

BEFORE THE  
UNITED STATES ATOMIC ENERGY COMMISSION

Application of WASHINGTON PUBLIC )  
POWER SUPPLY SYSTEM for a )  
Construction Permit and a )  
Class 103 License to Acquire, )  
Possess and Use a Utilization )  
Facility at its Hanford Number )  
Two Site, Benton County, Washington )

RICHARD Q. QUICLEY  
Counsel for  
Washington Public Power Supply System  
130 Vista Way  
Post Office Box 6510  
Kennewick, Washington 99336

Of Counsel:  
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Attorneys at Law  
320 Central Building  
Seattle, Washington 98104

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Attorneys at Law  
Board of Trade Building  
Suite 511, 1129 20th St., N. W.  
Washington, D. C. 20036

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Docket No. \_\_\_\_\_

In accordance with the Atomic Energy Act of 1954, as amended, and the rules and regulations issued thereunder, WASHINGTON PUBLIC POWER SUPPLY SYSTEM (hereinafter referred to as the Supply System or as WPPSS) herein seeks from the UNITED STATES ATOMIC ENERGY COMMISSION (hereinafter called the Commission) (i) a 40-year Class 103 license to construct and operate a nuclear power plant at its Hanford Number Two site located on the United States Atomic Energy Reservation near Richland, in the County of Benton, State of Washington, with a core power level of 3323 MWt (hereinafter called the Project or Hanford No. 2), and (ii) appropriate source, by-product and special nuclear material licenses for the Project. In support of this application the Supply System alleges as follows:

a. Name of Applicant

The name of the applicant herein is WASHINGTON PUBLIC POWER SUPPLY SYSTEM, a municipal corporation of the State of Washington.



b. Address of Applicant

The Supply System's address is 130 Vista Way, Post Office Box 6510, Kennewick, Washington 99336.

c. Description of Business of Applicant

The Supply System is a joint operating agency and a municipal corporation of the State of Washington organized under Chapter 43.52 of the Revised Code of Washington, as amended. The Supply System is composed of 18 public utility districts of the State of Washington and the cities of Richland and Seattle. Pursuant to its statutory authority the Supply System is empowered to acquire, construct and operate plants and facilities for the generation and transmission of electric power. The Supply System presently operates the Packwood Lake Hydroelectric Project in Lewis County, Washington, and the Hanford Electric Generating Project, utilizing by-product steam from the N-Reactor of the United States Atomic Energy Commission near Richland, Washington.

d. (1) N. A.

(2) N. A.

(3) (i) The Supply System is a municipal corporation of the State of Washington. The management and control of the Supply System is vested in a Board of Directors made up of one representative from each of its 20 member utilities.

Pursuant to its statutory authority the Board of Directors elects an Executive Committee which administers the business of the Supply System between regular quarterly meetings of the Board of Directors. The Executive Committee is composed of six members.

(ii) All of the Supply System's directors and officers are citizens of the United States.

The names and addresses of the Board of Directors are as follows:

<u>Name</u>	<u>Address</u>
Edwin W. Taylor	Rt. 1, Box 124, Shelton, Wash.
Howard Prey	Lock Drawer A, Orondo, Wash.
Alvin E. Fletcher	P. O. Box 509, Forks, Wash.
Thomas E. Black	524 S. Auburn, Kennewick, Wash.
Kirby Billingsley	1236 Dakota Street, Wenatchee, Wash.
Edward J. Fischer	3710 Daniels Street, Vancouver, Wash.
Forrest W. Berry	3333 N. E. Nichols Blvd., Longview, Wash.
Oliver Pooler	Keller, Wash.
Glenn C. Walkley	Rt. 1, Box 25, Pasco, Wash.
John L. Toevs	57 "D" S.W., Ephrata, Wash.
James Tannahill	717 Bluff, Hoquiam, Wash.
Harold W. Jenkins	Rt. 5, Box 25, Ellensburg, Wash.
Gerald C. Fenton	Goldendale, Wash.
Arnold J. James	1558 McFadden, Chehalis, Wash.
E. Victor Rhodes	Rt. 2, Box 283-A, Raymond, Wash.
Joe Shipman (W.J.)	1903 Geo. Wash. Way, Richland, Wash.
John M. Nelson	1015 3rd Avenue, Seattle, Wash.
Ross B. Shepeard	Underwood, Wash.

<u>Name</u>	<u>Address</u>
W. G. Hulbert, Jr.	2320 California Avenue, Everett, Wash.
Elmer Danielsen	Rt. 1, Cathlamet, Wash.

The names and titles of the Supply System's officers are as follows:

<u>Name</u>	<u>Title</u>
Edwin W. Taylor	President
Howard Prey	Vice-President
Alvin E. Fletcher	Secretary
John Joseph Stein	Managing Director
Elmer A. Landin, Jr.	Treasurer

The names and addresses of the members of the Executive Committee and their titles are as follows:

<u>Name</u>	<u>Title</u>	<u>Address</u>
Edward J. Fischer	Chairman	3710 Daniels Street Vancouver, Wash.
Glenn C. Walkley	Vice-Chairman	Rt. 1, Box 25 Pasco, Wash.
(VACANT)	Secretary	
E. Victor Rhodes		Rt. 2, Box 283-A Raymond, Wash.
W. G. Hulbert, Jr.		2320 California Avenue Everett, Wash.
John M. Nelson		1015 3rd Avenue Seattle, Wash.

(iii) The Supply System is not owned, controlled or dominated by any alien, foreign corporation, or foreign government.

(4) The Supply System is not acting as an agent or representative for any other person, firm or corporation in filing

this application.

e. The Supply System seeks from the Commission, (i) a 40-year Class 103 license to construct and operate a nuclear power plant at its Hanford Number Two site located on the United States Atomic Energy Reservation approximately twelve miles north of Richland, Benton County, Washington, with a core power level of 3323 Mwt and, (ii) appropriate source, by-product and special nuclear material licenses for the Project.

f. Financial Qualifications

The power produced by the Project will be distributed by the Bonneville Power Administration within the Federal Columbia River Power System pursuant to agreements between the Bonneville Power Administration, the Washington Public Power Supply System and 95 consumer-owned utilities which are the purchasers of the energy to be generated by the Project under arrangements which are more fully set forth in Exhibit A herein.

The financial qualifications of the applicant to carry out the activities for which the Construction Permit herein is sought are set forth in Exhibit A which has made it part of this application by this reference.

g. The Supply System's organization and training program is described in Section 13 of the Preliminary Safety Analysis Report entitled:

WASHINGTON PUBLIC POWER SUPPLY SYSTEM  
HANFORD NO. 2, 1100 MW NUCLEAR POWER PLANT  
PRELIMINARY SAFETY ANALYSIS REPORT  
VOLUMES I, II, III, IV, V AND VI

forwarded herewith and by this reference made a part hereof.

h. The earliest and latest dates for completion of the construction of the Project are September 1977 and September 1978.

i. As a municipal corporation of the State of Washington the Supply System is not under the jurisdiction of any regulatory agency having control over rates and services of the proposed activity. The Supply System does not engage in the distribution of power to retail customers as its activities are limited to the production and transmission of power to utilities.

The municipalities, private utilities, public bodies and cooperatives which are within transmission distance, and authorized to engage in the distribution of electric energy within the area, are described in Exhibit A. In accordance with the Ten Year Hydro-Thermal Program of the Pacific Northwest, as described in Exhibit A, 95 consumer-owned utilities have agreed to purchase the entire output of the Project. This constitutes virtually every consumer-owned utility in the Pacific Northwest. Through the Hydro-Thermal Program the private utilities of the region participate in the construction of other thermal power plants in a coordinated plan intended to meet the power requirements of the region for ten years.

j. The Supply System will not permit any individual to have access to Restricted Data until the Civil Service Commission shall have made an investigation and report to the Commission on the character, associations and loyalty of such individual, and the Commission shall have determined that permitting such person to have access to Restricted Data will not endanger the common defense and security.



k. The Supply System submits with this application an Environmental Report pursuant to 10 CFR 50, Appendix D.

l. The Supply System has retained Burns and Roe, Inc., of Oradell, New Jersey, to act as its architect-engineer and to supervise construction of the Project. The technical qualifications and description of Burns and Roe, Inc., are shown in material attached hereto as Exhibit B and made a part hereof by this reference.

m. The Supply System has also retained R. W. Beck and Associates as Consulting Engineer to review economic feasibility and financial aspects of the Project. The technical qualifications and description of R. W. Beck and Associates are shown in the material attached hereto as Exhibit C and hereby made a part hereof by this reference.

n. The nuclear steam supply system for the Project is to be furnished by the General Electric Company. The technical qualifications and description of the General Electric Company are shown in the material attached hereto as Exhibit D and hereby made a part hereof by this reference.

o. The turbine-generator for the Project will be furnished by Westinghouse Electric Corporation. The technical qualifications and description of Westinghouse Electric Corporation are shown in the material attached hereto as Exhibit E and hereby made a part hereof by this reference.

p. The Supply System has retained The S. M. Stoller Corporation as a nuclear fuels consultant. The technical qualifications and description of The S. M. Stoller Corporation are shown on the material attached hereto as Exhibit F and made a part hereof

by this reference.

q. The Supply System has employed a Project Engineering Staff consisting of thirteen individuals having substantial training and experience in the construction and operation of nuclear facilities. A description of the Project Engineering Staff is set forth in Exhibit G and made a part hereof by this reference.

r. A portion of the technical information required by Section 50.34 of 10 CFR 50 is set forth in the documents described in Paragraph (g) above mentioned and the same are forwarded with and made a part of this application by said reference.

s. The Supply System will provide and maintain financial protection for public liability and will sign an indemnity agreement with the Commission covering excess liability, all as provided in 10 CFR 140.

t. It is requested that all orders, notices, papers and other communications issued by the Commission in connection with this application be mailed and delivered to:

Mr. J. J. Stein, Managing Director  
Washington Public Power Supply System  
130 Vista Way, Post Office Box 6510  
Kennewick, Washington 99336

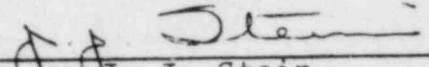
WHEREFORE, the Supply System prays that the Commission issue (i) a 40-year Class 103 license authorizing the Supply System to construct and operate the proposed nuclear plant at its Hanford Number Two site and, (ii) such by-product, source, and special nuclear material licenses as may be appropriate for the Project.

Subscribed in Kennewick, Washington, this 10th day of August, 1971.

Respectfully submitted,

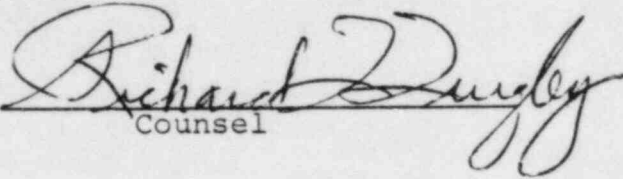
WASHINGTON PUBLIC POWER SUPPLY SYSTEM

By

  
J. J. Stein  
Managing Director

RICHARD Q. QUIGLEY  
Counsel for  
Washington Public Power  
Supply System

By

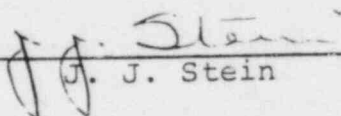
  
Counsel

VERIFICATION

STATE OF WASHINGTON    )  
                              )   ss.  
County of Benton        )

J. J. STEIN, being first duly sworn, deposes and says: That he is the Managing Director of the WASHINGTON PUBLIC POWER SUPPLY SYSTEM, the applicant herein; that he has read the foregoing application and knows the contents thereof; and believes the same to be true to the best of his knowledge.

DATED: August 10 , 1971.

  
\_\_\_\_\_  
J. J. Stein

Subscribed and sworn to before me  
this 10th day of August, 1971.

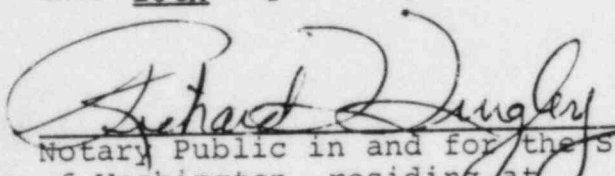
  
\_\_\_\_\_  
Notary Public in and for the State  
of Washington, residing at  
Kennewick.

EXHIBIT A  
FINANCIAL QUALIFICATIONS  
OF THE SUPPLY SYSTEM

1. Estimated Cost of the Project 11/7/

At the time of the sale of \$15,000,000 of Revenue Notes (see Official Statement, Schedule I) the Supply System estimated the total cost of the Project, including the design, equipment, construction, transmission and substation facilities, administration and overhead, interest during construction, licensing, personnel training and preoperational testing and other associated costs and reserves therefore, to be \$384,000,000. This estimate is based on September 1970 price levels escalated to September 1977, and assumes a 6% interest rate for interest during construction computations. A Preliminary Construction Budget was adopted and is attached as Schedule II.

Total direct construction costs, not including contingencies and escalation, are estimated to be \$203,608,000.

Contingencies and escalation are estimated at \$60,466,000. Engineering and Construction Management and Owners' Direct Costs are estimated at \$23,825,000 for a Project Construction Cost of \$287,899,000.

Net interest during construction, based on an assumed interest rate of 6% on revenue bonds issued by the Supply System to finance the costs of the Project, is estimated to be \$52,393,000. Other costs associated with Project construction, including acquisition of an initial nuclear core, result in a Bond Issue of \$384,900,000.



2. Estimated Cost of Initial Nuclear Fuel Fabrication

The Supply System issued invitations for bids on the initial nuclear fuel on November 9, 1970, in connection with bids for the Nuclear Steam Supply System. The bids were opened on January 12, 1971, and based on the evaluation of March 23, 1971, the Nuclear Steam Supply System was awarded to General Electric Company. Included in the bid was an amount of \$8,395,596 for fabrication of initial nuclear fuel.

3. Financing of Construction

The Project will be financed and constructed in accordance with Net Billing Agreements entered into between the Bonneville Power Administration, the Supply System and 95 statutory preference customers of Bonneville Power Administration. Each of the 95 customers, termed "Participants" under the contracts, is a consumer-owned utility in the Pacific Northwest region of which 28 are municipalities, 22 are public utility districts and 45 are REA cooperatives. These Participants will purchase the entire capability of the Project from the Supply System and each in turn agrees to assign its share of Project capability to the Bonneville Power Administration. Since each Participant purchases all or most of its power requirements from the Bonneville Power Administration, the agreements provide that each Participant will receive a credit on its Bonneville Power Administration power billings to the same extent that it makes payments to the Supply System for its share of Project costs.

Based upon the contractual commitment of each of the Participants to pay its respective share of Project costs, the Supply System will issue revenue bonds in an amount sufficient to pay the net project construction costs.

The Net Billing Agreements referred to above provide the basic security for the financing of the Project. Copies of the contracts and a more detailed description of these marketing and financing arrangements are set forth in Schedule I.

To provide funds for preliminary expenses necessary to obtain the Construction Permit from the Atomic Energy Commission and site certification from the State of Washington, the Supply System issued and sold its \$15,000,000 Nuclear Project No. 2 Revenue Notes on January 14, 1971. These notes, sold for an effective interest rate of 3.47%, will mature on July 1, 1974 (see Schedule I). The Supply System presently plans to sell all or a portion of the permanent bonds required to finance construction of the Project as soon as practicable after the construction permit and site certification have been obtained, now anticipated to be early in 1973, and to refund the Notes at that time.

The Supply System has retained Lehman Brothers, Inc., 1 So. Williams Street, N. Y., N. Y. and Lazard Frères & Co., 44 Wall Street, N. Y., N. Y., as Financial Consultants to render advice as to financing methods, timing, bond market conditions and other matters related to the most effective means of revenue bond financing the costs of construction.

The Supply System has also retained Wood, King, Dawson, Love & Sabatine, Attorneys, 48 Wall Street, N. Y., N. Y., as Bond Counsel to review contracts, bond resolutions and proposed financing, and assist the Supply System in arranging financing.

The WPPSS Financial Consultants have advised the Supply System that the revenue bonds required for Project financing should be readily marketable and should be rated at least as

favorably as those previously issued.

4. Previous Bond Financing, Interest Costs  
and Bonds Outstanding

The Supply System has previously financed two generating projects by issuance and sale of tax exempt revenue bonds. The Packwood Lake Hydroelectric Project Bonds in the amount of \$10,500,000 were sold in 1962. The Hanford Electric Generating Plant Bonds in the amount of \$122,000,000 were sold in 1963. Completion Bonds for the Packwood Project, in the amount of \$3,200,000, were sold in 1965.

12.3  
122.  
35.7

The Packwood Lake Hydroelectric Project is located near the town of Packwood in Lewis County, Washington. The Project utilizes the outflow of Packwood Lake in a drop of 1850 feet to the Cowlitz River. The Project has a rated capacity of 31,500 kilowatts. The power produced is delivered to power purchasers over the BPA transmission system. Packwood Lake Hydroelectric Project Bonds bear an effective interest rate of 3.66% and are payable solely out of revenues from the Project.

The 800,000 kilowatt Hanford Electric Generating Plant, also called Hanford No. 1, was financed by the issuance of \$122,000,000 of Hanford Project Electric Revenue Bonds, Series of 1963, on April 1, 1963. These bonds are payable solely from revenues of the Project and are secured by Exchange Agreements with seventy-six participating utilities of the Pacific Northwest, both publicly and privately owned. Under contractual arrangements similar to those employed on the present Project, the participating utilities agreed to purchase the entire output of the Hanford Electric Generating Plant and to exchange that

entitlement with the Bonneville Power Administration.

The Hanford Generating Project utilizes by-product steam produced in the dual-purpose N-Reactor of the United States Atomic Energy Commission. The Project first generated power on April 6, 1966 and has since that time generated in excess of 13,000,000,000 kilowatt hours of energy.

The effective interest cost of the Hanford No. 1 bonds was 3.26%. As of September 1, 1971, approximately \$73,000,000 in bonds are outstanding on the Project. 12-24-71

The Supply System does not issue general obligation bonds and each project is financed as a self-supporting separate utility system. The governing body of the Supply System authorizes the issuance of bonds for each project based upon a "plan and system" which commits the facilities and assets of that project to the revenue bonds issued to finance the construction.

The bonds issued by the Supply System have all been offered under the laws of the State of Washington. Each issue has been rated by bond rating agencies. Packwood bonds were rated "A" by Moodys. Hanford No. 1 bonds were rated "A-1" by Moodys. In the issuance of Nuclear Project No. 2 Revenue Notes, Standard & Poor rated the notes as "AA" and Moodys rates these notes as "A".

##### 5. Nuclear Insurance

The Supply System will have arranged to acquire nuclear liability insurance to the extent available from the Nuclear Energy Liability Insurance Association (NELIA) and Mutual Atomic Energy Liability Underwriters (MAELU) prior to arrival of nuclear fuel at the Project site.



Additionally, the Supply System will have acquired coverage to the extent available from the aforementioned pools for any third-party liability for bodily injury or personal injury or property damage from nuclear perils for which it may have responsibility during processing or transport of atomic products.

During the course of construction the Supply System will provide builder's risk coverage for its contractors and subcontractors.

The Supply System proposes to acquire "all risk" property damage insurance, including nuclear perils, to the limits of coverage available from Nuclear Energy Property Insurance Association (NEPIA) and Mutual Atomic Energy Reinsurance Pool (MAERP).

In regard to nuclear energy liability and property insurance the Supply System will select a broker of record to act in its behalf in submitting an application for such insurance.



EXHIBIT A  
SCHEDULE II

PRELIMINARY CONSTRUCTION BUDGET

WPPSS NUCLEAR PROJECT NO. 2

Land and Land Rights	\$ -0-	<u>A/</u>
Structures and Improvements	37,581,000	
Reactor Plant Equipment	75,725,000	
Turbo-Generator Unit	56,638,000	
Accessory Electrical Equipment	16,118,000	
Miscellaneous Power Plant	1,245,000	
Station Equipment and Switchyard	4,000,000	
Station Structures and Improvements	100,000	
Temporary Construction Facilities	2,506,000	
Sales Tax	9,695,000	
Total Direct Construction Cost	\$ 203,608,000	
Contingencies and Escalation	60,466,000	
Engineering & Construction Management	16,000,000	
Owners Direct Cost	7,825,000	
Subtotal	\$ 287,899,000	<u>B/</u>
Other Costs	980,000	
Initial Nuclear Core	34,000,000	<u>B/</u>
Capitalized Interest During Construction		
Gross Interest	\$103,977,000	
Less Estimated Interest Income from Investment of Construction		
Fund and Bond Reserve Fund	<u>\$ 51,584,000</u>	
Net	\$ 52,393,000	
Financing, Legal and Miscellaneous Expenses including Bond Discount	<u>9,628,000</u>	
TOTAL BOND ISSUE	\$ 384,900,000	<u>C/</u>

A/ Annual rental charge to be included in operation costs.

B/ As estimated by Burns & Roe, Inc.

C/ As estimated by R. W. Beck & Associates

EXHIBIT B

TECHNICAL QUALIFICATIONS

ENGINEER - CONSTRUCTOR

BURNS & ROE, INC.

Burns and Roe was founded in 1932. It was incorporated in 1935 as Burns and Roe, Inc., and since then has been a consulting engineering organization devoted to the practice of engineering and design and related supporting services. The company's activities cover the entire spectrum from the inception of a project through its startup and operation and have included projects on all seven continents. This broad experience includes planning, financing, study, cost estimating, site selection, engineering, design, purchasing, logistic support, construction management, quality control and assurance, startup and test, operator recruitment and training, technical manual preparation and actual plant operation.

From its inception, the company has been known for its accomplishments in the engineering, design and construction management of fossil fueled power generating stations. For the past twenty years Burns and Roe has also been responsible for many of the major nuclear power and nuclear research facilities.

The Burns and Roe organization numbers in excess of 900 employees. This staff includes over 500 engineering and design personnel, providing the depth of technical capability necessary for handling projects of almost any complexity. The Nuclear Engineering Staff includes physicists and engineers specializing

in reactor core physics, health physics, shielding design, remote handling, stress analysis, hazards analysis, nuclear materials and metallurgy, nuclear fuels, radioactive waste handling and decontamination, nuclear heat exchanger and pump design, and factory practices for fabrication, test and inspection of nuclear equipment. In addition, the majority of Burns and Roe's engineering and design staff has been closely associated with nuclear projects, working on such items as design of shielding, containment, special foundations, instrumentation and controls, power distribution, inert gas systems, ventilation and water treatment.

Burns and Roe has served as Consulting Engineer for the engineering, design and construction of major commercial power plants in the United States and overseas, both nuclear and fossil fueled. Company nuclear activities are broad and include numerous nuclear power studies. Areas of experience cover the complete spectrum of nuclear plant associated tasks, reactor selection and design, equipment specifications, plant layout design of supporting facilities, radioactive waste handling, water treating, hazards analysis, site selection, cost estimating and economic evaluations.

The major activities and accomplishments relating to large nuclear fueled power plants are summarized below:

	<u>Rating</u>	<u>Reactor Type</u>
Forked River Nuclear Power Station Forked River, New Jersey, U.S.A. Unit No. 1	1190 MW	PWR
Hanford Electric Generating Project Richland, Washington, U.S.A. Units No. 1 and 2	2 x 430 MW	PWR

	<u>Rating</u>	<u>Reactor Type</u>
Three Mile Island Nuclear Power Station Dauphin County, Pennsylvania, U.S.A. Unit No. 2	850 MW	PWR
Cooper Nuclear Power Station Brownville, Nebraska, U S.A. Unit No. 1	835 MW	BWR
Oyster Creek Nuclear Power Station Oyster Creek, New Jersey, U.S.A. Unit No. 1	640 MW	BWR
Nuclear Power Plant Project Republic of Turkey Unit No. 1	500 MW	Heavy Water

EXHIBIT C

TECHNICAL QUALIFICATIONS

TECHNICAL CONSULTANTS

R. W. BECK AND ASSOCIATES

R. W. Beck and Associates provides a complete range of planning, engineering and analytical services for utilities, communities and other types of clients throughout the nation. The firm is staffed to carry a total program from the initial planning for the development of an area through the steps of determining the engineering feasibility of specific projects, providing consultation on project financing, designing and supervising the construction of projects and providing continuing analytical services and consultation on the operations of the client.

Since its founding in 1942, R. W. Beck and Associates has gained an outstanding reputation rendering professional engineering services for planning, financing, operations, design and construction services. The firm is particularly proud that it has served many of its clients on a continuing basis for more than twenty years. The firm is recognized as one of the nation's leading consulting engineering firms serving, primarily, utility organizations and is one of the few firms in the United States which directs a large segment of its activities to the preparation of engineering feasibility, operation and management studies and related services, as well as design and construction services



for its clients. The firm is a partnership of fifteen partners, with Mr. H. C. Westfall serving as Managing Partner and Chief Engineer and Mr. R. B. Gallup as Partner and Manager of the Seattle Regional Office. Gross revenues of the firm for the year ending April 30, 1971 were in excess of \$4.5 million.

The general offices of the firm are located at Seattle, Washington. Other offices are maintained at Denver, Colorado; Phoenix, Arizona; Columbus, Nebraska; Orlando, Florida; and Boston, Massachusetts. The firm presently maintains a staff of about 220 professional engineers and other specialists dedicated to providing engineering, analytical and related services to its clients both within the United States and internationally. The staff includes about 100 professional engineers of which more than 80% are registered in one or more states and with other governments. The firm has two IBM 1130 computers and a large staff of experienced programmers and operators.

The firm has many years experience in preparing the engineering feasibility and financing studies and reports necessary for the success of utility and civic improvement projects. In 1960, the U. S. Congressional Joint Committee on Atomic Energy appointed five of the firm's partners to review and report on all the data, material and previous reports prepared about the possible addition of electric power generating facilities to the New Production Reactor being built at Hanford, Washington, by the Atomic Energy Commission. After this report was submitted, Congress approved a program for adding power generating facilities to the reactor by the Washington Public Power Supply System, a non-federal public agency. R. W. Beck and Associates

is serving the WPPSS as Consulting Engineer for the project, which began power production in early 1966.

A representative list of other experience in nuclear and environmental-related projects and studies is presented below:

<u>Client</u>	<u>Project</u>
Consumers Public Power District, Columbus, Nebraska	Feasibility report and technical assistance re: the development of the District's proposed 800-megawatt Cooper Station nuclear plant and financing of the Project.
Washington Public Power Supply System, Kennewick, Washington	Feasibility report, 700,000-kilowatt nuclear plant.
Battelle Northwest, Richland, Washington	Study of 18 Pacific Northwest nuclear plant sites. Included in this study is an evaluation of a typical reactor site in the Hanford Reservation.
Public Utility District No. 1 of Snohomish County, Everett, Washington	Study of siting requirements for large nuclear power plants.
Middlesex-Essex Power Pool, Reading, Massachusetts	Preliminary feasibility analysis of the proposed Ipswich Nuclear Electrical Generating Project and site evaluation.
Arizona Power Authority, Phoenix, Arizona	Nuclear power supply study.
East River Electric Power Cooperative, Inc. Madison, South Dakota	Preliminary engineering study, nuclear plant.
Public Utility District No. 1 of Grays Harbor County, Washington	Coordinated siting evaluation and oceanographic and ecological programs related to establishing the environmental impact of a nuclear power plant sited at Roosevelt Beach on the Pacific Coast. The analysis encompassed estimation of discharge plume impact on ocean beaches.

Client

Project

Public Utility District  
No. 1 of Clallam County  
Port Angeles, Washington

Blyn Penirsula Nuclear Power Plant  
Site evaluation, preparation of  
overall project schedule and per-  
formed preliminary analysis of jet  
mixing of heated plant effluent per-  
taining to the condenser cooling  
of the proposed plant.

Public Utility District  
No. 1 of Snohomish County  
Everett, Washington

Reconnaissance of potential nuclear  
power plant locations in Snohomish  
County. Prepared a conceptual pro-  
gram for developing and testing a  
submerged condenser coolant intake  
system to minimize intake of juve-  
nile fish. Prepared complete  
specifications for thermal power  
plant meteorological station, in-  
cluding required data to meet  
regulatory agency requirements,  
all meteorologic sensors, data  
recording equipment, housing of  
equipment and the meteorological  
tower.

U. S. Army Corps of  
Engineers

Investigated means for withdrawal  
of water at different elevations  
from the storage pool at Libby Dam  
in connection with control of  
downstream river temperature.

United States Bureau of  
Commercial Fisheries

Developed a new type of traveling  
fish screen to prevent fish intro-  
duction into intake facilities.

Public Utility District  
No. 1 of Chelan County  
Wenatchee, Washington

Presently conducting investigations  
into the impact on aquatic life  
of the proposed Antilon Lake Pumped  
Storage project.

Florida Air Pollution  
Control Board

Investigations of stack heights,  
alternative combustion equipment,  
stack re-injection systems and  
insulation.

Puget Sound Air Pollution  
Control Agency

Emission Inventory - planned and  
implemented on the computer a  
system for controlling the assembly  
of emission sources, types, vol-  
umes and their controls now in use  
by the client, providing summaries  
by industry, type of pollutant and  
zone. The resulting data bank will

Client

Project

Washington State Department  
of Social and Health  
Services

provide base pollutant data for the future operation of an atmospheric model to provide warning in case of dangerous concentrations occurring in the four-county area served by the agency.

City of East Braintree,  
Massachusetts

Statistical analysis - prepared computer summaries and frequency distributions for a ten-year period on air pollution data.

Washington Public Power  
Supply System  
Kennewick, Washington

Performed an analysis of expected atmospheric dispersion of gases and particulates emitted by the proposed Braintree thermal power plant.

Performed an analysis of expected atmospheric effects of evaporative type cooling tower and cooling pond operation for Hanford No. 2 nuclear plant. Prepared sections of the Environmental Report to accompany the application for an Atomic Energy Commission Construction Permit for the Hanford No. 2 Nuclear Power Plant.

111

EXHIBIT D  
TECHNICAL QUALIFICATIONS  
NUCLEAR STEAM SUPPLY SYSTEM  
GENERAL ELECTRIC COMPANY

The General Electric Company was incorporated in 1892. The company is the largest manufacturer of electrical and electronic equipment in the United States engaged in the development, manufacture and sale of apparatus, equipment, supplies and appliances for the generation, transmission, utilization and control of electrical power.

The company ranks as one of the largest American industrial corporations with total current assets worth nearly six billion dollars. Sales in 1969 were nearly eight and one-half billion dollars.

