

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

NUCLEAR PROJECT NO. 1

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

(Project Agreement)

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This AGREEMENT, executed February 6, 1973, by the UNITED STATES OF AMERICA (Government), Department of the Interior, acting by and through the BONNEVILLE POWER ADMINISTRATOR (Administrator), and WASHINGTON PUBLIC POWER SUPPLY SYSTEM (Supply System), a municipal corporation of the State of Washington,

W I T N E S S E T H:

WHEREAS Supply System has constructed the Hanford Project which includes the Generating Facilities having a generating capability of 860 megawatts which are operated in conjunction with byproduct steam from the New Production Reactor (NPR) of the Atomic Energy Commission (AEC) on the Hanford Reservation; and

WHEREAS the AEC has notified Supply System of its intention to discontinue dual purpose operation of the NPR and Supply System, the Administrator and the participants, being all the parties to the Hanford Exchange Agreements, have agreed that Supply System shall construct a nuclear steam supply facility and additional generating facilities which can be used in conjunction with the Generating Facilities; and

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

WHEREAS the Administrator has determined that acquisition of the Project Capability as herein provided will assist in attaining the objectives of the Bonneville Project Act, and other statutes pertaining 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 generating 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 construction of the Project is a part of the Hydro Thermal Power Program for the Pacific Northwest and this agreement is one of a series of agreements implementing such program; and

WHEREAS Supply System expects to enter into certain contracts for the financing, planning, engineering, construction and operation of the Project; and

WHEREAS Supply System, the Administrator and the Participants are parties to Net Billing Agreements under which Supply System sells a portion of Project Capability to the Participants and under which the Administrator will acquire Project Capability from the Participants; and

WHEREAS Supply System, the Administrator, and each of The Montana Power Company, Pacific Power & Light Company, Portland General Electric Company, Puget Sound Power & Light Company, and The Washington Water Power Company are parties to Project Exchange Agreements under which Supply System sells a portion of Project Capability to such companies and the companies exchange such Project Capability with the Administrator for electric power and energy from the Federal Columbia River Power System; and

WHEREAS Supply System is organized under the laws of the State of Washington (Rev. Code of Washington, Ch. 43.52) and is authorized by law to construct,

and the siting, construction, 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 power and 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 take provision for all such Supply System's costs, including (1) all obligations of Supply System incurred with respect to the Hanford Project, including its obligations under Supply System's Resolution No. 173 and the Bond Resolution and (2) accrual 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 Bond Resolution to pay in each Contract Year into the various funds provided for in the Bond Resolution for debt service and all other purposes and shall include the source of funds proposed to be used; provided, however, that the Annual Budget for any portion of a Contract Year prior to the Date of Commercial Operation or September 1, 1980, whichever occurs first, shall include only such amounts as may be agreed upon by Supply System and the Administrator.

(b) "Bonds" means any kind, series, or other evidences of indebtedness issued in connection with the Project pursuant to the Bond Resolution (1) to finance or refinance Supply System's costs associated with planning, designing, financing, acquiring and constructing the Project pursuant to the Bond Resolution and (2) for any other purpose related to the Project authorized thereby.

(c) "Bond Resolution" means the resolution or resolutions adopted or supplemented by Supply System, as the same may be amended or supplemented, to authorize the Bonds. } 3

(d) "Construction Budget" means the budget adopted by Supply System which sets forth an estimated schedule of construction expenditures and itemizes all costs related to ownership, design, planning, construction and financing of the Project, as well as any revision or updating thereof during the course of construction. } 4

(e) "Contract Year" (1) means the period commencing on the Date of Commercial Operation, or on January 1, 1980, whichever occurs first, and ending at 12 p.m. on the following June 30, and (2) thereafter means the 12 month period commencing each year at 12 p.m. on June 30, except that the last Contract Year shall end on the date of termination of this agreement.

(f) "Date of Commercial Operation" means the date fixed by the parties as the point in time when the Project is ready to be operated on a commercial basis pursuant to schedules agreed to by the Administrator and Supply System.

