

**AGREEMENT FOR RESERVATION OF
TRANSMISSION LINE AND SWITCH CAPACITY**

This AGREEMENT FOR RESERVATION OF TRANSMISSION LINE AND SWITCH CAPACITY (the "Agreement") is entered into as of the date last written below, by Public Utility District No. 1 of Clallam County, Washington, a Washington municipal corporation ("CPUD"), and Public Utility District No. 1 of Jefferson County, Washington, a Washington municipal corporation ("JPUD"). CPUD and JPUD are from time to time referred to in this Agreement individually as "Party" and collectively as "Parties."

RECITALS

A. On April 28, 2014, the Parties, together with Port Townsend Paper Corporation (the "Company"), entered into an Agreement for System Backup Capacity, Interim Operations and Maintenance, and Facilities Transfer that, among other things, memorializes the intent of CPUD and JPUD that, upon the sale and transfer of certain electrical transmission facilities (the "Facilities") by CPUD to JPUD, and in partial consideration for the transfer of the Facilities, JPUD shall reserve transmission line and switch capacity for CPUD, to accommodate CPUD serving its own load during emergency conditions and system maintenance.

B. The Parties have completed the sale and transfer of the Facilities, and intend by entering into this Agreement to establish the amount of transmission line and switch capacity to be reserved to CPUD.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the sufficiency of which are hereby acknowledged, the Parties covenant and agree as follows:

1. SYSTEM BACKUP CAPACITY

Commencing on April 1, 2015 (the "Effective Date"), JPUD shall reserve the lower of the following transmission line and switch capacity between Fairmount Breaker #1374 ("B1374") and Switch #1170 for CPUD to serve its load during any period of time required to complete repairs to CPUD's transmission system caused by an unforeseen act, condition, circumstance, or event outside of CPUD's transmission system, and during any planned maintenance by CPUD on its transmission system, and not as a normal point of delivery:

- (a) 100 megavolt ampere ("MVA"); or
- (b) Based on any month CPUD is served or seeks to be served by B1374, the reserve capacity for that month shall not exceed the lesser of:

- i. 240 MVA minus the previous three year average peak monthly demand for normal JPUD and Company loads served under B1374, multiplied by 1.05 plus an estimate for any new large load addition(s) not represented in the peak monthly demand; or
 - ii. 180 MVA minus the previous three year average peak monthly demand for normal JPUD loads served from Switch #1140, multiplied by 1.05 plus an estimate for any new large load addition(s) not represented in the peak monthly demand; or
- (c) If at the time CPUD requests use of reserve and JPUD is in an abnormal configuration such that part or all of the load normally served through Fairmount Breaker #1373 ("B1373") is being served through B1374, the reserve capacity for that month shall not exceed 240 MVA minus the previous three year average peak monthly demand for normal JPUD and Company loads served under B1374 minus the normal B1373 load being served by B1374, multiplied by 1.05, plus an estimate for any new large load addition(s) not represented in the peak monthly demand. The portion of B1373 under B1374 will be computed based on Bonneville Power Administration ("BPA") metered demand for B1373 and B1374 for the last billed month prior to the load shift and the instantaneous peak demand reported by the BPA operator for B1373 and B1374 for the previous 24 hours, or from time of the load shift if made less than 24 hours previously.

CPUD shall coordinate with JPUD in advance of any planned maintenance on CPUD's system.

Device nomenclature changes and normal load transfers to or from devices named in this Agreement shall not subvert the intent of this Agreement.

2. TERMINATION

Either Party may terminate this Agreement by providing the other Party written notice of such termination no later than twelve (12) months prior to the effective date of the termination; PROVIDED, if JPUD gives such notice within forty (40) years after the Effective Date of this Agreement, JPUD shall pay to CPUD an amount equal to \$879,000 less depreciation, computed on a 40-year straight-line depreciation basis (\$21,975 per year), up to the effective date of the termination (the "Termination Amount"); and FURTHER PROVIDED that if CPUD gives such notice, or if the termination of this Agreement is by the mutual consent of the Parties, no Termination Amount shall be due.

