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AUTH.NAME AUTHOR AFFILIATION
SORENSEN,G.C. Washington Public Power Supply System
RECIP.NAME RECIPIENT AFFILIATION
DINITZ,I. Assistant Director for State & Licensee Relations

SUBJECT: Discusses 10CFR140.21 requirement of proof of ability to pay retrospective premium established as second layer of financial protection.Preparation of cash flow statement per Reg Guide 9.4 meaningless because util not profit making.

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**Washington Public Power Supply System**
3000 George Washington Way P.O. Box 968 Richland, Washington 99352-0968 (509)372-5000

July 12, 1984
Docket No. 50-397

Mr. Ira Dinitz
Insurance Indemnity Analyst
Office of State Programs
Nuclear Regulatory Commission
Washington, D.C. 20555

Dear Mr. Dinitz:

Subject: FINANCIAL GUARANTY - SECONDARY FINANCIAL PROTECTION

Per your discussions with Rich Bresnahan, of the Supply System, on the 10 CFR § 140.21 which requires proof of ability to pay the retrospective premium established as the second layer of financial protection, the preparation of a cash flow statement in accordance with the format in Regulatory Guide 9.4 would be meaningless because the Supply System is not a profit making entity but a State Joint Operating Agency.

The Supply System gets revenue on Project No. 2 by selling the capability of the Project. The Bonneville Power Administration, an Agency of the Department of Energy, has purchased the entire capability of Project No. 2 from certain of its statutory preference customers who, in turn, purchased such capability from the Supply System, all under the Net Billing Agreements. Bonneville is obligated to pay the total annual costs of Project No. 2 to the Supply System.

Attached (Exhibit 1) is the opinion of BPA's General Counsel in which they state, "It is our opinion that Bonneville is obligated to pay costs of ownership, operation, and maintenance, including costs of insurance, and, specifically, that insurance obligation provided through the Price Anderson Act". As previously stated the mechanism of this payment is through Net Billing and a copy of the Net Billing Agreement is included as Exhibit 2.

An appeal has been filed in the City of Springfield vs. WPPSS et al case cited in Bonneville's letter. A decision on that appeal has not yet been reached.

The opinion of Bonneville regarding their obligation to pay should satisfy the requirements of 10 CFR § 140.21. If you require additional documentation, please contact Rich Bresnahan at (509) 372-5131.

Very truly yours,

GC Sorensen

G.C. Sorensen
Manager, Regulatory Program

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RAB:GCS/cl

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PDR ADOCK 05000397
J PDR

Attachments (2)
cc: R. Auluck
N.S. Reynolds

EXHIBIT 1

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208

OFFICE OF GENERAL COUNSEL

In reply refer to: AFG

July 1, 1983

Mr. Joseph O. DeLuca
Manager - Corporate Insurance
Washington Public Power Supply System
P.O. Box 968
Richland, WA 99352

Dear Mr. DeLuca:

At the request of the Supply System we have reviewed BPA's obligations under certain agreements with the Supply System as such obligations relate to retrospective premiums under the Price Anderson Act (Pub. L. 94-197). BPA is obligated to pay retrospective premiums to the Supply System pursuant to the terms of the Net-Billing Agreements associated with WNP No. 2.

Under the section entitled "Payment by the Administrator" (either section 7 or 8 of such agreements) BPA is obligated to pay all project annual costs of the Supply System through net-billing credits or cash payments. Included in project costs are all costs included in the annual budget for the project adopted each year. The Supply System must adopt an annual budget which makes provisions for all the Supply System's project costs resulting from the ownership, operation, and maintenance of the project. If an extraordinary item not budgeted occurs during the year, the Supply System is obligated to adopt an amended budget which then increases BPA's payment obligation to the Supply System for the remainder of the year. Therefore, it is our opinion that Bonneville is obligated to pay costs of ownership, operation, and maintenance, including costs of insurance, and, specifically, that insurance obligation provided through the Price Anderson Act. If the policy which American Nuclear Insurers (A.N.I.) issues to the Supply System requires retrospective premiums, these premiums would be operating costs just as the ordinary premiums required under the Price Anderson Act are.

In City of Springfield v. WPPSS, et al., No. 82-1387 (D. Or. 1982), the U.S. District Court of Oregon recently confirmed that the Net-Billing Agreements are valid. As information I enclose the court's opinion, together with a set of documents entitled "The Statutory Authority for BPA Acquisition of the Capability of the Net-Billed Thermal Projects."

If we can furnish further information related to our obligation under the Net-Billing Agreements, please let us know.

Sincerely,

Harvard P. Spigal
Acting General Counsel

Enclosures

Contract No. 14-03-19206

10-5-70

# WASHINGTON PUBLIC POWER SUPPLY SYSTEM

# NUCLEAR PROJECT NO. 2

# AGREEMENT

executed by the

UNITED STATES OF AMERICA

DEPARTMENT OF THE INTERIOR

acting by and through the

BONNEVILLE POWER ADMINISTRATOR

and

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

and

SURPRISE VALLEY ELECTRIFICATION CORPORATION

(Net Billing Agreement)

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This AGREEMENT, executed JAN 4 1974, 1970, by the UNITED STATES OF AMERICA (hereinafter called "the Government"), Department of the Interior, acting by and through the BONNEVILLE POWER ADMINISTRATOR (hereinafter called "the Administrator"), and WASHINGTON PUBLIC POWER SUPPLY SYSTEM (hereinafter called "Supply System"), a municipal corporation of the State of Washington, and SURPRISE VALLEY ELECTRIFICATION CORPORATION, a nonprofit corporation organized and existing under the laws of the State of California (hereinafter called "the Participant"),

W I T N E S S E T H:

WHEREAS Supply System proposes to design, finance, construct, operate and maintain the Project; and

WHEREAS the Participants have proposed to purchase the Project Capability from Supply System for assignment to the Administrator hereunder; and

WHEREAS Supply System and the Participant have each determined that the sale by Supply System to the Participant of the Participant's Share and assignment thereof to the Administrator as herein provided will be beneficial to it by reducing the cost of and increasing the amounts of firm power and energy which will be available to serve its members or customers in the future; and

