

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

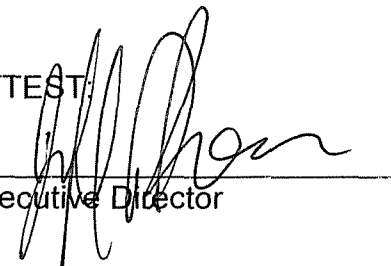
PETITION AND COMPLAINT OF GRAYSON)
RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR AN ORDER)
AUTHORIZING PURCHASE OF ELECTRIC)
POWER AT THE RATE OF SIX CENTS PER)
KILOWATTS OF POWER VS. A RATE IN) CASE NO.
EXCESS OF SEVEN CENTS PER KILOWATT) 2012-00503
HOUR PURCHASED FROM EAST KENTUCKY)
POWER COOPERATIVE UNDER A)
WHOLESALE POWER CONTRACT AS)
AMENDED BETWEEN GRAYSON RURAL)
ELECTRIC COOPERATIVE CORPORATION)
AND EAST KENTUCKY POWER)
COOPERATIVE INC.)

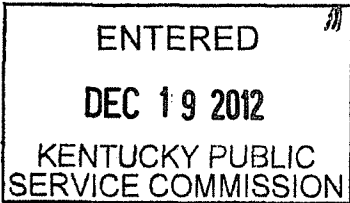
ORDER TO SATISFY OR ANSWER

East Kentucky Power Cooperative ("EKPC") is hereby notified that it has been named as defendant in a formal complaint filed on November 19, 2012, a copy of which is attached hereto.

Pursuant to 807 KAR 5:001, Section 12, EKPC is HEREBY ORDERED to satisfy the matters complained of or file a written answer to the complaint within ten days of the date of service of this Order.

Should documents of any kind be filed with the Commission in the course of this proceeding, the documents shall also be served on all parties of record.

ATTEST: 
Executive Director

By the Commission


APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2012-00503 DATED DEC 19 2012

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

NOV 19 2012

PUBLIC SERVICE
COMMISSION

In the Matter of:

Petition And Complaint Of Grayson)
Rural Electric Cooperative Corporation)
For An Order Authorizing Purchase Of)
Electric Power At The Rate of Six)
Cents Per Kilowatt Hour Up To 9.4)
Megawatts Of Power vs. A Rate In)
Excess Of Seven Cents Per Kilowatt)
Hour Purchased From East Kentucky)
Power Cooperative Under A Wholesale)
Power Contract As Amended Between)
Grayson Rural Electric Cooperative)
Corporation And East Kentucky Power)
Cooperative Inc.)

Case No. 2012- _____

Complaint and Petition

Grayson Rural Electric Cooperative Corporation (GRECC) petitions the Public Service Commission of Kentucky (PSC) pursuant to KRS 278.260 for an order: (a) declaring that GRECC is authorized to purchase electric power from Magnum Drilling of Ohio Inc. pursuant to a contract with Magnum Drilling of Ohio Inc., (b) for an order declaring that GRECC may purchase electric power up to 9.4 megawatts of power, from Magnum Drilling of Ohio Inc. at the rate of six cents per kilowatt hour; (c) for an order declaring that Grayson may purchase said power under the provisions of Amendment 3 of its Wholesale Power Contract with East Kentucky Power Cooperative Inc (EKPC).; (d) for an order that EKPC must comply with, in order to accomplish the foregoing, the terms and conditions of Amendment 3 of the Wholesale Power Contract between GRECC and EKPC by providing transmission, substation, ancillary services without discrimination or adverse distinction with regard to rates, terms of service or availability of such service as between power supplies as contained within said Amendment 3 to

the Wholesale Power Contract with GRECC paying the charges to EKPC for same; and (e) that EKPC be ordered to allow GRECC such additional interconnections as may be reasonably required to provide such capacity and energy as requested hereinabove; (f) and for an order directing EKPC not to otherwise interfere with a purchase of said electric power by GRECC and (g) for an order declaring that same is consistent with the provisions of the Wholesale Power Contract between GRECC and EKPC as provided for in Amendment 3 thereof; (h) and that there be an order directing that there be no additional constraints, modifications, conditions, or other hindrances or interference with the purchase of said rate at six cents per kilowatt hour verses the seven cent per kilowatt hour charged by EKPC. In support hereof, GRECC states as follows:

BASIS FOR THE PSC JURISDICTION

1. This is an action by GRECC pursuant to the PSC authority under KRS 278.060 to adjudicate complaints as to rates and service of any utility and under its general authority as provided for in KRS 278.040 with respect to utilities providing electric service in the Commonwealth.

