



Mark David Goss
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November 3, 2010

Mr. Jeffrey Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

RECEIVED

NOV 03 2010

**PUBLIC SERVICE
COMMISSION**

CASE NO. 2010-00429

Re: East Kentucky Power Cooperative, Inc.
Application for Approval of Special Contract between EKPC,
Owen Electric Cooperative and Gallatin Steel Company

Dear Mr. Derouen:

Enclosed please find East Kentucky Power Cooperative, Inc.'s Application for Commission approval of a Special Contract, filed pursuant to 807 KAR 5:011, Section 13 (Special Contracts) and 807 KAR 5:001, Section 8 (Applications), and other applicable law. Pursuant to 807 KAR 5:001, Section 8(2), an original and ten (10) copies of the completed Application are attached. Included as Exhibit "A" to the Application are redacted versions of the Agreement, along with unredacted versions placed in separate sealed envelopes, so that the Commission Staff might have a complete unredacted version to review.

In addition, you will also please find an original and ten (10) copies of the Joint Motion of East Kentucky Power Cooperative, Inc., Owen Electric Cooperative, and Gallatin Steel, pursuant to 807 KAR 5:001, Section 7, requesting that confidential treatment be afforded for paragraphs 12 and 13 of the Special Contract. The appropriate number of redacted and unredacted copies are also attached.

EKPC and the other parties respectfully request that the notice period (see, KRS 278.180) be shortened from 30 days to not less than 20 days, and that the Commission accept this Contract effective as of December 1, 2010, which is the effective date set forth in the Contract.

I have also included one additional copy of the foregoing which I request that you mark "stamped" as filed and return to me in the enclosed postage prepaid envelope.

Mr. Jeffrey Derouen
November 3, 2010
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Please feel free to contact me should you have any questions regarding this submission.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark David Goss", with a long, sweeping horizontal flourish extending to the right.

Mark David Goss

Enclosures

cc: Jim Crawford, Esq., Counsel for Owen Electric Cooperative
Michael Kurtz, Esq., Counsel for Gallatin Steel Company

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NOV 03 2010

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)
POWER COOPERATIVE, INC. FOR THE)
APPROVAL OF A SPECIAL CONTRACT)

CASE NO. 2010- 00429

APPLICATION

Comes now East Kentucky Power Cooperative, Inc. ("EKPC"), by and through counsel, pursuant to 807 KAR 5:011, Section 13 (Special Contracts), and 807 KAR 5:001, Section 8 (Applications), and other applicable law, and requests the Kentucky Public Service Commission to grant approval of the attached Special Contract which is an Agreement for Electric Service by and between EKPC, Owen Electric Cooperative and Gallatin Steel Company. In support of this Application, Applicant states as follows:

1. EKPC's mailing address is 4775 Lexington Road, P. O. Box 707, Winchester, Kentucky 40392-0707;
2. Pursuant to 807 KAR 5:001, Section 8(3), a certified copy of EKPC's Articles of Incorporation and any amendments thereto have been previously filed of record with the Commission, in PSC Case No. 90-197, the Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity to Construct Certain Steam facilities in Mason County, Kentucky, and are incorporated herein by reference;
3. Pursuant to 807 KAR 5:001, Section 8(1) and 807 KAR 5:011, Section 13, the facts upon which this Application is based are as follows: EKPC, Owen Electric Cooperative and Gallatin Steel originally entered into an Agreement for Electric Service which this Commission approved on May 12, 2005, and which contract went into effect on June 1, 2005.

Subsequently, that original Agreement for Electric Service has either been amended or certain charges changed on five different occasions effective on the following dates: April 1, 2009, August 1, 2009, September 1, 2009, June 1, 2010, and September 1, 2010;

4. The last amendment to the Agreement effective September 1, 2010 provided by its terms that the Agreement would expire effective at 11:59 p.m. on November 30, 2010;

5. EKPC, Owen Electric Cooperative and Gallatin Steel, have now entered into a new contract which, by its terms, and assuming approval by this Commission, would become effective as of 12:00 midnight December 1, 2010. A fully executed redacted copy of this Agreement for Electric Service is attached hereto and made a part hereof as Exhibit A;

6. The new Agreement for Electric Service addresses many issues of importance to the parties and it is being filed with the Commission because it sets out rates, charges or conditions not currently included in Owen Electric Cooperative's general tariffs (807 KAR 5:011, Section 13). Among many others, the following important subjects are addressed in the Agreement: load following, regulation, and contract reopener.

Load Following

Most of EKPC's load is predictable and EKPC is able to serve that load cost effectively with available resources. However, most of Gallatin Steel's load is relatively unpredictable and additional costs can be incurred by EKPC as a result of this unpredictability. The Agreement addresses this issue.

Regulation

EKPC must comply with NERC standards regarding real time matching of generation and load. Because the Gallatin load fluctuates so rapidly, it is sometimes difficult for EKPC to meet those standards using its existing coal fleet. Because the Gallatin electric arc furnace load

can be curtailed instantaneously there may be opportunities to use this load to improve system frequency. This Agreement addresses this issue.

Contract Reopener

If the electricity market changes in a way that has a significant and/or long term financial or operational impact upon either party, the contract can be opened for further negotiation to resolve the issue and relief can be sought from the Commission if the issue cannot be resolved.

Summary

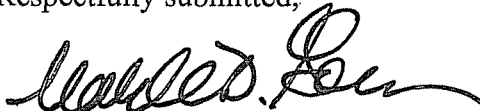
Essentially, the Agreement states the terms and conditions under which EKPC, Owen Electric Cooperative and Gallatin Steel, are to operate in an environment of increased costs and NERC oversight. The issues important to all parties have changed significantly in the some five years since the original Agreement for Electric Service was negotiated by the parties and placed into effect and this Agreement adequately addresses them in ways that the existing Agreement does not.

7. The parties have filed a separate Joint Motion pursuant to 807 KAR 5:001, Section 7 to have certain portions of this Agreement for Electric Service treated confidentially. The parties respectfully request that the Commission rule upon this Petition for Confidential Treatment contemporaneous with the consideration of this Application.

WHEREFORE, on the basis of the foregoing, EKPC respectfully requests the Commission to approve and enter in its records the above-described Special Contract.

