

TABLE OF CONTENTS

| | |
|---|----|
| PREAMBLE | 1 |
| PURPOSES | 1 |
| MEMBERSHIP | |
| Section 1. Requirements for Membership | 2 |
| Section 2. Membership Certificates | 3 |
| Section 3. Joint Membership | 3 |
| Section 4. Conversion of Membership | 4 |
| Section 5. Membership Fees | 4 |
| Section 6. Termination of Membership | 4 |
| Section 7. Provision of Services | 5 |
| Section 8. Member Grant of Property Rights | 5 |
| Section 9. Damaging or Interfacing with Mutual Corporation Equipment | 5 |
| MEETINGS OF MEMBERS | |
| Section 1. Annual Meeting | 6 |
| Section 2. Special Meetings | 6 |
| Section 3. Notice of Members' Meetings | 6 |
| Section 4. Voting | 6 |
| Section 5. Quorums | 6 |
| Section 6. Order of Business | 7 |
| Section 7. Member Meeting List | 7 |
| DIRECTORS | |
| Section 1. Election of Directors | 8 |
| Section 2. Nominating Committee | 10 |
| Section 3. Vacancies | 11 |
| Section 4. Director Quorums | 11 |
| Section 5. Responsibilities of Directors | 11 |
| Section 6. Committees | 11 |
| Finance and Audit Committee | 11 |
| Policy and Bylaws Committee | 11 |
| Section 7. Meetings | 12 |
| Section 8. Election Rules & Procedures | 12 |
| Section 9. Removal of Board Member by Membership for Cause | 12 |
| Section 10. Procedural Rules | 13 |
| OFFICERS AND CHIEF EXECUTIVE OFFICER | |
| Section 1. Officers | 13 |
| Section 2. President | 13 |
| Section 3. Vice President | 13 |
| Section 4. Secretary | 14 |
| Section 5. Treasurer | 14 |
| Section 6. Chief Executive Officer | 14 |
| Section 7. Presiding Officer at Board Meetings | 14 |
| SEAL | |
| PRIMARY AND SERVICE LINES | |
| Section 1. Primary Lines | 15 |
| Section 2. Service Lines | 15 |
| Section 3. Policies | 15 |
| RATES | 15 |
| AMENDMENT OF BYLAWS | 15 |
| INDEMNIFICATION OF DIRECTORS AND OFFICERS | 15 |

Bylaws
Peninsula Light Company
A Mutual Corporation
(Revised November 2006)

PREAMBLE

Peninsula Light Company is a mutual corporation organized under the laws of the State of Washington.

PURPOSES

The following statement of purposes is taken from the Articles of Incorporation and repeated here to inform the membership of those purposes but is not a part of the Bylaws:

1. To purchase, lease, acquire, construct, erect, own, operate and maintain an electric transmission and distribution system or systems as are necessary for the purpose of supplying and furnishing to members of this mutual corporation electrical current for light, heat, power, and other purposes.

2. To acquire, lease, construct, purchase, own, operate and maintain an electric generating plant or plants for the purpose of generating electrical current to be distributed to and used by members of this mutual corporation, or to enter into a contract or contracts with any person, corporation, municipal corporation, or other entity to purchase electrical current to be distributed to and used by members of this mutual corporation.

3. To acquire, lease, purchase, construct, own, hold, maintain and operate all necessary substations, buildings, plants, transformer plants, and electrical equipment of every kind and character, as may be necessary or proper to provide electrical current and products for the members of this mutual corporation, and to carry out the purposes of the mutual corporation as herein expressed.

4. To petition for, accept, acquire, own, hold and renew franchises, easements, or grants from the State of Washington or the United States, or from any political subdivision of either the State of Washington or the United States, for the purpose of establishing, building, erecting and maintaining electric transmission and distribution lines to enable this mutual corporation to distribute electrical current to its members.

5. To lease, own, hold, acquire or purchase real estate, or any interest therein, for the purpose of carrying out any of the purposes and objects for which this mutual corporation is formed. Such property may be acquired or obtained to satisfy any debt due this mutual corporation.

6. To accept into membership in this mutual corporation any persons, partnerships, corporations, associations, municipal corporations, school districts, or other entities, including governmental entities and any political subdivisions thereof, under the terms and provisions set forth in the Bylaws of the mutual corporation.

7. To acquire, sell, lease, rent or provide any and all utility services and/or utility products as the Directors of the mutual corporation shall deem appropriate for the members of this mutual corporation without profit to the mutual corporation. The cost of such utility services and/or utility products to members shall include all necessary operating costs, charges, depreciation, taxes, debt service, obsolescence and replacement costs and such reserve fund or funds for contingencies as the Directors of this mutual corporation shall deem appropriate for the safe and proper management and operation of the mutual corporation.

8. To accept gifts of any kind of property, either real or personal.

9. To contract indebtedness, borrow money, execute promissory notes, and secure the same upon property of this mutual corporation; to receive contracts, promissory notes, bonds, and other

evidences of indebtedness; to make any and all contracts of every kind and nature whatsoever concerning the purposes of the property of this mutual corporation, as fully and completely as any person may contract with reference to his individual business and individual property.

10. This mutual corporation was originally formed under, by virtue of, and pursuant to the terms and provisions of Chapter 134 of the Laws of 1907 of the State of Washington, and has restated its Articles under the provisions of the Washington Miscellaneous and Mutual Corporation Act of 1969; and this mutual corporation shall have all the powers and privileges as provided in the latter Act. This mutual corporation shall have no capital stock, and shares of stock therein shall not be issued. The interest of each incorporator or member shall be equal to that of any other, and no incorporator or member can acquire any interest which will enable him to have any greater vote, authority, or interest in the mutual corporation than any other member.

11. No member shall ever become the owner or holder of more than one certificate of membership in this mutual corporation. Membership certificates shall be issued by the mutual corporation under the terms and conditions prescribed in the Bylaws, and shall only be issued in consideration of payment of the membership fee prescribed in the Bylaws or by the Directors.