WHEREAS the Administrator has determined that the acquisition of the Participant's Share as herein provided will assist in attaining the objectives of the Bonneville Project Act and other statutes which pertain to the disposition of electric power and energy from Government projects in the Pacific Northwest by enabling the Government to make optimum use of the Federal Columbia River Power System, and that the integration of the capability of the Project with the hydroelectric resources of the Federal Columbia River Power System as provided herein will enable the Administrator to make available additional firm power and energy to meet the needs of his customers; and

WHEREAS the Administrator will pool electric power and energy acquired hereunder with other power available to the Administrator from the Federal Columbia River Power System so that any costs or losses associated with acquiring such power and energy will be borne by the Administrator's ratepayers through rate adjustments if necessary; and

WHEREAS the Participant proposes to assign, and the Administrator proposes to acquire the Participant's Share; and

WHEREAS the Administrator and the Participant are parties to agreements which require payments by the Participant to the Administrator which may be used to offset payments by the Administrator to the Participant hereunder under a net billing procedure; and

WHEREAS Supply System and the Administrator propose to enter into the Project Agreement (designated as Contract No. 14-03-19121) simultaneously with this agreement which will provide among other things for relationships between Supply System and the Administrator with respect to Project construction, operation, maintenance and budgets; and

WHEREAS the Administrator and Supply System propose to enter into agreements with the other Participants containing terms and conditions substantially identical to those herein; and

WHEREAS the Supply System is organized under the laws of the State of Washington (Rev. Code of Washington, Ch. 43.52, cum supp.) and is authorized by law to construct, acquire and operate works, plants, and facilities for the generation and/or transmission of electric power and energy and to enter into contracts with the Administrator and public and private organizations for the disposition and distribution of electric energy produced thereby; and

WHEREAS the Administrator is authorized pursuant to law to dispose of electric power and energy generated at various federal hydroelectric projects in the Pacific Northwest and to enter into related agreements;

NOW, THEREFORE, the parties hereto mutually agree as follows:

1. Definition and Explanation of Terms.

(a) "Annual Budget" means the budget adopted by Supply System not less than 45 days prior to the beginning of each Contract Year

which itemizes the projected costs of the Project applicable to such Contract Year, or, in the case of an amended Annual Budget, applicable to the remainder of such Contract Year. The Annual Budget, as amended from time to time, shall make provision for all of Supply System's costs, including accruals and amortizations, resulting from the ownership, operation (including cost of fuel), and maintenance of the Project and repairs, renewals, replacements, and additions to the Project, including, but not limited to, the amounts which Supply System is required under the Project Bond Resolution to pay in each Contract Year into the various funds provided for in the Project Bond Resolution for debt service and all other purposes; provided, however, that the Annual Budget for any portion of a Contract Year prior to the Date of Commercial Operation or September 1, 1977, whichever occurs first, shall include only such amounts as may be agreed upon by Supply System and the Administrator.

All taxes imposed and required by law to be paid, and which are due and payable in a Contract Year, shall be included in the Annual Budget for that Contract Year as a Project Cost. To the extent Supply System is permitted by law to negotiate for payments in lieu of taxes or other negotiated payments to state or local taxing entities, the Annual Budget shall also include the amounts of such negotiated payments; provided, however, that Supply System shall not agree to such a negotiated payment if in any Contract Year the sum of such negotiated payments and taxes imposed by law would exceed the total amount of ad valorem taxes that Supply System would have paid in that year to such taxing entities if the Project or portion thereof, within the boundaries of each such taxing entity, were subject to ad valorem taxes and its valuation for tax purposes

were added to the valuation of the property subject to ad valorem taxes by such taxing entity, but with its millage rate reduced so that the amount of ad valorem taxes raised would be unchanged.

(b) "Billing Statement" means the written statement prepared by Supply System that shows the amount to be paid to Supply System by the Participant for the Participant's Share for a Contract Year or, in the case of an amended Billing Statement, for the remainder of such Contract Year. Such amount shall be determined as to the Participant by multiplying the amount of the Annual Budget or the amended Annual Budget, as the case may be, less any other funds which shall be specified in the Annual Budget as being payable from sources other than the payments to be made under the Net Billing Agreements, by the Participant's Share. At the end of each Contract Year any amount over or under billed during such year will be reflected in the Billing Statement for the following Contract Year.

(c) "Contract Year" (1) means the period commencing on the Date of Commercial Operation, or on January 1, 1977, whichever occurs first, and ending at 12 p.m. on the following June 30, and (2) thereafter means the 12-month period commencing at 12 p.m. on June 30, except that the last Contract Year shall end on the date of termination of this agreement.

(d) "Date of Commercial Operation" means the date fixed pursuant to section 1(d) of the Project Agreement.

(e) "Net Billing Agreements" means this and all other agreements for the Project similar to this agreement entered into by Supply System, each of the Participants and the Administrator (designated as Contracts No. 14-03-19122 through 14-03-19216, inclusive).

(f) "Participant's Share" means the decimal fraction share of Project Capability purchased by the Participant hereunder specified in Exhibit A, plus, during any period in which a decimal fraction is assigned to the Participant pursuant to sections 7(f) or 12 hereof or pursuant to section 7(b) in the other Net Billing Agreements, the decimal fraction share or shares so assigned, and minus any reductions under section 12 hereof or under an assignment by the Participant under section 7(b) hereof during any period in which such reductions or assignments are in effect.

(g) "Participants" means those entities which are specified in Exhibit A or which become assignees of all or part of the Share of Project Capability of any Participant pursuant to sections 7(b) or 15.

(h) "Project" means the nuclear generating plant and related property as described in Exhibit B. Said Exhibit B shall be revised from time to time by mutual agreement of Supply System and the Administrator, after consultation with the Participant, but in any event shall conform to the description of the Project in the Project Bond Resolution which authorizes the issuance of Project Bonds in an amount sufficient to pay the costs of acquiring and constructing the Project.

(i) "Project Agreement" means the agreement for financing construction, ownership and operation of the Project, as the same may be amended, executed by Supply System and the Administrator (designated as Contract No. 14-03-19121).

(j) "Project Bonds" means any bond, bonds or other evidences of indebtedness issued in connection with the Project pursuant to the Project Bond Resolution (1) to finance or refinance Supply

System's costs associated with planning, designing, financing, acquiring and constructing the Project pursuant to the Project Bond Resolution and (2) for any other purpose authorized thereby.