This 29th day of October, 2010.

Respectfully submitted,



Mark David Goss
Frost Brown Todd LLC
250 West Main Street
Suite 2800
Lexington, KY 40507-1749
(859) 231-0000 – Telephone
(859) 231-0011 – Facsimile
Counsel for East Kentucky Power Cooperative, Inc.

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EXHIBIT A

GALLATIN/OEC/EKPC

AGREEMENT FOR ELECTRIC SERVICE

THIS AGREEMENT is made this 1st day of September, 2010, among EAST KENTUCKY POWER COOPERATIVE, INC., hereinafter referred to as "EKPC", OWEN ELECTRIC COOPERATIVE, hereinafter referred to as "OEC", and GALLATIN STEEL COMPANY, hereinafter referred to as "Gallatin Steel", for the purposes of providing electric service to Gallatin Steel.

WHEREAS, EKPC, OEC and Gallatin Steel entered into an Agreement for Electric Service dated May 25, 2005 (2005 Agreement); and

WHEREAS, the 2005 Agreement was approved by the Kentucky Public Service Commission (Commission) effective June 1, 2005; and

WHEREAS, the 2005 Agreement had a five year initial term which expired May 31, 2010; and

WHEREAS, EKPC, OEC and Gallatin Steel agreed to an extension of the 2005 agreement with modifications, for a three month period ending August 31, 2010 which was approved by the Commission; and

WHEREAS, EKPC, OEC and Gallatin Steel have agreed to a further extension of the 2005 Agreement until November 30, 2010, which was approved by the Commission; and

WHEREAS, OEC regularly resells and distributes electric power and energy and satisfies all of its requirements for electric power and energy by purchases from EKPC; and

WHEREAS, Gallatin Steel requires the resources of both OEC and EKPC to fully ensure the supply of electric power and energy to the Gallatin Steel Plant; and

WHEREAS, EKPC and OEC desire to continue to meet their utility supply obligations for the electric load associated with Gallatin Steel's steel manufacturing operation under the terms of this 2010 Agreement for Electric Service; and

WHEREAS, this 2010 Agreement is subject to approval by the Commission and any necessary approvals by the Rural Utilities Services and the National Rural Utilities Cooperative Finance Corporation.

THEREFORE, upon consideration of the mutual covenants and undertakings hereinafter set forth, the parties agree to the following:

1. Plant Description. The Gallatin Steel Plant has been operating for 15 years and is a thin-slab steel mill owned and operated by Gallatin Steel in Gallatin County near Ghent, Kentucky. The plant is configured on the basis of a single D.C. power supply for twin shell electric arc furnaces which feed a thin slab caster to a six stand rolling mill on a continuous basis. The electrical load primarily consists of the direct current to the electric arc melting furnaces fed by two transformers each nominally rated at 75 MVA; ladle metallurgy stations nominally rated at 25 MVA and 3 x 5500 KW and 3 x 7000 KW rolling mill motors, along with slag and arc-furnace dust processing equipment, small motor loads and other ancillary facilities.

2. Term. The initial term of this 2010 Agreement for electric service will be the five-year period beginning December 1, 2010. The 2010 Agreement shall remain in effect after the initial five-year term from year to year thereafter; provided however that the Agreement may be cancelled after the initial five-year term by OEC, EKPC or Gallatin Steel upon giving 12 months advance written notice. Upon cancellation, electric power service shall be provided to Gallatin Steel by EKPC and OEC pursuant to rates approved by the Commission either through contract or tariff.

3. Demand Charge and Billing. Demand shall be the average kW demand measured by the coincidental sum of all meters at the Gallatin Steel Plant site minus the Air Liquide load during any

fifteen-minute period beginning at any standard clock hour or 15, 30, or 45 minutes after any standard clock hour.

- a. Billing Demand shall be the greater of the highest-average kW demand occurring during a 15-minute measurement in the peak period or 83.33 percent of the highest average kW demand occurring during a 15-minute measurement in the off-peak period in the current billing month. The Billing Demand will be measured by the coincidental sum of all meters on the Gallatin Steel plant site minus the Air Liquide load.
- b. The maximum on-peak contract demand will be 180 MW at the beginning of this 2010 Agreement, but can be increased, with 30-day notice. All parties must agree in writing if the increase in the load is expected to be 15 MW or more. Gallatin Steel will be charged \$6.63/kW/month for billing demand at or below 180 MW in on-peak periods. If billing demand exceeds 180 MW during an on-peak period, then Gallatin Steel will be charged at three times the demand rate of \$6.63/kW/month, or \$19.89/kW/month for the excess demand above 180 MW. If billing demand exceeds 120 percent of 180 MW during an off-peak period, or 216 MW, then Gallatin Steel will be charged three times the demand rate of \$6.63/kW/month, or \$19.89/kW/month for the excess demand above 216 MW. OEC/EKPC will give Gallatin Steel Notice of Unavailability on Friday morning by 10:00 AM EST if the additional 20% is not available for the weekend. Notice of Unavailability will be made by 10:00 AM EST the day before a holiday. OEC/EKPC will only issue a Notice of Unavailability if operational circumstances warrant, such as an extended scheduled outage or forced outage at one of EKPC's generating units or in anticipation of high peak demand on the EKPC system. In the event of such Notice of Unavailability, then Gallatin Steel will pay the excess demand charge of \$19.89/kW/month on the MW amount in excess of 180 MW if demand during the on-peak hours of the weekend or holiday exceeds 180 MW.

- c. For purposes of the demand charge, on-peak hours are defined as follows:
- i. October through April: everyday from 7:00 AM to 12:00 noon EST and 5:00 PM to 10:00 PM EST provided however that weekend and holiday hours shall be deemed to be off-peak unless OEC/EKPC gives Notice of Unavailability. All other hours are off peak.
 - ii. May through September: everyday from 10:00 AM to 10:00 PM EST; provided however that weekend and holiday hours shall be deemed to be off-peak unless OEC/EKPC give Notice of Unavailability. All other hours are off-peak.

