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BOOK 52 PAGE 56

EXECUTED IN 110 COUNTERPARTS OF
WHICH THIS IS COUNTER PART NO. 46

THE WASHINGTON WATER POWER COMPANY

TO

FIRST NATIONAL CITY BANK

(Successor by merger to First National City Trust Company,
formerly City Bank Farmers Trust Company)

As Trustee under The Washington Water
Power Company's Mortgage and Deed
of Trust, dated as of June 1, 1939

Sixteenth Supplemental Indenture

Providing among other things for
First Mortgage Bonds, 9 $\frac{3}{8}$ % Series due 2005

Dated as of February 1, 1975

SIXTEENTH SUPPLEMENTAL INDENTURE

THIS INDENTURE, dated as of the first day of February, 1975, between **THE WASHINGTON WATER POWER COMPANY**, a corporation of the State of Washington, whose post office address is East 1411 Mission Avenue, Spokane, Washington (the "Company"), and **FIRST NATIONAL CITY BANK** (successor by merger to First National City Trust Company, formerly **CITY BANK FARMERS TRUST COMPANY**), a national banking association incorporated and existing under the laws of the United States of America, whose post office address is 111 Wall Street, New York, New York (the "Trustee"), as Trustee under the Mortgage and Deed of Trust, dated as of June 1, 1939 (the "Mortgage"), executed and delivered by the Company to secure the payment of bonds issued or to be issued under and in accordance with the provisions of the Mortgage, this indenture (the "Sixteenth Supplemental Indenture") being supplemental thereto.

WHEREAS the Mortgage has been appropriately filed or recorded in various official records in the states of Washington, Idaho and Montana; and

WHEREAS pursuant to a Written Request of the Company made in accordance with Section 103 of the Mortgage, Francis M. Pitt (then Individual Trustee under the Mortgage, as supplemented) ceased to be a trustee thereunder on July 23, 1967, and all of his powers as Individual Trustee have devolved upon the Trustee and its successors alone; and

WHEREAS by the Mortgage the Company covenanted that it would execute and deliver such further instruments and do such further acts as might be necessary or proper to carry out more effectually the purposes of the Mortgage and to make subject to the lien of the Mortgage any property hereafter acquired intended to be subject to the lien thereof; and

WHEREAS the Company executed and delivered the following indentures supplemental to the Mortgage:

<u>Designation</u>	<u>Dated as of</u>
First Supplemental Indenture	October 1, 1952
Second Supplemental Indenture	May 1, 1953
Third Supplemental Indenture	December 1, 1955
Fourth Supplemental Indenture	March 15, 1957
Fifth Supplemental Indenture	July 1, 1957
Sixth Supplemental Indenture	January 1, 1958
Seventh Supplemental Indenture	August 1, 1958
Eighth Supplemental Indenture	January 1, 1959
Ninth Supplemental Indenture	January 1, 1960
Tenth Supplemental Indenture	April 1, 1964
Eleventh Supplemental Indenture	March 1, 1965
Twelfth Supplemental Indenture	May 1, 1966
Thirteenth Supplemental Indenture	August 1, 1966
Fourteenth Supplemental Indenture	April 1, 1970

WHEREAS Section 120 of the Mortgage provides, among other things, that any power, privilege or right expressly or impliedly reserved to or in any way conferred upon the Company by any provision of the Mortgage, as supplemented, whether such power, privilege or right is in any way restricted or is unrestricted, may be in whole or in part waived or surrendered or subjected to any restriction if at the time unrestricted or to additional restriction if already restricted, and the Company may enter into any further covenants, limitations or restrictions for the benefit of any one or more series of bonds issued thereunder, or the Company may cure any ambiguity contained therein, or in any supplemental indenture, by an instrument in writing executed and acknowledged by the Company in such manner as would be necessary to entitle a conveyance of real estate to record in all of the states in which any property at the time subject to the Lien of the Mortgage shall be situated; and