(g) "Generating Facilities" means the Hanford Project power house with two turbine generator units with a combined nameplate rating of 360 megawatts, related auxiliary equipment, transformation and transmission facilities.

(h) "Hanford Exchange Agreements" means the Exchange Agreements (Contracts No. 14-03-35345 through 14-03-35363 and 14-03-35369 through 14-03-35625,

individually owned by 76 utility participants, Supply System and the Administrator providing for the purchase of Project Output from the Hanford Project by the Participants and the exchange of such Project Output with the Administrator for firm power and energy.

(i) "Hanford Project" means the works, plants and facilities constructed by the Supply System for the generation and transmission of electric power and energy in conjunction with the Atomic Energy Commission's New Production Reactor pursuant to Supply System's Resolution No. 178.

(j) "Net Billing Agreements" means the agreements for the Project entered into by Supply System, the Administrator and each of the Participants (Contract No. 14-03-39217 through 14-03-39320, inclusive).

(k) "Participants" means those entities which are specified in Exhibit A to the Net Billing Agreements, or which become assignees of all or part of any Participant's Share pursuant to the Net Billing Agreements.

(l) "Project" means the nuclear generating plant and related properties described in Exhibit A. Exhibit A may be revised from time to time by mutual agreement of the parties, but in any event shall conform to the description of the Project in the Bond Resolution which authorizes the issuance of Bonds in an amount sufficient to pay the costs of acquiring and constructing the Project.

(m) "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.

(a) "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.

(b) "Project Exchange Agreements" means the agreements entered into by Supply System, the Administrator and each of The Montana Power Company, Pacific Power & Light Company, Portland General Electric Company, Puget Sound Power & Light Company, and The Washington Water Power Company (Contracts No. 14-03-39112 through 14-03-39116, inclusive).

(c) "Prudent Utility Practice" at a particular time means any of the practices, methods and acts, which, in the exercise of reasonable judgment in light of the facts (including but not limited to the practices, methods and acts engaged in or approved by a significant portion of the electrical utility industry prior thereto) known at the time the decision was made, would 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, other facilities and public relations programs reasonably designed to promote public enjoyment, understanding and acceptance of the Project. 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 matter conforms to Prudent Utility Practice, the parties and any Project Consultant shall take into account (1) the fact that Supply System is a municipal corporation and operating agency under the laws of the State of Washington with the statutory duties and responsibilities thereof and (2) the

objective to integrate the entire Project Capability with the generating resources of the Federal Columbia River Power System to achieve optimum utilization of the resources of that system taken as a whole, and to achieve efficient and economical operation of that system.

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

3. Term of Agreement. This agreement shall be effective upon execution and delivery and shall terminate when the Project terminates as provided in section 15.

4. Design, Licensing and Construction of the Project.

(a) Supply System shall perform its duties and exercise its rights under this agreement in accordance with Prudent Utility Practice.

(b) Supply System shall seek and use its best efforts to obtain all licenses, permits and other rights and regulatory approvals necessary for the ownership, construction, and operation of the Project.

(c) Supply System shall complete all appropriate planning and engineering studies and construct the Project in accordance with Prudent Utility Practice. Supply System shall use its best efforts to schedule the Date of Commercial Operation to be, as near as may be, September 1, 1960.

(d) Supply System shall keep the Administrator informed of all matters Supply System deems significant with respect to planning, engineering studies and construction of the Project, where practicable in time for the Administrator to comment thereon before decisions are made. Upon request by the Administrator, Supply System shall furnish or make available to the Administrator with reasonable

progress, and at reasonable times, copies of proposed plans, specifications, indications for bids and contracts and all certificates delivered to Supply System by any engineer or architect in connection with such construction, and all bills, papers, records and accounts relating to construction or operation of the Project.

(e) Supply System shall award separate contracts for readily separable parts of the work to the extent consistent with construction of the Project at least overall cost and the high quality required. Construction contracts may be lump sum or unit price, and may also contain incentive and liquidated damages clauses. Supply System shall advertise for bids among qualified contractors and award the contract after appropriate evaluation and review to the lowest responsible bidder, or reject all bids. All bids, bid evaluations and proposed contract awards for amounts in excess of \$500,000 shall be submitted to the Administrator prior to contract award. If the Administrator disapproves the proposed award, the matter will be referred to the Project Consultant as provided in section 10.