4. Firm and Interruptible Demand. 15 MW of Demand shall be designated as Firm Power Demand. All Demand exceeding Firm Power Demand, up to 180 MW total Demand, shall be designated Interruptible Demand. Interruptible Demand service to Gallatin Steel will consist of two primary categories:

- a. Ten Minute Interruptible Demand Service which shall consist of the 120 MW electric arc furnace melt shop. The interruptible credit for this load will be \$5.60/kW/month; and
- b. Ninety Minute Interruptible Demand Service which shall be all remaining plant load, except the firm load and Ten Minute Interruptible Load. The interruptible credit for this load will be \$4.20/kW/month.
- c. Interruptible Demand Service may be interrupted by EKPC upon the following advance verbal, including telephonic, notice to Gallatin Steel (unless a shorter notice is agreed to by the parties):
 - Pursuant to Ten Minute Interruptible Service, EKPC may require Gallatin Steel to reduce its demand to no more than the total of the Firm Power Demand Service Level plus the Ninety Minute Demand Service Level within ten minutes of notification;

- Pursuant to Ninety Minute Interruptible Service, EKPC may require Gallatin Steel to reduce its demand to no more than the Firm Power Demand within ninety minutes of notification.

To provide notice of interruption, EKPC has installed a direct communications line between the EKPC Control Center and the Gallatin Steel Control Center. The notice will take effect when the phone call is initiated at the EKPC Control Center or Backup Control Center. It is Gallatin Steel's responsibility to be sure that its phone is working and that someone is available 24 hours per day, 365 days per year to promptly answer the phone. The notice shall specify: (a) the time at which the interruption period will commence, (b) the category of service being interrupted, (c) the time at which the interruption is expected to terminate, and (d) the maximum load which Gallatin Steel may impose during the period of interruption. EKPC may extend or shorten the period of interruption noticed by advising Gallatin Steel of that action prior to the expiration of the noticed period. If an interruption is called for, the service to Gallatin Steel shall be restored as soon as practical. Should EKPC initiate the phone call and be unable to reach Gallatin Steel, EKPC shall document the time of the initial attempt and attempt to contact Gallatin Steel via secondary means. If EKPC is unable to contact Gallatin Steel within the 10 minute notice period, has documented the initial contact attempt, and attempted to contact Gallatin Steel via other measures, EKPC shall have the obligation to attempt to automatically shut down the melt shop load and EKPC/OEC shall be held harmless from any and all damage to Gallatin Steel's facilities caused by the interruption of service.

5. Conditions for Ninety Minute and Ten Minute Interruptible Service. Interruptions may not exceed 360 hours in each 12 month period beginning on the effective date of this 2010 Agreement. The maximum number of monthly interruptible hours shall be 100. Interruptions shall be limited to two per day and no more than twelve (12) hours per day.

6. Failure to Interrupt. If Gallatin Steel has not interrupted its Ten Minute Interruptible Demand Service or accepted an offered buy-through provision (as described in paragraph 7 below) within the ten minute notice period, then EKPC shall have the obligation to attempt to automatically shut

down the melt shop load and Gallatin Steel shall incur no penalty if the interruption occurs. In the event that EKPC sends a signal to automatically shutdown the melt shop and the interruption does not occur, Gallatin Steel shall pay a penalty of two (2) times the firm power demand charge then in effect for each kW of demand that should have been interrupted as called for under the terms of this 2010 Agreement only if the failure is determined to be due to equipment or personnel within the Gallatin Steel facility. Should Gallatin Steel not interrupt its Ninety Minute Interruptible Demand Service when or to the extent called for, Gallatin Steel shall pay a penalty of two (2) times the firm power demand charge then in effect for each kW of demand that should have been interrupted as called for under the terms of this 2010 Agreement. In addition, if by virtue of Gallatin Steel's demonstrated and repeated inability to interrupt service, EKPC, after consultation with OEC and Gallatin Steel, may reclassify Gallatin Steel's load as firm until Gallatin Steel can establish that the load should be classified otherwise.

7. Buy-Through of Interruptions. During an interruption, Gallatin Steel shall have the right to buy-through any interruption unless EKPC reasonably determines based upon prudent utility practice that a physical interruption of service to Gallatin Steel is necessary to prevent the interruption of service to firm service customers or compliance with NERC Reliability Standards or other regulatory or legal obligations related to system reliability cannot reasonably be met by any means other than the physical interruption of Gallatin Steel. Gallatin Steel shall not be physically interrupted in order for EKPC to make off-system sales unless those same sales were committed on a firm basis prior to the recognition of the need to perform the interruption. The buy-through cost shall be EKPC's actual out-of-pocket cost of purchased power to serve the Gallatin Steel load with no mark-up or additional charge by EKPC; or if buy-through energy is provided from EKPC owned generation then the buy-through price shall be at EKPC's incremental variable generation cost times Gallatin Steel's usage associated with the interruptible service during the buy-through period. Interruptible buy-through power shall be subject to the OEC distribution charge. EKPC shall use best efforts to give day ahead notice of interruption if it is likely that a buy-through will be available. Interruptible buy-through power shall not include the base

energy charge, a fuel adjustment charge or environmental surcharge. When interruptible buy-through energy is to be procured for Gallatin Steel through a market purchase, then Gallatin Steel shall provide EKPC with a schedule of the amount of energy it anticipates it will need during each hour of the interruption period. If Gallatin Steel uses less than its scheduled amount of energy, then Gallatin Steel shall be responsible for the difference between the cost of the scheduled market purchase and the total production expense (including but not limited to fuel, variable operations and maintenance expenses, and emission allowances) from EKPC units(s) backed down as a result of the scheduled market purchase. If Gallatin Steel uses more than its scheduled amount of buy-through energy, then such energy shall be provided by EKPC at the market price during that hour. EKPC shall provide to Gallatin Steel, solely for informational purposes and not for billing purposes, the buy-through price reasonably expected to be incurred at the time notice of interruption is given.

8. Energy Charges. The off-peak energy rate will be \$0.043844/kWh. For purposes of the energy rate, the off-peak hours will be from 10:00 PM to 10:00 AM EST Monday through Friday for May-September plus all weekend and holiday hours; and 10:00 PM to 7:00 AM EST Monday through Friday and Noon to 5:00 PM EST Monday through Friday for October-April, plus all weekend and holiday hours. All other hours will be on-peak. The on-peak energy rate will be \$0.047128/kWh. The on-peak and off-peak energy charges will be subject to change as a result of any future Fuel Adjustment Clause (FAC) basing point change approved by the Commission.

