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UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC ENERGY
AND LICENSING BOARD

In the Matter of)
)
WASHINGTON PUBLIC POWER) Docket No. 50-460-CPA
SUPPLY SYSTEM)
) 8-24-84
(WPPSS Nuclear Project No. 1))

STATEMENT OF MATERIAL FACTS AS TO
WHICH THERE IS NO GENUINE ISSUE

Pursuant to 10 C.F.R. § 2.749(a), the Washington Public Power Supply System ("Licensee") hereby sets forth a statement of the material facts as to which there is no genuine issue to be heard:

1. The Licensee is a municipal corporation and joint operating agency of the State of Washington, organized under the laws of the State of Washington. RCW Ch. 43.52; Affidavit of Alexander Squire Regarding the Construction Deferral at WNP-1 ("Squire Affidavit") at 1.

2. The Licensee is authorized to acquire, construct and operate works, plants and facilities for the generation and/or transmission of electric power and energy. Squire Affidavit at 2.

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3. The development of electric demand forecasts is performed by the Bonneville Power Administration ("BPA") and the Pacific Northwest Electric Power and Conservation Council. Squire Affidavit at 2.

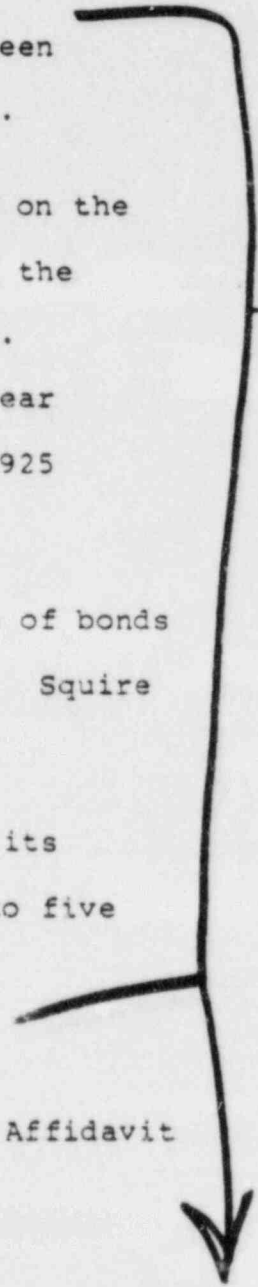
4. Financing of the construction of WNP-1 has been through the sale of bonds. Squire Affidavit at 4.

5. Repayment of those bonds is ultimately based on the obligation of BPA to pay out of its rate revenues the bonds issued to finance the construction of WNP-1. Washington Public Power Supply System (WPPSS Nuclear Projects No. 1 and No. 4), LBP-75-72, 2 NRC 922, 925 (1975).

6. BPA has the authority to disapprove the sale of bonds by Licensee to finance the construction of WNP-1. Squire Affidavit at 4.

7. On April 19, 1983, BPA recommended based on its demand forecasts that WNP-1 be deferred for two to five years. Squire Affidavit at 5.

8. The Licensee subsequently developed several alternatives to the BPA recommendations. Squire Affidavit at 6.



9. On April 23, 1983, BPA advised Licensee that none of these alternatives was acceptable; that the BPA recommendation was the only prudent course of future conduct; and that BPA would not approve any financing plan inconsistent with its recommendation. Squire Affidavit at 7.

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10. In view of this recommendation and the resulting inability of Licensee to sell bonds to finance the construction of WNP-1, Licensee decided to adopt the BPA recommendation and defer the construction of WNP-1 from two to five years. Squire Affidavit at 4, 6-8.

11. After making this decision, Licensee sought from the Nuclear Regulatory Commission an extension of its construction permit based on the BPA recommendation and the resulting inability of Licensee to finance the construction of WNP-1. Squire Affidavit at 8.

12. The two to five year duration of the construction permit extension is commensurate with the length of the construction deferral recommendation by BPA for WNP-1. Squire Affidavit at 8.

[CONFORMED COPY]

Board of Directors
Resolution No. 769

A RESOLUTION PROVIDING A PLAN AND SYSTEM FOR THE ACQUISITION AND CONSTRUCTION BY WASHINGTON PUBLIC POWER SUPPLY SYSTEM OF A UTILITY SYSTEM CONSISTING OF A NUCLEAR GENERATING PLANT AND ASSOCIATED FACILITIES TO BE KNOWN AS THE WASHINGTON PUBLIC POWER SUPPLY SYSTEM NUCLEAR PROJECT NO. 1, AND PROVIDING FOR THE ISSUANCE OF REVENUE BONDS FOR SAID PURPOSE.

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Board of Directors
Resolution No. 769

A RESOLUTION PROVIDING A PLAN AND SYSTEM FOR THE ACQUISITION AND CONSTRUCTION BY WASHINGTON PUBLIC POWER SUPPLY SYSTEM OF A UTILITY SYSTEM CONSISTING OF A NUCLEAR GENERATING PLANT AND ASSOCIATED FACILITIES TO BE KNOWN AS THE WASHINGTON PUBLIC POWER SUPPLY SYSTEM NUCLEAR PROJECT NO. 1, AND PROVIDING FOR THE ISSUANCE OF REVENUE BONDS FOR SAID PURPOSE.

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. 173, adopted by its Board of Directors on April 15, 1963 (hereinafter referred to as "Resolution No. 173"), acquired and now owns and operates the Hanford Project (hereinafter defined), 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. 640, adopted by its Board of Directors on June 26, 1973, is acquiring and constructing the Washington Public Power Supply System Nuclear Project No. 2, and has issued revenue bonds of the System to pay a part of 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. 673, adopted by its Board of Directors on October 10, 1973, provided for the construction by the System of the Washington Public Power Supply System Nuclear Project No. 3 and the acquisition by the System of an undivided ownership interest therein, and has issued revenue notes of the System to pay a part of the cost of acquiring and constructing such project; and

WHEREAS, the System, pursuant to Resolution No. 767, adopted by its Board of Directors on July 24, 1975, provided for the acquisition and construction by the System of the Washington Public Power Supply System Nuclear Project No. 4, and for the construction by the System of the Washington Public Power Supply System Nuclear Project No. 5 and the acquisition by the System of an undivided ownership interest therein, and has issued revenue bonds of the System to pay a part of the cost of acquiring and constructing such projects; and

WHEREAS, said Resolutions Nos. 104, 106, 178 and 640 each provide that the System may issue, and said Resolutions Nos. 673 and 767 each permit the System to 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 certain other wholesale power purchasers in the State of Washington and the Pacific

Northwest (hereinafter defined as "WPPSS No. 1 Project Participants"), the System has heretofore taken certain actions to obtain for the System and the WPPSS No. 1 Project 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. 1 (hereinafter defined as the "WPPSS No. 1 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 WPPSS No. 1 Project by the System; and

WHEREAS, the WPPSS No. 1 Project is part of the Hydro Thermal Power Program for the Pacific Northwest; and

WHEREAS, the System has entered into contracts (hereinafter defined as the "WPPSS No. 1 Project Exchange Agreements") with the Administrator and certain of the WPPSS No. 1 Project Participants whereby, among other things, the System agrees to sell and said Participants agree to purchase a portion of the WPPSS No. 1 Project capability; and said Participants and the Administrator have agreed to exchange said Participants' respective shares of said capability for electric power and energy delivered by the Administrator in accordance with the terms of said Agreements; and

WHEREAS, the System has entered into contracts (hereinafter defined as the "WPPSS No. 1 Project Net Billing Agreements") with the Administrator and the other WPPSS No. 1 Project Participants whereby, among other things, the System agrees to sell and said Participants agree to purchase the balance of the capability of the WPPSS No. 1 Project; the WPPSS No. 1 Project 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 of the WPPSS No. 1 Project Participants which is a party to said WPPSS No. 1 Project Net Billing Agree-

ments have determined that the sale by the System to such Participants of its share of the capability of the WPPSS No. 1 Project and the assignment thereof by such 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; and

WHEREAS, the Administrator has determined that the exchange of power as provided in the WPPSS No. 1 Project Exchange Agreements and the acquisition of the WPPSS No. 1 Project Participants' shares of capability of the WPPSS No. 1 Project as provided in the WPPSS No. 1 Project Net Billing Agreements 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 WPPSS No. 1 Project with the generating 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 System has heretofore obtained certification of the WPPSS No. 1 Project site by the State of Washington and a limited work authorization from the United States Nuclear Regulatory Commission; and the System expects to obtain a construction permit from said Commission in late 1975 or early 1976 to enable it to proceed with the construction of the WPPSS No. 1 Project; and

WHEREAS, the System has heretofore issued One Hundred Two Million Dollars (\$102,000,000) principal amount of revenue notes for the purpose of paying the cost of preliminary work and expenses in connection with the WPPSS No. 1 Project, Seventy-Seven Million Dollars (\$77,000,000) principal amount of which notes are presently outstanding and unpaid; and

WHEREAS, the System now deems it advisable to proceed with the acquisition and construction of the WPPSS No. 1 Project and to issue its revenue bonds for the purpose of paying the cost of such acquisition

and construction and to provide for the payment of the aforesaid presently outstanding revenue notes issued in connection with the WPPSS No. 1 Project,

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 System, including the Executive Committee thereof when acting under authority delegated to it by the Board, or if the 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 3.2 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. 1 Revenue Bonds of the System issued pursuant to and under the authority of Section 4.1 of this Resolution. The term "1975 Bonds" shall mean the \$175,000,000 Washington Public Power Supply System Nuclear Project No. 1 Revenue Bonds, Series 1975, of the System initially issued pursuant to and under the authority of Section 4.2 of this Resolution. The term "bonds issued pursuant to this Resolution" shall mean the Bonds and all additional bonds issued pursuant to and under authority of Section 10.7 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 issued

pursuant to this Resolution, or the registered owner of any bond or bonds issued pursuant to this Resolution without coupons.

(e) The term "Capitalized Fuel" shall mean all Fuel the cost of which shall have been paid before the Date of Commercial Operation.

(f) The term "Construction Engineer" shall mean at any time the construction engineer or engineering firm appointed pursuant to Section 9.1 hereof.

(g) The term "Construction Fund Trustee" shall mean the trustee appointed pursuant to Section 9.1 hereof, its successor or successors and any other corporation which may at any time be substituted in its place pursuant to this Resolution.

(h) The term "Consulting Engineer" shall mean at any time the consulting engineer or engineering firm appointed pursuant to Section 10.11 hereof.

(i) 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 WPPSS No. 1 Project, as such costs are defined in Section 7.11 of this Resolution.

(j) The term "Date of Commercial Operation" shall mean the date fixed by the System and the Administrator pursuant to the WPPSS No. 1 Project Agreement as the point in time when the WPPSS No. 1 Project is ready to be operated on a commercial basis pursuant to schedules agreed to by said parties.

(k) The term "Dual Purpose Operation" shall have the same meaning as in the Hanford Project Exchange Agreements.

(l) The term "ERDA" shall mean the Energy Research and Development Administration of the United States, a successor to the Atomic Energy Commission of the United States, unless such term shall be used in a context applicable to a point in time occurring before January 19, 1975, in which case such term shall mean said Commission.