(k) "Project Bond Resolution" means the resolution or resolutions adopted or supplemented by Supply System, as the same may be amended or supplemented, to authorize the Project Bonds.

(l) "Project Capability" means the actual electrical generating capability, if any, of the Project at any particular time (including times when the Project is not operable or operating or the operation thereof is suspended, interrupted, interfered with, reduced or curtailed, in each case in whole or in part), less Project station use and losses.

(m) "Project Consultant" means an individual or firm, of national reputation having demonstrated expertise in the field of the matter or item referred to it, appointed among other things, for the resolution of a difference regarding a matter or item referred by Supply System. A different Project Consultant may be appointed for each matter or item referred.

(n) "Prudent Utility Practice" at a particular time means any of the practices, methods, and acts engaged in or approved by a significant proportion of the electrical utility industry prior to such time, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. Prudent Utility Practice shall apply not only to functional parts of the Project but also to appropriate structures, landscaping, painting, signs, lighting,

and other facilities and public relations programs reasonably designed to promote public enjoyment, understanding and acceptance of the Project and to other activities relating to the statutory responsibilities and duties of Supply System. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act, to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts. In evaluating whether any act or proposal conforms to Prudent Utility Practice, the parties and any Project Consultant shall take into account the objective to integrate the entire Project Capability with the hydroelectric resources of the Federal Columbia River Power System and to achieve optimum utilization of the resources of that system taken as a whole, and to achieve efficient and economical operation of that system. Any practice, method or act which pursuant to the Project Agreement is determined to be Prudent Utility Practice shall be deemed to be Prudent Utility Practice hereunder.

2. Exhibits. Exhibits A through C are by this reference incorporated herein and made a part of this agreement. Supply System and the Participant shall each be the "Contractor" as that term is used in Exhibit C.

3. Term of Agreement. This agreement shall be effective upon execution and delivery and, except as provided in section 10(c) and except as to accrued obligations and liabilities, shall terminate on the date the Project Agreement terminates.

4. Financing, Design, Construction, Operation and Maintenance of the Project. Supply System, in good faith and in accordance with Prudent Utility Practice, shall use its best efforts to arrange for financing, design, construction, operation and maintenance of the Project.

5. Sale, Purchase and Assignment of Participant's Share.

(a) Sale of Participant's Share. Supply System hereby sells, and the Participant hereby purchases, the Participant's Share. The purchase price to be paid for each Contract Year by the Participant to Supply System for the Participant's Share shall be the amount specified in the Billing Statement. The Participant shall make the payments to be made to Supply System under sections 5, 6 and 10, whether or not the Project is completed, operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the Project output, and such payments shall not be subject to any reduction whether by offset or otherwise, and shall not be conditioned upon the performance or nonperformance by Supply System or the Administrator or any other Participant under this or any other agreement or instrument.

(b) Assignment of Participant's Share to the Administrator. The Participant hereby assigns and the Administrator hereby accepts the assignment of the Participant's Share. In consideration of such assignment, the Administrator shall provide to the Participant the payments, offsets, and credits specified in section 7 and section 10 in the manner provided therein, whether or not the Project is completed, operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the Project output. Such payments, offsets, or credits to be made by the Administrator under this agreement shall not be reduced by offset or otherwise, except as specifically provided in section 7, and shall not be conditioned upon the performance or nonperformance by Supply System, the Participant or any Participant under this or any other agreement or instrument.

6. Payment by the Participant.

(a) Not less than 45 days prior to each Contract Year, or whenever the Annual Budget for such Contract Year is amended, Supply System shall prepare and deliver to the Participant and the Administrator a Billing Statement showing the amount to be paid by the Participant for such Contract Year.

Whenever during a Contract Year the Participant's Share changes from that used in preparing the Billing Statement for that Contract Year an amended Billing Statement shall be prepared for the remainder of that Contract Year reflecting such change and shall be submitted to the Participant and the Administrator.

(b) The Participant shall pay to Supply System each Contract Year the amount specified in the Billing Statement submitted under subsection (a) above. Such payments shall be made as specified below.

The Participant shall pay to Supply System each month in a Contract Year the amount by which the net billing credits and cash payments theretofore received from the Administrator by the Participant for that Contract Year under section 7 exceed the sum of the Participant's previous payments to Supply System for that Contract Year until the amount of the Billing Statement has been paid; provided, however, that in any event the Participant shall pay by the end of the last month in that Contract Year the amount by which the amount in the Billing Statement exceeds the total of the monthly amounts previously paid to Supply System by the Participant in such Contract Year.

Each such payment shall be made on or before the thirtieth day after (1) the date on each of the Administrator's bills to the

Participant which reflects a credit to the Participant for such Contract Year pursuant to section 7(a) or (2) the date that payment is received from the Administrator pursuant to section 7(c). Amounts due and not paid by the Participant on or before the close of business of such thirtieth day shall bear an additional charge of two percent of the unpaid amount. Thereafter, a further charge of one percent of the initial amount remaining unpaid shall be added on the first day of each succeeding calendar month until the amount due is paid in full. Remittances received by mail will be accepted without assessment of the delayed payment charges referred to above provided the postmark indicates the payment was mailed on or before the thirtieth day after the date of the bill. If the thirtieth day after the date of the bill is a Sunday or other nonbusiness day of the Participant, the next following business day shall be the last day on which payment may be mailed without addition of the delayed payment charge.

(c) In the event that Supply System bears any cost under section 10(e) of the Project Agreement the Participant will pay to Supply System an amount equal to the amount of such cost multiplied by the Participant's Share, in addition to the payments specified in section 6(b) hereof. Payments under this section 6(c) shall be made within 30 days from the date of mailing of the statement stating the amount of the payments.

7. Payment by the Administrator.

(a) For each Contract Year, the Administrator shall pay to the Participant an amount equal to that set forth in the Billing Statement for that Contract Year. The Administrator's payments shall be effected by means of credits against the Administrator's

monthly billings to the Participant under the Participant's Bonneville Contracts, as follows:

(1) For Contract Years in which this is the only agreement requiring the Administrator to make payments to the Participant: In the month preceding each such Contract Year the Administrator shall allow a billing credit in the form of an offset to the Participant in the full amount of the Administrator's billings in that month under the Participant's Bonneville Contracts. A billing credit computed in the same manner shall be allowed in each of the succeeding months (except the last) in that Contract Year until the full amount owed by the Administrator for that Contract Year has been offset against the Administrator's billings to the Participant.