9. Distribution Charges. OEC's Distribution Charge for all power and energy will be \$.000285 per kWh and \$.0375 per kW per month, delivered by EKPC/OEC to Gallatin Steel through both the EKPC 345 kV line and the Gallatin County substation. These rates are fixed over the life of the 2010 Agreement.

10. Fuel Adjustment Clause. Gallatin Steel will be charged the EKPC system FAC in conformity with 807 KAR 5:056.

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13. Regulation.

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

14. EKPC Minimum Bill. The minimum monthly bill for the EKPC portion of the Gallatin Steel bill will consist of the sum of the following.

- a. The monthly demand charge net of all interruptible credits applied to 50 percent of the maximum contract demand (180 MW) plus:
- b. Energy Charges, Fuel Adjustment Clause charges, Environmental Surcharge, if actually incurred during any month. Gallatin Steel will be subject to a minimum energy bill amount equivalent to the energy charges minus the fuel base per kWh, multiplied by Gallatin Steel's actual demand (the sum of the actual firm and actual interruptible demand) for the month multiplied by 425 hours. Reflecting actual historical usage, for the term of this 2010 Agreement, 29 percent of the 425 hours will be designated as on-peak energy and 71 percent of the 425 hours will be designated as off-peak energy.

For the duration of the Agreement, for each time Gallatin Steel has to shut down operation of its plant for any reason except force majeure, the EKPC portion of Gallatin Steel's minimum bill shall not exceed 12 months of payments of the amounts calculated under sections a and b above, and at such time as said 12 months of payments have been made, the EKPC minimum bill will be suspended until such time that Gallatin Steel resumes operation. During any period of time that the Gallatin Steel plant is shut down, EKPC shall have a duty to mitigate minimum bill charges by reselling on the wholesale market the energy and capacity that would have served Gallatin Steel

15. Maximum Load Following and Regulation Costs. There shall be a maximum amount (Cap) which Gallatin Steel shall pay for the sum of the net Imbalance Adjustment (as determined pursuant to Paragraph 12 herein) and any Regulation charges (as determined pursuant to Paragraph 13 herein) during any sequential 12-month period. The Cap shall be \$850,000 for the first month of the

Agreement and shall increase by an additional \$850,000 for each subsequent month until it reaches \$5.1 million. Should the sum of the net Imbalance Adjustment (as determined pursuant to paragraph 12 herein) and any Regulation charges (as determined pursuant to Paragraph 13 herein) for any sequential 12-month period reach the Cap, any party may give notice to the other parties of its intent to cancel this contract after 60 days following such notice if the parties are unable to negotiate a suitable modification to this contract for such charges during that time. No notice of cancellation can be given before six months after the start date of this contract (June 1, 2011). Upon cancellation, electric power service shall be provided to Gallatin Steel by EKPC and OEC pursuant to rates approved by the Commission either through contract or tariff. By way of example only, operation of the Cap and calculation of the charges are provided for clarity as Exhibit B hereto. These examples are not meant to be inclusive of all scenarios which may occur.

16. OEC Minimum Bill. The Distribution charge for OEC shall consist of 50% of maximum contract demand (180 MW) applicable to the \$.0375/KW/month OEC demand charge and the actual demand (the sum of the actual firm and actual interruptible demand) for the month multiplied by 425 hours, applicable to the \$.000285/kWh OEC energy charge. For the duration of the Agreement, for each time Gallatin Steel has to shut down operation of its plant for any reason except force majeure, the OEC portion of Gallatin Steel's minimum bill shall not exceed 12 months of payments of the amounts calculated under sections a and b above, and at such time as said 12 months of payments have been made, the OEC minimum bill will be suspended until such time that Gallatin Steel resumes operation.

17. Continuing Commission Jurisdiction. The rates, terms and conditions of this Agreement for electric service shall be subject to modification or change by order of the Commission during the initial five year term and thereafter.

Exhibit A to this 2010 Agreement shall reflect the rates, terms and conditions as modified or changed by order of the Commission.

18. Metering and Load Control. Gallatin Steel will provide space, structure, bus and switches for appropriate metering equipment, and provide static VAR control and harmonic control equipment and current and potential transformers. EKPC will supply secondary metering equipment and will continue to make available clock and metering pulses for Gallatin Steel's load control equipment. The electric service to be provided hereunder shall be three phase, 60 hertz at 345 kV and at 34.5 kV as specified herein.

19. Prudent Utility Practice. Each party shall design, construct and operate its facilities in accordance with prudent electric utility practice in conformity with generally accepted standards for electric utilities in the State of Kentucky, including the National Electrical Safety Code.

20. Maintenance of Equipment. Each party agrees that it will at all times maintain its lines, equipment, and other facilities in a safe operating condition in conformity with generally accepted standards for electric utilities in the State of Kentucky, including the National Electric Safety Code.

21. Force Majeure. If Gallatin Steel's President or General Manager Operations promptly notifies EKPC and OEC in writing that all of Gallatin Steel's arc furnace facilities are completely out of service as the direct result of any cause beyond the reasonable control of Gallatin Steel; or, if EKPC's Chief Executive Officer, Vice President of Power Supply, or Chief Operating Officer, or OEC's Chief Executive Officer, or their designees, promptly notifies Gallatin Steel that either or both are unable to furnish electric power and energy to Gallatin Steel as the direct result of any cause beyond the reasonable control of either EKPC or OEC, including, but not restricted to (applicable to all three parties) war; flood; earthquake; storm; fire; lightning; other acts of God; epidemic; riot; civil disturbance or civil disobedience; quarantine; explosion; sabotage; breakdown or malfunction of equipment; disruption or threat of disruption of fuel supply; inability or threatened inability to obtain necessary materials, personnel, services or facilities; acts of public enemy; strike, lockout, work stoppage, or