(m) The term "Existing Power Facilities" shall mean the power house with two turbine generator units with a combined nameplate rating of 360 megawatts and related auxiliary equipment, transformation and transmission facilities, heretofore acquired and constructed by the System in connection with the Hanford Project.

(n) 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 WPPSS No. 1 Project.

(o) The term "Hanford Project" shall mean the works, plants and facilities heretofore acquired and constructed by the System for the generation, transformation and transmission of electric power and energy in conjunction with ERDA's New Production Reactor, pursuant to Resolution No. 173.

(p) The term "Hanford Project Exchange Agreements" shall mean the agreements dated April 12, 1963, for the sale by the System of power and energy from the Hanford Project to the Hanford Project Participants, and the exchange thereof by such Participants with the Administrator for firm energy and capacity, and entered into among the Administrator, the System, and each of the Hanford Project Participants.

(q) The term "Hanford Project Participants" shall mean the public utility districts and other wholesale power purchasers, both public and private, listed in subparagraph H of Section 1.1 of Resolution No. 173, which are parties to Hanford Project Exchange Agreements.

(r) The term "Investment Securities" shall mean any of the following, if and to the extent that the same are now or hereafter become 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 any 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. Evidences of indebtedness issued by any corporation organized and existing under the laws of any state of the United States of America rated by any nationally recognized bond rating agency in either of the two highest rating categories assigned by such rating agency.

6. Bank time deposits evidenced by certificates of deposit, and bankers' acceptances, 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 the aggregate of such bank time deposits and bankers' acceptances issued by any bank, trust company or banking association do not exceed at any one time fifty per centum (50%) of the aggregate of the capital stock, surplus and undivided profits of such bank, trust company or banking association.

7. Bank time deposits evidenced by certificates of deposit, and bankers' acceptances, issued by any bank, trust company or national banking association authorized to do business in any state of the United States of America other than the State of Washington, which is a member of the Federal Reserve System, provided that the aggregate of such bank time deposits and bankers' acceptances issued by any bank, trust company or banking association do not exceed at any one time twenty-five per centum (25%) of the aggregate of the capital stock, surplus and undivided profits of such bank, trust company or banking association and provided further that such capital stock, surplus and undivided profits shall not be less than Fifty Million Dollars (\$50,000,000).

(s) The term "1963 Bonds" shall mean the System's Hanford Project Electric Revenue Bonds, Series of 1963, issued pursuant to and under the authority of Resolution No. 178, for the purpose of ac-

quiring and constructing the Hanford Project, and for the other purposes prescribed in Resolution No. 178, at any time outstanding and unpaid from and after the effective date of this Resolution.

(t) The term "1974 Notes" shall mean the Seventy-Seven Million Dollars (\$77,000,000) principal amount of Washington Public Power Supply System Nuclear Project No. 1 Revenue Notes, Series 1974, issued pursuant to Resolution No. 690, all of which notes are presently outstanding and unpaid.

(u) The term "Operating and Construction Contract" shall mean Contract No. AT (45-1)-1355, entered into by and between the United States of America, represented by ERDA, and the System, dated April 11, 1963, as supplemented from time to time, with respect to the construction and operation of the Hanford Project by the System.

(v) The term "outstanding", when used with reference to any bonds issued pursuant to this Resolution, shall have the meaning set forth in Section 15.2 hereof.

(w) The term "Period of Construction" 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 9.6 hereof.

(x) The term "Resolution" shall mean this Resolution, except when used in Articles XII and XIII hereof, in which case the term "Resolution" shall have the meaning as defined in Section 12.1 hereof.

(y) The term "Resolution No. 606" shall mean Resolution No. 606, adopted by the Board on February 5, 1973.

(z) The term "Resolution No. 690" shall mean Resolution No. 690, adopted by the Board on May 10, 1974.

(aa) 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.

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

(cc) The term "WPPSS No. 1 Project" shall mean the Washington Public Power Supply System Nuclear Project No. 1 of the System

as more fully described in Article III hereof and all additions, betterments and improvements thereto and extensions thereof, but shall not include any generation, transmission and distribution facilities heretofore or hereafter constructed or acquired by the System as a separate utility system and created or established from funds other than the proceeds of bonds issued pursuant to this Resolution.

(dd) The term "WPPSS No. 1 Project Agreement" shall mean the agreement dated February 6, 1973, designated "Washington Public Power Supply System Nuclear Project No. 1 Agreement" (Contract No. 14-03-39211), as amended by Amendatory Agreement No. 1 thereto, dated as of May 31, 1974, with respect to the construction and operation of the WPPSS No. 1 Project by the System, and entered into by and between the Administrator and the System.

(ee) The term "WPPSS No. 1 Project Exchange Agreements" shall mean the agreements dated February 6, 1973, designated "Washington Public Power Supply System Nuclear Project No. 1 Agreement" (Contract Nos. 14-03-39212 to 14-03-39216, inclusive), each as amended by Amendatory Agreement No. 1 thereto, dated as of May 31, 1974, for the sale by the System of power and energy from the WPPSS No. 1 Project to Pacific Power & Light Company, Portland General Electric Company, Puget Sound Power & Light Company, The Montana Power Company and The Washington Water Power Company, and the exchange thereof by such Participants with the Administrator for firm energy and capacity, and entered into by and between the Administrator, the System and each of the aforesaid electric utility companies.

(ff) The term "WPPSS No. 1 Project Net Billing Agreements" shall mean the agreements dated February 6, 1973, designated "Washington Public Power Supply System Nuclear Project No. 1 Agreement" (Contract Nos. 14-03-39217 to 14-03-39320, inclusive), each as amended by Amendatory Agreement No. 1 thereto, dated as of May 31, 1974, for the sale by the System of power and energy from the WPPSS No. 1 Project to certain of the WPPSS No. 1 Project Participants and the assignment thereof to the Administrator, and entered into by and between the Administrator, the System and each of the WPPSS No. 1 Project Participants with the exception of the WPPSS No. 1 Project Participants which are parties to the WPPSS No. 1 Project Exchange Agreements.

(gg) The term "WPPSS No. 1 Project Participants" shall mean the parties to the WPPSS No. 1 Project Exchange Agreements other than the Administrator and the System, together with the parties to the WPPSS No. 1 Project 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
 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
 Public Utility District No. 1 of Chelan County, Washington
 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.
 Consolidated Irrigation District No. 19
 Consumers Power, Inc.
 Coos-Curry Electric Cooperative, Inc.
 Town of Coalee Dam, Washington
 Public Utility District No. 1 of Cowlitz County, Washington
 City of Declo, Idaho
 Public Utility District No. 1 of Douglas County, Washington
 Douglas Electric Cooperative, Inc.
 City of Drain, Oregon
 The East End Mutual Electric Co., Ltd.
 City of Ellensburg, Washington

City of Eugene, Oregon
 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. 2 of Grant County, Washington
 Public Utility District No. 1 of Grays Harbor County, Washington
 Harney Electric Cooperative, Inc.
 City of Heyburn, Idaho
 Hood River Electric Cooperative
 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 Electric Cooperative, Inc.
 Public Utility District No. 1 of Lewis County, Washington
 Lincoln Electric Cooperative, Inc. (Montana)
 Lincoln Electric Cooperative, Inc. (Washington)
 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
 Public Utility District No. 1 of Pend Oreille 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
 City of Sumas, Washington
 Surprise Valley Electrification Corporation
 City of Tacoma, Washington
 Tanner Electric
 Tillamook Peoples' Utility District
 Umatilla Electric Cooperative Association
 Unity Light and Power Company
 Vera Irrigation District No. 15
 Vigilante Electric Cooperative, Inc.
 Public Utility District No. 1 of Wahkiakum County, Washington
 Wasco Electric Cooperative, Inc.
 Wells Rural Electric Company
 West Oregon Electric Cooperative, Inc.
 Public Utility District No. 1 of Whatcom County, Washington

ARTICLE II

FINDINGS AND DETERMINATIONS WITH RESPECT TO THE HANFORD PROJECT AND THE EXISTING POWER FACILITIES

SECTION 2.1. *Inoperability of the NPR.* On August 17, 1972, the Administrator, after reviewing studies prepared by independent consulting engineers retained by the Administrator and approved by the

System, notified the System that the Hanford Project will be inoperable when ERDA ceases to operate its new production reactor on its Hanford Reservation (the "NPR") for the purposes of ERDA and the production of steam energy; that such inoperability will continue for the period necessary to make repairs, replacements and modifications to the NPR as a commercially licensable project; that the costs of the required repairs, replacements and modifications had been demonstrated to be beyond the scope of economic feasibility; and that in the absence of a substantial change in the physical condition of the NPR, the requirements of ERDA, or other significant factors constituting the basis of the studies of the said independent consulting engineers, the Administrator could not approve the expenditure of funds for the purpose of making such repairs, replacements and modifications, and at the appropriate time the Administrator would be required to direct the System to discontinue the operation of the Hanford Project in accordance with the provisions of Section 5 (i) of the Hanford Project Exchange Agreements.

SECTION 2.2. Reports and Other Surveys. The Board caused to be made and submitted to it, and was furnished with, various engineering reports, surveys, economic and legal studies and reports with respect to (i) the engineering and economic feasibility of continuing the operation of the Hanford Project from and after the date ERDA ceases to operate the NPR for the purposes of ERDA, as provided for in the Operating and Construction Contract, and (ii) the most practical and economical means for the continued utilization of the Existing Power Facilities for the production, transformation and transmission of electric power and energy, consistent with the System's obligations under the Operating and Construction Contract, the Hanford Project Exchange Agreements and Resolution No. 173, so as to (a) enable the System to assist in meeting the present and prospective needs of the Hanford Project Participants and the WPPSS No. 1 Project Participants, including those which are members of the System, for electricity for all uses, (b) conserve the valuable public resource of the Existing Power Facilities and prevent in the public interest the economic waste which will result from the abandonment and consequent idleness of the Existing Power Facilities from and after the date ERDA ceases to operate the NPR in a dual purpose mode if an alternate source of steam energy is not provided, and (c) enable the System to discharge its public functions and responsibilities in an efficient and economical manner.

The Board, after due consideration and analysis of the said engineering reports, surveys, economic and legal studies, accepted and concurred in the foregoing findings and determinations of the Administrator, and found and determined that it was necessary and advisable in the public interest and in the interests of economical and efficient operation of the System and the discharge of its public duties and responsibilities to provide for the use and employment of the Existing Power Facilities as part of the WPPSS No. 1 Project in the manner set forth in Resolution No. 606, and the Board further found, determined and declared that from and after the date upon which the Hanford Project became inoperable, the Existing Power Facilities should and would be modified, renovated and adapted and thereafter should and would be used and employed by the System as prescribed in the plan and system set forth in Resolution No. 606.

SECTION 23. *Agreements with ERDA.* The System entered into agreements with the United States of America, represented by ERDA, designated Supplemental Agreement No. 3, Contract No. AT (45-1)-1355, and Supplemental Agreement No. 3, Contract No. AT (45-1)-1357, which, among other things, settled and provided for the discharge of all obligations and liabilities of ERDA and the System under the Operating and Construction Contract, and continued the lease of the land on which the Existing Power Facilities are located so as to permit the System to operate the Existing Power Facilities with an alternate source of steam energy.

