



GAINESVILLE REGIONAL UTILITIES

Michael L. Kurtz, General Manager

Clerk's Office Staff,

Here is the Restated
and Amended Natural Gas
Advance Agreement for
your file as stated in the
recommendation of item
#002508 for the 4/8/02 c/c
meeting. Questions, call.

Janice Henley
4/2/02

X1006

RESTATED AND AMENDED NATURAL GAS ADVANCE AGREEMENT

This **Restated and Amended Natural Gas Advance Agreement** (this "Agreement"), dated as of January 1, 2002 is by and among JEA, a public body corporate and politic created under the laws of the State of Florida, Municipal Electric Authority of Georgia, a public corporation and instrumentality of the State of Georgia ("MEAG Power"), Nebraska Public Power District, a public corporation and political subdivision of the State of Nebraska ("NPPD"), South Carolina Public Service Authority, a body corporate and politic created by the laws of the State of South Carolina ("Santee Cooper"; together with JEA, MEAG Power, NPPD and any future entity which is a member of TEA and executes this Agreement as further evidence of its participation in TEA's natural gas trading operations (a "Future Member"), collectively, the "Members" and, individually, a "Member") and The Energy Authority, Inc., a Georgia nonprofit corporation ("TEA").

RECITALS

WHEREAS, the parties (other than any Future Members) hereto have executed and delivered that certain Natural Gas Advance Agreement dated as of September 1, 2000 (the "Original Agreement") and desire to amend the Original Agreement, and

WHEREAS, the Members have executed and delivered that certain Restated and Amended Operating Agreement dated as of August 1, 2000 (the "Operating Agreement"), and

WHEREAS, TEA finds it necessary to supplement its credit support to manage the natural gas needs of its participating members and resource management partners.

NOW, THEREFORE, in consideration of the premises and the mutual promises contained herein, the parties hereto agree as follows.

Section 1. Operating Agreement. The Operating Agreement shall remain in full force and effect in accordance with its terms and nothing herein shall amend the terms of the Operating Agreement.

Section 2. Advance. Each of the Members shall make an advance (the "Advance") to TEA in an amount determined no less frequently than annually by the Board of Directors of TEA as herein provided. In no case shall the aggregate Advance from each Member exceed \$31,900,000 in the case of JEA, \$-0- in the case of MEAG Power, \$9,300,000 in the case of NPPD, and \$35,000,000 in the case of Santee Cooper, without the written consent of the respective Member. Such written consent shall be evidenced by the execution by the affected Member of an instrument in the form of Annex 5 hereto. The amount of the Advance from each Member shall be so determined for each calendar year in accordance with the following formula (with the sum being rounded to the next higher \$100,000):

$$A = G + L;$$

where A is the amount of the Advance from each Member and where G and L are determined in accordance with the following formulas:

$$G = ((M_1 \times N_1 \times Y_G) + (M_2 \times N_2 \times Y_G)) \times W_G/V_G;$$

where G is the amount of the Advance related to fuel for electric generation from such Member, M_1 is the forecasted aggregate short-term purchases through TEA as principal of natural gas (expressed in MMBtu's) with respect to fuel for electric generation which shall be set forth in the natural gas profiles from all of the Members as furnished to TEA pursuant to the Operating Agreement for the first month of the two-consecutive-month period of the relevant calendar year for which such forecasted aggregate short term purchases of natural gas for such purpose shall be highest; M_2 is the forecasted aggregate short-term purchases through TEA as principal of natural gas (expressed in MMBtu's) with respect to fuel for electric generation which shall be set forth in the natural gas profiles from all of the Members as furnished to TEA pursuant to the Operating Agreement for the second month of the two-consecutive-month period of the relevant calendar year for which the forecasted aggregate short-term purchases of natural gas for such purpose shall be the highest; N_1 is the forecasted price for natural gas as determined no less frequently than annually by the Board of Directors of TEA for the month in which M_1 is forecasted; N_2 is the forecasted price for natural gas as determined no less frequently than annually by the Board of Directors of TEA for the month in which M_2 is forecasted; Y_G is a multiplier determined no less frequently than annually by the Board of Directors of TEA; V_G is the annual forecasted short-term consumption of natural gas for fuel for electric generation contained in such natural gas profile of all of the Members; and W_G is the annual forecasted short-term consumption of natural gas for fuel for electric generation contained in the natural gas profile of the relevant Member.

$$L = ((M_3 \times N_3 \times Y_L) + (M_4 \times N_4 \times Y_L)) \times W_L/V_L;$$

where L is the amount of the Advance related to fuel for retail natural gas distribution from such Member, M_3 is the forecasted aggregate short-term purchases through TEA as principal of natural gas (expressed in MMBtu's) with respect to the retail natural gas distribution function which shall be set forth in the natural gas profiles from all of the Members as furnished to TEA pursuant to the Operating Agreement for the first month of the two-consecutive-month period of the relevant calendar year for which such forecasted aggregate short-term purchases of natural gas for such purpose shall be highest; M_4 is the forecasted aggregate short-term purchases through TEA as principal of natural gas (expressed in MMBtu's) with respect to the retail natural gas distribution function which shall be set forth in the natural gas profiles from all of the Members as furnished to TEA pursuant to the Operating Agreement for the second month of the two-consecutive-month period of the relevant calendar year for which the forecasted aggregate short-term purchases of natural gas for such purpose shall be the highest; N_3 is the forecasted price for natural gas as determined no less frequently than annually by the Board of Directors of TEA for the month in which M_3 is forecasted; N_4 is the forecasted price for natural gas as determined no less frequently than annually by the Board of Directors of TEA for the month in which M_4 is forecasted; Y_L is a multiplier determined no less frequently than annually by the Board of Directors of TEA; V_L is the annual forecasted short-term consumption of natural gas for the retail natural gas distribution function contained in such natural gas profile of all the

Members; and W_L is the annual forecasted short-term consumption of natural gas for the retail natural gas distribution function contained in such natural gas profile of the relevant Member. In no case shall W_G or W_L for any Member be less than the annual actual short-term consumption of natural gas (for fuel for electric generation or for the retail natural gas distribution function, as applicable) for the most recent rolling twelve-month period except for good cause shown, such good cause to be determined in the sole discretion of TEA's Board of Directors by a two-thirds vote of all Members and a unanimous vote of all LPPS Members. The amount of the Advance from each Member shall be redetermined for any calendar year at the time of the admission of any Future Member; provided that, the Members which previously provided information for the calendar year in order to determine the Advance shall not be required to update such information for the purpose of recomputing the Advance.

Each Advance shall be made in the form of payment in immediately available funds ("Cash") to TEA, in the form of the delivery to TEA of a guaranty in the form attached hereto as Annex 1 (the "Trade Guaranty") or Annex 2 (the "Bank Guaranty," together with the Trade Guaranty, collectively, the "Guaranty") or both or in such revised forms as may be agreed to by the parties hereto, or in the form of a letter of credit in the form attached hereto as Annex 3 (the "Supporting Letter of Credit") or in such revised form as may be agreed to by the parties hereto. Cash, the Bank Guaranty and the Supporting Letter of Credit are individually referred to herein as "Bank Collateral"; when Bank Collateral is required hereunder, each Member shall have the option as to the form of Bank Collateral which is to be provided, except that (i) each Member shall be required to provide Cash to the extent of a minimum amount (the "Base Collateral" with respect to such Member) determined by TEA for each Member in proportion to each Member's Advance and (ii) the Bank Guaranty (if elected to be provided) shall be acceptable in all respects to the financial institution which is obligated to issue letters of credit for TEA's gas trading and transportation activities. The Advance from each Member or any part thereof shall be provided by each Member to TEA (in the form of Bank Collateral or the Trade Guaranty, or a combination thereof, as requested by TEA from time to time) upon five business days' written notice being provided to each Member by TEA's president or chief financial officer in accordance with any then effective resolution of TEA's board of directors. The proportionate division of each Advance between (i) the Bank Collateral and (ii) the Trade Guaranty shall be identical (except for rounding amounts) among all of the Members. TEA shall not execute Beneficiary Designation Schedules which are in effect from time to time with respect to the Trade Guaranty which in the aggregate, together with the Bank Collateral outstanding, exceed the amount of the Advance determined by TEA's board of directors for each Member. In determining the Bank Collateral outstanding, the Bank Guaranty shall be measured by its "Face Amount" which shall mean the dollar amount set out therein as the limit of the guarantor's obligation thereunder, not including interest, charges and costs and expenses, and the Supporting Letter of Credit shall be measured by the initial amount which may be drawn thereunder. No Member shall be permitted to terminate its Guaranty prior to the effective date of the termination of its membership in TEA or its withdrawal as a member of TEA.