industrial disturbance or dispute, whether or not any labor dispute could reasonably have been settled or whether determined to have arisen out of an unfair labor practice by any Party; any act, delay or failure to act on the part of any state or federal governmental authority, whether legislative, executive, judicial or administrative, including delay or failure to act by any governmental authority in the issuance of any necessary permits or licenses or the prohibiting of acts necessary to performance hereunder or the permitting of any such acts only subject to conditions which are unreasonable in the sole judgment of the party upon whom such conditions are imposed; restraint by court order or other public authority; failure to obtain the necessary authorizations or approvals from any governmental agency or authority; blockage or any other event(s) beyond the reasonable control of the party: if the party be Gallatin Steel it will not be obligated to pay the EKPC minimum charges with respect to the period beginning the day following the delivery of the notification and for a period not to exceed ninety (90) days thereafter or until the day that all of the electric arc facilities first return to service, whichever occurs first; if the party be either EKPC or OEC, they shall not be obligated to furnish electric power and energy to Gallatin Steel for the period beginning the day following the delivery of the notification and for a period not to exceed ninety (90) days thereafter or until the day that the affected utility shall have the ability to furnish electric power and energy to Gallatin Steel, whichever occurs first. In such event neither EKPC nor OEC shall be liable to Gallatin Steel for any monetary damages of any kind whatsoever flowing either directly or indirectly from their inability to furnish electric power and energy during the Force Majeure period.

The party suffering the Force Majeure event shall promptly notify the other parties in writing of such event under this Section. Such notice shall include a description of the cause and estimated duration of the event. Failure of the party suffering the Force Majeure event to promptly notify the other parties of such event shall preclude the affected party from the relief provided herein. The affected party shall exercise due diligence to resolve any Force Majeure event and shall keep the other parties informed of steps taken to resolve the event.

Invocation of this provision shall be limited to no more than one occurrence in any twelve (12) month period. This Force Majeure provision shall not affect demand charges due in any month where actual demand has exceeded minimum demand levels.

Any minimum charges forgiven hereunder shall be recovered by EKPC in the event of discontinuance of service by Gallatin Steel prior to the termination of this Agreement. The internal financial or monetary constraints of Gallatin Steel, or its inability to operate its business due to prevailing economic conditions shall not be considered as a Force Majeure. Nothing contained herein shall be construed so as to require Gallatin Steel to settle any strike, lockout, or stoppage, or other industrial disturbance or dispute in which it may be involved.

Nothing in this paragraph modifies the obligation of EKPC or OEC to use reasonable diligence to provide a constant and uninterrupted supply of electric power and energy as provided for in paragraph 32.

22. Verification of Costs. For purposes of determining the out-of-pocket costs associated with the buy-through of purchased power, the cost of load following, or the cost of regulation service for Gallatin Steel, EKPC and OEC shall grant Gallatin Steel access to any information or calculation used to determine such costs. These costs shall not include any EKPC demand, energy, environmental surcharge, or FAC charges.

23. Billing and Payment.

- a. Regular Monthly Billing. OEC will bill Gallatin Steel each month for the cost of electric power and energy delivered to Gallatin Steel during the preceding month. Such bills may be rendered by EKPC and OEC on the basis of electronic meter reading ("telemetry"). Any difference between telemetry and the actual on-site meter reading will be reflected as a credit or debit to the bill for the following month.

- b. Due Date: Payment Charges and Credits. Bills received by Gallatin Steel shall be paid within four (4) business days after receipt. Bills shall be paid by wire transfer to a bank designated by OEC in writing. If Gallatin Steel shall fail to make any such payment on or before such due date, then payment shall be deemed late and OEC may discontinue service to Gallatin Steel upon giving Gallatin Steel immediate notice of intention to do so. Provided, however, that such discontinuances of service shall not relieve Gallatin Steel of any of its obligations under this Agreement. Within ten (10) days of Gallatin Steel's receipt of such a notice, Gallatin Steel shall have the right to cure its delinquency by paying any late balance along with any applicable late charges. When payment is late, Gallatin Steel will pay a late charge based on the same rate that OEC normally imposes on its commercial and industrial customer members. In the event of a bona-fide billing dispute, Gallatin Steel shall pay all such amounts to OEC. Gallatin Steel shall provide written notice to EKPC and OEC of any bona-fide billing dispute. EKPC, OEC, and Gallatin Steel will make every effort to resolve bona-fide billing disputes promptly. The resolution of a bona-fide billing dispute by the Parties or by the Commission could result in amounts being refunded to or additional amounts collected from Gallatin Steel. If a bona-fide billing dispute has not been resolved within 60 calendar days of the written notice of dispute, then any refunds to or additional collections from Gallatin Steel will be with interest. The applicable interest rate shall be the Three Month US Dollar LIBOR (London InterBank Offered Rate) interest rate as published in The Wall Street Journal on the 61st day after the written notice of dispute. Gallatin Steel shall have reasonable rights to verify any charges or credits imposed under this Agreement.
- c. Gallatin Steel agrees to provide a form and amount of bill payment security acceptable to OEC, and payable to OEC, for the duration of this 2010 Agreement.

The amount of payment security may be changed at the request of OEC to match any change in load by Gallatin Steel. Such payment security may be equal to, but shall not exceed one and one-half times the amount of Gallatin Steel's average monthly bill. The payment security shall be promptly payable to OEC, upon demand, due to non-payment by Gallatin Steel, and in accordance with the conditions set forth in Sections a and b above.

24. Points of Delivery, Point of Measurement, and Metering. Four meters (M1, M2, M3, and M4) will measure the Gallatin Steel power usage.

- M1 meters the total input to Gallatin Steel's 345 kV bus. Electrically, it is located inside the Gallatin Steel Substation; physically, it may be located either inside or outside the Gallatin Steel Substation.
- M2 and M3 meter the input to EAF Nos. 1 and 2 respectively. M2 and M3 are located on the 34.5 kV side of Gallatin Steel's 345/34.5 kV transformers that serve the EAFs. The readings for M2 and M3 will be adjusted to give the equivalent values for meters located on the 345 kV side of the transformers. EKPC and Gallatin Steel will coordinate ownership and specifications of metering transformers and locations of the meters.
- M4 meters the load served from the EKPC 138 kV system. This meter is located on the 34.5 kV side of the Gallatin Steel Substation. The readings will be adjusted to give equivalent values for a meter located on the 138 kV side of the Gallatin County Substation transformer.