WHEREAS the Company now desires to create a new series of bonds and to add to its covenants and agreements contained in the Mortgage, as supplemented, certain other covenants and agreements to be observed by it and to supplement and amend in certain respects the covenants and provisions contained in the Mortgage, as supplemented; and

WHEREAS the execution and delivery by the Company of this Sixteenth Supplemental Indenture, and the terms of the bonds of the Fourteenth Series, hereinafter referred to, have been duly authorized by the Board of Directors of the Company by appropriate Resolution of said Board of Directors, and all things necessary to make this Sixteenth Supplemental Indenture a valid, binding and legal instrument for the security of the bonds have been performed;

NOW, THEREFORE, THIS INDENTURE WITNESSETH: That the Company, in consideration of the premises and of one dollar to it duly paid by the Trustee at or before the sealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in further assurance of the estate, title and rights of the Trustee and in order further to secure the payment of both the principal of and interest and premium, if any, on the bonds from time to time issued under the Mortgage, as supplemented, according to their tenor and effect and the performance of all the provisions of the Mortgage (including any instruments supplemental thereto and any modification made as in the Mortgage provided) and of such bonds, and to confirm the lien of the Mortgage on certain after acquired property, hereby grants, bargains, sell, releases, conveys, assigns, transfers, mortgages, pledges, sets over and confirms unto First National City Bank, as Trustee under the Mortgage, and to its successor or successors in said trust forever, all the following described

properties of the Company, acquired by the Company since the execution and delivery of the Mortgage, whether now owned or hereafter acquired, namely:

All of the property, real, personal and mixed, of every character and wheresoever situated (except any hereinafter or in the Mortgage, as supplemented, expressly excepted) which the Company now owns or, subject to the provisions of Section 87 of the Mortgage, may hereafter acquire prior to the satisfaction and discharge of the Mortgage, as fully and completely as if herein or in the Mortgage, as supplemented, specifically described, and including (without in anywise limiting or impairing by the enumeration of the same the scope and intent of the foregoing or of any general description contained in this Sixteenth Supplement to Indenture) all lands, real estate, easements, servitudes, rights of way and leasehold and other interests in real estate; all rights to the use or appropriation of water, flowage rights, water storage rights, flooding rights, and other rights in respect of or relating to water; all plants for the generation of electricity, power houses, dams, dam sites, reservoirs, flumes, raceways, diversion works, head works, waterways, water works, water systems, gas plants, steam heat plants, hot water plants, ice or refrigeration plants, stations, substations, offices, buildings and other works and structures and the equipment thereof and all improvements, extensions and additions thereto; all generators, machinery, engines, turbines, boilers, dynamos, transformers, motors, electric machines, switchboards, regulators, meters, electrical and mechanical appliances, conduits, cables, pipes and mains; all lines and systems for the transmission and distribution of electric current, gas, steam heat or water for any purpose; all towers, mains, pipes, poles, pole lines, conduits, cables, wires, switch racks, insulators, compressors, pumps, fittings, valves and connections; all motor vehicles and automobiles; all tools, implements, apparatus, furniture, stores, supplies and equipment; all franchises (except the Company's franchise to be a corporation), licenses, permits, rights, powers and privileges; and (except as hereinafter or in the Mortgage, as supplemented, expressly excepted) all the right, title and interest of the Company in and to all other property of any kind or nature.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 57 of the Mortgage) the tolls, rents, revenues, issues, earnings, income, product and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well

as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

IT IS HEREBY AGREED by the Company that, subject to the provisions of Section 87 of the Mortgage, all the property, rights, and franchises acquired by the Company after the date hereof (except any hereinbefore or hereinafter or in the Mortgage, as supplemented, expressly excepted) shall be as fully embraced within the lien hereof and the lien of the Mortgage, as supplemented, as if such property, rights and franchises were now owned by the Company and were specifically described herein or in the Mortgage and conveyed hereby or thereby.