(f) The Administrator may, at his option and at Government expense, maintain a representative at the Project site during the construction of the Project. Such representative shall have no authority regarding administration or inspection of the Project construction.

(g) Notwithstanding any other provisions of this agreement, the selection of the (1) type and specifications for the nuclear steam supply system, (2) method of cooling, (3) specifications for the additional turbine-generator and (4) architect-engineer shall be made only after approval by the Administrator.

(h) The Administrator shall have the right to purchase upon reasonable terms and conditions energy produced during any test operation of the generating unit of the Project, upon reasonable notice to Supply System of his intention to

do so, given prior to the commencement of such test operation. If the Administrator does not exercise such right, he shall accept delivery into the Federal Columbia River Power System and, upon reasonable terms and conditions, shall deliver any such energy not purchased by him to Supply System or its assignee at mutually agreed points.

5. Financing of the Project.

(a) Supply System shall, in good faith and with due diligence, use its best efforts to issue and sell Bonds to finance the costs of the Project and the completion thereof, as such costs are defined in the Bond Resolution and, subject to the provisions of section 11(c), to finance the costs of any capital additions, renewals, repairs, replacements or modifications to the Project; provided, however, that in each such case such Bonds may then be legally issued and sold.

Supply System may, after submitting its financing proposal to the Administrator, or shall, whenever requested by the Administrator, adopt proceedings to authorize the issuance and sale of additional Bonds to refund outstanding Bonds prior to maturity in accordance with the Bond Resolution; provided, however, that if in the judgment of Supply System or the Administrator no substantial benefits or economies will be achieved by such refunding, the matter shall be referred to the Project Consultant as provided in section 10.

(b) Notwithstanding any other provisions of this agreement, the Bond Resolution shall be subject to the approval of the Administrator.

6. Budget and Accounting Procedures.

(a) Construction Budget. The Administrator has heretofore reviewed Supply System's Construction Budget in connection with the Project. By October 1 of each year until completion of construction of the Project Supply System shall

prepare and submit to the Administrator an updated Construction Budget describing the items of construction and the estimated amounts to be expended therefor in each quarter from the succeeding January 1 to estimated date of Project completion. Supply System shall submit revised Construction Budgets to the Administrator from time to time to reflect substantial changes in construction schedules, plans, specifications, or costs. Updated Construction Budgets for the succeeding calendar year and revised Construction Budgets for the current calendar year shall become effective unless disapproved by the Administrator within 30 days, and seven days, respectively, after submittal. Any item disapproved shall be referred to the Project Consultant as provided in section 10.

A monthly Construction Budget report shall be prepared by Supply System and filed with the Administrator showing by major plant accounts or contracts, the cumulative amounts committed and the cumulative expenditures to date of each such report.

(b) Annual Budget. At least 90 days prior to the expected Date of Commercial Operation, Supply System shall submit to the Administrator a proposed Annual Budget for the period from the expected Date of Commercial Operation to the next succeeding July 1, and if the Date of Commercial Operation occurs subsequent to April 1 in a calendar year, a similar Annual Budget for the next succeeding Contract Year. Thereafter, on or before April 1 of each year Supply System shall submit to the Administrator a similar Annual Budget for the next succeeding Contract Year, which budget shall take into account the cumulative difference between total moneys received and expenditures for the prior Contract Year and provide for adjustment, as necessary, of the appropriate working cash fund.

... required by law to be ... 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 negotiated payment if in any Contract Year the sum of such negotiated payments to such taxing entities and taxes imposed by law by such taxing entities 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.

Notwithstanding any other provision of this agreement, costs incurred by Supply System in an emergency or to protect the safety of the Project or the public shall be added to the Annual Budget as incurred. Promptly after any such occurrence, and prior to expenditures of any other funds not contemplated in the effective Annual Budget, Supply System shall submit a revised Annual Budget to the Administrator.

