

Sample

Wholesale Power Contract – Federated Cooperative

AGREEMENT made as of _____ between _____, a corporation organized and existing under the laws of the state of _____ (the “Seller”) and _____, its successors and assigns, a corporation organized and existing under the laws of the State of _____, (the “Member”).

WHEREAS, the Seller is a not-for-profit corporation which is owned and controlled by the members it serves and the Member is one of those members; and

WHEREAS, the Seller proposes to construct, or has constructed, an electric generating plant(s) or transmission system or both, and may purchase or otherwise obtain, or has purchased or otherwise obtained, electric power and energy for the purpose, among others, of supplying electric power and energy to borrowers of loans made or guaranteed by the United States of America (the “Government”) acting through the Administrator (the “Administrator”) of the Rural Utilities Service (“RUS”) which are or may become members of the Seller; and

WHEREAS, in order to further the purposes of the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 et. seq.) (the “Rural Electrification Act”) and to comply with RUS regulations (7 CFR 1717, subpart G) thereunder, the Seller has entered into or is about to enter into agreements for the sale of electric power and energy similar in form and substance to this Agreement with other members and has entered or may enter into substantially similar agreements with other entities who have or may become members; and

WHEREAS, the Member desires to purchase from the Seller, and the Seller desires to sell, electric power and energy from the Seller on terms and conditions herein set forth; and

WHEREAS, in reliance upon the commitments of the Seller herein set forth, the Member is entering into this Agreement and the Member acknowledges by entering into this Agreement that the Seller (i) has obtained and will obtain financing, (ii) has invested and will in the future invest in plant and facilities, (iii) has developed and will continue to develop an organizational structure, management team and staff, (iv) has engaged and will continue to engage in planning, and (v) has made and will continue to make commitments relating to long-term power supply arrangements, all on the basis of the cash flow produced by this Agreement and similar agreements between the Seller and its other members; and

WHEREAS, this Agreement and payments due to the Seller under this Agreement are or shall be pledged and assigned to secure indebtedness owed to the Government and such other lenders (if any) with whom RUS has agreed pursuant to the Rural Electrification Act to share collateral for loans made or guaranteed by them from time to time to the Seller (the Government and non-Government loans are collectively called the "Loans"), and the Loans are or will be evidenced by promissory notes (collectively, the "Notes"); and

WHEREAS, RUS and other lenders are relying on the execution and performance of this Agreement and similar agreements between the Seller and other members of the Seller to assure (i) the Loans made to the Seller are repaid in accordance with their respective terms, (ii) the purposes of the Rural Electrification Act are carried out by the Seller and the Member, and (iii) that Loans made or guaranteed by the Administrator are adequately secured as required by section 4 of the Rural Electrification Act (7 U.S.C. 904), and by executing this Agreement the Seller and the Member acknowledge that reliance; and

WHEREAS, RUS is also relying on the execution and performance of this Agreement and similar agreements between the Seller and other members of the Seller to assure that any loans now or hereafter made by RUS to the Member (i) are repaid in accordance with their respective terms and (ii) are adequately secured, both as required by the Rural Electrification Act, and by executing this Agreement the Seller and the Member acknowledge that reliance; and

WHEREAS, the Loans are being incurred primarily to construct, improve or acquire facilities which are intended to directly or indirectly benefit the Member and its members as well as other members of the Seller, although the Member recognizes that such benefits cannot be assured; and

WHEREAS, the Member has determined that its interests and the interests of its own members will be best served by entering into this Agreement with the Seller in lieu of undertaking the risks of developing other sources of electricity itself or of purchasing electricity from other sources.

NOW, THEREFORE, in consideration of the mutual undertakings herein contained, and intending to be legally bound hereby, the parties agree as follows:

1. **General.** Subject to the provisions of Paragraph 10 hereof, the Seller shall sell and deliver to the Member and the Member shall purchase and receive from the Seller all electric power and energy which the Member shall require for the operation of the Member's system to the extent that the Seller shall have such power and energy and facilities available; provided, however, that the Member shall have the right to continue to purchase electric power and energy under any existing contract(s) with a supplier other than the Seller during the remainder of the term thereof, including such renewals or extensions as the Administrator may approve in writing.