* * *

Following are the Bylaws of the Peninsula Light Company:

ARTICLE I MEMBERSHIP

Section 1. Requirements for Membership

Any person, partnership, association, corporation, or other entity, including governmental entities and political subdivisions thereof, may become a member of Peninsula Light Company (hereinafter called the "mutual corporation"), provided that the mutual corporation is able to provide electrical service and the person or entity has first:

- (a) Made a written application for membership therein on a form prescribed by the mutual corporation;
- (b) Agreed to purchase from the mutual corporation electric energy within its service area and to be responsible for all charges for such services;
- (c) Agreed to comply with and be bound by the Articles of Incorporation and Bylaws of the mutual corporation and any and all rules, regulations, policies and resolutions adopted by its Board of Directors (hereinafter called the "Board");
- (d) Paid the membership fee hereinafter specified and any outstanding indebtedness to the mutual corporation arising from prior membership therein; and
- (e) Received approval of the Board of the mutual corporation.
- (f) All members shall provide Peninsula Light Company with a current address.
- (g) When electric service is requested at a residence, office, building, premise, structure, or other facility ("Location"), an account for electric service to the Location shall be established in the name of the owner of the Location. In addition, a membership may also be established in the name of the tenant or other occupant at the Location. In all cases, the person in whose name an active electric service account is established or maintained shall be a member of Peninsula Light Company and shall be responsible for all charges to the account for electric services provided to the Location. If a Location is

occupied by a tenant, or by any person other than the owner, the owner may elect to maintain the account under the owner's membership. In that case, Peninsula shall hold the owner solely responsible and will bill the owner directly for all charges for electric services rendered to the Location during the occupancy of the tenant or other occupant. If the account remains under the owner's membership, Peninsula shall have no obligation or responsibility to bill the tenant or other occupant, or to make any effort to collect or attempt to collect any amount due from the tenant or other occupant. Provided, if the owner consents to the tenant or other occupant establishing a membership and an account under the tenant or other occupant's name, Peninsula shall hold the tenant or other occupant solely responsible for all charges and will bill the tenant or other occupant directly for all charges for electric services rendered to the Location during the occupancy of the tenant or other occupant. In that case, Peninsula shall look solely to the tenant/occupant for payment and shall have no right to bill the owner or to collect or attempt to collect any amount due from the owner.

(h) Peninsula may, in its sole discretion, require that persons requesting water only utility service becomes a member, or it may elect to provide water service on a non-member patron basis.

Section 2. Membership Certificates

Membership in the mutual corporation shall be evidenced by a membership certificate which shall be in such form as shall be determined by the Board. Such certificate shall be signed originally or in facsimile by the President and by the Secretary of the mutual corporation and the corporate seal shall be affixed thereto. No membership certificate shall be issued unless the membership fee fixed in these Bylaws has been fully paid. In case a certificate is lost, destroyed, or mutilated, a new certificate may be issued therefor upon providing an indemnity to the mutual corporation in such form as determined by the Board.

Section 3. Joint Membership

A husband and wife, or co-occupants or co-owners (hereinafter referred to as "joint members"), of a serviced facility may apply for a joint membership, and subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member" as used in these Bylaws shall be deemed to include such persons holding a joint membership, and any provisions relating to the rights and obligations of a membership shall apply equally with respect to the holders of a joint membership. Without limiting the foregoing, the effect of a joint membership shall be as follows:

(a) The presence at a meeting of a joint member shall be regarded as the presence of the membership and shall constitute a waiver by the membership of notice of the meeting;

(b) A joint membership may only cast one vote;

(c) A waiver of notice signed by a joint member shall constitute a waiver on behalf of the joint membership;

(d) Notice to any joint member shall constitute notice to the joint membership;

(e) Expulsion or termination of any joint member shall terminate the joint membership;

(f) Withdrawal of any joint member shall terminate the joint membership;

(g) Only one member of a joint membership may be elected or appointed to the Board;

(h) Each joint member shall be jointly and severally liable for any and all debts owed by the joint membership to the mutual corporation;

(i) Only one member may receive electrical service under a joint membership. If the parties are unable to agree which of them shall receive such service, the membership shall be terminated and any payment or refund shall be distributed to the joint members equally, unless otherwise directed by a court order.

Section 4. Conversion of Membership

(a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her co-owner to comply with the Articles of Incorporation, Bylaws, and rules and regulations adopted by the Board. In case of conversion, the outstanding membership certificate shall be surrendered and shall be reissued in joint form by the mutual corporation.

(b) Upon the death of any co-owner who is a party to the joint membership, such membership shall be held solely by the survivor(s), i.e., joint memberships shall be held with the right of survivorship. Upon the death of any co-owner, the survivor(s) shall surrender the membership certificate and it shall be reissued in the name(s) of the survivor(s), provided, however, that the estate of the deceased joint member shall not be released from any debts due the mutual corporation at the time of death.

(c) The mutual corporation may require a member to sign an affidavit and provide an indemnification when a membership is converted.

Section 5. Membership Fees

The membership fee shall be \$100.00, or such other sum as shall be fixed by the Board. The membership fee may be paid in installments as follows: 50% of the fee to be presented with the application for membership, 25% within thirty (30) days from the date of application, and the remaining 25% within sixty (60) days from the date of application. Any applicant electing to pay the fee in installments shall be designated as a "subscriber" until the entire fee is paid. In the event the "subscriber" shall neglect or refuse to pay any installments due on the membership fee after formal demand in writing, the Board may declare all rights and privileges of the "subscriber" to be forfeited for nonpayment. Upon such forfeiture, the mutual corporation shall be entitled to retain all membership fees paid by the "subscriber." Such forfeiture shall be deemed to be liquidated damages.

