

TEXAS UTILITIES SERVICES INC.

2001 BRYAN TOWER - DALLAS, TEXAS 75201

Log # TXX-3372
File # 10101

July 27, 1981

Mr. S. B. Burwell
Licensing Project Manager
U. S. Nuclear Regulatory Commission
Office of Nuclear Reactor Regulation
Washington, D.C. 20555



SUBJECT: COMANCHE PEAK STEAM ELECTRIC STATION
TEX-LA DRAFT WHOLESALe POWER SALES CONTRACT

REF: (1) APPLICATION FOR AMENDMENT OF CONSTRUCTION PERMITS
NOS. CPPR-126 AND 127, DATED MAY 28, 1981

Dear Mr. Burwell:

Enclosed is a copy of a draft Wholesale Power Sales Contract referenced in Item E of Reference (I). The executed contract will be sent as soon as one is completed. Please note that the enclosure is subject to REA review and will be revised to reflect its comments.

Please direct this to the attention of Mr. Jim Petersen of the Utility Finance Branch.

Sincerely,

A handwritten signature in cursive script that reads "Richard Werner".

Richard Werner

RAW:tls
cc: Bill Horin wo/enclosure
Spencer Relyea wo/enclosure

DRAFT
7.25.80

Wholesale Power Sales Contract
between
Tex-La Electric Cooperative of Texas, Inc.,
and
Cherokee County Electric Cooperative, Inc.

This Agreement is made as of _____, between Tex-La Electric Cooperative of Texas, Inc., ("Tex-La"), and Cherokee County Electric Cooperative, Inc. ("Cherokee").

WHEREAS, Tex-La is a generating and transmission electric cooperative organized under the Texas Electric Cooperative Act;

WHEREAS, Cherokee is a distribution electric cooperative;

WHEREAS, Tex-La is comprised of seven member distribution cooperatives: Cherokee County Electric Cooperative, Inc., Deep East Texas Electric Cooperative, Inc., Houston County Electric Cooperative, Inc., Jasper-Newton Electric Cooperative, Inc., Rusk County Electric Cooperative, Inc., Sam Houston Electric Cooperative, Inc., and Wood County Electric Cooperative, Inc.;

WHEREAS, Tex-La owns or will own 100 Mw (50 Mw of each unit) (4.35%) of the Comanche Peak Steam Electric Station Units Nos. 1 and 2, a nuclear station to be owned jointly by Dallas Power & Light Company, Texas Electric Service Company, Texas Power & Light Company, Texas Utilities Generating Company, Texas Municipal Power Agency, Brazos Electric Power Cooperative, Inc., and Tex-La;

WHEREAS, Tex-La may acquire ownership in other generating units to be constructed by Texas Power & Light Company ("TP&L");

WHEREAS, Tex-La's ownership of the generating units is for the benefit of Tex-La's seven members;

WHEREAS, Tex-La has a Power Interconnection Agreement and a Power Supply Agreement with TP&L for the purchase of wholesale power, reserve capacity, emergency energy, replacement energy, and transmission services;

WHEREAS, Tex-La purchases wholesale power from the Southwestern Power Administration and TP&L and resells the wholesale power at cost to Cherokee; and

WHEREAS, Cherokee purchases a small amount of electric power from the Southwestern Electric Service Company ("SWESCO"); and

WHEREAS, the existing power supply contract between Cherokee and SWESCO will soon be terminated and replaced by a contract between Tex-La and SWESCO, or will be assigned to Tex-La pending expiration and then replaced by a contract between Tex-La and SWESCO; and

WHEREAS, Cherokee desires to purchase its full-requirements electric power from Tex-La on the terms and conditions herein set forth;

NOW THEREFORE, in consideration of the mutual undertakings herein contained, the parties hereto agree as follows:

1. General: Tex-La shall sell and deliver to Cherokee and Cherokee shall purchase and receive from Tex-La all electric power and energy which Cherokee shall require for the operation of Cherokee's system to the extent that Tex-La shall have such power and energy and facilities available; provided, however, that Cherokee shall have the right to continue to purchase electric power and energy under its existing contract with SWESCO during

the remainder of the term thereof. Cherokee shall terminate, if Tex-La so requests, with the approval or at the direction of the Administrator of the Rural Electrification Administration ("Administrator"), so request, the contract with SWESCO at such times as it legally may do so, provided Tex-La has sufficient electric power and energy and facilities available for Cherokee.