The Board found and determined that in authorizing the execution and delivery of the said Supplemental Agreements, it recognized the System's duties and obligations to the holders of the 1963 Bonds under Resolution No. 178, and that the execution and delivery by the System of said Supplemental Agreements in no way impaired or adversely affected the rights of the holders of the 1963 Bonds, or the security for the payment of the principal of and interest on the 1963 Bonds afforded by the provisions of the Operating and Construction Contract.

SECTION 24. *Execution and Delivery of the WPPSS No. 1 Project Agreement, WPPSS No. 1 Project Net Billing Agreements and WPPSS No. 1 Project Exchange Agreements.* The System, on February 6, 1973, executed and delivered the WPPSS No. 1 Project Agreement, the WPPSS No. 1 Project Net Billing Agreements and the WPPSS No. 1 Project Exchange Agreements in their respective original forms.

By such agreements, the other parties thereto which are parties to the Hanford Project Exchange Agreements agreed, among other things, (i) to the use and employment of the Existing Power Facilities by the System for the purposes and in the manner prescribed in the plan and system specified and adopted in Resolution No. 606, (ii) that the electric power and energy to be produced pursuant to said plan and system, including the electric power and energy to be produced by the Existing Power Facilities, might and should be disposed of to the parties, in the quantities, for the periods and under the terms and conditions prescribed in such WPPSS No. 1 Project Exchange Agreements and WPPSS No. 1 Project Net Billing Agreements and (iii) that the execution and delivery of such WPPSS No. 1 Project Exchange Agreements and WPPSS No. 1 Project Net Billing Agreements by the said parties in no way affected, limited, modified, altered, released or discharged their respective rights and obligations under the Hanford Project Exchange Agreements, or reduced the payments which the Hanford Project Participants are obligated to make thereunder in order to safeguard and protect the security for the payment of the 1963 Bonds afforded by the provisions of the Hanford Project Exchange Agreements in the event that sufficient moneys to make such payments are not otherwise available for such purpose pursuant to such WPPSS No. 1 Project Exchange Agreements and WPPSS No. 1 Project Net Billing Agreements.

The WPPSS No. 1 Project Agreement, the WPPSS No. 1 Project Net Billing Agreements and the WPPSS No. 1 Project Exchange Agreements in their respective original forms and Resolution No. 606 provided that the Existing Power Facilities would be used as a part of and in connection with the WPPSS No. 1 Project, said Project as therein described to consist of a nuclear steam supply system, a topping turbine generator with a nameplate rating of approximately 350 megawatts, the Existing Power Facilities, and associated facilities and to have a total nameplate rating of approximately 1,220 megawatts, and further provided that the System's costs in connection with the Hanford Project, including its costs under Resolution No. 173, would be paid from the revenues derived by the System from the WPPSS No. 1 Project.

In order to provide funds to pay a part of the cost of the plan and system specified in Resolution No. 606, the System issued Twenty-Five

Million Dollars (\$25,000,000) principal amount of Washington Public Power Supply System Nuclear Project No. 1 Revenue Notes, Series 1973. Provision for the payment of the principal of said notes was made by depositing with a Paying Agent appointed pursuant to Resolution No. 606 a portion of the proceeds of the sale of the 1974 Notes. Payment of the interest on the notes issued pursuant to Resolution No. 606 had been provided for from the proceeds of sale thereof.

SECTION 2.5. Findings and Determinations Made by Resolution No. 690 With Respect to the Plan and System for the WPPSS No. 1 Project Specified and Adopted by Resolution No. 606. The Board found and determined in Resolution 690 that the schedule for the acquisition and construction of the WPPSS No. 1 Project in accordance with the plan and system specified in Resolution No. 606 would require the shutdown of the Hanford Project on or about October 31, 1977, and would eliminate the availability of the Hanford Project as a source of power and energy until such time as a new steam supply system and other essential facilities could be provided therefor. The Administrator had advised the System that due to delays in the construction of various generating projects in the Pacific Northwest and anticipated fuel shortages, planned power generating resources under the Hydro Thermal Power Program were expected to be inadequate to meet the needs of the Hanford Project Participants and the WPPSS No. 1 Project Participants, including such Participants which were members of the System, for power and energy during the period 1978 through the early 1980's. The Board, therefore, in Resolution No. 690, further found and determined that it was in the best interests of the System, the Hanford Project Participants and the WPPSS No. 1 Project Participants, including such Participants which were members of the System, to keep the Hanford Project available for continuous operation after October, 1977, and that in order to accomplish that purpose it was appropriate that the acquisition, construction, operation and maintenance of the WPPSS No. 1 Project be disassociated from the operation of the Hanford Project and that the said WPPSS No. 1 Project not be acquired, constructed, operated or maintained in conjunction with the Existing Power Facilities. The System and the Administrator have determined that such action will be beneficial by improving the probability that sufficient electric power resources will be available to meet the requirements of said Participants in the late 1970's and early 1980's.

The Board, in Resolution No. 690, further found and determined that it was advisable and in the best interests of the System, the parties to the Hanford Project Exchange Agreements and the parties to the WPPSS No. 1 Project Net Billing Agreements and WPPSS No. 1 Project Exchange Agreements that the plan and system specified in Resolution No. 606 be rescinded and that there be adopted in lieu thereof the plan and system prescribed in Article III of this Resolution, but that the arrangements originally entered into and contemplated by the WPPSS No. 1 Project Agreement, the WPPSS No. 1 Project Net Billing Agreements and the WPPSS No. 1 Project Exchange Agreements in their respective original forms with respect to the payment of the costs of the Hanford Project be carried out fully and in accordance with such agreements as presently in effect, in order to protect and secure the rights of the parties to said agreements and the holders and owners from time to time of the 1963 Bonds.

The Board hereby finds and determines that the adoption of this Resolution and the performance by the System of its duties and obligations under the WPPSS No. 1 Project Agreement, the WPPSS No. 1 Project Net Billing Agreements and the WPPSS No. 1 Project Exchange Agreements will accomplish this latter objective.

The Board hereby approves and reaffirms such findings made by Resolution No. 690, and further finds and determines that it will continue to investigate the continued operation of the Hanford Project beyond October, 1977, within the requirements of this Resolution, the WPPSS No. 1 Project Agreement, the WPPSS No. 1 Net Billing Agreements and the WPPSS No. 1 Exchange Agreements.

SECTION 2.6. *Opinions of Counsel.* Simultaneously with the adoption of this Resolution, the System has been furnished with the opinions of Messrs. Houghton Cluck Coughlin & Riley, Seattle, Washington, and Messrs. Wood Dawson Love & Sabatine, New York, New York, that this Resolution has been duly adopted by the Board, and that the provisions hereof are valid and binding in accordance with their terms.

ARTICLE III

THE PLAN AND SYSTEM

SECTION 3.1. *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 WPPSS No. 1 Project Participants, including such 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 and environmental studies, hereby finds and determines that the construction of the WPPSS No. 1 Project is necessary and advisable in order to provide for the present and prospective power and energy needs of the WPPSS No. 1 Project Participants, that the construction of the WPPSS No. 1 Project by the System and the disposition of the power and energy therefrom, as provided in the WPPSS No. 1 Project Exchange Agreements and the WPPSS No. 1 Project Net Billing Agreements, will result in substantial economies and advantages to the WPPSS No. 1 Project Participants, the people of the State of Washington, and the Pacific Northwest, and that the WPPSS No. 1 Project is economically feasible and urgently required to conserve the resources of the region.

The Board further finds and determines that the power and energy which will be produced at the WPPSS No. 1 Project can be disposed of at prices sufficient, with all other available revenues, to retire all Bonds, to establish reserves as herein provided, to retire the 1974 Notes and to pay the cost of operation and maintenance of the WPPSS No. 1 Project and renewals, replacements and repairs thereto.

The Board hereby also finds and determines that the public interest, welfare, convenience and necessity require the acquisition and construction by the System of the WPPSS No. 1 Project as a separate utility system for the purpose of supplying the power needs of the WPPSS No. 1 Project 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 3.2. *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. 1 of the System, to wit:

A. The System shall acquire and construct a nuclear electric generating plant and associated facilities, having a net electrical plant capability of approximately 1250 megawatts. The WPPSS No. 1 Proj-

ect shall include, but shall not be limited to, a nuclear steam supply system, fuel and reactor coolant systems and all related containment structures and safety features including all instrumentation, control and auxiliary systems required therefor; turbine generator, condensers, circulating water systems and facilities and piping therefor, electrical and mechanical systems and all other equipment, facilities or appurtenances thereto; all electrical facilities required to deliver the output of the WPPSS No. 1 Project to the Federal Columbia River Power System; all structures, railroad sidings, shops, warehouses, construction facilities, offices and all other structures, fixtures, equipment or facilities used or useful in the construction, maintenance, operation and administration of the WPPSS No. 1 Project and all necessary water rights, development rights, permits and licenses, leases, easements and rights of way.

B. The site of the WPPSS No. 1 Project shall be located on the Hanford Reservation of ERDA, north of the City of Richland in Benton County, Washington. However, in the event that the System and the Administrator shall find that any order or standard of the Thermal Power Plant Site Evaluation Council of the State of Washington, the Nuclear Regulatory Commission of the United States or any other governmental agency or authority having jurisdiction makes it advisable that said site be changed, or that the feasibility of the WPPSS No. 1 Project will be improved by change of site, then the System, with the approval of the Administrator and after consultation with the WPPSS No. 1 Project Participants to the extent required by the WPPSS No. 1 Project Net Billing Agreements and the WPPSS No. 1 Project Exchange Agreements, may adopt an amendatory resolution providing for such alternate site within the State of Washington which the System finds may be feasibly inter-connected with the transmission system of the Administrator. In such event, the System shall make such further change in the plan and system set forth in this Section as reasonably may be deemed required to conform to such change in site; provided, that there shall be filed with the Secretary of the System and the Administrator a certificate of the Construction Engineer which shall certify that in his opinion such change (1) is appropriate to meet the order or standard of such governmental agency or authority, or (2) will result in improvement of the feasibility of the WPPSS No. 1 Project.

C. 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, used or useful in connection with the acquisition, construction, maintenance and operation of the WPPSS No. 1 Project.

D. 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 WPPSS No. 1 Project.

E. The System shall acquire all tools, equipment, spare parts, automotive equipment, instruments, operators' dwellings, warehouses and other associated and related property necessary in connection with the acquisition and construction, maintenance, operation and administration of the WPPSS No. 1 Project.

F. The System shall acquire all lands, rights in land, leases, easements, permits and other physical property related to or necessary for use in connection with the WPPSS No. 1 Project, together with all and singular, the tenements, hereditaments and appurtenances belonging or in anywise appertaining to the aforesaid Project, or any part thereof.

G. Subject to the WPPSS No. 1 Project Agreement, the WPPSS No. 1 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 WPPSS No. 1 Project.

H. The System shall cause to be made any and all surveys, studies, appraisals and financial and engineering investigations necessary or incidental to the location, acquisition and construction of the electric works, plants and facilities of the WPPSS No. 1 Project and the placing of the same 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 WPPSS No. 1 Project now or hereafter in effect.