2. **Electric Characteristics and Delivery Point(s).** Electric power and energy to be furnished hereunder shall be alternating current, _____ phase, sixty (60) hertz. The _____ shall make and pay for all final connections between the systems of the Seller and the Member at that point(s) of delivery. The point(s) of delivery, delivery voltage and

special conditions of service shall be set as forth in "Schedule A – Electric Characteristics and Delivery Points, which is attached hereto and by this reference made a part hereof. The characteristics and delivery points on such Schedule A may be revised to include such other point or points as may be agreed upon by the Seller and the Member by an appropriate amendment to such Schedule A; provided, however that the Seller shall cause notice in writing of any such revision to be given to the Administrator not less than thirty (30) days prior to its effective date and provided further that no such revision shall become effective hereunder if the Administrator informs the Seller and Member in writing before the effective date that RUS objects to the revision.

3. **Substation(s).** The _____ shall install, own, and maintain the necessary substation equipment at the point(s) of connection, or contract for the rights to use and maintain the necessary substation equipment. The _____ shall own and maintain, or contract for the rights to use and maintain, switching and protective equipment which may be reasonably necessary to enable the Member to take and use the electric power and energy hereunder and to protect the system of the Seller. The Seller shall furnish, maintain and read, or cause to be furnished, maintain and read, meters and metering equipment at each delivery point. Unless the Seller and the Member shall mutually agree upon an alternative location, meters and metering equipment shall be located at the point of delivery on the low voltage side of such transforming equipment.

4. **Rates.** (a) All electric power and energy furnished hereunder shall be delivered and paid for in accordance with the rate schedule adopted pursuant to this Agreement with respect to each wholesale class of service provided, e.g., firm, interruptible with notice, interruptible without notice, and so forth in accordance with this Paragraph 4. The rates and any special conditions of service are set forth in "Schedule B – Rates," which is attached hereto and by this reference is made a part hereof.

(b) The Board of Directors of the Seller 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 the other members and, if necessary, shall revise such rates so that it shall produce revenues which shall be sufficient, but only sufficient, with the revenues of the Seller from all other sources (i) to meet the cost of the operation and maintenance (including without limitation, replacements, rents, fuel, insurance, depreciation and amortization, taxes and administrative and general overhead expenses) of the generating plant(s), transmission system and related facilities of the Seller, (ii) to meet the cost of any power and energy purchased for resale by the Seller, (iii) to meet the cost of transmission, delivery or other services arranged by the Seller, (iv) to make required payments on account of principal and interest on the Notes and on all other indebtedness of the Seller, (v) to assure compliance with the terms of all contracts, mortgages, security agreements, pledges and other obligations undertaken by the Seller in order to acquire, construct, operate or maintain the system of the Seller, and (vi) to provide for the establishment and maintenance of reasonable margins and reserves. The preceding clauses (i) through (vi) are hereinafter collectively referred to as the Seller's "**Revenue Requirements.**" The Seller shall cause a notice in writing to be given to the Member and to the other members of the Seller and to the Administrator which shall set out all the proposed revisions of the rates with the effective

date thereof, which shall be not less than ninety (90) nor more than one hundred and twenty (120) days after the date of the notice, and shall set forth the basis upon which the rates and conditions relating thereto are proposed to be adjusted and established. The rates and conditions from time to time established by the Board of Directors of the Seller shall be deemed to be substituted for the rates and conditions herein provided and the Member will pay for electric power and energy furnished by the Seller to it hereunder after the effective date of any revisions at the revised rates; provided, however, that no such revision shall be effective unless approved in writing by the Administrator.

5. **Mandatory Member Payments.** (a) In the event that any payments received from the Member under Subparagraph 4 (a) when combined with revenues of the Seller from all other sources are insufficient to cover all of the Seller's Revenue Requirements in a timely manner, then the Member shall pay to the Seller from time to time, but in no event more frequently than once in any calendar month, amounts sufficient, but only sufficient, with revenue of the Seller from all other sources, to meet the Member's proportionate share of shortfall in the Seller's Revenue Requirements in a timely manner. The Member shall, upon 30 days notice to do so in writing from the Seller, make payments to the Seller pursuant to this Agreement whether or not electric power and energy has or is being provided to the Member hereunder and whether or not the Seller's facilities or any part thereof are completed, operable, operating or retired and notwithstanding the suspension, interruption, interference, reduction or curtailment of construction or operation of such facilities in whole or in part for any reason whatsoever and whether or not the Seller is able to purchase or otherwise obtain electric power and energy from any source.