2. Electric Characteristics and Delivery Points: Electric power and energy to be furnished hereunder shall be alternating current three phase, four wire, sixty cycle. Cherokee shall make and pay for all connections between the systems of Tex-La and Cherokee at the points of delivery, unless provided for otherwise by contract amendment. The points of delivery, delivery voltage, and initial capacity shall be as contained in Exhibit A, attached hereto, and such other point or points as may be agreed upon by Tex-La and Cherokee.

3. Substation: Cherokee shall install, own, and maintain the necessary substation equipment at the points of connection, unless otherwise provided for by contract amendment. Cherokee shall own and maintain switching and protective equipment which may be reasonably necessary to enable it to take and use the electric power and energy hereunder and to protect the system of Tex-La. Meters and metering equipment shall be read by Tex-La and shall be located at the appropriate point of delivery.

4. Rates: (a) Cherokee shall pay Tex-La for all electric power and energy furnished hereunder at the rates and on the terms and conditions set forth in Rate Schedule A, attached hereto and made a part hereof.

(b) The Board of Directors of Tex-La, at such intervals as it shall deem appropriate, but in any event not less frequently than once in each calendar year, shall review the rates for electric power and energy furnished hereunder and under similar agreements with other members and, if necessary, shall revise such rates, so that they shall produce revenues which shall be sufficient, but only sufficient, with the revenues of Tex-La from all other sources, to meet the cost of the operation and maintenance (including, without limitation, replacements, insurance, taxes, and administrative and general overhead expenses) of the generating plant, transmission system, and related facilities of Tex-La, the cost of any power and energy purchased for resale hereunder by Tex-La, the cost of transmission service, make payments on account of principal and interest on all indebtedness of Tex-La, and to provide for the establishment and maintenance of reasonable reserves.

Tex-La shall cause a notice in writing to be given to Cherokee and other members of Tex-La and the Administrator of the Rural Electrification Administration ("Administrator"), which shall set out all the proposed revisions of the rates with the effective date thereof, which shall be not less than thirty (30) nor more than forty-five (45) days after the date of the notice, and shall set forth the basis upon which the rate is proposed to be adjusted and established. Cherokee agrees that the rates from time to time established by the Board of Directors of Tex-La shall be deemed to be substituted for the rates herein provided and agrees to pay for electric power and energy furnished by Tex-La to it hereunder after the effective date of any such revisions at such revised rates; provided, however, that no such revision shall be effective unless approved in writing by the Administrator.

It is recognized that Tex-La shall have the right to unilaterally make application to the Public Utility Commission of Texas, or any other appropriate regulatory agency, for changes in said rates and the terms and conditions associated therewith.

5. Annual Budget: Tex-La will prepare and submit to Cherokee an Annual Budget at least ninety days prior to the beginning of each year. Cherokee may then submit to Tex-La, at any time until the Annual Budget is adopted, any matters or suggestions relating to the Annual Budget which Cherokee may care to present. Tex-La shall then proceed with the consideration and adoption of such budget not less than thirty nor more than forty-five days prior to the beginning of such year and shall cause copies of the adopted Annual Budget to be delivered to Cherokee, provided, however, the budget for the first year shall be prepared, considered, adopted, and delivered in the most practicable manner available in the discretion of Tex-La. As required from time to time during any year after thirty days' notice to Cherokee, Tex-La may adopt an amended budget for and applicable to such year for the remainder of such year.

6. Reports: Tex-La will prepare and issue to Cherokee the following reports each month:

- (1) Financial and Operating Statement;
- (2) Status of Annual Budget;
- (3) Status of construction budget during construction;
- (4) Status of operations relating to the generating units;
- (5) Status of operating budget during operation of the generating units.