The Annual Budget and revised Annual Budget shall become effective unless disapproved by the Administrator within 30 days and seven days, respectively, after submittal. Any item disapproved shall be referred to the Project Consultants as provided in section 10.

(c) Accounting. Supply System shall keep up-to-date books and records showing all financial transactions and other arrangements made in carrying out

the terms of this agreement. Such books and records shall contain information supporting the allocation of Supply System's indirect costs associated with the Project, and the method of allocating or prorating costs or expenses as between the Project and other activities in which Supply System may have an interest shall be based upon Prudent Utility Practice. Such books and records shall be retained by Supply System for three years and shall be made available for inspection and audit by the Administrator at any reasonable time.

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All accounts shall be kept so as to permit conversion to the applicable system of accounts prescribed for electric utilities by the Federal Power Commission.

Any contract with any consultant or contractor of Supply System providing for reimbursement of costs or expenses of any kind shall require the keeping and maintenance of books, records, documents, and other evidence pertaining to the costs and expenses incurred or claimed under such contract to the extent and in such detail as will properly reflect all costs related to this agreement and shall require such books, records, documents and evidence to be made available to the Administrator at all reasonable times for review and audit for a period of three years after final settlement of the applicable contracts.

(d) All moneys received on account of the Project which are surplus to a current year's operating and capital expenses and Bond Resolution requirements shall be invested by Supply System in accordance with the Bond Resolution until such surplus moneys can be appropriately applied in a future Contract Year.

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7. Operation and Maintenance of the Project.

(a) Supply System shall operate and maintain the Project in accordance with Prudent Utility Practice, so as to meet the requirements of the Atomic Energy

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... and all government agencies having jurisdiction and the applicable requirements of bond resolutions.

(b) During any hour in which the Project does not generate power for station use and losses to the high voltage terminals of the Project substation, the Administrator shall furnish such power, except for amounts others are obligated to supply under the Project Exchange Agreements and Net Billing Agreements, to the Supply System at the point of delivery specified in section 11 of the Net Billing Agreements; provided, however, that deliveries of such power may be interrupted or reduced in the case of system emergencies, or in order to make repairs, replacements or necessary additions to or perform maintenance on that portion of the Federal Columbia River Power System necessary to provide such power.

8. Fuel.

(a) At least 60 days prior to the anticipated date of award of the initial fuel contracts, Supply System shall submit the proposed provisions of such contracts to the Administrator. Within 180 days after the date of award of such contracts, and annually thereafter until the Date of Commercial Operation, Supply System shall prepare and submit a fuel management plan (Plan) to the Administrator. Each year after the Date of Commercial Operation, the Plan shall be submitted at the same time as the Annual Budget is submitted pursuant to section 4(b). Supply System shall amend the Plan as reasonably required to reflect changes in conditions unforeseen at the time the Plan was prepared.

Supply System shall consult with the Administrator in the preparation of the initial and each subsequent Plan. The Administrator shall furnish Supply System all necessary forecasts of the generation requirements of the Project. Such forecasts shall indicate the manner in which the Project is to be operated to integrate and coordinate the Project with hydroelectric and other thermal

resources available to the Administrator. Supply System shall rely upon such forecasts in preparing the Plan.] 35

The Plan shall cover a period of at least the next succeeding ten years. It shall include a cash flow analysis of forecasted expenditures and credits for each major component of the fuel cycle, by years, for the entire period, and cash flow by months, for the first five years of the period. The Plan shall also include, but shall not be limited to, forecasts of the dates and details of fueling outages, contracts for each component of the fuel cycle, shipments and any licenses or permits required therefor and any other pertinent actions.

Each Plan (including the provisions of the initial fuel contracts), any changes therein, and costs relating thereto shall become effective unless disapproved by the Administrator within 30 days after submittal; provided, however, that whenever in his judgment it is practical to do so the Administrator shall notify Supply System in writing within ten days after each such submittal of his approval or disapproval. Any matter or item disapproved shall be referred to the Project Consultant as provided in section 10.