(2) For Contract Years in which there are two or more agreements requiring the Administrator to make payments to the Participant: In the month preceding each such Contract Year and in each of the succeeding months (except the last) in that Contract Year the Participant's billing credits under this agreement shall be offset in the manner specified in (1) above against the payments due from the Administrator under all agreements of the Participant requiring the Administrator to make payments to the Participant, in the proportion that the amount specified in the Billing Statement bears to the sum of the amounts to be paid by the Administrator under all such agreements for that Contract Year.

The total offsets allowed to the Participant hereunder for a Contract Year shall not exceed the sum of (1) the amount specified in the Billing Statement for that year and, (2) any amount paid by the

Participant for a prior Contract Year which remains unpaid by the Administrator to the Participant under this agreement.

"Participant's Bonneville Contracts" as used in this section means all contracts or agreements between the Participant and the Administrator which require payments by the Participant to the Administrator for sales and exchanges of power, operation and maintenance of facilities, use of transmission facilities, and emergency and standby power.

(b) If for any Contract Year, the Administrator determines that the dollar obligations due the Administrator from the Participant, referred to in subsection (a) above, are or are expected to be insufficient to offset the Administrator's dollar obligations to such Participant under subsection (a) above, and, in the opinion of the Administrator and the Participant, are expected to remain insufficient for a significant period, the Administrator shall use his best efforts to arrange for assignment of all or a portion of the Participant's Share and the associated benefits and obligations (subject to the prior assignment of the Participant's Share to the Administrator hereunder) to another customer or customers of the Administrator for all or a portion of the remaining term of this agreement to the extent required to eliminate the insufficiency, and the Participant shall make the assignment so arranged. The other Participants shall have first right to accept such assignment, pro rata among those exercising such right, before an assignment is made to a customer who is not one of the Participants. If the Administrator is unable to arrange for such assignment, the Participant shall make such assignment to the other Participants pro rata pursuant to the counterparts of subsection (f) of this section in the other Net Billing Agreements.

(c) If (1) assignments under subsection (b) cannot be made in amounts sufficient to bring into balance the respective dollar obligations of the Administrator and (2) an accumulated balance in favor of the Participant from a previous Contract Year is expected by the Administrator to be carried for an additional Contract Year, such balance and any subsequent monthly net balances that cannot be net billed shall be paid in cash to the Participant by the Administrator, subject to the availability of appropriations for such purposes.

(d) The Administrator and the Participant shall not enter into any agreements providing for payments to the Participant which the Administrator estimates will cause the aggregate of his billings to the Participant to be less than 115 percent of the Administrator's net billing obligations to the Participant under all agreements providing for net billing.

(e) If all or a portion of the Participant's Share is assigned under this section 7, the Participant shall nevertheless remain liable to Supply System to pay the purchase price for the Participant's Share in accordance with section 5(a) as if such assignment had not been made, and such liability of the Participant shall be discharged only to the extent that the assignee of the portion of the Participant's Share so assigned shall pay to Supply System the purchase price for the portion of the Participant's Share so assigned in accordance with the provisions of this agreement. Supply System may commence such suits, actions or proceedings, at law or in equity, including suits for specific performance, as may be necessary or appropriate to enforce the obligations of the Participant with respect to such liability.

(f) If assignments pursuant to section 7(b) of the other Net Billing Agreements cannot be made in amounts sufficient to balance dollar obligations of the Administrator and any other Participant, the Participant shall accept on a pro rata basis with other Participants assignment of a portion of such other Participant's Share, to the extent required to eliminate such insufficiency; provided, however, that the sum of such assignments to the Participant under this subsection shall not without the consent of the Participant exceed an accumulated maximum of 25 percent of the Participant's Share specified in Exhibit A, nor shall any such assignment under this subsection cause the estimate of the payments to be made by the Participant to Supply System under this agreement to exceed the estimate of the Administrator's billings to the Participant for each Contract Year during the period of such assignment, both such estimates to be made by the Administrator.

(g) The estimates by the Administrator under this agreement of billing credits and of payments to be made by the Participant and the Administrator giving rise to such billing credits shall be conclusive.

8. Scheduling. Prior to 4 p.m. on each work day beginning on the day preceding the Date of Commercial Operation (work day meaning a day which the Administrator and Supply System observe as a regular work day) the Administrator shall notify Supply System of the amounts of energy from the Project he will require for each hour of the following day or days; provided, however, the Administrator may during any hour request delivery of other amounts of energy. Supply System's dispatcher, within the capability of the Project and in accordance with Prudent Utility Practice, shall schedule for delivery to the Administrator at the point of delivery

specified in section 11 for each hour in the term hereof the amounts of energy so requested by the Administrator.

9. Participant's Right to Use Project Capability.

(a) If the Administrator is unable to satisfy his obligation to the Participant by net billing, assignment or cash payment under section 7, and determines, in consultation with the Participant, that this inability will continue for a significant period, the Participant may direct that all or a portion of the energy associated with the Participant's Share be delivered by Supply System for the Participant's account at the point of delivery specified in section 11, for either the expected period of such inability or the remainder of the term hereof, whichever is specified by the Participant when it elects to have such energy delivered to it. The amount of such delivery shall be limited to the amount of the Participant's Share for which payment cannot be made, at the time the Participant elects to have such delivery made to it, by net billing with the Participant or assignees or by direct payment by the Administrator hereunder. The Participant's obligations to assign its Participant's Share to the Administrator and the Administrator's obligations to acquire such share and make payments to the Participant under this agreement shall then be appropriately modified. The Administrator's prior obligations to the Participant not previously liquidated pursuant to the terms of section 7 shall be preserved until satisfied.

(b) If the Participant elects to withdraw all or a portion of its Participant's Share as provided in this section, the Administrator will transmit such share to any point(s) of delivery on the Administrator's transmission system designated by the Participant

where the Administrator determines such share can be made available, and will provide forced-outage reserves for such share, under the same terms and conditions as provided in contracts for similar service then being offered to other utilities in the Pacific Northwest owning interests in large thermal projects.