7. Records and Accounts: Tex-La will keep accurate records and accounts of each generating unit and the operations of Tex-La

in accordance with the Uniform System of Accounts. Said accounts shall be subject to an annual audit by an independent certified public accountant experienced in electric utility accounting to be submitted to Tex-La within 120 days after the close of each year. All transactions of Tex-La shall be subject to such an audit. A copy of the annual audit shall be delivered to Cherokee.

8. Consulting Engineer: (a) Tex-La will retain a Consulting Engineer to assist, advise, and make recommendations to Tex-La on matters relating to electric power generation, transmission, power supply, electric utility operations, rates and charges, feasibility, and budgets, and shall cause such Consulting Engineer to prepare within one hundred and twenty days following the close of each year an annual comprehensive engineering report for the immediately preceding year, which shall include a report in reasonable detail on the operations of Tex-La, including all items required by the Rural Electrification Administration to be reported upon.

(b) Tex-La shall cause a copy of the engineering report to be delivered to Cherokee.

9. New Projects: No New Projects (generating units or transmission facilities) shall be constructed and financed by Tex-La and Cherokee without (i) an opinion from the Consulting Engineer that such New Projects are economically feasible and engineeringly feasible, and (ii) the written approval of the Rural Electrification Administration.

10. Adjustment of Billing: At the end of each year, Tex-La shall determine if the aggregate amount paid by Cherokee under this

Contract to provide recovery of all Tex-La's applicable costs during such year was in the proper amount, and, upon the making of such determination, any amount found to have been paid by Cherokee in excess of the amount which should have been paid by Cherokee shall be credited on the Billing Statements to Cherokee for the remaining month or months of the next year. Ten percent of the amount of any deficiency shall be added to each of the next ten Billing Statements.

11. Disputed Monthly Billing Statement: In case any portion of any monthly Billing Statement received by Cherokee from Tex-La shall be in bona fide dispute, Cherokee shall pay Tex-La the full amount of the Billing Statement, and, upon determination of the correct amount, the difference between such correct amount and such full amount, if any, will be credited to Cherokee by Tex-La after such determination. In the event a Billing Statement is in dispute, Tex-La will give consideration to such dispute and will advise Cherokee with regard to Tex-La's position relative thereto within thirty days following written notification by Cherokee of such dispute.

12. Rate Covenant: Cherokee will establish, maintain, and collect rates and charges for the electric service of its electric system so as to provide revenues sufficient, together with available electric system reserves, to enable Cherokee to pay Tex-La all amounts payable under this Contract and to pay all other amounts payable from and all lawful charges against or liens on the revenues of its electric system.

13. Interconnection Arrangements: Tex-La will purchase or provide the reserve capacity service, transmission service, maintenance service, emergency service, economy service, and other

interchange service as may be necessary for the reliable and economical supply of the output and services of the generating units. Tex-La may sell electric power and energy from the generating units which, in the determination of Tex-La, is surplus to the requirements of Cherokee, as such surplus may be available from time to time. Any net revenues received by Tex-La for any such services shall be credited by Tex-La to its costs as determined by the Tex-La Board of Directors.

14. Operation and Maintenance: Tex-La covenants and agrees that it will operate, maintain, and manage generating units or cause the same to be operated, maintained, and managed in an efficient and economical manner, consistent with good utility practice.

15. Insurance: Tex-La shall maintain or cause to be maintained such insurance for the generating and transmission facilities as is usually carried by utilities constructing and operating generating facilities and such other insurance as is usually carried by electric utilities in conformity with good utility practice and as is required by the Rural Electrification Administration.

16. Event of Default: Failure of Cherokee to make any of the payments to Tex-La, for which provision is made in this Contract, shall constitute a default on the part of Cherokee.

17. Continuing Obligation, Right To Discontinue Service: In the event of any such default, Cherokee shall not be relieved of its liability for payment of the amounts in default, and Tex-La shall have the right to recover from Cherokee any amount in default. In enforcement of any such right of recovery, Tex-La may bring any suit, action, or proceeding in law or in equity, including

mandamus and action for specific performance as may be necessary or appropriate to enforce any covenant, agreement, or obligation to make payment for which provision is made in this Contract against Cherokee, and Tex-La may, upon sixty days' written notice to Cherokee cease and discontinue providing service under this Contract.