The company employs over 300,000 persons in facilities throughout the United States and is organized into eleven major groups, which are:

- Aerospace Group
- Aircraft Engine Group
- Appliance & Television Group
- Components and Materials Group
- Construction Industries Group
- Consumer Products Group
- Industrial Group
- Information System Group
- International Group
- Power Generation Group
- Power Transmission and Distribution Group

The General Electric Company has a broad base of actual operating experience with single-cycle boiling water nuclear steam supply systems. Starting with Dresden Nuclear Power



Station, Unit No. 1 in 1960, over 35.6 billion kilowatt hours of electricity have been produced by General Electric boiling water reactors (as of October 31, 1970). In addition to this operating experience, General Electric has gained experience in designing GE/BWR equipped power plants representing over 39 million kilowatts (net) of plant capacity. Power plants in operation, under construction or on order that make up this total are listed below:\*

Boiling Water Reactors

<u>Plant Name</u>	<u>Utility</u>	<u>MWe</u>	<u>Remarks</u>
Vallecitos	PG&E/GE	5	**S.U. 1957
Dresden 1	Commonwealth Edison	200	S.U. 1960
Kahl	RWE West Germany	16	S.U. 1961
Humbolt Bay	Pacific Gas & Electric	65	S.U. 1963
Big Rock Point	Consumers Power	75	S.U. 1963
EVESR	ESADA Group	5	S.U. 1963
Japan Power Demo	JAERI, Japan	13	S.U. 1963
Garigliano	ENEL, Italy	160	S.U. 1964
Gundrammingen	KRB, West Germany	250	S.U. 1967
Dodewaard	GKN, The Netherlands	54	S.U. 1968
Tarapur 1	Government of India	210	S.U. 1969
Tarapur 2	Government of India	210	S.U. 1969
Oyster Creek	Jersey-Central P & L	690	S.U. 1969
Nine Mile Point	Niagara Mohawk Power	620	S.U. 1970
Tsuruga	JAPC, Japan	357	S.U. 1970
Dresden 2	Commonwealth Edison	809	S.U. 1970
Fukushima 1	TEPCO, Japan	440	S.U. 1970
Millstone	Northeast Utilities	650	S.U. 1970
Monticello	Northern States Power	545	S.U. 1971

<u>Plant Name</u>	<u>Utility</u>	<u>MWe</u>	<u>Remarks</u>
Santa Maria	Nuclenor, Spain	440	S.U. 1971
Dresden 3	Commonwealth Edison	809	Under Const.
Quad Cities 1	Comm. Ed./Iowa Ill. G&E	809	" "
Vermont Yankee	Vermont Yankee Nuclear Power	540	" "
Muehleberg	BKW, Switzerland	306	" "
Pilgrim	Boston Edison	654	" "
Browns Ferry 1	TVA	1152	" "
Quad Cities 2	Comm. Ed./Iowa Ill. G&E	809	" "
Peach Bottom 2	Philadelphia Electric	1065	" "
Cooper Nuclear Station	Nebraska Pub. Pwr. Dist.	800	" "
Fukushima 2	TEPCO, Japan	762	" "
Browns Ferry 2	TVA	1152	" "
Edwin J. Hatch 1	Georgia Power Co.	813	" "
Fitzpatrick	Power Auth., N.Y. State	621	" "
Peach Bottom 3	Philadelphia Electric	1065	" "
Browns Ferry 3	TVA	1152	" "
Duane Arnold Energy Center	Iowa Electric L&P	550	" "
Brunswick 2	Carolina Power & Light	821	" "
Enrico Fermi 2	Detroit Edison	1150	On Order
Wm. H. Zimmer 1	(Cincinnati G&E (Columbus & So. Ohio (Elect., Dayton P&L	840	" "
Limerick 1	Philadelphia Electric	1100	" "
Newbold Is. 1	Public Service E&G	1140	" "
Chinshan 1	Taiwan Power, Taiwan	610	" "
Shoreham	Long Island Lighting Co.	820	" "

<u>Plant Name</u>	<u>Utility</u>	<u>MWe</u>	<u>Remarks</u>
LaSalle 1	Commonwealth Edison	1122	On Order
CAORSO	ENEL, Italy	827	" "
Bailly Sta. N-1	No. Indiana Pub. Serv.	657	" "
Brunswick 1	Carolina Power & Light Co.	821	" "
Limerick 2	Philadelphia Electric	1100	" "
Edwin I Hatch 2	Georgia Power Co.	817	" "
Susquehanna 1	Pennsylvania P&L	1100	" "
Chinshan 2	Taiwan Power, Taiwan	610	" "
LaSalle 2	Commonwealth Edison	1122	" "
Newbold Is. 2	Public Service E&G	1140	" "
Susquehanna 2	Pennsylvania P&L	1100	" "
Nuclear 4	Consolidated Edison	1115	" "
Nuclear 5	Consolidated Edison	1115	" "
Mendocino 1	Pacific Gas & Electric	1100	" "
Mendocino 2	Pacific Gas & Electric	1100	" "
Hanford No. 2	Washington Public Power Supply System	1100	" "

\* Table information from Nuclear News, June 1971.

\*\* S.U. - Start Up

EXHIBIT E  
TECHNICAL QUALIFICATIONS  
TURBINE-GENERATOR SUPPLIER  
WESTINGHOUSE ELECTRIC CORPORATION

The Westinghouse Electric Company was incorporated in 1886. Its name was changed to Westinghouse Electric and Manufacturing Company in 1889, and finally to Westinghouse Electric Corporation in 1945.

The principal business activity is manufacture and sale of equipment and appliances for the generation, transmission, utilization and control of electricity.

Westinghouse employs over 141,000 persons in facilities throughout the United States. In 1969, total assets were in excess of \$1.4 billion and gross sales were in excess of \$3.5 billion.

The company manufactures and sells a highly diversified range of products ranging from a full line of home appliances to commercial nuclear power plants. Included among its products are steam and gas turbines, practically all electrical and much related mechanical equipment required by power companies.

Westinghouse Electric Corporation has a long history in the application of nuclear power for steam generation and electrical production. The company has played a major role in the design of the nuclear systems that power the Nuclear Navy, and as of February 1, 1970, commercial Westinghouse pressurized water reactors had the combined generating capacity of over 31,000 MW.

Westinghouse Electric Corporation experience with the application of turbine-generators in nuclear power stations goes back to 1956, when the turbine-generator for Shippingport No. 1 was provided. Since then, Westinghouse has provided turbine-generators for numerous plants operating or under construction. Since the turbine is an item requiring long lead time, a number of orders have been placed for plants not yet under construction. The attached tables serve to demonstrate company involvement in this area.



# WESTINGHOUSE TURBINE-GENERATORS FOR NUCLEAR APPLICATION

## IN SERVICE

<u>PURCHASER</u>	<u>STATION &amp; UNIT NO.</u>	<u>RATING MW</u>	<u>DATE OF ORDER</u>	<u>DATE OF SHIPMENT</u>	<u>DATE IN SERVICE</u>
Duquesne Light Co.	Shippingport #1	100	1955	1957	1957
Yankee Atomic Power Co.	Rowe #1	185	1955	1959	1961
* Consolidated Edison Co. of N.Y.	Indian Point #1	275	1956	1959	1962
Southern California Edison Co.	San Onofre #1	450	1962	1965	1967
Connecticut Yankee Atomic Pwr. Co.	Haddam Neck #1	616	1962	1966	1967
Union Electric-Madrid (Spain)	Zorita #1	160	1964	1966	1969
Rochester Gas & Electric Co.	Robert Ginna	497	1965	1968	1969
Carolina Pwr. & Light Co.	H. B. Robinson #1	739	1966	1968	1970
Wisconsin-Michigan Power Co.	Point Beach #1	503	1965	1968	1970

\* Babcock & Wilcox - Nuclear Steam Supply System

E-3

# WESTINGHOUSE TURBINE-GENERATORS FOR NUCLEAR APPLICATION

## BEING ERECTED

<u>PURCHASER</u>	<u>STATION &amp; UNIT NO.</u>	<u>RATING MW</u>	<u>DATE OF ORDER</u>	<u>DATE OF SHIPMENT</u>
Consolidated Edison Co. of N.Y.	Indian Point #2	1022	1965	1965
Consumers Power Co.	Palisades #1	810	1966	1968
Florida Power & Light Co.	Turkey Point #3	728	1965	1968
Consolidated Edison Co. of N.Y.	Indian Point #3	1022	1966	1969
Pacific Gas & Electric Co.	Diablo Canyon #1	1090	1966	1969
Public Service Electric & Gas Co.	Salem #1	1045	1966	1969
Virginia Electric & Power Co.	Surry #1	815	1966	1969
Commonwealth Edison Co.	Zion #1	1086	1965	1970
Florida Power & Light Co.	Turkey Point #4	728	1965	1970
Maine Yankee Atomic Power Co.	Wiscasset #1	800	1966	1970
** Nebraska PPD	Cooper #1	810	1966	1970
Northern State Power Co.	Prairie Island #1	560	1966	1970
Virginia Electric & Power Co.	Surry #2	815	1966	1970
Wisconsin-Michigan Power Co.	Point Beach #2	503	1966	1970
Wisconsin Public Service Co.	Kewaunee #1	560	1966	1970

\*\* BWR Application

# WESTINGHOUSE TURBINE-GENERATORS FOR NUCLEAR APPLICATION

## BEING MANUFACTURED

<u>PURCHASER</u>	<u>STATION &amp; UNIT NO.</u>	<u>RATING MW</u>	<u>DATE OF ORDER</u>	<u>DATE OF SHIPMENT</u>
Arkansas Power & Light Co.	Russellville #1	910	1967	1971
Commonwealth Edison Co.	Zion #2	1086	1967	1971
Duquesne Light Co.	Beaver valley #1	819	1967	1971
Florida Power & Light Co.	Hutchison Island #1	841	1967	1971
* Florida Power Corporation	Crystal River #3	856	1967	1971
Public Service Elect. & Gas Co.	Salem #2	1162	1967	1971
* Sacramento Municipal Utl. Dist.	Rancho Seco #1	913	1967	1971
TVA	Sequoyah #1	1200	1968	1971
Baltimore Gas & Electric Co.	Calvert Cliffs #2	878	1967	1972
* Jersey Central Power & Light Co.	Three Mile Island #2	926	1967	1972
Northern States Power Co.	Prairie Island #2	550	1967	1972
Pacific Gas & Electric Co.	Diablo Canyon #2	1159	1967	1972
TVA	Sequoyah #2	1200	1968	1972
Virginia Electric & Power Co.	North Anna #1	943	1967	1972
Alabama Power Co.	Farley #1	861	1968	1973
** Cincinnati Gas & Electric Co.	Zimmer #1	840	1969	1973
Duke Power Co.	McGuire #1	1209	1969	1973
Puerto Rico WRA	Aguirre #1	589	1970	1973
** Taiwan	Chinshan #1	636	1969	1973
** Taiwan	Chinshan #2	636	1970	1973
Virginia Electric & Power Co.	North Anna #2	943	1967	1973
Louisiana Power & Light Co.	Waterford #2	1140	1969	1974
TVA	Watts Bar #1	1218	1971	1974
Duke Power Co.	McGuire #2	1209	1969	1975
TVA	Watts Bar #2	1218	1971	1976
Florida Power & Light Co.	Hutchison Island #2	841	1971	1973
Customer Confidential		933	1967	1974
* Customer Confidential		943	1969	1975
Customer Confidential		943	1971	1975
** Wash. Pub. Pwr. Supply System	Hanford #2	1200	1967	1975
Alabama Power Co.	Farley #2	861	1968	1975

EXHIBIT F  
TECHNICAL QUALIFICATIONS  
NUCLEAR FUEL CONSULTANT  
THE S. M. STOLLER CORPORATION

The S. M. Stoller Corporation is an outgrowth of S. M. Stoller Associates, started in 1959 by Sidney M. Stoller.

Articles of incorporation were filed on May 29, 1969, in Wilmington, Delaware. On June 2, 1969, John F. Hogerton, who has had an independent nuclear practice and has been associated with S. M. Stoller Associates on a retainer basis since 1962, merged his practice with the corporation.

On June 23, 1969, Butcher & Sherrerd, the Philadelphia investment banking firm, acquired an important interest in the new corporation through the purchase of stock and the sale to the corporation, in exchange for stock, of Walnut Leasing Company.

The company employs 32 people. Most of these are highly qualified professionals that allow The S. M. Stoller Corporation to offer services in the following areas:

- a. Fuel management services
- b. Fuel financing and/or fuel agent services
- c. Core design and fuel cycle economic studies and assistance in the procurement of fuel for initial and reload cores
- d. Assistance in reactor license applications
- e. General technical and economic studies
- f. Special services to Empire State Atomic Development Associates (ESADA), in connection with the nuclear research and develop-

ment programs sponsored by the latter

g. Nuclear power plant reliability studies.

Sidney M. Stoller is President and Chief Executive Officer of the corporation. John F. Hogerton is Executive Vice President. These two individuals, plus Divisional Vice Presidents Leonard Geller and Robert W. Kupp (see below), and Henry Glendinning, a partner of Butcher & Sherrerd, presently constitute the Board of Directors.

The organization is divided into three divisions:

1. Research Division, headed by Dr. Leonard Geller, Vice President. Dr. Geller was one of the original Senior Associates of S. M. Stoller Associates. His division develops the basic technical inputs and computational techniques required for the conduct of the corporation's business, and carries out specific studies and computational programs assigned to it by the other divisions.

2. Technical Services Division, which, for a transitional period, will be headed directly by Mr. Stoller to ensure continuity of client service. This division manages all the technical projects undertaken by the corporation on behalf of utility and other clients. It presently has three departments: a Utility Department, which handles work for specific utility accounts; an Industry Studies Department, which handles multi-client study projects, and a Special Projects Department.

3. Financing Services Division, headed by Mr. Robert W. Kupp, Vice President, an original Senior Associate of S. M. Stoller Associates. This division, currently being established, will

handle fuel financing, fuel agent, and/or other corporation activities outside the sphere of personal services.

The clients of S. M. Stoller are responsible for nearly half of the nuclear power capacity committed in the United States to date.



EXHIBIT G  
TECHNICAL QUALIFICATIONS  
APPLICANT

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

The Supply System has acquired a technical and administrative staff comprised of 30 people, directly or indirectly involved in the Hanford No. 2 project.

Technical qualifications required of key personnel involved in the Hanford No. 2 project have been established. Qualifications are as follows:

HANFORD NO. 2  
PROJECT STAFF

<u>Title</u>	<u>Generating Plant Experience (Years)</u>	<u>Education</u>	<u>Licenses</u>
Project Manager	15	B.S. Eng. or additional 8 yrs power plant experience	P.E.
Supervising Project Engr.	10	B.S. Engr.	
Project Civil Engr.	8	B.S. Civil	
Electrical Project Engr.	8	B.S. E.E.	
Mechanical Project Engr.	8	B.S. M.E.	
Nuclear Project Engr.	8	B.S. Engr.	
Cost Engineer	5	B.S. Degree	
Supervising Quality Assurance Engineer	8	B.S. Degree	
Supervising Program Engr.	10	B.S. Degree	P.E. Desirable
Fuels Management Engr.	8	B.S. Degree	

<u>Title</u>	<u>Generating Plant Experience (Years)</u>	<u>Education</u>	<u>Licenses</u>
License Administration Engr.	8	B.S. Degree	
Operations Administration & Training Engineer	6	B.S. Engr.	
Office Engineer	5		

HANFORD NO. 2  
OPERATIONS STAFF

<u>Title</u>	<u>Generating Plant Experience (Years)</u>	<u>Education</u>	<u>Licenses</u>
Plant Superintendent	10	B.S. Degree	S.O.L.*
Technical Supervisor	8	B.S. Engr.	S.O.L.
Operations Supervisor	8	B.S. Engr. (or Equiv.)	S.O.L.
Technical Engineers (3)	5	B.S. Degree	
Nuclear Engineer	5	B.S. Degree	S.O.L.
Maintenance Supervisor	8		
Shift Supervisor	10	2 years college	S.O.L.

Supply System engineering employees now working on the Hanford No. 2 project have a combined nuclear experience of one hundred sixty-one man years.

\* Senior Operators License

MEMO ROUTE SLIP Form AEC-93 (Rev. May 14, 1947) AECM 0240		See me about this. Note and return.	For concurrence. For signature.	For action. For information.
TO (Name and unit)  S. <del>Winer</del> 003 - Bethesda	INITIALS	REMARKS WASHINGTON PUBLIC SUPPLY SYSTEM, HANFORD NO. 2, DOCKET NO. 50-397  This will confirm my telephone conversation with you that I have reviewed both Resolution No. 640 and the prospectus for the offering of \$150,000,000 Revenue Bonds, Series 1973.		
	DATE			
TO (Name and unit)	INITIALS	REMARKS On the basis of the above and since the bonds were sold on July 11, 1973, the contingency included in the Construction Permit No. CPFR-93, paragraph E.(4), has been satisfied.		
	DATE			
TO (Name and unit)	INITIALS	REMARKS  → cc: Bruce Hurt ✓		
	DATE			
FROM (Name and unit)  R. H. Schoonmaker AGMC - D-323	REMARKS			
PHONE NO. 5294	DATE 9/5/73			

USE OTHER SIDE FOR ADDITIONAL REMARKS

GPO : 1971 O - 445-483

Resolution No. 640

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A RESOLUTION PROVIDING A PLAN AND SYSTEM FOR THE ACQUISITION AND CONSTRUCTION BY WASHINGTON PUBLIC POWER SUPPLY SYSTEM OF A UTILITY SYSTEM CONSTITUTING THE WASHINGTON PUBLIC POWER SUPPLY SYSTEM NUCLEAR PROJECT NO. 2, AND PROVIDING FOR THE ISSUANCE OF REVENUE BONDS FOR SAID PURPOSES.

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## **Resolution No. 640**

**A RESOLUTION PROVIDING A PLAN AND SYSTEM FOR THE ACQUISITION AND CONSTRUCTION BY WASHINGTON PUBLIC POWER SUPPLY SYSTEM OF A UTILITY SYSTEM CONSTITUTING THE WASHINGTON PUBLIC POWER SUPPLY SYSTEM NUCLEAR PROJECT NO. 2, AND PROVIDING FOR THE ISSUANCE OF REVENUE BONDS FOR SAID PURPOSES.**

WHEREAS, Washington Public Power Supply System (hereinafter referred to as the "System"), has heretofore been duly organized as a joint operating agency and a municipal corporation of the State of Washington, under the laws of the State of Washington (Revised Code of Washington, Chapter 43.52), and is authorized, among other things, to acquire, construct, own, maintain, operate, develop and regulate plants, works and facilities for the generation and transmission of electric power and energy and to contract for the sale, exchange, transmission or use of electric energy with any person, firm or corporation including political subdivisions and agencies of any state, or of the United States, at fair and non-discriminatory rates; and

WHEREAS, the System, pursuant to Resolutions Nos. 104 and 106, adopted by its Board of Directors on December 15, 1961, and January 19, 1962, respectively, acquired and now owns and operates the Packwood Lake Hydroelectric Project, and has issued revenue bonds of the System to pay the cost of acquiring and constructing such project, which bonds are payable solely from the revenues derived therefrom; and

WHEREAS, the System pursuant to Resolution No. 178, adopted by its Board of Directors on April 15, 1963, acquired and now owns and operates the Hanford Electric Generating Project (hereinafter referred to as the "Hanford Project"), and has issued revenue bonds of the System to pay the cost of acquiring and constructing such project, which bonds are payable solely from the revenues derived therefrom; and

WHEREAS, said Resolutions Nos. 104, 106 and 178, each provide that the System may issue its revenue bonds to pay the cost of acquiring and constructing a separate utility system and pledge the revenues derived

therefrom to the payment of said bonds issued to pay the cost of acquiring and constructing said separate utility system; and

WHEREAS, in order to help provide for the power needs, both actual and prospective, of the members of the System and other wholesale power purchasers in the State of Washington and the Pacific Northwest (hereinafter referred to as "Participants"), the System has heretofore taken certain actions to obtain for the System and the Participants a power supply to consist of a nuclear generating plant and associated facilities, to be constructed or acquired by the System as a separate utility system to be known as the Washington Public Power Supply System Nuclear Project No. 2 (hereinafter defined as the "Project"); and

WHEREAS, the System has entered into a contract with the United States of America, Department of the Interior, acting by and through the Bonneville Power Administrator (hereinafter referred to as the "Administrator"), with respect to the construction and operation of the Project by the System; and

WHEREAS, the System has entered into contracts with the Administrator and the Participants whereby, among other things, the System agrees to sell and the Participants agree to purchase the entire capability of the Project; the Participants agree to assign their respective shares of said capability to the Administrator and the Administrator agrees to acquire all of said shares of the Participants. The System and each Participant have determined that the sale by the System and purchase by such Participant of its share of the capability of the Project and the assignment thereof by the Participant to the Administrator will be beneficial to it by reducing the cost of and increasing the amounts of firm power and energy which will be available to serve its members or customers in the future. The Administrator has determined that the acquisition of all of the Participants' shares of said capability will assist in attaining the objectives of the Bonneville Project Act and other statutes which pertain to the disposition of electric power and energy from projects of the United States of America in the Pacific Northwest by enabling the United States of America to make optimum use of the Federal Columbia River Power System, and that the integration of the capability of the Project with the hydro-electric resources

of the Federal Columbia River Power System will enable the Administrator to make available additional firm power and energy to meet the needs of his customers; and

WHEREAS, the Project is a part of the Hydro Thermal Power Program for the Pacific Northwest; and

WHEREAS, the System has heretofore obtained all approvals, permits and licenses from governmental agencies or authorities, both state and federal, having jurisdiction in the premises as are required to enable it to proceed with the construction of the Project; and

WHEREAS, the System has heretofore issued Fifty-Five Million Dollars (\$55,000,000) principal amount of revenue notes for the purpose of paying the cost of preliminary work and expenses in connection with the Project, all of which notes are presently outstanding and unpaid; and

WHEREAS, the System now deems it advisable to proceed with the construction of the Project and to issue its revenue bonds for the purpose of paying the cost of such construction and to provide for the payment of the aforesaid revenue notes.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF WASHINGTON PUBLIC POWER SUPPLY SYSTEM:

## ARTICLE I

### CERTAIN DEFINITIONS

SECTION 1.1. *Definitions.* As used in this Resolution the following words and phrases shall have the meanings hereinafter set forth unless the context shall clearly indicate that another meaning is intended:

(a) The term "Board" shall mean the Board of Directors of the Washington Public Power Supply System, including the Executive Committee thereof when acting under authority delegated to it by the Board, or if said Board shall be abolished, the board, body, commission or agency succeeding to the principal functions thereof or to whom the powers and duties granted or imposed by this Resolution shall be given by law.

(b) The term "Bond Fund Trustee" shall mean the trustee appointed pursuant to Section 7.2 hereof, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to this Resolution.

(c) The term "Bonds" shall mean the Washington Public Power Supply System Nuclear Project No. 2 Revenue Bonds of the System issued pursuant to and under the authority of Section 3.1 of this Resolution. The term "1973 Bonds" shall mean the \$150,000,000 Washington Public Power Supply System Nuclear Project No. 2 Revenue Bonds, Series 1973, initially issued pursuant to and under the authority of Section 3.2 of this Resolution. The term "bonds issued pursuant to this Resolution" shall mean the Bonds and all additional bonds issued pursuant to the provisions of Section 9.6 of this Resolution.

(d) The term "Bondholder" or "holder of a Bond" shall mean any person who shall be the bearer of any Coupon Bond or Bonds or coupon bond or bonds issued pursuant to this Resolution, or the registered owner of any Bond or Bonds or bond or bonds issued pursuant to this Resolution without coupons.

(e) The term "Capitalized Fuel" shall mean all Fuel the cost of which, as recorded on the Date of Commercial Operation, is included as a cost of construction under the Federal Power Commission Uniform System of Accounts in effect on January 1, 1970.

(f) The term "Construction Fund Trustee" shall mean the trustee appointed pursuant to Section 7.1 hereof, its successor or successors and any other corporation which may at any time be substituted in its place pursuant to this Resolution.

(g) The term "Consulting Engineer" shall mean at any time the consulting engineer or engineering firm appointed pursuant to Section 9.10 hereof.

(h) The term "Cost of Construction" shall mean all costs paid or incurred by the System in connection with the planning, acquisition and construction of the Project, as such costs are defined in Section 6.10 of this Resolution.

(i) The term "Date of Commercial Operation" shall mean the date fixed by the System and the Administrator pursuant to the Project

Agreement as the point in time when the Project is ready to be operated on a commercial basis pursuant to schedules agreed to by said parties.

(j) The term "Fuel" shall mean any nuclear fuel, fuel assemblies and components, and rights relating thereto, including any and all nuclear material therefor, together with all associated and related property incident to the acquisition, processing, reprocessing and disposal of the nuclear fuel used or usable in connection with the acquisition, construction, maintenance and operation of the Project.

(k) The term "Investment Securities" shall mean any of the following, if and to the extent that the same are legal for the investment of funds of the System:

1. Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;

2. General obligation bonds of any state of the United States of America rated by a nationally recognized bond rating agency in either of the two highest rating categories assigned by such rating agency;

3. Bonds, debentures, notes or participation certificates issued by the Bank for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank System, the Export-Import Bank of the United States, Federal Land Banks or the Federal National Mortgage Association or of any other agency of the United States of America or of any corporation wholly owned by the United States;

4. Public Housing Bonds or Project Notes issued by Public Housing Authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions to be paid by the United States of America, or any agency thereof; and

5. Bank time deposits evidenced by certificates of deposit issued by any bank, trust company, or national banking association authorized to do business in the State of Washington, which is a member of the Federal Reserve System, provided that such bank time deposits in any bank, trust company, or banking association do not exceed at any one time in the aggregate twenty-five per centum (25%) of the total of the capital stock and surplus of such bank, trust company or banking association.



(l) The term "Net Billing Agreements" shall mean all of the agreements designated "Washington Public Power Supply System Nuclear Project No. 2 Agreement" (Contracts Nos. 14-03-19122 to 14-03-19215, inclusive), dated January 4, 1971, executed by the United States of America, Department of the Interior, acting by and through the Administrator, the System and each of the Participants, for the sale by the System of the entire capability of the Project to the Participants and the assignment thereof to, and acceptance thereof by, the Administrator.

(m) The term "Participants" shall mean the parties to the Net Billing Agreements listed below:

City of Albion, Idaho  
 City of Bandon, Oregon  
 Public Utility District No. 1 of Benton County, Washington  
 Benton Rural Electric Association, Inc.  
 Big Bend Electric Cooperative, Inc.  
 Blachly-Lane County Cooperative Electric Association  
 City of Blaine, Washington  
 City of Bonners Ferry, Idaho  
 City of Burley, Idaho  
 City of Canby, Oregon  
 City of Cascade Locks, Oregon  
 Central Electric Cooperative, Inc.  
 City of Centralia, Washington  
 Central Lincoln Peoples' Utility District  
 City of Cheney, Washington  
 Public Utility District No. 1 of Clallam County, Washington  
 Public Utility District No. 1 of Clark County, Washington  
 Clatskanie Peoples' Utility District  
 Clearwater Power Company  
 Columbia Basin Electric Cooperative, Inc.  
 Columbia Power Cooperative Association, Inc.  
 Columbia Rural Electric Association, Inc.  
 Consumers Power, Inc.  
 Coos-Curry Electric Cooperative, Inc.  
 City of Coulee Dam, Washington  
 Public Utility District No. 1 of Cowlitz County, Washington  
 City of Declo, Idaho

Douglas Electric Cooperative, Inc.  
 City of Drain, Oregon  
 The East End Mutual Electric Co. Ltd.  
 City of Ellensburg, Washington  
 Fall River Rural Electric Cooperative, Inc.  
 Farmers Electric Co. Ltd.  
 Public Utility District No. 1 of Ferry County, Washington  
 Flathead Electric Cooperative, Inc.  
 City of Forest Grove, Oregon  
 Public Utility District No. 1 of Franklin County, Washington  
 Public Utility District No. 1 of Grays Harbor, Washington  
 Harney Electric Cooperative, Inc.  
 City of Heyburn, Idaho  
 Hood River Electric Cooperative of Hood River County, Oregon  
 Idaho County Light & Power Cooperative Association, Inc.  
 City of Idaho Falls, Idaho  
 Inland Power & Light Company  
 Public Utility District No. 1 of Kittitas County, Washington  
 Public Utility District No. 1 of Klickitat County, Washington  
 Kootenai Electric Cooperative, Inc.  
 Lane County Electric Cooperative, Inc.  
 Public Utility District No. 1 of Lewis County, Washington  
 Lincoln Electric Cooperative, Inc.  
 Lost River Electric Cooperative, Inc.  
 Lower Valley Power & Light, Inc.  
 Public Utility District No. 1 of Mason County, Washington  
 Public Utility District No. 3 of Mason County, Washington  
 Town of McCleary, Washington  
 City of McMinnville, Oregon  
 Midstate Electric Cooperative, Inc.  
 City of Milton-Freewater, Oregon  
 City of Minidoka, Idaho  
 Missoula Electric Cooperative, Inc.  
 City of Monmouth, Oregon  
 Nespelem Valley Electric Cooperative, Inc.  
 Northern Lights, Inc.  
 Northern Wasco County Peoples' Utility District  
 Okanogan County Electric Cooperative, Inc.  
 Public Utility District No. 1 of Okanogan County, Washington

Orcas Power and Light Company  
 Public Utility District No. 2 of Pacific County, Washington  
 City of Port Angeles, Washington  
 Prairie Power Cooperative, Inc.  
 Raft River Rural Electric Cooperative, Inc.  
 Ravalli County Electric Cooperative, Inc.  
 City of Richland, Washington  
 Riverside Electric Company, Ltd.  
 City of Rupert, Idaho  
 Rural Electric Company  
 Salem Electric  
 Salmon River Electric Cooperative, Inc.  
 City of Seattle, Washington  
 Public Utility District No. 1 of Skamania County, Washington  
 Public Utility District No. 1 of Snohomish County, Washington  
 South Side Electric Lines, Inc.  
 City of Springfield, Oregon  
 Town of Sumas, Washington  
 Surprise Valley Electrification Corporation  
 Tanner Electric  
 Tillamook Peoples' Utility District  
 Umatilla Electric Cooperative Association  
 Unity Light & Power Company  
 Vera Irrigation District No. 15  
 Vigilante Electric Cooperative, Inc.  
 Public Utility District No. 1 of Wahkiakum County, Washington  
 Wasco Electric Cooperative, Inc.  
 West Oregon Electric Cooperative, Inc.

(n) The term "Period of Construction", for the purposes of this Resolution, shall mean the period of time beginning with the date of adoption of this Resolution and ending on the date of filing of the report by the Construction Engineer pursuant to Section 8.6 hereof.

(o) The term "Project" shall mean the Washington Public Power Supply System Nuclear Project No. 2 as more fully described in Article II hereof, and all additions, betterments and improvements thereto and extensions thereof, but shall not include the Packwood Lake Hydroelectric Project acquired pursuant to Resolution Nos. 104 and 106, adopted by the Board on December 15, 1961, and January 19,

1962, respectively, or the Hanford Project constructed and acquired pursuant to Resolution No. 178, adopted by the Board on April 15, 1963, or any generation, transmission and distribution facilities hereafter constructed or acquired by the System as a separate utility system.