(b) At the time of each fueling, Supply System shall prepare in consultation with the Administrator and furnish to the Administrator its best estimate of the kilowatt-hours of net energy available from the Project to the next scheduled fueling date and the estimated fixed and variable unit cost per net kilowatt-hour and furnish to the Administrator such other data as may be requested by the Administrator. Supply System shall review the data with the Administrator at least monthly and revise such data as necessary.] 41

9. Permits. Subject to any regulations of the Atomic Energy Commission pertaining to the Project, if by the terms of this agreement any equipment or

facility of either party is, or is to be, located on the property of the other, a permit to install, test, maintain, inspect, replace, and repair during the term of this agreement and to remove at the expiration of said term such equipment and facility, together with the right of ingress to and egress from the location thereof at all reasonable times in such term, is hereby granted by the other party.

10. Administrator's Approval and Project Consultant.

(a) All proposals of Supply System, including but not limited to, budgets, plans, actions, activities, or matters submitted to the Administrator under any provisions of this agreement shall include itemized cost estimates and other detail sufficient to support a comprehensive review, including but not limited to, a copy of all supporting reports, analyses, recommendations, or other documents pertaining thereto. If the Administrator does not disapprove the proposal within the time specified, or if no time is specified, within seven days after receipt, the proposal shall be deemed approved. Any proposal disapproved shall be segregated so that exact items of difference are identified and shall become effective immediately as to items not disapproved.

(b) Except as provided in sections 4(g), 5(b), 11(b), and the third paragraph of section 6(b), disapproval by the Administrator shall be given in writing and shall be based solely on whether the proposal or item is consistent with Prudent Utility Practice. Such disapproval shall describe in what particular the proposal or item is not consistent with Prudent Utility Practice and shall at the same time recommend what would meet that standard.

When any proposal or item is so disapproved by the Administrator, Supply System shall adopt the suggestion of the Administrator or within seven days after receipt of such disapproval, shall appoint a Project Consultant acceptable to the

Administrator to refer the proposal or item in the manner described in this section. If the parties shall not agree upon the selection of the Project Consultant, Supply System shall promptly request the Chief Judge of the United States District Court for the District of Columbia to appoint the Project Consultant.

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(c) The Project Consultant shall consider all written arguments and factual materials which have been submitted to it by either party within ten days following its appointment, and as promptly as possible after the expiration of such period, make a written determination as to whether the proposal or item disapproved by the Administrator referred to it by Supply System would or would not have been consistent with Prudent Utility Practice. If the Project Consultant determines that the proposal or item referred to it was not consistent with Prudent Utility Practice it shall, at the same time, recommend what would, under the same circumstances, have met such test.

Proposals or items found by the Project Consultant to be consistent with Prudent Utility Practice shall become immediately effective. Proposals or items found by the Project Consultant to be inconsistent with Prudent Utility Practice shall be modified to conform to the recommendation of the Project Consultant or as the parties otherwise agree and shall become effective as and when modified.

(d) All costs incurred by Supply System for or by reason of employing a Project Consultant under this agreement and the Net Billing Agreements shall be a cost of the Project.

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(e) If any proposal or item referred to the Project Consultant has not been resolved and will affect the continuous operation of the Project, Supply System shall continue to operate the Project. Supply System may proceed with the item, (1) as proposed by it, or (2) as proposed by the Administrator, or (3) as modified by mutual agreement by Supply System and the Administrator prior

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to the extent that such item affects operation of the Project; provided, however, that if Supply System proceeds with the item as proposed by it and that item is determined by the Project Consultant to be inconsistent with Prudent Utility Practice Supply System shall bear any net increase in the cost of construction or operation of the Project resulting from such item without charge to the Project to the extent such item was inconsistent with what the Project Consultant determined would under such circumstances have met such test. Notwithstanding other provisions of this section 10(e), whenever a proposal has been referred to the Project Consultant, Supply System shall operate in accordance with Supply System's proposals until such proposal has been resolved by the Project Consultant, whenever Supply System determines that the Administrator's proposals would create an immediate danger to the safe operation of the Project.