(b) In the event that the Seller should for any reason default on any of the payments on the Notes when due, the Member shall remit directly to the holders of such Notes, its share of the amount needed to cure such default within thirty (30) days of receipt of a demand from the Administrator for the same. The member's share in such circumstances (the "**Special Assessment**") shall be assessed by the Administrator as follows: The Administrator will send a statement to the Member notifying the Member that the Seller has defaulted on one or more of the Notes, specifying the past due amounts on each Note and the names and addresses of the holder of each such Note, and setting forth the Member's proportionate share of the amounts past due on each note. The Administrator may levy Special Assessments from time to time as often as he may, in his discretion, deem necessary to assure that the Notes are repaid in accordance with their respective terms. In the event that repayment of one or more of the Notes has been accelerated and remains outstanding, for the purposes of calculating the Special Assessment the amounts due from the Seller shall be determined as if no such acceleration had occurred. The Member acknowledges that the Administrator and other holders of the Notes shall have the right to offset the Member's Special Assessment against any assets of the Member in their possession. The Member's obligations under this Subparagraph are in addition to its other obligations under this Agreement, are absolute, unconditional and irrevocable so long as any of the Notes remain outstanding.

(c) For the purpose of this Paragraph 5, "Member's proportionate share" shall be determined according to the following formula:

The amount of the Seller's total billings of the Member under Subparagraph 4(a) during the last twenty-four (24) month period that immediately precedes the month in which the payment under this Paragraph 5 is required, divided by the Seller's total billings under Subparagraph 4(a) of all of its members during such period.

(d) The Member shall be entitled to a credit against the amount of any Special Assessment levied under Subparagraph 5(b) of the corresponding portion of any amount which it has paid to the Seller pursuant to Subparagraph 5(a) for the same period in the full amount that Seller applies such portion to payment(s) then due on the Notes.

(e) The allocation method in Subparagraph 5 (c) may be amended from time to time in order to make the method as fair and equitable as practicable to all the members of the Seller throughout the term of this Agreement; provided, however, that it shall be no defense to any performance obligation hereunder that the allocation method was not fair and equitable when established or has ceased to be fair and equitable. Any change in the allocation method will not become effective until ninety (90) days after it has been approved by the Administrator in writing. Seller shall promptly notify the Member in writing that it has applied to the Administrator for such approval. Member shall have the right to oppose such an application if the Member reasonably does not consider the proposed change in the allocation method to be fair and equitable to the Member.

(f) This paragraph 5 contains certain provisions which set forth alternative methods of collecting payments from the Member in the event that the Seller does not collect revenues sufficient to cover the Seller's Revenue Requirements in a timely manner. The inclusion of such provisions does not create any express or implied right in the Member to make payments under Paragraph 5 in lieu of its performance obligations under other sections of this Agreement.

6. Meter Readings and Payment of Bills. The Seller shall read meters monthly. Electric power and energy furnished hereunder shall be paid at the office of the Seller in _____ monthly within fifteen (15) days after the bill therefor is mailed to the Member. If the Member shall fail to pay any such bill within such fifteen-day period, the Seller may discontinue delivery of electric power and energy hereunder upon fifteen (15) days written notice to the Member of its intention to do so.

7. Meter Testing and Billing Adjustment. The Seller shall test and calibrate meters by comparison with accurate standards at intervals of twelve (12) months. The Seller shall also make special meter tests at any time at the Member's request. The cost of all tests shall be borne by the Seller; provided, however, that if any special meter test made at the Member's request shall disclose that the meters are recording accurately, the Member shall reimburse the Seller 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, the Member and the Seller shall agree as to the amount of energy furnished during such period and the Seller shall render a bill therefor. The Seller, at its expense,

shall promptly adjust, repair or replace any meter that shall have been disclosed by test to be inaccurate or that it learns has failed.

8. **Notice of Meter Reading or Test.** The Seller shall notify the Member in advance of the time of any meter reading or test so that the Member's representative may be present at such meter reading or test.

9 **Right of Access.** Duly authorized representatives of either party shall be permitted to enter the premises of the other party at all reasonable times in order to carry out this Agreement.