Section 6. Termination of Membership

(a) Any member may withdraw from membership upon compliance with the terms and conditions as may be prescribed by the Board. The Board may cancel any membership and terminate service, upon at least ten days' prior written notice, in the event:

(1) such member fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or rules or regulations adopted by the Board, or fails to pay for electricity, materials, or services; or

(2) Peninsula Light Company is unable to contact the member at the address provided and a current address cannot be ascertained after Peninsula Light Company has reasonably attempted to locate such members' current address; or

(3) a member no longer receives power from Peninsula Light Company at his residence or property which the member either owns, has an ownership interest, or management authority; or

(4) a member commits a violent act or threatens to commit a violent act against any employee of the mutual corporation.

(b) When memberships are canceled and service terminated pursuant to Article I, Section 6 (a) (2) or 6 (a) (3), the fee paid pursuant to Article I, Section 5 of the Bylaws shall be classified as donated capital to Peninsula Light Company.

Section 7. Provision of Services

As a condition of receiving and continuing to receive electric service or other cooperative services from the mutual corporation, each member, patron, or person using a cooperative service at a Location served by the mutual corporation agrees as follows:

(a) The mutual corporation shall not be liable for any loss, injury, or damage resulting from the interruption, restoration, or reduction of electric, water service or any other cooperative service from any cause, including, but not limited to the: failure of generation and distribution systems, inadequacy of energy or water supply, implementation of emergency plans, or failure to pay for service rendered. During an emergency declared by appropriate civil authority, the mutual corporation may curtail utility services without liability.

(b) The mutual corporation shall provide electric services and other cooperative services to members, patrons and persons using such services at a Location served by the mutual corporation in a reasonable manner. The mutual corporation shall not be liable to any member, patron or person using its services at a Location served by the mutual corporation for damages in tort or contract resulting from its reasonable provision of electric and other cooperative services or for events beyond the reasonable control of the mutual corporation. The mutual corporation does not guarantee or warrant the continuous or flawless provision of services, or warrant or guarantee that events beyond the reasonable control of the mutual corporation will not cause interruption of service or the availability or expansion of service. For purposes of this subparagraph 2, events beyond the reasonable control of the mutual corporation include any events which by the exercise of reasonable efforts and reasonable foresight, the corporation could not be expected to avoid and was unable to avoid, including, but not limited to:

- (1) Strikes or work stoppage;
- (2) Storms, floods, earthquakes or other natural events or disasters; and
- (3) Compliance with orders or injunctions issued by any court or by any administrative officer or agency with jurisdiction.

(d) When it is necessary for the mutual corporation to perform maintenance or make repairs to or to change its facilities, it may, without incurring any liability, suspend service for such periods as may be reasonably necessary and in such a manner as to reasonably minimize the inconvenience or loss to members, patrons and persons using services at Locations served by the mutual corporation. For purposes of this paragraph, the mutual corporation may reasonably minimize inconvenience of any member affected by a scheduled interruption associated with facilities other than electric meters, by notification given through a newspaper of general circulation in the mutual corporation's service territory, by a notice posted on the door of the member, or by other reasonable means at least one day in advance of the scheduled interruption.

(d) In no case shall the mutual corporation be liable to any member, patron or person using cooperative services at a Location served by the mutual corporation for any loss, injury, or damage in common law or statutory tort, or in contract, arising out of the provision of cooperative services, or resulting from the operation of the equipment and facilities of the mutual corporation, whether negligent or not, in an amount excess of the reasonable liability insurance coverage limit maintained by the mutual corporation. Nor shall the mutual corporation be liable in the aggregate to such persons for claims or damages arising out of the provision of cooperative services, or resulting from the operation of the equipment and facilities of the mutual corporation, or for the actions of mutual corporation personnel, whether negligent or not, and whether related to the provision of a cooperative service to the claimant or not, in an amount excess of a reasonable liability insurance coverage limit maintained by the mutual corporation. For purposes of this paragraph limiting the liability of the mutual corporation, the limit of the liability insurance coverage maintained by the mutual corporation shall be deemed to be reasonable in any case in which such limits on coverage are comparable to the limits on coverage maintained by similarly situated utilities of comparable size and service responsibilities.

(e) The limitations on liability described in each subparagraph of this Section 7 are intended to be independent, and the limitations on liability are intended to be cumulative and to all apply. Except as expressly provided, any provision conditioning or limiting the limitation on liability in one subparagraph does not apply to the other paragraphs.

Section 8. Member Grant of Property Rights

As reasonably determined to be necessary for the provision of utility services by the mutual corporation, each member shall provide the mutual corporation temporary, or permanent, safe and reliable access to, and use of, any portion of any real or personal property in which the member possesses any legal right.

In addition, each member shall, without charge to the mutual corporation, execute any document reasonably requested by the corporation, to grant and convey to the corporation any written or oral easement, right-of-way, license, or other property interest in any real or personal property in which member possesses any legal right and which the corporation determines are reasonably necessary to:

(a) Purchase, install, construct, inspect, monitor, operate, repair, maintain, remove, or relocate any equipment of the mutual corporation;

(b) Provide, monitor, measure, or maintain any utility service provided by the mutual corporation; or

(c) Satisfy or facilitate any obligation incurred, or right granted, by the mutual corporation regarding the use of equipment of the corporation; or

(d) Safely, reliably, and efficiently:

(1) operate the mutual corporation; or

(2) provide any cooperative service.

Section 9. Damaging or Interfering with Mutual Corporation Equipment

No member shall tamper or interfere with, damage, or impair any equipment or property owned by the mutual corporation or used by the mutual corporation to provide utility services, including, without limitation, any equipment used to meter electric or water service. Each member shall protect all equipment owned by the mutual corporation and shall install, implement, and maintain any protective device or procedure reasonably required by the mutual corporation or by law. The corporation shall have the right to inspect any equipment used to provide utility services whether or not owned by the corporation.