18. Other Default by Cherokee: In the event of a failure of Cherokee to establish, maintain, or collect rates or charges adequate to provide revenue sufficient to enable Cherokee to pay all amounts due to Tex-La under this Contract or in the event of a failure of Cherokee to take from Tex-La its bulk power supply in accordance with the provisions of this Contract, or in the event of any default by Cherokee under any other covenant, agreement or obligation of this Contract, Tex-La may bring any suit, action, or proceeding in law or in equity, including mandamus, injunction, and action for specific performance, as may be necessary or appropriate to enforce any covenant, agreement, or obligation of this Contract against Cherokee.

19. Default by Tex-La: In the event of any default by Tex-La under any covenant, agreement, or obligation of this Contract, Cherokee may bring any suit, action, or proceeding in law or in equity, including mandamus, injunction, and action for specific performance as may be necessary or appropriate to enforce any covenant, agreement, or obligation of this Contract against Tex-La.

20. Abandonment of Remedy: In case any proceeding taken on account of any default shall have been discontinued or abandoned for any reason, the parties to such proceedings shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers, and duties of Tex-La and Cherokee shall continue as though no such proceedings had been taken.

21. Character and Continuity of Service: (a) Tex-La shall use reasonable diligence to provide a constant and uninterrupted supply of electric power and energy hereunder. Tex-La may temporarily interrupt or reduce deliveries of electric energy to Cherokee if Tex-La determines that such interruption or reduction is necessary in case of emergencies or in order to install equipment in or make repairs to or replacements, investigations, and inspections of or to perform other maintenance work on its generation or transmission facilities and related apparatus. After informing Cherokee regarding any such planned interruption or reduction, giving the reason therefor, and stating the probable duration thereof, Tex-La will to the best of its ability schedule such interruption or reduction at a time which will cause the least interference with the operations of Cherokee.

(b) Tex-La shall not be required to provide, or be liable for failure to provide, service under this Contract when such failure or the cessation or curtailment of or interference with the service is caused by an act of God or of the public enemy, or because of accident, labor troubles, or any other cause beyond the control of Tex-La or, with respect to the services to be provided for bulk power supply, is caused by the failure or refusal of any other bulk power supplier to enter into reasonable contracts with Tex-La or by the inability of Tex-La to obtain any required governmental approvals to enable Tex-La to acquire or construct any facilities.

22. Liability of Parties: Tex-La and Cherokee shall assume full responsibility and liability for the maintenance and operation of their respective properties and each shall indemnify and save harmless the other from all liability and expense on account of any and all damages, claims, or actions, including injury to or death

of persons arising from any act or accident in connection with the installation, presence, maintenance, and operation of the property and equipment of the indemnifying party and not caused in whole or in part by the negligence of the other party; provided that any liability which is incurred by Tex-La through the operation and maintenance of generating units and not covered, or not covered sufficiently, by insurance shall be paid solely from the revenues of Tex-La and any payments made by Tex-La to satisfy such liability shall become part of the Annual Budget.

23. Assignment of Contract: (a) This Contract shall inure to the benefit of and shall be binding upon the respective successors and assigns of the parties to this Contract; provided, however, neither this Contract nor any interest herein shall be transferred or assigned by either party hereto except with the consent in writing of the other party, and such consent shall not be withheld unreasonably. No assignment or transfer of this Contract shall relieve the parties of any obligation hereunder.

(b) Cherokee acknowledges and agrees that Tex-La may assign and pledge to the Rural Electrification Administration all its right, title, and interest in and to all payments to be made to Tex-La under the provisions of this Contract as security for the payment of the principal (including sinking fund installments) of, and premium, if any, and interest on all debts, and, upon the execution of such assignment and pledge, REA shall have all rights and remedies herein provided to Tex-La, and any reference herein to Tex-La shall be deemed, with the necessary changes in detail, to include REA.