Parties

2. GRECC is an electric utility organized as a corporation under the laws of the Commonwealth of Kentucky. A certified copy of Articles of Incorporation is already on file with the PSC having been filed an Action No. 2010-00489. The mailing address of GRECC is 109 Bagby Park, Grayson, Kentucky, 41143. GRECC is engaged in the distribution of electric power in a certified service territory in Lewis County Kentucky, Greenup County Kentucky, Carter County Kentucky, Rowan County Kentucky, Elliott County Kentucky, and Lawrence County Kentucky, serving over 14,000 members.

3. EKPC is a generation and transmission utility organized as a corporation under the laws of the Commonwealth of Kentucky and is a regulated utility under the jurisdiction of the PSC, the same as GRECC.
4. Grayson is a member of EKPC and is an owner of EKPC.

Historical Background

5. GRECC and East Kentucky Power Cooperative Inc. (EKPC) entered into a Wholesale Power Contract effective October 1, 1964, copy of which attached hereto as Exhibit 1 to this complaint.
6. GRECC and EKPC have amended Exhibit 1 on certain occasions and on November 21, 2003, entered into Amendment 3 to the Wholesale Power Contract, a copy of which being attached hereto as Exhibit 2 to this complaint.
7. GRECC pays EKPC in excess of seven cents per kilowatt hour plus environmental surcharge and other fees exacted by EKPC from GRECC presumably in reliance upon Exhibit 1 and Exhibit 2 attached hereto.
8. GRECC, under Exhibit 2 may, with notice to EKPC, receive electric power and energy from entities other than EKPC up to fifteen percent (15%) of the rolling average of its coincident peak demand for the single calendar month with the highest average peak demand occurring during each of the three twelve month periods immediately preceding any election by GRECC.
9. GRECC has given notice to EKPC of its election to receive power from Magnum Drilling of Ohio Inc. up to 9.4 megawatts of electrical power and to pay therefore the sum of six cents per kilowatt hour.

10. The notice given to EKPC by GRECC was provided by writing correspondence dated June 22, 2012 a copy of which being attached hereto as Exhibit 3 to this complaint and as amended by written notice dated August 9, 2012 attached hereto as Exhibit 4 to this complaint.
11. GRECC has entered into a written contract with Magnum Drilling of Ohio Inc. to purchase power at the rate of six cents per kilowatt hour , true and correct copy of contract being attached hereto as Exhibit 5 to this complaint. The savings to the members of GRECC by purchasing power under Exhibit 5 is approximately \$940,000 per year verses what would otherwise be paid to EKPC under the existing rates exacted by EKPC from GRECC.
12. The areas served by GRECC are historically located in poverty areas of the Commonwealth of Kentucky where the median family income is at or below the Federal poverty level.
13. The rates to be paid by GRECC to Magnum Drilling of Ohio Inc. under the Exhibit 5 attached hereto would be in the best interest of the members of GRECC.

Current Controversy

14. EKPC has failed to act in accordance with its obligations under Exhibit 2, Amendment 3 to the Wholesale Power Contract and has stated that it will not comply with the provisions of Exhibit 2.
15. The President and CEO, Anthony (Tony) Campbell of EKPC, has refused to act in his appropriate capacity as the Chief Executive Officer of EKPC by failing to take appropriate action by EKPC to honor its obligations under Amendment 3 to the Wholesale Power Contract, Exhibit 2 to this complaint.

16. Without the relief requested herein, GRECC is forced to seek increased rate relief from the PSC resulting in artificially higher rates to its members.
17. The actions of EKPC in failing to honor the Exhibit 1 and Exhibit 2 attached hereto, its contractual obligations therein, is a willful violation of its contractual obligations, is against the best interest of the members of GRECC, is an unfair and illegal restraint of trade, and constitutes willful violations of previous orders of the PSC regarding a directive to maintain transparency with one of its members, and other intentional contractual violations for all of which EKPC should be penalized civilly under KRS 278.990 (1) and should not be allowed to benefit from its knowing and willful violations as set forth herein.


WHEREFORE, GRECC respectfully requests granting the authority to purchase power from Magnum Drilling of Ohio Inc. under Exhibit 5 attached hereto without hindrance from EKPC and for all of the relief requested in the initial paragraph of the within complaint and all other relief to which it may appear to be entitled both legal and equitable.