(p) The term "Project Agreement" shall mean the "Washington Public Power Supply System Nuclear Project No. 2 Agreement" (Contract No. 14-03-19121), dated January 4, 1971, executed by the United States of America Department of the Interior acting by and through the Administrator and the System, with respect to the construction and operation of the Project by the System.

(q) The term "Resolution" shall mean this Resolution, except when used in Articles XI and XII hereof, in which case the term "Resolution" shall have the meaning as defined in Section 11.1 hereof.

(r) The term "Series of Bonds" or "Bonds of a Series" shall mean a series of Bonds authorized by this Resolution or by a Series Resolution.

(s) The term "Series Resolution" shall mean a resolution supplemental to the Resolution authorizing the issuance of a Series of Bonds.

(t) The term "outstanding" when used with reference to any bonds issued pursuant to this Resolution, shall have the meaning set forth in Section 14.2 hereof.

## ARTICLE II

### THE PLAN AND SYSTEM

SECTION 2.1. *Findings and Determinations.* The Board has caused various engineering reports and surveys and economic and environmental studies to be made and submitted to it with respect to the present and prospective needs of the Participants, including the Participants which are members of the System, for electricity for all uses, and the Board, after due consideration and analysis of said engineering reports and surveys and economic studies, hereby finds and determines that the construction and acquisition of the Project is necessary and advisable in order to provide for the present and prospective power needs of the Participants, that the construction and acquisition of the Project by the System and the disposition of the power and energy therefrom, as provided in the Net Billing Agreements, will result in substantial economies and advantages to the Participants, the people of the State of Washington, and the Pacific Northwest, and that the

Project is economically feasible and urgently required to conserve the resources of the region. The Board hereby further finds and determines that the capability of, and power and energy which will be produced at, the Project can be disposed of at prices sufficient, with all other available revenues, to retire all revenue bonds issued to pay the Cost of Construction of the Project, to establish the reserves as herein provided, to retire the outstanding revenue notes of the System heretofore issued in connection with the Project, and to pay the cost of operation and maintenance thereof and renewals, replacements and repairs thereto. The Board hereby further finds and determines, that the public interest, welfare, convenience and necessity require the acquisition and construction by the System of the Project as a separate utility system for the purpose of supplying the power needs of the participants which are members of the System and the inhabitants thereof and any other persons, including public or private corporations, within or without their limits, with electricity for all uses.

SECTION 2.2. *Plan and System.* The System hereby specifies and adopts the plan and system hereinafter set forth for the acquisition, by purchase or condemnation, and construction of the following nuclear electric generating plant and associated facilities as a separate utility system constituting the Washington Public Power Supply System Nuclear Project No. 2 of the System, to wit:

A. The System shall construct and acquire a nuclear electric generating plant and associated facilities at a site on the federal reservation known as the Hanford Reservation of the United States Atomic Energy Commission located in southeastern Washington near the Columbia River approximately 12 miles northwest of the City of Richland, Washington, having a nominal capacity of 1,100,000 kilowatts. Said plant and associated facilities shall include, but shall not be limited to, a nuclear steam supply system, reactor coolant system and all related containment structures and safety features including all instrumentation, control and auxiliary systems required therefor; turbine-generator, condensers, circulating water systems including cooling towers and related facilities, electrical and mechanical systems and all other equipment, facilities or appurtenances thereto; all electrical facilities required to deliver the output of the Project to the Federal Columbia River Power System's transmission system at such point or points as may be determined by the System and the Administrator; all structures, shops, warehouses,



construction facilities, offices, dwellings and all other structures, equipment or facilities used or useful in the construction, maintenance and operation of the Project.

B. The System shall acquire, by lease or purchase, all nuclear fuel, fuel assemblies and components, and rights relating thereto, including any and all nuclear material therefor, together with all associated and related property incident to the acquisition, processing, reprocessing and disposal of the nuclear fuel used or usable in connection with the acquisition, construction, maintenance and operation of the Project.

C. The System shall acquire, construct and equip an administrative service building in the vicinity of the City of Richland, Washington.

D. The System shall acquire all real estate or interests in real estate, all lands, easements, permits and other rights in land and other physical property used or useful in connection with the acquisition, construction, maintenance and operation of the Project or any part thereof.

E. The System shall obtain all permits and licenses required by any regulatory agency or governmental authority having jurisdiction and any other licenses, permits, approvals, easements or legal rights of any kind required for, or used or useful in connection with, the acquisition, construction, maintenance and operation of the Project.

F. The System shall cause to be made any and all surveys, studies and investigations necessary or incidental to the acquisition and construction of the Project and placing it into operation, including all such surveys, studies, investigations and other work necessary to comply with all environmental laws and with all environmental orders, regulations and standards of any federal or state agency having jurisdiction over the Project, now or hereafter in effect. The System shall cause to be performed any and all fiscal, engineering, legal, accounting and other services in connection with the foregoing.

G. Subject to the Project Agreement, the Project shall also include any additional works, plants or facilities subsequently acquired or constructed by the System for the same uses, whether or not physically connected therewith, which, if so authorized by resolution of the Board, may become additions or betterments to or extensions of the Project.

SECTION 2.3. *Modification of Plan and System.* The System may modify details of the foregoing plan and system, including modifications to make provisions for the installation of additional facilities in the Project, provided that if such modification occurs during the Period of

Construction, the System shall have filed with the Construction Fund Trustee and the Bond Fund Trustee certificates of the System and of the Construction Engineer as to the matters set forth below, and if such modification occurs after the Period of Construction, the System shall have filed with the Bond Fund Trustee certificates of the System and the Consulting Engineer as to the matters set forth below. Such certificates of the System, the Construction Engineer and the Consulting Engineer shall provide that in the opinion of the signers, such modification (i) does not substantially change the plan and system specified in Section 2.2 of this Resolution, and (ii) is proper and necessary for the efficient and economical operation and maintenance of the Project.

The Board finds and determines that the acquisition and construction of the Project will properly and advantageously contribute to the conduct of the business of the System in an efficient and economical manner.

**SECTION 2.4. *Cost of Plan and System.*** The estimated cost of the plan and system herein specified and adopted for the acquisition and construction of the Project, including as a part of such cost funds necessary to be paid or set aside for Capitalized Fuel and for the payment of expenses heretofore and hereafter incurred in the acquisition and construction thereof, and the repayment of revenue notes of the System heretofore issued for the purpose of paying the cost of preliminary work and expenses in connection with the Project, is hereby declared as near as may be, to be the sum of Four Hundred Seventy-Six Million Dollars (\$476,000,000).

**SECTION 2.5. *Sufficiency of Revenues.*** The gross revenues and proceeds to be derived by the System from the operation of the Project at the rates charged and to be charged for the capability, power and energy furnished thereby will be sufficient, in the judgment of the Board, to meet all expenses of operation and maintenance of the Project, to make all necessary repairs, replacements and renewals thereof, to permit the setting aside out of such gross revenues, in the special fund created pursuant to the provisions of Section 6.2 of this Resolution, of such amounts as may be required to pay the principal of and interest on the Bonds as the same become due and payable, and to pay and discharge when due all other charges or obligations against the gross revenues of the Project of whatsoever nature now or hereafter imposed by law or contract, including those specified in Section 9.2 hereof.

## ARTICLE III

## AUTHORIZATION AND ISSUANCE OF BONDS

SECTION 3.1. *Authorization of Bonds.* There is hereby created and established an issue of Bonds of the System to be known as the "Washington Public Power Supply System Nuclear Project No. 2 Revenue Bonds" (the "Bonds"), which Bonds may be issued pursuant to the terms, conditions and limitations of this Resolution in series, in such amounts and from time to time, as may be required to pay the Cost of Construction, to establish reserves as herein provided and to retire the outstanding Fifty-Five Million Dollars (\$55,000,000) principal amount of revenue notes of the System issued in connection with the Project.

SECTION 3.2. *Authorization of 1973 Bonds.* There is hereby authorized to be issued a series of One Hundred Fifty Million Dollars (\$150,000,000) principal amount of Bonds, Series 1973 (the "1973 Bonds"), which shall bear interest at the rates and shall mature on July 1, in numerical order, lowest numbers first, in each of the years and in the amounts as shown below:

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>
1978	\$ 3,000,000	5.00%	1988	\$ 2,600,000	5.00%
1979	3,000,000	5.00	1989	2,700,000	5.00
1980	3,000,000	5.00	1990	2,900,000	5.10
1981	3,000,000	5.00	1991	3,000,000	5.10
1987	2,400,000	5.00	2012	124,400,000	5.70

The 1973 Bonds maturing on July 1, 2012, shall be redeemed by sinking fund installments which shall be accumulated in the Bond Retirement Account in the Bond Fund (hereinafter created and established) in amounts sufficient to redeem on July 1 of each year the principal amount of such 1973 Bonds specified for each of the years shown below:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1992	\$3,200,000	1999	\$4,735,000	2006	\$7,000,000
1993	3,385,000	2000	5,005,000	2007	7,400,000
1994	3,580,000	2001	5,295,000	2008	7,830,000
1995	3,785,000	2002	5,595,000	2009	8,280,000
1996	4,000,000	2003	5,920,000	2010	8,755,000
1997	4,230,000	2004	6,260,000	2011	9,260,000
1998	4,475,000	2005	6,620,000	2012	9,790,000

The 1973 Bonds shall be issued either in coupon form (hereinafter in this Article called "1973 Coupon Bonds"), registrable as to principal only, or in the form of fully registered Bonds (hereinafter in this Article called "1973 Registered Bonds") or a combination of both forms, and may contain such variations, amounts and insertions as are incidental to such differences of numbering, denominations and forms, including variations in the provisions for the registration and transfer of said 1973 Bonds. 1973 Coupon Bonds shall be issued in the denomination of \$5,000. 1973 Registered Bonds may be issued in the denominations of \$5,000, or any multiple of \$5,000. 1973 Coupon Bonds and 1973 Registered Bonds initially issued shall be dated July 1, 1973. 1973 Registered Bonds issued upon exchanges and transfers of 1973 Registered Bonds and upon exchanges of 1973 Coupon Bonds for 1973 Registered Bonds, as hereinafter provided, shall be dated so that no gain or loss of interest shall result from such exchange or transfer. Each 1973 Registered Bond shall bear interest from the date thereof. 1973 Coupon Bonds shall be numbered from 1 upwards, and 1973 Registered Bonds shall be numbered from R-1 upwards.

Interest on the 1973 Bonds shall be payable semi-annually on January 1 and July 1 of each year, beginning January 1, 1974, but, except as to any 1973 Registered Bond, only upon presentation and surrender of the respective interest coupons attached as they severally become due. Each of such coupons shall be numbered in order of its respective maturity. 1973 Coupon Bonds may be registered as to principal only in accordance with the provisions of Section 4.3 of this Resolution.

SECTION 3.3. *Redemption of 1973 Bonds.* At the option of the System, the 1973 Bonds shall be subject to redemption prior to maturity on or after July 1, 1983, as a whole at any time, or in part from time to time on any interest payment date and in inverse order of their maturities (and in the event that less than all of the 1973 Bonds of a maturity are called for redemption, the particular 1973 Bonds of such maturity to be redeemed shall be selected by lot), upon published notice as provided in Article V of this Resolution, at the redemption prices with respect to each 1973 Bond expressed as a percentage of the prin-



principal amount of the 1973 Bonds to be redeemed, set forth below, together with the interest accrued thereon to the date fixed for redemption:

<u>Period During Which Redeemed</u> <u>(Both Dates Inclusive)</u>	<u>Redemption</u> <u>Prices</u>
July 1, 1983 to June 30, 1988.....	103%
July 1, 1988 to June 30, 1993.....	102
July 1, 1993 to June 30, 1998.....	101
July 1, 1998 and thereafter.....	100

provided, however, that the System further reserves the right to redeem the 1973 Bonds maturing on July 1, 2012, prior to the maturity thereof, upon published notice as provided in Article V of this Resolution, in part, on any interest payment date (a) on and after January 1, 1992, upon payment of the principal amount thereof from the amounts credited to the Bond Retirement Account in the Bond Fund pursuant to paragraph C of Section 6.2 of this Resolution, and (b) on and after July 1, 1983 upon payment of one hundred one per cent (101%) of the principal amount thereof from excess moneys available therefor in the Bond Retirement Account in the Bond Fund resulting from the payments therein pursuant to Section 6.13 of this Resolution, in each case together with accrued interest to the date fixed for redemption.

The System further reserves the right to redeem the 1973 Bonds at any time prior to maturity, at its option, as a whole at any time, or in part on any interest payment date in the inverse order of their maturities (and in the event that less than all of the 1973 Bonds of a maturity are called for redemption, the particular 1973 Bonds of such maturity to be redeemed shall be selected by lot), upon published notice as provided in Article V of this Resolution, from moneys available therefor in the Bond Retirement Account in the Bond Fund resulting from the payments therein pursuant to Section 9.7 of this Resolution, or in the event that the Project is terminated as provided in subparagraph (a) of Section 15 of the Project Agreement, at the principal amount of the Bonds or Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption.

**SECTION 3.4. *Authorization of Series of Bonds Other Than 1973 Bonds.*** Subsequent to the issuance of the 1973 Bonds, the System, for



the purpose of paying the Cost of Construction and to establish reserves as herein provided, may issue hereunder at one time or from time to time an additional Series or additional Series of Bonds by means of a Series Resolution or Resolutions, but only upon compliance with the following conditions:

(1) There shall have been delivered to the System a certificate of the Bond Fund Trustee that no default exists in the payment of the principal of or interest and premium, if any, on any Bond and all mandatory sinking fund redemptions, if any, required to have been made shall have been made.

(2) There shall have been delivered to the Bond Fund Trustee a certificate of the Secretary of the Board that (i) there has been no amendment of, or modification to, the Net Billing Agreements or to the Project Agreement which will reduce the payments provided for in the Net Billing Agreements or which will release any party to any such agreement from its obligations therein or which will in any manner impair or adversely affect the rights of the System or of the holders from time to time of the bonds issued pursuant to this Resolution; and (ii) the Net Billing Agreements and Project Agreement are in full force and effect.

(3) At the time of delivery of each Series of Bonds, other than the 1973 Bonds, to the initial purchasers thereof, there shall be filed with the Construction Fund Trustee, the Bond Fund Trustee, and the System, a certificate of the Construction Engineer setting forth (i) his then current estimate of the Cost of Construction, exclusive of payments to the Reserve Account in the Bond Fund and the Reserve and Contingency Fund required by this Resolution, if any, capitalized interest, if any, on the Bonds and the expenses of issuing the Bonds; (ii) the amount which has theretofore been expended to pay Cost of Construction; (iii) the amount of moneys available for the payment of Cost of Construction (including any moneys then held in the Construction Fund available for such payment); (iv) if the Construction Engineer's estimate of the Cost of Construction set forth in his certificate pursuant to clause (i) above is greater than such Cost estimated prior to the delivery of the most recent issue of Bonds to the initial purchasers thereof, a statement of the reasons for the increase in estimated Cost

of Construction; and (v) an estimate of the amounts that will be needed from time to time to pay such Costs of Construction and the estimated dates of such payments. In rendering his certificate the Construction Engineer may rely upon estimates by the Supply System of owner's cost, including the cost of the administrative service building, and expenses of Capitalized Fuel.

(4) Each Series of Bonds, other than the 1973 Bonds, shall be dated, numbered and bear interest at the rate or rates per annum and be payable, both as to principal and interest, at such time or times and place or places as shall be prescribed in the Series Resolution or Resolutions providing for the issuance thereof; provided that the final maturity date of such Bonds shall be July 1, 2012. The Series Resolution authorizing the issuance of each Series of Bonds may also provide that the Bonds of such Series shall be redeemable prior to their respective maturities at the option of the System at such time or times and upon such terms and conditions as the System may prescribe. Unless or except as otherwise provided in the Series Resolution providing for the issuance thereof, the Bonds of each Series shall be issued either in coupon form (hereinafter, together with the 1973 Coupon Bonds, called "Coupon Bonds") of the denomination of \$5,000, registrable as to principal only, or in the form of fully registered bonds (hereinafter, together with the 1973 Registered Bonds, called "Registered Bonds") of the denominations of \$5,000, or any multiple of \$5,000, or a combination of both forms.

(5) The Series Resolution or Resolutions shall contain an appropriate series designation, shall specify the authorized principal amount of such Series of Bonds, shall provide that the interest on such Series of Bonds shall be payable on January 1 and July 1, and the principal payments and sinking fund payments for the retirement of term Bonds in advance of maturity shall be payable on July 1, and shall specify such other provisions as may be required to be set forth therein by other provisions of this Resolution, and not inconsistent or in conflict with the provisions hereof, as may be deemed necessary or advisable by the System.

The System hereby covenants and agrees that it will take all lawful measures required to issue and sell from time to time or at one time additional Series of Bonds to the extent required to enable the System to pay the remaining balance of the Cost of Construction.

## ARTICLE IV

## GENERAL TERMS AND PROVISIONS OF BONDS

SECTION 4.1. *Execution and Payment of Bonds.* The 1973 Bonds and, unless or except as otherwise provided in the Series Resolution providing for the issuance thereof, all other Series of Bonds shall be executed on behalf of the System with the facsimile signature of the President of the Board and attested with the manual signature of the Secretary of the Board or Treasurer of the System, and the facsimile seal of the System shall be imprinted on each of the Bonds, and the coupons thereto attached, if any, shall be executed with the facsimile signatures of said President and Secretary. In case any of the officers who shall have signed, attested, authenticated, registered or sealed any of the Bonds or interest coupons, shall cease to be such officers before the Bonds and interest coupons so signed, attested, authenticated, registered or sealed shall have been actually issued and delivered, such Bonds and interest coupons shall be valid nevertheless and may be issued by the System with the same effect as though the persons who had signed, attested, authenticated, registered or sealed such Bonds and interest coupons had not ceased to be such officers. All Bonds shall be payable as to interest, principal and premium, if any, in any coin or currency of the United States of America which at the time of payment thereof is legal tender for public and private debts, and, except as otherwise provided in Section 4.7 hereof, with respect to the payment of interest on Registered Bonds, shall be payable at the principal office of the paying agents of the System for such Series of Bonds, in the City of Seattle, Washington, or, at the option of the holder, at the principal office of either of the Paying Agents of the System in the City of Chicago, Illinois, or in the City of New York, New York, to be designated and appointed from time to time by resolution of the Board (hereinafter referred to collectively as the "Paying Agents").

SECTION 4.2. *Bonds Are Negotiable Instruments.* All of the Bonds and the interest coupons attached thereto shall be negotiable instruments to the extent provided by Section 54.24.120 of the Revised Code of Washington. Coupon Bonds, except while registered as to principal otherwise than to bearer, shall pass by delivery. The registration of any Coupon Bond as to principal only shall not affect the negotiability of the coupons thereto appertaining, which shall remain payable to bearer and pass by delivery, whether or not the Bond to which any coupon appertains is registered. The System, the Bond Fund Trustee,

the Paying Agents and any other person may treat the bearer (or if such Bond be registered, the registered owner) of any Coupon Bond, the registered owner of any Registered Bond, the bearer of any Coupon Bond registered as payable to bearer and the bearer of any coupon, whether or not the Bond to which said coupon appertains is registered as to principal, as the absolute owner of such Bond or coupon, as the case may be, for the purpose of making payment thereof and for all other purposes, and neither the System nor the Bond Fund Trustee nor the Paying Agents shall be bound by any notice or knowledge to the contrary, whether such Bond or coupon shall be overdue or not. All payments of or on account of interest to any bearer of any coupon, or to any registered owner of any Registered Bond (or to his assigns), and all payments of or on account of principal to any bearer of any Coupon Bond (or if such Bond be registered, to the registered owner, or to any bearer of such Bond registered to bearer), or to any registered owner of any Registered Bond (or to his assigns) shall be valid and effectual and shall be a discharge of the System, the Bond Fund Trustee and the Paying Agents, in respect of the liability upon the Bonds or coupons or claims for interest, as the case may be, to the extent of the sum or sums paid.

SECTION 4.3. *Registration Books; Registration of Coupon Bonds as to Principal Only.* The System will cause to be kept at the principal office of the Bond Fund Trustee, as Registrar, at all times while any of the Bonds shall be outstanding and unpaid, books for the registration and transfer of such Bonds. Upon presentation to the Registrar for such purposes by any bearer of any Coupon Bond, the System will, under such reasonable regulations as (with the approval of the Registrar) it may prescribe from time to time, cause such Registrar to register in such books, in the name of the bearer or his nominee, the ownership, as to principal only, of any such presented Coupon Bond and such registration shall be noted on the Bond. After such registration and notation, no transfer of any such Coupon Bond registered otherwise than as payable to bearer shall be valid unless evidenced by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner in person or by his duly authorized agent; but any such Coupon Bond so registered may be discharged from registration, and transferability by delivery may be restored, by a like transfer to bearer similarly registered and noted, and after such



transfer to bearer such Bond shall be a bearer Bond. Any such Coupon Bond may again, from time to time, in like manner, be registered as to principal only or be transferred to bearer. A certificate evidencing each registration, transfer or discharge from registration made pursuant to this Section shall be transmitted by the Registrar to the System.

SECTION 4.4. *Transfer of Registered Bonds.* Any Registered Bond may be transferred pursuant to its provisions at the principal office of the Registrar by surrender of such Bond for cancellation, accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner in person or by his duly authorized agent, and thereupon the System will issue and deliver at the office of such Registrar (or send by registered mail to the owner thereof at his expense), in the name of the transferee or transferees, a new Registered Bond of the same series, form, interest rate, principal amount and maturity, dated so that there shall result no gain or loss of interest as a result of such transfer. To the extent of denominations authorized in respect of any such Bond by the terms thereof, or by the terms of this Resolution or the Series Resolution providing for the issuance thereof, one such Registered Bond may be transferred for several such Registered Bonds of the same series, form, interest rate and maturity, and for a like aggregate principal amount, and several such Registered Bonds of the same series may be transferred for one or several such Registered Bonds, respectively, of the same series, form, interest rate and maturity and for a like aggregate principal amount.

SECTION 4.5. *Exchange of Bonds.* The bearer of any Coupon Bond which at the time is not registered, or is registered as payable to bearer, and the registered owner of any Registered Bond or any Coupon Bond registered as to principal otherwise than to bearer, unless and except as is otherwise provided in the Series Resolution providing for the issuance thereof, may, at any time, provided such Bond shall not have been called for redemption, surrender the same at the principal office of the Registrar, in the case of Coupon Bonds with all unmatured coupons attached, and in the case of Registered Bonds or Coupon Bonds registered as to principal, with instruments of transfer satisfactory to the Registrar, and shall be entitled to receive in exchange therefor an equal aggregate principal amount of



Bonds of the same series, interest rate and maturity, of any one or more of the forms, the issuance of which has been herein provided for; and the System will issue and deliver at the principal office of such Registrar (or send by registered mail to the owner thereof at his expense) the Bonds necessary to make such exchange.

Whenever Registered Bonds with proper instruments of transfer shall be surrendered to the Registrar for exchange for Coupon Bonds of the same series, interest rate and maturity, the System will issue and deliver at the principal office of the Registrar (or send by registered mail to the owner thereof at his expense) in exchange a like principal amount of Coupon Bonds of the same series, interest rate and maturity, in bearer form, and bearing coupons so that no gain or loss of interest shall result from such exchange. Nothing herein contained shall be deemed to authorize the execution and delivery of Registered Bonds of a Series of Bonds, except in the denomination of \$5,000, or any multiple of \$5,000, except as otherwise provided with respect to any Series of Bonds in the Series Resolution authorizing the issuance thereof.

SECTION 4.6. *Disposition of Bonds Surrendered in Exchange or Transfer; Charges for Exchange and Transfer.* In every case of an exchange of Bonds, and of a transfer of any Registered Bond, the surrendered Bonds and coupons, if any, shall be held by the Registrar and a certificate evidencing such exchange or transfer shall be transmitted promptly to the System. All Registered Bonds surrendered for exchange or transfer shall be cancelled. Unless or except as otherwise provided in the Series Resolution authorizing the issuance of a Series of Bonds, Coupon Bonds surrendered in exchange for Registered Bonds will be held by the Registrar, who shall make provision satisfactory to the System for the safekeeping of such Coupon Bonds. As a condition of any such exchange or of any registration or transfer, the System at its option may require the payment of a sum sufficient to reimburse it for any stamp tax or other governmental charge that may be imposed thereon. All Bonds executed and delivered in exchange for or upon transfer of Bonds so surrendered shall be valid obligations of the System evidencing the same debt as the Bonds surrendered, and shall be entitled to all the benefits and protection of this Resolution to the same extent as the Bonds in exchange for, or upon transfer of which, they were executed and delivered.

SECTION 4.7. *Payment of Bonds and Interest.* The Bonds of each Series and coupons appertaining thereto may be presented for payment at the principal office of any of the Paying Agents for such Series of Bonds. All Bonds and interest coupons upon the payment thereof shall be cancelled by the Paying Agents. A certificate evidencing such cancellation and any other cancellation made pursuant to this Resolution by the Paying Agents shall be transmitted to the Bond Fund Trustee monthly, and the Bond Fund Trustee shall, prior to the twentieth day of each month, furnish to the System, copies of all certificates evidencing cancellation of all Bonds and interest coupons in the preceding month, together with a statement as to the Bonds and interest coupons paid in said preceding month.

The principal of and interest on all Coupon Bonds and the principal of all Registered Bonds of a Series of Bonds shall be payable at the principal office of any one of the Paying Agents for such Series of Bonds. Payments of the interest on the Coupon Bonds shall be made only upon presentation and surrender of the coupons, if any, representing such interest as the same, respectively, become due and payable. Payment of the interest on each Registered Bond shall be made by the Bond Fund Trustee, on each interest payment date to the person whose name appears on the registration books of the System as the registered owner thereof, by check or draft mailed to such registered owner at his address as it appears on such registration books.

SECTION 4.8. *Lost, Destroyed or Mutilated Bonds.* In case any Bond or any coupon thereto appertaining shall at any time become mutilated or be lost, stolen or destroyed, the System in the case of such a mutilated Bond or coupon shall, and in the case of such a lost, stolen or destroyed Bond or coupon in its discretion may, execute and deliver a new Bond or coupon of the same series, interest rate and maturity and of like tenor and effect in exchange or substitution for and upon the surrender and cancellation of such mutilated Bond or coupons appertaining thereto, or in lieu of or in substitution for such destroyed, stolen or lost Bond or coupons, or if such stolen, destroyed or lost Bond or coupons shall have matured, instead of issuing a substitute therefor, the System may at its option pay the same without the surrender thereof. Except in the case where a

mutilated Bond or coupon is surrendered, the applicant for the issuance of a substitute Bond or coupons, shall furnish to the System evidence satisfactory to it of the theft, destruction or loss of the original Bond or coupons and of the ownership thereof, and also such security and indemnity as may be required by the System, and no such substitute Bond or coupons shall be issued unless the applicant for the issuance thereof shall reimburse the System for the expenses incurred by the System in connection with the preparation, execution, issuance, and delivery of the substitute Bond or coupons and any such substitute Bond or coupons shall be equally and proportionately entitled to the security of this Resolution with all other Bonds and coupons issued hereunder, whether or not the Bond or coupons alleged to have been lost, stolen, or destroyed shall be found at any time or enforceable by anyone. The System shall advise the Bond Fund Trustee and the Paying Agents of the issuance of substitute Bonds or Coupons. All Bonds and coupons so surrendered to the System shall be cancelled by it.

SECTION 4.9. *Limitation on Duty of System to Register, Exchange or Transfer Bonds.* The System shall not be required (a) to issue, transfer or exchange Registered Bonds for a period of ten (10) days next preceding any interest payment date therefor, (b) to issue, register, discharge from registration, transfer or exchange any Bonds for a period of ten (10) days next preceding any selection of Bonds to be redeemed thereafter or for a period of ten (10) days thereafter, or (c) to register, discharge from registration, transfer or exchange any Bonds which have been designated for redemption, within a period of sixty (60) days next preceding the date fixed for redemption.

SECTION 4.10. *Destruction of Bonds on Payment, Exchange or Transfer.* All Coupon Bonds and interest coupons paid by any Paying Agent or the Bond Fund Trustee shall be cancelled and shall be cremated or otherwise destroyed by such Paying Agent or Bond Fund Trustee, as the case may be pursuant to such regulations, consistent with the laws of the State of Washington, as the Bond Fund Trustee (with approval of the System) shall prescribe. All Registered Bonds cancelled on account of payment, transfer or exchange shall be delivered to the

Bond Fund Trustee and shall be disposed of by the Bond Fund Trustee in accordance with the instructions of the System.

## ARTICLE V

### REDEMPTION OF BONDS

SECTION 5.1. *Time of Redemption.* The Bonds which are subject to redemption prior to maturity shall be redeemed in accordance with the provisions of this Article. The 1973 Bonds shall be subject to redemption at the times, under the conditions, and upon the payment of the redemption prices specified in Section 3.3. hereof, and all other Series of Bonds shall be subject to redemption at the times, under the conditions, and upon payment of the redemption prices specified in the Series Resolution or Resolutions authorizing the issuance of such Bonds.

SECTION 5.2. *Selection of Bonds for Redemption.* If less than all of a Series of Bonds are to be redeemed at any time, they shall be redeemed in the inverse order of maturities, and if less than an entire maturity is to be redeemed, the Bond Fund Trustee shall determine by lot, in any manner deemed by it to be fair, the serial numbers of the particular Bonds of such maturity so to be redeemed.

SECTION 5.3. *Notice of Redemption.* Notice of any redemption shall be given by the System, or by the Bond Fund Trustee in the name of the System, by publication of a notice, which notice shall specify the title, series, maturities, letters and numbers or other distinguishing marks of the Bonds to be redeemed, the redemption date and the place or places where the amount due upon such redemption will be payable and, in the case of Registered Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that upon the date fixed for redemption there shall become due and payable upon each Bond to be redeemed the principal amount thereof plus the premium, if any, due thereon upon the said redemption date, together with interest accrued to the redemption date, and that from and after the redemption date interest thereon, or on the portion of any Regis-



tered Bond to be redeemed in part (unless the System shall default in the payment of the Bonds, or of the portion of any Registered Bond, so to be redeemed in part) shall cease to accrue and become payable. Such notice shall be published at least once on any business day of the week in daily financial papers, or in daily newspapers of general circulation printed in the English language, published in each of the cities of Seattle, Washington, Chicago, Illinois, and New York, New York, the date of publication to be not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption. If, because of the temporary or permanent suspension of the publication or general circulation of any financial paper or newspaper in any particular city, the Bond Fund Trustee deems it impossible to publish any such notice of redemption in such city in the manner herein provided, then there shall be made in lieu thereof such publication as shall be approved by the Bond Fund Trustee, and the same shall constitute a sufficient publication of such notice. The Bond Fund Trustee shall also mail a copy of such notice, postage prepaid, not less than twenty-five (25) days nor more than sixty (60) days before the redemption date to the registered owners of Bonds which are to be redeemed in whole or in part at their last addresses, if any, appearing upon the registry books, but such mailing shall not be a condition precedent to such redemption, and failure to mail or to receive any such notice shall not affect the validity of the proceedings for the redemption of Bonds. The System shall give written notice to the Bond Fund Trustee of its election to redeem Bonds at least forty-five (45) days prior to the redemption date, or such shorter period as shall be acceptable to the Bond Fund Trustee, and if notice of redemption is to be published by the Bond Fund Trustee, such notice shall contain all the information necessary to enable the Bond Fund Trustee to publish the notice of redemption in the manner aforesaid. As to Bonds which are redeemable by the Bond Fund Trustee without action being taken by the System under the terms of this Resolution, the Bond Fund Trustee shall proceed to publish notice of redemption of such Bonds at the time specified in this Resolution without further direction from the System. Whenever notice of redemption has been duly given as herein provided, the Bond Fund Trustee shall, not later than two (2) business days prior to the date fixed for redemption in such notice, transfer to the Paying Agent or Paying Agents for the Bonds so to be redeemed amounts in cash which, in addi-



tion to other moneys, if any, held by such Paying Agent or Paying Agents for such purpose, will be sufficient to redeem on the redemption date, all the Bonds so to be redeemed.