PROVIDED THAT the following are not and are not intended to be now or hereafter granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed hereunder and are hereby expressly excepted from the lien and operation of this Sixteenth Supplemental Indenture and from the lien and operation of the Mortgage, as supplemented, namely: (1) cash, shares of stock and obligations (including bonds, notes and other securities) not hereafter specifically pledged, paid, deposited or delivered under the Mortgage, as supplemented, or covenanted so to be; (2) merchandise, equipment, materials or supplies held for the purpose of sale in the usual course of business or for consumption in the operation of any properties of the Company; (3) bills, notes and accounts receivable and all contracts, leases and operating agreements not specifically pledged under the Mortgage, as supplemented, or this Sixteenth Supplemental Indenture or covenanted so to be; (4) electric energy and other materials or products generated, manufactured, produced or purchased by the Company for sale, distribution or use in the ordinary course of its business; and (5) any property heretofore released pursuant to any provisions of the Mortgage, as supplemented, and not heretofore disposed of by the Company; provided, however, that the property and rights expressly excepted from the lien and operation of this Sixteenth Supplemental Indenture and from the lien and operation of the Mortgage, as supplemented, in the above subdivisions (2) and (3) shall (to the extent permitted by law) cease to be so excepted in the event that the Trustee or a receiver or trustee shall enter upon and take possession of the Mortgaged and Pledged Property in the manner provided in Article XII of the Mortgage by reason of the occurrence of a Completed Default as defined in said Article XII.

TO HAVE AND TO HOLD all such properties, real, personal and mixed, granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged,

pledged, set over or confirmed by the Company as aforesaid, or intended so to be, unto the Trustee, and its successors, heirs and assigns forever;

IN TRUST NEVERTHELESS, for the same purposes and upon the same terms, trusts and conditions and subject to and with the same provisos and covenants as set forth in the Mortgage, as supplemented, this Sixteenth Supplemental Indenture being supplemental to the Mortgage.

AND IT IS HEREBY COVENANTED by the Company that all the terms, conditions, provisos, covenants and provisions contained in the Mortgage, as supplemented, shall affect and apply to the property hereinbefore described and conveyed, and to the estates, rights, obligations and duties of the Company and the Trustee and the beneficiaries of the trust with respect to said property, and to the Trustee and its successors in the trust, in the same manner and with the same effect as if the said property had been owned by the Company at the time of the execution of the Mortgage, and had been specifically and at length described in and conveyed to said Trustee by the Mortgage as a part of the property therein stated to be conveyed.

The Company further covenants and agrees to and with the Trustee and its successor or successors in such trust under the Mortgage, as follows:

ARTICLE I

Fourteenth Series of Bonds

SECTION 1. There shall be a series of bonds designated "9 $\frac{3}{8}$ % Series due 2005" (herein sometimes referred to as the "Fourteenth Series"), each of which shall also bear the descriptive title First Mortgage Bond, and the form thereof, which shall be established by Resolution of the Board of Directors of the Company, shall contain suitable provisions with respect to the matters hereinafter in this Section specified. Bonds of the Fourteenth Series shall mature on February 1, 2005, shall be issued as fully registered bonds in denominations of One Thousand Dollars and, at the option of the Company, in any multiple or multiples of One Thousand Dollars (the exercise of such option to be evidenced by the execution and delivery thereof), shall be dated as in Section 10 of the Mortgage provided, shall bear interest at the rate of 9 $\frac{3}{8}$ % per annum, payable semi-annually on August 1 and February 1 of each year; the principal of and interest on each such bond to be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts.