(c) Upon withdrawal of any portion of the Participant's Share under this section, the Participant shall schedule such portion in the same manner as provided for the Administrator in section 8, and the Administrator's rights under section 8 shall be correspondingly reduced.

Whenever the Participant schedules any portion of its Participant's Share, the Participant and the Administrator shall (1) schedule at least their respective proportionate shares of the minimum capability of the Project unless all Participants with similar obligations to schedule and the Administrator agree to a shutdown of the Project; provided, however, that the Administrator may, at his election, require shutdown of the Project if he supplies through exchange arrangements the power and energy the Participant otherwise would schedule from the Project during such period of shutdown, and (2) supply to the Supply System all necessary forecasts of their generation requirements from the Project for ensuing periods as necessary to enable the Supply System to prepare the fuel management plan pursuant to section 8 of the Project Agreement.

10. Termination Settlements.

(a) If the Project is ended pursuant to section 15 of the Project Agreement, Supply System shall give notice of termination of this agreement effective upon the date of termination of the Project Agreement. Supply System shall terminate all activities related to construction and operation of the Project, and shall

undertake the salvage, discontinuance, decommissioning, and disposition or sale of the Project, as provided in the Project Agreement. After such termination, Supply System shall make monthly accounting statements to the Administrator and the Participant of all costs associated therewith. Such monthly accounting statements shall continue until all Project Bonds have been paid or funds set aside for the payment or retirement thereof in accordance with the Project Bond Resolution or the final disposition of the Project, whichever is later, at which time a final accounting statement shall be made by Supply System and such final accounting statement shall be made at the earliest reasonable time. Such costs of salvage, discontinuance, decommissioning, and disposition or sale shall include, but shall not be limited to, all of Supply System's accrued costs and liabilities resulting from Supply System's ownership, construction, operation (including cost of fuel) and maintenance of and renewals and replacements to the Project, all other Supply System costs resulting from its ownership of the Project and the salvage, discontinuance, decommissioning, and disposition or sale thereof, and all amounts which Supply System is required under the Project Bond Resolution to pay in each year into the various funds provided in the Project Bond Resolution for debt service and all other purposes until the date that all of the Project Bonds shall have been paid or funds set aside for the payment or retirement thereof in accordance with the Project Bond Resolution.

The monthly accounting statements shall credit against such costs all amounts received by Supply System from the disposition of Project assets. The final accounting statement shall credit the fair market value of any assets related to the Project then retained by Supply System. If the monthly or final accounting statements

show that such costs exceed such credits, the Participant shall pay Supply System at times reasonably agreed upon the sum determined by multiplying the amounts shown to be due in the monthly and final accounting statements by the decimal fraction then used in expressing the Participant's Share. In any case such payments shall be made at times and in amounts sufficient to cover on a current basis the Participant's Share of the amount which Supply System is required under the Project Bond Resolution to pay in each year into the various funds provided in the Project Bond Resolution for debt service and all other purposes. If the final accounting statement shows that such credits exceed such costs, Supply System shall pay at times reasonably agreed upon an amount determined by multiplying such excess by the Participant's Share, such amount to be divided between the Administrator and the Participant as their interests may appear. Such excess credits shall bear interest from the date of such final accounting statement to the date of payment, at the average of the annual interest rates for each month during such time for three-to-five year issues, United States Government securities (taxable), Money Market Rates, as published by the Board of Governors of the Federal Reserve System in the "Federal Reserve Bulletin" or equivalent publication or the maximum rate lawfully payable by Supply System, whichever is less.

(b) To the extent of the Participant's Share then assigned to the Administrator, the Administrator shall pay the Participant the amounts, if any, paid by the Participant to the Supply System pursuant to this section. Such amounts shall be paid in the manner specified in section 7 and at such times as the parties agree upon.

(c) The provisions of this section 10 and the provisions of sections 5(a) and 5(b) describing the circumstances under which

payments are to be made in this section 10 and the provisions of section 13 shall remain in effect notwithstanding termination of this agreement pursuant to section 3.

11. Provisions Relating to Delivery. Deliveries of electric power and energy to the Administrator shall be made at the point of delivery and at the approximate voltage described in the exhibit specified below. Such electric power and energy shall be in the form of three-phase current, alternating at a frequency of approximately 60 Hertz. Amounts so delivered at such point during each month shall be determined from measurements made by Project meters, installed to record such deliveries at the place and in the circuit agreed upon by Supply System and the Administrator. Such point of delivery shall be described in a suitable exhibit to this agreement when the location, voltage, and metering details of the point of delivery are so agreed.

12. Obligations in the Event of Default. The Participant's Share purchased by the Participant from Supply System and assigned by the Participant to the Administrator under this agreement shall be automatically increased for the remaining term of this agreement pro rata with that of other nondefaulting Participants if, and to the extent that, one or more of the Participants is unable, or fails or refuses for any reason, to perform its obligations under its Net Billing Agreement, and the Participant's Share of the defaulting Participant shall be reduced correspondingly; provided, however, that the sum of such increases for the Participant pursuant to this subsection shall not, without consent of the Participant, exceed an accumulated maximum of 25 percent of the Participant's Share specified in Exhibit A, nor shall any such increase under this subsection cause the estimate of the payments to be made by the Participant to Supply

System under this agreement to exceed the estimate of the Administrator's billings to the Participant during the period of such increase, which estimates shall be made by the Administrator and shall be conclusive.

If the Participant shall fail or refuse to pay any amounts due to Supply System hereunder, the fact that the other Participants have assumed the obligation to make such payments shall not relieve the Participant of its liability for such payments, and the Participants assuming such obligation, either individually or as a member of a group, shall have a right of recovery from the Participant. Supply System or any Participant as their interests may appear, jointly or severally, may commence such suits, actions or proceedings, at law or in equity, including suits for specific performance, as may be necessary or appropriate to enforce the obligations of this agreement against the Participant under this subsection.

13. Sources of Participant's Payments. The Participant shall not be required to make the payments to Supply System under this agreement except from the revenues derived by the Participant from the ownership and operation of its electric utility properties and from payments by the Administrator under this agreement.

The Participant covenants and agrees that it will establish, maintain and collect rates or charges for power and energy and other services, facilities and commodities sold, furnished or supplied by it through any of its electric utility properties which shall be adequate to provide revenues sufficient to enable the Participant to make the payments to be made by it to Supply System under this agreement and to pay all other charges and obligations payable from or constituting a charge and lien upon such revenues.