SECTION 5.4. *Payment of Redeemed Bonds, When Interest on Bonds Called for Redemption Ceases to Accrue.* Notice having been given by publication in the manner provided in Section 5.3 hereof, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date designated in said notice, and the Paying Agents shall make payment thereof upon presentation and surrender thereof at the offices of the Paying Agents specified in such notice, together with, in the case of Bonds registered otherwise than to bearer and for which payment is requested by a person other than the registered owner, a written instrument of transfer duly executed by the registered owner, or his duly authorized attorney, and, in the case of Coupon Bonds, with the pertinent coupons maturing subsequent to the redemption date. In the event there shall be drawn for redemption less than all of the Bonds represented by a Registered Bond, the System shall execute and the Paying Agents shall deliver upon the surrender of such Bond without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, either Coupon Bonds or a Registered Bond or Bonds, of the same series, interest rate and maturity, in either the denomination of such unredeemed balance or in any of the authorized denominations as shall be requested by the registered owner of the Registered Bond so surrendered; provided, however, that the System may, by agreement with the holder of any Registered Bond, make payment of the redemption price of a portion of such Registered Bond directly to the registered owner thereof without presentation or surrender thereof upon such terms and conditions as the System may consent to in such agreement. The Bond Fund Trustee and each Paying Agent shall be advised by the System of each such agreement and shall be entitled to rely thereon, and to make payments in accordance therewith, until notified by the System of the termination of such agreement. If moneys for the redemption of all the Bonds, or portions thereof, to be redeemed on any redemption date, together with interest to the redemption date, shall be held by the Paying Agents so as to be available therefor on the date fixed for the redemption thereof, and if notice of redemption of said Bonds shall have been published as provided in this Article, then from

and after the redemption date, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and become payable, and the coupons for interest pertaining thereto maturing subsequent to the redemption date shall be void and all Bonds or portions thereof so called for redemption shall be payable solely from the moneys set aside for the payment thereof with the Paying Agents, and said Bonds or portions thereof shall no longer be secured by the lien on and pledge of the revenues of the Project; provided, however, that such lien and pledge shall continue in full force and effect as to the portion of any Registered Bond not called for redemption. If moneys shall not be available on the redemption date specified for the payment of any Bonds, or portion of Registered Bonds, for the payment of such Bonds, or portions thereof, as shall have been called for redemption, such Bonds, or portions thereof, shall continue to bear interest until paid at the rate they would have borne had they not been called for redemption and shall continue to be secured by the lien on and pledge of the revenues of the Project herein created for the security and payment thereof.

SECTION 5.5. *Redeemed Bonds Not To Be Reissued.* No Bonds or coupons shall be issued in lieu of Bonds or coupons paid or surrendered upon any exchange or transfer except as expressly provided by this Resolution.

## ARTICLE VI

### CREATION OF SPECIAL FUNDS AND ACCOUNTS AND PAYMENTS THEREFROM

SECTION 6.1. *Revenue Fund.* There is hereby created a special fund of the System to be known as the "Washington Public Power Supply System Nuclear Project No. 2 Revenue Fund" (hereinafter referred to as the "Revenue Fund"), the existence of which shall be continued for so long as any bonds issued pursuant to this Resolution are outstanding and unpaid. Upon and after the issuance of any bonds issued pursuant to this Resolution, the System covenants and agrees that it will pay into the Revenue Fund as promptly as practicable after receipt thereof all income, revenues, receipts and profits derived by

the System through the ownership and operation by it of the Project and all other moneys required to be deposited in the Revenue Fund pursuant to this Resolution (other than amounts expressly required by this Resolution to be deposited in any other fund); and further covenants and agrees that all such income, revenues, receipts, profits and other moneys shall be trust funds in the hands of the System and shall be used and applied as provided by this Resolution, solely for the purpose of paying the principal of and premium, if any, and interest on the bonds issued pursuant to this Resolution, the cost of operating and maintaining the Project, and all other costs, charges and expenses in connection therewith, including the costs of making repairs, renewals, replacements, additions, betterments and improvements to and extensions of the Project, and for the purpose of paying all other charges or obligations against said revenues, income, receipts, profits and other moneys of whatever nature now or hereafter imposed thereon by law or contract, to the payment of which for such purposes said revenues, income, receipts, profits and other moneys are hereby pledged.

The pledge of the income, revenues, receipts, profits and other moneys hereby made by the System shall be valid and binding from the time of the adoption of this Resolution. The said income, revenues, receipts, profits and other moneys so pledged and hereafter received by the System shall immediately be subject to the lien of such pledge without any physical delivery or further act, and the lien of the aforesaid pledge shall be valid and binding as against any parties having claims of any kind in tort, contract or otherwise against the System irrespective of whether such parties have notice of the foregoing pledge.

Moneys in the Revenue Fund not required for immediate disbursement for the purposes for which said Fund is created shall, to the fullest extent practicable and reasonable, be invested and reinvested by the System solely in, and obligations deposited in said Fund shall be, Investment Securities of the types described in clauses (1) through (4) inclusive, of paragraph (k) of Section 1.1 hereof maturing, or subject to redemption at the option of the holder thereof, at or prior to the estimated time for the disbursement of such moneys. All income resulting from the investment or reinvestment of funds on deposit in the Revenue Fund, except income accruing to the Prepayment Account hereinafter created and established, shall, prior to September 1, 1977, or the Date of Commercial Operation, whichever is earlier, be

paid over, at least semi-annually, to the Construction Fund Trustee for deposit in the Construction Fund, and on and after September 1, 1977, or the Date of Commercial Operation, whichever is earlier, shall accrue to and be deposited in the Revenue Fund.

There is hereby created and established an account in the Revenue Fund to be designated the "Prepayment Account". The System covenants and agrees that it will set aside and pay into said Account all payments made by the Participants to the System pursuant to the provisions of the Net Billing Agreements prior to September 1, 1977, or the Date of Commercial Operation, whichever is earlier. Such moneys shall be applied prior to September 1, 1977, or the Date of Commercial Operation, whichever is earlier, for the following purposes and in the following order of priority:

*First*, to deposit in the Bond Fund hereinafter created and established for credit to the Reserve Account therein such amount as is required to establish and maintain the Reserve Account in the amount required by Section 6.2.D hereof;

*Second*, to deposit in the Reserve and Contingency Fund hereinafter created and established the sum of Three Million Dollars (\$3,000,000);

*Third*, to deposit in the Revenue Fund, such amount as the System determines to be necessary for working capital.

Moneys credited to the Prepayment Account and not required for the foregoing purposes may be applied in the same manner and for the purposes as other moneys in the Revenue Fund.

Moneys in the Prepayment Account not required for immediate disbursement for the purposes for which said Account is created shall, to the fullest extent practicable and reasonable, be invested and re-invested by the System solely in, and obligations deposited in said Account shall be, Investment Securities of the types described in clauses (1) through (4) inclusive, of paragraph (k) of Section 1.1 hereof maturing, or subject to redemption at the option of the holder thereof, at or prior to the estimated time for the disbursement of such moneys, or, in the case of moneys held in the Prepayment Account for the purpose of making deposits to the Reserve Account in the Bond Fund and the Reserve and Contingency Fund, within seven (7) years from the date of such investment. All income resulting from the invest-



ment or reinvestment of the Prepayment Account shall accrue to and be deposited in said Account.

Nothing contained in this Section 6.1 shall be construed to require the deposit into the Revenue Fund of any of the revenues, income, receipts, profits or other moneys of the System derived by the System through the ownership or operation of the aforementioned Packwood Lake Hydroelectric Project or the aforementioned Hanford Project, or of any other electric utility properties of the System acquired or constructed as a separate system hereafter created or established from funds other than the proceeds of bonds issued pursuant to this Resolution.

SECTION 6.2. *Bond Fund.* There is hereby created a special fund of the System to be known as the "Washington Public Power Supply System Nuclear Project No. 2 Revenue Bond Fund" (hereinafter referred to as the "Bond Fund"). The Bond Fund shall be held and administered by the Bond Fund Trustee appointed as provided for in Section 7.2 hereof, and shall to the extent not otherwise provided in Section 6.2.D, be used solely for the purpose of paying the principal of and premium, if any, and interest on the Bonds, and of retiring the Bonds prior to maturity in the manner herein provided. The System hereby obligates and binds itself irrevocably to set aside and to pay (to the extent not otherwise provided) out of the gross revenues, income, receipts, profits and other moneys of the Project theretofore paid into the Revenue Fund to the Bond Fund Trustee, in trust for the account of the Bond Fund, certain fixed amounts, without regard to any fixed proportion of said gross revenues, income, receipts, profits and other moneys, sufficient to pay the principal of and premium, if any, and interest on all the Bonds from time to time outstanding as the same respectively become due and payable. Such fixed amounts to be paid to the Bond Fund Trustee and into the Bond Fund shall be as follows and in the following order of priority, to wit:

A. There is hereby created for the purpose of paying the interest on outstanding Bonds as the same becomes due and payable, an Interest Account in the Bond Fund (hereinafter referred to as the "Interest Account"), and not later than the 25th day of September, 1977, and on or before the 25th day of each calendar month thereafter, the System shall pay or cause to be paid into the Bond Fund to the credit of the Interest Account an amount such that, if the same amount were so paid and credited to the Interest Account on the 25th day of each suc-



ceeding calendar month thereafter prior to the next date upon which an installment of interest falls due on the Bonds, the aggregate of the amounts so paid and credited to the Interest Account, together with any moneys in such Account resulting from investment or reinvestment of the moneys in such Account, would on such date be equal to the installment of interest then falling due on all Bonds then outstanding. In making the credit to the Interest Account required by this paragraph, any amounts paid or to be paid into the Bond Fund and credited to the Interest Account representing accrued interest received on the sale of Bonds, interest capitalized from the proceeds of Bonds and transfers from the Construction Interest Account shall be taken into consideration and allowed for.

B. There is also hereby created for the purpose of paying outstanding serial Bonds as they mature a Principal Account in the Bond Fund (hereinafter referred to as the "Principal Account"), and not later than the 25th day of September, 1977, in the case of Bonds maturing on July 1, 1978, and not later than the 25th day of the twelfth month prior to the date upon which an installment of principal of the serial Bonds maturing after July 1, 1978 falls due, and on or before the 25th day of each succeeding calendar month thereafter and prior to the date upon which such installment of principal is due, the System shall pay, or cause to be paid, into the Bond Fund to the credit of the Principal Account an amount such that, if the same amount were so paid and credited to the Principal Account on the 25th day of each succeeding calendar month thereafter and prior to the next date upon which an installment of principal falls due on the serial Bonds, the aggregate of the amounts so paid and credited to the Principal Account, together with any moneys in such Account resulting from investment or reinvestment of the moneys in such Account, would on such date be equal to the installment of principal then falling due.

C. There is also hereby created for the purpose of meeting the specified sinking fund installment requirements of any outstanding term Bonds a Bond Retirement Account in the Bond Fund (hereinafter referred to as the "Bond Retirement Account"), and on or before the 25th day of the twelfth month prior to the date upon which the first sinking fund installment is payable with respect to the term Bonds of each Series of Bonds, including the 1973 Bonds, and on or before the 25th day of each succeeding calendar month thereafter, the System shall pay, or cause to be paid, into the Bond Fund to the credit of the Bond Retirement Account for the purpose of retiring the term Bonds of such

Series, an amount such that, if the same amount were so set aside and credited to the Bond Retirement Account for such purpose on the 25th day of each calendar month thereafter, and prior to the next date upon which a sinking fund installment falls due, the aggregate of the amounts so paid and credited to the Bond Retirement Account for the purpose of retiring the term Bonds of such Series, together with any moneys in such Account resulting from investment or reinvestment of the moneys in such Account, would be sufficient to redeem the 1973 Bonds due July 1, 2012, in the principal amounts and at the times specified in Section 3.2 of this Resolution and to redeem term Bonds of other Series of Bonds in the principal amounts and at the times specified in the Series Resolution or Resolutions authorizing the issuance of such Series of Bonds.

The Bond Fund Trustee shall apply all or substantially all moneys credited to the Bond Retirement Account for the retirement of the term Bonds of each series of Bonds to the retirement of such Bonds by purchase at prices not exceeding the then applicable redemption price (in which event the principal amount of such Bonds required to be redeemed on the next sinking fund installment date shall be reduced by the principal amount of such Bonds so purchased), or if unable to purchase such Bonds at such prices, the Bond Fund Trustee shall on any interest payment date apply said moneys to the retirement of such term Bonds by redemption in accordance with the provisions of this Resolution and the supplemental resolution or resolutions authorizing such Bonds, or by a combination of purchase and redemption; provided, however, that unless otherwise directed by the System not less than \$100,000 aggregate principal amount of Bonds shall be called for redemption at any one time. Any such purchase of Bonds by the Bond Fund Trustee may be made with or without tenders of Bonds pursuant to published notice, in such manner as the Bond Fund Trustee shall in its discretion deem to be in the best interests of the System, provided that the System may direct the Bond Fund Trustee in any method to be followed in purchasing Bonds. All expenses in connection with the purchase or redemption of Bonds shall be paid by the System from the Revenue Fund, or if no funds are available therein, from the Reserve and Contingency Fund.

In the event that moneys in the Bond Retirement Account, other than moneys credited thereto as sinking fund installments pursuant to this Resolution or any resolution supplemental hereto, are to be applied to the retirement of Bonds, the System may apply such moneys

to the purchase of Bonds and may determine from which Series such purchases shall be made and may elect that all such purchases shall be made from only one Series or from more than one Series. Any such moneys not applied to the purchase of Bonds shall be applied to the redemption of Bonds of each Series in the proportion which the principal amount of Bonds of such Series then outstanding bears to the total principal amount of Bonds then outstanding.

The accrued interest payable on any Bonds purchased or redeemed with moneys credited to the Bond Retirement Account in the Bond Fund for the purpose of meeting the specified sinking fund installment requirements of any term Bonds shall be paid from moneys credited to the Interest Account therein.

D. There is also hereby created a Reserve Account in the Bond Fund (hereinafter referred to as the "Reserve Account"). Prior to September 1, 1977, or the Date of Commercial Operation, whichever is earlier, there shall be deposited in the Bond Fund for credit to the Reserve Account, from moneys credited to the Prepayment Account, or, to the extent such moneys are not available, from Bond proceeds, including moneys then on deposit in the Construction Fund, an amount, with respect to each Series of Bonds, equal to the largest amount of interest required to be paid on the Bonds of such Series during any six-month period from the date of such Bonds to the final maturity date thereof.

If any Bonds are issued after September 1, 1977, or the Date of Commercial Operation, whichever is earlier, on or before the date such Bonds are issued and delivered to the initial purchasers thereof, there shall be deposited in the Bond Fund for credit to the Reserve Account, from the proceeds of such Bonds, or revenues of the Project, an amount equal to the largest amount of interest required to be paid on such Bonds during any six-month period from the date of such Bonds to the final maturity date thereof.

Subject to the foregoing, there shall at all times be maintained in the Reserve Account an amount with respect to each Series of Bonds then outstanding equal to the largest amount of interest required to be paid on such Bonds during any six-month period from the date of such Bonds to the final maturity date thereof by additional payments from the Revenue Fund as may from time to time become necessary.

Prior to September 1, 1977, or the Date of Commercial Operation, whichever is earlier, any moneys and value of Investment Securities in the Bond Fund to the credit of the Reserve Account therein received

by reason of investment or reinvestment of moneys in said Reserve Account in excess of the minimum amount of moneys and value of Investment Securities required to be maintained therein shall be transferred at least semi-annually by the Bond Fund Trustee to the Construction Fund Trustee and deposited to the credit of the Construction Fund.

If, on any June 30 following September 1, 1977, or the Date of Commercial Operation, whichever is earlier, the moneys and value of Investment Securities in the Reserve Account or the reserve account for any series of additional bonds shall exceed the amount of moneys and value of Investment Securities then required to be maintained therein, the amount of such excess shall be applied to satisfy any deficiency in the Reserve Account or in any of the other such reserve accounts (pro rata in proportion to the respective deficiencies if such excess is insufficient to satisfy all such deficiencies) and the balance, if any, of such excess shall be transferred to the Revenue Fund as of such June 30.

The terms "value of Investment Securities" and words of like import as used herein shall be determined as of June 30 in each year and shall constitute (a) as to obligations which mature within six (6) months from the date of purchase thereof, the par value of such obligations, and (b) as to obligations which mature more than six (6) months after the date of purchase thereof, the lesser of (i) the amortized cost of such obligations, or (ii) the bid quotation price thereof as reported in The Wall Street Journal as of said date, or in the event such newspaper is not published or such price is not reported in said newspaper, in a newspaper of general circulation or a financial journal published in the Borough of Manhattan, City and State of New York, selected by the Bond Fund Trustee, or (iii) the price at which such obligations are then redeemable, by the holder at his option. The computation made under this paragraph shall include accrued interest.

E. Moneys in the Bond Fund shall be transmitted by the Bond Fund Trustee to the Paying Agents not less than two (2) business days prior to the date upon which any interest or principal is due on Bonds, either at the maturity date thereof or redemption date prior to maturity, in amounts sufficient to meet such maturing installments of principal, interest and redemption premium, if any, when due. In the event that there shall be a deficiency in the Interest Account, the Principal Account or the Bond Retirement Account in the Bond Fund, the Bond Fund Trustee shall promptly make up such deficiency from the Reserve



Account by the withdrawal of cash therefrom for that purpose and by the sale or redemption of Investment Securities held in the Reserve Account, if necessary, in such amounts as will provide cash in the Reserve Account sufficient to make up any such deficiency. The System covenants and agrees that any deficiency created in the Reserve Account or the reserve account for any series of additional bonds, by reason of any such withdrawal for payment into the Interest, Principal or Bond Retirement Accounts, or the interest, principal or bond retirement accounts for such additional bonds, shall be made up from moneys in the Revenue Fund first available after making provision for the payments into such Interest, Principal and Bond Retirement Accounts, or such interest, principal or bond retirement accounts for such additional bonds.

Whenever the assets of the Bond Fund shall be sufficient to provide moneys to retire all Bonds then outstanding, including such interest thereon as thereafter may become due and payable and any premiums upon redemption thereof, no further payments need be made into the Bond Fund.

The Bond Fund shall be drawn upon for the purpose of paying the principal of and interest, and redemption premium, if any, on the Bonds. Moneys set aside from time to time with the Paying Agents for the payment of such principal, interest and redemption premium shall be held in trust for the holders of the Bonds and appurtenant coupons in respect of which the same shall have been so set aside. Until so set aside, all moneys in the Bond Fund shall be held in trust for the benefit of the holders of all Bonds at the time outstanding, equally and ratably.

*SECTION 6.3. Bonds Charge Only Against Bond Fund and Moneys Pledged Thereto; Bonds Prior Charge Over All Other Charges and Claims Against Bond Fund.* The Bonds and the interest thereon shall be a valid claim of the holder thereof only against the Bond Fund and the amount of the gross revenues, income, receipts, profits and other moneys of the Project pledged to the Bond Fund, and shall constitute a prior charge over all other charges or claims whatsoever against the Bond Fund and such revenues, income, receipts, profits and other moneys pledged thereto, and the Board hereby finds and determines that in creating the Bond Fund due regard has been given to the cost of the operation and maintenance of the Project and amounts required for the payment of taxes, assessments, or other governmental charges,



or payments in lieu thereof, lawfully imposed against the properties or revenues of the Project, and that it has not obligated the System to set aside into the Bond Fund a greater amount of the revenues and proceeds of the Project than in its judgment will be available over and above such cost of maintenance, operation and taxes, assessments, or other governmental charges or payments in lieu thereof.

SECTION 6.4. *Fuel Fund*. There is hereby created a special fund of the System to be known as the "Washington Public Power Supply System Nuclear Project No. 2 Fuel Fund" (hereinafter referred to as the "Fuel Fund") and said Fund shall be held in trust by the System. Beginning on the Date of Commercial Operation all payments for Fuel shall be made from the Fuel Fund. After the Date of Commercial Operation and after making the payments hereinabove provided for into the Bond Fund, and paying or making provision for the payment of the reasonable and necessary costs of operating and maintaining the Project, including taxes or assessments lawfully imposed against the same, or payments in lieu thereof, the System shall transfer moneys from the Revenue Fund to the Fuel Fund for the purpose of paying the costs and expenses of acquiring or leasing Fuel for the Project in the amounts as follows:

- (1) The amount included in the annual budget for Fuel pursuant to the Net Billing Agreements.
- (2) All amounts received by the System from Fuel credits including the proceeds of sale of Fuel creditable to operations.
- (3) Additional amounts as may be necessary to avoid a deficiency in the Fuel Fund.

If the Project is terminated in accordance with Section 15 of the Project Agreement, the balance in the Fuel Fund shall be transferred into the Revenue Fund as of the date of termination.

SECTION 6.5. *Reserve and Contingency Fund*. There is hereby created a special fund of the System to be known as the "Nuclear Project No. 2 Reserve and Contingency Fund" (hereinafter referred to as the "Reserve and Contingency Fund") and said Fund shall be held in trust by the System. On or before September 1, 1977, or the Date of Commercial Operation, whichever is earlier, the System shall deposit in the Reserve and Contingency Fund the sum of Three Million Dollars (\$3,000,000) from moneys credited to the Prepayment Account

or, to the extent such moneys are not available, from Bond proceeds, including moneys then on deposit in the Construction Fund. After making the payments hereinabove provided for into the Bond Fund and into any separate bond fund established for additional bonds, and paying or making provisions for the payment of the reasonable and necessary cost of operating and maintaining the Project, including taxes or assessments lawfully imposed against the same, or payments in lieu thereof, and after making the payments hereinabove provided for into the Fuel Fund, the System shall, on or before September 25, 1977, and on or before the 25th day of each month thereafter, pay out of the Revenue Fund into the Reserve and Contingency Fund an amount equal to ten per cent (10%) of the aggregate of (i) the amounts required to be paid not later than the 25th day of such month into the Interest Account, the Principal Account and the Bond Retirement Account in the Bond Fund, plus (ii) the amounts required to be paid in such month into the interest accounts, the principal accounts and the bond retirement accounts in the bond funds established for additional bonds, without regard in each case to any amounts which may be in the Bond Fund or the bond funds established for additional bonds resulting from the investment or reinvestment of the Bond Fund or bond funds established for additional bonds.

Moneys in the Reserve and Contingency Fund shall be used from time to time to make up any deficiencies in the Interest Account, Principal Account or Bond Retirement Account in the Bond Fund for which funds are not available in the Construction Fund or the Reserve Account, or to make up any deficiencies in the interest account, principal account, or bond retirement account in any bond fund established for additional bonds for which funds are not available in any construction fund or reserve account for such bonds, and such moneys in the Reserve and Contingency Fund are hereby pledged as additional payments into the Bond Fund or any such bond fund to the extent required to make up any such deficiencies. To the extent not required for any such deficiency, moneys in the Reserve and Contingency Fund may be applied on and after the Date of Commercial Operation to any one or more of the following:

- (1) to pay the cost of renewals and replacements to the Project,

(2) to pay the cost of normal additions to and extensions of the Project; and

(3) to pay extraordinary operation and maintenance costs, including extraordinary costs of Fuel and the cost of preventing or correcting any unusual loss or damage (including major repairs) to the Project.

If, as of June 30 in any year, moneys and value of Investment Securities in the Reserve and Contingency Fund shall exceed the amount of the then commitments or obligations incurred by or the then requirements of the System for any of the foregoing purposes, plus Three Million Dollars (\$3,000,000), the amount of such excess shall be paid as follows: (1) if such June 30 is prior to September 1, 1977, or the Date of Commercial Operation, whichever is earlier, into the Construction Fund and (2) if such June 30 is thereafter, into the Reserve Account and the reserve account for any series of additional bonds to the extent of any deficiency therein (pro rata in proportion to the respective deficiencies if such excess is insufficient to satisfy all such deficiencies) and the balance, if any, of such excess shall be paid as of such June 30 into the Revenue Fund.

SECTION 6.6. *Surplus Moneys.* If on any June 30 following September 1, 1977, or the Date of Commercial Operation, whichever is earlier, there shall exist in the Revenue Fund, after giving effect to any transfers pursuant to Sections 6.2, 6.4 and 6.5 hereof, an amount which shall exceed the System's required amount of working capital, the amount of such excess shall be applied to reduce annual power costs to the Participants under the Net Billing Agreements; provided that upon agreement of the parties to the Project Agreement all or any part of such excess may be applied to paying the cost of making repairs, renewals and replacements, additions, betterments and improvements to and extensions of the Project, the purchase of Bonds, the redemption of Bonds or for other purposes in connection with the Project. For the purpose of this Section 6.6, the System's "required amount of working capital" shall be \$3,000,000, or such lesser amount (but not less than \$2,000,000) or such greater amount as may be decided upon by the System and the Administrator with the approval of the Consulting Engineer.

The amount which exists in the Revenue Fund as of any June 30, shall be deemed to be the amount of the then excess of the current assets

in the Revenue Fund over the current liabilities thereof determined in accordance with the Uniform System of Accounts prescribed by the Federal Power Commission for Electric Utilities and Licensees in effect at the date of execution of the Net Billing Agreements; provided that such current liabilities as of any June 30 shall not include the payments required to be made for the next following twelve-month period into the Bond Fund or any bond fund established for additional bonds.

SECTION 6.7. *Investment of Funds.* Moneys held for the credit of the Interest Account, Principal Account and Bond Retirement Account in the Bond Fund, shall, to the fullest extent practicable and reasonable, be invested by the Bond Fund Trustee in Investment Securities of the types described in clauses (1) through (4), inclusive, of paragraph (k) of Section 1.1 hereof which shall mature not later than two (2) business days prior to the respective dates when the moneys held for the credit of such Accounts will be required for the purposes intended.

Moneys in the Reserve Account in the Bond Fund not required for immediate disbursement for the purposes for which said Account is created, shall, to the fullest extent practicable and reasonable, be invested and reinvested by the Bond Fund Trustee at the direction of the System solely in, and obligations deposited in said Reserve Account shall be, Investment Securities of the types described in clauses (1) through (4) inclusive, of paragraph (k) of Section 1.1 hereof maturing, or subject to redemption at the option of the holder thereof, within seven (7) years from the date of such investment (but maturing prior to the final maturity date of the Bonds). The Bond Fund Trustee shall not be liable for any depreciation in value of any such investments.

Moneys in the Fuel Fund and Reserve and Contingency Fund not required for immediate disbursement for the purposes for which said Funds are created shall, to the fullest extent practicable and reasonable be invested and reinvested by the System solely in, and obligations deposited in said Funds shall be, Investment Securities, maturing or subject to redemption at the option of the holder thereof, within two (2) years from the date of such investment with respect to the Fuel Fund, and within seven (7) years from the date of such investment, with respect to the Reserve and Contingency Fund (but maturing prior to the final maturity date of the Bonds).

All income resulting from the investment or reinvestment of the Interest Account, Principal Account and Bond Retirement Account in



the Bond Fund shall accrue to and be deposited in such Accounts. All income resulting from the investment or reinvestment of the Reserve Account in the Bond Fund shall accrue to and be deposited in the Revenue Fund. All income resulting from the investment or reinvestment of the Fuel Fund and Reserve and Contingency Fund shall prior to September 1, 1977 or the Date of Commercial Operation, whichever is earlier, accrue to and be deposited in the Construction Fund; after September 1, 1977, or the Date of Commercial Operation, whichever is earlier, such income shall accrue to and be deposited in the Revenue Fund.

All moneys held or set aside by the System in the Revenue Fund, Fuel Fund or Reserve and Contingency Fund shall, until otherwise invested or applied as provided in this Resolution, be deposited by the System in its name, for the account of the Revenue Fund, the Fuel Fund or the Reserve and Contingency Fund, as the case may be, in such depository or depositories as the System shall at any time or from time to time appoint for the purpose. Any depository so appointed shall be a state bank or trust company or national banking association authorized to do business in the State of Washington and qualified under the laws of said State to receive deposits of public moneys, having a capital stock and surplus in excess of Ten Million Dollars (\$10,000,000), and all moneys so deposited shall be secured to the extent and in the manner permitted by applicable state or federal laws for the securing of deposits of public moneys.

SECTION 6.8. *Construction Fund.* There is hereby created a special fund of the System to be known as the "Washington Public Power Supply System Nuclear Project No. 2 Construction Fund" (hereinafter referred to as the "Construction Fund") which shall be held in trust by the Construction Fund Trustee for the benefit of the System and the holders of the Bonds, as their interests may appear. There is also hereby created in the Construction Fund special accounts to be known as the "Construction Interest Account" and the "Fuel Account".

A. Immediately upon the issuance and delivery of any Series of Bonds, there shall be paid into the Construction Fund such amount of the proceeds derived from the sale of such Series of Bonds as is to be applied to the payment of the Cost of Construction. The amount of said proceeds to be applied to the payment of interest on the Bonds shall be credited to the Construction Interest Account, and the amount



of said proceeds to be applied to the payment of the cost of Capitalized Fuel shall be credited to the Fuel Account.

B. From the proceeds derived from the 1973 Bonds there shall be deposited:

1. With the Construction Fund Trustee for credit to the Construction Interest Account an amount equal to the accrued interest on said Bonds paid as a part of the purchase price thereof;
2. With the Construction Fund Trustee for credit to the Construction Interest Account an amount equal to the interest to accrue on said Bonds from the date thereof to September 1, 1977, less the amount of the accrued interest paid into said Account pursuant to subparagraph 1 above, which shall be used to pay interest on said Bonds during such period;
3. With Marine Midland Bank—New York, the Note Interest Fund Trustee and a paying agent for the revenue notes issued pursuant to Resolution No. 537 of the System, the sum of Fifteen Million Dollars (\$15,000,000) to be used solely for the payment of the principal of said notes;
4. With Seattle-First National Bank, being the Note Interest Fund Trustee and a paying agent for the revenue notes issued pursuant to Resolution No. 598 of the System, the sum of Forty Million Dollars (\$40,000,000) to be used solely for the payment of the principal of said notes;
5. With the Construction Fund Trustee for the credit of the Fuel Account in the Construction Fund the amount of One Million One Hundred Thousand Dollars (\$1,100,000), and all costs of Capitalized Fuel shall be paid from this account; and
6. With the Construction Fund Trustee for credit to the Construction Fund the balance of such Bond proceeds which shall be applied to the Cost of Construction.