25. Voltage Fluctuations. Gallatin Steel and EKPC shall cooperate to see that Gallatin Steel's load is operated in accordance with prudent utility practices. Gallatin Steel agrees to operate its facility to reduce voltage fluctuations or harmonic distortions in accordance with past practices during

the initial 15-year period of operation. EKPC or OEC will notify Gallatin Steel if its operations cause voltage fluctuations or harmonic distortions which result in interference with EKPC or OEC service to other customers, and will attempt to identify and help Gallatin Steel correct such problems. Any substantial deviation from past practices over Gallatin's first 15 years of operations that would cause additional voltage fluctuations or harmonic distortions requires approval from EKPC and OEC. If Gallatin Steel fails to install and/or to operate the necessary facilities on its premises to correct the voltage fluctuations or harmonic distortions of its load, or to prevent such voltage fluctuations or harmonic distortions from interfering with EKPC or OEC supply of service to other customers, OEC and EKPC shall have the right to deny service to Gallatin Steel. Any voltage fluctuations or harmonic distortions shall be corrected within twenty-four (24) hours after written notice from OEC or EKPC to Gallatin Steel stating the voltage fluctuation or harmonic distortion problems.

26. Membership/Capital Credits. Gallatin Steel shall be a member of OEC, shall pay the membership fee, and shall be bound by such rules and regulations as may, from time to time, be adopted by OEC. Provided, however, that during the term of this 2010 Agreement the provisions hereof shall prevail over any such rule or regulation in the event of any inconsistency except as acceptable to the Commission.

OEC is a non-profit Kentucky corporation and Gallatin Steel will benefit from any savings or reductions in cost of service in the same manner as any comparable customer as authorized by the Kentucky Revised Statutes, and by OEC's Articles of Incorporation and Bylaws. Gallatin Steel shall participate in capital credits of OEC in accordance with Kentucky Revised Statutes and OEC's and EKPC's Articles of Incorporation and Bylaws.

27. Liability for Interruption Of Interruptible Demand. It is understood that the interruptible portion of the power supplied pursuant to this 2010 Agreement is provided to Gallatin Steel for Gallatin Steel's benefit in controlling costs through acceptance of non-firm electric service, and for the benefit of the EKPC system through reduced generation needs and enhanced system reliability. Neither OEC

nor EKPC shall be liable to Gallatin Steel for any losses which may accrue to Gallatin Steel due to Gallatin Steel not being prepared to be interrupted when a notice of interruption is duly given in accordance with the terms of this Agreement.

28. Meter Testing and Billing Adjustment. EKPC or OEC shall test and calibrate meters, or cause them to be tested and calibrated, by comparison with accurate standards at intervals of twelve (12) months. EKPC or OEC shall also make, or cause to be made, special meter tests at any time during normal business hours at Gallatin Steel's request. The costs of all tests shall be borne or provided for by EKPC or OEC, provided, however, that if any special meter test made by Gallatin Steel's request shall disclose that the meters are recording accurately, Gallatin Steel shall reimburse EKPC or OEC for the cost of such test. Meters registering not more than one (1%) percent above or below normal shall be deemed to be accurate. The readings of any meter which shall have been disclosed by test to be inaccurate shall be corrected for the period during which meter error is known to have existed, or if not known, for one-half the elapsed time since the last such test in accordance with the percentage of inaccuracy found by such test. If any meter shall fail to register for any period, the parties shall agree as to the amount of kW demand and energy furnished during such period. Such estimates shall be based on Gallatin Steel's operating records for the period in question, historical load records and other pertinent data and records, and OEC shall render a bill to Gallatin Steel therefor.

29. Right Of Access. The duly authorized agents and employees of OEC and EKPC shall have free access at all reasonable hours to the premises of Gallatin Steel for the purpose of installing, repairing, inspecting, testing, operating, maintaining, renewing or exchanging any or all of their equipment which may be located on the premises of Gallatin Steel, for reading or testing meters, or for performing any other work incident to the performance of this Agreement.

The parties agree to properly protect the property of each other party located on its premises, and to permit no one to inspect or tamper with the wiring and apparatus of the other party except such other party's agents or employees, or persons authorized by law. It is agreed, however, that no party

assumes the duty of inspecting the wiring or apparatus of any other party and shall not be responsible therefor.

30. Responsibility for Damages or Loss. The electric power and energy supplied under this 2010 Agreement is supplied upon the express condition that after it passes the Point of Delivery it becomes the responsibility of Gallatin Steel, and neither OEC nor EKPC shall be liable for loss or damage to any person or property whatsoever, resulting directly or indirectly from the use, misuse or presence of the said electric power and energy on Gallatin Steel's premises, or elsewhere, after it passes the Point of Delivery except where such loss or damage shall be shown to have been occasioned by negligence of EKPC or OEC, their agents or employees.

31. Usage of Power. The parties understand and agree that Gallatin Steel purchases and accepts the power and energy delivered to it under this Agreement solely for the use of Gallatin Steel's steel manufacturing plant operation, including typical on-site ancillary loads. The parties further understand and accept that Gallatin Steel purchases and accepts such power solely for the benefit of Gallatin Steel and its steel manufacturing process.

32. Continuity of Service. OEC and EKPC shall use reasonable diligence required of a public utility in Kentucky to provide a constant and uninterrupted supply of electric power and energy hereunder. If the supply of electric power and energy shall fail or be interrupted, or become defective through acts of God, Governmental authority, action of the elements, public enemy, accident, strikes, labor trouble, required maintenance work, or any other cause beyond the reasonable control of OEC and EKPC, they shall not be liable therefor or for damages caused thereby. (The foregoing paragraph is not intended to mitigate OEC's and EKPC's rights to interrupt service as provided for in this Agreement).