14. Modification and Uniformity of Agreement.

(a) This agreement shall not be binding upon any of the parties hereto if it is not binding upon all of the parties hereto, but this agreement shall not be subject to termination by any party under any circumstances, whether based upon the default of any other party under this agreement, or any other instrument, or otherwise, except as specifically provided in this agreement.

(b) This agreement shall not be amended, modified, or otherwise changed by agreement of the parties in any manner that will impair or adversely affect the security afforded by the provisions of this agreement for the payment of the principal, interest, and premium, if any, on the Project Bonds as they respectively become payable so long as any of the Project Bonds are outstanding and unpaid or funds are not set aside for the payment or retirement thereof in accordance with the Project Bond Resolution.

(c) If any Net Billing Agreement is amended or replaced so that it contains terms and conditions different from those contained in this agreement. the Administrator shall notify the Participant and upon timely request by the Participant shall amend this agreement to include similar terms and conditions.

15. Assignment of Agreement. This agreement shall inure to the benefit of and shall be binding upon the respective successors and assigns of the parties to this agreement; provided, however, that except as provided in sections 7, 9 and 12 hereof, neither this agreement nor any interest therein shall be transferred or assigned by any one of the parties hereto except with the mutual consent in writing of the other two parties hereto, to any other entity except the United States or an agency thereof. Such consent

will not be unreasonably withheld. No assignment or transfer of this agreement shall relieve the parties of any obligation hereunder.

16. Approval by Rural Electrification Administrator. If the Participant is a party to an agreement or other instrument pursuant to which approval of this agreement by the Administrator of the Rural Electrification Administration is required as listed in Exhibit A, this agreement shall not be binding upon any of the parties until it shall have been approved by him or his delegate.

17. Participants' Review Board.

(a) Composition; election. Not more than 30 days after the execution of this agreement, and thereafter not less than 60 days prior to the commencement of each Contract Year, the Participants shall elect a Participants' Review Board consisting of nine members. Supply System shall give each Participant not less than 15 days' written notice stating the time and place at which a meeting of representatives of the Participants shall be held for the purpose of holding such election. Each Participant shall designate the person and an alternate (to serve in the absence or disability of such person), to cast its vote(s) for Board members by written notice filed with Supply System. The vote cast in behalf of each Participant shall be proportional to its Participant's Share. Any vacancy on the Board shall be filled by vote of the remaining Board members pending the next Board election.

(b) Board meetings; voting; and rules. Meetings of the Participants' Review Board shall be held at least quarterly during the construction of the Project and at least semi-annually thereafter. Timely written notice of the time and place of such meeting shall be given to the parties. Each member of the Board shall be entitled to one vote, to be cast in person and not by proxy. A

majority of the Board shall constitute a quorum, and the majority of those present shall be necessary and sufficient for the adoption of any motion or resolution except as otherwise provided in subsection (e) below. All meetings of the Board shall be open to attendance by any person authorized by any of the Participants. Except as herein provided, the calling and holding of meetings of the Board, and all of its other proceedings, shall be governed by rules adopted from time to time by two-thirds of the entire membership of the Board which rules may provide that Board shall have the right to appoint persons of technical, legal, auditing or other special qualifications to committees to carry out reviews and investigations.

(c) Copies of all Construction and Annual Budgets and Fuel Management Plans, including amendments thereto, and plans for refinancing the Project shall be submitted by Supply System to the Participants' Review Board. Such copies shall be submitted to the Participant upon its request.

(d) Except in the event of an emergency requiring immediate action, all bids, bid evaluations and proposed contract awards for amounts in excess of $500,000 shall be submitted to the Participants' Review Board at least seven days prior to award.

(e) Supply System will consider the recommendations of the Participant's Review Board, giving due regard to utilizing the Project consistent with Prudent Utility Practice and the Supply System's statutory duties. Written recommendation may be made to Supply System whenever such recommendation is approved by the majority of the members of the Participants' Review Board. Such written recommendations shall be forwarded to Supply System within

a reasonable time along with supporting data, which time shall not exceed the comparable time, if any, prescribed in the Project Agreement. Supply System shall take action on such recommendations within a reasonable time for adoption, modification or rejection. Supply System, upon taking action, shall notify the Participants' Review Board promptly of such action, and, if it modifies or rejects a recommendation, shall give the reason therefor.

(f) If Supply System modifies or rejects a written recommendation of the Participants' Review Board concerning a matter submitted for review under subsections (c) or (d) above, the Participants' Review Board may refer the matter to the Project Consultant in the manner described in section 10 of the Project Agreement for his written decision and his decision shall be binding upon the parties. Pending any decision by the Project Consultant under this subsection, Supply System shall proceed in accordance with the Project Agreement. Nothing in this subsection shall affect the procedure for the settlement of any dispute between the Administrator and the Supply System under this agreement or the Project Agreement.

(g) Supply System shall not proceed with any item as proposed by it in accordance with section 10(e) of the Project Agreement without approval of the Participants' Review Board.

(h) Recognizing that at the time of the execution of this agreement the availability of insurance may be limited, if a second unit or generating project is proposed for the site of the Project, Supply System shall not, without the consent of the Administrator and the Participants' Review Board, cause the insurance on the Project to be extended to such unit or generating project nor lapse to permit the extension of such coverage.

18. Applicability of Other Instruments. It is recognized by the parties hereto that Supply System in the ownership, construction and operation of the Project must comply with the requirements of the Project Bond Resolution and all licenses, permits, and regulatory approvals necessary for such ownership, construction and operation, and it is, therefore, agreed that this agreement is made, and referrals to the Project Consultant hereunder shall be, subject to the terms and provisions of the Project Bond Resolution and all such licenses, permits, and regulatory approvals.

IN WITNESS WHEREOF, the parties hereto have executed this agreement in several counterparts.