C. From the proceeds derived from the sale of each Series of Bonds other than the 1973 Bonds, there shall be deposited:

1. With the Construction Fund Trustee for credit to the Construction Interest Account an amount equal to the accrued interest on said Bonds paid as a part of the purchase price thereof;

2. With the Construction Fund Trustee for credit to the Construction Interest Account an amount equal to the interest to accrue on such Series of Bonds, from the date thereof to September 1, 1977, less the amount of the accrued interest paid into said Account pursuant to subparagraph 1 above, which shall be used to pay interest on the Bonds during such period;

3. With the Construction Fund Trustee for credit to the Fuel Account in the Construction Fund such amounts as are determined by the System; and

4. With the Construction Fund Trustee for credit to the Construction Fund the balance of such Bond proceeds, which shall be applied to the Cost of Construction.

In any event, if moneys credited to the Prepayment Account or otherwise available will not be sufficient to make, by September 1, 1977, or the Date of Commercial Operation, whichever is earlier, or the date of delivery to the initial purchasers of any Bonds issued after the earlier of such dates, the deposits to the Reserve Account and the Reserve and Contingency Fund required by Section 6.2.D and 6.5 hereof, and to deposit in the Revenue Fund, by September 1, 1977, or the Date of Commercial Operation, whichever is earlier, the "required amount of working capital", as defined in Section 6.6 hereof, such deposits shall be made from Bond proceeds, either from amounts then on deposit in the Construction Fund or the proceeds of Bonds issued to obtain moneys to make such deposits.

D. Moneys in the Construction Interest Account shall be used for the purpose of paying interest on the Bonds. On or before the 25th day of the month next preceding the maturity of an installment of interest on the Bonds, the Construction Fund Trustee shall transfer from the Construction Interest Account to the Bond Fund Trustee for deposit in the Interest Account in the Bond Fund an amount which together with any moneys theretofore received or held by the Bond Fund Trustee for that purpose, shall be sufficient to pay such next maturing installment of interest on said Bonds. If at any time moneys in the Construction Interest Account and other available moneys are inadequate for such purpose, the Construction Fund Trustee shall transfer from the Construction Fund to the Construction Interest

Account such amount of moneys as is required to permit such transfer to the Bond Fund Trustee.

E. Except as provided in paragraph F of this Section 6.8, all moneys received by the System by reason of the breach or default of contractors in connection with the construction of the Project and the proceeds of salvage sales, shall be paid to the Construction Fund Trustee for deposit in the Construction Fund.

F. All moneys received by the System by reason of any breach or default of contractors in connection with Capitalized Fuel and from Fuel credits, including the proceeds of sale of Fuel, prior to the Date of Commercial Operation shall be paid into the Construction Fund for credit to the Fuel Account.

G. If moneys credited to the Fuel Account are insufficient to pay the cost of Capitalized Fuel, the Construction Fund Trustee shall transfer to said account from the Construction Fund, such additional amounts as are necessary to pay the cost of Capitalized Fuel to the extent of available funds.

H. As soon as practicable after the revenue notes issued pursuant to Resolutions No. 537 and 598, respectively, are no longer deemed to be outstanding under the terms of the resolution authorizing their issuance, there shall be deposited in the Construction Fund all amounts then on deposit in the preliminary construction fund established pursuant to such resolution. There shall also be transferred to the Construction Fund from time to time any amounts held by either of the note interest fund trustees or any paying agent appointed pursuant to such resolutions which are not required to be held by it in order to provide for the payment of the principal of and interest on the notes issued pursuant to said resolution.

SECTION 6.9. *Investment of Moneys in Construction Fund.* The Construction Fund Trustee may, and at the direction of the System shall, invest the moneys in the Construction Fund from time to time in Investment Securities, which Investment Securities shall mature, or which shall be subject to redemption at the option of the holder thereof, in not more than five (5) years from date of purchase. Any investment made by the Construction Fund Trustee and any direction given by

the System shall be made or given with due regard to the latest estimate of the Construction Engineer filed with or certified to the Construction Fund Trustee pursuant to Section 8.3 and Section 8.7 of this Resolution with respect to the amounts needed from time to time to pay Cost of Construction and the estimated dates of such payments. All interest earned by reason of such investments shall accrue to the Construction Fund. In the event moneys that are invested are needed in the Construction Fund to meet obligations thereof for which funds are not otherwise available, then the Construction Fund Trustee shall sell, or present for redemption, said investments to the extent required to provide for such purpose. The Construction Fund Trustee shall not be liable for any depreciation in the value of any of such investments or deposits made at the direction of the System.

SECTION 6.10. *Cost of Construction.* Payment of the Cost of Construction shall be made from the moneys in the Construction Fund. For the purpose of this Resolution, the Cost of Construction shall include all costs of constructing, acquiring and installing the Project as generally described in Section 2.2 hereof and shall include, but not be limited to, the following:

A. Paying or reimbursing the cost of preliminary surveys, investigations, engineering and other expenses and fees properly incurred for the Project and paying the principal of and interest on the revenue notes heretofore issued for the Project.

B. The cost of obtaining any and all permits and licenses required by any governmental agency or authority having jurisdiction and any other licenses, permits, approvals or legal rights of any kind required for, or used or useful in the acquisition and construction of the Project and the placing of the same in operation.

C. Obligations incurred for labor and materials and to contractors, builders and to material suppliers in connection with the acquisition and construction of the Project, for machinery and equipment, for the restoration or relocation of property damaged or destroyed in connection with such construction, for the removal or relocation of structures and for the clearing of lands, and for the cost of Capitalized Fuel.



D. The cost of acquiring by purchase, if such purchase shall be deemed expedient, and the amount of any deposit in court or award or final judgment in or any settlement or compromise of any proceeding to acquire by condemnation or by the exercise of the power of eminent domain such lands, property, rights of way, franchises, easements or other interests in land as may be deemed by the System to be used or useful for the acquisition, construction, maintenance and operation of the Project, options and partial payments thereon, the amount of any damages incident to or consequent upon the construction, acquisition and operation of the Project and the cost of such payments to other public agencies as may be necessary or required by the Project Agreement.

E. Interest on the Bonds accruing until September 1, 1977.

F. The fees and expenses of the Construction Fund Trustee for all services rendered under this Resolution during the Period of Construction, and of the Bond Fund Trustee and of the Paying Agents for all services rendered under this Resolution until September 1, 1977; taxes or other municipal or governmental charges lawfully levied or assessed against the Project and any taxes levied against property acquired therefor or payments required in lieu thereof, except sales taxes, in each case to the Date of Commercial Operation; sales taxes and premiums on insurance in connection with the construction of the Project during the Period of Construction.

G. The cost to the System of the performance of the duties of the Construction Engineer and the Consulting Engineer and other engineering and professional services rendered to the System in connection with the acquisition and construction of the Project and the placing of the Project in operation, or the issuance of Bonds therefor.

H. Paying, or reimbursing the System for expenses incident and properly allocable to the acquisition and construction of the Project and the placing of the same in operation, including per diem compensation or salaries of the Board, legal, engineering, financing, accounting and other professional expenses and fees, cost of printing and preparing and issuing the Bonds, wages of office and clerical employees, administrative management expenses, pension requirements, health



and hospitalization insurance and all other items of expense not specified elsewhere in this Section which are incident and properly allocable to the acquisition and construction of the Project and placing the same in operation (including the premiums on any insurance and fidelity bonds required or obtained during construction), including miscellaneous fees and costs in connection with the acquisition of lands, rights of way, property rights, franchises, easements, costs of abstracts of title, title insurance, cost of surveys and appraisals.

Notwithstanding any other provision of this Resolution (a) prior to the Date of Commercial Operation, the cost of all repairs, renewals and replacements to the Project shall constitute a Cost of Construction; (b) premiums paid for insurance maintained by the System pursuant to the requirements of this Resolution and the Project Agreement for the period ending with the Date of Commercial Operation shall constitute items chargeable to Cost of Construction, and for subsequent periods shall constitute expenses of operation; and (c) from and after the Date of Commercial Operation the costs and expenses, including taxes, of the System in connection with the operation and maintenance of the Project shall not be included in Cost of Construction.

In any event, amounts in the Construction Fund shall be applied to the payment when due of principal of and interest on the Bonds to the extent that other moneys are not available therefor and such amounts are hereby pledged as additional payments to the Bond Fund to the extent required for any such deficiency.

SECTION 6.11. *Manner of Paying Costs of Construction.* Except for payments from the Construction Fund otherwise in paragraph D of Section 6.8 and in Section 6.12 specifically provided, and for payments or reimbursements specified in paragraph A of Section 6.10, transfers or payments from the Construction Fund shall be made in accordance with the provisions of this Section 6.11. Upon preparation of vouchers approved by the Auditor, the Board shall approve and direct the payment of all amounts due and owing on account of Cost of Construction, and, by written order signed by the President or Vice President and Secretary or Assistant Secretary of the System, direct the Construction Fund Trustee to make such payments, provided, that no individual

shall sign in more than one capacity, and each such order shall state with respect to such payment:

- (1) the item number of the payment;
- (2) the name of the person, firm or corporation to whom the payment is due;
- (3) the amount to be paid;
- (4) that an obligation in the stated amount has been incurred by the System and that each item thereof is a proper and reasonable charge against the Construction Fund, and that such amount has not been theretofore paid; and
- (5) that there has not been filed with or served upon the System any notice of any lien, right to lien, or attachment upon or claim affecting the right to receive payment of any of the moneys payable to the person, firm or corporation named in such order which has not been released or will not be released simultaneously with the payment of such obligations and, in the event any assignment of the right to receive payment has been made and notice thereof has been given to the System and the System has accepted such assignment, the order directing payment shall recite that fact and direct payment to be made to the assignee thereof as shown by the records of the System.

Each such order for the payment of work materials, equipment or supplies (except fuel, costs of acquiring and constructing the administrative service building and the administrative expenses of the System) shall also be accompanied by a certificate signed by the Construction Engineer, certifying that an obligation in the stated amount has been incurred by the System, and that each item thereof is a proper charge and in a reasonable amount against the Construction Fund and has not been theretofore paid, and that, insofar as such obligation was incurred for work, materials, equipment or supplies, such work was actually performed, or such materials, equipment or supplies were actually installed in furtherance of the construction of the Project or delivered at the site of the Project for that purpose, or delivered for storage or fabrication at a place or places approved by the Construction Engineer and under the control of the System, or is a progress payment due on equipment being fabricated to order.

Upon receipt of any such order and accompanying certificate, if required, the Construction Fund Trustee shall pay such obligation from the Construction Fund. If for any reason the System should desire, prior to payment of any item in an order, not to pay such item, the System shall give notice of such decision to the Construction Fund Trustee. The Construction Fund Trustee, in making any disbursement, shall pay each such obligation or deliver to the Board a check or draft for the payment thereof payable to the order of the payee to whom payment is due, as set forth in the order of the System directing such disbursement.

The proper officers of the System are hereby authorized and directed to execute and deliver in the name of the System any and all documents, papers, receipts, orders and releases that are required or convenient to enable the System to effect acquisition and construction of the Project, and to pay from Bond proceeds any and all amounts of moneys required to perform fully the obligations of the System with respect thereto.

SECTION 6.12. *Revolving Fund.* Immediately after the deposit with the Construction Fund Trustee of the moneys specified in subparagraphs 5 and 6 of paragraph B of Section 6.8, the Construction Fund Trustee shall set aside from such moneys in the Construction Fund the sum of Three Hundred Thousand Dollars (\$300,000) and deposit said sum to the credit of the System in a special account in the name of the System to be used as a revolving fund (hereinafter referred to as the "Revolving Fund") for payment of those items of costs referred to in Section 6.10, which cannot conveniently be paid in the manner specified in Section 6.11. The Revolving Fund shall be reimbursed from time to time for such items of cost paid by the System by payments from the Construction Fund by the Construction Fund Trustee upon being furnished with the documents evidencing the propriety of the payments to be reimbursed as provided in Section 6.11. Moneys in the Revolving Fund shall be deemed to be part of the Construction Fund until disbursed as provided in this Section 6.12. Upon approval by the Auditor of the System, moneys in the Revolving Fund shall be disbursed by check or draft signed by the Treasurer or other officer of the System designated by the Board who shall supply, at the expense of the Con-

struction Fund, a fidelity bond to the Construction Fund Trustee in the principal amount of One Hundred Thousand Dollars (\$100,000).

SECTION 6.13. *Distribution of Moneys in Construction Fund.* As soon as practicable after the Construction Engineer shall have filed the reports required by Sections 8.4 and 8.5 hereof, any balance then remaining in the Construction Fund, including the Revolving Fund authorized by Section 6.12 hereof, shall be used and applied by the Construction Fund Trustee as follows and in the following order:

*First*, to pay to the Bond Fund Trustee for credit to the Interest Account in the Bond Fund that amount, if any, of the interest to accrue on the Bonds to September 1, 1977; and to the extent of any remainder of such balance,

*Second*, to set aside in the Construction Fund the amounts specified in such report pursuant to clauses (c), (d), (e) and (f) of Section 8.5 hereof, and to apply the same to the payment of Cost of Construction in accordance with the provisions of Section 6.11 hereof; and to the extent of any remainder of such balance,

*Third*, to pay to the Bond Fund Trustee for deposit in the Reserve Account the amount of any deficiency in such Account; and to the extent of the remainder of such balance,

*Fourth*, to pay to the Bond Fund Trustee such remainder for credit to the Bond Retirement Account.

As soon as practicable after the Construction Engineer shall have filed the report required by Section 8.6 hereof, the Construction Fund Trustee shall pay to the Bond Fund Trustee the amount specified in such report pursuant to clause (b) of such Section for deposit in the Reserve Account to the extent of any deficiency in any such Account, and to the extent of any remainder of such amount the Construction Fund Trustee shall pay to the Bond Fund Trustee such remainder for credit to the Bond Retirement Account.

SECTION 6.14. *Payment of Funds in Construction Fund to Bond Fund Trustee.* In the event the System terminates the Project pursuant to subparagraph (a) of Section 15 of the Project Agreement, the Construction Fund Trustee shall, at the direction of the System, pay over



and deliver to the Bond Fund Trustee such moneys and Investment Securities in the Construction Fund and the Construction Interest Account as shall be directed by the System.

SECTION 6.15. *Moneys in Construction Fund Pending the Application Thereof.* The moneys in the Construction Fund and in the Construction Interest Account therein, pending their application as provided in this Resolution, shall be held in trust and shall be subject to a prior and paramount lien and charge in favor of the holders of the Bonds, and the holders of the Bonds shall have a valid claim on such moneys for the further security of said bonds until paid out or transferred as herein provided.

## ARTICLE VII

### APPOINTMENT, QUALIFICATION, RESIGNATION, REMOVAL, POWERS, DUTIES AND LIABILITIES OF THE TRUSTEES AND PAYING AGENTS

SECTION 7.1. *Construction Fund Trustee.* Prior to the delivery of the 1973 Bonds to the initial purchasers thereof, the System shall appoint a Construction Fund Trustee. The Construction Fund Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Resolution as such Construction Fund Trustee by executing and delivering to the System a written acceptance of the provisions of this Resolution. The System may remove the Construction Fund Trustee for cause, and the Construction Fund Trustee shall be removed at the request of and upon the affirmative vote of the holders of more than fifty per cent (50%) of the principal amount of Bonds then outstanding. In the event of the removal, resignation, disability or refusal to act of the Construction Fund Trustee, the System will thereupon appoint a successor Construction Fund Trustee, which shall be a bank having trust powers or trust company in New York, New York, Seattle, Washington, or Chicago, Illinois, with a capital and surplus in excess of Ten Million Dollars (\$10,000,000), and such successor shall have all the powers and obligations of the Construction Fund Trustee under this Resolution theretofore vested in its predecessor.

SECTION 7.2. *Bond Fund Trustee.* Prior to the delivery of the 1973 Bonds to the initial purchasers thereof, the System shall appoint



a Bond Fund Trustee. The Bond Fund Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Resolution as such Bond Fund Trustee by executing and delivering to the System a written acceptance of the provisions of this Resolution. The Bond Fund Trustee may be removed at the request of and upon the affirmative vote of the holders of more than fifty per cent (50%) of the principal amount of bonds issued pursuant to this Resolution outstanding. In the event of the removal, resignation, disability or refusal to act of the Bond Fund Trustee, a successor may be appointed by the holders of more than fifty per cent (50%) of the principal amount of bonds issued pursuant to this Resolution outstanding, excluding any such bonds held by or for the account of the System, and such successor shall have all the powers and obligations of the Bond Fund Trustee under this Resolution theretofore vested in its predecessor, or in any Bondholders' Committee created under Article XI; provided, that unless a successor Bond Fund Trustee shall have been appointed by the holders of bonds as aforesaid, the System by a duly executed written instrument signed by a majority of the Board shall forthwith appoint a Bond Fund Trustee to fill such vacancy until a successor Bond Fund Trustee shall be appointed by the holders of bonds as authorized in this Section. Any successor Bond Fund Trustee appointed by the System shall, immediately and without further act, be superseded by a Bond Fund Trustee appointed by the holders of bonds issued pursuant to this Resolution. A successor Bond Fund Trustee shall be a bank having trust powers or trust company in New York, New York, or Seattle, Washington, with a capital and surplus in excess of Twenty Million Dollars (\$20,000,000).

SECTION 7.3. *Resignation of Trustees.* The Bond Fund Trustee or the Construction Fund Trustee may at any time resign and be discharged of its duties and obligations under this Resolution by giving not less than 60 days' written notice to the System and publishing notice thereof, specifying the date when such resignation shall take effect, once in each week for three successive calendar weeks in the manner provided in Section 12.2 hereof, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the System in the case of the Construction Fund Trustee, or by the System or the Bondholders as above provided in the case of the Bond Fund Trustee, in which event such resignation shall take effect immediately on the appointment of such successor.

*SECTION 7.4. Appointment of Paying Agents; Each Paying Agent to Hold Money in Trust.* The System shall appoint Paying Agents for each Series of Bonds, which shall be banks or trust companies in each of the cities of Seattle, Washington, Chicago, Illinois, and New York, New York, and the Bonds of such Series and the coupons, if any, attached thereto shall be payable at the principal offices of said Paying Agents in said cities. Each Paying Agent shall hold in trust for the benefit of the Bondholders and the Bond Fund Trustee all sums held by such Paying Agent for the payment of the principal of and interest on the Bonds. Anything in this paragraph to the contrary notwithstanding, the System may, at any time, for the purpose of obtaining a satisfaction and discharge of this Resolution, or for any other reason, cause to be paid to the Bond Fund Trustee all sums held in trust by any Paying Agent hereunder as required by this section, which sums shall be held by the Bond Fund Trustee upon the trusts herein contained, and such Paying Agent shall thereupon be released from all further liability with respect to such sums.

*SECTION 7.5. Action by Bond Fund Trustee in Payment of Bonds.* The appropriate accounts of the Bond Fund shall be drawn upon by the Bond Fund Trustee for the purpose of paying the principal of, interest and premium, if any, on the Bonds or transferring moneys to the Paying Agents for that purpose.

*SECTION 7.6. Duties and Obligations of the Trustees.* The duties and obligations of each trustee appointed by or pursuant to the provisions of this Resolution prior to the occurrence of an Event of Default (hereinafter defined), and subsequent to the curing of such Event of Default, shall be determined solely by the express provisions of this Resolution, and such trustee shall not be liable for any action of any other trustee and shall not otherwise be liable except for the performance of its duties and obligations as specifically set forth herein and to act in good faith in the performance thereof, and no implied duties or obligations shall be incurred by such trustee other than those specified herein, and such trustee shall be protected when acting in good faith upon the advice of counsel, who may be counsel to the System. In case an Event of Default has occurred which has not been cured, such trustee shall exercise such of the rights and powers vested in it by this Resolution and use the same degree of care and skill in the

exercise thereof as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. No trustee shall be deemed to have knowledge of any Event of Default not known to such trustee.

SECTION 7.7. *Evidence on Which Trustees and Paying Agents May Act.* Subject to the provisions of Section 7.6 hereof, the trustees may conclusively rely, as to the correctness of the statements, conclusions and opinions expressed therein, upon any certificate, report, opinion or other document furnished to such trustee pursuant to any provision of this Resolution. Except as otherwise expressly provided in this Resolution, any request, consent, certificate, demand, notice, order, appointment or other direction made or given by the System to any trustee or the Paying Agents shall be deemed to have been sufficiently made or given by the proper party or parties if executed on behalf of the System by an officer of the Board.

SECTION 7.8. *When Trustees Not Required to Act.* None of the provisions contained in this Resolution shall require any trustee to spend or risk its own funds or otherwise incur individual financial responsibility in the performance of any of its duties or in the exercise of any of its rights or powers, if there are reasonable grounds for believing that the repayment thereof is not reasonably assured to it under the terms of this Resolution.

SECTION 7.9. *Compensation of Trustees and Paying Agents.* The Bond Fund Trustee, the Construction Fund Trustee, and the Paying Agents shall be entitled to reasonable compensation for all services rendered by them in the execution, exercise and performance of any of the powers and duties to be exercised or performed by the Bond Fund Trustee, the Construction Fund Trustee and the Paying Agents, respectively, pursuant to the provisions of this Resolution or any Series Resolution, which compensation shall not be limited by any provisions of law in regard to the compensation of a trustee of an express trust, and the System will pay or reimburse the Bond Fund Trustee, the Construction Fund Trustee and the Paying Agents upon request for all expenses, disbursements and advances incurred or made by the Bond Fund Trustee, the Construction Fund Trustee or Paying Agents, as the case may be, in accordance with any of the provisions hereof (including the reasonable compensation and expenses and disbursements

of counsel for the Bond Fund Trustee, the Construction Fund Trustee or Paying Agents, as the case may be, and of any persons not regularly in the employ thereof). Subject to the provisions of Section 7.6 hereof, the Bond Fund Trustee shall be entitled to indemnity from the System against any loss, liability or expense incurred on the part of the Bond Fund Trustee arising out of or in connection with the acceptance or administration of the powers and duties of the trust created pursuant to the provisions of this Resolution, including the cost and expense of defending against any claim or liability in the premises, and, to the extent permitted by law, the Bond Fund Trustee shall have a lien or claim for payment of such compensation, expenses and disbursements of counsel, losses, liabilities and expenses prior to that of the holders of the bonds issued pursuant to this Resolution upon any funds held by it under this Resolution.

SECTION 7.10. *No Liability of Bond Fund Trustee for Correctness of Recitals.* The Bond Fund Trustee shall not be responsible in any manner whatsoever for the correctness of the recitals, statements and representations herein or in the Bonds or in the coupons, all of which are made by the System solely. The Bond Fund Trustee makes no representation as to the value or condition of the Project or any part thereof, or as to the right, title and interest of the System in the Project or as to the lien created by this Resolution, or as to the validity of this Resolution or of the bonds issued hereunder, and the Bond Fund Trustee shall incur no liability or responsibility in respect of any such matters. The Bond Fund Trustee shall not have any responsibility as to the amount of bonds issued pursuant to this Resolution issued or outstanding at any time.

SECTION 7.11. *Evidence on Which Trustees May Rely; Rights of Trustees to Deal in Bonds and Any Other Obligations of the System.* Subject to the provisions of Section 7.6, in case at any time it shall be necessary or desirable for any trustee to make any investigation respecting any fact preparatory to taking or not taking any action or doing or not doing anything, and in any case in which this Resolution provides for permitting or taking any action, such trustee may rely upon any certificate required or permitted to be filed with it under the provisions of the Resolution, and any such certificate shall be evidence of such fact to protect it in any action that it may or may not take or in respect of anything it may or may not do, by reason of the supposed existence of such fact.



Any trustee and its directors, officers, employees or agents, may in good faith buy, sell, own and hold any of the bonds or coupons issued pursuant to this Resolution, and may join in any action which any Bondholder may be entitled to take with like effect as if such trustee were not a trustee under the Resolution. Any trustee may in good faith hold any other form of indebtedness of the System, own, accept or negotiate any drafts, bills of exchange, acceptances of obligations thereof; make disbursements therefor and enter into any commercial or business arrangement therewith. No trustee shall be deemed to have any conflict of interest solely by reason of any such transaction.

## ARTICLE VIII

### THE CONSTRUCTION ENGINEER

SECTION 8.1. *Appointment of Construction Engineer.* The appointment of Burns and Roe, Inc. as Construction Engineer for the System by Resolution No. 522 of the Board is hereby confirmed, and the System covenants that it will retain, on a continuous basis, Burns and Roe, Inc., or some other construction engineer or engineering firm of national reputation, recognized for knowledge, skill and experience in the design, construction and operation of nuclear generating facilities, until the report has been rendered by the Construction Engineer as provided in Section 8.6 hereof.

SECTION 8.2. *Construction Engineer Not to be Employed as Consulting Engineer.* The System will not employ the Construction Engineer as Consulting Engineer for the Project and will not, so long as any of the Bonds are outstanding, now or hereafter employ the Construction Engineer in any capacity in connection with the Project except that of Construction Engineer.

SECTION 8.3. *Duties of Construction Engineer.* The System shall cause the Construction Engineer to:

A. Prepare and submit to the System such drawings, designs, plans, specifications, surveys and reports as are necessary for the proper acquisition and construction of the Project, except for the administrative service building, and approve and supervise any necessary modifications in the design, plans and specifications thereof; and prepare and deliver to the System all certificates re-



ferred to in this Resolution required to be furnished by the Construction Engineer;

B. Prepare and submit to the System, the Construction Fund Trustee, the Bond Fund Trustee, and to such holders of the Bonds as may file with the System a request in writing for copies thereof, quarterly reports of progress during the Period of Construction, including data as to the date of expected completion and the comparison of estimated construction time and the Cost of Construction as compared with the estimates made prior to the issuance and sale of any Bonds hereunder, and an estimate of the amounts that will be needed from time to time to pay the Cost of Construction and the estimated dates of such payments;

C. Continuously supervise and inspect the acquisition and construction of the Project, except for the administrative service building, in accordance with the usual accepted practices of such inspection and supervision;

D. Upon completion and testing as required by the specifications of the Project, certify to the System to that effect and to the further effect that the Project is ready for normal continuous operation.

SECTION 8.4. *Report When Project Ready for Normal Continuous Operation.* As soon as practicable after the date as of which the Construction Engineer shall determine that (i) the Project conforms to the plans and specifications as may be modified from time to time and is ready for normal continuous operation; (ii) that the acquisition, construction and installation of the Project has been completed in every material respect; and (iii) that the costs (including contingencies), as estimated by the Construction Engineer, of all work remaining to be done in order to complete such acquisition, construction and installation (hereinafter in this Article VIII called "remaining work") will not exceed \$3,000,000, the System shall cause the Construction Engineer to file a report to that effect with the System, the Bond Fund Trustee and the Construction Fund Trustee.

SECTION 8.5. *Details of Report When Project Ready for Normal Continuous Operation or the Date of Commercial Operation, Whichever Is Later.* As soon as practicable after the date referred to in Section

8.4 hereof, or the Date of Commercial Operation, whichever is the later, the System shall cause the Construction Engineer to file with the System, the Bond Fund Trustee and the Construction Fund Trustee a report setting forth as of such later date, the following in reasonable detail:

(a) the total Cost of Construction exclusive of claims of contractors and others which are the subject of actual or prospective dispute or controversy (hereinafter in this Article VIII called "dispute or controversy") and exclusive of the cost (including contingencies), as estimated by the Construction Engineer, of the remaining work;

(b) the portion of the total Cost of Construction specified pursuant to the foregoing clause (a) which has been paid in full;

(c) the portion of the total Cost of Construction specified pursuant to the foregoing clause (a) which remains to be paid, including all amounts which are not the subject of dispute or controversy but are dependent upon the satisfaction of any agreements or conditions precedent to such payment;

(d) the aggregate amount of the claims of contractors and others which are the subject of dispute or controversy;

(e) the cost (including contingencies), as estimated by the Construction Engineer and as approved by the System of the remaining work;

(f) such amount, if any, as the Construction Engineer shall determine is necessary or desirable to be set aside in the Construction Fund for contingencies, including any further modifications which may be required under Section 2.3 hereof, in order to avoid the possible necessity of issuance or further issuance of Bonds.

SECTION 8.6. *Report on Final Completion of the Project.* As soon as practicable after the date as of which the Construction Engineer shall determine that the acquisition, construction and installation of the Project has been fully completed and that the total Cost of Construction has been fully paid and satisfied (including but without limitation final payment or satisfaction of each dispute or controversy and payment in full for all remaining work), the System shall cause the Construction Engineer to file a report with the System, the Bond Fund Trustee and the Construction Fund Trustee to that effect, setting

forth (a) the basis of such determination in reasonable detail and (b) the amount remaining in the Construction Fund after such full payment and satisfaction.

SECTION 8.7. *Estimate of Cost of Construction and Estimate of Date of Payment.* At or prior to the issuance and delivery of any Bonds, other than the 1973 Bonds, issued for the purpose of paying the Cost of Construction, the System shall cause the Construction Engineer to file with the Construction Fund Trustee and with the System the certificate of the Construction Engineer required by Section 3.4 hereof.

In rendering any certificate pursuant to this Resolution, the Construction Engineer may rely upon certificates and estimates of the System with respect to owner's costs, including the cost of the administrative service building, and expenses of fuel.

## ARTICLE IX

### COVENANTS TO SECURE BONDS

*Particular Covenants.* The System hereby covenants and agrees with the purchasers and holders of all bonds issued pursuant to this Resolution as follows:

SECTION 9.1. *To Complete the Project; To Maintain the Properties of the Project; To Keep the Project in Good Repair.* The System will, subject to the provisions of the Project Agreement, (i) proceed with all reasonable diligence to and will construct to completion the Project and complete such construction at the earliest practical time, (ii) fulfill all of its obligations with respect to such construction and thereafter at all times operate the properties of the Project and the business in connection therewith in an efficient manner and at reasonable cost, and (iii) maintain, preserve and keep, or cause to be maintained, preserved and kept, the properties of the Project, and all additions and betterments thereto and extensions thereof, and every part and parcel thereof in good repair, working order and condition, and (iv) from time to time make, or cause to be made, all necessary and proper repairs, renewals, replacements, additions, extensions and betterments thereto, so that at all times the business carried on in connection therewith shall be properly and advantageously conducted.

The System will at all times comply with the terms and conditions of any permit or license for the Project issued by the United States

Atomic Energy Commission or any other federal or state governmental agency or body and with any federal or state law or regulation applicable to the construction, operation, maintenance and repair of said Project, or requiring a license, permit or approval therefor.