10. **Continuity of Service.** Subject to the provisions of this Paragraph 10, the Seller shall use reasonable diligence to provide a supply of electric power and energy at a continuity consistent with the wholesale class of service for which the Seller is providing service. The Seller shall not be liable for damages or other losses in case the power supply is interrupted, curtailed, reduced, fluctuates, becomes irregular, or fails, or if the commencement therefor is delayed by reason of an act of God, public enemy, accidents, labor disputes, orders or acts of civil or military authority, governmental action, loss of power supply, breakdowns or injury to the generators, machinery, transmission lines or other facilities of the Seller, or any other cause beyond its control; provided, however, that the Seller shall not be relieved of liability for failure of performance if such failure is due to removable or remedial causes which it fails to remove or remedy with reasonable dispatch; and provided further, however, that in no event shall the Seller be liable for personal injury, wrongful death, property damage or other losses not caused by or due to the gross negligence or willful and wanton misconduct of the Seller and in no event shall the Seller be liable for consequential damages of any nature whatsoever in case the supply of power or energy or both should be interrupted, curtailed, reduced, fluctuate, become irregular, fail or should the commencement of service to the Member be delayed. Nothing contained in this Paragraph shall be construed to require the Seller to prevent or settle a strike against its will.

11. **Transfers by the Member.** During the term of this Agreement, so long as any of the Notes are outstanding, the Member will not, without the approval in writing of the Seller and the Administrator, take or suffer to be taken any steps for reorganization or dissolution, or to consolidate with or merge into any corporation, or to sell, lease or transfer (or make any agreement therefor) all or a substantial portion of its assets, whether now owned or hereafter acquired. Seller will not reasonably withhold or condition its consent to any sale, lease, or transfer (or any agreement therefor) of assets. Seller will not withhold or condition its consent except in cases where to do otherwise would result in rate increases for the other members of the Seller, impair the ability of the Seller to repay its Loans in accordance with their terms, or adversely affect system performance in a material way. Notwithstanding the foregoing, the Member may take or suffer to be taken any steps for reorganization or dissolution or to consolidate with or merge into any corporation or to sell, lease or transfer (or make any agreement therefor) all or substantial portion of its assets, whether now owned or hereafter acquired without the Seller's consent, so long as the Member shall pay such portion of the outstanding indebtedness on the Seller's Note or other obligations as shall be determined by the Seller with prior written consent of the Administrator and shall otherwise comply with such reasonable terms and conditions as the Administrator and Seller may require either (i) to eliminate any adverse effect that such action seems likely to have on the rates of the other

members of the Seller or (ii) to assure that the Seller's ability to repay the Loans and other obligations of the Seller in accordance with their terms is not impaired. The Administrator may require, among other things, that any payment owed under clause (ii) of the preceding sentence that represents a portion of the Seller's indebtedness on Notes shall be paid by the Member in the manner necessary to accomplish a defeasance of those obligations in accordance with the loan documents relating thereto, or be paid directly to the holders of the Notes for application by them as prepayments in accordance with the provisions of such documents, or be paid to the Seller and held and invested in a manner satisfactory to the Administrator.

12. **Remedies.** (a) The failure or threatened failure of the Member to comply with the terms of this Agreement will cause irreparable injury to the Seller, to the Government and to the holders of Notes which cannot properly or adequately be calculated or compensated by the mere payment of money. Therefore, if the Member breaches or threatens to breach this Agreement, the Seller or the Administrator, or either of them, in addition to any other remedies that may be available under law or at equity, shall have the right to obtain from any court of competent jurisdiction, a decree enjoining such breach or threatened breach and providing that the terms of this Agreement be specifically enforced.

(b) The Member shall be subrogated to the interests of the holder of the Note to the extent that it pays a Special Assessment which is applied to such Note; provided, however, that such rights of subrogation shall be subordinate to the rights of such holder so long as any portion of any Note otherwise remains outstanding. In the event that the Member has paid a Special Assessment which has been increased proportionately pursuant to Subparagraph 5 (b) because of one or more defaulting members, the Member shall also have a corresponding right of subrogation against such members to the extent of such increase.

(c) Except as otherwise specifically provided in Paragraph 5, the Member's payment obligations under this Agreement shall not be subject to any reduction, whether by offset, recoupment or otherwise, and shall not be conditioned upon performance by the other members of the Seller or the Seller under this or any other agreement or instrument, the remedy for any nonperformance being limited to mandamus, specific performance or other legal or equitable remedy.