(I) Bonds of the Fourteenth Series shall be redeemable either at the option of the Company or pursuant to the requirements of the Mortgage, as supplemented, in whole at any time, or in par from time to time, prior to maturity, upon notice mailed as provided in Section 52 of the Mortgage, at the following general redemption prices, expressed in percentages of the principal amount of the bonds to be redeemed:

GENERAL REDEMPTION PRICES

If redeemed during the 12 months period ending January 31,

Year	Redemption Price	Year	Redemption Price	Year	Redemption Price
1976	110.63%	1986	106.97%	1996	103.30%
1977 ...	110.26%	1987	106.60%	1997	102.94%
1978 ...	109.90%	1988	106.23%	1998	102.57%
1979	109.53%	1989	105.87%	1999	102.20%
1980	109.16%	1990	105.50%	2000	101.84%
1981	108.80%	1991	105.13%	2001	101.47%
1982	108.43%	1992	104.77%	2002	101.10%
1983 ...	108.07%	1993	104.40%	2003	100.74%
1984	107.70%	1994	104.04%	2004	100.37%
1985	107.33%	1995	103.67%	2005	100.00%

in each case together with accrued interest to the date fixed for redemption; provided, however, that no bonds of the Fourteenth Series shall be redeemable at the general redemption prices prior to February 1, 1985, with borrowed funds, or in anticipation of funds to be borrowed, having an interest cost (calculated in accordance with acceptable financial practice) of less than 9.375% per annum.

(II) Bonds of the Fourteenth Series shall also be redeemable in whole at any time, or in part from time to time, prior to maturity, upon like notice, by the application (either at the option of the Company or pursuant to the requirements of the Mortgage) of cash deposited with the Corporate Trustee pursuant to the provisions of Section 38, Section 39 or Section 64 of the Mortgage or with the Proceeds of Released Property at the following special redemption prices, expressed in percentages of the principal amount of the bonds to be redeemed:

SPECIAL REDEMPTION PRICES

If redeemed during the 12 months period ending January 31,

Year	Redemption Price	Year	Redemption Price	Year	Redemption Price
1976	.... 101.25%	1986	.... 101.12%	1996	.... 100.80%
1977	.... 101.25%	1987	.... 101.10%	1997	.... 100.75%
1978	.... 101.24%	1988	.... 101.08%	1998	.... 100.69%
1979	.... 101.23%	1989	.... 101.06%	1999	.... 100.63%
1980	.... 101.22%	1990	.... 101.03%	2000	.... 100.57%
1981	.... 101.20%	1991	.... 101.00%	2001	.... 100.49%
1982	.... 101.19%	1992	.... 100.97%	2002	.... 100.41%
1983	.... 101.18%	1993	.... 100.93%	2003	.... 100.32%
1984	.... 101.16%	1994	.... 100.89%	2004	.... 100.23%
1985	.... 101.14%	1995	.... 100.85%	2005	.... 100.00%

in each case together with accrued interest to the date fixed for redemption; provided, however, that if, in the case of redemption of bonds of the Fourteenth Series by the application of cash deposited with the Corporate Trustee pursuant to the provisions of Section 39 of the Mortgage, the date fixed for such redemption shall be prior to January 1 of the calendar year in which such deposit of cash shall become due under the provisions of said Section 39, bonds of the Fourteenth Series shall be redeemable at the applicable general redemption prices set forth in subdivision (I) of this Section, together with accrued interest to the date fixed for redemption.

(III) At the option of the registered owner, any bonds of the Fourteenth Series, upon surrender thereof for cancellation at the office or agency of the Company in the Borough of Manhattan, The City of New York, shall be exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations.

Bonds of the Fourteenth Series shall be transferable, upon the surrender thereof for cancellation, together with a written instrument of transfer in form approved by the registrar duly executed by the registered owner or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York.

Upon any exchange or transfer of bonds of the Fourteenth Series, the Company may make a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge, as provided in Section 12 of the Mortgage, but the Company hereby waives any right to make a charge in addition thereto for any exchange or transfer of bonds of the Fourteenth Series.

Upon the delivery of this Sixteenth Supplemental Indenture, bonds of the Fourteenth Series in the aggregate principal amount of \$25,000,000 are to be issued forthwith and will be Outstanding, in addition to \$200,373,000 aggregate principal amount of bonds of prior series Outstanding at the date of delivery of this Sixteenth Supplemental Indenture.