RESPECTFULLY SUBMITTED,

W. JEFFREY SCOTT P.S.C.

BY: _____

W. JEFFREY SCOTT
ATTORNEY FOR GRECC
311 WEST MAIN STREET
P. O. BOX 608
GRAYSON, KY 41143
(606) 474-5194



Roger Trent, Chairman of the Board
Grayson Rural Electric Cooperative Corporation

Carol Fraley
Carol Fraley, President and CEO
Grayson Rural Electric Cooperative Corporation

I, Roger Trent, and I, Carol Fraley, have read the foregoing Complaint and Petition and state that based upon information and belief that the contents of the within Petition are true and correct to the best of my knowledge and belief and same constitutes the considered position of the Grayson Rural Electric Cooperative Corporation this 16th day of November, 2012.

Roger Trent
Roger Trent, Chairman of the Board
Grayson Rural Electric Cooperative Corporation

Carol Fraley
Carol Fraley, President and CEO
Grayson Rural Electric Cooperative Corporation

STATE OF KENTUCKY
COUNTY OF CARTER

Subscribed and sworn to before me by Carol Fraley and Roger Trent, this 16th day of November, 2012.

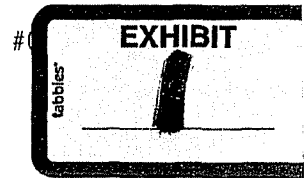
Musciina Sparks
NOTARY PUBLIC, KENTUCKY STATE AT LARGE

MY COMMISSION EXPIRES: March 22, 2013

From: Grayson RECC

606 474 2130

06/21/2012 15:40



W H O L E S A L E P O W E R C O N T R A C T

Between

EAST KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

and

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

Made as of ~~October 1, 1964~~

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U. S. DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

REA BORROWER DESIGNATION Kentucky 61 Carter

THE WITHIN Wholesale Power Contract with the East Kentucky
Rural Electric Cooperative Corporation

SUBMITTED BY THE ABOVE DESIGNATED BORROWER PURSUANT TO THE
TERMS OF THE LOAN CONTRACT, IS HEREBY APPROVED SOLELY FOR THE
PURPOSES OF SUCH CONTRACT.

DATED

DEC 24 1964


FOR THE ADMINISTRATOR

EAST KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

WHOLESALE POWER CONTRACT
(Superseding Previous Contract)

AGREEMENT made as of **October 1, 1964** between EAST KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION (hereinafter called the "Seller"), a corporation organized and existing under the laws of the State of Kentucky and ~~GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION~~ (hereinafter called the "Member"), a corporation organized and existing under the laws of the State of Kentucky.

WHEREAS, the Seller owns and operates electric generating plants, transmission system and other facilities, and may purchase or otherwise obtain electric power and energy for the purpose, among others, of supplying electric power and energy to borrowers from the Rural Electrification Administration which are or may become members of the Seller; and

WHEREAS, the Seller has heretofore entered into or is about to enter into agreements for the sale of electric power and energy similar in form to this agreement with all of the borrowers which are members of the Seller, and may enter into similar contracts with other such borrowers who may become members, and

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

NOW THEREFORE, in consideration of the mutual undertakings herein contained, the parties hereto agree as follows:

- 1. General. The Seller shall sell and deliver to the Member and the Member shall purchase and receive from the Seller all electric power and energy which the Member shall require for the operation of the Member's system to the extent that the Seller shall have such power and energy and facilities available; provided, however, that the Member shall have the right to continue to purchase electric power and energy under any existing contract or contracts with a supplier other

than the Seller during the remainder of the term thereof. The Member shall terminate, if the Seller shall, with the approval or at the direction of the Administrator of the Rural Electrification Administration (hereinafter called the "Administrator"), so request, any such existing contract or contracts with a supplier other than the Seller at such times as it may legally do so, provided the Seller shall have sufficient electric power and energy and facilities available for the Member.

2. Electric Characteristics and Delivery Point(s). Electric power and energy to be furnished hereunder shall be alternating current, three phase, four wire, sixty cycle. The Seller shall make and pay for all final connections between the systems of the Seller and the Member at the point(s) of delivery.

The points of delivery will be:

<u>Argentina</u>	_____	_____
<u>Leon</u>	_____	_____
<u>Mexico</u>	_____	_____
<u>North Carolina</u>	_____	_____
_____	_____	_____

and such other points as may be required by Member to adequately serve their respective members.

