

- CONFIDENTIAL TERM SHEET -

**Nucor Waste Heat Recovery Project
12/6/12 Proposal**

The following is a summary of proposed terms for the provision of energy conservation incentives for the Nucor Waste Heat Recovery Project (Nucor Project). This Term Sheet is intended solely as a basis for further discussion and it is not intended to be a binding obligation.

Project Implementer: Nucor Steel Seattle, Inc. (Nucor)

Provider of Conservation Incentives: Light Department, City of Seattle (SCL)

Period of Agreement: From initial contract date to thirteen years after SOP (as defined below)

Project Location: 2424 SW Andover Street, Seattle, WA

Contract Quantity: 100% net energy production (metered output less metered or estimated parasitic loads), and environmental attributes associated with the project (any current or future renewable energy credits or carbon mitigation/offset credits).

Conservation Incentive: \$0.067/kWh (equal to traditional first-year conservation incentive of \$0.20/kWh spread over three years of production) times the Contract Quantity. This incentive is available as long as the Nucor Project's net generation is eligible for conservation credit under Washington's Energy Independence Act (I-937) and the Nucor Project directly results in the load from Nucor to SCL being less than it would have been had the Nucor Project not been completed.

Special Terms and Exceptions:

Conservation Incentive Payment Schedule:

Incentive payments will be made monthly during first twelve months of production and at least quarterly during each of the following two twelve-month periods. Production shall commence on the date specified once the waste heat generator has been installed, tested, adjusted and approved for normal operation by Nucor (the Start of Production, or SOP).

Metering requirements:

The power production of the waste heat generator will be metered in a manner mutually agreeable to both parties. The parasitic loads required to serve the generator and its associated incremental facilities will be metered separately or a mutually agreeable method will be identified to estimate those loads. This includes any increased electric load in existing plant equipment needed to support the waste heat recovery process. Parasitic loads will be deducted

from the metered production to determine the net energy production eligible for Conservation Incentive payments.

Continued Operation:

In the event the Nucor Project is taken out of service permanently during the first three years following SOP, Nucor shall refund to SCL 75% of all incentives provided by SCL related to the Nucor Project provided to date (Aggregate Incentives). If the Nucor Project is taken out of service permanently at any time in the fourth through the twelfth year after SOP, Nucor shall refund to SCL an amount equal to (i) the ratio of (a) the difference between twelve and the number of years the Nucor Project was in service (at the time the production ceases) to (b) twelve years, multiplied by (ii) the amount of Aggregate Incentives. In the event Nucor ceases to be an electric customer of SCL, the Nucor Project will be deemed to be out of service permanently. The definitive agreement between the parties will include provisions addressing situations in which the Nucor Project may be out of service because of force majeure.

Compliance requirements:

1. This project must be implemented consistent with Nucor's application to Washington State Department of Commerce (Commerce) for review and approval under I-937 and with Commerce's determination of eligibility. Nucor must demonstrate "that the completed project meets the minimum efficiency and net generation requirements as demonstrated by the proposed design" [Commerce letter of July 24, 2012].
2. This project must be implemented consistent with SCL's interconnection requirements as specified in its "Standards for Interconnection of Generators 20 MW and Less in Capacity to Seattle City Light's Electrical Distribution System" (500P III-305). Nucor will pay all interconnection costs.

Conditions precedent:

1. Authorization for SCL to enter into the agreement by its legislative authority
2. Agreement of the parties to terms and conditions in a definitive agreement executed by the parties.

SCL can terminate at will if:

1. Nucor fails to implement the project in a manner consistent with Commerce's determination that the project is eligible for I-937,
2. Nucor does not comply with SCL's interconnection requirements,
3. Any conditions specified by SCL's legislative authority in its authorization are not met, or
4. Nucor ceases to provide electrical savings to SCL in accordance with the definitive agreement entered into between the parties (which will include provisions addressing force majeure).

Nucor can terminate at will if:

1. The Nucor Project does not reach SOP, or
2. SCL fails to pay Nucor the Conservation Incentives when due.

Glenn Atwood
SCL Waste Heat to Power Project ORD ATT 2
December 11, 2012
Version #1

For Seattle City Light

For Nucor Steel Seattle, Inc.


James Baggs, Officer
Power Supply & Environmental Affairs


Matt Lyons
General Manager