Section 3. Form of Advance. Upon five business days' written notice from TEA to each Member, the form of Advance may be changed, in whole or in part, (a) from Bank Collateral, as elected by the Member, to the Trade Guaranty or (b) from the Trade Guaranty to Bank Collateral, as elected by the Member; provided, however, that no change may be made if

the result thereof is to reduce the amount of the Trade Guaranty to below the aggregate amount of guaranteed amounts indicated on the Beneficiary Designation Schedules with respect thereto at the time in effect or to reduce the Bank Collateral below the amount required by the related reimbursement agreement. Such change shall be effected by TEA's (i) returning the excess Cash to the respective Members or by the Members' contributing the required additional amount of Cash, as appropriate, (ii) verifying the outstanding Beneficiary Designation Schedules then in effect relating to the Trade Guaranty, the Face Amount of the Bank Guaranty and the initial amount of the Supporting Letter of Credit so as to confirm that the Advance per Member for Cash, Guaranty and Supporting Letter of Credit is not exceeded, and (iii) providing any required written consent of the financial institution to which the Bank Collateral has been given of any adjustment to the amount thereof. In no case shall the total amount of the Advance determined by TEA's board of directors as provided herein, whether in the form of Cash, in the form of the Guaranty or in the form of the Supporting Letter of Credit, or all of such forms of Advance, exceed the amounts set out in Section 2 hereof, as such amounts may be modified or determined pursuant to the provisions hereof computed as to the Bank Guaranty by the Face Amount thereof and computed as to the Supporting Letter of Credit by the amount initially available to be drawn thereunder.

Changes in the authorized amount of the Trade Guaranty for each Member, as determined in accordance with Section 2 hereof, this Section 3 or any other provision of this Agreement, shall be evidenced by written notice from each Member to TEA (such written notice being required only in the case of an increase of such amount) reciting the then authorized amount of such Member's Trade Guaranty and TEA shall deliver new Beneficiary Designation Schedules giving effect thereto to the Counterparties that are beneficiaries of the Trade Guaranties. Changes in the required Face Amount of the Bank Guaranty for Members as determined in accordance with Section 2 hereof, this Section 3 or any other provision of this Agreement, shall be evidenced by the execution and delivery to TEA of a new instrument constituting the Bank Guaranty from the applicable Member, and TEA shall submit the same to the financial institution in replacement of the Bank Guaranty then held by the financial institution and shall request its written consent, to the extent such consent is required pursuant to the relevant agreement with such financial institution. Changes in the required amount of the Supporting Letter of Credit for a Member as determined in accordance with Section 2 hereof, this Section 3 or any other provision of this Agreement, shall be evidenced by the provision of a new Supporting Letter of Credit provided by such Member to TEA, and TEA shall request the return by the financial institution (to which the Supporting Letter of Credit has been given) of the Supporting Letter of Credit which has been superseded. Changes in the amount of Cash provided by any Member or Members as determined in accordance with Section 2 hereof, this Section 3 or any other provision of this Agreement shall be evidenced by a certificate which shall be provided by TEA to such financial institution setting forth the amount of Bank Collateral allocated to each such Member, together with the amount of any additional Cash allocated to such Member as Bank Collateral hereunder, and TEA shall promptly pay or cause to be paid to each such Member the amount of any reduction in the Cash allocated to such Member or collect from such Member the amount of any increase in the Cash allocated to such Member. Furthermore, in no case shall the aggregate amount of that portion of the Advance of any Member which is in the form of Cash, the Bank Guaranty (computed by the Face Amount thereof) and the amount of the Supporting Letter of Credit (computed by the amount initially available to be drawn thereunder) exceed an amount

which, when added to the Guaranty Limit for each Member stated in existing Beneficiary Designation Schedules under the Trade Guaranty, exceeds the Advance required of such Member as then determined by resolution of TEA's board of directors as provided herein.

Section 4. Reimbursement Agreement. TEA agrees not to consent to any amendments, modifications or renewals of the letter of credit and reimbursement agreement between it and the financial institution to which the Bank Collateral has been given which results in a material adverse change from the perspective of TEA or the Members in the terms of such letter of credit and reimbursement agreement without the receipt of the written consent of all Members.

If the financial institution which is a party with TEA to any letter of credit and reimbursement agreement used to facilitate trading or transportation activities as described in Section 6 hereof refuses (i) to accept or consent to the Bank Guaranty of an existing Member (as distinguished from a Member who has initially become such) when such Bank Guaranty is provided pursuant to this Agreement in the form of Annex 2 hereto, and such member whose Bank Guaranty has not be accepted or has not received the required consent by such financial institution elects, in its discretion, not to offer substitute Bank Collateral in the form of additional Cash or a Supporting Letter of Credit, or (ii) to accept a replacement Supporting Letter of Credit in the same form and from the same provider (whose credit ratings have not been reduced since the issuance of the superseded Supporting Letter of Credit) as the superseded Supporting Letter of Credit or to return the superseded Supported Letter of Credit, TEA shall forthwith take appropriate action to (x) insure that no more letters of credit are issued by such financial institution pursuant to such letter of credit and reimbursement agreement and (y) terminate such letter of credit and reimbursement agreement except for obligations remaining with respect to letters of credit outstanding. TEA shall proceed with due diligence to establish a credit facility with another financial institution and replace letters of credit outstanding from the replaced financial institution with letters of credit from the new financial institution.

Section 5. Repayment and Proportionate Allocation of Advances; Annual Adjustment. Repayment of Advances which are in the form of Cash seized by the financial institution holding such Cash as collateral, repayment of Advances for which Members have paid under their Guaranties and repayment of Advances for which Supporting Letters of Credit have been drawn upon shall, in each case, be made ratably to the Members in proportion to their respective amounts of Advances from available revenues of TEA (on a parity with repayments of "Advances" under that certain Restated and Amended Electric Advance Agreement dated April 1, 2001 among TEA and all of its members, as amended) after provision shall be made for payment in full of TEA's other creditors and after TEA sets aside an amount reasonably required for working capital based on historic levels of working capital maintained. If Cash has been seized by the financial institution to whom it was pledged as collateral, if any Member has paid under its Guaranty or if any draw has been made under a Supporting Letter of Credit (any of such three events, a "Credit Event"), the Members shall promptly communicate among themselves and effect contribution and payments among themselves so that any Cash seized, amounts paid under any Guaranty or amounts required to be reimbursed by reason of a draw on a Supporting Letter of Credit shall be borne ratably among the Members as provided hereinabove.

Within the first twenty days of each calendar year, to the extent that a Credit Event has occurred in the preceding calendar year and TEA has not repaid the Members in full, the Members shall further communicate among themselves and effect further contributions and payments among themselves so that any Cash seized, amounts paid under any Guaranties or amounts paid by reason of a draw on any Supporting Letters of Credit for the preceding calendar year shall, in each case, be borne ratably among the Members in proportion to their respective amounts of Advances; provided, however, that for the purpose of determining such further contributions and payments the amounts of such respective Advances shall be recalculated so as to reflect the actual volume per Member of short-term purchases of natural gas effected through TEA as principal with respect to fuel for electric generation and for the retail natural gas distribution function, as applicable, and the actual prices paid therefor during the preceding calendar year. TEA shall provide such actual volume and actual price information to the Members in order to facilitate such contributions and payments. Thereafter repayment of such Advances by TEA shall also be made ratably to the Members as set forth hereinabove but reflecting such actual volume of short term purchases of natural gas and actual prices thereof.

Notwithstanding any provision of this Section 5 to the contrary, if any Credit Event shall be due to a payment or performance default by a Member in a transaction with TEA, the non-defaulting Members shall not be required to make any contribution or payment as provided for herein to such defaulting Member.

It is understood by the parties to this Agreement that, notwithstanding the foregoing provisions of this Section 5, a draw upon a Supporting Letter of Credit for reasons other than a failure of TEA to perform its obligations under the letter of credit and reimbursement agreement with the financial institution obligated to issue letters of credit for the purpose of facilitating TEA's trading and transportation activities as set forth under this Agreement, shall not constitute a draw upon such Supporting Letter of Credit for purposes of repayment to such member or effecting contributions or payments among Members as provided in this Section 5 or for any other purpose under this Section 5; provided, however, if such Supporting Letter of Credit shall be drawn upon and the proceeds of such draw held by such financial institution as collateral for the payment of such Member's share of unpaid obligations of TEA under the letter of credit and reimbursement agreement with the financial institution, such proceeds held as collateral shall for purposes of this Agreement be treated as though the same were the Supporting Letter of Credit and the subsequent application of such proceeds to any such unpaid obligations of TEA shall constitute a draw upon such Supporting Letter of Credit for the purposes of this Section 5.