3. Substations. The Seller shall install, own, and maintain the necessary substation equipment at the point(s) of connection. The Seller shall own and maintain switching and protective equipment which may be reasonably necessary to enable the Member to take and use the electric power and energy hereunder and to protect the system of the Seller. Meters and metering equipment shall be furnished and maintained by the Seller and shall be located at the point of delivery on the low voltage side of such transforming equipment. Member will be responsible for reading meters and making reading information available to Seller.

4. Rate.(a) The Member shall pay the Seller for all electric power and energy furnished hereunder at the rates and on the terms and conditions set forth

in Rate Schedule A, (Effective January 1, 1963), attached hereto and made a part hereof.

(b) The Board of Directors of the Seller at such intervals as it shall deem appropriate, but in any event not less frequently than once in each calendar year, shall review the rate for electric power and energy furnished hereunder and under similar agreements with other Members and, if necessary, shall revise such rate so that it shall produce revenues which shall be sufficient, but only sufficient, with the revenues of the Seller from all other sources, to meet the cost of the operation and maintenance (including without limitation, replacements, insurance, taxes and administrative and general overhead expenses) of the generating plant, transmission system and related facilities of the Seller, the cost of any power and energy purchased for resale hereunder by the Seller, the cost of transmission service, make payments on account of principal of and interest on all indebtedness of the Seller, and to provide for the establishment and maintenance of reasonable reserves. The Seller shall cause a notice in writing to be given to the Member and other members of the Seller and the Administrator which shall set out all the proposed revisions of the rate with the effective date thereof, which shall be not less than thirty (30) nor more than forty-five (45) days after the date of the notice, and shall set forth the basis upon which the rate is proposed to be adjusted and established. The Member agrees that the rate from time to time established by the Board of Directors of the Seller shall be deemed to be substituted for the rate herein provided and agrees to pay for electric power and energy furnished by the Seller to it hereunder after the effective date of any such revisions at such revised rates; provided, however, that no such revision shall be effective unless approved in writing by the Administrator.

5. Meter Readings and Payment of Bills. The Member shall read meters monthly. Electric power and energy furnished hereunder shall be paid for at the office of the Seller in Seller's designated office monthly within fifteen(15)

days after the bill therefor is mailed to the Member. If the Member shall fail to pay any such bill within such fifteen-day period, the Seller may discontinue delivery of electric power and energy hereunder upon fifteen (15) days' written notice to the Member of its intention so to do.

6. Meter Testing and Billing Adjustment. The Seller shall test and calibrate meters by comparison with accurate standards at intervals of twelve (12) months. The Seller shall also make special meter tests at any time at the Member's request. The costs of all tests shall be borne by the Seller; provided, however, that if any special meter test made at the Member's request shall disclose that the meters are recording accurately, the Member shall reimburse the Seller for the cost of such test. Meters registering not more than two per cent (2%) above or below normal shall be deemed to be accurate. The readings of any meter which shall have been disclosed by test to be inaccurate shall be corrected for the ninety (90) days previous to such test in accordance with the percentage of inaccuracy found by such test. If any meter shall fail to register for any period, the Member and the Seller shall agree as to the amount of power and energy furnished during such period and the Seller shall render a bill therefor.

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

8. Right of Access. Duly authorized representatives of either party hereto shall be permitted to enter the premises of the other party hereto at all reasonable times in order to carry out the provisions hereof.

9. Continuity of Service. The Seller shall use reasonable diligence 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 act of God or of the public enemy, or because of accident, labor troubles, or any other cause beyond the control of the Seller, the Seller shall not be liable therefor or for damages caused thereby.

10. Term. This Agreement shall become effective only upon approval in writing by the Administrator and shall remain in effect until January 1, 2010, and thereafter until terminated by either party's giving to the other not less than six months' written notice of its intention to terminate. Subject to the provisions of Article 1 hereof, service hereunder and the obligation of the Member to pay therefor shall commence upon completion of the facilities necessary to provide service.

When this contract and agreement is fully approved and executed, it completely replaces and supersedes Wholesale Power Contract dated August 1, 1961, and all amendments related thereto, between Seller and Member.

EXECUTED THE day and year first above mentioned.

