

§ 1726.253

7 CFR Ch. XVII (1-1-14 Edition)

with respect to special and consequential damages, and where the borrower believes that such a modification will encourage competition through the receipt of an alternative bid which limits the bidder's liability for special and consequential damages, the borrower may make the following approved phrase modifications in the RUS standard contract form on which the borrower solicits bids:

(a) Insert new paragraphs in the "Notice and Instructions to Bidders" as follows:

"Proposals are invited on the basis of alternative Liability Clause Numbers 1 and 2. The Owner will determine on which Liability Clause basis the award will be made. Any other liability clauses in the proposal or any other modifications will be considered not responsive and unacceptable. These Liability Clauses are defined as follows:

*Liability Clause Number 1.* This will include unmodified all of the standard terms and conditions of the form of contract furnished by the Owner and attached hereto.

*Liability Clause Number 2.* This will include the following paragraph, in addition to all of the standard terms and conditions, otherwise unmodified, of the form of contract furnished by the Owner and attached hereto:

"Except for the Bidder's willful delay or refusal to perform the contract in accordance with its terms, the Bidder's liability to the Owner for special or consequential damages on account of breach of this contract shall not exceed in total an amount equal to \_\_\_\_\_ percent [the borrower will insert an appropriate percentage between 0 and 100 percent, inclusive] of the contract price."

(b) Insert the following in the contract documents under the "Proposal" section:

"Price \$(Based on Liability Clause 1) \_\_\_\_\_  
Price \$(Based on Liability Clause 2) \_\_\_\_\_"

(c) Insert the following in the acceptance section of the standard contract form:

"This contract is based on Liability Clause Number \_\_\_\_\_."

[60 FR 10155, Feb. 23, 1995, as amended at 69 FR 7109, Feb. 13, 2004]

**§ 1726.253 Prior approved contract modification related to alternative bid provision for payment to contractor for bulk purchase of materials.**

When construction is to be performed over an extended period of time, but large quantities of material are to be purchased by the contractor at the beginning of the project (e.g., cable for URD installations), the borrower may allow alternative bids providing for payment to the contractor of 90 percent of the cost of such materials within 30 days of delivery of those materials at the job site. The borrower will retain the right to award the contract with or without the alternative payment provision, however, the contract still must be awarded on the basis of the lowest evaluated responsive bid for the alternative accepted.

**§ 1726.254 [Reserved]**

**§ 1726.255 Prior approved contract modifications related to indemnification.**

(a) As an alternative to the indemnification provision required in RUS standard construction contract forms in those jurisdictions requiring specific language concerning the requirement that the indemnitor indemnify the indemnitee for the indemnitee's own negligence, the borrower may add the words "otherwise this provision shall apply to any alleged negligence or condition caused by the Owner" so that the first paragraph reads as follows:

"i. To the maximum extent permitted by law, Bidder shall defend, indemnify, and hold harmless Owner and Owner's directors, officers, and employees from all claims, causes of action, losses, liabilities, and expenses (including reasonable attorney's fees) for personal loss, injury, or death to persons (including but not limited to Bidder's employees) and loss, damage to or destruction of Owner's property or the property of any other person or entity (including but not limited to Bidder's property) in any manner arising out of or connected with the Contract, or the materials or equipment supplied or services performed by Bidder, its subcontractors and suppliers of any tier. But nothing herein shall be construed as making Bidder liable for any injury, death, loss, damage, or destruction caused by the sole

negligence of Owner, otherwise this provision shall apply to any negligence or condition caused by the Owner.”

(b) As an alternative to the indemnification provision required in RUS standard construction contract forms in those jurisdictions that have a legal prohibition against one party indemnifying another for the other’s negligence, the borrower may replace the words “defend, indemnify, and hold harmless” with the words “ shall pay on behalf of” so that the first paragraph reads as follows:

“i. To the maximum extent permitted by law, Bidder shall pay on behalf of Owner and Owner’s directors, officers, and employees from all claims, causes of action, losses, liabilities, and expenses (including reasonable attorney’s fees) for personal loss, injury, or death to persons (including but not limited to Bidder’s employees) and loss, damage to or destruction of Owner’s property or the property of any other person or entity (including but not limited to Bidder’s property) in any manner arising out of or connected with the Contract, or the materials or equipment supplied or services performed by Bidder, its subcontractors and suppliers of any tier. But nothing herein shall be construed as making Bidder liable for any injury, death, loss, damage, or destruction caused by the sole negligence of Owner, otherwise this provision shall apply to any negligence or condition caused by the Owner.”

(c) If the alternative indemnification provision in paragraph (a) or (b) of this section is chosen by the borrower, the language of paragraph (a) or (b) of this section would be inserted in lieu of paragraph (i) of the section indicated in the RUS standard construction contract forms as follows:

(1) RUS Form 198, Equipment Contract, article IV, section 1(d).

(2) RUS Form 200, Construction Contract—Generating, article IV, section 1(d).

(3) RUS Form 257, Contract to Construct Buildings, article IV, section 1(d).

(4) RUS Form 786, Electric System Communications and Control Equipment Contract, article IV, section 1(d).

(5) RUS Form 790, Electric System Construction Contract—Non-Site Specific Construction, article IV, section 1(g).

(6) RUS Form 830, Electric System Construction Contract—Project Construction, article IV, section 1(g).

[60 FR 10155, Feb. 23, 1995, as amended at 69 FR 7110, Feb. 13, 2004]

**§§ 1726.256–1726.299 [Reserved]**

**Subpart I—RUS Standard Forms**

**§ 1726.300 Standard forms of contracts for borrowers.**

(a) *General.* The standard loan agreement between RUS and its borrowers provides that, in accordance with applicable RUS regulations in this chapter, the borrower shall use standard forms of contract promulgated by RUS for construction, procurement, engineering services, and architectural services financed by a loan made or guaranteed by RUS. (See section 5.16 of appendix A to subpart C of part 1718 of this chapter.) This subpart prescribes RUS procedures in promulgating standard contract forms and identifies those forms that borrowers are required to use.

(b) *Contract forms.* RUS promulgates standard contract forms, identified in the List of Required Contract Forms, § 1726.304(c), that borrowers are required to use in accordance with the provisions of this part. In addition, RUS promulgates standard contract forms contained in § 1726.304(d) that the borrowers may but are not required to use in the construction of their electric systems. Borrowers are not required to use these guidance contract forms in the absence of an agreement to do so.

[63 FR 58286, Oct. 30, 1998]

**§ 1726.301 Borrower contractual obligations.**

(a) *Loan agreement.* As a condition of a loan or loan guarantee under the Rural Electrification Act, borrowers are normally required to enter into RUS loan agreements pursuant to which the borrower agrees to use RUS standard forms of contracts for construction, procurement, engineering services and architectural services financed in whole or in part by the RUS loan. Normally, this obligation is contained in section 5.16 of the loan contract. To comply with the provisions of