(5) The Administrator's approval or failure to disapprove any plan, proposal or item pursuant to the terms of this agreement shall not render the Government, its officers, agents, or employees, liable or responsible for any injury, loss, damage, or accident resulting from ownership, design, construction, operation, or maintenance of the Project.

(3) The word "item" as used in this section means the item described including the cost specified therefor.

11. Replacements, Repairs and Capital Additions.

(a) After the Date of Commercial Operation Supply System shall submit its plan, including but not limited to a financing plan, and budget of expenditures to the Administrator for each replacement, repair, or betterment relating thereto, or capital addition required by governmental agencies, each as related to the Project and having a cost, as estimated by Supply System, in excess of \$3,000,000; provided, however, that if the estimated cost of any such replacement.

... or betterment relating thereto, or capital addition required by governmental agencies, exceeds 20 percent of the then depreciated value of the Project, the Administrator may direct that Supply System and the Project in accordance with section 15. If the parties cannot agree upon such estimated costs, such estimated costs shall be referred to and determined by the Project Consultant. If the Administrator does not so direct within 90 days from the date such estimated cost has been so agreed upon or determined, Supply System shall proceed with its plan and budget of expenditures for such replacement, repair, or betterment relating thereto, or capital addition required by such governmental agency. Each such plan and budget or updated or revised budget relating thereto shall be submitted to the Administrator and shall become effective at the time and in the manner provided in section 6(a).

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(b) Notwithstanding any other provisions of this agreement, Supply System shall not expend or obligate, without prior approval of the Administrator, moneys exceeding \$50,000 in any Contract Year for capital additions to the Project unless such capital additions are required by governmental agencies.

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(c) If in any Contract Year the amounts in the Annual Budget for renewals, repairs, replacements, and betterments, and for capital additions necessary to achieve design capability or required by governmental agencies (Amounts for Extraordinary Costs), whether or not such amounts are costs of operation or costs of construction, exceed the amount of reserves, if any, maintained for such purpose pursuant to the Bond Resolution plus the proceeds of insurance, if any, available by reason of loss or damage to the Project, by the lesser of:

- (1) an amount of \$3,000,000 or

(2) an amount by which the amount of the Administrator's estimate of the total of the Administrator's net billing credits available in such Contract Year to the Participants pursuant to section 7(a) of the Net Billing Agreements and the amounts of such reserves and insurance proceeds, if any, exceeds the Annual Budget for such Contract Year exclusive of Amounts for Extraordinary Costs,

Supply System shall, in good faith, use its best efforts to issue and sell Bonds to pay such excess in accordance with section 5(a).

12. Insurance.

(a) Supply System shall maintain in force, for the benefit of the Project, the Administrator, Supply System, and the Participants as their respective Interests shall appear, as a Project expense, such insurance as will satisfy the requirements of the Bond Resolution, the Atomic Energy Act of 1954 as amended, other insurance required by applicable statutes, and such other insurance as the parties agree. Subject to section 11 any proceeds of such insurance received by the Supply System for loss or damage to the Project shall be used to repair the Project. Supply System shall not, without the consent of the Administrator and the Participants' Review Board as established pursuant to section 17 of the Net Billing Agreements, cause the insurance on the Project to be extended to any additional units or generating projects or to lapse to permit the extension of such coverage.

(b) The Administrator may request additional insurance to the extent available, and Supply System shall purchase such requested insurance at the Administrator's expense. The proceeds from such requested insurance shall be disbursed as directed by the Administrator.

13. Inspection of Project Facilities. The Administrator may, but shall not be obligated to, inspect the Project at any reasonable time, but such inspection, or failure to inspect, shall not render the Government, its officers, agents, or employees, liable or responsible for any injury, loss, damage, or accident resulting from defect in the Project.

14. Training. Supply System shall carry out a familiarization and training program to maintain adequate staff for the Project and the expenses thereof shall be part of the direct or indirect costs of construction or costs of operation as appropriate.