Section 6. Use of Advances. The Advances shall be used by TEA solely for the purpose of facilitating trading or transportation activities involving natural gas for fuel for electric generation and for the retail natural gas distribution function as approved by TEA's board of directors and in which TEA is not involved as agent and shall not be used for operating expenses. TEA shall use Bank Collateral solely for the purpose of serving as collateral to support its reimbursement obligation to a financial institution which is obligated to issue letters of credit for the purpose of facilitating such trading and transportation activities.

Section 7. Future Members. Future Members shall be bound by the terms of this Agreement by executing an instrument substantially in the form of Annex 4 attached hereto and made a part hereof; such instrument shall also be executed by TEA evidencing its approval.

Upon the execution and delivery by any Future Member of an instrument substantially similar to Annex 4, together with the approval thereof by TEA; and upon the execution and delivery by any Future Member of the Trade Guaranty and the provision of the Bank Collateral (to the extent such are in effect) as required by this Agreement, such Future Member shall be deemed a party to this Agreement. The amount of the Advance for any Future Member shall be in the amount determined by resolution of TEA's board of directors based upon the methodology provided in this Agreement.

Section 8. Withdrawing Members, Members to be Terminated. TEA shall notify all counterparties to whom a Trade Guaranty has been given that a guarantor under the Trade Guaranty is, effective the withdrawal date or the termination date, no longer a guarantor under the Trade Guaranty as to transactions which have not been entered into as of such date. TEA shall promptly notify the financial institution to which the Bank Collateral has been given of the impending withdrawal or termination of the applicable Member and shall use its best efforts to obtain from such financial institution its agreement to release such Bank Collateral as to all transactions which have been entered into on and after the withdrawal or termination date. To the extent that TEA is unsuccessful in obtaining such release from such financial institution, TEA will take the steps necessary to issue to such Member which has withdrawn or has been terminated on the effective date of such withdrawal or termination a Trade Guaranty in an amount equivalent to the Face Amount of the Bank Guaranty or the initially available amount of the Supporting Letter of Credit of such withdrawn or terminated Member. Unless otherwise agreed to by TEA, the withdrawn or terminated Member shall remain liable on all Guaranties relating to all transactions entered into prior to the effective date of its withdrawal from TEA. To the extent the withdrawn or terminated Member is required to pay on any Guaranty, a Supporting Letter of Credit is drawn upon or Cash is seized by a secured party after the date of its withdrawal, it shall be entitled to the benefits of this Agreement as to the proportionate allocation of Advances and as to contribution and payments among the Members as provided in Section 5 hereof. It shall also be entitled to all rights of subrogation to which the Member which paid on the Guaranty or reimbursed a draw on the Supporting Letter of Credit enjoys, subject to the provisions of this Agreement and the Bylaws of TEA. A withdrawn or terminated Member shall not (i) be entitled to be repaid by TEA for any amounts paid under any Guaranty or for amounts reimbursed after a draw on the Supporting Letter of Credit or (ii) be entitled to be reimbursed Cash which has been seized by a secured party prior to the other Members' having been repaid by TEA, as applicable, without the approval of the board of directors of TEA.

Section 9. Notices. Notices required hereunder shall be provided as required by Section 17.1 of the Operating Agreement.

Section 10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida without regard to its principles of conflicts of laws.

Section 11. Headings. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 12. No Third Party Beneficiaries. Nothing in this Agreement shall entitle any person other than the Members, TEA or their respective successors and assigns to any claim, cause of action, remedy or right of any kind.

Section 13. Severability. Any term or provision of this Agreement which is invalid or unenforceable shall be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable.

Section 14. Equitable Relief. The Members and TEA agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, it is agreed that TEA and the Members shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

Section 15. Counterparts. This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all of the Members and TEA; and this Agreement shall be binding upon all of the Members and TEA with the same force and effect as if all the Members and TEA had signed the same document, and each such signed counterpart shall constitute an original of this Agreement.

Section 16. Amendments. This Agreement may not be amended or modified except by a written instrument signed by TEA and each of the Members.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

JEA

By: _____
Name: Walter P. Bussells
Title: Managing Director and Chief
Executive Officer

Approved as to Form

Assistant General Counsel

**MUNICIPAL ELECTRIC AUTHORITY
OF GEORGIA**

By: _____
Name: Robert P. Johnston
Title: President and Chief Executive
Officer

NEBRASKA PUBLIC POWER DISTRICT

By: _____
Name: William R. Mayben
Title: President and Chief Executive
Officer

**SOUTH CAROLINA PUBLIC SERVICE
AUTHORITY**

By: _____
Name: John H. Tiencken, Jr.
Title: President and Chief Executive
Officer

THE ENERGY AUTHORITY, INC.

By: _____

Name: Robert T. Dyer

Title: President and Chief Executive
Officer

ANNEX 1

NATURAL GAS TRADE GUARANTY AGREEMENT

This Natural Gas Trade Guaranty Agreement (this "Guaranty") is dated as of _____ 1, 20__ by JEA, Municipal Electric Authority of Georgia ("MEAG Power"), Nebraska Public Power District ("NPPD"), South Carolina Public Service Authority ("Santee Cooper"), and all future members of The Energy Authority, Inc., a Georgia nonprofit corporation ("TEA") which become guarantors hereunder through a Guaranty Addendum as described herein (collectively, the "Guarantors") in favor of the beneficiaries designated from time to time as indicated below or their successors and assigns (the "Counterparties").

In consideration of the premises and the Counterparties' from time to time entering into certain contracts with TEA, the Guarantors agree as follows:

1. **GUARANTY**. Subject to the provisions hereof, Guarantors hereby severally, and not jointly, irrevocably and unconditionally guarantee the payment obligations of TEA when due (the "Obligations") under the contract (the "Contract") designated on the Beneficiary Designation Schedule in the form attached hereto as Exhibit A which is completed and executed by TEA, but only to the extent of the respective guaranty amount for each Guarantor (the "Guaranty Amount") set out therein. The Guarantors shall be bound by the Beneficiary Designation Schedules executed by an authorized officer of TEA, but in no case shall the aggregate amount guaranteed from time to time under this Guaranty exceed \$__,000,000 in the case of JEA, \$__,000,000 in the case of MEAG Power, \$__,000,000 in the case of NPPD and \$__,000,000 in the case of Santee Cooper or such other amounts relating to such Guarantors or any future Guarantors as may be indicated on any Guaranty Addendum described below (in each case as to each Guarantor, the "Guaranty Limit"). If TEA shall at any time fail or refuse to pay any Obligation to the Counterparty when due, the Guarantor will make such payment, to the extent of the Guaranty Amount and to the extent of the Guaranty Limit. If TEA shall at any time fail to deliver natural gas as required by the Contract, the Guarantors shall not be obligated to deliver such natural gas, but will be obligated to pay the Obligation to the extent of the Guaranty Amount and to the extent of the Guaranty Limit. The guaranty granted hereunder shall constitute a guaranty of payment and not of collection. In no event shall the Guarantors be subject hereunder to consequential, exemplary, equitable, loss of profits, punitive, tort, or any other damages, costs, or (except to the extent recoverable under the Contract) attorney's fees .

2. **DEMANDS AND NOTICE**. If TEA fails or refuses to pay any Obligations, the Counterparty shall notify the Guarantors in writing specifying the manner in which TEA has failed to pay, including the details of the computation of the amount due, demanding that payment be made by the Guarantors and including the address or wire transfer instructions to which payment should be sent. Payment by the Guarantors to the extent of the Guaranty Amount shall be made within five (5) business days of receipt from the Counterparty of such written demand for payment hereunder.

Such demands for payment shall be sent to the Guarantors at the addresses identified in the Beneficiary Designation Schedule. Notice shall be effective upon actual receipt. Notices from TEA hereunder to the Counterparty shall be delivered as provided in the Contract.