EAST KENTUCKY RURAL ELECTRIC COOP.CORP.
Seller

By: Alvin B. Woods
President

ATTEST:

James S. Patterson
Secretary

GRAYSON RURAL ELECTRIC COOP. CORP.
Member

By: L. C. White
President

ATTEST:

J. E. Pelley
Secretary

SUPPLEMENTAL AGREEMENT

AGREEMENT made as of **October 1, 1964**, between EAST KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION (hereinafter called the "Seller"), **GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION** (hereinafter called the "Member"), and the United States of America, acting through the Administrator of the Rural Electrification Administration (hereinafter called the "Administrator").

WHEREAS, the Seller and the Member have entered into a contract for the purchase and sale of electric power and energy, which contract is attached hereto and is hereinafter called the "Power Contract"; and

WHEREAS, the execution of the Power Contract between the Member and the Seller is subject to the approval of the Administrator under the terms of the loan contracts entered into with the Administrator by the Seller and the Member respectively;

NOW, THEREFORE, in consideration of the mutual undertakings herein contained, and the approval by the Administrator of the Power Contract, the parties hereto agree as follows:

1. The Seller, the Member and the Administrator agree that if the Member, upon being requested to do so by the Seller with the approval or at the direction of the Administrator, shall fail to terminate any contract with a power supplier other than the Seller, as provided by Section 1 of the Power Contract, the Seller, or the Administrator if he shall so elect, shall have the right to enforce the obligations of the Member under the provisions of said Section 1 of the Contract by instituting all necessary actions at law or suits in equity, including, without limitations, suits for specific performance.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the day and year first above mentioned.

Supplemental Agreement
(Contd.) - Page 2

EAST KENTUCKY RURAL ELECTRIC COOP. CORP.
Seller

By: Alvin B. Duda
President

ATTEST:

James S. Patterson
Secretary

GRAYSON RURAL ELECTRIC COOP. CORP.
Member

By: L. C. White
President

ATTEST:

J. E. Delaney
Secretary

UNITED STATES OF AMERICA

By: _____
Administrator
of
Rural Electrification Administration

EAST KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION
Wholesale Power Rate Structure
Schedule A (Revised - Effective January 1, 1963)

AVAILABILITY

Available to all cooperative associations which are or shall be members of the Seller. The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

MONTHLY RATE - PER SUBSTATION OR METERING POINT

Substation Charge

\$100 per month for each energized substation. In the event of joint utilization, this charge shall be divided equally.

Demand Charge

\$1.10 per kw of billing demand.

Energy Charge

First 300,000 Kwh @ 5.0 mills per Kwh
Next 400,000 Kwh @ 4.4 mills per Kwh
Excess of 700,000 Kwh @ 3.9 mills per Kwh

Minimum Monthly Charge

The minimum monthly charge under the above rate shall not be less than \$100 to each member for each energized substation (metering point).

BILLING DEMAND

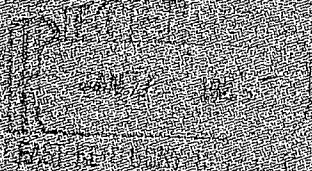
The billing demand is the arithmetical sum of the maximum kilowatt demands measured (and adjusted for power factor as provided below) at all points of delivery. The maximum kilowatt demand at each point of delivery shall be the highest average rate at which energy is used during any fifteen consecutive minute period of the month.

FUEL ADJUSTMENT

The above energy charges will be increased or decreased 0.001323¢ per Kwh for each .1¢ by which the average delivered cost of fuel at the Dale and Cooper stations during the immediately preceding six months exceeds 21¢ or is less than 18¢ per million BTU.

POWER FACTOR ADJUSTMENT

The member cooperative agrees to maintain unity power factor as nearly as practicable at each point of delivery. If the power factor measured at a point of delivery at the time of monthly maximum demand is determined to be less than 80%, the monthly maximum demand measured at that point of delivery shall be adjusted by multiplying the monthly maximum demand by 80% and dividing the product thus obtained by the actual per cent power factor measured at the time of such maximum demand.