UNITED STATES OF AMERICA
Department of the Interior

(SEAL)

By J R Richmond
Bonneville Power Administrator

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

(SEAL)

By

ATTEST:

SURPRISE VALLEY ELECTRIFICATION CORPORATION

(SEAL)

By

ATTEST:

EXHIBIT A

TABLE OF PARTICIPANTS AND PARTICIPANT'S SHARE

| Participant | Participant's Share |
|---|---|
| City of Albion, Idaho | .00000 |
| City of Bandon, Oregon | .00263 |
| Public Utility District No. 1 of Benton County, Washington | .05350 |
| *Benton Rural Electric Association, Inc. | .00666 |
| *Big Bend Electric Cooperative, Inc. | .01610 |
| *Blachly-Lane County Cooperative Electric Association | .00272 |
| City of Blaine, Washington | .00185 |
| City of Bonners Ferry, Idaho | .00000 |
| City of Burley, Idaho | .00000 |
| City of Canby, Oregon | .00090 |
| City of Cascade Locks, Oregon | .00054 |
| *Central Electric Cooperative, Inc. | .00586 |
| City of Centralia, Washington | .00739 |
| Central Lincoln Peoples' Utility District | .04017 |
| City of Cheney, Washington | .00539 |
| Public Utility District No. 1 of Clallam County, Washington | .01769 |
| Public Utility District No. 1 of Clark County, Washington | .06834 |
| Clatskanie Peoples' Utility District | .01996 |
| *Clearwater Power Company | .00775 |
| *Columbia Basin Electric Cooperative, Inc. | .00673 |
| *Columbia Power Cooperative Association, Inc. | .00143 |
| *Columbia Rural Electric Association, Inc. | .00761 |
| *Consumers Power, Inc. | .00453 |
| *Coos-Curry Electric Cooperative, Inc. | .01634 |
| City of Coulee Dam, Washington | .00137 |
| Public Utility District No. 1 of Cowlitz County, Washington | .06139 |
| City of Declo, Idaho | .00000 |
| *Douglas Electric Cooperative, Inc. | .00363 |
| City of Drain, Oregon | .00218 |
| East End Mutual Electric Co., Ltd. | .00033 |
| City of Ellensburg, Washington | .01028 |
| *Fall River Rural Electric Cooperative, Inc. | .00409 |
| Farmers Electric Co., Ltd. | .00041 |
| *Public Utility District No. 1 of Ferry County, Washington | .00171 |
| *Flathead Electric Cooperative, Inc. | .00370 |
| City of Forest Grove, Oregon | .00181 |
| Public Utility District No. 1 of Franklin County, Washington | .02370 |
| Public Utility District No. 1 of Grays Harbor, Washington | .03417 |
| *Harney Electric Cooperative, Inc. | .00719 |
| City of Heyburn, Idaho | .00000 |
| Hood River Electric Cooperative of Hood River County, Oregon | .00502 |
| *Idaho County Light & Power Cooperative Association, Inc. | .00186 |
| City of Idaho Falls, Idaho | .00000 |
| *Inland Power & Light Company | .01222 |
| *Public Utility District No. 1 of Kittitas County, Washington | .00220 |

| Participant (continued) | Participant's Share |
|---|---|
| *Public Utility District No. 1 of Klickitat County, Washington | .01009 |
| *Kootenai Electric Cooperative, Inc. | .00391 |
| *Lane County Electric Cooperative, Inc. | .01452 |
| Public Utility District No. 1 of Lewis County, Washington | .02274 |
| *Lincoln Electric Cooperative, Inc. (Montana) | .00255 |
| *Lost River Electric Cooperative, Inc. | .00202 |
| *Lower Valley Power & Light, Inc. | .00820 |
| *Public Utility District No. 1 of Mason County, Washington | .00231 |
| Public Utility District No. 3 of Mason County, Washington | .01446 |
| Town of McCleary, Washington | .00234 |
| City of McMinnville, Oregon | .01227 |
| *Midstate Electric Cooperative, Inc. | .00488 |
| City of Milton-Freewater, Oregon | .00583 |
| City of Minidoka, Idaho | .00000 |
| *Missoula Electric Cooperative, Inc. | .00294 |
| City of Monmouth, Oregon | .00236 |
| *Nespelem Valley Electric Cooperative, Inc. | .00149 |
| *Northern Lights, Inc. | .00455 |
| Northern Wasco County People's Utility District | .00051 |
| *Okanogan County Electric Cooperative, Inc. | .00190 |
| Public Utility District No. 1 of Okanogan County, Washington | .01042 |
| *Orcas Power and Light Company | .00725 |
| Public Utility District No. 2 of Pacific County, Washington | .01503 |
| City of Port Angeles, Washington | .02416 |
| *Prairie Power Cooperative, Inc. | .00019 |
| *Raft River Rural Electric Cooperative, Inc. | .00853 |
| *Ravalli County Electric Cooperative, Inc. | .00301 |
| City of Richland, Washington | .02761 |
| Riverside Electric Company, Ltd. | .00020 |
| City of Rupert, Idaho | .00000 |
| Rural Electric Company | .00262 |
| Salem Electric | .00453 |
| *Salmon River Electric Cooperative, Inc. | .00170 |
| City of Seattle, Washington | .07992 |
| Public Utility District No. 1 of Skamania County, Washington | .00547 |
| Public Utility District No. 1 of Snohomish County, Washington | .17069 |
| South Side Electric Lines, Inc. | .00073 |
| City of Springfield, Oregon | .00363 |
| Town of Sumas, Washington | .00048 |
| *Surprise Valley Electrification Corporation | .00323 |
| City of Tacoma, Washington | .00000 |
| *Tanner Electric | .00122 |
| *Tillamook Peoples' Utility District | .01729 |
| *Umatilla Electric Cooperative Association | .00036 |
| Unity Light and Power Company | .00204 |

| Participant (continued) | Participant's Share |
|---|---|
| Vera Irrigation District No. 15 | .00701 |
| *Vigilante Electric Cooperative, Inc. | .00294 |
| Public Utility District No. 1 of Wahkiakum County, Washington | .00328 |
| *Wasco Electric Cooperative, Inc. | .00342 |
| *West Oregon Electric Cooperative, Inc. | .00182 |
| | 1.00000 |

*Approval of Agreement by Rural Electrification Administration required.