SECTION 3.3. *Modification of Plan and System.* In addition to the change of site permitted by paragraph B of Section 3.2, and subject to the WPPSS No. 1 Project Agreement, the System may modify details of the foregoing plan and system, including modifications to make provisions for the installation of additional facilities, 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 3.2 of this Resolution, and (ii) is proper and necessary for the efficient and economical operation and maintenance of the WPPSS No. 1 Project.

The Board finds and determines that the acquisition and construction of the WPPSS No. 1 Project will properly and advantageously contribute to the conduct of the business of the System in an efficient and economical manner.

SECTION 3.4. *Cost of Plan and System.* The estimated cost of the plan and system herein specified and adopted for the acquisition and construction of the WPPSS No. 1 Project, including as a part of such cost funds necessary to be paid or set aside for Capitalized Fuel, for working capital for the operation thereof, for the payment of expenses heretofore and hereafter incurred in the acquisition and construction thereof, including expenses incurred and to be incurred in connection with the plan and system for the WPPSS No. 1 Project specified and adopted in Resolution No. 606, and the repayment of the 1974 Notes, heretofore issued for the purpose of paying the cost of preliminary work and expenses in connection with the WPPSS No. 1 Project, is hereby declared, as near as may be, to be the sum of One Billion Two Hundred Seventy-Three Million Dollars (\$1,273,000,000).

SECTION 3.5. *Sufficiency of Revenues.* The gross revenues and proceeds to be derived by the System from the operation of the WPPSS No. 1 Project at the rates and charges to be fixed for the power and energy furnished thereby will be sufficient, in the judgment of the Board,

to meet all expenses of operation and maintenance of the WPPSS No. 1 Project and to make all necessary repairs, replacements and renewals thereof, to make the payments into the Hanford Project Revenue Fund required by the provisions of Section 7.2 of this Resolution and to permit the setting aside out of such gross revenues, in the special fund created pursuant to the provisions of Section 7.3 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.

ARTICLE IV

AUTHORIZATION AND ISSUANCE OF BONDS

SECTION 4.1. *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. 1 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 1974 Notes.

SECTION 4.2. *Authorization of 1975 Bonds.* There is hereby authorized to be issued a series of One Hundred Seventy-Five Million Dollars (\$175,000,000) principal amount of Bonds, Series 1975 (the "1975 Bonds"), which shall bear interest at the rates and shall mature on July 1 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>
1981 ----	\$ 1,000,000	5.75%	1992 ----	\$ 2,100,000	7.00%
1982 ----	1,000,000	5.75	1993 ----	2,300,000	7.10
1983 ----	1,100,000	5.75	1994 ----	2,500,000	7.10
1984 ----	1,200,000	5.75	1995 ----	2,700,000	7.20
1985 ----	1,300,000	5.90	1996 ----	2,900,000	7.25
1986 ----	1,400,000	6.10	1997 ----	3,100,000	7.30
1987 ----	1,500,000	6.25	1998 ----	3,300,000	7.30
1988 ----	1,600,000	6.40	1999 ----	3,600,000	7.40
1989 ----	1,700,000	6.60	2000 ----	3,800,000	7.40
1990 ----	1,900,000	6.75	2010 ----	58,300,000	7.70
1991 ----	2,000,000	6.90	2017 ----	74,700,000	7.75

The 1975 Bonds maturing on July 1, 2010, 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 1975 Bonds specified for each of the years shown below.

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2001 -----	\$4,100,000	2006 -----	\$5,900,000
2002 -----	4,400,000	2007 -----	6,400,000
2003 -----	4,800,000	2008 -----	6,800,000
2004 -----	5,100,000	2009 -----	7,400,000
2005 -----	5,500,000	2010 -----	7,900,000

The 1975 Bonds maturing on July 1, 2017, shall be redeemed by sinking fund installments which shall be accumulated in the Bond Retirement Account in the Bond Fund in amounts sufficient to redeem on July 1 of each year the principal amount of such 1975 Bonds specified for each of the years shown below:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2011 -----	\$ 8,500,000	2015 -----	\$11,400,000
2012 -----	9,100,000	2016 -----	12,200,000
2013 -----	9,800,000	2017 -----	13,100,000
2014 -----	10,600,000		

The 1975 Bonds shall be issued either in coupon form (hereinafter in this Article called "1975 Coupon Bonds"), registrable as to principal only, or in the form of fully registered Bonds (hereinafter in this Article called "1975 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 the 1975 Bonds. 1975 Coupon Bonds shall be issued in the denomination of \$5,000. 1975 Registered Bonds may be issued in denominations of \$5,000 and any multiples of \$5,000. 1975 Coupon Bonds and 1975 Registered Bonds initially issued shall be dated September 1, 1975. 1975 Registered Bonds issued upon exchanges and transfers of 1975 Registered Bonds and upon exchanges of 1975 Coupon Bonds for 1975 Registered Bonds, as hereinafter provided, shall be

dated so that no gain or loss of interest shall result from such exchange or transfer. Each 1975 Registered Bond shall bear interest from the date thereof. 1975 Coupon Bonds shall be numbered from 1 upwards, and 1975 Registered Bonds shall be numbered from B-1 upwards.

Interest on the 1975 Bonds shall be payable semi-annually on January 1 and July 1 of each year, beginning January 1, 1976, but, except as to any 1975 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. 1975 Coupon Bonds may be registered as to principal only in accordance with the provisions of Section 5.3 of this Resolution.

SECTION 4.3. Redemption of 1975 Bonds. At the option of the System, the 1975 Bonds shall be subject to redemption prior to maturity on and after September 1, 1985, 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 1975 Bonds of a maturity are called for redemption, the particular 1975 Bonds of such maturity to be redeemed shall be selected by lot), upon published notice as provided in Article VI of this Resolution, at the redemption prices with respect to each 1975 Bond expressed as a percentage of the principal amount of the 1975 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> (Both Dates Inclusive)	<u>Redemption</u> <u>Prices</u>
September 1, 1985 to June 30, 1990 -----	103%
July 1, 1990 to June 30, 1995 -----	102
July 1, 1995 to June 30, 2000 -----	101
July 1, 2000 and thereafter -----	100

provided, however, that the System further reserves the right to redeem, prior to the maturity thereof, upon published notice as provided in Article VI of this Resolution, (a) the 1975 Bonds maturing on July 1, 2010, and or July 1, 2017, in part on any interest payment date on and after January 1, 2001, and on and after January 1, 2011, respectively, 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 7.3 of this Resolution, and (b) the 1975 Bonds maturing on July 1, 2017, in part on any interest payment date on and after January 1, 1986, 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 7.14 of this Resolution, in each case together with the interest accrued to the date fixed for redemption. The System further reserves the right to redeem all of the 1975 Bonds, at its option, 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 the 1975 Bonds of a maturity are called for redemption, the particular 1975 Bonds of such maturity to be redeemed shall be selected by lot), upon published notice as provided in Article VI of this Resolution, from moneys available therefor in the Bond Retirement Account in the Bond Fund resulting from the payments therein pursuant to Section 10.8 of this Resolution, or in the event the WPPSS No. 1 Project is terminated as provided in subparagraph (a) of Section 15 of the WPPSS No. 1 Project Agreement, at the principal amount of the Bond or Bonds to be redeemed, together with the interest accrued thereon to the date fixed for redemption.

SECTION 4.4. Authorization of Series of Bonds Other Than 1975 Bonds. Subsequent to the issuance of the 1975 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; and

(2) There shall have been delivered to the Bond Fund Trustee a certificate of the Secretary of the Board that (i) no default exists in the payment of the principal of or interest on the 1963 Bonds; (ii) there has been no amendment of, or modification to, the WPPSS No. 1 Project Net Billing Agreements, the WPPSS No. 1 Project Exchange

Agreements or the WPPSS No. 1 Project Agreement which will reduce the aggregate amount of the payments provided for therein or which will release any party thereto from its obligations thereunder (except as permitted by the last paragraph of Section 10.1 hereof) 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 (iii) the WPPSS No. 1 Project Net Billing Agreements, the WPPSS No. 1 Project Exchange Agreements and the WPPSS No. 1 Project Agreement are in full force and effect.

(3) At the time of delivery of each Series of Bonds, other than the 1975 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 the Cost of Construction; (iii) the amount of moneys available for the payment of the 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 the Cost 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 expenses of Capitalized Fuel.

Each Series of Bonds, other than the 1975 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 express maturity date or dates of such Bonds which are term Bonds shall be no later than July 1, 2017. 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 1975 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 1975 Registered Bonds, called "Registered Bonds") of denominations of \$5,000 and any multiples of \$5,000, or a combination of both forms.

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 V

GENERAL TERMS AND PROVISIONS OF BONDS

SECTION 5.1. *Execution and Payment of Bonds.* The 1975 Bonds and, unless or except as otherwise provided in the Series Resolution providing for the issuance thereof, the Bonds of 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 such coin or currency of the United States of America which at the time of payment is legal tender for public and private debts; and, except as otherwise provided in Section 5.7 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 5.2. *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 5.3. 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 the 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 5.4. 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 the 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 5.5. *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, providing 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 the 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 denominations of \$5,000 and any multiples of \$5,000, except as otherwise provided with respect to any Series of Bonds in the Series Resolution authorizing the issuance thereof.

SECTION 5.6. 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 thereof, 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 5.7. 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 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 5.3. *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 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 5.9. 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 5.10. 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 VI

REDEMPTION OF BONDS

SECTION 6.1. 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 1975 Bonds shall be subject to redemption at the times, under the conditions and upon the payment of the redemption prices specified in Section 4.3 hereof, and the Bonds of 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.

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SECTION 6.2. *Selection of Bonds for Redemption.* If less than all of the Bonds 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 all of the Bonds of a maturity are 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 6.3. *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 Registered 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 a daily financial paper, or in a daily newspaper 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, on or before the date fixed for redemption in such notice, transfer to the Paying Agents for the Bonds so to be redeemed amounts in cash which, in addition to other moneys, if any, held by such Paying Agents for such purpose, will be sufficient to redeem on the redemption date all the Bonds so to be redeemed.

SECTION 6.4. 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 6.3 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 WPPSS No. 1 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 WPPSS No. 1 Project herein created for the security and payment thereof.

SECTION 6.5. *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 VII

CREATION OF SPECIAL FUNDS AND ACCOUNTS AND PAYMENTS THEREFROM

SECTION 7.1. *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. 1 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. System covenants and agrees that upon and after the issuance of any bonds issued pursuant to this Resolution 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 WPPSS No. 1 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 making the payments required by Section 7.2 hereof, paying the principal of and premium, if any, and interest on the bonds issued pursuant to this Resolution, of operating and maintaining the WPPSS No. 1 Project, and of paying all costs, charges and expenses in connection therewith, and for the purpose of making repairs, renewals and replacements to, and additions, betterments and improvements to and extensions of the WPPSS No. 1 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 (except the Prepayment Account hereinafter created and established) 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 (+), inclusive, of paragraph (r) 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 the Revenue Fund (except the Prepayment Account therein) shall, prior to September 1, 1980, 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, 1980, 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 WPPSS No. 1 Project Participants to the System pursuant to the provisions of the WPPSS No. 1 Project Net Billing Agreements and the WPPSS No. 1 Project Exchange Agreements prior to September 1, 1980, or the Date of Commercial Operation, whichever is earlier. Such moneys may be applied prior to September 1, 1980, or the Date of Commercial Operation, whichever is earlier, for the following purposes:

(a) to make the payments to the Hanford Project Revenue Fund required by Section 7.2 hereof;

(b) 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 7.3.D hereof;

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

(d) to deposit in the Revenue Fund, such amount as the System determines to be necessary for working capital;

(e) any other purpose for which moneys in the Revenue Fund may be expended.