3. **REPRESENTATIONS AND WARRANTIES.** Guarantors each represent and warrant (but only as to itself) as follows:

(a) JEA is a public body corporate and politic created under the laws of the State of Florida; Municipal Electric Authority of Georgia is a public corporation and instrumentality of the State of Georgia; Nebraska Public Power District is a public corporation and political subdivision of the State of Nebraska; and South Carolina Public Service Authority is a body corporate and politic created by the laws of the State of South Carolina. Any future member of TEA which becomes a Guarantor shall make a similar representation and warranty in the Guaranty Addendum;

(b) The execution, delivery and performance of this Guaranty has been and remains duly authorized by all necessary governmental and board action and does not contravene any provision of the Guarantor's organizational or governing documents or any law, regulation or contractual restriction binding on it or its assets;

(c) No authorization, approval, consent or order of, or registration or filing with, any court or other governmental body having jurisdiction over the Guarantor is required on the part of the Guarantor for the execution and delivery of this Guaranty, other than those which have been obtained;

(d) This Guaranty constitutes a valid and legally binding agreement of the Guarantor, except as the enforceability of this Guaranty may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity.

4. **SETOFF AND COUNTERCLAIMS.** Without limiting a Guarantor's own defenses and rights hereunder, each Guarantor reserves to itself all rights, setoffs, counterclaims and other defenses to which TEA is or may be entitled to arising from or out of the Contract or otherwise, except for defenses arising out of the bankruptcy, insolvency, dissolution or liquidation of TEA.

5. **AMENDMENT OF GUARANTY.** No term or provision of this Guaranty may be amended, modified, altered, waived or supplemented except in writing signed by the Guarantor and the Counterparties; except that (i) the Guaranty Amounts and the Guarantee Limits of any one or more Guarantors may be adjusted with respect to a Contract entered into during each succeeding annual period by delivery of a new Beneficiary Designation Schedule, without the written consent of the Counterparty and without the need for the written consent of any Guarantor; and (ii) additional Guarantors may also be added at any time and the Guaranty Amount and the Guaranty Limit of any existing Guarantor may also be adjusted (so long as the aggregate Guaranty Amount from all Guarantors is not reduced) by delivery of a Guaranty Addendum and a new Beneficiary Designation Schedule, without the written consent of the Counterparty and without the need for the written consent of any existing Guarantor; provided

that if the Counterparty objects to any such annual adjustment of Guaranty Amounts or Guaranty Limits or the addition of any Guarantor or the adjustment of Guaranty Amounts or Guaranty Limits of existing Guarantors, it shall by written notice to TEA, which shall be received by TEA within ten (10) business days after receipt by the Counterparty of the new Beneficiary Designation Schedule, assert such objection, in which case this Guaranty shall be deemed terminated as to such Counterparty as of the date of receipt by TEA of such objection as to all future transactions not yet entered into under the Contract.

6. **WAIVERS.** Each Guarantor hereby waives (i) notice of acceptance of this Guaranty; (ii) diligence, presentment, protest, notice of dishonor and demand concerning the liabilities of the Guarantors, except as expressly hereinabove set forth; and (iii) any right to require that any action or proceeding be brought against TEA or any other person, or to require that Counterparty seek enforcement of any performance against TEA or any other person, prior to any action against Guarantors under the terms hereof.

Except as to applicable statutes of limitation, no delay of a Counterparty in the exercise of, or failure to exercise, any rights hereunder shall operate as a waiver of such rights or a release of the Guarantors from any obligation hereunder.

The Guarantors consent to the renewal, compromise, extension, acceleration or other changes in the time of payment of or other changes in the terms of the Obligations or any part thereof or any changes or modifications to the terms of the Contract.

If at any time payment under the Contract is rescinded or must be otherwise restored or returned by the Counterparty upon the insolvency, bankruptcy or reorganization of TEA or any Guarantor or otherwise, Guarantors' obligations hereunder with respect to such payments shall be reinstated upon such restoration or return being made by the Counterparty.

7. **DURATION OF GUARANTY.** The Guarantors (or any of them) or TEA may terminate this Guaranty by providing written notice of such termination to the Counterparty; and upon the effectiveness of such termination, the Guarantors shall have no further liability hereunder, except as provided in the last sentence of this paragraph. No such termination shall be effective until five (5) business days after receipt by the Counterparty of such termination notice. No such termination shall affect the Guarantors' liability with respect to any transaction under the Contract which transaction was entered into prior to the time the termination is effective, which transaction shall remain guaranteed pursuant to the terms of this Guaranty.

8. **GUARANTY ADDENDA.** As new members are admitted to TEA, such new members shall agree that this Guaranty is its legal, valid and binding obligation as if it had executed the Guaranty as of the date hereof by executing the form of Guaranty Addendum attached hereto as Exhibit B, specifying the Guaranty Limit applicable to it and stating the representation and warranty similar to that contained in Section 3(a) hereof. Guaranty Limits for Guarantors may also be amended by the execution of such form of Guaranty Addendum, specifying the new Guaranty Limit, effective as provided in paragraph 5 hereof.

9. **ABSOLUTE GUARANTY.** The obligations of the Guarantors under this Guaranty will be absolute and unconditional, and will not be affected, modified, impaired,

reduced or abated as to the Guarantor upon the happening of any event, including, without limitation, any of the following:

(a) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment, composition with creditors or readjustment of, or other similar proceedings, affecting TEA; or

(b) any default or failure of any Guarantor of the same debt to perform fully its obligations; or

(c) the invalidity or unenforceability of the Contract, or any contest of the validity of the Contract; or

(d) the release or discharge of any Guarantor of the same debt; or

(e) any change in the corporate existence, structure or ownership of TEA;

provided that the specific enumeration of the above-mentioned events, matters or conditions shall not be deemed to exclude any other events, matters or conditions, though not specifically mentioned above, it being the purpose and intent of this Guaranty that the obligations of the Guarantor shall be absolute and unconditional. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

10. **BINDING EFFECT.** This Guaranty shall be binding upon the successors of the Guarantors. The obligation of the Guarantors may not be assigned without the consent of the Counterparties.

11. **GOVERNING LAW.** This Guaranty shall be interpreted and construed according to the laws of the State of Florida, without regard to its principles of conflicts of laws.

12. **SEVERABILITY.** Should any one or more of the provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions, nevertheless, shall remain effective and binding on the Guarantors.

EXECUTED as of the day and year first above written.

JEA

By: _____
Title: _____

Approved as to Form

Assistant General Counsel

**MUNICIPAL ELECTRIC AUTHORITY
OF GEORGIA**

By: _____
Title: _____

NEBRASKA PUBLIC POWER DISTRICT

By: _____
Title: _____

**SOUTH CAROLINA PUBLIC SERVICE
AUTHORITY**

By: _____
By: _____
Title: _____

EXHIBIT A

BENEFICIARY DESIGNATION SCHEDULE

This Beneficiary Designation Schedule No. _____ refers to that certain Natural Gas Trade Guaranty Agreement dated as of _____ 1, 20__ from JEA, Municipal Electric Authority of Georgia, Nebraska Public Power District, South Carolina Public Service Authority and any future guarantors. Capitalized terms used herein and not defined are used as defined in such Guaranty Agreement.

Counterparty:

	<u>Guaranty Amount</u>	<u>Guaranty Limit</u>
JEA	\$	\$
MEAG Power		
NPPD		
Santee Cooper	_____	
Total Guaranty Amount of all Guarantors	\$	

Identification of contract (include date, name of contract and other identifying information):

The aggregate amount severally guaranteed by each of JEA, MEAG Power, NPPD, Santee Cooper and [list future guarantors (if any)] on this date under such Guaranty does not exceed the respective Guaranty Limits set out above; and The Energy Authority, Inc. will not execute Beneficiary Designation Schedules relating to the above-described Guaranty which in the aggregate at any time in force exceed such respective Guaranty Limits for each such entity, unless the Guaranty Limit as described in such Guaranty shall have been increased.

Notice addresses:

JEA
21 West Church Street, 14th Floor
Jacksonville, FL 32202-3139
Attention: Director, Financial Management
Services
Municipal Electric Authority of Georgia
1470 Riveredge Parkway
Atlanta, GA 30328
Attention: Chief Executive Officer

Nebraska Public Power District
402 East State Farm Road
North Platte, NE 69103-0310
Attention: Vice President Fossil

South Carolina Public Service Authority
One Riverwood Drive
Moncks Corner, SC 29461-2901
Attention; General Counsel

Executed this ____ day of _____, 20__.

THE ENERGY AUTHORITY, INC.