SECTION 9.2. *Use of Project Capability, Power and Energy; Sufficiency of Revenues.* So long as any of the bonds issued pursuant to this Resolution are outstanding and unpaid, the System agrees (1) that the Project capability and all power and energy produced by the Project, will be disposed of solely for the benefit and account of the Project and pursuant to the provisions of the Net Billing Agreements; and (2) that, whether or not the generation or transmission of power and energy by the Project is suspended, interrupted or reduced for any reason whatever, the gross revenues received in cash from rates and charges for such Project capability and power and energy sold, furnished or supplied through the facilities of the Project will, in the aggregate, be sufficient (to the extent not otherwise specifically provided for in this Resolution):

(a) to pay all costs of, and all charges and expenses in connection with, the proper operation and maintenance of and repairs, renewals and replacements to the Project in order to keep the Project in good operating condition and all taxes, assessments or other governmental charges lawfully imposed on the Project or the revenues therefrom, or payments in lieu thereof;

(b) to make when due all payments which the System is obligated to set aside and pay (i) to the Bond Fund Trustee for the account of the Bond Fund pursuant to Section 6.2 hereof and (ii) into the special fund or funds created for the payment of the principal of, premium, if any, and interest on all additional bonds issued in accordance with Section 9.6 hereof;

(c) to make when due all payments which the System is obligated to pay into the Fuel Fund and the Reserve and Contingency Fund pursuant to Section 6.4 and Section 6.5 hereof;

(d) to pay the cost of prevention or correction of any unusual loss or damage to, and for major repairs, renewals and replacements to, the Project, and for additions, betterments and improvements

thereto and extensions thereof, less that part, if any, of such cost as is provided for by insurance, by amounts available therefor in the Reserve and Contingency Fund and by proceeds of sale of additional bonds issued in accordance with Section 9.6 hereof; and

(e) to pay or discharge when due all other charges or obligations against the gross revenues of the Project of whatsoever nature and whether now or hereafter imposed by law or by contract;

provided that, for the purpose of this Section, proceeds of insurance policies, if any, payable to the System because of loss of revenue caused by delay in the completion of the construction of the Project, or because the operation thereof is suspended, interrupted or reduced, shall be deemed to be gross revenues from the sale of power and energy.

SECTION 9.3. *To Fix, Establish, Maintain and Collect Sufficient Rates and Charges.* The System shall fix, establish, maintain and collect rates and charges for Project capability, electric power and energy and other services, facilities and commodities, sold, furnished or supplied through the facilities of the Project, including power and energy delivered therefrom to or for the account of the System, which shall be fair and nondiscriminatory and adequate, whether or not the generation or transmission of power and energy by the Project is suspended, interrupted or reduced for any reason whatever, to provide the System with revenues sufficient to pay the costs of the proper operation, maintenance and repair of the Project; and also for the payment of all costs, expenses and charges specified in Section 9.2 hereof.

SECTION 9.4. *Not to Amend Net Billing Agreements and Project Agreement.* So long as any of the bonds issued pursuant to this Resolution are outstanding and unpaid, the System will not (i) voluntarily consent to or permit any rescission of, nor will it consent to any amendment to nor otherwise take any action under or in connection with any of the Net Billing Agreements which will reduce the payments provided for therein or which will in any manner impair or adversely affect the rights of the System or of the holders from time to time of the bonds issued pursuant to this Resolution, and the System shall perform all of its obligations under the Net Billing Agreements and take such actions



and proceedings from time to time as shall be necessary to protect and safeguard the security for the payment of the bonds issued pursuant to this Resolution afforded by the provisions of such Net Billing Agreements; or (ii) voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or modification of, nor otherwise to take any action under or in connection with the Project Agreement which will in any manner impair or adversely affect the rights of the System or of the holders from time to time of the bonds issued pursuant to this Resolution. The System shall perform all of its obligations under the Project Agreement and shall take such actions and proceedings from time to time as shall be necessary to protect and safeguard the security for the payment of the bonds issued pursuant to this Resolution afforded by the provisions of the Project Agreement.

SECTION 9.5. *Not to Furnish Facilities of the Project Free of Charge; Enforcement of Accounts Due.* So long as any bonds issued pursuant to this Resolution are outstanding and unpaid, the System will not furnish or supply electric capability, power or energy or any other commodity, service or facility furnished by or in connection with the operation of the Project, free of charge to any other system of the System or any person, firm or corporation, public or private, and the System will promptly enforce the payment of any and all accounts owing to the System by reason of the ownership and operation of the Project.

SECTION 9.6. *Additional Obligations.* The System will not hereafter create any other special fund or funds for the payment of revenue bonds, warrants or other obligations or issue any bonds, warrants or other evidences of indebtedness payable out of or secured by a pledge of the revenues or properties of the Project, or create any additional indebtedness which will rank on a parity with or in priority over the charge and lien on such revenues or properties for the payments into the Bond Fund, except that additional bonds may be issued payable from said revenues on a parity with the Bonds hereby authorized, and secured by an equal charge and lien on such revenues, in such principal amount as may be required for any one or more of the following purposes:

- (a) To comply with any order or decision of any state or federal governmental agency or authority with authority to issue

or make and enforce an order or decision, requiring the installation of additional facilities or modifications at or in the Project;

(b) To comply with Section 11 (c) of the Project Agreement for the issuance of additional bonds to pay for renewals, repairs and replacements, and for capital additions and betterments necessary to achieve design capability, or required by any governmental agency or authority; and

(c) To refund at any time any or all of the then outstanding bonds issued under this Resolution.

The System shall not issue any additional bonds pursuant to the Resolution, unless prior to or simultaneously with the issuance of such bonds the System shall have in effect valid written contracts for the sale of capability, power and energy of the Project, which in the opinion of the Board (as evidenced by a resolution thereof, certified by its Secretary, filed with the Bond Fund Trustee) and of the Consulting Engineer (as evidenced by a certificate filed with the Bond Fund Trustee) will produce revenues, at least sufficient, whether or not the generation or transmission of power and energy by the Project is suspended, interrupted or reduced for any reason whatever, to enable the System to meet all its obligations under this Resolution, including the timely payment of all costs, expenses and charges specified in Section 9.2 hereof.

The contracts referred to in the preceding paragraph shall be for terms extending at least to the final maturity date of the Bonds, and unless the power purchasers thereunder shall be the other parties to the Net Billing Agreements, such contracts shall be with purchasers which, in the opinion of the Consulting Engineer as evidenced by a certificate filed with the System and the Bond Fund Trustee, have the ability and financial responsibility to meet their obligations under such contracts. Such contracts shall contain terms with respect to payments for Project capability and power and energy, and the items of annual power costs to be included in the price for such capability and power and energy to such purchasers, no less favorable to the System than the terms of the Net Billing Agreements. Upon or prior to the issuance of such additional bonds, there shall be filed with the Bond Fund Trustee a written opinion of counsel to the System that such

contracts are valid and binding upon the parties thereto and are in accordance with existing law.

The supplemental resolution or resolutions authorizing the issuance of any such additional bonds shall:

1. Designate each such issue as a separate series by reference to the year of issuance;
2. Provide that, within the limitations in paragraph 7 below, such bonds shall be either term bonds, serial bonds, or a combination of term and serial bonds;
3. Provide that the interest on such bonds shall be payable on January 1 and July 1 of each year, and the principal payments and sinking fund payments for the retirement of term bonds in advance of maturity, shall be payable on either of said dates;
4. Designate the Bond Fund Trustee as bond fund trustee for such bonds;
5. Create a separate bond fund for such additional bonds containing an interest account, principal account (if serial bonds are authorized), bond retirement account (if term bonds are authorized), and reserve account; and provide for the transfer to such accounts of moneys from the Revenue Fund in the amount necessary to pay the principal, interest, and redemption premiums, if any, on such additional bonds when due;
6. Provide that the respective amounts to be paid into such separate bond fund for the retirement of such additional bonds in each year shall commence within five (5) years from the date of such bonds provided, however, that payment of such amounts for the retirement of refunding bonds may commence at the time when payments with respect to the retirement of the Bonds or additional bonds being refunded would be required if such Bonds or additional bonds were not so refunded.
7. Provide that the final maturity date of such bonds issued for the purpose specified in clause (c) of this Section shall be July 1, 2012, and that the final maturity date for such bonds issued for purposes specified in clauses (a) and (b) in this section shall be (i) July 1, 2012, if the service life of the facilities financed from the proceeds of such bonds as determined by the Consulting Engineer at the time of issuance, does not extend beyond such date or (ii) not earlier than July 1, 2012, but not later than the expiration of the service life of such facilities, as so determined by the

Consulting Engineer at the time of issuance of the additional bonds, if such service life extends beyond July 1, 2012.

8. Provide that from the proceeds of such additional bonds or revenues of the Project available therefor an amount equal to the maximum amount of interest to become due on such additional bonds in any six-month period from the date of such additional bonds to the final maturity dates thereof shall be deposited in the reserve account established in such separate bond fund, and that said reserve account shall thereafter be maintained at all times at said amount so long as such bonds are outstanding provided, however, that such amount need not be deposited in the reserve account for any refunding bonds until the Bonds or additional bonds being refunded are no longer deemed outstanding hereunder, and that such deposit may be accomplished through the transfer of moneys deposited in the Reserve Account or any reserve account for additional bonds to provide a reserve for the Bonds or additional bonds being refunded when such Bonds or additional bonds are no longer deemed outstanding.

9. Provide that the proceeds of such bonds, if not required for the purpose of refunding outstanding bonds issued pursuant to this Resolution, shall be deposited in a construction fund to be held by a construction fund trustee and that payments therefrom shall be made upon compliance with terms and conditions substantially the same as are provided by Section 6.11 of this Resolution for the withdrawal of moneys from the Construction Fund.

Nothing herein contained shall prevent the System from issuing revenue bonds, notes or warrants or other evidences of indebtedness which are a charge upon all or any portion of the revenues of the Project junior or inferior to the payments to be made into the Bond Fund and the bond funds created for additional bonds.

SECTION 9.7. *Not to Encumber or Dispose of Project Properties.* The System will not sell, mortgage, lease or otherwise dispose of any of the Project properties, or permit the sale, mortgage, lease or other disposition thereof, except as hereinafter provided in this Section.

1. The System may sell, lease or otherwise dispose of such properties, provided that simultaneously with such sale or other disposition thereof, provision is made for the payment of cash into the Bond Fund and any other special funds of the System created for the purpose of paying bonds issued pursuant to this



Resolution sufficient to retire, and to pay the interest to accrue prior to such retirement on all such bonds then outstanding in full in accordance with the requirements of this Resolution and any resolution authorizing such bonds.

2. The System may sell, lease or otherwise dispose of any portion of the works, plants and facilities of the Project and any real and personal property comprising a part thereof which is unserviceable, inadequate, obsolete, worn out or unfit to be used or no longer required for use in connection with the operation of the Project, provided, however, that if the original cost of the properties so to be disposed of was in excess of \$100,000, the Consulting Engineer shall first certify that the properties to be disposed of are unserviceable, inadequate, obsolete, worn out or unfit to be used or no longer required for use in connection with the operations of the Project. Moneys received by the System as the proceeds of any such sale, lease or other disposition of a portion of the properties of the Project shall to the extent of \$50,000 be transferred to the Reserve and Contingency Fund, and used for the purposes specified in Section 6.5 for the use of other moneys in said Reserve and Contingency Fund, and any moneys received from such partial disposition of property in excess of \$50,000 shall be paid into the Bond Retirement Account and the bond retirement accounts created for additional bonds issued pursuant to this Resolution, in the proportion which the outstanding principal amount of the Bonds and of the additional bonds of each series bears to the total outstanding principal amount of the Bonds and additional bonds of all series and used for the purchase or redemption of Bonds and additional bonds; provided, however, that if such sale, lease or other disposition of a portion of the properties of the Project is in connection with replacement of such properties, all moneys received from such partial disposition of property shall be transferred to the Reserve and Contingency Fund; and provided further, however, that any moneys received by the System as proceeds of any such sale, lease or other disposition of any Fuel, including any and all nuclear material, tools, equipment, instruments and spare parts together with all associated and related property necessary to the acquisition, furnishing, processing, reprocessing, and disposal of the Fuel, shall be paid into the Revenue Fund and transferred to the Fuel Fund.



3. In the event that the ownership of the properties of the Project or any part thereof, shall be transferred from the System through the operation of law, any moneys received by the System as a result of any such transfer shall be paid into the Bond Retirement Account and the bond retirement accounts created for additional bonds issued pursuant to this Resolution, in the proportion which the outstanding principal amount of the Bonds and of the additional bonds of each series bears to the total outstanding principal amount of the Bonds and the additional bonds of all series and used for the purchase or redemption of bonds and additional bonds.

Notwithstanding the provisions of paragraphs 2 and 3 of this Section, moneys received by the System prior to September 1, 1977 or the Date of Commercial Operation, whichever is later, as a result of any sale, lease, transfer or other disposition specified in such paragraphs, shall be transferred to the Construction Fund.

Nothing contained in this Section or in this Resolution shall be construed to prevent the System from constructing as a separate utility system, an additional generating unit or units on or near the site of the Project and using facilities of the Project in connection with the construction or operation therewith without compensation therefor provided, however, that the Consulting Engineer shall certify to the System and the Bond Fund Trustee that such use will not adversely affect the operations of the Project or interfere with the performance by the System of its obligations under this Resolution.

SECTION 9.8. *Insurance.* The System will keep, or cause to be kept, the works, plants and facilities comprising the properties of the Project and the operation thereof insured to the extent available at reasonable cost with responsible insurers with policies payable to the System for the benefit of the Project, the Participants and the Administrator, as their interests may appear, against risks of direct physical loss, damage to or destruction of the Project, at least to the extent that similar insurance is usually carried by electric utilities operating like properties, against accidents, casualties, or negligence, including liability insurance and employer's liability, and such other insurance as the parties to the Project Agreement may agree upon pursuant to subsection (a) of Section 12 of the Project Agreement. During the Period of Construction, in the event of any loss or damage to the properties of the Project covered by such insurance, the System will transfer the insurance proceeds received by the System covering such damage or

loss to the Construction Fund; after the Period of Construction the proceeds of insurance covering such loss or damage shall be deposited in the Reserve and Contingency Fund, provided, however, that proceeds of insurance covering loss or damage to Fuel shall be deposited in the Fuel Fund. In the case of loss, including loss of revenue, caused by delay in completion, or by suspension or interruption of generation or transmission of power and energy, the proceeds received by the System of any insurance policy or policies covering such loss occurring prior to September 1, 1977, shall be paid into the Construction Fund and the proceeds received by the System of any insurance policy or policies covering such loss after September 1, 1977 shall be paid into the Revenue Fund and used to reduce payments by the Participants under the Net Billing Agreements. The System may agree to purchase additional insurance in accordance with subsection (b) of Section 12 of the Project Agreement. Any proceeds from such additional insurance shall be disbursed as directed by the Administrator. Within sixty (60) days after the close of each twelve-month period beginning with the twelve-month period following the Date of Commercial Operation, the System shall file, or cause to be filed, with the Bond Fund Trustee a certificate of the Consulting Engineer describing in reasonable detail the insurance then in effect pursuant to the requirements of this Section stating whether, in its opinion, such insurance then in effect reasonably complies with the provisions hereof. A copy of each such certificate shall be forwarded to any holder of Bonds who shall file with the System a written request therefor.

SECTION 9.9. *Books of Account; Annual Audit.* The System shall keep proper books of account for the Project, showing as a separate utility system the accounts of the Project in accordance with the rules and regulations prescribed by any governmental agency authorized to prescribe such rules, including the Division of Municipal Corporations of the State Auditor's office of the State of Washington, or other state department or agency succeeding to such duties of the State Auditor's office, and in accordance with the Uniform System of Accounts prescribed from time to time by the Federal Power Commission or other federal agency having jurisdiction over electric public utility companies owning and operating properties similar to the electric properties operated by the System, whether or not the System is required by law to use such system of accounts. Within one hundred twenty (120) days after each June 30, the System shall cause such books of account to be audited by independent certified public accountants of national reputation licensed, registered or entitled to practice and

practicing as such under the laws of the State of Washington, who, or each of whom, is in fact independent and does not have any interest, direct or indirect, in any contract with the System other than his contract of employment to audit books of account of the System, and who is not connected with the System as an officer or employee of the System. A copy of each audit report, annual balance sheet and income and expense statement showing in reasonable detail the financial condition of the Project as of the close of each fiscal year, and summarizing in reasonable detail the income and expenses for such year, including the transactions relating to the Construction Fund, the Revenue Fund, the Bond Fund, the Fuel Fund and the Reserve and Contingency Fund and any and all special funds and accounts created in respect of additional bonds issued pursuant to this Resolution, and the amounts expended for maintenance and for renewals, replacements and gross capital additions to the properties of the Project shall be filed promptly with the Bond Fund Trustee and sent to any Bondholder filing with the System a written request for a copy thereof.

SECTION 9.10. *Consulting Engineer.* The System will, as prescribed in this Section, retain a nationally recognized independent engineer or engineering firm on a continuous basis for the purpose of providing the System immediate and continuous engineering counsel with respect to the Project (the consulting engineer or engineering firm employed pursuant to this Section being referred to in this Resolution as the "Consulting Engineer"). The System will not employ said Consulting Engineer as Construction Engineer for the Project, and will not, so long as any of the Bonds are outstanding, now or hereafter employ the Consulting Engineer in any capacity in connection with the Project except that of Consulting Engineer. Any Consulting Engineer employed pursuant to this Section shall be selected with special reference to his knowledge and experience in advising on the operation of generating facilities and in the marketing of power therefrom. The System covenants and agrees that it will initially employ R. W. Beck and Associates as such Consulting Engineer for a period of four years from the date of the adoption of this Resolution, and will thereafter renew such employment or may employ other Consulting Engineers for three-year periods so long as any bonds issued pursuant to this Resolution are outstanding. In addition to the other duties of the Consulting Engineer pursuant to this Resolution, the Consulting Engineer shall, not later than eighteen (18) months after the Date of Commer-

cial Operation, and each three (3) years thereafter, make a physical examination of the Project, and prepare a report based upon such examination and a survey of the System's management, operation and maintenance of the Project. Each such report shall be in sufficient detail to show whether the System, in operating the Project, has satisfactorily performed and complied with the covenants set forth in this Resolution with respect to the efficient management of the properties of the Project and its business, the sufficiency of the amounts being charged and collected for services under the requirements of this Resolution, the proper maintenance of the properties of the Project, and the making of necessary repairs, renewals, replacements and improvements, and recommendations therefor. If the System in any material way shall have failed to perform or comply with the covenants and agreements contained in this Resolution, such report shall specify the details of such failure. In the making of such report, the Consulting Engineer shall accept the audit report of the independent certified public accountants referred to in Section 9.9 hereof. Copies of each such report shall be placed on file with the Bond Fund Trustee and with the System at its office in Richland, Washington, and shall be sent to any holder of Bonds filing with the System a written request for a copy thereof.

The Consulting Engineer shall pass upon the economic soundness and feasibility of any contemplated renewals, replacements, additions, betterments and improvements to, and extensions of, the Project involving the expenditure of \$100,000 or more, and he shall embody his findings in a certificate to be filed with the Bond Fund Trustee and the System. Such certificate shall specify the source from which funds are to be derived for such expenditures and shall designate the expenditure as a renewal, replacement or capital addition.

In the event of any loss or damage to the properties of the Project in excess of \$100,000, whether or not covered by insurance, the Consulting Engineer shall ascertain the amount of such loss or damage and shall issue and deliver to the System a certificate setting forth the amount and nature of such loss or damage and recommendations as to whether or not the properties affected by such loss or damage should be replaced. A copy of such certificate shall be filed with the Bond Fund Trustee and forwarded to any holder of Bonds who shall file with the System a written request therefor.

SECTION 9.11. *To Make Economically Sound Improvements and Extensions to the Project.* The System will not expend any of the



income, revenues, receipts, profits and other moneys derived by it from the ownership or operation of the Project for any renewals, replacements, additions, betterments and improvements to, and extensions of, the Project, which are not economically sound or which will not properly and advantageously contribute to the conduct of the business of the Project in an efficient and economical manner unless required to do so by or pursuant to law to permit the continued operation of the Project.

SECTION 9.12. *To Pay Principal, Premium and Interest of Bonds.* The System will duly and punctually pay or cause to be paid, but only from the revenues of the Project and moneys pledged hereunder to the Bond Fund, and from the proceeds of the sale or other disposition (whether voluntary or involuntary) of properties of the Project, the principal of and premium, if any, and interest on each and every Bond and each and every bond issued pursuant to this Resolution on the dates and at the places and in the manner provided in said Bonds and such other bonds and in the coupons thereto attached, according to the true intent and meaning thereof, and will faithfully do and perform and fully observe and keep any and all covenants, undertakings, stipulations and provisions contained in the Bonds and such other bonds and in the coupons thereto attached, and in this Resolution, any Series Resolution and each supplemental resolution authorizing such other bonds.

SECTION 9.13. *Paying Agents.* The System shall at all times maintain one or more offices or agencies in the City of Seattle, Washington, in the City of Chicago, Illinois, and in the City of New York, New York, where Bonds and coupons may be presented for payment, and where notices, demands and other documents may be served upon the System in respect of the Bonds and coupons or of this Resolution.

SECTION 9.14. *Protection of Security.* The System is duly authorized under all applicable laws to create and issue the Bonds and to adopt this Resolution and to pledge the revenues and other moneys, securities and funds purported to be pledged by this Resolution in the manner and to the extent provided in this Resolution. The revenues and other moneys, securities and funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created



by this Resolution, except as otherwise expressly provided herein, and all corporate action on the part of the System to that end has been duly and validly taken. The Bonds and the provisions of this Resolution are and will be valid and legally enforceable obligations of the System in accordance with their terms and the terms of this Resolution. The System shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the revenues and other moneys, securities and funds pledged under this Resolution and all the rights of the bondholders under this Resolution against all claims and demands of all persons whomsoever.

SECTION 9.15. *Authority of System to Construct and Maintain the Project.* The System has good right and lawful power to construct, reconstruct, improve, maintain, operate and repair the Project, and to fix, establish, maintain and collect rates and charges for Project capability, electric power and energy and other services, facilities and commodities sold, furnished or supplied through the facilities of the Project as provided in this Resolution.

SECTION 9.16. *Payment of Taxes, Assessments and Other Governmental Charges and Payments in Lieu Thereof; Payment of Claims.* The System will from time to time duly pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, or payments made in lieu thereof, lawfully imposed upon the properties constituting the Project or the revenues, income, receipts, profits and other moneys derived by the System therefrom when the same shall become due; and all lawful claims for labor and materials and supplies which, if not paid, might become a lien or charge upon the said properties, or any part thereof, or upon the income, revenues, receipts, profits and other moneys derived by the System from the operation thereof, or which might in any way impair the security of the obligations issued by the System payable from said revenues, except those assessments, charges or claims which the System shall in good faith contest by proper legal proceedings.

SECTION 9.17. *Taking Any Further Action Necessary.* The System will at any and all times, insofar as it may be authorized so to do by law, pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better

assuring, conveying, granting, assigning and confirming all and singular the rights, revenues and other funds hereby pledged or assigned to the payment of the obligations issued by the System payable from the revenues of the Project, including the Bonds and appurtenant coupons, or intended so to be, or which the System may hereafter become bound to pledge or assign.

SECTION 9.18. *Arbitrage Bond Provision.* The System will comply with the requirements of Section 103(d) of the Internal Revenue Code and the applicable regulations of the Internal Revenue Service adopted thereunder throughout the term of the Bonds, in connection with the use of the proceeds of any bonds issued pursuant to this Resolution.

## ARTICLE X

### SUPPLEMENTAL RESOLUTIONS

SECTION 10.1. *Adoption of Supplemental Resolutions and Purposes Thereof.* The System may adopt at any time and from time to time a resolution or resolutions supplemental to this Resolution for any one or more of the following purposes, and any such supplemental resolution shall become effective in accordance with its terms upon the filing with the Bond Fund Trustee of a certified copy thereof and the opinion of counsel for the System that such supplemental resolution has been duly adopted and the provisions thereof are valid and binding upon the System, to-wit:

(1) To provide for the issuance of an additional Series or Series of Bonds pursuant to Section 3.4 hereof, and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed.

(2) To provide for the issuance of additional bonds pursuant to Section 9.6 hereof, and to prescribe the terms and conditions pursuant to which such bonds may be issued, paid or redeemed;

(3) To add additional covenants and agreements of the System for the purpose of further securing the payment of bonds issued pursuant to this Resolution, provided such additional covenants and agreements are not contrary to or inconsistent

with the covenants and agreements of the System contained in this Resolution;

(4) To prescribe further limitations and restrictions upon the issuance of bonds and the incurring of indebtedness by the System payable from the revenues of the Project which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(5) To surrender any right, power or privilege reserved to or conferred upon the System by the terms of this Resolution;

(6) To confirm as further assurance any pledge under and the subjection to any lien, claim or pledge created or to be created by the provisions of this Resolution of the revenues of the Project or of any other moneys, securities or funds;

(7) To modify any of the provisions of this Resolution in any other respects; provided that such modification shall not be effective until after the Bonds then outstanding shall cease to be outstanding, and any bonds issued under such resolution shall contain a specific reference to the modifications contained in such subsequent resolutions; or

(8) With the consent of the Bond Fund Trustee, to cure any ambiguity or defect or inconsistent provision in this Resolution or to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with this Resolution as theretofore in effect.

SECTION 10.2. *Supplemental Resolution Modifying Resolution Subject to Consent of Bondholders.* The provisions of this Resolution may be modified at any time or from time to time by a resolution supplemental hereto, subject to the consent of Bondholders in accordance with and subject to the provisions of Article XII hereof, such amendment to become effective upon the filing with the Bond Fund Trustee of a certified copy thereof.

SECTION 10.3. *Supplemental Resolution Affecting Trustees and Other Fiduciaries.* No resolution changing, amending or modifying any of the rights or obligations of the Bond Fund Trustee, the Con-

struction Fund Trustee or any other fiduciary may be adopted by the System or be consented to by Bondholders without the written consent of such trustees, or fiduciaries. The Bond Fund Trustee or any other fiduciary affected thereby is hereby authorized to accept the delivery of certified copies of any resolution amending the provisions of this Resolution and shall be fully protected in relying upon a certification by the Secretary of the System that such resolution has been adopted in full compliance with the terms and provisions of this Resolution.

## ARTICLE XI

### DEFAULTS AND REMEDIES

SECTION 11.1. *Events of Default.* The Board hereby finds and determines that the continuous operation of the Project and the collection, deposit and disbursement of the revenues therefrom in the manner provided in this Resolution and in any supplemental resolution authorizing the issuance of additional bonds pursuant to the provisions of Section 9.6 of this Resolution, payable from the revenues of the Project *pari passu* with the Bonds (which additional bonds, together with the Bonds, are hereinafter in this Article XI and in Article XII referred to collectively as the "Bonds") are essential to the payment and security of the Bonds and the failure or refusal of the System to perform the covenants and obligations contained in this Resolution and any supplemental resolution will endanger the necessary continuous operation of the Project and the application of the revenues therefrom to the purposes set forth in this Resolution. This Resolution and each supplemental resolution adopted pursuant to Article X hereof are hereinafter in this Article XI and in Article XII referred to collectively as the "Resolution". The System further covenants and agrees with the purchasers and holders from time to time of the Bonds in order to protect and safeguard the covenants and obligations undertaken by the System securing the Bonds, that if one or more of the following events (herein called "Events of Default") shall happen, that is to say:

- (1) The System shall default in the performance of any obligations with respect to payments into the Revenue Fund;



(2) Default shall be made in the due and punctual payment of the principal of and premium, if any, on any of the Bonds when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise;

(3) Default shall be made in the due and punctual payment of any installment of interest on any Bond or any sinking fund installment therefor when and as such installment of interest or sinking fund installment shall become due and payable, and such default shall continue for a period of thirty (30) days;

(4) The System shall default in the observance and performance of any other of the covenants, conditions and agreements on the part of the System contained in the Resolution and such default or defaults shall have continued for a period of ninety (90) days;

(5) The System shall (except as herein permitted) sell, transfer, assign or convey any properties constituting the Project or interests therein, or any part or parts thereof, or shall make any agreement for such sale or transfer (except as expressly authorized by Section 9.7 hereof) or shall voluntarily forfeit or allow any of the leases, licenses, franchises, permits, approvals, privileges, easements or rights of way necessary or desirable in the operation of the Project to lapse or terminate prior to the expiration date thereof by neglect or default;

(6) An order, judgment or decree shall be entered by any court of competent jurisdiction (a) appointing a receiver, trustee or liquidator for the System or the whole or any substantial part of the Project, (b) approving a petition filed against the System under the provisions of Chapter IX of an Act to Establish a Uniform System of Bankruptcy Throughout the United States, Approved July 1, 1898, as amended, (c) granting relief to the System under any amendment to said Bankruptcy Act which shall give relief substantially similar to that afforded by said Chapter IX, or (d) assuming custody or control of the System or of the whole or any substantial part of the Project under the provisions of any other law for the relief or aid of debtors and such order,



judgment or decree shall not be vacated or set aside or stayed (or, in case custody or control is assumed by said order, such custody or control shall not be otherwise terminated), within sixty (60) days from the date of the entry of such order, judgment or decree;

(7) The System shall (a) admit in writing its inability to pay its debts incurred in the ownership and operation of the Project generally as they become due, (b) file a petition in bankruptcy or seeking a composition of indebtedness, (c) consent to the appointment of a receiver of its creditors, (d) consent to the appointment of a receiver of the whole or any substantial part of the Project, (e) file a petition or an answer seeking relief under any amendment to said Bankruptcy Act which shall give relief substantially the same as that afforded by said Chapter IX, or (f) consent to the assumption by any court of competent jurisdiction under the provisions of any other law for the relief or aid of debtors of custody or control of the System or of the whole or any substantial part of the Project;

then, and in each and every such case, so long as such Event of Default shall not have been remedied, unless the principal of all the Bonds shall have already become due and payable, either the Bond Fund Trustee (by notice in writing to the System), or the holders of not less than 20% in principal amount of said Bonds then outstanding (by notice in writing to the System and the Bond Fund Trustee), may declare the principal of all the Bonds then outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the Resolution or in any of the Bonds contained and to the contrary notwithstanding. The right of the Bond Fund Trustee or of the holders of not less than 20% in principal amount of the Bonds to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but (i) before any judgment or decree for the payment of moneys due shall have been obtained or entered and has been discharged, (ii) before possession and control of the business and properties of the Project have been taken and are then held by the Bond Fund Trustee or the holders of Bonds pursuant to Sections 11.3 and 11.4 hereof, and (iii) before the Bonds shall have matured by their terms, all overdue installments of interest upon the Bonds, together with the reasonable and proper

charges, expenses and liabilities of the Bond Fund Trustee and the holders of Bonds and their respective agents and attorneys and all other sums then payable by the System under the Resolution (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the System or provisions satisfactory to the Bond Fund Trustee shall be made for such payment, and all defaults under the Bonds or under the Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Bond Fund Trustee or provision deemed by the Bond Fund Trustee to be adequate shall be made therefor, then and in every such case the holders of a majority in principal amount of the Bonds then outstanding, by written notice to the System and to the Bond Fund Trustee, may rescind such declaration and annul such default in its entirety, or, if the Bond Fund Trustee shall have acted without a direction from the holders of not less than a majority in principal amount of the Bonds outstanding at the time of such request, and if there shall not have been theretofore delivered to the Bond Fund Trustee written direction to the contrary by the holders of not less than a majority in principal amount of the Bonds then outstanding, then any such declaration shall *ipso facto* be deemed to be rescinded and any such default and its consequences shall *ipso facto* be deemed to be annulled, but no such rescission and annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

SECTION 11.2. *Books of the System Open to Inspection.* The System covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the System and all other records relating to the Project shall at all times be subject to the inspection and use of the Bond Fund Trustee and any bondholders' committee representing the holders of at least 25% of the principal amount of Bonds outstanding and of their respective agents and attorneys, including the engineer or firm of engineers appointed pursuant to Section 11.3.