AMENDMENT NO. 3 TO WHOLESALE POWER CONTRACT
BETWEEN EAST KENTUCKY POWER COOPERATIVE, INC. AND
Grayson Rural Electric Cooperative Corporation

This Agreement dated the 21st day of November, 2003, amends the Wholesale Power Contract dated October 1, 1964 between East Kentucky Power Cooperative, Inc. (hereinafter "Seller") and Grayson Rural Electric Cooperative Corporation (hereinafter "Member") as follows:

I. Numerical Section 1 of the Wholesale Power Contract shall be amended and restated to read in its entirety as follows:

1. General - The Seller shall sell and deliver to the Member and the Member shall purchase and receive from the Seller all electric power and energy which shall be required to serve the Member's load, including all electric power and energy required for the operation of the Member's system. Notwithstanding the foregoing, the Member shall have the option, from time to time, with notice to the Seller, to receive electric power and energy, from persons other than the Seller, or from facilities owned or leased by the Member, provided that the aggregate amount of all members' elections (measured in megawatts in 15-minute intervals) so obtained under this paragraph shall not exceed five percent (5%) of the rolling average of Seller's coincident peak demand for the single calendar month with the highest peak demand occurring during each of the 3 twelve month periods immediately preceding any election by the Member from time to time, as provided herein and further provided that no Member shall receive more than fifteen percent (15%) of the rolling average of its coincident peak demand for the single calendar month with the highest average peak demand occurring during each of the 3 twelve

month periods immediately preceding any election by the Member from time to time, as provided herein.

For any election made or cancelled under this Section, the following provisions shall apply:

a. During any calendar year, the Member may make or cancel any such election or elections by giving at least 90 days' notice to the Seller with respect to any load or loads with an average coincident peak demand (calculated in the same manner as provided in the preceding paragraph) of 5.0 Megawatts or less, in the annual aggregate.

b. During any calendar year, the Member may make or cancel any such election or elections by giving at least 18 months or greater notice to the Seller with respect to any load or loads with an average coincident peak demand (calculated in the same manner as provided in the preceding paragraph) of 5.0 Megawatts or more, in the annual aggregate

Upon the effective date of the Member's cancellation of any such election under this Agreement, the load or loads shall be governed by the all requirements obligations of the Seller and the Member in this Section, and notice of same shall be provided to the Rural Utilities Service ("RUS") by the member. Such loads which are transferred to Seller's all-requirements obligations shall not thereafter be switched by Member to a different power supplier.

c. Should any such election by Member involve the acquisition of new service territory currently served by another power supplier or municipal utility, Member shall provide evidence to Seller and RUS in the new Load Purchase Agreement that the acquired territory must be served by the current power supplier as a condition of the acquisition of the new load.

Seller will provide transmission, substation, and ancillary services without

discrimination or adverse distinction with regard to rates, terms of service or availability of such service as between power supplies under paragraphs above and Member will pay charges therefore to Seller. Seller also agrees to allow, at Member's sole cost and expense, such additional interconnection as may be reasonably required to provide such capacity and energy as contemplated in the above paragraphs.

Member will be solely responsible for all additional cost associated with the exercise of elections under the above paragraphs including but not limited to administrative, scheduling, transmission tariff and any penalties, charges and costs, imposed by the Midwest Independent System Operator ("MISO") or other authorities.

II. Section 10 of the Wholesale Power Contract shall be restated as Section 11 and new Section 10 and Section 11 shall read in their entirety as follows:

10. Retail Competition - Seller and its subsidiaries, shall not, during the term of this contract, without the consent of the Member, (i) sell or offer to sell electric power or energy at retail within the Member's assigned or expanded geographic area, if any, established by applicable laws or regulations or (ii) provide or offer to provide retail electric service to any person which is a customer of the Member.

11. Term - This Agreement shall become effective only upon approval in writing by the Administrator and shall remain in effect until January 1, 2041, and thereafter until terminated by either party's giving to the other not less than six months' written notice of its intention to terminate. Subject to the provisions of Section 1 hereof, service hereunder and the obligation of the Member to pay therefore shall commence upon completion of the facilities necessary to provide service.

Executed the day and year first above mentioned.

EAST KENTUCKY POWER
COOPERATIVE, INC.

BY: *Dino Toleno*

ITS: CHAIRMAN OF THE BOARD

Sam Kern
ATTEST, SECRETARY

BY: *Roger L. Hunt*

ITS: Chairman of the Board

William T. Rice
ATTEST, SECRETARY



Grayson Rural Electric Cooperative Corporation

109 Bagby Park • Grayson, KY 41143-1292
Telephone 606-474-5136 • 1-800-562-3532 • Fax 606-474-5862

June 22, 2012

East Kentucky Power Cooperative
4775 Lexington Road
P.O. Box 707
Winchester, KY 40392-0707

**NOTICE PURSUANT TO AMENDMENT NO. 3 TO WHOLESALE POWER
CONTRACT BETWEEN EAST KENTUCKY POWER COOPERATIVE, INC. AND
GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION**

TO: ANTHONY "TONY" CAMPBELL
President and CEO of East Kentucky Power Cooperative
FROM: Grayson Rural Electric Cooperative Corporation

Please take notice that Grayson Rural Electric (GRECC) hereby gives notice to East Kentucky Power Cooperative, Inc., (EKP) pursuant to Amendment No. 3 to the Wholesale Power Contract between EKP and GRECC dated November 21, 2003.