ARTICLE II MEETINGS OF MEMBERS

Section 1. Annual Meeting

The annual meeting of the members shall be held on the first Monday of May of each year at such place within the area served by the mutual corporation, as selected by the Board. The meeting place shall be designated in the notice of the meeting, as prescribed in Section 3 hereof. The purpose of the annual meeting shall be to elect Board members, present reports for the previous fiscal year, and transact other business. It shall be the responsibility of the Board to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not cause a forfeiture or dissolution of the mutual corporation.

Section 2. Special Meetings

Special meetings of the members may be called by resolution of the Board, upon a written request signed by any three Board members, by the President, or by 10% or more of all the members signing a petition requesting a special meeting; and it shall thereupon be the duty of the Secretary to cause notice

of such meeting to be given as provided in Section 3 hereof. Special meetings of the members may be held at any place within the area served by the mutual corporation as designated by the Board and shall be specified in the notice of the special meeting. The business transacted at such special meeting shall be confined to the purposes stated in the notice.

Section 3. Notice of Members' Meetings

Written or printed notice stating the place, date, and hour of the annual or special meeting shall be delivered not less than ten (10) days nor more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary. If the Secretary or Board fails to give the notice prescribed herein, the member(s) requesting the special meeting shall have the right to give such notice. If mailed, the notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the address as it appears on the records of the mutual corporation. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

Section 4. Voting

Except for voting for Directors at the Annual Meeting, which shall be only by mail as provided in Article III, Sections 1 and 2, at every meeting of the members, each membership in good standing shall be entitled to one vote. In addition thereto, memberships not represented at the meeting may vote by mail for the election of directors and upon such other issues which are submitted in writing to the membership. Subscribers for a membership who have not paid in full their membership fee shall not be entitled to vote. Proxies shall not be recognized or permitted. For purposes of this section a member in good standing means an individual or entity named on a membership certificate who is not over 30 days delinquent on the payment of any amount due and owing to Peninsula Light Company, unless there is a bona fide dispute as to the amount owing, and is not in violation of any rules and regulations of Peninsula Light Company.

Section 5. Quorums

Except as hereinafter provided, at all meetings of the members of this mutual corporation 15% of the voting members, whether present in person or voting by mail, shall constitute a quorum.

In every instance where an issue is submitted to the membership which involves the sale of substantially all of the assets, merger, consolidation, the voluntary dissolution or revocation of a voluntary dissolution of this corporation, the practical effect of which would be that Peninsula Light Company would not operate under its current Articles of Incorporation, participation by 51% of the voting membership, whether in person or voting by mail, shall constitute a quorum. Except as provided herein, in every instance where changes to the Articles of Incorporation are submitted to the voting membership, participation by 25% of the voting membership, whether in person or voting by mail, shall constitute a quorum.

If any issues are presented to the membership without the right to vote by mail, 25% of the membership must be present to constitute a quorum.

Meetings at which less than the required quorum of the membership is either present or vote by mail may be adjourned to a future date by the President or other Chairperson of the meeting. The notice of such adjournment and the future meeting date and place shall be mailed by the Secretary to each member at least three days before the date the adjourned meeting is to be reconvened. Such notice shall be addressed to the member's place of business or residence as the same appears in the membership records of the Secretary of the mutual corporation.

Section 6. Order of Business

The order of business at the annual meeting of the membership and, so far as possible, at all other meetings of the membership, shall be essentially as follows, unless otherwise determined by the Chairperson, who shall be designated by the President of the Board.

- (a) Report on the number of memberships represented in order to determine the existence of a quorum.
- (b) Reading of the notice of the meeting and verification of publication or mailing thereof, or the waiver or waivers of notice of the meeting.
- (c) Reading of previous meeting minutes of the membership and the approval thereof.
- (d) Presentation and consideration of reports from the Chief Executive Officer, officers, trustees, or committee chairpersons.
- (e) The announcement of the Board election results.
- (f) Unfinished business.
- (g) New business.
- (h) Adjournment.

Section 7. Member Meeting List

Beginning two days after the mutual corporation provides notice of the Annual Member Meeting to members entitled to notice, and through the date of the Annual Member Meeting, the mutual corporation shall maintain an alphabetical list (“Member Meeting List”) indicating:

- (a) Members entitled to receive notice of, and to vote at, the Annual Member Meeting; and
- (b) The name and address of each member listed.

For the purpose of communicating with other members concerning the Annual Member Meeting, the mutual corporation shall make the Member Meeting List available to members for inspection and copying. Any member requesting a copy of the list shall first pay the reasonable cost of duplication. The Member Meeting List shall be available only for the purpose of communicating with members concerning matters coming before the annual meeting. The mutual corporation shall require any member requesting a copy of the Member Meeting List to agree in writing that the Meeting Member List will not be used to solicit money or property unless the money or property is used solely to solicit member votes at the Annual Member Meeting, and the Member Meeting List will not be used for any commercial purpose, or sold to, or purchased by, any person.

ARTICLE III DIRECTORS

Section 1. Election of Directors

(a) **General Qualifications of Directors.** All the business affairs of this mutual corporation, except those reserved by law to the members, shall be managed by a board of nine directors, all of whom shall be members in good standing holding fully paid membership certificates in this mutual corporation.

(b) **Additional Qualifications of Directors.** Directors shall have the following additional qualifications, unless excused by the Board for good cause:

- (1) Be an individual,
- (2) Have the capacity to enter into legally binding contracts,
- (3) While a director, and during the five (5) years immediately prior to becoming a director, not:

(i) be, or have been convicted of a felony,

(ii) plead, nor have plead, guilty to a felony,

Within two (2) years of first becoming a director, have obtained a Credentialed Cooperative Director (CCD) designation, Director's Certificate from NRECA or other similar certification from another recognized utility industry continuing education organization.

(4) Each director shall:

(i) attend nine (9) out of twelve (12) scheduled board meetings (scheduled board meetings include the board meeting/retreat and the board meeting/annual meeting) and shall not be absent for more than three (3) consecutive meetings, or more than three (3) non-consecutive meetings in a twelve (12) month period; and,¹

(ii) attend at least one (1) industry conference or continuing education course during every twelve (12) month period.