13. **Assignments.** This Agreement shall be binding upon and insure to the benefit of the successor and permitted assigns of the parties, except that this Agreement may not be assigned by either party unless (i) prior consent to such assignment is given in writing both by the other party and the Administrator or (ii) such assignment has been approved by the Administrator in writing and is incident to a merger or consolidation with, or transfer of all of substantially all of the assets of the transferor to, another person or entity which shall, as a part of such succession, assume all the obligations of the transferor under this Agreement. Any assignment made without a consent required hereunder shall be void and of no force or effect as against the non-consenting party and the Administrator. Notwithstanding the foregoing, a party, with the prior written consent of the Administrator and without the other party's consent, may assign and pledge its interests in this Agreement as security for any obligation secured by a mortgage on its system assets without limitation on the right of the mortgagees under such mortgage to further assign this Agreement.

14. **Third Party Beneficiaries.** The Administrator and the other lenders to the Seller are intended third party beneficiaries of this Agreement. However, the consents of such other lenders need not be obtained before amending, revising, or consolidating any of the provisions of this Agreement except in a case where the terms of an agreement between such other lender and the Seller or the Member, as the case may be, expressly required such consent.

15. **Miscellaneous.** The parties recognize that the terms and conditions of this Agreement have been prescribed by the Administrator is furtherance of the objectives of the Rural Electrification Act. In the event that any other federal statute or regulation now in effect or subsequently in effect may require the Member to obtain electric power or energy in a manner inconsistent with this Agreement, the Member and the Seller will cooperate in using their best efforts to give full effect to the provisions of this Agreement requiring the Member to purchase and receive from the Seller all electric power and energy which the Member shall require for the operation of the Member's system. Nothing contained in this Agreement shall be constructed as a modification or waiver of (i) the right of the Administrator to preempt state or local laws when authorized to do so under the United States Constitution or any applicable federal statute, including the Rural Electrification Act, currently in effect or subsequently ratified or enacted or (ii) provisions in any other agreements between the Administrator and the Seller or the Member, as the case may be.

16. **Right of Administrator to Enforce Agreement.** The Seller, the Member and the Administrator agree that (i) if the Member shall fail to comply with any provision of this Agreement, the Seller, or the Administrator, if the Administrator so elects, shall have the right to enforce the obligations of the Member under the provisions of this Agreement and (ii) if the Seller shall fail to comply with any provision of this Agreement, the Member, or the Administrator, if the Administrator so elects, shall have the right to enforce the obligations of the Seller under the provisions of this Agreement. Such enforcement may be by instituting all necessary actions at law or suits in equity, including, without limitation, suits for specific performance. Such rights of the Administrator to enforce the provisions of this Agreement are in addition to and shall not limit the rights which the Administrator shall otherwise have as third party beneficiary of this Agreement or pursuant to the assignment and pledge of this Agreement and the payments required to be made thereunder is referred to in Paragraphs 13 and 14 or otherwise. The Government shall not, under any circumstances, assume or be bound by the obligations of the Seller or Member under this Agreement except to the extent the Government shall agree in writing to accept and be bound by any such obligations in whole or in part.

17. **Term.** The Agreement shall become effective only upon approval in writing by the Administrator and shall remain in effect until _____, and thereafter until terminated by either party's giving to the other not less than twenty-four (24) months written notice of its intention to so terminate. Subject to the provisions of Paragraph 1 hereof, service under this Agreement and the obligation of the Member to pay therefor shall commence upon the Seller's making service available to the Member hereunder.

18. **Severability.** If any part, term, or provision of this Agreement is held by a court of competent jurisdiction to be unenforceable, the validity of the remaining portions or provisions

shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if its Agreement did not contain the particular part, term, or provision held to be unenforceable.

19. **Applicable Law.** This Agreement shall be governed by, interpreted and construed in accordance with Federal law, including the Rural Electrification Act, and in accordance with the laws of the State of _____. In the event of any conflict between Federal law and the laws of such State, the parties intend that Federal law shall control. The parties hereto irrevocably submit in any suit, action or proceeding arising out of or relating to this Agreement to the exclusive jurisdiction and venue of the United States District Court for the _____ District of _____.

EXECUTED as of the day and year first above mentioned.

SELLER

BY _____
PRESIDENT

ATTEST:

SECRETARY

MEMBER

BY _____
PRESIDENT

ATTEST:

SECRETARY

DATED

ADMINISTRATOR
Rural Utilities Service