The System covenants that if an Event of Default shall happen and shall not have been remedied, the System will continue to account, as a trustee of an express trust, for all revenues and other moneys, securities and funds pledged under this Resolution.

SECTION 11.3. *Rights of Holders of Bonds Upon Default; Application of Revenues.* The System covenants that if an Event of Default shall happen and shall not have been remedied, the System and the Construction Fund Trustee, upon demand of the Bond Fund Trustee, shall pay over to the Bond Fund Trustee (i) forthwith, all moneys, securities and funds then held by the System and pledged under the Resolution, and all moneys, securities and funds then held by the Construction Fund Trustee, and (ii) as promptly as practicable after receipt thereof, all income, revenues, receipts and profits derived from the ownership and operation of the Project (all such moneys in this Article collectively called "Revenues").

During the continuance of an Event of Default, the Revenues received by the Bond Fund Trustee, or by a Bondholders' Committee created as hereinafter provided, whether pursuant to the provisions of the preceding paragraph, or as the result of taking possession of the business and properties of the Project, shall be applied by the Bond Fund Trustee or Bondholders' Committee, as the case may be, first to the payment of the reasonable and proper charges, expenses and liabilities paid or incurred by the Bond Fund Trustee or Bondholders' Committee, as the case may be (including the cost of securing the services of any engineer or firm of engineers selected by the Bond Fund Trustee, or Bondholders' Committee, for the purpose of rendering advice with respect to the operation, maintenance, repair and replacement of the Project necessary to prevent any loss of Revenues, and with respect to the sufficiency of the rates and charges for power and energy sold, furnished or supplied by the Project), and thereafter to the payment of the reasonable and necessary cost of operation, maintenance, repair and replacement of the Project and the principal of and interest on the Bonds.

In the event that at any time the funds held by the Bond Fund Trustee and the Paying Agents for the Bonds shall be insufficient for the payment of the principal of and premium, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds or coupons which have theretofore become due at maturity or by call for redemption) and all Revenues and other moneys received or collected for the benefit or for the account of holders of the Bonds by the Bond Fund Trustee shall be applied as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

*First*, to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, earliest maturities first, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

*Second*, to the payment to the persons entitled thereto of the unpaid principal and premium, if any, of any Bonds which shall become due, whether at maturity or by call for redemption, in the order of their due dates, earliest maturities first, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal and premium, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bonds, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference. If and whenever all overdue installments of interest on all Bonds, together with the reasonable and proper charges, expenses and liabilities of the Bond Fund Trustee and the holders of Bonds, their respective agents and attorneys, and all other sums payable by the System under the Resolution including the principal and premium, if any, of and accrued unpaid interest on all Bonds which shall then be payable by declaration or otherwise, shall either be paid by or for the account of the System, or provision satisfactory to the Bond Fund Trustee shall be made for such payment, and all defaults under the Resolution or the Bonds shall be



made good or secured to the satisfaction of the Bond Fund Trustee or provision deemed by the Bond Fund Trustee to be adequate shall be made therefor, the Bond Fund Trustee shall pay over to the System all moneys, securities, funds and Revenues then remaining unexpended in the hands of the Bond Fund Trustee (except moneys, securities, funds or Revenues deposited or pledged, with the Bond Fund Trustee), and thereupon the System and the Bond Fund Trustee shall be restored, respectively, to their former positions and rights under this Resolution, and all Revenues shall thereafter be applied as provided in Article VI. No such payment over to the System by the Bond Fund Trustee or resumption of the application of Revenues as provided in Article VI shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

SECTION 11.4. *Suits by Bond Fund Trustee.* If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Bond Fund Trustee, either in its own name or as trustee of an express trust, or as attorney in fact for the holders of all the Bonds and the coupons appurtenant thereto, or in any one or more of such capacities, by its agents and attorneys, shall be entitled and empowered to proceed forthwith to institute such suits, actions and proceedings at law or in equity for the collection of all sums due in connection with the Bonds and to protect and enforce its rights and the rights of the holders of the Bonds under the Resolution for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the System as trustee of an express trust, or in the enforcement of any other legal or equitable right as the Bond Fund Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights, or to perform any of its duties under the Resolution. The Bond Fund Trustee shall be entitled and empowered either in its own name or as a trustee of an express trust, or as an attorney in fact for the holders of the Bonds and the coupons appurtenant thereto, or in any one or more of such capacities, to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Bond Fund Trustee and of the holders of the Bonds and of the coupons appurtenant thereto allowed in any equity, receivership, insolvency, bankruptcy, liquidation, re-



adjustment, reorganization or other similar proceedings relative to the System. For this purpose the Bond Fund Trustee is hereby irrevocably appointed the true and lawful attorney in fact of the respective holders of the Bonds and of the coupons appurtenant thereto (and the successive holders of the Bonds and of the coupons appurtenant thereto by taking and holding the same shall be conclusively deemed to have so appointed the Bond Fund Trustee) with authority to make and file in the respective names of the holders of the Bonds any such proof of debt, amendment of proof of debt, claim, petition or other document in any such proceedings, and to receive payment of any sums becoming distributable on account thereof, and to execute any such other papers and documents and to do and perform any and all acts and things for and on behalf of the holders of the Bonds and of the coupons appurtenant thereto as may be necessary or advisable in the opinion of the Bond Fund Trustee in order to have the respective claims of the Bond Fund Trustee and of the holders of the Bonds and of said coupons allowed in any such proceeding and to receive payment of and on account of such claims; provided, however, that nothing contained herein shall be deemed to give the Bond Fund Trustee any right to accept or consent to any plan of reorganization or compromise or otherwise take any action of any character in any such proceeding to waive or change in any way any right of any holder of Bonds or coupons appurtenant thereto.

All rights of action under the Resolution may be enforced by the Bond Fund Trustee without the possession of any of the Bonds or coupons or the production thereof on the trial or other proceedings.

The holders of not less than a majority in principal amount of the Bonds at the time outstanding, may direct the time, method and place of conducting any proceeding for any remedy available to the holders of Bonds or the Bond Fund Trustee, or exercising any trust or power conferred upon the Bond Fund Trustee, provided that the Bond Fund Trustee shall be provided with reasonable security and indemnity and shall have the right to decline to follow any such direction only (i) if the Bond Fund Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken; or (ii) if the Bond Fund Trustee in good faith shall determine that the action or proceeding so directed would involve the Bond Fund Trustee in personal liability; or (iii) that the action or proceeding so directed would be

unjustly prejudicial to the holders of Bonds not parties to such direction.

At any time after the occurrence of an Event of Default and prior to the curing of such Event of Default, whether or not the principal of and premium, if any, and interest accrued on all the outstanding Bonds shall have been declared immediately due and payable as a result of such Event of Default, the Bond Fund Trustee, as a matter of right against the System, without notice or demand, and without regard to the adequacy of the security for the Bonds, shall, to the extent permitted by law, be entitled to take possession and control of the business and properties of the Project. Upon taking such possession, the Bond Fund Trustee shall operate and maintain the Project, make any necessary repairs, renewals and replacements in respect thereof, prescribe rates and charges for Project capability, power and energy sold, furnished or supplied through the facilities of the Project, collect the gross revenues resulting from the operation of the Project, and perform all of the agreements and covenants contained in all contracts which the System is at the time obligated to perform. At any such time the Bond Fund Trustee shall be entitled to the appointment of a receiver of the business and property of the Project, of the moneys, securities and funds of the System pledged under the Resolution, and of the Revenues, and of the income therefrom with all such powers as the court or courts making such appointment shall confer, including the power to perform and enforce all contracts, to the same extent that the System shall then be entitled and obligated to do; provided, however, that, notwithstanding the happening of an Event of Default, the rights and obligations of the purchasers under the Net Billing Agreements not in default shall not be affected by such happening of an Event of Default. Notwithstanding the appointment of any receiver, the Bond Fund Trustee shall be entitled to retain possession and control of and to collect and receive income from any moneys, securities, funds and Revenues deposited or pledged with it under the Resolution or agreed or provided to be delivered to or deposited or pledged with it under the Resolution.

The Bond Fund Trustee may without the happening of an Event of Default and, at the request of the holders of not less than a majority of the Bonds then outstanding and upon being furnished with reasonable security and indemnity, shall take such steps and institute such

suits, actions or proceedings in its own name, or as trustee, or in the name of the System, all as the Bond Fund Trustee may deem appropriate, for the protection and enforcement of the rights of the holders of Bonds and the coupons appurtenant thereto, to collect any amounts due and owing the System, or by injunction, mandamus, foreclosure or other appropriate proceeding in law and in equity to obtain other appropriate relief and may enforce the specific performance of any covenant, agreement or condition contained in the Resolution, or in the Bonds, or in any contract to which the System is a party including the Net Billing Agreements and the Project Agreement.

SECTION 11.5. *Suits by Individual Bondholders.* Except as otherwise specifically provided in this Section, no holder of any of the Bonds or coupons shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Resolution or the execution of any trust under the Resolution or for any remedy under the Resolution, unless such holder shall have previously given to the Bond Fund Trustee written notice of the happening of an Event of Default, as provided in this Article, and the holders of at least 20% in principal amount of the Bonds then outstanding shall have filed a written request with the Bond Fund Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted under this Resolution or to institute such action, suit or proceeding in its own name, and unless such Bondholder shall have offered to the Bond Fund Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Bond Fund Trustee for a period of sixty (60) days after the receipt by it of such notice, request and offer of indemnity shall have refused to comply with such request; it being understood and intended that, except as above provided, no one or more holders of Bonds or coupons shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Resolution, or to enforce any right under the Resolution, except in compliance with the conditions precedent to the initiation of such litigation as herein provided; and that all proceedings at law or in equity to enforce any provision of the Resolution shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all holders of the outstanding Bonds and coupons.

In the event that the Bond Fund Trustee shall have failed or refused to comply with the aforesaid request after having been offered such security and indemnity, the holders of not less than twenty per cent (20%) in principal amount of the Bonds then outstanding may call a meeting of the holders of Bonds for the purpose of electing a Bondholders' Committee. Such meeting shall be called and proceedings thereat shall be conducted as provided for other meetings of Bondholders pursuant to Article XII hereof. At such meeting the holders of not less than a majority of the principal amount of the Bonds must be present in person or by proxy in order to constitute a quorum for the transaction of business, less than a quorum, however, having power to adjourn from time to time without any other notice than the announcement thereof at the meeting. A quorum being present, at such meeting, the Bondholders present in person or by proxy may, by a majority of the votes cast, elect one or more persons who may or may not be Bondholders to the Bondholders' Committee which shall act as trustee for all Bondholders. The Bondholders present in person or by proxy at said meeting, or at any adjourned meeting thereof, shall prescribe the manner in which the successors of the persons elected to the Bondholders' Committee at such Bondholders' meeting shall be elected or appointed, and may prescribe rules and regulations governing the exercise by the Bondholders' Committee of the power conferred upon it herein, and may provide for the termination of the existence of the Bondholders' Committee. The Bondholders' Committee may, with the consent of the holders of more than fifty per cent (50%) of the principal amount of Bonds outstanding, remove the Bond Fund Trustee. After the removal of the Bond Fund Trustee pursuant to the provisions of this Section and prior to the appointment of a successor Bond Fund Trustee pursuant to the provisions of Section 6.2 hereof, the members of the Bondholders' Committee elected by the Bondholders in the manner herein provided, and their successors, as a committee are hereby declared to be trustees for the holders of all the Bonds then outstanding, and are empowered to exercise in the name of the Bondholders' Committee as trustee, all the rights and powers conferred in this Article XI on the Bond Fund Trustee or any Bondholder.

Nothing in the Resolution or in the Bonds or in the coupons contained shall affect or impair the obligation of the System, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of and interest on the Bonds



to the respective holders thereof, or affect or impair the rights of action, which are also absolute and unconditional, of any holder to enforce the payment of his Bonds, or to reduce to judgment his claim against the System for the payment of the principal and interest on his Bonds, without reference to, or consent of, the Bond Fund Trustee or any other holder of Bonds.

SECTION 11.6. *Remedies Granted in Resolution Not Exclusive.* No remedy by the terms of this Resolution conferred upon or reserved to the Bond Fund Trustee or the holders of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Resolution.

SECTION 11.7. *Waivers of Default.* No delay or omission of the Bond Fund Trustee or of any holder of Bonds to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or to be an acquiescence therein; and every power and remedy given by this Article to the Bond Fund Trustee or to the holders of Bonds may be exercised from time to time and as often as may be deemed expedient by the Bond Fund Trustee or by such holders.

Prior to a declaration accelerating the maturity of the Bonds as provided in Section 11.1, the holders of not less than 66 $\frac{2}{3}$ % in principal amount of the Bonds at the time outstanding, or their attorneys in fact duly authorized, may on behalf of the holders of all of the Bonds waive any past default under the Resolution and its consequences, except a default in the payment of interest on or principal of or premium, if any, on any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 11.8. *Waiver of Extension Laws.* The System will not at any time insist upon or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force which may affect the covenants and agreements contained in the Resolution, or in the Bonds, but all benefit or advantage of any such law or laws is hereby expressly waived by the System.

SECTION 11.9. *Notice of Defaults.* The Bond Fund Trustee shall, within 90 days after the occurrence of an Event of Default, give to the

Bondholders, in the manner provided in Section 12.2 hereof, notice of all defaults known to the Bond Fund Trustee, unless such defaults shall have been cured before the giving of such notice (the term "default" or "defaults" for the purpose of this Section 11.9 being hereby defined to be any Event or Events of Default specified in Section 11.1); provided that, except in the case of default in the payment of principal of and premium, if any, and interest on any of the Bonds or in the payment of any sinking fund installment, the Bond Fund Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors and/or responsible officers, of the Bond Fund Trustee in good faith determines that the withholding of such notice is in the interests of the Bondholders.

## ARTICLE XII

### AMENDMENTS AND BONDHOLDERS' MEETINGS

SECTION 12.1. *Call of Bondholders Meetings.* The System, the Bond Fund Trustee or the holders of not less than twenty per cent (20%) in principal amount of the Bonds then outstanding may at any time call a meeting of the holders of the Bonds. Every such meeting shall be held at such place in the City of New York, State of New York, or in the City of Chicago, State of Illinois, as may be specified in the notice calling such meeting. Written notice of such meeting, stating the place and time of the meeting and in general terms the business to be submitted, shall be mailed to the Bondholders by the System, the Bond Fund Trustee or the Bondholders calling such meeting not less than thirty (30) nor more than sixty (60) days before such meeting, and shall be published at least once a week for four (4) successive calendar weeks on any day of the week, the date of first publication to be not less than thirty (30) days nor more than sixty (60) days preceding the meeting; provided, however, that the mailing of such notice shall in no case be a condition precedent to the validity of any action taken at any such meeting. Any meeting of Bondholders shall, however, be valid without notice if the holders of all Bonds then outstanding are present in person or by proxy or if notice is waived before or within thirty (30) days after the meeting by those not so present.

SECTION 12.2. *Notices to Bondholders.* Except as otherwise provided in this Resolution, any provision in this Resolution for the mailing

of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid (a) to each registered owner of any of the Bonds then outstanding at his address, if any, appearing upon the registry books of the System, (b) to each owner of any of such Bonds payable to bearer who shall have filed with the System or the Bond Fund Trustee an address for notices and (c) to the Bond Fund Trustee. Any provision in this Resolution contained for publication of a notice or other matter shall require the publication thereof in *The Daily Bond Buyer* in the City of New York, State of New York (or in lieu of publication in *The Daily Bond Buyer*, in a daily newspaper printed in the English language and customarily published on each business day and of general circulation in the Borough of Manhattan, the City of New York, State of New York), and also in daily newspapers printed in the English language and customarily published on each business day of general circulation in each of the Cities of Seattle, Washington, and Chicago, Illinois. If, because of the temporary or permanent suspension of the publication or general circulation of any financial paper or newspaper in any particular city, the System deems it impossible to publish any such notice in such city in the manner herein provided, then there shall be made in lieu thereof such publication as shall be decided upon by the System, and the same shall constitute a sufficient publication of such notice.

SECTION 12.3. *Proxies; Proof of Ownership of Bonds; Execution of Instruments by Bondholders.* Attendance and voting by Bondholders at such meetings may be in person or by proxy. Owners of Registered Bonds or Coupon Bonds registered as to principal, may, by an instrument in writing under their hands, appoint any person or persons, with full power of substitution, as their proxy to vote at any meeting for them.

In order that holders of Bonds payable to bearer and their proxies may attend and vote without producing their Bonds, the Bond Fund Trustee may make and from time to time vary such regulations as it shall think proper for the deposit of Bonds with or exhibit of Bonds to any bank, bankers or trust companies, wherever situated, and for the issue by them to the persons depositing or exhibiting such Bonds, of certificates in form approved by the Bond Fund Trustee, which shall constitute proof of ownership entitling the holders thereof to be present and vote at any such meeting in the same way as if the persons so

present and voting, either personally or by proxy, were the actual bearers of the Bonds in respect of which such certificates shall have been issued, and any regulations so made shall be binding and effective. Copies of such regulations shall be kept on file by the Bond Fund Trustee and Paying Agents. Officers or nominees of the System, and officers or nominees of the Bond Fund Trustee may be present or represented at such meeting and take part therein, but shall not be entitled to vote thereat, except as such officers or nominees are Bondholders or proxies for Bondholders (including the Bond Fund Trustee).

Any registered owner of Bonds and any holders of a certificate provided for in this Section shall be entitled in person or by proxy to attend and vote at such meeting as holder of the Bonds registered or certified in his name without producing such Bonds (unless the Bonds described in such certificate shall be registered in the name of or be produced by some other person at such meeting), and such persons and their proxies shall, if required, produce such proof of personal identity as shall be satisfactory to the Secretary of the meeting. All proxies presented at such meeting shall be delivered to the Inspectors of Votes and filed with the Secretary of the meeting. All other persons seeking to attend or vote in such meeting must produce the Bonds claimed to be owned or represented at such meeting.

The vote at any such meeting of the holder of any Bond entitled to vote thereat shall be binding upon such holder and upon every subsequent holder of such Bond (whether or not such subsequent holder has notice thereof).

Any request, direction, consent or other instrument in writing required or permitted by this Resolution to be signed or executed by Bondholders may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed by an instrument in writing. Proof of the execution of any such instrument shall be sufficient for any purpose of this Resolution, and shall be conclusive in favor of the Bond Fund Trustee with regard to any action taken by it under such instrument, if made in the following manner: (1) the fact and date of the execution by any person of any such instrument may be proved by either (A) an acknowledgment executed by a notary public or other officer empowered to take acknowledgments of deeds to be recorded in the particular jurisdiction, or (B) an affidavit of a witness to such



execution sworn to before such a notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such acknowledgment or affidavit shall also constitute sufficient proof of his authority.

The foregoing shall not be construed as limiting the Bond Fund Trustee to such proof, it being intended that the Bond Fund Trustee may accept any other evidence of the matters herein stated which to it may seem sufficient. Any request or consent of the holder of any Bond shall bind every future holder of the same Bond in respect of anything done by the Bond Fund Trustee in pursuance of such request, direction or consent.

The right of a proxy for a Bondholder to act may be proved (subject to the Bond Fund Trustee's right to require additional proof) by a written proxy executed by such Bondholder as aforesaid.

SECTION 12.4. *Appointment of Officers at Bondholders' Meeting.* Persons named by the Bond Fund Trustee, or elected by the holders of a majority in principal amount of the Bonds represented at the meeting in person or by proxy in the event the Bond Fund Trustee is not represented at such meeting, shall act as temporary Chairman and temporary Secretary of any meeting of Bondholders. A permanent Chairman and a permanent Secretary of such meeting, shall be elected by the holders of a majority in principal amount of the Bonds represented at such meeting in person or by proxy. The permanent Chairman of the meeting shall appoint two (2) Inspectors of Votes who shall count all votes cast at such meeting, except votes on the election of Chairman and Secretary as aforesaid, and who shall make and file with the Secretary of the meeting and with the System and with the Bond Fund Trustee their verified report of all such votes cast at the meeting.

SECTION 12.5 *Quorum at Bondholders' Meetings.* The holders of not less than the principal amount of the Bonds required for any action to be taken at such meeting must be present at such meeting in person or by proxy in order to constitute a quorum for the transaction of business, less than a quorum, however, having power to adjourn from time to time without any other notice than the announcement thereof

at the meeting; provided, however, that, if such meeting is adjourned by less than a quorum for more than ten (10) days, notice thereof shall be published by the System at least five (5) days prior to the adjourned date of the meeting.

SECTION 12.6. *Vote Required to Amend Resolution.* Any amendment of the provision of the Resolution in any particular except the percentage of Bondholders the approval of which is required to approve such amendment, may be made by a supplemental resolution of the System and a resolution duly adopted by the affirmative vote at a meeting of Bondholders duly convened and held, or with written consent as hereinafter provided in Section 12.8 hereof, (i) of the holders of not less than sixty-six and two-thirds per cent ( $66\frac{2}{3}\%$ ) in principal amount of the Bonds outstanding when such meeting is held or such consent is given, (ii) of the holders of not less than sixty-six and two-thirds per cent ( $66\frac{2}{3}\%$ ) in principal amount of Bonds so outstanding which are adversely affected by any amendment which does not equally affect all other Bonds so outstanding, (iii) in case the amendment changes the amount or date of payment of any payment into a special fund established for the payment of any Bonds, of the holders of at least sixty-six and two-thirds per cent ( $66\frac{2}{3}\%$ ) in principal amount of the Bonds of the particular series, maturity and interest rate entitled to such payment outstanding at the time such meeting is held or such consent is given, and (iv) in case the modification or amendment changes the terms of any sinking fund installment, of the holders of at least sixty-six and two-thirds per cent ( $66\frac{2}{3}\%$ ) in principal amount of the Bonds of the particular series and maturity entitled to such sinking fund installment and outstanding at the time such consent is given; provided, however, that no such amendment shall permit a change in the date of payment of the principal of any Bonds or of any installment of interest thereon or a reduction in the principal or redemption price thereof or the rate of interest thereon, without the consent of the holder of each such Bond, or shall change or modify any of the rights or obligations of the Construction Fund Trustee, the Bond Fund Trustee, or any Paying Agent, without its written assent thereto.

SECTION 12.7. *Obtaining Approval of Amendments at Bondholders' Meeting.* The System may at any time adopt a resolution amending the provisions of the Resolution to the extent that such amendment is

permitted by the provisions of Section 12.6 hereof, to take effect when and as provided in this Section. Upon the adoption of such resolution, a copy thereof, certified by the Secretary of the System, shall be filed with the Bond Fund Trustee. At any time thereafter such resolution may be submitted by the System for approval to a meeting of the Bondholders duly convened and held in accordance with the provisions of the Resolution. A record in duplicate of the proceedings of each meeting of the Bondholders shall be prepared by the permanent Secretary of the meeting and shall have attached thereto the original reports of the Inspectors of Votes and affidavits by a person or persons having knowledge of the facts, showing a copy of the notice of the meeting and setting forth the facts with respect to the mailing and publication thereof under the provisions of the Resolution. Such a record shall be signed and verified by the affidavits of the permanent Chairman and the permanent Secretary of the meeting, and one duplicate thereof shall be delivered to the System and the other to the Bond Fund Trustee for preservation by the Trustee. Any record so signed and verified shall be proof of the matters therein stated. If the resolution of the System making such amendment shall be approved by a resolution duly adopted at such meeting of Bondholders by the affirmative vote of the holders of the required percentages of Bonds, a notice stating that a resolution approving such amendment has been so adopted and briefly summarizing such amendment shall be mailed by the System to the Bondholders (but failure so to mail copies of such resolution shall not affect the validity of such resolution) and shall be published twice in the manner provided in Section 12.2 hereof, with an interval of not less than seven (7) days between such publications, the first publication to be made not more than fifteen (15) days after the date of the adoption of such resolution. Proof of such mailing and publication by the affidavit or affidavits of a person or persons having knowledge of the facts shall be filed with the Bond Fund Trustee. Such resolution of the System making such amendment shall be deemed conclusively to be binding upon the System, the Construction Fund Trustee, the Bond Fund Trustee, the Paying Agents, and the holders of all Bonds and coupons pertaining thereto at the expiration of thirty (30) days after the filing with the Bond Fund Trustee of the proof of the first publication of the notice provided for in this Section, except in the event of a final decree of a court of competent jurisdiction setting aside such resolution or annulling the action taken

thereby in a legal action or equitable proceeding for such purpose commenced within such period; provided that the Bond Fund Trustee, the Construction Fund Trustee, any Paying Agents, and the System during such thirty (30) day period and any such further period during which such action or proceeding may be pending, shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such resolution as they may deem expedient. Nothing in the Resolution contained shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Bondholders or of any right conferred hereunder to make such call, any hindrance or delay in the exercise of any rights conferred upon or reserved to the Construction Fund Trustee, the Bond Fund Trustee, the Paying Agents, or the Bondholders under any of the provisions of the Resolution.

SECTION 12.8. *Alternate Method of Obtaining Approval of Amendments.* The System may at any time adopt a resolution amending the provisions of the Resolution, or of any Bonds, to the extent that such amendment is permitted by the provisions of this Article, to take effect when and as provided in this Section. Upon adoption of such resolution, a copy thereof, certified by the Secretary of the System, shall be delivered to and held by the Bond Fund Trustee for the inspection of the Bondholders. A copy of such resolution (or summary thereof in form approved by the Bond Fund Trustee) together with a request to Bondholders for their consent thereto in form satisfactory to the Bond Fund Trustee, shall be mailed by the System to Bondholders and notice thereof shall be published once in each calendar week for four (4) successive calendar weeks on any day of the week in the manner provided in Section 12.2 hereof (but failure to mail copies of such resolution and request shall not affect the validity of the resolution when consented to as in this Section provided). Such resolution shall not be effective unless and until there shall have been filed with the Bond Fund Trustee the written consents of the percentages of holders of outstanding Bonds specified in Section 12.6 hereof and a notice shall have been published as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 12.3 hereof. A certificate or certificates of the Bond Fund Trustee that it has examined such proof



and that such proof is sufficient shall be conclusive that the consents have been given by the holders of the Bonds described in such certificate or certificates. Any such consent shall be binding upon the holder of the Bonds giving such consent and on every subsequent holder of such Bonds (whether or not such subsequent holder has notice thereof) unless such consent is revoked in writing by the holder of such Bonds giving consent, or a subsequent holder, by filing such revocation with the Bond Fund Trustee prior to the date when the notice hereinafter in this Section provided for is first published. The fact that a consent has not been revoked may likewise be proved by a certificate of the Bond Fund Trustee. A notice, stating the substance of the resolution and stating that the resolution has been consented to by the holders of the required percentages of Bonds and will be effective as provided in this Section, may be given to the Bondholders by mailing such notice to the Bondholders, and shall be given by publishing the same twice in the manner provided in Section 12.2 hereof, with an interval of not less than seven (7) days between such publications, the first publication to be made not more than fifteen (15) days after the holders of the required percentages of Bonds shall have filed their consent to the resolution. The System shall file with the Bond Fund Trustee proof of giving such notice. A record, consisting of the papers required by this Section to be filed with the Bond Fund Trustee, shall be proof of the matters therein stated, and the resolution shall be deemed conclusively to be binding upon the System, the Construction Fund Trustee, the Bond Fund Trustee, the Paying Agents, and the holders of all Bonds and coupons at the expiration of thirty (30) days after the filing with the Bond Fund Trustee of the proof of the first publication of the notice last provided for in this Section, except in the event of a final decree of a court of competent jurisdiction setting aside such consent or annulling the action taken thereby in a legal action or equitable proceeding for such purpose commenced within such period; provided that the Bond Fund Trustee, the Construction Fund Trustee, any Paying Agents, and the System during such thirty (30) day period and any such further period during which such action or proceeding may be pending, shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such resolution as they may deem expedient.

SECTION 12.9. *Amendment of Resolution In Any Respect by Ap-*

*proval of All Bondholders.* Notwithstanding anything contained in the foregoing provisions of this Article, the rights and obligations of the System and of the holders of the Bonds and coupons pertaining thereto, and the terms and provisions of the Bonds and of the Resolution, may be amended in any respect with the consent of the System, by the affirmative vote of the holders of all said Bonds then outstanding at a meeting of Bondholders called and held as hereinabove provided, or upon the adoption of a resolution by the System and the consent of the holders of all of the Bonds then outstanding, such consent to be given as provided in Section 12.9 except that no notice to Bondholders either by mailing or publication shall be required, and the amendment shall be effective immediately upon such unanimous vote or written consent of all of the Bondholders.

SECTION 12.10. *Exclusion of Bonds Owned by System.* Bonds owned or held by or for the account of the System shall not be deemed outstanding for the purpose of any vote or consent or other action or any calculation of outstanding Bonds in the Resolution provided for, and shall not be entitled to vote or consent or take any other action in the Resolution provided for.

SECTION 12.11. *Endorsement of Amendment on Bonds.* Bonds delivered after the effective date of any action amending the Resolution taken as hereinabove provided may, and, if the Bond Fund Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the System and the Bond Fund Trustee as to such action, and in that case, upon demand of the holder of any Bond outstanding at such effective date and presentation of his Bond for the purpose at the principal office of the Bond Fund Trustee, suitable notation shall be made on such Bond by the Bond Fund Trustee as to any such action. If the System shall so determine, new Bonds so modified as in the opinion of the System and its counsel to conform to such Bondholders' action shall be prepared, delivered and upon demand of the holder of any Bond then outstanding shall be exchanged without cost to such Bondholder for Bonds then outstanding hereunder, upon surrender of such Bonds with all unmatured coupons pertaining thereto.