(iii) for purposes of subparagraph 5 (ii); the term industry conference or continuing education course is intended to be defined broadly to include, without limitation, any NRECA Board training, legal or other educational programs, any bar association approved continuing legal education program that deals with cooperative law, utility law, utility regulation, power supply, corporate governance, employment law, or any other legal issues that are relevant to the utility industry generally, or to Peninsula Light Company and any meetings of any regional or national utility industry organization or association at which issues confronting the utility industry are discussed and any other meetings, conferences or seminars that contribute to the director's ability to perform his or her responsibilities as a director.

(5) Maintain their primary residence in the Peninsula Light Company service territory,

(6) Use, receive, or purchase cooperative services from Peninsula Light Company at the director's primary residence.

(c) Prohibited Conflicts of Interest. It shall be a continuing qualification of any individual who is a director or a director candidate, that while a director or director candidate, and during the one (1) year immediately prior to becoming a director, or director candidate, the individual must not be or have been:

(1) A Close Relative of any existing director,

(2) An employee of Peninsula Light Company or a subsidiary entity in which Peninsula owns a majority interest or a Close Relative of an existing employee, agent or representative of Peninsula Light Company or a subsidiary entity,

(3) Employed by, materially affiliated with, or share in a material financial interest with any other director,

(4) Engaged in, nor employed by, materially affiliated with, or have a material financial interest in, any individual or entity,

(i) directly and substantially competing with the Peninsula Light Company, or

(ii) possessing a substantial conflict of interest with the Peninsula Light Company.

¹ For purposes of comparison, the 2006 NRECA Model bylaws provide for the following alternative director attendance requirements: [Directors shall]: [except as otherwise provided by the Board for good cause, attend at least [a majority // two-thirds] of all Board Meeting during each [calendar year // fiscal year // twelve month period];]

(d) Other Conflicts of Interest. Directors are required to disclose all non-prohibited conflicts and recuse themselves from any vote related to any matter or transaction that comes before the Board involving a transaction or matter in which the director has a non-prohibited conflict of interest.

(e) Definitions.

(1) The term “Close Relative” shall mean children or their spouse, husband, wife, sister, brother, parents, foster, or step-parents, grandparents, aunts, uncles, mother or father-in-law, sister or brother-in-law, whether by marriage or adoption, or any individual who resides in the same residence as a Peninsula Light Company director or employee.

(2) Conflicts of interest shall include, without limitation, being Materially Affiliated with or having a Material Financial Interest in any business providing electric, water or radio service, labor unions, and any labor union that presently represents or may in the future represent employees in any business engaged in by Peninsula Light Company or any subsidiary of Peninsula Light Company. The terms “Material Affiliation” and “Material Financial Interest” do not include isolated transactions or passive investment activity that is not related to any business providing electric, water or radio service or to their suppliers.

(f) Continuing Qualifications. Only individuals who comply with the above qualifications and requirements may be nominated, re-nominated, serve, or continue to serve, as a director. After being elected or appointed a director, if any director fails to comply with any qualification or requirement, the board is authorized to remove the director, unless compliance with the qualification or requirement is determined by the board to be excused for good cause.

(g) The failure of any director to meet the qualifications and requirements for a director without excuse for good cause, shall not invalidate any board action if a majority of directors who do meet the qualifications and requirements vote in favor of the measure.

(h) The directors shall be elected by ballot by the membership and shall hold offices until their successors are elected or appointed. Each year, three directors shall be elected for a three-year term. All candidates for the office of director shall be voted upon by the members by mail, and the three candidates receiving the highest number of votes shall be elected. If the voting results in a tie vote between two candidates, the election shall be decided by a coin flip. Any director may be removed at any time by a vote of sixty percent of the membership voting in person or by mail at any special meeting called to consider such proposed removal. Such action to remove a director shall require a quorum as specified in Article II, Section 5. Directors shall receive such compensation as the Board shall fix from time to time.

Section 2. Nominating Committee

The following procedure shall be used for nominating the persons whose names shall be submitted to the membership as candidates for the office of director of the mutual corporation.

At least sixty (90) days before each annual meeting of the membership, the Board shall appoint a Nominating Committee composed of one Board member and two members of the mutual corporation who are not currently members of the Board.

The Nominating Committee shall identify, recruit and nominate at least six candidates for the offices of director to be elected at the forthcoming annual meeting. The Nominating Committee shall select candidates for the office of director who meet the applicable qualifications for a director set forth in Section 1 of this Article III. The nominations shall be forwarded to the Board by the Nominating Committee. The Board shall review the nominee’s qualifications and if a candidate is selected by the Nominating Committee who does not meet the applicable qualifications for a director, as determined by the Board, his or her name shall not be placed on the ballot, unless the candidate is excused by the board from meeting such requirements for good cause; provided that prohibited conflicts as defined in

Section 1(b) (1-4) may not be excused. Unless disqualified for not meeting the qualifications to be a director; all of the candidates nominated by the Nominating Committee shall appear on the ballot for election of directors at the Annual Meeting. If any nominee is disqualified on the ground that he or she does not meet the qualifications, the Nominating Committee shall nominate another candidate to replace the disqualified candidate and forward the replacement candidate's name to the Board.

Any individual member in good standing who meets the qualifications and requirements set forth in Article III, Section 1, may submit his or name to the Nominating Committee to be a candidate for director and such member's name shall be considered by the Nominating Committee.

In addition, any incumbent director of the mutual corporation who meets the applicable director qualifications set forth in Section 1 of this Article III, or has been excused by the board from meeting such requirements for good cause, and who desires to run for re-election to the Board, including Directors appointed to fill vacancies pursuant to Article III, Section 3, shall advise the Board and his or her name shall be placed on the ballot as an incumbent candidate, whether or not the Nominating Committee has nominated him or her. The names of candidates shall otherwise appear on the ballot in the order and according to such other rules or policies as may be established by the Board.