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 reinvested 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 (r) 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 or reinvestment. All income resulting from the investment or reinvestment of the Prepayment Account shall accrue to and be deposited in said Account.

Nothing contained in this Section 7.1 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 any electric utility properties of the System heretofore or hereafter acquired or constructed as a separate system and created or established from funds other than the proceeds of bonds issued pursuant to this Resolution.

SECTION 7.2. Payments to Revenue Fund Created Pursuant to Resolution No. 179. The special fund of the System known as the "Hanford Project Revenue Fund" created pursuant to Section 6.1 of Resolution No. 178 shall be continued in existence for so long as any of the bonds issued pursuant to said Resolution No. 178 are outstanding and unpaid. The System covenants and agrees that commencing on July 1, 1980, and for so long as any bonds issued pursuant to Resolution No. 178 are outstanding and unpaid, it will pay from the Revenue Fund

into said Hanford Project Revenue Fund, from time to time, from the income, revenues, receipts and profits derived by the System from the ownership and operation by it of the WPPSS No. 1 Project, amounts sufficient to enable the System to pay from the Hanford Project Revenue Fund all the obligations of the System payable from moneys on deposit in said Fund as the same become due and payable, to the extent such obligations are not otherwise provided for. Without limiting the generality of the foregoing, the System shall pay into the Hanford Project Revenue Fund amounts sufficient to enable the System (a) to make when due the payments from the Hanford Project Revenue Fund to the Hanford Project Revenue Bond Fund created pursuant to Section 6.2 of Resolution No. 178, required by said section; (b) to make when due the payments from the Hanford Project Revenue Fund to the Hanford Project Reserve and Contingency Fund created pursuant to Section 6.4 of Resolution No. 178, required by said section; (c) to maintain the working capital for the Hanford Project at an amount at least equal to \$1,000,000; and (e) to pay all other Project Annual Costs (as defined in the Hanford Project Exchange Agreements), to the extent such obligations are not otherwise provided for.

So long as any bonds issued pursuant to Resolution No. 178 remain outstanding and unpaid, the payments required to be made pursuant to this Section shall constitute a prior and paramount charge and lien over all other charges or claims whatsoever against the Revenue Fund and the revenues, income, receipts, profits and other moneys pledged thereto.

SECTION 7.3. 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. 1 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 8.2 hereof, and shall to the extent not otherwise provided in Section 7.3.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 revenues, income, receipts, profits and other moneys of the WPPSS No. 1 Project theretofore paid into the Revenue Fund to the Bond Fund Trustee, in trust for the account of the Bond

Fund, after first making the payments required by Section 7.2 of this Resolution, certain fixed amounts, without regard to any fixed proportion of said 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, 1960, 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 succeeding calendar month thereafter and 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 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, 1960, 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 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 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 1975 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 would be sufficient to redeem the 1975 Bonds due July 1, 2010, and July 1, 2017, in the principal amounts and at the times specified in Section 4.2 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 Series 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 or 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, 1990, 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, 1990, 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 WPPSS No. 1 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, 1980, 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, 1980, 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 issued pursuant to this Resolution 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 term "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 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 news-

paper 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 on or before 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 issued pursuant to this Resolution, 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 7.4. Bonds Charge Only Against Bond Fund and Moneys Pledged Thereto; Bonds Prior Charge Over 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 revenues, income, receipts, profits and other moneys of the WPPSS No. 1 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, subject only to the prior charge on said revenues, income, receipts and profits for the payment of the amounts specified in Section 7.2 hereof, 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 WPPSS No. 1 Project and amounts required for the payment of taxes, assessments, or other governmental charges, lawfully imposed against the properties or revenues of the WPPSS No. 1 Project, or payments in lieu thereof, 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 WPPSS No. 1 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 7.5. 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. 1 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 making the payments hereinabove provided for into the Hanford Project Revenue Fund and the Bond Fund, and paying or making provision for the payment of the reasonable and necessary costs of operating and maintaining the WPPSS No. 1 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 and purchasing Fuel for the WPPSS No. 1 Project in the amounts as follows:

- (1) The amount included in the annual budget for Fuel adopted pursuant to the Project Agreement.
- (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 WPPSS No. 1 Project is terminated in accordance with Section 15 of the WPPSS No. 1 Project Agreement, the unobligated balance in the Fuel Fund shall be transferred into the Revenue Fund as of the date of termination.

SECTION 7.6. Reserve and Contingency Fund. There is hereby created a special fund of the System to be known as the "Washington Public Power Supply System Nuclear Project No. 1 Reserve and Contingency Fund" (hereinafter referred to as the "Reserve and Contingency Fund") and said Fund shall be held in trust by the System.

After making the payments hereinabove provided for into the Hanford Project Revenue Fund and the Bond Fund and into any separate bond fund established for additional bonds issued pursuant to this Resolution, and paying or making provisions for the payment of the reasonable and necessary cost of operating and maintaining the WPPSS No. 1 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, 1980, 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 issued pursuant to this Resolu-

tion, without regard in each case to any amounts which may be in the Bond Fund or the bond funds established for such additional bonds resulting from the investment or reinvestment of the Bond Fund or bond funds established for such additional bonds.

In any event, by the Date of Commercial Operation, the System shall deposit in the Reserve and Contingency Fund the sum of Three Million Dollars (\$3,000,000) either through the deposits made pursuant to the next preceding paragraph or from moneys credited to the Pre-payment Account or otherwise available therefor in the Revenue Fund or, to the extent such moneys are not available, from Bond proceeds, including moneys then on deposit in the Construction Fund.

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 issued pursuant to this Resolution for which funds are not available in any construction fund or reserve account for such additional 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 WPPSS No. 1 Project;
- (2) to pay the cost of normal additions to and extensions of the WPPSS No. 1 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 WPPSS No. 1 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 require-

ments of the System for any of the foregoing purposes, plus Three Million Dollars (\$3,000,000), the amount of such excess shall be paid into the Reserve Account and the reserve account for any series of additional bonds issued pursuant to this Resolution 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 June 30 into the Revenue Fund.

SECTION 7.7. Surplus Moneys. If on any June 30 following September 1, 1990, 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 7.2, 7.3, 7.5 and 7.6 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 WPPSS No. 1 Project Participants under the WPPSS No. 1 Project Net Billing Agreements; provided that upon agreement of the parties to the WPPSS No. 1 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 WPPSS No. 1 Project, the purchase of bonds issued pursuant to this Resolution, the redemption of bonds issued pursuant to this Resolution or for other purposes in connection with the WPPSS No. 1 Project. For the purpose of this Section 7.7, the System's "required amount of working capital" shall be \$3,000,000 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 Public Utilities and Licensees in effect on January 1, 1970; 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 issued pursuant to this Resolution.

SECTION 7.8. Investment of Funds. Moneys held for the credit of the Interest Account, Principal Account and Bond Retirement Ac-

count 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 (r) of Section 1.1 hereof which shall mature or be subject to redemption at the option of the holder thereof on or before 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 (r) 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 seven (7) years from the date of such investment (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 the Revenue Fund. All income resulting from the investment or reinvestment of the Reserve Account in the Bond Fund, the Fuel Fund and the Reserve and Contingency Fund shall prior to September 1, 1980, or the Date of Commercial Operation, whichever is earlier, accrue to and be deposited in the Construction Fund; after September 1, 1980, 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, surplus and undivided profits aggregating 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 7.9. Construction Fund; Application of Proceeds of Sale of Bonds. There is hereby created a special fund of the System to be known as the "Washington Public Power Supply System Nuclear Project No. 1 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 1975 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;

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, 1980, or the Date of Commercial Operation, whichever is earlier, or in the case of the issuance of any Bonds issued after the earlier of such dates by the date of delivery to the initial purchasers of such Bonds, the deposits to the Reserve Account required by Section 7.3.D hereof, and by the Date of Commercial Operation, the deposits to the Reserve and Contingency Fund required by Section 7.6 hereof, and to deposit in the Revenue Fund, by September 1, 1980, or the Date of Commercial Operation, whichever is earlier, the "required amount of working capital", as defined in Section 7.7 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 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 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 7.9, all moneys received by the System by reason of the breach or default of contractors in connection with the construction of the WPPSS No. 1 Project and the proceeds of salvage sales, shall be paid to the Construction Fund Trustee for deposit in 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 7.11. 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 WPPSS No. 1 Project as generally described in Section 3.2 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 WPPSS No. 1 Project, including expenses incurred in connection with the plan and system for the WPPSS No. 1 Project specified and adopted in Resolution No. 606, and the payment of the principal of the 1974 Notes.

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 WPPSS No. 1 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 WPPSS No. 1 Project, for machinery and equipment for the restoration or relocation of property necessary 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 WPPSS No. 1 Project, options

ance 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 WPPSS No. 1 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, cost 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 WPPSS No. 1 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 WPPSS No. 1 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, and payments in lieu thereof of the System in connection with the operation and maintenance of the WPPSS No. 1 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 7.12. Manner of Paying Cost of Construction. Except for payments from the Construction Fund otherwise in paragraph D of Section 7.9 and in Section 7.13 specifically provided, and for payments or reimbursements specified in paragraph A of Section 7.11, transfers or payments from the Construction Fund shall be made in accordance with the provisions of this Section 7.12. 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 the Cost of Construction, and, by written order signed by the President or Vice President and Secretary or Assistant Secretary of the System, direct the Con-

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 WPPSS No. 1 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 7.13. *Revolving Fund.* Immediately after the deposit with the Construction Fund Trustee of the moneys specified in subparagraphs 7 and 8 of paragraph B of Section 7.9, the Construction Fund Trustee shall set aside from such moneys in the Construction Fund the sum of Seven Hundred Fifty Thousand Dollars (\$750,000) 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 7.11 which cannot conveniently be paid in the manner specified in Section 7.12. 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 7.12. Moneys in the Revolving Fund shall be deemed to be part of the Construction Fund until disbursed as provided in this Section 7.13. Upon approval by the Auditor, 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 Construction Fund, a fidelity bond to the Construction Fund Trustee in the principal amount of Seven Hundred Fifty Thousand Dollars (\$750,000).

SECTION 7.14. *Distribution of Moneys in Construction Fund.* As soon as practicable after the Construction Engineer shall have filed the reports required by Sections 9.4 and 9.5 hereof, any balance then remaining in the Construction Fund including the Revolving Fund authorized by Section 7.13 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 be paid on the Bonds to and including September 1, 1980; 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 9.5 hereof, and to apply the same to the payment of the Cost of Construction in accordance with the provisions of Section 7.12 and 7.13 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 9.6 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 7.15. *Payment of Funds in Construction Fund to Bond Fund Trustee.* In the event the System terminates the WPPSS No. 1 Project pursuant to subparagraph (a) of Section 13 of the WPPSS No. 1 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 7.16. *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 the Bonds until paid out or transferred as herein provided.