33. Assignment. No party to this Agreement may assign its rights hereunder without the consent of the other, which shall not be unreasonably withheld; except that a party may, without the consent of the other, assign, pledge or hypothecate its rights hereunder to its trustee or mortgagee

under a mortgage, indenture or trust indenture, and being so pledged or assigned, shall be subject to all the terms and provisions of such mortgage or trust indentures. Provided, further, that Gallatin Steel may assign this 2010 Agreement to an entity recognized as financially and technically capable by EKPC and OEC which may hereafter acquire or operate the Gallatin Steel Plant in the same manner, to the same extent, and for the same purposes as originally operated by Gallatin Steel. Such recognition shall not be unreasonably withheld in appropriate cases. No assignment shall relieve the assignor of its obligations hereunder without the written assent of the other parties to accept the assignee as a substitute obligor.

34. Approval. The rates and charges for electrical service established hereunder are subject to approval by the Commission pursuant to Kentucky Revised Statutes, Chapter 278, and any necessary approvals by the Rural Utilities Services and the National Rural Utilities Cooperative Finance Corporation. The parties covenant to use their best efforts to forthwith seek and support such approvals for this Agreement by filing such papers, presenting such testimony, and taking such other action as may be necessary or appropriate to secure the same.

35. Operating Committee. EKPC, OEC and Gallatin Steel have agreed to establish an Operating Committee consisting of representatives from each of the parties. The purpose of the Operating Committee will be to analyze and discuss the operations of Gallatin Steel and the operations of EKPC's generation system, with the goal of improving the efficiency and cost effectiveness of both through improved coordination and communication. The Operating Committee will meet as requested by any of the parties, but at least one time during each calendar quarter.

36. Contract Reopener. During the term of this Agreement, no party shall propose or support at the Commission any change or modification to this Agreement without the written consent of all parties. Changes to rates for service provided to Gallatin Steel during the term of this agreement through the procedures set forth in statute or regulation, including but not limited to, demand charges, energy charges, interruptible credits, fuel adjustment charges, or environmental surcharge rates is not

prohibited. However, if during the term of this Agreement a material unforeseen event occurs, then the adversely affected party may unilaterally seek modification or amendment of this Agreement by the Commission. Prior to seeking such modification or amendment from the Commission, however, the adversely affected party shall first make a good faith effort with the other parties to reach a mutually agreeable resolution. For purposes of this section, a "material unforeseen event" means an event which has or could have a significant and/or long-term financial and/or operational impact upon a Party; and, the impact or potential impact of such event could not have been reasonably predicted at the time of execution of the Agreement.

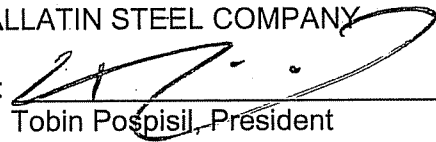
37. Miscellaneous.

- a. Headlines of Articles. Headings of articles in this Agreement have been inserted for convenience only and shall in no way affect the interpretation of any term or provision hereof.
- b. Severability. Except where expressly stated otherwise the duties, obligations, and liabilities of the parties are intended to be several and not joint or collective.
- c. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Kentucky.
- d. Waivers. Any waiver at any time by a party of its rights with respect to a default or with respect to any other matters arising in connection with this Agreement shall not be deemed a waiver with respect to any subsequent default or other matter.
- e. Prior Agreements. The parties hereby acknowledge that this Agreement contains the entire agreement among the parties and supersedes all prior agreements and understandings related to the subject matter hereof.
- f. Counterparts. This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall be deemed an original.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives the day and year first above written.

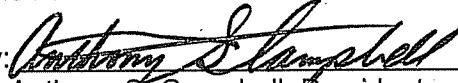
GALLATIN STEEL COMPANY

By:


Tobin Pospisil, President

EAST KENTUCKY POWER COOPERATIVE

By:


Anthony S. Campbell, President and CEO

OWEN ELECTRIC COOPERATIVE

By:



Mark A. Stallons, President & CEO

EXHIBIT A

Effective for Service Rendered on and after {Date},
Pursuant to KPSC Order dated {Date} in Case No. XXXX-XXXXX

Rates

<u>Description</u>	<u>Initial Contract Rate</u>	<u>Current Approved Rate</u>
Demand Charge – Billing Demand at or below 180 MW In On-Peak Periods [Paragraph 3(b)]	\$ 6.63/kW/month	
Interruptible Credit – 10 Minute Interruptible Demand Service [Paragraph 4(a)]	\$ 5.60/kW/month	
Interruptible Credit – 90 Minute Interruptible Demand Service [Paragraph 4(b)]	\$ 4.20/kW/month	
Energy Rate – On-Peak [Paragraph 8]	\$0.047128/kWh	
Energy Rate – Off-Peak [Paragraph 8]	\$0.043844/kWh	

EXHIBIT B

Month	Cap	Costs	Charges	12-month rolling total costs	12-month rolling total charges
1	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000
2	\$1,700,000	\$850,000	\$850,000	\$1,700,000	\$1,700,000
3	\$2,550,000	\$850,000	\$850,000	\$2,550,000	\$2,550,000
4	\$3,400,000	\$850,000	\$850,000	\$3,400,000	\$3,400,000
5	\$4,250,000	\$850,000	\$850,000	\$4,250,000	\$4,250,000
6	\$5,100,000	\$850,000	\$850,000	\$5,100,000	\$5,100,000
7	\$5,100,000	\$850,000	\$0	\$5,950,000	\$5,100,000
8	\$5,100,000	\$850,000	\$0	\$6,800,000	\$5,100,000
9	\$5,100,000	\$850,000	\$0	\$7,650,000	\$5,100,000
10	\$5,100,000	\$850,000	\$0	\$8,500,000	\$5,100,000
11	\$5,100,000	\$850,000	\$0	\$9,350,000	\$5,100,000
12	\$5,100,000	\$850,000	\$0	\$10,200,000	\$5,100,000
13	\$5,100,000	\$850,000	\$850,000	\$10,200,000	\$5,100,000
14	\$5,100,000	\$850,000	\$850,000	\$10,200,000	\$5,100,000
15	\$5,100,000	\$850,000	\$850,000	\$10,200,000	\$5,100,000
16	\$5,100,000	\$850,000	\$850,000	\$10,200,000	\$5,100,000
17	\$5,100,000	\$850,000	\$850,000	\$10,200,000	\$5,100,000