Notice is given that GRECC intends to receive electric power from Magnum Drilling of Ohio, Inc. at the level of GRECC's rolling average coincident peak demand for the previous three (3) twelve month periods (2009-2011) of 71.4 MW and 15% of this rolling average, i.e, 10.7 MW which does not exceed 5% of the rolling average coincident peak demand of EKP.

It is anticipated that Magnum Drilling of Ohio, Inc., pursuant to a letter of understanding between that entity and GRECC, would make proper application to and contract with, EKP to wheel power to GRECC through the Skaggs' Switching Station and then wheel over EKP's transmission lines to Grayson's facilities.

Anthony "Tony" Campbell

Page 2

June 22, 2012

Contractually, costs for metering equipment, equipment upgrades, costs associated with any FERC related issues, and bonding requirements would be borne by Magnum Drilling of Ohio, Inc.

It is anticipated that this purchase will result in an annual decrease to the members of GRECC of a sum of money in excess of \$800,000.00 per year based upon on a reduction in the wholesale power costs. It is anticipated that this initial time period for this contract would be an approximate five (5) year period.

Further contractual arrangements as specifically set forth will be provided if requested by EKP.

If you have any questions do not hesitate to contact me.

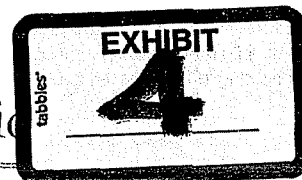
**GRAYSON RURAL ELECTRIC
COOPERATIVE CORPORATION**

BY:

CAROL ANN FRALEY, PRESIDENT & CEO

ROGER TRENT, CHAIRMAN OF THE BOARD

Grayson Rural Electric Cooperative Corporation



109 Bagby Park • Grayson, KY 41143-1292
Telephone 606-474-5136 • 1-800-562-3532 • Fax 606-474-5862

August 9, 2012

East Kentucky Power Cooperative
4775 Lexington Road
P.O. Box 707
Winchester, KY 40392-0707

NOTICE PURSUANT TO AMENDMENT NO. 3 TO WHOLESALE POWER CONTRACT BETWEEN EAST KENTUCKY POWER COOPERATIVE, INC., AND GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

TO: ANTHONY "TONY" CAMPBELL
President and CEO of East Kentucky Power Cooperative
FROM: Grayson Rural Electric Cooperative Corporation

Please be advised that Grayson Rural Electric Cooperative Corporation amends its Notice of June 22, 2012, regarding the foregoing to state that it intends to purchase from Magnum Drilling of Ohio, Inc., 5 megawatts of electric power commencing in the year 2012.

Accept as stated herein and accept as inconsistent herewith the content of the June 22, 2012, Notice will remain the same, i.e. only the amount of power intended to be purchased from Magnum for the year 2012 and the total dollar reduction in the cost of same to Grayson Rural Electric Cooperative Corporation as modified. The resultant decrease in the costs of power would be lessened based upon the lower number of megawatt (MW) being purchased.

If you have any questions, do not hesitate to contact me, Grayson Rural Electric Cooperative Corporation by Carol Ann Fraley, President and CEO.

**GRAYSON RURAL ELECTRIC
COOPERATIVE CORPORATION**

BY: 
CAROL ANN FRALEY, PRESIDENT & CEO



W. JEFFREY SCOTT, P.S.C.
P.O. Box 608 – 311 West Main Street
Grayson, KY 41143



Phone (606) 474-5194
Fax (606) 474-5196
E-Mail: wjscott@windstream.net



FACSIMILE COVER PAGE

To: Tony Campbell

Fax #: (859) 744-7053

From: W. Jeffrey Scott

Date: August 10, 2012

Re: Notice pursuant to Amendment 3 to Wholesale Power Contract between East Kentucky Power Cooperative, Inc., and Grayson Rural Electric Cooperative Corporation.

Total Number of Pages 2 (including cover page)

****The original will follow via regular mail. If you have any questions do not hesitate to contact the office. Thank you.***

If there are any pages missing, please contact us immediately.