By: _____
Title: _____

EXHIBIT B

GUARANTY ADDENDUM NO. ____

Reference is made to that certain Natural Gas Trade Guaranty Agreement (the "Guaranty") dated as of ____ 1, 20__ by JEA, Municipal Electric Authority of Georgia, Nebraska Public Power District, South Carolina Public Service Authority and all future members of The Energy Authority, Inc. ("TEA") which become guarantors thereunder through a Guaranty Addendum in favor of beneficiaries designated from time to time. [The Guaranty Limit as defined in the Guaranty is hereby modified as to the undersigned Guarantor(s) as set out below, effective as provided in paragraph 5 of the Guaranty.] [The undersigned hereby agrees to become a Guarantor within the meaning of the Guaranty and shall have all rights thereunder and be bound by all obligations thereunder ascribed to Guarantors. The undersigned hereby restates the representations and warranties contained in the Guaranty and represents and warrants that it is [*describe representation similar to that contained in Section 3(a)*]].

Guaranty Limit: \$ _____

Executed this ____ day of _____, ____.

**[NAME OF GUARANTOR OR NEW
GUARANTOR]**

By: _____
Title: _____

**[Need to issue new Beneficiary Designation Schedule to specify different Guaranty
Amounts and Guaranty Limits for each Guarantor]**

ANNEX 2
Unconditional Guaranty

THE ENERGY AUTHORITY, INC.
76 S. Laura Street, 15th Floor
Jacksonville, FL 32202
(the "Borrower")

Dated _____, 200_

(the "Guarantor" and together with
other Members executing a guaranty
in favor of the Bank, called "Guarantors")

Bank of America, N.A.
50 North Laura Street
Jacksonville, FL 32202
(hereinafter referred to as "Bank")

Recitations of Fact

A. The Guarantor is a participating member ("Participating Member") of the natural gas activities of the Borrower and party to a Restated and Amended Operating Agreement dated as of August 1, 2000, among the Borrower, Guarantor and other Members, as may be amended from time to time ("Operating Agreement") and a Restated and Amended Natural Gas Advance Agreement among the Borrower, the Guarantor and other Members dated as of ____ 1, 20__ , as may be amended from time to time (the "Advance Agreement" and together with the Operating Agreement, collectively called the "Operating Instruments").

B. The Borrower will enter into from time to time various contracts for the purchase or sale of natural gas or related transportation.

C. Certain of such contracts will need to be secured by a letter of credit issued by a financial institution.

D. The Borrower and Bank have entered into a Letter of Credit and Reimbursement Agreement dated as of _____, 20__ (as it may be further modified, the "Reimbursement Agreement") providing for the issuance of letters of credit ("Letters of Credit") by the Bank for the account of the Borrower and for the reimbursement of all amounts disbursed by the Bank under such Letters of Credit.

E. The Bank is only willing to issue Letters of Credit under the Reimbursement Agreement if the reimbursement and other obligations of the Borrower are in part guaranteed by the certain guarantors, including the Guarantor, on a several, but not joint, basis.

Agreement

IN CONSIDERATION OF the mutual agreements contained herein and to induce the Bank to issue Letters of Credit, the Guarantor hereby absolutely, irrevocably and unconditionally guarantees to Bank and its successors, assigns and affiliates the timely payment and performance of its Bank Guaranty Indicated Share of the Bank Guaranty Portion of all existing and future due and unpaid liabilities and obligations of Borrower to Bank and its affiliates under the Reimbursement Agreement, including, but not limited to, the Bank Guaranty Portion of all amounts payable to the Bank on account of draws under Letters of Credit, all fees and commissions, all indemnity amounts and all other obligations of the Borrower now existing or hereafter arising under the Reimbursement Agreement and all modifications, extensions or renewals thereof, including without limitation all principal, interest, charges, and costs and expenses incurred thereunder (including reasonable attorneys' fees and other costs of collection incurred, regardless of whether suit is commenced) but excluding the obligation of the Borrower to make up any Cash Collateral deficit caused by application of Cash Collateral to the obligations secured thereby (collectively, the Bank Guaranty Portion of such obligations is herein referred to as the "Guaranteed Obligations"). The Guaranty provided hereunder shall be limited to \$ _____, plus interest, charges and costs and expenses incurred thereunder as described above, provided that such limit is subject to changes with the consent of the Bank if such consent is required pursuant to the Reimbursement Agreement.

The capitalized terms used herein shall have the meanings set forth in the Reimbursement Agreement unless otherwise defined herein.

Guarantor further covenants and agrees:

GUARANTOR'S LIABILITY. This Guaranty is a continuing and unconditional guaranty of payment and not of collection. This Guaranty does not impose any obligation on Bank to extend or continue to extend credit or otherwise deal with Borrower at any subsequent time. This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of the Guaranteed Obligations is rescinded, avoided or for any other reason must be returned by Bank, and the returned payment shall remain payable as part of the Guaranteed Obligations, all as though such payment had not been made. Except to the extent the provisions of this Guaranty give the Bank additional rights, this Guaranty shall not be deemed to supersede or replace any other guaranties given to Bank by Guarantor; and the obligations guaranteed hereby shall be in addition to any other obligations guaranteed by Guarantor pursuant to any other agreement of guaranty given to Bank and other guaranties of the Guaranteed Obligations.

TERMINATION OF GUARANTY. Guarantor may terminate this Guaranty by written notice in the form attached as Exhibit B hereto, delivered personally to or received by certified or registered United States mail by an authorized officer of the Bank at the address for notices provided herein. Such termination shall be effective (the "Effective Date") on the later of (a) the effective date stated in the Notice or (b) the 15th day following the date such written notice is

received by said Bank officer. Guarantor may not terminate this Guaranty as to Guaranteed Obligations (including any subsequent extensions, modifications or compromises of the Guaranteed Obligations) existing on the Effective Date, or as to Guaranteed Obligations arising subsequent to the Effective Date if such Guaranteed Obligations (including expenses relating to enforcement actions) arise under Letters of Credit issued on or before the Effective Date, or arise as a result of advances which are necessary for Bank to protect its collateral or otherwise preserve its interests.

APPLICATION OF PAYMENTS. Monies received from any source by Bank for application toward payment of the Guaranteed Obligations may be applied to such Guaranteed Obligations in such order as to principal, interest and expenses deemed appropriate by Bank.

CONSENT TO MODIFICATIONS. Guarantor consents and agrees that Bank may from time to time, in its sole discretion (but with the consent or agreement of the Borrower if required by the Reimbursement Agreement), without affecting, impairing, lessening or releasing the obligations of the Guarantor hereunder (a) extend or modify the time, manner, place or terms of payment or performance and/or otherwise change or modify the credit terms of the Guaranteed Obligations; (b) increase, renew, or enter into a novation of the Guaranteed Obligations; (c) waive or consent to the departure from terms of the Guaranteed Obligations; (d) permit any change in the business or other dealings and relations of Borrower or any other guarantor with Bank; (e) proceed against, exchange, release, realize upon, or otherwise deal with in any manner any collateral that is or may be held by Bank in connection with the Guaranteed Obligations or any liabilities or obligations of Guarantor; and (f) proceed against, settle, release, or compromise with Borrower, any insurance carrier, or any other person or entity liable as to any part of the Guaranteed Obligations, or subordinate the payment of any part of the Guaranteed Obligations to the payment of any other obligations, which may at any time be due or owing to Bank; all in such manner and upon such terms as Bank may deem appropriate, and without notice to or further consent from Guarantor. No invalidity, irregularity, discharge or unenforceability of, or action or omission by Bank relating to any part of, the Guaranteed Obligations or any security therefor shall affect or impair this Guaranty. Notwithstanding the preceding language, the Guaranteed Obligations shall not include the Outstanding Amount (as defined in the Reimbursement Agreement) of Letters of Credit in excess of \$__ million (or a lesser amount with the Bank's consent) without the written consent of the Guarantor.