## ARTICLE XIII

## FORMS OF BONDS

SECTION 13.1. *Forms of Bonds.* The form of Coupon Bond, the interest coupons to be attached to the Coupon Bonds, the form of Registration to appear thereon, the form of Registered Bond, the form of assignment to appear thereon, the form for endorsement of partial payment to appear thereon, and the form of State Auditor's Certificate of Registration on all the Bonds shall be in substantially the following forms, respectively, with such modifications, additions and deletions as may be necessary or advisable to reflect the details of issuance of such Bonds, the provisions of this Resolution and the Series Resolution authorizing the same, or otherwise required or permitted by the provisions of this Resolution or such Series Resolution:

[FORM OF COUPON BOND]

UNITED STATES OF AMERICA

STATE OF WASHINGTON

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

NUCLEAR PROJECT NO. 2 REVENUE BOND, SERIES ----

No.-----

\$5,000

WASHINGTON PUBLIC POWER SUPPLY SYSTEM, a municipal corporation of the State of Washington (hereinafter called the "System"), for value received, hereby promises to pay to the bearer, or if this bond be registered as to principal, to the registered owner hereof, on the first day of \_\_\_\_\_, the sum of Five Thousand Dollars (\$5,000) and to pay interest on such principal sum from the date hereof at the rate of \_\_\_\_\_ per centum ( %) per annum, payable \_\_\_\_\_, 19\_\_\_\_, and semi-annually thereafter on the first day of January and the first day of July in each year until the maturity of this bond, or, if default should be made in payment of the principal hereof when the same shall become due and payable, at the legal rate of interest until the payment in full of such principal sum, but, in the case of the interest due on or before



maturity, only upon the presentation and surrender of the respective interest coupons representing such interest hereto attached, as they severally mature.

Principal of and interest and premium, if any, on this bond are payable solely out of the special fund of the System known as the "Washington Public Power Supply System Nuclear Project No. 2 Revenue Bond Fund" (hereinafter referred to as the "Bond Fund"). Payment of such principal, interest and premium will be made at the principal office of the Paying Agent of the System for the series of bonds of which this bond is one in the City of Seattle, Washington, or, at the option of the holder hereof, or of such coupons, as the case may be, at the principal office of either of the Paying Agents of the System for the series of bonds of which this bond is one in the City of Chicago, Illinois, or in the City of New York, New York, in such coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

This bond is one of a duly authorized series of bonds of like designation herewith, aggregating \_\_\_\_\_ Dollars in principal amount. This bond and the bonds of the series of which it is one are issued under the authority of and in full compliance with the Constitution and statutes of the State of Washington, including Titles 43 and 54 of the Revised Code of Washington, and under and pursuant to Resolution No. \_\_\_\_\_ of the System adopted by the Board of Directors of the System on the \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_ (hereinafter referred to as the "Bond Resolution"), and a Series Resolution duly adopted by said Board on the \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_.

This bond and the series of which it is one constitute part of a duly authorized issue of bonds (hereinafter referred to as the "Bonds") issued, or to be issued, by the System under the Bond Resolution for the purpose of acquiring, by purchase or condemnation, and constructing a nuclear electric generating plant and associated facilities as a separate utility system constituting and to be known as the Washington Public Power Supply System Nuclear Project No. 2 (hereinafter referred to as the "Project"). The Bond Resolution permits the issuance of additional bonds, in addition to the Bonds, for certain limited purposes specified therein, ranking on a parity with the Bonds, and secured by an equal charge and lien on the revenues of the Project.

Copies of the Bond Resolution are on file at the principal office of the System and at the principal office of each of the Paying Agents, and



reference thereto and to any and all modifications and amendments thereof is hereby made for a more complete description of the revenues available for the payment of the principal of and premium, if any, and interest on the Bonds and the rights and remedies of the holders of the Bonds with respect thereto, the terms and conditions upon which the Bonds have been issued, and the terms and provisions upon which this Bond shall no longer be secured by the Bond Resolution or deemed to be outstanding thereunder if moneys or certain specified securities shall have been deposited with the Bond Fund Trustee appointed pursuant to the Bond Resolution, or any Paying Agent therefor sufficient and held in trust solely for the payment hereof.

Under the Bond Resolution the System is obligated to set aside and pay into the Bond Fund out of the gross revenues of the Project, including all additions, betterments and improvements thereto and extensions thereof, certain fixed amounts sufficient to pay the principal of and interest and premium, if any, on all Bonds at any time outstanding as the same become due and payable, all as is more fully provided in the Bond Resolution. The Bonds and the interest thereon constitute the only charge against the Bond Fund and the amount of the revenues pledged to said Bond Fund.

In case an event of default (defined in the Bond Resolution) shall occur, the principal of the Bonds and any additional bonds ranking on a parity with the Bonds issued pursuant to the Bond Resolution at such time outstanding may be declared due and payable by the Bond Fund Trustee or by the holders of 20% in principal amount of such Bonds and additional bonds, but such declaration may, under certain circumstances, be annulled.

In and by the Bond Resolution, the System covenants to establish, maintain and collect rates or charges for Project capability, electric energy and other services, facilities and commodities sold, furnished or supplied through the facilities of the Project which shall be fair and nondiscriminatory and adequate to provide revenues sufficient for the fixed amounts which the System is obligated to set aside in the Bond Fund to pay the principal of and interest and premium, if any, on this Bond and the issue of Bonds of which this Bond is a part, and for the proper operation and maintenance of the Project, and all necessary repairs thereto and replacements and renewals thereof.

The Bonds of the series of Bonds of which this Bond is a part are subject to redemption prior to maturity, at the option of the Sys-

tem, on or after 1, 19 , as a whole at any time, or in part from time to time on any interest payment date in the inverse order of their maturities (and in the event that less than all of such Bonds of a maturity are called for redemption, the particular Bonds of such maturity to be redeemed shall be selected by lot), at the redemption prices with respect to each Bond, expressed as a percentage of the principal amount of the Bond to be redeemed, set forth below, together with the interest accrued thereon to the date fixed for redemption:

Period During Which Redeemed  
(Both Dates Inclusive)

Redemption  
Prices

provided, however, that the System further reserves the right to redeem the Bonds of the series of Bonds of which this Bond is a part maturing on July 1, 2012, in part on any interest payment date (a) on and after , upon payment of the principal amount thereof from the amounts credited to the Bond Retirement Account in the Bond Fund pursuant to paragraph C of Section 6.2 of the Bond Resolution, and (b) on and after , upon payment of % of the principal amount thereof from excess moneys available therefor in the Bond Retirement Account in the Bond Fund resulting from the payments therein pursuant to Section 6.13 of the Bond Resolution, in each case together with the interest accrued thereon to the date fixed for redemption; and provided further, that the System further reserves the right to redeem all of the Bonds of the series of Bonds of which this Bond is a part, at any time prior to maturity at its option, as a whole at any time, or in part on any interest payment date in the inverse order of their maturities (and in the event that less than all of such Bonds of a maturity are called for redemption, the particular Bonds of such maturity to be redeemed shall be selected by lot), from moneys available therefor in the Bond Retirement Account in the Bond Fund resulting from the payments therein pursuant to Section 9.7 of the Bond Resolution, or if the Project is terminated as provided in subparagraph (a) of Section 15 of the Project Agreement referred to in the Bond Resolution, upon payment of the principal amount of the

Bond to be redeemed, together with accrued interest thereon to the date fixed for redemption.

In the event the System should exercise its option to redeem any of the Bonds, notice of such redemption shall be given by publication of a notice at least once in daily financial papers, or in daily newspapers of general circulation printed in the English language, published in the cities of Seattle, Washington, Chicago, Illinois, and New York, New York, such publications to be made in each case not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption. Notice of redemption having been given by publication as aforesaid, the Bonds so called for redemption shall on the date specified in such notice become due and payable at the applicable redemption price herein provided, and from and after the date so fixed for redemption (unless the System shall default in the payment of the Bonds so called for redemption), interest on said Bonds so called for redemption shall cease to accrue.

This Bond may be registered as to principal only, in accordance with the provisions endorsed hereon, and this Bond and the interest coupons attached hereto shall have all the qualities and incidents of a negotiable instrument to the extent provided by Section 54.24.120 of the Revised Code of Washington.

The Bonds of the series of Bonds of which this Bond is one are issuable as Coupon Bonds, registrable as to principal only, in the denomination of \$5,000, and as Registered Bonds without coupons in the denomination of \$5,000, or any multiple of \$5,000. The Coupon Bonds and the Registered Bonds without coupons are interchangeable for an equal aggregate principal amount of Bonds of the same series, interest rate and maturity upon presentation thereof for such purpose by the holder or registered owner at the principal office of the Bond Fund Trustee, and upon payment of charges and otherwise as provided in the Bond Resolution.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as prescribed

by law, and that the amount of this Bond, together with all other obligations or indebtedness of the System, does not exceed any constitutional or statutory limitations of indebtedness.

IN WITNESS WHEREOF, Washington Public Power Supply System by its Board of Directors, has caused this Bond to be executed in its name with the facsimile signature of the President of its Board of Directors, and attested by the manual signature of the Secretary of its Board of Directors or Treasurer of the System thereunto duly authorized, and the facsimile seal of said System to be hereon imprinted, and the interest coupons hereto attached to be executed by the facsimile signatures of the said President and Secretary, all as of the first day of , 19 .

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

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*President*

ATTEST:

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*Secretary (Treasurer)*

(SEAL)

[FORM OF COUPON]

No.-----

\$-----

On the first day of , , unless the Bond hereinafter mentioned shall have been duly called for previous redemption and payment of the redemption price duly made or provided for, Washington Public Power Supply System, a municipal corporation of the State of Washington, will pay to bearer at the principal office of the Paying Agent of the System for the series of bonds of which the bond herein-



after mentioned is one, in the City of Seattle, Washington, or, at the option of the holder hereof, at the principal office of either of the Paying Agents of the System for the series of bonds of which the bond hereinafter mentioned is one, in the City of Chicago, Illinois, or in the City of New York, New York, but solely out of the special fund applicable to the payment thereof as provided in said bond, the sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts, being the interest then due on its Washington Public Power Supply System Nuclear Project No. 2 Revenue Bond, Series \_\_\_\_\_, dated \_\_\_\_\_, 19\_\_\_\_, and numbered \_\_\_\_\_.

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*President*

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*Secretary*

[FORM OF REGISTRATION]

This Bond may be registered as to principal only in the name of the holder on books of registration to be kept at the principal office of the Bond Fund Trustee located in the City of \_\_\_\_\_, such registration to be noted in the registration blank below. After such registration no transfer hereof shall be valid unless made on said books and similarly noted hereon, but such registration may be made to bearer and thereupon transferability by delivery shall be restored. The registration of this Bond as to principal only shall not affect the coupons which shall at all times be transferable merely by delivery.

(Notice: No writing on this bond except by Registrar)

<u>Date of Registration</u>	<u>Name of Registered Owner</u>	<u>Signature of Registrar</u>
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[FORM OF REGISTERED BOND WITHOUT COUPONS]

## UNITED STATES OF AMERICA

## STATE OF WASHINGTON

## WASHINGTON PUBLIC POWER SUPPLY SYSTEM

## NUCLEAR PROJECT NO. 2 REVENUE BOND, SERIES -----

No. R-----

\$-----

WASHINGTON PUBLIC POWER SUPPLY SYSTEM, a municipal corporation of the State of Washington (hereinafter called the "System"), for value received, hereby promises to pay to or registered assigns, on the first day of \_\_\_\_\_, the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), and to pay interest on the unpaid principal amount hereof, which interest shall be paid by check or draft drawn upon the Bond Fund Trustee appointed pursuant to the Bond Resolution (hereinafter defined) located in the City of \_\_\_\_\_, and mailed to the registered owner at his address as it appears on the bond registration books of the System, at the rate of \_\_\_\_\_ per centum ( \_\_\_\_\_ %) per annum from the date hereof, payable semi-annually on the first day of January and the first day of July of each year until the payment of such principal sum in full, or if default should be made in the payment of the principal hereof when the same shall become due and payable, at the legal rate of interest until the payment in full of such principal sum.

Principal of and interest and premium, if any, on this bond are payable solely out of the special fund of the System known as the "Washington Public Power Supply System Nuclear Project No. 2 Revenue Bond Fund" (hereinafter referred to as the "Bond Fund"). Payment of such principal and premium will be made at the principal office of the Paying Agent of the System for the series of bonds of which this bond is one in the City of Seattle, Washington, or, at the option of the holder hereof, at the principal office of either of the Paying Agents of the System for the series of bonds of which this bond is one in the City of Chicago, Illinois, or in the City of New York, New York, in such coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

This bond is one of a duly authorized series of bonds of like designation herewith, aggregating \_\_\_\_\_ Dollars in principal amount. This bond and the bonds of the series of which it is one are issued under the authority of and in full compliance with the Constitution and statutes of the State of Washington, including Titles 43 and 54 of the Revised Code of Washington, and under and pursuant to Resolution No. \_\_\_\_\_ of the System adopted by the Board of Directors of the System on the \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_ (hereinafter referred to as the "Bond Resolution"), and a Series Resolution duly adopted by said Board on the \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_.

This bond and the series of which it is one constitute part of a duly authorized issue of bonds (hereinafter referred to as the "Bonds") issued, or to be issued, by the System under the Bond Resolution for the purpose of acquiring, by purchase or condemnation, and constructing a nuclear electric generating plant and associated facilities as a separate utility system constituting and to be known as the Washington Public Power Supply System Nuclear Project No. 2 (hereinafter referred to as the "Project"). The Bond Resolution permits the issuance of additional bonds, in addition to the Bonds, for certain limited purposes specified therein, ranking on a parity with the Bonds, and secured by an equal charge and lien on the revenues of the Project.

Copies of the Bond Resolution are on file at the principal office of the System and at the principal office of each of the Paying Agents, and reference thereto and to any and all modifications and amendments thereof is hereby made for a more complete description of the revenues available for the payment of the principal of and premium, if any, and interest on the Bonds and the rights and remedies of the holders of the Bonds with respect thereto, the terms and conditions upon which the Bonds have been issued, and the terms and provisions upon which this Bond shall no longer be secured by the Bond Resolution or deemed to be outstanding thereunder if moneys or certain specified securities shall have been deposited with the Bond Fund Trustee appointed pursuant to the Bond Resolution, or any Paying Agent therefor sufficient and held in trust solely for the payment thereof.

Under the Bond Resolution the System is obligated to set aside and pay into the Bond Fund out of the gross revenues of the Project, including all additions, betterments and improvements thereto and extensions thereof, certain fixed amounts sufficient to pay the principal

of and interest and premium, if any, on all Bonds at any time outstanding as the same become due and payable, all as is more fully provided in the Bond Resolution. The Bonds and the interest thereon constitute the only charge against the Bond Fund and the amount of the revenues pledged to said Bond Fund.

In case an event of default (defined in the Bond Resolution) shall occur, the principal of the Bonds and any additional bonds ranking on a parity with the Bonds issued pursuant to the Bond Resolution at such time outstanding may be declared due and payable by the Bond Fund Trustee or by the holders of 20% in principal amount of such Bonds and additional bonds, but such declaration may, under certain circumstances, be annulled.

In and by the Bond Resolution, the System covenants to establish, maintain and collect rates or charges for Project capability, electric energy and other services, facilities and commodities sold, furnished or supplied through the facilities of the Project which shall be fair and nondiscriminatory and adequate to provide revenues sufficient for the fixed amounts which the System is obligated to set aside in the Bond Fund to pay the principal of and interest and premium, if any, on this Bond and the issue of Bonds of which this Bond is a part, and for the proper operation and maintenance of the Project, and all necessary repairs thereto and replacements and renewals thereof.

The Bonds of the series of Bonds of which this Bond is a part are subject to redemption prior to maturity, at the option of the System on or after 1, 19 , as a whole at any time, or in part from time to time on any interest payment date in the inverse order of their maturities (and in the event that less than all of such Bonds of a maturity are called for redemption, the particular Bonds of such maturity to be redeemed shall be selected by lot), at the redemption prices with respect to each Bond, expressed as a percentage of the principal amount of the Bond to be redeemed, set forth below, together with the interest accrued thereon to the date fixed for redemption:

Period During Which Redeemed  
(Both Dates Inclusive)

Redemption  
Prices



provided, however, that the System further reserves the right to redeem the Bonds of the series of Bonds of which this Bond is a part maturing on July 1, 2012, in part on any interest payment date (a) on and after \_\_\_\_\_, upon payment of the principal amount thereof from the amounts credited to the Bond Retirement Account in the Bond Fund pursuant to paragraph C of Section 6.2 of the Bond Resolution, and (b) on and after \_\_\_\_\_, upon payment of \_\_\_\_\_ % of the principal amount thereof from excess moneys available therefor in the Bond Retirement Account in the Bond Fund resulting from the payments therein pursuant to Section 6.13 of the Bond Resolution, in each case together with the interest accrued thereon to the date fixed for redemption; and provided further that the System further reserves the right to redeem all of the Bonds of the series of Bonds of which this Bond is a part, at any time prior to maturity at its option, as a whole at any time, or in part on any interest payment date in the inverse order of their maturities (and in the event that less than all of such Bonds of a maturity are called for redemption, the particular Bonds of such maturity to be redeemed shall be selected by lot), from moneys available therefor in the Bond Retirement Account in the Bond Fund resulting from the payments therein pursuant to Section 9.7 of the Bond Resolution, or if the Project is terminated as provided in sub-paragraph (a) of Section 15 of the Project Agreement referred to in the Bond Resolution, upon payment of the principal amount of the Bond to be redeemed together with accrued interest thereon to the date fixed for redemption.

In the event the System should exercise its option to redeem any of the Bonds, notice of such redemption shall be given by publication of a notice at least once in daily financial papers, or in daily newspapers of general circulation printed in the English language, published in the cities of Seattle, Washington, Chicago, Illinois, and New York, New York, such publication to be made in each case not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption. Notice of redemption having been given by publication as aforesaid, the Bonds so called for redemption shall on the date specified in such notice become due and payable at the applicable redemption price herein provided, and from and after the date so fixed for redemption (unless the System shall default in the payment of the Bonds so called for redemption), interest on said Bonds so called for redemption shall cease to accrue.

If this Bond is of a denomination in excess of \$5,000, portions of the principal sum hereof in installments of \$5,000 or any multiple thereof may be redeemed, and if less than all of the principal sum hereof is to be redeemed, in such case upon the surrender of this Bond at the principal office of any one of the Paying Agents, there shall be issued to the registered owner, without charge therefor, for the then unredeemed balance of the principal sum hereof, at the option of the owner, either Coupon Bonds or Registered Bonds of like series, maturity and interest rate in any of the denominations authorized by the Bond Resolution.

This Bond shall have all the qualities and incidents of a negotiable instrument to the extent provided by Section 54.24.120 of the Revised Code of Washington, and shall be transferable by the registered owner at the principal office of the Bond Fund Trustee upon surrender and cancellation of this Bond, and thereupon a new Registered Bond without coupons of the same series, principal amount, interest rate and maturity will be issued to the transferee as provided in the Bond Resolution and upon payment of the transfer charge, if any, therein prescribed. The System, the Paying Agents and any other person may treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment hereof and for all purposes and shall not be affected by any notice to the contrary, whether this Bond be overdue or not.

The Bonds of the series of Bonds of which this Bond is one are issuable as Coupon Bonds, registrable as to principal only, in the denomination of \$5,000, and as Registered Bonds without coupons in the denomination of \$5,000, or any multiple of \$5,000. The Coupon Bonds and the Registered Bonds without coupons are interchangeable for an equal aggregate principal amount of Bonds of the same series, interest rate and maturity upon presentation thereof for such purpose by the holder or registered owner at the principal office of the Bond Fund Trustee, and upon payment of charges and otherwise as provided in the Bond Resolution.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as prescribed by law, and that the amount of this Bond, together with all other

obligations or indebtedness of the System, does not exceed any constitutional or statutory limitations of indebtedness.

IN WITNESS WHEREOF, Washington Public Power Supply System by its Board of Directors, has caused this Bond to be executed in its name with the facsimile signature of the President of its Board of Directors, and attested by the manual signature of the Secretary of its Board of Directors or Treasurer of the System thereunto duly authorized, and the facsimile seal of said System to be hereon imprinted all as of

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

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*President*

ATTEST:

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*Secretary (Treasurer)*

(SEAL)

[FORM OF ASSIGNMENT]

For value received hereby sells,  
assigns and transfers unto the within  
mentioned Bond and hereby irrevocably constitutes and appoints  
\_\_\_\_\_, Attorney, to transfer the same on  
the books of registration in the office of the Bond Registrar of the  
System with full power of substitution in the premises.

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Dated:-----

Witness:-----

NOTE: The signature to this assignment must correspond with the name as written on the face of the within Bond in every particular, without alteration, enlargement or any change whatsoever.

## [FORM FOR ENDORSEMENT OF PARTIAL PAYMENT]

Notation of Payments of Principal on the Within-  
mentioned Bond by Retirement of a Portion Thereof

NO WRITING BELOW EXCEPT BY A PAYING AGENT  
OR OTHER AUTHORIZED PERSON

<u>Date</u>	<u>Principal Amount Paid</u>	<u>Balance of Principal Amount Outstanding</u>	<u>Signature of Paying Agent or Other Authorized Person</u>
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## [FORM OF STATE AUDITOR'S CERTIFICATE OF REGISTRATION—ALL BONDS]

STATE OF WASHINGTON }  
OFFICE OF STATE AUDITOR } ss:

I DO HEREBY CERTIFY that I have examined the within Bond and a certified copy of the resolution authorizing the issuance thereof, and such additional information with respect thereto as is required by me, and that the same has been registered in my office in accordance with the provisions of Section 54.24.070 of the Revised Code of Washington.

WITNESS my hand and seal of office this

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*Auditor of the State of Washington*

By -----  
*Deputy State Auditor*



## ARTICLE XIV

## MISCELLANEOUS: DEFEASANCE

SECTION 14.1. *Resolution and Laws a Contract with Bondholders.* This Resolution is adopted under the authority of and in full compliance with the Constitution and Laws of the State of Washington, including Titles 43 and 54 of the Revised Code of Washington, as amended and supplemented. In consideration of the purchase and acceptance of the Bonds by those who shall hold the same from time to time, the provisions of this Resolution and of any supplemental resolution authorizing the issuance of additional bonds, and of said laws shall constitute a contract with the holder or holders of each Bond and coupons attached thereto, and the obligations of the System and its Board of Directors under said acts and under this Resolution shall be enforceable by any court of competent jurisdiction; and the covenants and agreements herein set forth to be performed on behalf of the System shall be for the equal benefit, protection and security of the holders of any and all of said Bonds and coupons thereto attached, all of which regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of said Bonds or coupons thereto attached over any others thereof except as expressly provided herein.

SECTION 14.2. *Bonds No Longer Deemed Outstanding Hereunder.* The obligations of the System under this Resolution (including all Series Resolutions and other resolutions supplemental thereto or amendatory thereof), and the liens, pledges, charges, trusts, assignments, covenants and agreements of the System therein or herein made or provided for, shall be fully discharged and satisfied as to any Bond and such Bond shall no longer be deemed to be outstanding thereunder and hereunder, if such Bond shall have been cancelled, or surrendered for cancellation, or when payment of the principal of and the applicable redemption premiums, if any, on such Bond, plus interest thereon to the due date thereof, whether such due date be by reason of maturity or upon redemption or prepayment or by declaration as provided in Section 11.1 of this Resolution, or otherwise, (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with the Bond Fund

Trustee or the Paying Agents for such Bond, in trust and irrevocably appropriated and set aside exclusively for such payment, (1) moneys sufficient to make such payment or (2) Investment Securities (which for the purpose of this Article shall mean only the obligations mentioned in clauses 1, 2, 3 and 4 of paragraph (k) of Section 1.1 of this Resolution), maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and such Bond shall cease to draw interest from the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment or by declaration as aforesaid, or otherwise) and except for the purposes of such payment from such moneys or Investment Securities, shall no longer be secured by or entitled to the benefits of this Resolution; provided that, as to any deposit under (b) above, all necessary and proper fees, compensation and expenses of the Bond Fund Trustee and said Paying Agents pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of such Trustee and said Paying Agents; and provided further, that with respect to Bonds which by their terms may be redeemed or otherwise prepaid prior to the stated maturities thereof, (A) no deposits under (b) above shall constitute such discharge and satisfaction as aforesaid, (1) if such Bonds at the time of the making of such deposit are not then immediately redeemable or payable in accordance with the provisions of this Resolution and of such Bonds (a) unless such Bonds shall have been irrevocably called or designated for redemption or prepayment on the first date thereafter on which such Bonds may be redeemed or prepaid in accordance with the provisions of this Resolution and of such Bonds or (b) until ninety (90) days prior to the respective stated maturities thereof, or (2) if such Bonds at the time of the making of such deposit are then immediately redeemable or payable in accordance with the provisions hereof or thereof, (a) until ninety (90) days prior to the date fixed for their redemption or payment or (b) until ninety (90) days prior to the respective stated maturities thereof; and (B) as to all such Bonds to be redeemed or prepaid prior to their stated maturities, proper notice of such redemption or prepayment shall have been irrevocably published in accordance with this Resolution or provision satisfactory to the Bond Fund Trustee shall have been irrevocably made for such publication. Any such moneys so deposited with the Bond Fund Trustee and the Paying Agents as provided in this Section

may at the direction of the System also be invested and reinvested in Investment Securities maturing in the amounts and times as hereinbefore set forth, and all income from all Investment Securities in the hands of the Bond Fund Trustee and Paying Agents pursuant to this Section which is not required for the payment of the Bonds and interest and premium thereon with respect to which such moneys shall have been so deposited, shall be paid to the System and deposited in the Revenue Fund as and when realized and collected, for use and application as other moneys deposited in that Fund.

If any Bond shall not be presented for payment when the principal thereof shall become due, whether at maturity or at the date fixed for the redemption thereof or upon declaration as provided in this Resolution, or otherwise, or if any coupon shall not be presented for payment at the due date thereof, and if moneys or Investment Securities shall at such due date be held by the Bond Fund Trustee or a Paying Agent therefor, in trust for that purpose sufficient and available to pay the principal and the premium, if any, of such Bond, together with all interest due thereon to the due date thereof or to the date fixed for the redemption thereof, or to pay such coupon, as the case may be, all liability of the System for such payment shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Bond Fund Trustee or such Paying Agent, to hold said money or Investment Securities, without liability to such Bondholder for interest thereon, in trust for the benefit of the holder of such Bond or of such coupon, as the case may be, who thereafter shall be restricted exclusively to said moneys or Investment Securities for any claim of whatever nature on his part on or with respect to said Bond or coupon, including for any claim for the payment thereof.

Notwithstanding any provision of any other Section of this Resolution which may be contrary to the provisions of this Section, all moneys or Investment Securities set aside and held in trust pursuant to the provisions of this Section for the payment of Bonds (including interest and premium thereon, if any) and coupons shall be applied to and used solely for the payment of the particular Bonds (including interest and premium thereon, if any) and coupons with respect to which such moneys and Investment Securities have been so set aside in trust.

Anything in this Resolution to the contrary notwithstanding, if moneys or Investment Securities have been deposited or set aside with the Bond Fund Trustee or a Paying Agent, pursuant to this Section for the payment of Bonds and coupons and such Bonds shall be deemed to have been paid and be no longer outstanding hereunder as provided in this Section, but such Bonds and coupons shall not have in fact been actually paid in full, no amendment to the provisions of this Section shall be made without the consent of the holder of each Bond or coupon affected thereby.

SECTION 14.3. *Moneys Held by Bond Fund Trustee or Paying Agents Five Years After Due Date.* Moneys or Investment Securities held by the Bond Fund Trustee or the Paying Agents in trust for the payment and discharge of any of the Bonds or coupons which remain unclaimed for five (5) years after the date when such Bonds shall have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Bond Fund Trustee or such Paying Agents at such dates, or for five (5) years after the date of deposit of such moneys if deposited with the Bond Fund Trustee or the Paying Agents after the said date when such Bonds become due and payable, shall, at the written request of the System be repaid by the Bond Fund Trustee or the Paying Agents to the System as the System's property and free from the trust created by this Resolution and the Bond Fund Trustee or the Paying Agents shall thereupon be released and discharged with respect thereto, and the holders of the Bonds payable from such moneys shall look only to the System for the payment of such Bonds and coupons.

SECTION 14.4 *Relation to Project Agreement.* The provisions of this Resolution are not intended to create, expand or confer any rights or obligations upon the System with respect to the construction, operation and maintenance of the Project which are inconsistent with the provisions of the Project Agreement.

SECTION 14.5. *Definition of Bonds in Article XIV.* In the event additional bonds are issued by the System payable from the revenues of the Project *pari passu* with the Bonds, such additional Bonds shall be considered Bonds within the meaning of such term as used in Sections 14.1, 14.2 and 14.3 hereof.



SECTION 14.6. *Term "System" Includes Successors.* Whenever in this Resolution the System is named or referred to, it shall be deemed to include its successors and assigns, and all the covenants and agreements in this Resolution contained by or on behalf of the System shall bind and inure to the benefit of its successors and assigns whether so expressed or not.

SECTION 14.7. *Severability.* If any one or more of the provisions of this Resolution shall be declared by any court of competent jurisdiction to be contrary to law, then such provision(s) shall be deemed separable from, and shall in no way affect the validity of, any of the other provisions of this Resolution or of the Bonds issued hereunder.

SECTION 14.8. *Effective Date.* This Resolution shall be in effect from and after its passage in accordance with law.

SECTION 14.9. *Repealer.* All resolutions and parts of resolutions in conflict herewith be and the same are hereby repealed to the extent of such conflict.

Adopted by the Board of Directors of Washington Public Power Supply System this 26th day of June, 1973.

s/ HOWARD PREY  
President

(SEAL)

ATTEST:

s/ E. VICTOR RHODES  
Secretary

APPROVED AS TO FORM:

s/ RICHARD QUIGLEY  
Counsel

MEMO ROUTE SLIP		See me about this.		For concurrence.		For action.	
Form AEC-93 (Rev. May 14, 1947) AECM 0240		Note and return.		For signature.		For information.	
TO (Name and unit)		INITIALS	REMARKS				
S. Miner			WASHINGTON PUBLIC SUPPLY SYSTEM, HANFORD				
008 - Eathesda		DATE	NO. 2, DOCKET NO. 50-397				
			This will confirm my telephone conversation with you that I have reviewed both Resolution No. 640 and the prospectus for the offering of \$150,000,000 Revenue Bonds, Series 1973.				
TO (Name and unit)		INITIALS	REMARKS				
			On the basis of the above and since the bonds were sold on July 11, 1973, the contingency included in the Construction Permit No. CPPR-93, paragraph E.(4), has been satisfied.				
		DATE					
TO (Name and unit)		INITIALS	REMARKS				
			cc: Bruce Hurt				
		DATE					
FROM (Name and unit)		REMARKS					
R. H. Schoonmaker							
AGMC - D-323							
PHONE NO.		DATE					
5294		9/5/73					

USE OTHER SIDE FOR ADDITIONAL REMARKS

GPO : 1971 O - 445-469