ARTICLE II

Dividend Covenant

SECTION 2. So long as any of the bonds of the Fourteenth Series remain Outstanding, unless this requirement shall have been waived in writing by the holders of a majority in principal amount of the bonds of the Fourteenth Series Outstanding at the time of such waiver, the Company covenants that it will not declare or pay any dividend on its common stock or make any other distribution on shares of its common stock (other than dividends or distributions payable solely in shares of its common stock) or acquire (unless acquired without cost to the Company) any shares of the common stock of the Company, if the aggregate amount of all such payments, distributions and the cost of such acquisitions from and after July 1, 1957, shall exceed the aggregate net income of the Company applicable to common stock of the Company from and after July 1, 1957, and prior to such proposed declaration, payment, distribution or acquisition, plus \$6,009,000, and plus an amount equal to the proceeds from the sale of common stock subsequent to July 1, 1957.

"Net income of the Company" shall, for the purposes of this Section and without regard to any other provision of the Mortgage, as supplemented, be determined in accordance with the system of accounts employed from time to time by the Company and which is in accordance with generally accepted accounting principles and practices for companies operating properties of like kind and character; provided, however, that the actual amounts deducted out of income for such cumulative period for expenditures and/or accruals for maintenance and/or appropriated for property retirement and/or appropriated for property amortization shall never be less than an amount equal to 13½% of the Gross Operating Revenues of the Company (as defined in Section 38 of the Mortgage) for such cumulative period.

ARTICLE III

Miscellaneous Provisions

SECTION 3. The Company covenants that, whenever it is required to redeem bonds, directly or indirectly, as a result of the provisions of Section

64 of the Mortgage, it will not so redeem more bonds of the Fourteenth Series than a pro rata portion of all bonds Outstanding at the time of such redemption.

SECTION 4. The terms defined in the Mortgage, as supplemented, shall, for all purposes of this Sixteenth Supplemental Indenture, have the meanings specified in the Mortgage, as supplemented.

SECTION 5. The Trustee hereby accepts the trusts hereby declared, provided, created or supplemented and agrees to perform the same upon the terms and conditions herein and in the Mortgage, as supplemented, set forth, including the following:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Sixteenth Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. Each and every term and condition contained in Article XVI of the Mortgage, as supplemented, shall apply to and form part of this Sixteenth Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such omissions, variations and insertions, if any, as may be appropriate to make the same conform to the provisions of this Sixteenth Supplemental Indenture.

SECTION 6. Whenever in this Sixteenth Supplemental Indenture either of the parties hereto is named or referred to, this shall, subject to the provisions of Articles XV and XVI of the Mortgage, as supplemented, be deemed to include the successors and assigns of such party, and all the covenants and agreements in this Sixteenth Supplemental Indenture contained by or on behalf of the Company, or by or on behalf of the Trustee, or either of them, shall, subject as aforesaid, bind and inure to the respective benefits of the respective successors and assigns of such parties, whether so expressed or not.

SECTION 7. Nothing in this Sixteenth Supplemental Indenture, expressed or implied, is intended, or shall be construed, to confer upon, or to give to, any person, firm or corporation, other than the parties hereto and the holders of the bonds and coupons Outstanding under the Mortgage, any right, remedy or claim under or by reason of this Sixteenth Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this Sixteenth Supplemental Indenture contained by or on behalf of the

Company shall be for the sole and exclusive benefit of the parties hereto, and of the holders of the bonds and of the coupons Outstanding under the Mortgage.

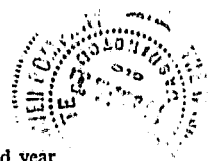
SECTION 8. So long as any bonds of the Fourteenth Series remain Outstanding, unless this requirement shall have been waived in writing by the holders of a majority in principal amount of the bonds of the Fourteenth Series Outstanding at the time of such waiver, notwithstanding the provisions of the second paragraph of Section 7 of the Mortgage, in any Net Earning Certificate required to be delivered to the Corporate Trustee there shall be included in the operating expenses all interest on customers' deposits and an amount equal to 13 1/2% of the Gross Operating Revenues for the twelve consecutive calendar months covered by such certificate after deducting from such amount an amount equal to the amount, included in operating expenses, expended for or accrued for repairs and maintenance.