WAIVERS AND ACKNOWLEDGMENTS. Guarantor waives and releases the following rights, demands, and defenses Guarantor may have with respect to Bank and collection of the Guaranteed Obligations (a) promptness and diligence in collection of any of the Guaranteed Obligations from Borrower or any other person liable thereon, and in foreclosure of any security interest and sale of any property serving as collateral for the Guaranteed Obligations; (b) any law or statute that requires that Bank make demand upon, assert claims against, or collect from Borrower or other persons or entities, foreclose any security interest, sell collateral, exhaust any remedies, or take any other action against Borrower or other persons or entities prior to making demand upon, collecting from or taking action against Guarantor with respect to the Guaranteed Obligations; (c) any law or statute that requires that Borrower or any other person be joined in, notified of or made part of any action against Guarantor; (d) that Bank preserve, insure or perfect any security interest in collateral or sell or dispose of collateral in a particular manner or at a

particular time; (e) notice of extensions, modifications, renewals, or novations of the Guaranteed Obligations, of any new transactions or other relationships between Bank, Borrower and/or any Guarantor, and of changes in the financial condition of, ownership of, or business structure of Borrower or any other guarantor; (f) acceptance, presentment, protest, notice of dishonor, notice of default, demand for payment, notice of intention to accelerate maturity, notice of acceleration of maturity, notice of sale, and all other notices of any kind whatsoever; (g) the right to assert against Bank any defense (legal or equitable), set-off, counterclaim, or claim that Guarantor may have at any time against Borrower or any other party liable to Bank; (h) all defenses relating to invalidity, insufficiency, unenforceability, enforcement, release or impairment of Bank's lien on any collateral, of the Reimbursement Agreement, or of any other guaranties held by Bank; (i) any claim or defense that acceleration of maturity of the Guaranteed Obligations is stayed against Guarantor because of the stay of assertion or of acceleration of claims against any other person or entity for any reason including the bankruptcy or insolvency of that person or entity; and (j) the benefit of any exemption claimed by Guarantor. Guarantor acknowledges and represents that it has relied upon its own due diligence in making its own independent appraisal of Borrower, Borrower's business affairs and financial condition, and any collateral; Guarantor will continue to be responsible for making its own independent appraisal of such matters; and Guarantor has not relied upon and will not hereafter rely upon Bank for information regarding Borrower or any collateral.

FINANCIAL CONDITION. Guarantor warrants, represents and covenants to Bank that on the date hereof and on each date on which a letter of credit is issued by the Bank for the account of the Borrower (except as otherwise set forth on Exhibit A hereto or subsequently disclosed in writing to the Bank prior to such date), (a) the fair saleable value of Guarantor's assets exceeds its liabilities, Guarantor is meeting its current liabilities as they mature, and Guarantor is and shall remain solvent; (b) all financial statements of Guarantor furnished to Bank are correct and accurately reflect the financial condition of Guarantor as of the respective dates thereof; (c) since the date of the latest such financial statements delivered to the Bank, there has not occurred a material adverse change in the financial condition of Guarantor; and (d) there are not now pending any court or administrative proceedings or undischarged judgments against Guarantor exceeding \$5,000,000, no federal or state tax liens have been filed or threatened against Guarantor and Guarantor is not in default or claimed default under any obligation exceeding \$5,000,000.

INTEREST. Regardless of any other provision of this Guaranty or the Reimbursement Agreement, if for any reason the effective interest on any of the Guaranteed Obligations should exceed the maximum lawful interest, the effective interest shall be deemed reduced to and shall be such maximum lawful interest, and any sums of interest which have been collected in excess of such maximum lawful interest shall be applied as a credit against the unpaid principal balance of the Guaranteed Obligations.

DEFAULT. If any of the following events occur, a default ("Default") under this Guaranty shall exist: (a) failure of timely payment or performance of the Guaranteed Obligations by Guarantor; (b) a breach of any agreement or representation contained or referred to in this Guaranty; (c) dissolution of, termination of existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency

or bankruptcy proceeding by or against, Guarantor; (d) the entry of any monetary judgment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against the Guarantor or any property of or debts due Guarantor exceeding \$10,000,000 in the aggregate; provided, however, that such circumstance shall not be a Default if the Guarantor is appealing or contesting such obligation diligently and enforcement of such obligation is effectively stayed; or (e) the Guarantor shall terminate or give notice of termination of this Guaranty other than in the manner described herein or shall repudiate the obligation hereunder.

ATTORNEY'S FEES AND OTHER COSTS OF COLLECTION. Guarantor shall pay all of Bank's reasonable expenses incurred to enforce or collect any of the obligations of the Guarantor hereunder, including, without limitation, reasonable arbitration, paralegals', attorneys' and experts' fees and expenses, whether incurred without the commencement of a suit, in any suit, arbitration, or administrative proceeding, or in any appellate or bankruptcy proceeding.

SUBORDINATION OF OTHER DEBTS. Guarantor agrees (a) to subordinate the obligations now or hereafter owed by Borrower to Guarantor ("Subordinated Debt") to any and all Guaranteed Obligations; provided however that Guarantor may receive payments on the Subordinated Debt so long as (i) all sums due and payable by Borrower to Bank as Guaranteed Obligations have been paid in full on or prior to such date, and (ii) no event or condition which constitutes or which with notice or the lapse of time would constitute an event of default with respect to the Guaranteed Obligations, shall be continuing on or as of the payment date; (b) a conspicuous notation of subordination is made on the face of any instrument evidencing any part of the Subordinated Debt; and (c) except as permitted by the proviso in clause (a) of this paragraph, Guarantor will not request or accept payment of or any security for any part of the Subordinated Debt, and any proceeds of the Subordinated Debt paid to Guarantor, through error or otherwise, shall immediately be forwarded to Bank by Guarantor, properly endorsed to the order of Bank, to apply to the Guaranteed Obligations.

OPERATING INSTRUMENTS. Without the written consent of the Bank, Guarantor agrees not to terminate or agree to terminate any of the Operating Instruments or modify or agree to modify any of the Operating Instruments if such modification would materially alter the type or nature of the business of the Borrower (such business being in the area of power and natural gas marketing and power and natural gas-related matters).

SUBORDINATION OF SUBROGATION. Unless or until all Guaranteed Obligations have been paid in full, Guarantor hereby subordinates and postpones any rights or claims that it may have against the Borrower or other guarantors for subrogation, contribution or reimbursement on account of payments made by the Guarantor; provided that unless an Event of Default, or condition which with notice or lapse of time or both would constitute an Event of Default, should exist under the Reimbursement Agreement or would result from such enforcement, the Guarantor may enforce claims for subrogation, contribution or reimbursement.

AUTHORITY. The Guarantor represents and warrants that the execution and delivery of, and performance of its obligations under, this Guaranty comply with all applicable constitutional and legal limitations applicable to Guarantor, have been duly authorized by all necessary actions under law and the charter or governing instrument of the Guarantor and that the Guaranty

constitutes the valid and binding obligation of the Guarantor enforceable in accordance with its terms, except to the extent that enforceability may be limited (i) by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or similar laws affecting the availability or enforcement of creditors' rights generally or (ii) by application of general principles of equity limiting the availability of certain remedies, including but not limited to the remedy of specific performance. The Guarantor shall provide a legal opinion satisfactory to the Bank as to such matters and such other matters as the Bank may reasonably require.

MISCELLANEOUS. (a) **Assignment.** This Guaranty shall inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. Bank's interests in and rights under this Guaranty and the Reimbursement Agreement are freely assignable, in whole or in part, by Bank. Any assignment shall not release Guarantor from the Guaranteed Obligations. (b) **Applicable Law; Conflict Between Documents.** This Guaranty and the Reimbursement Agreement shall be governed by and construed under the laws of the State of _____ without regard to that state's conflict of laws principles. (c) **Jurisdiction.** Guarantor irrevocably agrees to non-exclusive personal jurisdiction in the state in which the office of Bank first shown above is located. (d) **Severability.** If any provision of this Guaranty or of the Reimbursement Agreement shall be prohibited or invalid under applicable law, such provision shall be ineffective but only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Guaranty or other document. (e) **Notices.** Any notices to Guarantor shall be sufficiently given, if in writing and mailed or delivered to the Guarantor's address shown above or such other address as provided hereunder, and to Bank, if in writing and mailed or delivered to Bank's office address shown above or such other address as Bank may specify in writing from time to time, with a copy as shown above. In the event that Guarantor changes Guarantor's address at any time prior to the date the Guaranteed Obligations are paid in full, Guarantor agrees to promptly give written notice of said change of address by registered or certified mail, return receipt requested, all charges prepaid. (f) **Plural; Captions.** All references in the Reimbursement Agreement to borrower, guarantor, person, document or other nouns of reference mean both the singular and plural form, as the case may be, and the term "person" shall mean any individual, person or entity. The captions contained in the Reimbursement Agreement are inserted for convenience only and shall not affect the meaning or interpretation of the Reimbursement Agreement. (g) **Binding Contract.** Guarantor by execution of and Bank by acceptance of this Guaranty agree that each party is bound to all terms and provisions of this Guaranty. (h) **Amendments, Waivers and Remedies.** No waivers, amendments or modifications of this Guaranty and the Reimbursement Agreement shall be valid unless in writing and signed by an officer of Bank. No waiver by Bank of any Default shall operate as a waiver of any other Default or the same Default on a future occasion. Neither the failure nor any delay on the part of Bank in exercising any right, power, or privilege granted pursuant to this Guaranty and the Reimbursement Agreement shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise or the exercise of any other right, power or privilege. All remedies available to Bank with respect to this Guaranty and the Reimbursement Agreement and remedies available at law or in equity shall be cumulative and may be pursued concurrently or successively. (i) **Partnerships.** If Guarantor is a partnership, the obligations, liabilities and agreements on the part of Guarantor shall remain in full force and

effect and fully applicable notwithstanding any changes in the individuals comprising the partnership.