3. RELEASE AND LIMITATION OF LIABILITY

- (a) No Party, or its officers, employees, or members of its governing body, shall be liable to the other Party for any incidental, indirect, special, exemplary, punitive, or consequential damages, whether arising in contract, tort, warranty, strict liability or otherwise, that may result from the performance or non-performance of this Agreement.

- (b) So long as CPUD's activities are performed in accordance with this Agreement, JPUD hereby releases CPUD and CPUD's directors, employees, agents, and legal representatives from any and all claims, losses, harm, liabilities, damages, costs, and expenses to the extent resulting from CPUD's use of reserved transmission line and switch capacity as provided herein.

The foregoing release shall not be effective to the extent any claims, losses, harm, liabilities, damages, costs, and expenses are the result of the gross negligence or willful misconduct by CPUD.

- (c) So long as JPUD's activities are performed in accordance with this Agreement, CPUD hereby releases JPUD and JPUD's directors, employees, agents, and legal representatives from any and all claims, losses, harm, liabilities, damages, costs, and expenses to the extent resulting from CPUD's use of reserved transmission line and switch capacity as provided herein.

The foregoing release shall not be effective to the extent any claims, losses, harm, liabilities, damages, costs, and expenses are the result of the gross negligence or willful misconduct by JPUD.

4. UNCONTROLLABLE FORCES

No Party shall be considered to be in breach of this Agreement on account of any failure to perform as required by this Agreement if such failure is the result of Uncontrollable Forces. The term "Uncontrollable Forces" means any cause or causes which by the exercise of due diligence the Party failing to perform could not reasonably have been expected to avoid and which by the exercise of due diligence that Party has been unable to overcome, including, but not limited to, the following: emergency or electrical disturbance on or transmitted through a Party's electrical system or any electrical system with which a Party is directly or indirectly interconnected; failure or threat of failure of equipment or facilities; flood, earthquake, volcanic activity, wind, storm, drought, fire, pestilence, lightning, and other natural catastrophes; epidemic, war, riot, civil disturbance, or disobedience; sabotage, vandalism, strike, lockout, labor disturbance, or material shortage; government priorities; restraint by court order or public authority; action or inaction by any governmental regulatory authority; inability to obtain necessary authorizations or approvals from any governmental regulatory authority; or compliance with a directive issued by the Pacific Northwest Security Coordinator. Nothing in this Section shall be construed as requiring a Party to settle any strike, lockout, or labor dispute in which it may be involved, or to accept any permit, certificate, contract, or any other agreement or authorization necessary for the performance of this Agreement which contains terms and conditions that a Party in good faith determines are unduly burdensome or otherwise unacceptable.

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5. NOTICES

Any notice or request made to or by any Party regarding this Agreement shall be made in writing to the representative of the other Parties as indicated below and shall be deemed to be effective upon actual receipt:

PUD No. 1 of JPUD County
Attn: Kevin Street, Electric Superintendent
310 Four Corners Road
Port Townsend, WA 98368
Telephone: (360) 385-8360
Email: kstreett@jeffpud.org

PUD No. 1 of CPUD County
2431 E. Highway 101
P.O. Box 1090
Attn: Transmission and Substation Systems Manager
Port Angeles, Washington 98362

6. MISCELLANEOUS

(a) Nonwaiver of Rights or Remedies

No failure or delay of any Party to insist on or enforce strict performance by the other Party or Parties of any provision of this Agreement or to exercise any other right under this Agreement, and no course of dealing or performance with respect thereto, shall, except to the extent provided in this Agreement, be construed as a waiver of, or choice of, or relinquishment of any right under any provision of this Agreement or any right at law or equity not otherwise provided for herein. The express waiver by any Party of any right or remedy under this Agreement or at law or equity in a particular instance or circumstance shall not constitute a waiver thereof in any other instance or circumstance.

(b) No Third Party Beneficiaries

There are no third party beneficiaries of this Agreement. Nothing contained in this Agreement is intended to confer any right or interest on anyone other than the Parties, their respective successors, assigns, and legal representatives.

(c) Recitals; Entire Agreement

The Recitals set forth above are hereby incorporated into the substantive provisions of this Agreement. This Agreement constitutes the entire agreement of the Parties with respect to the subject matter hereof, and all

other agreements and understandings of the Parties, whether written or oral, with respect to the subject matter of this Agreement are hereby superseded in their entireties. No amendment of any provision of this Agreement shall be valid unless set forth in a written instrument signed by both Parties.