15. End of the Project. The Project shall terminate and Supply System shall cause the Project to be salvaged, discontinued, decommissioned, and disposed of or sold in whole or in part to the highest bidder(s) or disposed of in such other manner as the parties may agree when

(a) Supply System determines it is unable to construct, operate, or proceed as owner of the Project due to licensing, financing, or operating conditions or other causes which are beyond its control;

(b) the parties determine the Project is not capable of producing energy consistent with Prudent Utility Practice or, if the parties disagree, the Project Consultant so determines, or

(c) the Administrator directs end of Project as provided in section 11(1).

The date of termination shall be the earliest of the date of the determination under subsections (a) or (b) above or the date of direction under subsection (c) above.

16. Assignment of Agreement. This agreement shall inure to the benefit of, and shall be binding upon, the respective successors and assigns of the

... to this agreement provided, however, that neither this agreement nor any interest therein shall be transferred or assigned by the Supply System to any entity other than the United States or an agency thereof without written consent of the Administrator, or (b) the Administrator to any party other than the United States, or an agency thereof, without written consent of Supply System.

17. 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 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 reference to the Project Consultant hereunder shall be, subject to the terms and provisions of the 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

Donald Paul Zehel
Sonneville Power Administrator

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

(SEAL)

By

A. J. Stein
Title MANAGING DIRECTOR

ATTEST:

By

Ed Fricler
CHAIRMAN
Title EXECUTIVE BOARD

PLANT CHARACTERISTICS
WASHINGTON PUBLIC POWER SUPPLY SYSTEM
NUCLEAR PROJECT NO. 1

The Washington Public Power Supply System's Nuclear Project No. 1 is expected to have a net electrical plant capability of approximately 1230 MW.

A new pressurized water reactor nuclear steam supply system similar to other reactors now under construction will replace the NPR as a steam source. It will include, but not be limited to, a nuclear reactor, fuel, control systems, primary coolant loops with steam generators, engineered safeguard systems, radwaste system, service systems, containment building and other auxiliary facilities.

Steam will be fed from this new reactor to a new topping turbine and generator with a nameplate rating of approximately 400 MW housed in an extension of the existing turbine-generator building of the Generating Facilities. New piping will transmit low pressure exhaust steam from the new topping turbine to the existing low pressure turbine complex which is a part of the Generating Facilities. The existing turbines may be modified, including the addition of extra stages of blades; and such modifications, additions and alteration to the condensers, cooling system, feedwater heaters, feedwater pumps, instrumentation, control systems, auxiliary startup power facilities and other components of the Generating Facilities will be made as shall be required to operate the topping turbine and to utilize exhaust steam from the topping turbine.

PROVISIONS REQUIRED BY STATUTE OR EXECUTIVE ORDER1. 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.

(a) and (b) and this solicitation (c) to be inserted in all solicitations.

(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 § 16.2(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,

... and ... to books, records, ... of labor for ... with such rules, regulations and orders.

(f) In the event of the Contractor's non-compliance with the equal opportunity clause of this contract or with any of such rules, regulations, or orders, this contract may be recalled, 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 104 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 non-compliance; 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.

... hereby approved as part of the ... of the Project as reflected in Exhibit A attached hereto.

"(b) Supply System shall not agree to the continued operation of the Hanford Project nor agree to the use of the Generating Facilities by another project, if such operation or use will increase the amounts which otherwise would have been payable by the Participants under the Net Billing Agreements.

"(c) The Administrator and Supply System shall use their best efforts to recover, to the extent practicable, any net increased annual cost of the Project which results from the disassociation of the operation of the Project from the operation of the Generating Facilities from those agencies which benefit from the continued operation of the Hanford Project after October 31, 1977, or from any other project which makes beneficial use of the Generating Facilities."

3. Exhibit. Exhibit A, "Project Characteristics", is replaced with the Exhibit A attached hereto.

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

UNITED STATES OF AMERICA
Department of the Interior

(SEAL)

By *James Paul ...*
Bonneville Power Administrator

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

(SEAL)

By *J. J. Stein*
Title ...

ATTEST:

By *[Signature]*
Title SECRETARY