In addition to candidates selected by the Nominating Committee and incumbent directors desiring to run for re-election, any member in good standing may have his or her name printed on the ballot as a candidate by submitting to the Board on or before the second Thursday in February a written Nominating Petition signed by at least 3% of the membership in good standing at the end of the prior year. Signatures on a Nominating Petition must be executed after the date of the last annual meeting of the corporation prior to the election for which the member seeks to have his or her name placed on the ballot by Nominating Petition. The form of such Nomination Petition shall be as prescribed by the Board.

For purposes of this Section and the Nominating Petition, a member in good standing means an individual or entity named on a membership certificate who is not over 30 days delinquent on the payment of any amount due and owing Peninsula Light Company and is not in violation of any rules and regulations of Peninsula Light Company on the date the Petition was signed. Petition candidates must meet the applicable qualifications for a director set forth in Section 1 of this Article III, or be excused by the Board from meeting any qualifications that may be excused for good cause. The Board shall determine whether the signature of any Petition signatory shall be disqualified on the ground that the member is not in good standing and/or whether a petition candidate is a member in good standing and meets the qualifications to be a director. The signature of one member of a joint membership shall constitute the signature on behalf of the joint membership. If more than one individual signs the Petition on behalf of a joint membership, the signatures shall constitute only one signature for the purpose of the Nomination Petition.

Subject to the requirement that only persons who meet the applicable qualifications may be elected and serve as a Director, or who are validly excused from meeting any applicable qualification, in addition to the candidates for director nominated as above, the members may write in the name of any member in good standing who meets the applicable qualifications for a director as set forth in Section 1 of this Article III as a candidate on the ballot submitted by the member.

Ballots containing the names of all candidates to be voted upon shall be sent to all members of the mutual corporation at least fifteen (15) days before the annual meeting at which directors are to be elected, and members may vote by mailing such ballot to the office of the mutual corporation or by depositing same at a place designated by the Board, provided, that ballots that are not delivered to the offices of the mutual corporation by 5:00 P.M. on the Friday before the Annual Meeting, will be deemed late filed and will not be counted.

Section 3. Vacancies

Vacancies on the Board caused by resignations or otherwise shall be filled by the Board at any meeting thereof at which a quorum is present; provided, however, that any member appointed to such vacancy shall only be appointed to complete the unexpired term of the vacated position.

Section 4. Director Quorums

Five directors shall constitute a quorum for the transaction of business of the Board; provided, that if due to the death or resignation of one or more directors, the number of directors actually serving in office shall be less than nine, then until a new director(s) is (are) appointed to fill the unexpired term of the vacated position(s) pursuant to Article III, Section 3, a quorum shall be a majority of the directors then serving in office.

Section 5. Responsibilities of Directors

The Board shall take any and all actions necessary to ensure responsible management and operation of the mutual corporation. The directors shall define the powers and duties of all committees, officers, agents, and Chief Executive Officer of the mutual corporation. The directors shall fix the price at which electric power shall be sold to the membership of the mutual corporation, and shall have authority to raise or lower the price of electric power at their discretion, when such change in price shall be necessary to properly operate the business affairs in a fiscally responsible manner. The Board shall keep a permanent record of its proceedings.

Section 6. Committees

There shall be the following permanent (standing) Committees of the Board whose functions shall be as hereinafter described and, except as otherwise provided, whose members, including the Chairperson shall be appointed by the President with the consent of the Board. The President of the Board, at his or her discretion, shall serve as an exofficio member of all committees.

(a) Finance and Audit Committee. The Finance and Audit Committee shall recommend to the entire Board an annual budget, monitor the financial condition of the mutual corporation, and oversee or act upon other financial matters as may be assigned or authorized by the Board.

The Finance and Audit Committee shall recommend to the Board a firm to perform an annual audit; review with the auditing firm the results of the annual audit, management letter, and other requested audit reports; and oversee or act upon other audit functions as may be assigned or authorized by the Board.

(b) Policy and Bylaws Committee. The Policy and Bylaws Committee shall conduct a review at least every three years of existing Board policies, recommend appropriate revisions or additions to the policies and Bylaws, and review and recommend committee structure or organization as may be assigned by the Board.

The Board shall have the authority to create such other committees as it determines to be appropriate.

Section 7. Meetings

Meetings of the Board of the mutual corporation shall be held at such time and place as determined by the Board, or may be called at any time by the President of the mutual corporation or by any three members of the Board. The Board may adopt rules governing the transaction of its business, and the holding of meetings, in which event the rules shall be binding on the Board, and all meetings shall be called and held in conformance with such rules. If such rules are silent as to the time and manner of calling meetings of the Board, such meetings may be called and held as provided in this section. The President of the mutual corporation shall preside at all meetings of the Board, and the Secretary of the mutual corporation shall be responsible for insuring that a record of all meetings of the Directors are kept in such form as prescribed by the Board. If a quorum of the Board shall not be present at any regular or called meeting, the same may be adjourned to a definite date, and the Secretary shall thereupon give not less than three days' written notice of such adjournments and the date of the reconvened meeting to the absent Directors. The Board shall provide for the holding of regular meetings of the Board at least once a month. If any member of the Board shall be absent from three consecutive regular monthly meetings of the Board, unless excused by the Board, such Director may be removed from office of Director at the option of the Board, and the vacancy may be filled by the Board as provided in Section 3 of Article III herein. In such event, the successor of such removed Director shall be selected from the membership of this mutual corporation. If any member of the Board shall be

excused from attendance of the Board meeting, such excuse shall be entered into the minutes of the Board meeting at which the Director was excused.

Section 8. Election Rules and Procedures.

(a) The Board shall be responsible for assuring the fairness and integrity of all elections, including for the adoption and enforcement of appropriate rules and procedures for the conduct of elections, including the tabulation of ballots. Prior to any Annual Member Meeting, the Board shall make such arrangements as it deems necessary and appropriate for validating the member list and distributing ballots to each member prior to each election.