FINANCIAL AND OTHER INFORMATION. Guarantor shall deliver to Bank such information as Bank may reasonably request from time to time, including without limitation, financial statements and information pertaining to Guarantor's financial condition, including, without limitation, annual audited financial statements within 150 days of the Guarantor's fiscal year end and quarterly financial statements within 45 days after the end of each fiscal quarter. Such information shall be true, complete, and accurate. Guarantor shall give written notice to the Bank within three business days of the occurrence of any Default or the commencement of any litigation or government proceeding against the Guarantor involving (when combined with any other pending matters) potential uninsured liability or loss on the part of the Guarantor in excess of \$5,000,000.

WAIVER OF JURY TRIAL. TO THE EXTENT PERMITTED BY APPLICABLE LAW, GUARANTOR BY EXECUTION HEREOF AND BANK BY ACCEPTANCE HEREOF, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON THIS GUARANTY, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS GUARANTY OR ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONNECTION WITH THIS GUARANTY, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF ANY PARTY WITH RESPECT HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT TO BANK TO ACCEPT THIS GUARANTY.

GUARANTOR AND BANK AGREE THAT THEY SHALL NOT HAVE A REMEDY OF PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER IN ANY DISPUTE AND HEREBY WAIVE ANY RIGHT OR CLAIM TO PUNITIVE OR EXEMPLARY DAMAGES THEY HAVE NOW OR WHICH MAY ARISE IN THE FUTURE IN CONNECTION WITH ANY DISPUTE WHETHER THE DISPUTE IS RESOLVED BY ARBITRATION OR JUDICIALLY.

IN WITNESS WHEREOF, Guarantor, on the day and year first written above, has caused this Unconditional Guaranty to be executed under seal.

[Name of Guarantor]

CORPORATE SEAL

By: _____
Its _____

EXHIBIT A

EXHIBIT B

NOTICE OF TERMINATION

The undersigned Guarantor hereby notifies Bank of America, N.A. (the "Bank") that it is terminating its Unconditional Guaranty dated _____, 20__ (the "Guaranty") effective at the end of the day on [_____, _____, which date shall be no earlier than the 15th day following receipt of this notice by the Bank officer described in the Guaranty] (the "Effective Date"). The undersigned acknowledges and confirms that it will remain liable for its Indicated Share of Guaranteed Obligations arising on or before the Effective Date (including those arising out of Letters of Credit issued on or before the Effective Date) as described in the Guaranty under the heading "Termination of Guaranty" and the Bank may rely upon this continuing liability in issuing Letters of Credit after receipt of this notice and on or before the Effective Date.

The capitalized terms used herein shall have the meanings set forth in the Guaranty unless otherwise defined.

[Name of Guarantor]

By _____

Its _____

Date: _____

ANNEX 3

IRREVOCABLE LETTER OF CREDIT

<u>Letter of Credit No.</u>	<u>Issue Date</u>	<u>Stated Expiration Date</u>	<u>Maximum Amount</u>
---------------------------------	-----------------------	---------------------------------------	---------------------------

Bank of America, N.A.
50 North Laura Street
Jacksonville, Florida 32202
Attention: _____

Ladies and Gentlemen:

At the request and on the instructions of our customer, _____ ("_____"), we hereby establish this Irrevocable Letter of Credit (the "Letter of Credit") in the amount of not to exceed \$_____ (as the same may from time to time be reduced as described herein, the "Available Amount") which may be drawn upon by you. The Letter of Credit is effective immediately and expires on the Expiration Date (as defined below).

1. Funds under this Letter of Credit will be made available to you against receipt by us of a sight draft in the form of Annex A attached hereto and your certificate in the form of Annex B attached hereto presented for payment on a Business Day (as hereinafter defined), each appropriately completed and signed by a person purporting to be one of your vice presidents or a more senior officer. Any such sight draft and certificate is referred to herein as a "Drawing Certificate."

2. Presentation of a Drawing Certificate shall be made at our office located at _____, Attention: _____, _____, telecopy number (____)____-____. Demand for payment hereunder may also be made in the form of facsimile transmission of the appropriate Drawing Certificate hereunder to the address and telecopy number shown above. You must notify us by telephone (by attempting to speak to _____) prior to any demand for payment in the form of a facsimile transmission at the following telephone number: (____) ____-____, and confirm our receipt of each telecopied Drawing Certificate by telephone at the above telephone number; provided that the giving of either or both of such telephonic notices shall not be a condition to our obligation to make payment hereunder.

3. Demands for payment hereunder shall not in the aggregate exceed the Available Amount.

4. Each demand for payment in the form of Drawing Certificate shall, as of the date of our honoring of such Drawing Certificate, permanently reduce *pro tanto* the amount available to be drawn.

5. In the case of presentation of a Drawing Certificate hereunder, if such Drawing Certificate is presented hereunder by sight or by facsimile transmission as permitted hereunder, by 1:00 p.m., _____, _____ time, on a Business Day, and providing that such Drawing Certificate and the documents and other items presented in connection therewith, if any, strictly conform to the terms and conditions hereof, payment shall be made to you, or to your designee, of the amount specified in immediately available funds, not later than ____ a.m./p.m., _____, _____ time, on the date of the presentation of such Drawing Certificate. If a Drawing Certificate is presented by you hereunder after the time specified in the immediately preceding sentence, on a Business Day, and provided that such Drawing Certificate and the documents and other items presented in connection therewith, if any, strictly conform to the terms and conditions hereof, payment shall be made to you, or your designee, of the amount specified, in immediately available funds, not later than ____ a.m./p.m., _____, _____ time, on the next succeeding Business Day.

6. Any drawing under this Letter of Credit will be paid solely from our general funds and not directly or indirectly from funds or collateral deposited with or for our account by _____, or pledged with or for our account by _____.

7. Only you may make a drawing under this Letter of Credit; provided, however, that this Letter of Credit may be transferred by written notice to us, in which event the transferee shall have all of your rights hereunder. Upon the payment to you of the amount demanded in a Drawing Certificate, we shall be fully discharged on our obligation under this Letter Credit with respect to such demand for payment.

8. We will reduce the Available Amount upon your request by your providing to us a certificate in the form of Annex C hereto.

9. Upon the earlier of the following to occur, this Letter of Credit shall automatically terminate and be delivered to us for cancellation (the "Expiration Date"): (A) the making by you and the honoring by us of the final drawing available to be made hereunder; or (B) the Stated Expiration Date hereof, or any extension thereof as set forth in a Notice of Extension in the form of Annex D attached hereto.

10. As used herein "Business Day" means any day, other than a Saturday or Sunday or other day on which we in _____, _____ are authorized or required by law or executive order to close.

11. Except as set forth in the next paragraph and the certificates referred to herein, this Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or

agreement referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except as set forth in the next paragraph and the certificates referred to herein.

12. This Letter of Credit shall be subject to the Uniform Customs and Practices for Documentary Credits (1993 Rev.), International Chamber of Commerce Publication No. 500 (the "Uniforms Customs"), which is incorporated into the text of this Letter of Credit by this reference. This Letter of Credit shall be deemed to be issued under the laws of the State of _____ and shall be governed by and construed in accordance with the laws of the State of _____ with respect to matters not governed by the Uniform Customs and matters on which the Uniform Customs and the laws of the State of _____ are inconsistent. Our obligation to honor drafts drawn under and in conformity with the terms of this Letter of Credit is independent of any separate agreement or undertaking of _____ to you or to any other party and shall not be affected or impaired by the unenforceability or invalidity of any such agreement or undertaking, including, without limitation, (i) that certain Membership Agreement between The Energy Authority, Inc. and _____ dated _____, 20__ and (ii) any related agreement involving you and _____.

Very truly yours,

[BANK]

By: _____
Title: _____

ANNEX A

SIGHT DRAFT

[Date]

At Sight

Pay to the order of Bank of America, N.A., the sum of _____ and ____/100 (\$____) drawn on _____ as issuer of its Irrevocable Letter of Credit No. _____ dated _____, 20___. Such payment shall be made by wire transfer to the following account: [insert wire transfer instructions].