24. Severability: In case any one or more of the provisions of this Contract shall for any reason be held to be illegal or invalid by a court of competent jurisdiction, it is the intention of

of each of the parties hereto that such illegality or invalidity shall not affect any other provision hereof, but this Contract shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

25. Meter Readings and Payment of Bills: Tex-La shall read or cause meters to be read at least monthly. Electric power and energy furnished hereunder shall be paid monthly within fifteen (15) days after the Billing Statement is mailed to Cherokee. If Cherokee shall fail to pay any such bill within the fifteen-day period, Tex-La may discontinue delivery of electric power and energy hereunder upon fifteen days' written notice to Cherokee of its intention to do so.

26. Meter Testing and Billing Adjustments: Tex-La shall test and calibrate meters by comparison with accurate standards at intervals of twelve (12) months. Tex-La shall also make special meter tests at any time at Cherokee's request. The costs of all tests shall be borne by Tex-La; provided, however, that if any special meter test made at Cherokee's request shall disclose that the meters are recording accurately, Cherokee shall reimburse Tex-La for the cost of such test. Meters registering not more than two percent (2%) above or below normal shall be deemed to be accurate. The readings of any meter which shall have been disclosed by test to be inaccurate shall be corrected for the ninety (90) days previous to such test in accordance with the percentage of inaccuracy found by such test. If any meter shall fail to register for any period Cherokee and Tex-La shall agree as to the amount of energy furnished during such period and Tex-La shall render a bill therefor.

27. Notice of Meter Reading or Test: Tex-La shall notify Cherokee in advance of the time of any meter reading or test so that Cherokee's representative may be present at such meter reading or test.

28. Right of Access: Duly authorized representatives of either party hereto shall be permitted to enter the premises of the other party hereto at all reasonable times in order to carry out the provisions hereof.

29. Term: This Agreement shall become effective only upon approval in writing by the Administrator and shall remain in effect until the year 2020, and thereafter until terminated by either party giving the other not less than six months' written notice of its intention to terminate. Subject to the provisions of Article 1 hereof, service hereunder and the obligation of Cherokee to pay therefor shall commence upon completion of the facilities necessary to provide service.

TEX-LA ELECTRIC COOPERATIVE OF
OF TEXAS, INC.

Attest:

By _____

CHEROKEE COUNTY ELECTRIC COOPERATIVE, INC.

Attest:

By _____

CHEROKEE COUNTY ELECTRIC COOPERATIVE, INC.
POINTS OF DELIVERY FROM TP&L AND SWESCO AS OF _____

[To be completed]

SUPPLEMENTAL AGREEMENT

AGREEMENT made as of _____, between

(hereinafter called
the "Seller") _____,
(hereinafter called the "Member"), and the United States of America,
acting through the Administrator of the Rural Electrification
Administration (hereinafter called the "Administrator")

WHEREAS, the Seller and the Member have entered into a contract for the purchase and sale of electric power and energy, which contract is attached hereto and is hereinafter called the "Power Contract"; and

WHEREAS, the execution of the Power Contract between the Member and the Seller is subject to the approval of the Administrator under the terms of the loan contracts entered into with the Administrator by the Seller and the Member respectively;

NOW, THEREFORE, in consideration of the mutual undertakings herein contained, and the approval by the Administrator of the Power Contract, the parties hereto agree as follows:

1. The Seller, the Member and the Administrator agree that if the Member, upon being requested to do so by the Seller with the approval or at the direction of the Administrator, shall fail to terminate any contract with a power supplier other than the Seller, as provided by Section 1 of the Power Contract, the Seller, or the Administrator if he shall so elect, shall have the right to enforce the obligations of the Member under the provisions of said Section 1 of the Contract by instituting all necessary actions at law or suits in equity, including without limitation, suits for specific performance.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above mentioned.

Seller

By _____
President

ATTEST:

Secretary

Member

President

ATTEST:

Secretary

UNITED STATES OF AMERICA

By _____
Administrator
of
Rural Electrification Administration