(b) The Board shall make arrangements for tabulating member votes, which may include, without limitation, the appointment of an independent person(s) or an entity or organization to tabulate member votes. The person(s) entity or organization appointed to tabulate the votes may not utilize any of the following individuals to tabulate votes:

(1) any member of the Nominating Committee; or

(2) any existing director, close relative of an existing director, or candidate for director;

or

(3) any officer or employee of the mutual corporation.

(c) Notwithstanding the appointment of a person, entity or organization to tabulate the votes, it shall be the responsibility of the Board to adopt rules and regulations for the conduct of elections and to resolve all questions, issues, or disputes regarding the conduct of elections, including, without limitation, compliance with election rules, the qualification of members to vote, voting and the tabulation of member votes.

Section 9. Removal of Board Member by Membership for Cause

Any member may submit a petition for removal for cause of a Board member by filing with the Secretary in writing a petition signed by at least five percent of the membership. Such petition shall specify the reason(s) for which removal is sought. A special meeting of members shall be called to consider the petition and such Board member shall be informed in writing of the petition at least ten (10) days prior to the meeting of the members at which the petition is to be considered. Such Board member shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in response to the petition, and the member or members submitting the petition shall have the same opportunity. The Board shall have authority to determine the procedures for such special meetings. Thereafter, the Board shall cause a notice of the special proceedings to be sent to all members, pursuant to Article II, Sections 2 and 3, together with a ballot for the member to vote, by mail or in person, on the removal issue. A sixty percent majority vote shall be necessary for removal of a Director; and a quorum of fifteen percent is required pursuant to Article II, Section 5. Any vacancy created by such removal shall be filled by the Board, pursuant to Article III, Section 3.

Section 10. Procedural Rules

The Board shall have authority to determine procedures governing the conduct of the meetings of the Board, committees of the Board, the membership, and any other meetings held pursuant to the Bylaws.

Section 11. Director Compensation

As determined or approved by the Board of Directors from time to time, Peninsula Light Company may fairly reimburse, compensate, pay a salary to, or provide insurance or other benefits to Directors, and pay or reimburse Directors a fixed fee and expenses for attending a: (1) Board Meeting;

(2) function, meeting, or event involving or relating to Peninsula Light Company; or (3) function, meeting, or event involving, relating to, or reasonably enhancing the Director's ability to serve in the role of Director.

**ARTICLE IV
OFFICERS AND CHIEF EXECUTIVE OFFICER**

Section 1. Officers

The officers of the mutual corporation shall be a President, a Vice President, a Secretary, and a Treasurer. The Board may also create any other office which in its judgment shall be necessary. All such officers shall be elected annually by the Board immediately after the regular annual meeting of the mutual corporation. All officers may be removed at any time by a vote of the majority of the Board, but otherwise they shall hold their respective offices until the next regular annual meeting of the mutual corporation, after the holding of which the Board shall hold an election for the purpose of naming officers for the ensuing year. Any and all vacancies that may occur in any offices may be filled by the Directors at any meeting of the Board.

Section 2. President

The President shall:

(a) Be the principal executive officer of the mutual corporation and, unless otherwise determined by the members of the Board, shall preside at all meetings of the members of the Board.

(b) Sign originally or in facsimile, with the Secretary, certificates of membership, the issue of which shall have been authorized by the Board, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts, or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the mutual corporation, or shall be required by law to be otherwise signed and executed; and

(c) In general perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time.

Section 3. Vice President

In the absence of the President, or in the event of the President's inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall also perform such other duties as from time to time may be assigned to the Vice President by the Board.

Section 4. Secretary

The Secretary shall be responsible for:

(a) Insuring that the minutes of the meetings of the membership and of the Board are kept in books provided for that purpose;

(b) Insuring that all notices are duly given in accordance with these Bylaws or as required by law;

(c) Insuring the affixing of the seal of the mutual corporation to all certificates of membership prior to the issue thereof, and to all documents, the execution of which on behalf of the mutual corporation under its seal is duly authorized in accordance with the provisions of these Bylaws;

(d) Insuring that a register of the names and postal addresses of all memberships is kept;

(e) Signing originally or in facsimile, with the President, certificates of membership, the issue of which shall have been authorized by the Board or the membership;

(f) Insuring that there is on file at all times a complete copy of the Articles of Incorporation and Bylaws of the mutual corporation containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the mutual corporation, furnishing a copy of the Bylaws and of all amendments thereto to any member upon request; and

(g) In general performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to the Secretary by the Board.

Section 5. Treasurer

The Treasurer shall be responsible for:

(a) Signing checks, drafts, and securities of the mutual corporation as may be required by the Board;

(b) Presenting an annual financial report to the membership; and

(c) Performing all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the Board.

Section 6. Chief Executive Officer

The Chief Executive Officer of the mutual corporation, who shall not be a member of the Board, shall serve at the pleasure of a majority of the Board, and shall be responsible to and report directly to the Board. The Chief Executive Officer shall be responsible for the operations of the mutual corporation, including the hiring and firing of personnel, purchasing and disposal of supplies and equipment, system planning, financial planning and reporting, and the performance of such other duties as shall be specified by the Board.

Section 7. Presiding Officer at Board Meetings

In the absence of the President, the Vice President shall preside at all meetings of the Board. In the absence of the President and the Vice President, the Treasurer of the mutual corporation shall preside at all meetings of the Board. In the absence of the President, the Vice President, and the Treasurer, the Secretary of the mutual corporation shall preside at all meetings of the Board. In the absence of the President, the Vice President, the Treasurer, and the Secretary of the mutual corporation, the directors present at a meeting of the Board shall elect a presiding officer for the meeting.

ARTICLE V SEAL

The corporate seal of the mutual corporation shall contain these words: "PENINSULA LIGHT COMPANY," with the figures of "1925" appearing thereon, and such other words as may be appropriate to show the corporate nature of the mutual corporation.