BANK OF AMERICA, N.A.

By: _____
Name:
Title:

ANNEX B

DRAWING CERTIFICATE

Attention: _____

RE: Irrevocable Letter of Credit No. _____ (the "Letter of Credit") for the
Account of _____, _____

Ladies and Gentlemen:

The undersigned, a vice president or more senior officer of Bank of America, N.A. hereby certifies that Bank of America, N.A. is entitled to draw on the Letter of Credit in the amount of the accompanying draft pursuant to that certain Letter of Credit and Reimbursement Agreement dated as of _____, 2000 between The Energy Authority, Inc. and Bank of America, N.A. as amended and as it may be hereafter amended or restated from time to time.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Certificate this ____ day of _____, 200_.

BANK OF AMERICA, N.A.

By: _____
Name:
Title:

ANNEX C

REQUEST FOR REDUCTION IN AVAILABLE AMOUNT

Attention: _____

RE: Irrevocable Letter of Credit No. _____ (the "Letter of Credit") for the
Account of _____, _____

Ladies and Gentlemen:

The undersigned, a vice president or more senior officer of Bank of America,
N.A. hereby requests you to reduce the Available Amount on the Letter of Credit to
\$ _____.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this
Request for Reduction in Available Amount this ____ day of _____, 200_.

BANK OF AMERICA, N.A.

By: _____
Name:
Title:

Available Amount reduced to \$ _____

By _____
Name:
Title:

ANNEX D

NOTICE OF EXTENSION

Bank of America, N.A.
50 North Laura Street
Jacksonville, Florida 32202
Attention: _____

RE: Irrevocable Letter of Credit No. _____ (the "Letter of Credit") for the
Account of _____

Ladies and Gentlemen:

The undersigned, a duly authorized officer of _____ (the "Bank"), as issuer
of the Letter of Credit hereby amends the Stated Expiration Date set forth on the first page of the
Letter of Credit from _____, 200_ to _____, 200_. This amendment will become
effective upon your acceptance hereof in the space provided below.

All of the terms of the Letter of Credit shall continue in full force and effect except as
amended hereof.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Notice
of Extension this ____ day of _____, 200_.

[BANK]

By _____
Name:
Title:

Agreed and accepted:

Bank of America, N.A.

By _____
Name:
Title:

ANNEX 4

Reference is made to that certain Restated and Amended Natural Gas Advance Agreement dated as of January 1, 2002 by and among JEA, Municipal Electric Authority of Georgia, Nebraska Public Power District, South Carolina Public Service Authority and The Energy Authority, Inc.(the "Agreement"). The undersigned hereby agrees to become a party to the Agreement and a Future Member as designated therein. The aggregate Advance from the undersigned shall in no case exceed \$_____ without its written consent. As such, it shall be bound by the terms of the Agreement and entitled to the benefits thereof. Capitalized terms used herein and not defined are used as defined in the Agreement.

[Deliver form of Advance (Bank Collateral and Trade Guaranty), all as applicable.]

Date: _____

[FUTURE MEMBER]

By: _____
Name:
Title:

Accepted by:

THE ENERGY AUTHORITY, INC.

By _____
President

ANNEX 5

Reference is made to that certain Restated and Amended Natural Gas Advance Agreement dated as of January 1, 2002 by and among JEA, Municipal Electric Authority of Georgia, Nebraska Public Power District, South Carolina Public Service Authority and The Energy Authority, Inc. (the "Agreement"). The undersigned hereby agrees that the aggregate Advance from it shall in no case exceed \$_____ without its further written consent. Capitalized terms used herein and not defined are used as defined in the Agreement.

Date: _____

[MEMBER]

By _____
Name:
Title:

GENERAL MANAGER REGULAR #002508
APRIL 8, 2002

..Title

The Energy Authority (TEA) Natural Gas Guaranty

..Explanation

On February 28, 2000, the City Commission approved GRU's membership in The Energy Authority (TEA), an organization comprised of six public power organizations throughout the United States and whose primary function is to buy and sell wholesale energy for its members at the best possible prices (while maintaining adequate security and controls). GRU is currently a one-fourteenth-share member. We have been very pleased with the service from TEA and on March 11, 2002 made a presentation to the City Commission regarding the effectiveness of our investment in TEA.

Staff has been working with TEA to allow it to begin the physical purchase of natural gas for GRU effective May 1, 2002. GRU uses natural gas in two capacities, the first being for fuel for our generators and the second for our natural gas customers' use. When buying gas for GRU, TEA must give the sellers a guaranty that we will pay for the gas when we receive it. The obligations of the City as a gas participant are described in the Restated and Amended Natural Gas Advance Agreement and include certain guarantys necessary to support gas transactions.

Guarantys have always been important in the electric and gas markets, however they are even more common in current times due to the well-publicized problems associated with Enron. These guarantys are provided to the sellers by TEA on our behalf in one of two forms depending upon what is required by the Seller. The first is a Bank Letter of Credit. The second is a Trade Guaranty which is essentially just a written document promising to pay.

On the electric side of TEA, the Commission approved a guaranty for electric power purchases in the amount of \$9,642,857.12. The guaranty is required only for the power not generated internally but purchased off-system. Consequently, the amount of the comparable electric advance is less than that for natural gas, which must be 100% of the estimated value of projected gas volumes.

For gas purchases, \$899,000 cash will be required to support the Bank Letter of Credit (similar to an escrow account held in our name on which we receive interest). The balance of the \$20,301,000 for a total of \$21,200,000 (\$13,800,000 for the partial year 2002) is in the form of non-cash Bank trade or general trade guaranty. While this is a large amount, it is important to remember that TEA will be buying 100% of GRU's natural gas which amounts to over 7 million MMBtus (million Btus) a year at an approximate annual budget of \$30 million. Also, if TEA weren't buying our natural gas and GRU still did it ourselves, we would have to guaranty payments for purchases to sellers via contract or purchase order so effectively it is not a change in our commitment.

Each year TEA will determine the amount of the Natural Gas Advance requirement depending upon forecasted gas prices, volatility in the market, GRU's and other members' forecasted volumes and will determine the new (increased or reduced) guaranty requirement. We recommend that the Commission delegate the authority to approve changes in the guaranty to the General Manager, which is consistent with City Commission fuel purchasing policy.

Additionally, TEA is going to act as GRU's agent to hedge future natural gas prices by using products that lock in, cap, and otherwise limit future costs. They have particular expertise and do substantial market research to advise their members in this area. It is anticipated that TEA will use existing agreements in place with various sellers in TEA's name to accomplish these hedges and, accordingly, they will require GRU to guaranty those hedges in a separate document. The amount of the guarantee depends upon how much volume and how far out we purchase natural gas hedges. If we hedge 25% of our anticipated natural gas use out for three years, the guarantee to TEA is approximately \$10 million. We recommend that the General Manager be authorized to execute the hedging guarantys substantially in the form attached subject to approval as to form and legality by the City Attorney and to execute necessary revisions for matters including, but not limited to, changes in prices and volumes hedged.

The last two recommendations would authorize the General Manager and Clerk of the City Commission to execute any other documents and take other such action necessary to implement the natural gas trading activities of TEA. This, for instance, would specifically allow the Clerk of the Commission to certify agenda items, provide incumbency certificates and other ministerial acts necessary to conclude the City's entry into TEA gas activities.

On March 21, 2002 the Regional Utilities Committee approved recommending to the full City Commission that staff proceed with the process to authorize TEA to begin making natural gas purchases effective May 1, 2002.

..Recommendations

The City Commission: 1) authorize the General Manager to: a. execute such documents as are necessary for the City to become a party to and comply with the terms of the Restated and Amended Natural Gas Advance Agreement for TEA substantially in the form on file in the office of the Clerk subject to approval by the City Attorney as to form and legality; b. execute such documents to amend the Restated and Amended Gas Advance Agreement as may be needed from time-to-time to address such matters including, but not limited to, changes in natural gas price and volume, subject to the approval of the City Attorney as to form and legality; c. execute the Member Advance Agreement substantially in the form attached and any subsequent changes necessary to facilitate the hedging of future natural gas products subject to approval by the City Attorney as to form and legality; and d. execute such other documents, subject to approval of the City Attorney as to form and legality as may be necessary to implement the City's participation in the natural gas activities of TEA; and 2) authorize the Clerk of the Commission to take such actions as may be necessary to assist the General Manager in exercising the authority granted herein.

..Drafter

Prepared by Michael L. Kurtz, General Manager

Submitted by Commissioner John Barrow, Chair

Mayor Tom Bussing, Member