If, prior to January 1, 1978, the Attorney General of the State of Idaho shall render an opinion, concurred in by Supply System's Bond Counsel, affirming the legal authority of the Participants listed in Group I below, to participate in the Project on the terms and conditions specified in this agreement, a new Exhibit A shall be prepared by Supply System and forthwith shall be substituted for this Exhibit A specifying the Participant's Share in the amount shown for each of the Participants listed below in Groups I and II:

| Group I: | Participant's Share |
|---|---|
| City of Albion, Idaho | .00016 |
| City of Bonners Ferry, Idaho | .00182 |
| City of Burley, Idaho | .00694 |
| City of Declo, Idaho | .00019 |
| City of Heyburn, Idaho | .00504 |
| City of Idaho Falls, Idaho | .02376 |
| City of Minidoka, Idaho | .00005 |
| City of Rupert, Idaho | .00348 |

Group II:

| | |
|---|---|
| Public Utility District No. 1 of Clark County, Washington | .06151 |
| Public Utility District No. 1 of Cowlitz County, Washington | .05525 |
| Public Utility District No. 1 of Grays Harbor, Washington | .03075 |
| City of Seattle, Washington | .07193 |
| Public Utility District No. 1 of Snohomish County, Washington | .15363 |

This Exhibit A may be further amended from time to time prior to the adoption of the Project Bond Resolution which authorizes the issuance of Project Bonds in an amount sufficient to finance the cost of construction of the Project. In such event, a new Exhibit A shall be prepared by Supply System and forthwith shall be substituted for this Exhibit A upon mutual agreement of the Participants listed in Group II above or upon mutual agreement of such Participants and one or more of the other Participants so as to reduce the Participant's Share of one or more of the Participants listed in Group II above and increase the Participant's Share(s) of the other agreeing Participant(s) so that the aggregate of the increases is equal to the aggregate of the decreases; provided, however, that any such amendment shall be made only after first complying with the conditions prescribed in Paragraph C, Section 11, of the Project Bond Resolution authorizing the issuance of Washington Public Power Supply System Nuclear Project No. 2 Revenue Notes.

October 29, 1970

EXHIBIT B

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

NUCLEAR PROJECT NO. 2

Description of Project

The Washington Public Power Supply System's Nuclear Project No. 2 is expected to have a net electrical plant capability of approximately 1100 MW.

The site is located in the Federal reservation known as the Hanford Works of the U. S. Atomic Energy Commission. The site is near the Columbia River approximately 35 miles northwest of the City of Richland, Washington.

The plant and associated facilities will include a nuclear steam supply system, fuel and reactor coolant system with all related containment structures, safety features, instrumentation, control and auxiliary systems; turbine-generator, condensers and circulating water cooling systems, facilities and piping; electrical and mechanical systems and other related equipment and facilities; electrical facilities required to deliver the output of the project to the BPA transmission system at a point to be determined by the System and the Administrator; and other structures, shops, warehouses, construction facilities, offices, equipment or facilities required in the construction, maintenance and operation of the project.

A complete description of the project will be prepared after bids have been received and evaluated and awards have been made for major plant components.

EXHIBIT C
(12-3-69)

PROVISIONS REQUIRED BY STATUTE OR EXECUTIVE ORDER

1. Contract Work Hours and Safety Standards.

This contract, to the extent that it is of a character specified in the Contract Work Hours and Safety Standards Act (Public Law 87-581, 76 Stat. 357-360, as amended) and is not covered by the Walsh-Healey Public Contracts Act (41 U. S. C. 35-45), is subject to the following provisions and to all other provisions and exceptions of said Contract Work Hours and Safety Standards Act.

(a) No Contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any laborer or mechanic in any workweek in which he is employed on such work, to work in excess of eight hours in any calendar day or in excess of forty hours in any workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in excess of eight hours in any calendar day or in excess of forty hours in such workweek, whichever is the greater number of overtime hours.

(b) In the event of any violation of the provisions of subsection (a), the Contractor and any subcontractor responsible for such violation shall be liable to any affected employee for his unpaid wages. In addition, such Contractor or subcontractor shall be liable to the United States for liquidated damages. Such liquidated damages shall be computed, with respect to each individual laborer or mechanic employed in violation of the provisions of subsection (a), in the sum of $10 for each calendar day on which such employee was required or permitted to work in excess of eight hours or in excess of forty hours in a workweek without payment of the required overtime wages.

(c) The Administrator may withhold, or cause to be withheld, from any moneys payable on account of work performed by the Contractor or subcontractor, the full amount of wages required by this contract and such sums as may administratively be determined to be necessary to satisfy any liabilities of such Contractor or subcontractor for liquidated damages as provided in subsection (b).

(d) No contractor or subcontractor contracting for any part of the contract work shall require any laborer or mechanic employed in the performance of the contract to work in surroundings or under working conditions which are unsanitary, hazardous, or dangerous to his health or safety, as determined under construction safety and health standards promulgated by the Secretary of Labor by regulation based on proceedings pursuant to section 553 of title 5, United States Code, provided that such proceedings include a hearing of the nature authorized by said section.

(e) The Contractor shall require the foregoing subsections (a), (b), (c), (d) and this subsection (e) to be inserted in all subcontracts.

(f) The Contractor shall keep and maintain for a period of three (3) years from the completion of this contract the information required by 29 CFR § 516.2(a). Such material shall be made available for inspection by authorized representatives of the Government, upon their request, at reasonable times during the normal work day.

2. Convict Labor. The Contractor shall not employ any person undergoing sentence of imprisonment at hard labor.

3. Equal Opportunity. Unless exempted pursuant to the provisions of Executive Order 11246 of September 24, 1965 and the rules, regulations and relevant orders of the Secretary of Labor thereunder, during the performance of this contract, the Contractor agrees as follows:

(a) The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Administrator setting forth the provisions of this equal opportunity clause.

(b) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) The Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the Administrator, advising the labor union or worker's representative of the Contractor's commitments under this equal opportunity clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) The Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(e) The Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor,

or pursuant thereto, and will permit access to his books, records, and accounts by the Administrator and the Secretary of Labor for purposes of investigations to ascertain compliance with such rules, regulations and orders.

(f) In the event of the Contractor's noncompliance with the equal opportunity clause of this contract or with any of such rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(g) The Contractor will include the provisions of paragraphs (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as the Administrator may direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the Administrator, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

4. Interest of Member of Congress. No Member of or Delegate to Congress, or Resident Commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom. Nothing, however, herein contained shall be construed to extend to such contract if made with a corporation for its general benefit.