Month	Cap	Costs	Charges	12-month rolling total costs	12-month rolling total charges
1	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000
2	\$1,700,000	\$0	\$0	\$850,000	\$850,000
3	\$2,550,000	\$850,000	\$850,000	\$1,700,000	\$1,700,000
4	\$3,400,000	\$0	\$0	\$1,700,000	\$1,700,000
5	\$4,250,000	\$850,000	\$850,000	\$2,550,000	\$2,550,000
6	\$5,100,000	\$0	\$0	\$2,550,000	\$2,550,000
7	\$5,100,000	\$850,000	\$850,000	\$3,400,000	\$3,400,000
8	\$5,100,000	\$0	\$0	\$3,400,000	\$3,400,000
9	\$5,100,000	\$850,000	\$850,000	\$4,250,000	\$4,250,000
10	\$5,100,000	\$0	\$0	\$4,250,000	\$4,250,000
11	\$5,100,000	\$850,000	\$850,000	\$5,100,000	\$5,100,000
12	\$5,100,000	\$0	\$0	\$5,100,000	\$5,100,000
13	\$5,100,000	\$850,000	\$850,000	\$5,100,000	\$5,100,000
14	\$5,100,000	\$0	\$0	\$5,100,000	\$5,100,000
15	\$5,100,000	\$850,000	\$850,000	\$5,100,000	\$5,100,000
16	\$5,100,000	\$0	\$0	\$5,100,000	\$5,100,000
17	\$5,100,000	\$850,000	\$850,000	\$5,100,000	\$5,100,000

Month	Cap	Costs	Charges	12-month rolling total costs	12-month rolling total charges
1	\$850,000	\$1,000,000	\$850,000	\$1,000,000	\$850,000
2	\$1,700,000	\$1,000,000	\$850,000	\$2,000,000	\$1,700,000
3	\$2,550,000	\$1,000,000	\$850,000	\$3,000,000	\$2,550,000
4	\$3,400,000	\$1,000,000	\$850,000	\$4,000,000	\$3,400,000
5	\$4,250,000	\$1,000,000	\$850,000	\$5,000,000	\$4,250,000
6	\$5,100,000	\$1,000,000	\$850,000	\$6,000,000	\$5,100,000
7	\$5,100,000	\$1,000,000	\$0	\$7,000,000	\$5,100,000
8	\$5,100,000	\$1,000,000	\$0	\$8,000,000	\$5,100,000
9	\$5,100,000	\$1,000,000	\$0	\$9,000,000	\$5,100,000
10	\$5,100,000	\$1,000,000	\$0	\$10,000,000	\$5,100,000
11	\$5,100,000	\$1,000,000	\$0	\$11,000,000	\$5,100,000
12	\$5,100,000	\$1,000,000	\$0	\$12,000,000	\$5,100,000
13	\$5,100,000	\$1,000,000	\$850,000	\$12,000,000	\$5,100,000
14	\$5,100,000	\$1,000,000	\$850,000	\$12,000,000	\$5,100,000
15	\$5,100,000	\$1,000,000	\$850,000	\$12,000,000	\$5,100,000
16	\$5,100,000	\$1,000,000	\$850,000	\$12,000,000	\$5,100,000
17	\$5,100,000	\$1,000,000	\$850,000	\$12,000,000	\$5,100,000

Month	Cap	Costs	Charges	12-month rolling total costs	12-month rolling total charges
1	\$850,000	\$0	\$0	\$0	\$0
2	\$1,700,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
3	\$2,550,000	\$0	\$0	\$1,000,000	\$1,000,000
4	\$3,400,000	\$1,000,000	\$1,000,000	\$2,000,000	\$2,000,000
5	\$4,250,000	\$0	\$0	\$2,000,000	\$2,000,000
6	\$5,100,000	\$1,000,000	\$1,000,000	\$3,000,000	\$3,000,000
7	\$5,100,000	\$0	\$0	\$3,000,000	\$3,000,000
8	\$5,100,000	\$1,000,000	\$1,000,000	\$4,000,000	\$4,000,000
9	\$5,100,000	\$0	\$0	\$4,000,000	\$4,000,000
10	\$5,100,000	\$1,000,000	\$1,000,000	\$5,000,000	\$5,000,000
11	\$5,100,000	\$0	\$0	\$5,000,000	\$5,000,000
12	\$5,100,000	\$1,000,000	\$100,000	\$6,000,000	\$5,100,000
13	\$5,100,000	\$0	\$0	\$6,000,000	\$5,100,000
14	\$5,100,000	\$1,000,000	\$1,000,000	\$6,000,000	\$5,100,000
15	\$5,100,000	\$0	\$0	\$6,000,000	\$5,100,000
16	\$5,100,000	\$1,000,000	\$1,000,000	\$6,000,000	\$5,100,000
17	\$5,100,000	\$0	\$0	\$6,000,000	\$5,100,000

Month	Cap	Costs	Charges	12-month rolling total costs	12-month rolling total charges
1	\$850,000	\$0	\$0	\$0	\$0
2	\$1,700,000	\$0	\$0	\$0	\$0
3	\$2,550,000	\$0	\$0	\$0	\$0
4	\$3,400,000	\$0	\$0	\$0	\$0
5	\$4,250,000	\$0	\$0	\$0	\$0
6	\$5,100,000	\$5,100,000	\$5,100,000	\$5,100,000	\$5,100,000
7	\$5,100,000	\$0	\$0	\$5,100,000	\$5,100,000
8	\$5,100,000	\$0	\$0	\$5,100,000	\$5,100,000
9	\$5,100,000	\$0	\$0	\$5,100,000	\$5,100,000
10	\$5,100,000	\$0	\$0	\$5,100,000	\$5,100,000
11	\$5,100,000	\$1	\$0	\$5,100,001	\$5,100,000
12	\$5,100,000	\$0	\$0	\$5,100,001	\$5,100,000
13	\$5,100,000	\$0	\$0	\$5,100,001	\$5,100,000
14	\$5,100,000	\$0	\$0	\$5,100,001	\$5,100,000
15	\$5,100,000	\$0	\$0	\$5,100,001	\$5,100,000
16	\$5,100,000	\$0	\$0	\$5,100,001	\$5,100,000
17	\$5,100,000	\$0	\$0	\$5,100,001	\$5,100,000