ARTICLE VI PRIMARY AND SERVICE LINES

Section 1. Primary Lines

Primary lines are defined as those electric power lines (7,200 volts or more) installed and owned by the mutual corporation.

Section 2. Service Lines

Service lines are defined as secondary lines (600 volts or less) that carry electric power from a primary line to a residence, business, or other facility.

Section 3. Policies

The Board shall establish policies regarding the installation and ownership of primary lines and service lines.

ARTICLE VII RATES

The Board shall establish the rates to be charged for electric services, as provided in Article III, Section 5, which rates may vary according to the class and type of service.

ARTICLE VIII AMENDMENT OF BYLAWS

The Bylaws of this mutual corporation may be amended by the Board at any meeting of the Board. A record of the date of amendments to the Bylaws shall be kept in the minutes of the corporation.

ARTICLE IX INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. The mutual corporation shall indemnify any director, officer, or manager, or former director against all judgments, penalties, fines, settlements, and reasonable expenses, including attorney's fees, in connection with any proceeding to the extent authorized and subject to the provisions of Chapter 23B.08.560 RCW, as now enacted or hereafter amended. The risks covered by this indemnification may be protected against by the purchase, maintenance, and payment of premiums for such insurance as in the discretion of the Board is deemed to be appropriate.

Section 2. Each such person who was, is, or is threatened to be made a named party to or is otherwise involved (including, without limitation, as a witness) in any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal (hereinafter a "proceeding"), by reason of the fact that he or she is or was a Director or officer of the corporation or, that being or having been such a Director or officer or an employee of the corporation, he or she is or was serving at the request of the corporation as a Director, officer, partner, trustee, employee, or agent of another corporation or of a partnership, joint venture, trust, employee benefit plan, or other enterprise (hereinafter an "indemnitee"), whether the basis of a proceeding is alleged action in an official capacity as such a Director, officer, partner, trustee, employee, or agent, or in any other capacity while serving as such a Director, officer, partner, trustee, employee, or agent, shall be indemnified and held harmless by the corporation against all expense, liability, and loss (including counsel fees, judgments, fines, ERISA, excise taxes, or penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by such indemnitee in connection therewith, and such indemnification shall continue as to an indemnitee who has ceased to be a Director, officer, partner, trustee, employee, or agent and shall inure to the benefit of the indemnitee's heirs, executors, and administrators. Except as provided in Section 3 of this Article with respect to proceedings seeking to enforce rights to indemnification, the corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if a proceeding (or part thereof) was authorized or ratified by the Board. The right to indemnification conferred in this Section shall be a contract right.

Section 3. No indemnification shall be provided to any such indemnitee for acts or omissions of the indemnitee finally adjudged to be intentional misconduct or a knowing violation of law, or for conduct of the indemnitee involving conduct finally adjudged to be a violation of RCW 23B.08.310, or any transaction with respect to which it was finally adjudged that such indemnitee personally received a benefit in money, property, or services to which the indemnitee was not legally entitled, or if the corporation is otherwise prohibited by applicable law from paying such indemnification, except that if Section 23B.08.560, or any successor provision of the Washington Business Corporation Act is hereafter amended, the restrictions on indemnification set forth in this section shall be as set forth in such amended statutory provision.

Section 4. The right to indemnification conferred in this Article shall include the right to be paid by the corporation the expenses incurred in defending any proceeding in advance of its final disposition (hereinafter an "advancement of expenses"). An advancement of expenses shall be made upon delivery to the corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this Section 4.

Section 5. If a claim under Section 2 or 4 of this Article is not paid in full by the corporation within sixty (60) days after a written claim has been received by the corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the indemnitee may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim. If successful in whole or in part, in any such suit or in a suit brought by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit.

The indemnitee shall be presumed to be entitled to indemnification under this Section upon submission of a written claim (and, in an action brought to enforce a claim for an advancement of expenses, where the required undertaking has been tendered to the corporation) and thereafter the corporation shall have the burden of proof to overcome the presumption that the indemnitee is so entitled.

Section 6. Pursuant to Section 23B.08.560(2) or any successor provision of the Washington Business Corporation Act, the procedures for indemnification and advancement of expenses set forth in this Section are in lieu of the procedures required by Section 23B.08.550 or any successor provision of the Washington Business Corporation Act.

Section 7. The right to indemnification and the advancement of expenses conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Articles of Incorporation, or Bylaws of the corporation, general or specific action of the Board, contract or otherwise.

Section 8. The corporation may maintain insurance, at its expense, to protect itself and any Director, officer, partner, trustee, employee, or agent of the corporation or another corporation, partnership, joint venture, trust, or other enterprise against any expense, liability, or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability, or loss under the Mutual Corporation Act, Chapter 24.06 RCW, or the Washington Business Corporation Act, Chapter 23B.08.500 through .600 RCW. The corporation may enter into contracts with any Director, officer, partner, trustee, employee, or agent of the corporation in furtherance of the provisions of this Section and may create a trust fund, grant a security interest, or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Section.

Section 9. The corporation may, by action of the Board, grant rights to indemnification and advancement of expenses to employees and agents, or any class or group of employees and agents of the corporation:

(a) with the same scope and effect as the provisions of this Section with respect to the indemnification and advancement of expenses of Directors and officers of the corporation;

(b) pursuant to rights granted pursuant to, or provided by, the Washington Business Corporation Act; or

(c) otherwise consistent with law.

Section 10. Any person who, while a Director, officer, or employee of the corporation, is, or was serving as a Director or officer of another foreign or domestic corporation of which a majority of the shares entitled to vote in the election of its Directors is held by the corporation; or (a) as a partner, trustee, or otherwise in an executive, or management capacity in a partnership, joint venture, trust, or other enterprise of which the corporation, or a wholly owned subsidiary of the corporation is a general partner, or has a majority ownership, shall be deemed to be so serving at the request of an executive officer of the corporation and entitled to indemnification and advancement of expenses under Sections 2 and 4 of this Article.

(END)