ARTICLE VIII

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

SECTION 8.1. *Construction Fund Trustee.* Prior to the delivery of the 1975 Bonds to the initial purchasers thereof, the System shall appoint a Construction Fund Trustee. The Construction Fund Trustee shall be a bank or trust company in Seattle, Washington, San Francisco, California, Chicago, Illinois, or New York, New York, with a capital stock, surplus and undivided profits aggregating in excess of Twenty-Five Million Dollars (\$25,000,000). 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 the 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 or trust company in Seattle, Washington, San Francisco, California, Chicago, Illinois, or New York, New York, with a capital stock, surplus and undivided profits aggregating in excess of Twenty-Five Million Dollars (\$25,000,000), and such successor shall have all the powers and obligations of the Construction Fund Trustee under this Resolution theretofore vested in its predecessor.

SECTION 8.2. *Bond Fund Trustee.* Prior to the delivery of the 1975 Bonds to the initial purchasers thereof, the System shall appoint

a Bond Fund Trustee. The Bond Fund Trustee shall be a bank or trust company in Seattle, Washington, San Francisco, California, Chicago, Illinois, or New York, New York, with a capital stock, surplus and undivided profits aggregating in excess of Twenty-Five Million Dollars (\$25,000,000). 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 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 outstanding, excluding any 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 XII; 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. A successor Bond Fund Trustee shall be a bank or trust company in Seattle, Washington, San Francisco, California, Chicago, Illinois, or New York, New York, with a capital stock, surplus and undivided profits aggregating in excess of Twenty-Five Million Dollars (\$25,000,000).

SECTION 8.3. *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 8.4. 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 and the interest thereon 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 section 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 8.5. 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 8.6. 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. The Bond Fund Trustee shall not be deemed to have knowledge of any Event of Default not known to such trustee.

SECTION 8.7. Evidence on Which Trustees and Paying Agents May Act. Subject to the provisions of Section 8.6 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 provisions 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 8.8. 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 8.9. 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 3.6 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 upon any funds held by it under this Resolution.

SECTION 3.10. *No Liability of Trustees for Correctness of Recitals.* The Bond Fund Trustee and the Construction 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 and the Construction Fund Trustee make no representation as to the value or condition of the WPPSS No. 1 Project or any part thereof, or as to the right, title and interest of the System in the WPPSS No. 1 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 and the Construction Fund Trustee shall incur no liability or responsibility in respect of any such matters. The Bond Fund Trustee and the Construction Fund Trustee shall not have any responsibility as to the amount of Bonds issued or outstanding at any time.

SECTION 3.11. *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 3.6, in case at any time it shall be necessary or desirable for any trustee to make any investigation respect-

ing any fact preparatory to taking or not taking any action or doing or not doing any thing, 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 under the provisions of 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 or obligations thereof; make disbursements therefor and enter into any commercial or business arrangement therewith, including the purchase from or sale to the System of Investment Securities. No trustee shall be deemed to have any conflict of interest solely by reason of any such transaction.

ARTICLE IX

THE CONSTRUCTION ENGINEER

SECTION 9.1. *Appointment of Construction Engineer.* The appointment of United Engineers & Constructors, Inc., as Construction Engineer for the System by Resolution No. 467 of the Executive Committee of the System is hereby confirmed, and the System covenants that it will retain on a continuous basis United Engineers & Constructors, 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 9.6 hereof.

SECTION 9.2. *Construction Engineer Not to be Employed as Consulting Engineer.* The System will not employ the Construction Engineer as Consulting Engineer for the WPPSS No. 1 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 WPPSS No. 1 Project except that of Construction Engineer.

SECTION 9.3. *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 WPPSS No. 1 Project, and approve and supervise any necessary modifications in the design, plans and specifications thereof; and prepare and deliver to the System all certificates referred 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 Bondholders 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 WPPSS No. 1 Project in accordance with the usual accepted practices of such inspection and supervision;

D. Upon completion and testing as required by the specifications of the WPPSS No. 1 Project, certify to the System to that effect and to the further effect that the WPPSS No. 1 Project is ready for normal continuous operation.

SECTION 9.4. *Report When WPPSS No. 1 Project Ready For Normal Continuous Operation.* As soon as practicable after the date as of which the Construction Engineer shall determine that (i) the WPPSS No. 1 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 WPPSS No. 1 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 IX 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 9.5. Details of Report When WPPSS No. 1 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 9.4 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 IX 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 3.3 hereof, in order to avoid the possible necessity of issuance or further issuance of Bonds.

SECTION 9.6. *Report on Final Completion of the WPPSS No. 1 Project.* As soon as practicable after the date as of which the Construction Engineer shall determine that the acquisition, construction and installation of the WPPSS No. 1 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 9.7. *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, 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 4.4 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 expense of Fuel.

ARTICLE X

COVENANTS TO SECURE BONDS

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

SECTION 10.1. *Certain Covenants by the System with Respect to Resolution No. 179.* On and after the date of the first delivery of any Bonds pursuant to this Resolution:

1. The System shall not issue any bonds or other evidences of indebtedness under Resolution No. 178 so long as the obligations of such Resolution are satisfied under this Resolution:

2. The System will faithfully and punctually discharge all of its duties and obligations under and pursuant to its Resolution No. 178 insofar as these have not been discharged by reason of (i) the exercise by the Administrator of his rights under Section 5(i) of

the Hanford Project Exchange Agreements, (ii) the execution of Supplemental Agreement No. 4, Contract No. AT(45-1) 1355 by the System and ERDA, and (iii) by the provisions of this Resolution;

3. The System will make all payments and deposits to be made under the provisions of said Resolution No. 175 at the times and in the manner prescribed therein. Commencing on July 1, 1980, such payments and deposits shall be made from the moneys to be provided for that purpose pursuant to Section 7.2 of this Resolution if and to the extent that such obligations are not otherwise provided for;

4. The System shall apply amounts set aside in the Hanford Project Bond Fund solely for the payment of the principal of, premium, if any, and interest on the 1963 Bonds;

5. The System shall apply amounts held as reserves in the Bond Reserve Account in the Hanford Project Bond Fund solely for the payment of the principal of, premium, if any, and interest on the 1963 Bonds;

6. If on any December 31 following July 1, 1980 there shall exist in the Hanford Project Revenue Fund, an amount which shall exceed the System's required amount of working capital, the amount of such excess shall be applied to reduce the amounts required to be deposited in the Hanford Project Revenue Fund pursuant to Section 7.2 of this Resolution.

7. The System shall not amend Resolution No. 175 in any manner which adversely affects or diminishes the rights of the Bondholders under this Resolution.

Nothing in this Resolution shall be construed to prevent the System from providing for the payment of all or part of its costs with respect to Hanford Project, including payments and deposits to be made under the provisions of Resolution No. 175, from sources other than payments to be received under the WPPSS No. 1 Project Net Billing Agreements and WPPSS No. 1 Project Exchange Agreements, adopting annual budgets, including amendments thereto, which reflect such arrangements and, if deemed by the System necessary or advisable, entering into agreements amendatory or supplemental to the WPPSS No. 1 Project Agreement, WPPSS No. 1 Project Net Billing Agreements and WPPSS No. 1 Project Exchange Agreements to reflect such arrangements.

SECTION 10.2. To Complete the WPPSS No. 1 Project; To Maintain the Properties of the WPPSS No. 1 Project; To Keep the WPPSS No. 1 Project in Good Repair. The System, subject to the provisions of the WPPSS No. 1 Project Agreement, will (i) proceed with all reasonable diligence to and will construct to completion the WPPSS No. 1 Project and will complete such construction at the earliest practical time, (ii) fulfill all of its obligations with respect to such construction and will thereafter at all times operate the properties of the WPPSS No. 1 Project and the business in connection therewith in an efficient manner and at reasonable cost, (iii) maintain, preserve and keep, or cause to be maintained, preserved and kept, the properties of the WPPSS No. 1 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, subject to Section 11(c) of the WPPSS No. 1 Project Agreement, 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.

SECTION 10.3. Use of WPPSS No. 1 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 WPPSS No. 1 Project capability and all power and energy produced by the WPPSS No. 1 Project will be disposed of solely for the benefit and account of the WPPSS No. 1 Project and pursuant to the provisions of the WPPSS No. 1 Project Exchange Agreements and the WPPSS No. 1 Project Net Billing Agreements; and (2) that, whether or not the generation or transmission or power and energy by the WPPSS No. 1 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 WPPSS No. 1 Project will, in the aggregate, be sufficient (to the extent not otherwise specifically provided for in this Resolution):

(a) to make when due all payments which the System is obligated to set aside and pay into the Hanford Project Revenue Fund pursuant to Section 7.2 hereof;

(b) 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 WPPSS No. 1 Project in order to keep the WPPSS No. 1 Project in good operating condition and all taxes, assessments or other governmental charges lawfully imposed on the WPPSS No. 1 Project or the revenues therefrom, or payments in lieu thereof;

(c) to make when due all payments which the System is obligated to set aside and to pay (i) to the Bond Fund Trustee for the account of the Bond Fund pursuant to Section 7.3 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 10.7 hereof;

(d) 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 Sections 7.5 and 7.6 hereof;

(e) to pay the cost of prevention or correction of any unusual loss or damage to, and for major repairs, renewals and replacements to, the WPPSS No. 1 Project, in order to keep the WPPSS No. 1 Project in good operating condition, 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 the proceeds of sale of additional bonds issued in accordance with Section 10.7 hereof; and

(f) to pay or discharge when due all other charges or obligations against the gross revenues of the WPPSS No. 1 Project of whatever 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 WPPSS No. 1 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 10.4. To Fix, Establish, Maintain and Collect Sufficient Rates and Charges. The System shall fix, establish, maintain and collect rates and charges for the WPPSS No. 1 Project capability, electric power and energy and other services, facilities and commodities, sold, furnished or supplied through the facilities of the WPPSS No. 1 Project, including power and energy delivered therefrom to or for the account of the System, which shall be fair and non-discriminatory and adequate, whether or not the generation or transmission of power and energy by the WPPSS No. 1 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 WPPSS No. 1 Project, and also for the payment of all costs, expenses and charges specified in Section 10.3 above, and any and all other amounts which the System may now or hereafter become obligated to pay or set aside from said revenues by law or contract.

SECTION 10.5. Not to Amend WPPSS No. 1 Project Exchange Agreements, WPPSS No. 1 Project Net Billing Agreements and WPPSS No. 1 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 WPPSS No. 1 Project Exchange Agreements and the WPPSS No. 1 Project 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 WPPSS No. 1 Project Exchange Agreements and the WPPSS No. 1 Project 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 Agreements; or (ii) voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or modification of, nor otherwise take any action under or in connection with the WPPSS No. 1 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 WPPSS No. 1 Project Agreement and shall take such actions and pro-

ceedings 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 WPPSS No. 1 Project Agreement.