(d) Governmental Authority

This Agreement is subject to the rules, regulations, orders and other requirements, now or hereafter in effect, of all governmental regulatory authorities having jurisdiction over this Agreement, the Parties, or any of them. All laws, ordinances, rules, regulations, orders, and other requirements, now or hereafter in effect, of governmental regulatory authorities that are required to be incorporated into agreements of this character are by this reference incorporated in this Agreement.

(e) No Partnership

This Agreement shall not be interpreted or construed to create an association, joint venture, partnership, or franchise between the Parties or to impose any partnership or franchise obligations or liability upon either Party. Further, neither Party shall have any right, power, or authority to enter into any agreement or undertaking for or on behalf of, to act as or be an agent or representative of, or to otherwise bind the other Party.

(f) Dispute Resolution; Applicable Law

Should any dispute arise under this Agreement, the Parties agree to convene a meeting within 30 days of the occurrence of the disputed event and to cooperate with each other to find a mutually agreeable solution. If a mutually agreeable solution is not reached within 90 days of the disputed event, this Agreement shall in all respects be interpreted, construed, and enforced in accordance with the laws of the State of Washington (without reference to such state's choice of law principles to the contrary), except to the extent such laws may be preempted by the laws of the United States of America. Each of the Parties is a Washington entity and, except as stated above, Washington courts shall have jurisdiction over all disputes arising out of this Agreement. Venue is in Jefferson County, State of Washington.

(g) Severability

In the event that any provision of this Agreement or the application of any such provision shall be held invalid as to either Party or any circumstance by any court having jurisdiction, such provision shall remain in force and effect to the maximum extent provided by law, and all other provisions of

this Agreement and their application shall not be affected thereby but shall remain in force and effect unless a court holds they are not severable from the invalid provisions.

(h) Exercise of Rights

Nothing contained in this Agreement shall be construed as affecting in any way the rights of any Party under the Federal Power Act or pursuant to any rules and regulations of a commission with jurisdiction.

(i) Interpretation

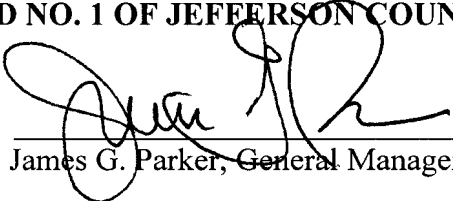
This Agreement shall be construed without regard to any presumption or other rule regarding construction against the Party causing this Agreement to be drafted.

(j) Counterparts

This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective authorized officials.

PUD NO. 1 OF JEFFERSON COUNTY, WASHINGTON

By:  _____
James G. Parker, General Manager

Date: 1 Apr 2015

PUD NO. 1 OF CLALLAM COUNTY, WASHINGTON

By:  _____
Doug Nass, General Manager

Date: 3.27.15

RECEIVED

AUG 19 2019

PUD No. 1

**FIRST AMENDMENT TO THE
AGREEMENT FOR RESERVATION OF
TRANSMISSION LINE AND SWITCH CAPACITY**

This FIRST AMENDMENT to the AGREEMENT FOR RESERVATION OF TRANSMISSION LINE AND SWITCH CAPACITY by and between Public Utility District No. 1 of Clallam County, Washington, a Washington municipal corporation (“CPUD”), and Public Utility District No. 1 of Jefferson County, Washington, a Washington municipal corporation (“JPUD”), is made and entered into as of the date last written below. CPUD and JPUD are from time to time referred to in this Agreement collectively as the “Parties.”

RECITALS

A. On April 1, 2015, the Parties entered into an Agreement for Reservation of Transmission Line and Switch Capacity (the “Agreement”) that, among other things, provides that JPUD shall reserve transmission line and switch capacity for CPUD, to accommodate CPUD serving its own load during emergency conditions and system maintenance, and that establishes the amount of transmission line and switch capacity to be reserved to CPUD.

