared jointly by the Parties and not by any Party to the exclusion of the other Party and that in preparing this Agreement, each Party had access to advice of its own counsel; and (ii) this Agreement is entered into for the purpose of supplying fuel to the Facility for the production of energy pursuant to the Power Purchase Agreement and the Parties agree that to the extent necessary reference may be made to the Power Purchase Agreement when construing any references to that document in this Agreement.

16.7 Seller understands and agrees that alterations, amendments, or termination of this Agreement, including any Exhibits, by mutual consent of the Parties may require the prior written consent of the Lender(s).

16.8 Each of the Parties agrees to fully waive any right it may have to seek and collect punitive, exemplary, consequential, indirect and special damages from any other Party that may arise under or with respect to this Agreement.

16.9 This Agreement may be executed in any number of separate counterparts, each of which, when executed, shall constitute an original of this Agreement and all of which, taken together, shall constitute one and the same instrument.

16.10 In the event of a default by Buyer in the performance of any of its obligations hereunder, or upon the occurrence or nonoccurrence of any event or condition under this Agreement, which in any of such cases would immediately or with the passage of any applicable grace period or the giving of notice, or both, enable Seller to terminate or suspend its obligations hereunder (hereafter a "default"), Seller will not terminate this Agreement or suspend its obligations

hereunder until it first gives Lender(s) and the Buyer's prompt written notice of such default and affords such Lender(s) and the Buyer sixty (60) Days from receipt of such notice to effect a cure of such default.

ARTICLE XVII
TERMINATION FOR DEFAULT

17.1 If Buyer commits a material breach of or default under this Agreement, Seller may terminate this Agreement by giving Buyer written notice of such termination. If Seller commits a material breach of or default under this Agreement, Buyer may terminate this Agreement by giving Seller written notice of such termination. Any such notice of termination shall become effective, in the case of clauses (b), (c) and (d), immediately upon delivery of such notice to the defaulting Party, and in the case of clause (a), upon the later of (i) the expiration of sixty (60) Days after the terminating Party gives the defaulting Party written notice of the breach or default if the defaulting Party fails to cure the breach or default within the 60-Day period (it being understood that Seller's failure to deliver Gas may be cured by paying Buyer the incremental cost of replacement fuel as provided in Paragraph 4.2), and (ii) the date specified in the terminating Party's written notice of termination. For purposes of the foregoing, any Party shall be deemed to be in material breach of or default under this Agreement if such Party:

- (a) fails to perform any material covenant or obligation under this Agreement (it being understood that Seller's failure to deliver Gas may be cured by paying Buyer the incremental cost of replacement fuel as provided in Paragraph 4.2).
- (b) becomes unable to meet its obligations as they become due;
- (c) makes a general assignment of substantially all of its assets for the benefit of its creditors, files a petition for bankruptcy or reorganization under applicable insolvency

laws or seeks other relief under any applicable insolvency laws, or

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


17.2 The above described right to terminate and any other right to terminate provided for in this Agreement (unless, in the latter case, the context provides that the right to terminate is to be the only remedy available to the terminating Party) shall not limit the right of the terminating Party to any other remedy.

ARTICLE XVIII
CONFIDENTIALITY

18.1 Buyer and Seller agree that the terms of this Agreement or any draft thereof and any resulting transaction shall be kept strictly confidential, except to the extent required by applicable law, and except to the extent either Buyer or Seller is required to disclose pertinent information concerning this Agreement to producers, regulators, respective Lender(s) within the normal course of business. If either Buyer or Seller makes such disclosure, it shall so notify the other and shall advise the recipient of the information that the information disclosed is strictly confidential as between Buyer and Seller.

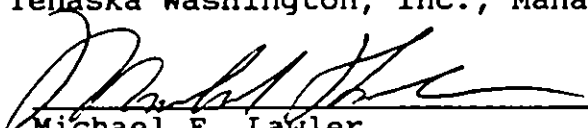
IN WITNESS WHEREOF, this Agreement is executed as of the day and year first hereinabove written.

SELLER:
PUGET SOUND ENERGY, INC.

By: 

William A. Gaines
Vice President, Energy Supply

BUYER:
TENASKA WASHINGTON PARTNERS, L.P.
By: Tenaska Washington I, L.P., Managing Partner
By: Tenaska Washington, Inc., Managing Partner

By: 

Michael F. Lawler
Vice President & Treasurer

- EXHIBIT "A"

To the Gas Purchase Agreement, dated January 1, 1998
between
Puget Sound Energy, Inc., Seller
and
Tenaska Washington Partners, L.P., Buyer

DESCRIPTION OF DELIVERY POINTS

Effective Date: January 1, 1998

Supersedes Exhibit "A", Dated: None

Points of Delivery

- | <u>No.</u> | <u>Description</u> |
|------------|---|
| 1. | At the United States-Canada border at or near the point of interconnection of the facilities of Westcoast Energy Inc. and Cascade Natural Gas Corporation near Sumas, Washington. |
| 2. | At the point of interconnection of Northwest Pipeline Corporation and Cascade Natural Gas Corporation located at or near NE/4 NW/4 Section 11, Township 40N, Range 4E, Whatcom County, Washington (generally referred to as Bellingham II Station). |
| 3. | At the United States-Canada border at or near the point of interconnection of the facilities of Westcoast Energy Inc. and the facilities of Northwest Pipeline Corporation near Sumas, Washington. |

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

TENASKA WASHINGTON PARTNERS, L.P.)