SECTION 9. Section 39 of the Mortgage is hereby amended by inserting the words "; and provided further that the Company may not deposit cash prior to February 1, 1985, in anticipation of the requirements of this Section in respect of the Fourteenth Series other than a requirement becoming due in the current calendar year, if the cash so deposited represents borrowed funds, or is in anticipation of funds to be borrowed, having an interest cost (calculated in accordance with acceptable financial practice) of less than 9.375% per annum," after the words "of less than 7.81% per annum".

SECTION 10. This Sixteenth Supplemental Indenture shall be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 11. The titles of the several Articles of this Sixteenth Supplemental Indenture shall not be deemed to be any part thereof.

IN WITNESS WHEREOF, on this 11th day of February, 1975, THE WASHINGTON WATER POWER COMPANY has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by its President or one of its Vice Presidents, and its corporate seal to be attested by its Secretary or one of its Assistant Secretaries for and in its behalf, all in The City of New York, New York, as of the day and year first above written; and on this 18th day of February, 1975, FIRST NATIONAL CITY BANK has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by its President or one of its Vice Presidents or one of its Trust Officers and its corporate seal to be attested by one of its Assistant



Cashiers, all in The City of New York, New York, as of the day and year first above written.

THE WASHINGTON WATER POWER COMPANY

By W. J. Latta
President

Attest:

J. L. Buckle
Secretary

Executed, sealed and delivered by THE WASHINGTON WATER POWER COMPANY, in the presence of:

John M. Elmer

FIRST NATIONAL CITY BANK, AS TRUSTEE

By [Signature]
Trust Officer

Attest:

[Signature]
Assistant Cashier

Executed, sealed and delivered by FIRST NATIONAL CITY BANK, in the presence of:

[Signature]
[Signature]

STATE OF NEW YORK }
 COUNTY OF NEW YORK } ss.:

On the 11th day of February, 1975, before me personally appeared W. J. SATRE, to me known to be the President of THE WASHINGTON WATER POWER COMPANY, one of the corporations that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said Corporation for the uses and purposes therein mentioned and on oath stated that he was authorized to execute said instrument and that the seal affixed is the corporate seal of said Corporation.

On the 11th day of February, 1975, before me, MORTON BARAD, a Notary Public in and for the State and County aforesaid, personally appeared W. J. SATRE, known to me to be the President of THE WASHINGTON WATER POWER COMPANY, one of the corporations that executed the within and foregoing instrument and acknowledged to me that such Corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

Morton Barad
 Notary Public

MORTON BARAD
 Notary Public, State of New York
 No. 415170080
 Certs. filed in Bronx, Kings, Nassau,
 New York, and Westchester Cos.
 Qualified in Queens County
 Commission Expires March 30, 1976

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

On the 18th day of February, 1975, before me personally appeared O. BOHACHIBWSKY, to me known to be a Trust Officer of FIRST NATIONAL CITY BANK, one of the corporations that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said Corporation for the uses and purposes therein mentioned and on oath stated that he was authorized to execute said instrument and that the seal affixed is the corporate seal of said Corporation.

On the 18th day of February, in the year 1975, before me, ENZO L. CARROCCI, a Notary Public in and for the State and County aforesaid, personally appeared O. BOHACHIBWSKY, known to me to be a Trust Officer of FIRST NATIONAL CITY BANK, one of the corporations that executed the within and foregoing instrument and acknowledged to me that such Corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

Notary Public

ENZO L. CARROCCI
Notary Public, State of New York
No. 41 5605595
Qualified in Richmond County
Cert. Filed in New York County
Term Expires March 30, 1976