B. In particular, by the terms of the Agreement, JPUD shall reserve for CPUD certain transmission line and switch capacity between BPA’s Fairmount Breaker #1374 and CPUD’s Switch #1170.

C. CPUD has rebuilt its transmission facilities commencing at Switch #1170, which switch is attached to CPUD’s Pole #2902-241861. The rebuild project includes the installation of a new switch, #1171, attached to CPUD’s Pole #2902-241860. With the installation of Switch #1171, CPUD’s operations no longer require the use of Switch #1170; Pole #2902-241861; or Pole #2902-241862, a span guy attachment backing up Pole #2902-241861. JPUD’s operations, however, would benefit from JPUD’s ownership of those facilities.

D. CPUD desires to transfer to JPUD, and JPUD desires to receive from CPUD, all of CPUD’s interest in Switch #1170, Pole #2902-241861, and Pole #2902-241862. Upon completion of that transfer, CPUD’s operations will require that the transmission line and switch capacity JPUD has reserved for CPUD be extended from Switch #1170 to CPUD’s Switch #1171. This Agreement is intended to memorialize JPUD’s intent to reserve transmission line and switch capacity for CPUD, from BPA’s Fairmount Breaker #1374 to CPUD’s Switch #1171.

AGREEMENT

NOW, THEREFORE, for and in consideration of the mutual benefit of the Parties, and other valuable consideration, the Parties covenant and agree as follows:

1. The reference to Switch #1170 in Section 1 – System Backup Capacity, of the Agreement for Reservation of Transmission Line and Switch Capacity dated April 1, 2015, shall

be changed to Switch #1171, effective upon the transfer by CPUD to JPUD of Switch #1170, Pole #2902-241861, and Pole #2902-241862.

2. All other terms and conditions of the said Agreement for Reservation of Transmission Line and Switch Capacity shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have caused this First Amendment to the Agreement for Reservation of Transmission Line and Switch Capacity to be executed by their respective authorized officials.

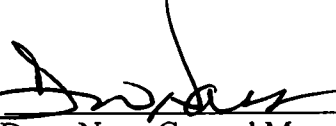
PUD NO. 1 OF JEFFERSON COUNTY, WASHINGTON


By: 
(Signature)

Date: 8-12-19

Its: Kevin Streett, General Manager
(Title)

PUD NO. 1 OF CLALLAM COUNTY, WASHINGTON

 By: 
Doug Nass, General Manager

Date: 8.19.19 

BILL OF SALE

This Bill of Sale (the "Bill of Sale") is made and entered into by and between Public Utility District No.1 of Clallam County, a Washington public utility district ("CPUD"), and Public Utility District No.1 of Jefferson County, a Washington public utility district ("JPUD").

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, CPUD does hereby transfer, convey, assign and deliver to JPUD, and JPUD hereby accepts, all of CPUD's right, title and interest in and to the following facilities (the "Facilities"):

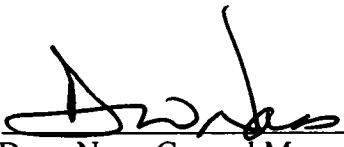
- 1. Pole #2902-241861
- 2. Pole #2902-241862
- 3. Switch #1170

This Bill of Sale is being delivered in connection with the execution of the First Amendment to the Agreement for Reservation of Transmission Line and Switch Capacity, between CPUD and JPUD and of even date herewith, and is subject to the terms, conditions, and disclaimers of that First Amendment and of the Agreement for Reservation of Transmission Line and Switch Capacity dated April 1, 2015. JPUD accepts the Facilities in their as-is, where-is condition without warranty, including, without limitation, warranties as to merchantability and fitness for a particular purpose.

This Bill of Sale shall be binding upon and inure to the benefit of CPUD and JPUD and their respective successors and assigns.

IN WITNESS WHEREOF, this Bill of Sale has been duly executed and delivered by the duly authorized officer of each party as of the date last written below.

PUD NO. 1 OF CLALLAM COUNTY, WASHINGTON

By: 
Doug Nass, General Manager

Date: 8-19-19

PUD NO. 1 OF JEFFERSON COUNTY, WASHINGTON

By: 
Signature

Date: 8-12-19

Its: Kevin Streett, General Manager
Title