SECTION 10.6. *Not to Furnish Facilities of the WPPSS No. 1 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 energy or any other commodity, service or facility furnished by or in connection with the operation of the WPPSS No. 1 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 WPPSS No. 1 Project.

SECTION 10.7. *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 obligations payable out of or secured by a pledge of the revenues or properties of the WPPSS No. 1 Project, or create any additional obligations 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 WPPSS No. 1 Project;

(b) To comply with Section 11(c) of the WPPSS No. 1 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;

(c) Subject to the WPPSS No. 1 Project Agreement, to provide funds for capital additions and betterments to the WPPSS No. 1 Project which in the opinion of the Consulting Engineer are necessary or desirable to improve operating reliability or to reduce unit power costs, such opinion to be embodied in a certificate of the Consulting Engineer to be filed with the System and the Bond Fund Trustee prior to the delivery of such additional bonds to the initial purchaser thereof;

(d) Subject to the WPPSS No. 1 Project Agreement, to provide funds for the purchase of Fuel for the WPPSS No. 1 Project; and

(e) To refund at any time any or all of the then outstanding bonds issued pursuant to this Resolution: provided that the amount required to be paid into the Interest Account, Principal Account and Bond Retirement Account in the Bond Fund, and the interest accounts, principal accounts and bond retirement accounts in any bond funds for additional bonds issued pursuant to this Resolution, to pay the principal of and interest on bonds issued pursuant to this Resolution in any year in which any bonds issued pursuant to this Resolution not refunded are to be outstanding, shall not be greater than the amount which would have been payable into the Interest Account, Principal Account and Bond Retirement Account and such interest accounts, principal accounts and bond retirement accounts if the bonds issued pursuant to this Resolution to be refunded were not so refunded.

The System shall not issue any additional bonds pursuant to this Section unless prior to or simultaneously with the issuance of such bonds the System shall have in effect valid written contracts for the sale of the WPPSS No. 1 Project capability and power and energy of the WPPSS No. 1 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 WPPSS No. 1 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 10.3.

The contracts referred to in the preceding paragraph shall be for terms extending at least to the final maturity date of the Bonds, provided, however, that some of such contracts may terminate prior to said date if in the opinion of the Board and the Consulting Engineer, evidenced as aforesaid, such contracts and the contracts not terminating prior to such date will in the aggregate produce the revenues required by the preceding paragraph; and unless the power purchasers thereunder shall be the other parties to the WPPSS No. 1 Project Exchange Agreements or the WPPSS No. 1 Project Net Billing Agreements, such contracts shall, in the opinion of the Consulting Engineer as evidenced by a certificate filed with the System and the Bond Fund Trustee, provide a sound basis for the issuance of additional bonds pursuant to this Section. Such contracts shall contain terms with respect to payments for the WPPSS No. 1 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 WPPSS No. 1 Project Exchange Agreements and the WPPSS No. 1 Project 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 (e) of this Section shall be the final maturity date of the bonds issued hereunder being refunded, and that the final maturity date for such bonds issued for purposes specified in clauses (a), (b), (c) and (d) of this Section shall be no later than the expiration of the service life of the facilities or Fuel, as the case may be, financed from the proceeds of such bonds as determined by the Consulting Engineer at the time of issuance, such determination to be embodied in a certificate to be filed with the System and the Bond Fund Trustee prior to the delivery of such bonds to the initial purchaser thereof;

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 addi-

tional bonds to provide a reserve for the Bonds or additional bonds being refunded when such Bonds or additional bonds are no longer deemed outstanding; and

9. Provide that the proceeds of such additional bonds, if not required for the purpose of refunding outstanding bonds issued pursuant to this Resolution or for the purpose specified in paragraph (8) above, shall be deposited, in the case of bonds issued for the purpose specified in clause (d) of this Section, in the Fuel Fund, or, in the case of bonds issued for the purposes specified in clauses (a), (b) and (c) of this Section in a construction fund to be held by a construction fund trustee and that payments from such construction fund shall be made upon compliance with terms and conditions substantially the same as are provided by Sections 7.12 and 7.13 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 WPPSS No. 1 Project junior or inferior to the payments to be made into the Bond Fund and the bond funds created for additional bonds issued pursuant to this Resolution.

SECTION 10.8. Not to Encumber or Dispose of WPPSS No. 1 Project Properties. The System will not sell, mortgage, lease or otherwise dispose of any of the WPPSS No. 1 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 Hanford Project Revenue Fund and the Bond Fund and any other special funds of the System created for the purpose of paying additional bonds issued pursuant to this Resolution sufficient to retire, and to pay the interest to accrue prior to such retirement on the 1963 Bonds and all bonds issued pursuant to this Resolution then outstanding in full in accordance with the requirements of Resolution No. 178, this Resolution and any resolution authorizing such additional bonds.

2. The System may sell, lease or otherwise dispose of any portion of the works, plants and facilities of the WPPSS No. 1 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 WPPSS No. 1 Project, provided however, that if the original cost of the properties so to be disposed of was in excess of \$200,000, 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 WPPSS No. 1 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 WPPSS No. 1 Project shall to the extent of \$100,000 be transferred to the Reserve and Contingency Fund, and used for the purposes specified in Section 7.6 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 \$100,000 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 Bonds and such additional bonds of each series bears to the total outstanding principal amount of Bonds and such additional bonds of all series and used for the purchase or redemption of Bonds and such additional bonds; provided, however, that if such sale, lease or other disposition of a portion of the properties of the WPPSS No. 1 Project is in connection with the 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 transferred to the Fuel Fund.

3. In the event that the ownership of the properties of the WPPSS No. 1 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 Bonds and such additional bonds of each series bears to the total outstanding principal amount of Bonds and such additional bonds of all series and used for the purchase or redemption of Bonds and such additional bonds.

Notwithstanding the provisions of paragraphs 2 and 3 of this Section 10.8, moneys received by the System prior to the Date of Commercial Operation, 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 WPPSS No. 1 Project and using facilities of the WPPSS No. 1 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 10.9. *Insurance.* The System will keep, or cause to be kept, the works, plants and facilities comprising the properties of the WPPSS No. 1 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 WPPSS No. 1 Project, the WPPSS No. 1 Project Participants and the Administrator under the WPPSS No. 1 Project Net Billing Agreements, as their interests may appear, against risks of direct physical loss, damage or destruction of the WPPSS No. 1 Project, accidents, casualties, or negligence, including liability insurance and employer's liability, at least to the extent that similar insurance is usually carried by electric utilities operating like properties, and such other insurance as the parties to the Project Agreement may agree upon pursuant to subsection (a) of Section 12 of the WPPSS No. 1 Project Agreement. During the Period of Construction, in the event of any loss or damage to the properties of the WPPSS No. 1 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, 1980, 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, 1980 shall be paid into the Revenue Fund and used to reduce payments by the WPPSS No. 1 Project Participants under the WPPSS No. 1 Project Net Billing Agreements. The System may agree to purchase additional insurance in accordance with subsection (b) of Section 12 of the WPPSS No. 1 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 Bondholder who shall file with the System a written request therefor.

SECTION 10.10. *Books of Account; Annual Audit.* The System shall keep proper books of account for the WPPSS No. 1 Project, showing as a separate utility system the accounts of the WPPSS No. 1 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 accounts 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 WPPSS No. 1 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 Hanford Project 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 WPPSS No. 1 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. Each such audit report shall state therein that the auditor has examined and is familiar with the provisions of this Resolution and each resolution supplemental hereto relating to the matters set forth above, and that as to such matters the System is in compliance therewith or, if not in compliance therewith, the details of such failure to comply and the action to be taken by the System to be in compliance therewith.

SECTION 10.11. *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 WPPSS No. 1 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 the Consulting Engineer as Construction Engineer for the WPPSS No. 1 Project, and will not, so long as any of the bonds issued pursuant to this Resolution are outstanding, now or hereafter employ

the Consulting Engineer in any capacity in connection with the WPPSS No. 1 Project except that of Consulting Engineer. Any Consulting Engineer employed pursuant to this section shall be selected with the 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 Engineers shall, not later than eighteen (18) months after the Date of Commercial Operation, and each three (3) years thereafter, make a physical examination of the WPPSS No. 1 Project, and prepare a report based upon such examination and survey of the System's management, operation and maintenance of the WPPSS No. 1 Project. Each such report shall be in sufficient detail to show whether the System, in operating the WPPSS No. 1 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 WPPSS No. 1 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 WPPSS No. 1 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 10.10 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 Bondholder 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 WPPSS No. 1 Project involving the expenditure of \$500,000 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 WPPSS No. 1 Project in excess of \$500,000, 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 Bondholder who shall file with the System a written request therefor.

SECTION 10.12. 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 WPPSS No. 1 Project for any renewals, replacements, additions, betterments and improvements to, and extensions of, the WPPSS No. 1 Project which are not economically sound or which will not properly and advantageously contribute to the conduct of the business of the WPPSS No. 1 Project in an efficient and economical manner unless required to do so by or pursuant to law to permit the continued operation of the WPPSS No. 1 Project.

SECTION 10.13. 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 WPPSS No. 1 Project and moneys pledged hereunder to the Bond Fund and moneys pledged under each supplemental resolution authorizing the issuance of additional bonds issued pursuant to this Resolution to the bond funds for such additional bonds, and from the proceeds of the sale or other disposition (whether voluntary or involuntary) of properties of the WPPSS No. 1 Project, the principal of and premium, if any, and interest on 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 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 said bonds and in the coupons thereto attached, and in this Resolution, any Series Resolution and each supplemental resolution authorizing the issuance of additional bonds issued pursuant to this Resolution.

SECTION 10.14. *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 10.13. *Protection of Security.* The System is duly authorized under all applicable law 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 issued pursuant to this Resolution and the provisions of this Resolution and each resolution supplemental hereto are and will be valid and legally enforceable obligations of the System in accordance with their terms and the terms of this Resolution and each resolution supplemental hereto. 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 each resolution supplemental hereto and all the rights of the Bondholders under this Resolution and each resolution supplemental hereto against all claims and demands of all persons whomsoever.

SECTION 10.16. *Authority of System to Construct and Maintain the WPPSS No. 1 Project.* The System has good right and lawful power to construct, reconstruct, improve, maintain, operate and repair the WPPSS No. 1 Project, and to fix, establish, maintain and collect rates and charges for WPPSS No. 1 Project capability, electric power and energy and other services, facilities and commodities sold, furnished or supplied through the facilities of the WPPSS No. 1 Project as provided in this Resolution.

SECTION 10.17. *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 WPPSS No. 1 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 10.18. *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 WPPSS No. 1 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 10.19. *Arbitrage Bond Provision.* The System will make no use of the proceeds of the sale of any issue of bonds issued pursuant to this Resolution which, if such use had been reasonably expected on the date of issue of such bonds, would have caused such bonds to be "arbitrage bonds", as defined in subsection (d)(2) of Section 103 of the U.S. Internal Revenue Code of 1954, subject to treatment under subsection (d)(1) of said Section 103. The System shall comply with the requirements of subsection (d) of Section 103 of said Internal Revenue Code and the applicable regulations of the Internal Revenue Service adopted thereunder, throughout the term of such bonds.