FE DOCKET NO. 98-05-NG

ORDER GRANTING LONG-TERM AUTHORIZATION
TO IMPORT NATURAL GAS FROM CANADA

DOE/FE ORDER NO. 1354

JANUARY 28, 1998

DOE/FE
1003-05-05-05

I. DESCRIPTION OF REQUEST

On January 20, 1998, Tenaska Washington Partners, L.P. (Tenaska) filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA)^{1/} and DOE Delegation Order Nos. 0204-111 and 0204-127, for authorization to import up to 50,000 MMBtu (approximately 50,000 Mcf) per day of natural gas from Canada. The term of the import would begin on the date of authorization through December 31, 2011. Tenaska is a partnership under the laws of the State of Washington with its principal place of business in Omaha, Nebraska. The imported gas would be used to fuel a 245-megawatt cogeneration facility owned by Tenaska and located in Whatcom County, Washington. Electricity produced by the cogeneration facility is being sold to Puget Sound Energy, Inc. (Puget), a Washington corporation with offices in Bellevue, Washington.

The gas would be imported from Canada at the international border near Sumas, Washington, under a gas purchase agreement between Tenaska and Puget dated January 1, 1998. The agreement requires Tenaska to pay Puget a Market Index Price in U.S. dollars per MMBtu equal to the price for the day of gas deliveries published in the Daily Price Survey of Gas Daily under "Daily Midpoint for NW Sumas", plus \$0.06 per MMBtu. Tenaska is obligated to take or pay for 86 percent of the sum of the maximum daily contract quantities each month. Tenaska would be required

^{1/} 15 U.S.C. § 717b.

to pay a deficiency charge if it does not take the prescribed minimum quantities.

II. FINDING

The application filed by Tenaska has been evaluated to determine if the proposed import arrangement meets the public interest requirements of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (P.L. 102-486). Under section 3(c), the importation of natural gas from a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas is deemed to be consistent with the public interest and must be granted without modification or delay. The authorization sought by Tenaska to import natural gas from Canada, a nation with which a free trade agreement is in effect, meets the section 3(c) criterion and, therefore, is consistent with the public interest.

ORDER

Pursuant to section 3 of the Natural Gas Act, it is ordered that:

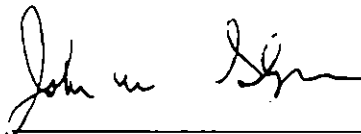
A. Tenaska Washington Partners, L.P. (Tenaska) is authorized to import at Sumas, Washington up to 50,000 MMBtu (approximately 50,000 Mcf) per day of Canadian natural gas for a period commencing on the date of this Order through December 31, 2011. This gas shall be imported consistent with the terms and conditions of Tenaska's gas purchase agreement with Puget Sound Energy, Inc., dated January 1, 1998, on file in this docket.

B. Within two weeks after deliveries begin, Tenaska shall provide written notification to the Office of Natural Gas & Petroleum Import and Export Activities, Fossil Energy, Room 3E-033, FE-34, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that the first import of natural gas authorized in Ordering Paragraph A above occurred.

C. With respect to the natural gas imports authorized by this Order, Tenaska shall file with the Office of Natural Gas & Petroleum Import and Export Activities, within 30 days following each calendar quarter, quarterly reports indicating whether imports of natural gas have been made. Quarterly reports must be filed whether or not initial deliveries have begun. If no imports of natural gas have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, Tenaska must report total monthly volumes in Mcf and the average purchase price of gas per MMBtu delivered at the international border. The reports shall also itemize separately any minimum take deficiency payments made by Tenaska during a particular calendar quarter.

D. The first quarterly report required by Ordering Paragraph C of this Order is due not later than April 30, 1998, and should cover the period from the date of this Order until the end of the first calendar quarter, March 31, 1998.

Issued in Washington, D.C., on January 28, 1998.



John W. Glynn
Manager, Natural Gas Regulation
Office of Natural Gas & Petroleum
Import and Export Activities
Office of Fossil Energy

98-05

✓

TENASKA WASHINGTON PARTNERS, L.P.

1044 N 115 Street, Suite 400
Omaha, Nebraska 68154-4446

February 19, 1998

Telephone: (402) 691-9500
Fax: (402) 691-9526

Office of Natural Gas & Petroleum
Import & Export Activities
Fossil Energy
Room 3E - 033, FE - 34
Forrestal Building
1000 Independence Avenue SW
Washington, DC 20585

REC'D DOE/FE
FEB 24 A 7:52

RE: DOE/FE Opinion and Order No. 1354...

98-05-NG

Tenaska Washington Partners, L.P. imported natural gas on February 1, 1998, for the first time under the above order.

If you have any questions, please call me at 402/691-9537.

Sincerely,

TENASKA WASHINGTON PARTNERS, L.P.

By: Tenaska Washington I, L.P., Managing Partner

By: Tenaska Washington, Inc., Managing Partner



Nancy J. Stivers
Gas Contracts Manager

bar