ARTICLE XI

SUPPLEMENTAL RESOLUTIONS

SECTION 11.1. *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 4.4 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 10.7 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 WPPSS No. 1 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 WPPSS No. 1 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 theretofore issued pursuant to this Resolution 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

(3) 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 11.2. *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 XIII hereof, such amendment to become effective upon the filing with the Bond Fund Trustee of a certified copy thereof.

SECTION 11.3. *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 Construction 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 so 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 XII

DEFAULTS AND REMEDIES

SECTION 12.1. *Events of Default.* The Board hereby finds and determines that the continuous operation of the WPPSS No. 1 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 10.7 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 XII and in Article XIII referred to collectively as the "Bonds") are es-

sential 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 resolution supplemental hereto will endanger the necessary continuous operation of the WPPSS No. 1 Project and the application of the revenues therefrom to the purposes set forth in this Resolution. The Resolution and each supplemental resolution adopted pursuant to Article XI hereof are hereinafter in this Article XII and in Article XIII 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 "Event 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 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 WPPSS No. 1 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 10.8 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 WPPSS No. 1 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 WPPSS No. 1 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 WPPSS No. 1 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 WPPSS No. 1 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 WPPSS No. 1 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 WPPSS No. 1 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 the 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 WPPSS No. 1 Project have been taken and are then held by the Bond Fund Trustee or the holders of Bonds pursuant to Section 12.3 and 12.4 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 12.2. *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 WPPSS No. 1 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 12.3.

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 12.3. *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 WPPSS No. 1 Project (all such moneys in this Article being collectively called "Revenues").

During the continuance of an Event of Default, the Revenues received by the Bond Fund Trustee, or by the 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 WPPSS No. 1 Project, shall be applied by the Bond Fund Trustee or Bondholders' Committee, as the case may be, first to the payment of the amounts required by this Resolution to be paid into the Hanford Project Revenue Fund established pursuant to Resolution No. 178, second 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 WPPSS No. 1 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 WPPSS No. 1 Project), and thereafter to the payment of the reasonable and necessary cost of operation, maintenance, repair and replacement of the WPPSS No. 1 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 VII. No such payment over to the System by the Bond Fund Trustee or resumption of the application of Revenues as provided in Article VII shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

SECTION 12.4. *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, whether 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, readjustment, 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 regards 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 WPPSS No. 1 Project. Upon taking such possession, the Bond Fund Trustee shall operate and maintain the WPPSS No. 1 Project, make any necessary repairs, renewals and replacements in respect thereof, prescribe rates and charges for WPPSS No. 1 Project capability, power and energy sold, furnished or supplied through the facilities of the WPPSS No. 1 Project, collect the gross revenues resulting from the operation of the WPPSS No. 1 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 WPPSS No. 1 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 WPPSS No. 1 Project Exchange Agreements and the WPPSS No. 1 Project 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 WPPSS No. 1 Project Net Billing Agreements and the WPPSS No. 1 Project Exchange Agreements.

SECTION 12.5. 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 XIII 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 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 XII 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 12.6. *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 12.7. *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 12.1, 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 12.3. *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 12.9. *Notice of Defaults.* The Bond Fund Trustee shall within ninety (90) days after the occurrence of an Event of Default, give to the Bondholders, in the manner provided in Section 13.2 hereof, notice of all defaults known to the Bond Fund Trustee, unless defaults shall have been cured before the giving of such notice (the term "default" or "defaults" for the purpose of this Section 12.9 being hereby defined to be any Event or Events of Default specified in Section 12.1), 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 XIII

AMENDMENTS AND BONDHOLDERS' MEETINGS

SECTION 13.1. *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 13.2. 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 a daily newspaper 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 13.3. *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 Inspector 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 acknowledgement 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 of 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 13.4. *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 13.5. 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 13.6. Vote Required to Amend Resolution. Any amendment of the provisions 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 13.5 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 13.7. Obtaining Approval of Amendment 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 13.6 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 such 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 Bond Fund 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 13.2 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 13.3. Alternate Method of Obtaining Approval of Amendment. 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 13.2 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 13.6 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 13.3 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 13.2 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 13.9. Amendment of Resolution In Any Respect By Approval 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 13.8 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 13.10. 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 13.11. 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 XIV

FORMS OF BONDS

SECTION 14.1. *Forms of Bonds.* The form of Coupon Bond, the form of interest coupons to be attached to the Coupon Bonds, the form of Provisions for Registration to appear on the Coupon Bonds, the form of Registered Bond, the form of assignment to appear on the Registered Bonds, the form of endorsement of partial payment to appear on the Registered Bonds and the form of State Auditor's Certificate of Registration to appear 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. 1
REVENUE BOND, SERIES _____

No. _____

\$5,000

WASHINGTON PUBLIC POWER SUPPLY SYSTEM, a municipal corporation of the State of Washington (hereinaft 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 _____, and semi-annually thereafter on the first day of _____ and the first day of _____ 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. 1 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 _____, 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 _____, in the City of Chicago, Illinois, or at the principal office of _____, in the City of New York, New York, as Paying Agents of the System, 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, Resolution No. _____, 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 of the System constituting and to be known as the Washington Public Power Supply System Nuclear Project No. 1 (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 and the Series Resolution are on file at the principal office of the System, at the principal office of _____, in the City of _____, the Bond Fund Trustee, 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 and may be 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 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 revenues of the Project, including all additions, betterments and improvements thereto and extensions thereof, after first making all payments required to be made to the Hanford Project Revenue Fund created and established pursuant to Resolution No. 173, adopted by the Board of Directors of the System on April 13, 1963, pursuant to the Bond Resolution, 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 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, 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 non-discriminatory 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 and 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 the 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:

<u>Period During Which Redeemed</u> (Both Dates Inclusive)	<u>Redemption</u> <u>Prices</u>
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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 (a) on July 1, , and on July 1, 20 , in part on any interest payment date on and after 1, , and on and after 1, , respectively, but only 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 7.3 of the Bond Resolution, and (b) on 1, , in part on any interest payment date on and after 1, , but only 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 7.14 of the Bond Resolution, in each case together with 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 its option, 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 the 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 10.3 of the Bond Resolution, or in the event the Project is terminated as provided in subparagraph (a) of Section 15 of the WPPSS No. 1 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 a daily financial paper, or in a daily newspaper of general circulation printed in the English language, published in each of 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.

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 denominations of \$5,000 and any multiples of \$5,000. The Coupon Bonds and

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 day of , 19 .

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

By _____
President

ATTEST:

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 _____, in the City of Seattle, Washington, or, at the option of the holder hereof, at the principal office of _____, in the City of Chicago, Illinois, or at the principal office of _____, 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 which 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. 1 Revenue Bond, Series _____, dated _____, 19 _____, and numbered _____.

President

Secretary

[FORM OF PROVISIONS FOR 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, 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>
_____	_____	_____
_____	_____	_____
_____	_____	_____

[FORM OF REGISTERED BOND WITHOUT COUPONS]

UNITED STATES OF AMERICA
 STATE OF WASHINGTON
 WASHINGTON PUBLIC POWER SUPPLY SYSTEM
 NUCLEAR PROJECT NO. 1
 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 _____, in the City of _____, the Bond Fund Trustee, 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 _____ and the first day of _____ of each year until the payment of such prin-

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. 1 Revenue Bond Fund" (hereinafter referred to as the "Bond Fund"). Payment of such principal and premium will be made at the principal office of _____, in the City of Seattle, Washington, or, at the option of the holder hereof, at the principal office of _____, in the City of Chicago, Illinois, or

at the principal office of _____, in the City of New York, New York, as Paying Agents of the System, 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, Resolution No. _____, 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 of the System constituting and to be known as the "Washington Public Power Supply System Nuclear Project No. 1" (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 and the Series Resolution are on file at the principal office of the System, at the principal office of the

Bond Fund Trustee 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 and may be 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 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 revenues of the Project, including all additions, betterments and improvements thereto and extensions thereof, after first making all payments required to be made to the Hanford Project Revenue Fund created and established pursuant to Resolution No. 173, adopted by the Board of Directors of the System on April 15, 1963, pursuant to the Bond Resolution, 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 becomes 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 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, 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 non-discriminatory 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 and 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 the 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 (a) on July 1, , and on July 1, 20 , in part on any interest payment date on and after 1, , and on and after 1, , respectively, but only 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 7.3 of the Bond Resolution, and (b) on 1, , in part on any interest payment date on and after 1, , but only 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 7.14 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 its option, 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 the Bonds of a maturity are called for redemption, the particular Bonds of said 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 10.3 of the Bond Resolution, or

in the event the Project is terminated as provided in subparagraph (a) of Section 13 of the WPPSS No. 1 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 a daily financial paper, or in a daily newspaper of general circulation printed in the English language, published in each of 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 be 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 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 hereof, 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 denominations of \$5,000 and any multiples 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

By _____
President

ATTEST:

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.

Dated: _____

Witness: _____

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

[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 within Bond 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

, 19 .

Auditor of the State of Washington

By _____

Deputy State Auditor

ARTICLE XV

MISCELLANEOUS: DEFEASANCE

SECTION 15.1. *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 issued pursuant to this Resolution, 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 laws 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 15.2. *Bonds No Longer Deemed Outstanding Hereunder.*

The obligations of the System under this Resolution (including all Series Resolutions and other resolutions supplemental hereto or amendatory hereof), 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 12.1 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 (r) of Section 1.1 of this Resolution), which are not subject to redemption prior to maturity, and mature as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, or (3) a combination of such moneys and Investment Securities, 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 Bond Fund Trustee 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 Bond (including interest and premium thereof, 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 15.3. Moneys or Investment Securities 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 or investment securities, as the case may be, were held by such Paying

Agents at such dates five (5) years after the date of deposit of such moneys or investment securities, as the case may be, if deposited with 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 Paying Agents to the System as the System's property and free from the trust created by this Resolution, and the Paying Agents shall thereupon be released and discharged with respect thereto, and the holders of the Bonds payable from such moneys or investment securities, as the case may be, shall look only to the System for the payment of such Bonds and coupons.

SECTION 15.4. *Relation to WPPSS No. 1 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 WPPSS No. 1 Project which are inconsistent with the provisions of the WPPSS No. 1 Project Agreement, but in the event of any conflict the provisions of this Resolution shall control.

SECTION 15.5. *Definition of Bonds in Article XV.* In the event additional bonds are issued by the System payable from the revenues of the WPPSS No. 1 Project *pari passu* with the Bonds, such additional bonds shall be considered Bonds within the meaning of such term as used in Sections 15.1, 15.2, and 15.3 hereof.

SECTION 15.6. *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 15.7. *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 pursuant to this Resolution.

SECTION 15.8. *Effective Date.* This Resolution shall be in effect from and after its passage in accordance with law.

SECTION 15.9. *Repealer.* All resolutions and parts of resolutions in conflict herewith be and the same are hereby repealed to the extent of such conflict.

s/A. E. FLETCHER
President

ATTEST:

s/ EDWIN W. TAYLOR
Secretary

Approved as to Form:

s/ RICHARD QUITLEY
Counsel