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* * * Communication Result Report (Aug. 10. 2012 10:43AM) * * *

1) W. Jeffrey Scott
2)

Date/Time: Aug. 10. 2012 10:41AM

File No.	Mode	Destination	Pg (s)	Result	Page Not Sent
5569	Memory TX	18597447053	P. 2	OK	

Reason for error

m) 1) Hang up or line fail	E 2) Busy
m) 2) No answer	E 4) No facsimile connection
m) 3) Exceeded max. E-mail size	

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AGREEMENT

This agreement made and entered into this 24th day of August, 2012 by and between **GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION**, a Kentucky Corporation authorized and existing in the laws of the Commonwealth of Kentucky with its principle place of business located at 109 Bagby Park, Grayson, Kentucky, 41143, hereinafter referred to as "**CO-OP**", and **MAGNUM DRILLING OF OHIO, INC.**, a _____ corporation with its principle place of business located at 9501 State Route 5, Ashland, KY, 41102, hereinafter referred to as "**MAGNUM**".

WHEREAS, MAGNUM desires to supply to **CO-OP** up to 9.4 megawatts of power through a gas powered generating system; and

WHEREAS, CO-OP is desirous of receiving from **MAGNUM** up to 9.4 megawatts of electrical power through said system to be provided through East Kentucky Power's Skaggs Switching Station; and

WHEREAS, the parties are desirous of delivering said power over East Kentucky Power Cooperative's transmission lines to **CO-OP's** facilities; and

WHEREAS, the parties acknowledge that the existing wholesale power contract as amended, between **CO-OP** and East Kentucky Power Cooperative (EKPC) requires notice by **CO-OP** to EKPC; and

WHEREAS, the parties acknowledge that said notice will provide for the purchase by **CO-OP** from **MAGNUM** of 5 megawatts for the year 2012 and for an additional 4.4 megawatts for the year 2013; and

WHEREAS, the parties are desirous of reducing to writing their agreement concerning same;

NOW, THEREFORE, WITNESSETH: For and in consideration of the mutual promises and covenants hereinafter contained, the parties do hereby agree as follows:

1. MAGNUM agrees to provide CO-OP with 9.4 megawatts of electric power per hour at a fixed price per kilowatt to be paid by CO-OP for such electric power for an initial term of five (5) years. MAGNUM and CO-OP agree that CO-OP will send notice to EKPC of its intent to purchase 5 megawatts from MAGNUM, being a portion of the allotment allowed CO-OP by the wholesale power contract referred to hereinabove and that as soon as practicable after 12/31/12 CO-OP will send notice to EKPC of its intent to purchase an additional 4.4 megawatts for a total of 9.4 megawatts from MAGNUM.

2. This electric power will be generated by MAGNUM using natural gas currently being produced from the Big Sandy field in Eastern Kentucky.

3. MAGNUM will provide, at its own expense, all pipelines and equipment necessary to generate said power and deliver same to CO-OP.

4. This interconnect point will be known as the point of delivery ("POD"). The point of delivery shall be defined as the metering point in the distribution substation.

5. In addition to all of the foregoing MAGNUM further agrees as follows:

- a. To make proper application to and seek all appropriate written approval from EKPC to deliver power to CO-OP through the above mentioned Skaggs Switching Station to the metering point;
- b. To pay for any and all facilities and improvements/upgrades necessarily required for the receipt by East Kentucky Power Cooperative of the electric power to be delivered hereunder at the POD;

c. Pay for all metering equipment necessarily required to measure the electric power delivered hereunder.

6. CO-OP agrees in exchange for all of the foregoing provided by MAGNUM, to purchase electric power provided by MAGNUM on a continuous basis, 24 hours per day, 7 days per week through the term of this proposed contract up to the maximum megawatts referred to hereinabove.

7. The payment by CO-OP to MAGNUM will be at the rate of six cents (\$0.06) per kilowatt hour.

8. The parties agree that should no authorization, nor any other accord, be reached between East Kentucky Power and Magnum by March 1, 2013, then either party may be relieved of any obligation set forth herein.

9. The parties agree that any scheduled outages will be scheduled with EKPC to avoid EKPC's coincident system peak. Grayson makes allowance for Magnum to have scheduled routine maintenance every four to six weeks and partial or total replacement maintenance every four to eight years per unit. Grayson understands that routine maintenance shall normally be less than one day and partial or total replacement shall be approximately 7 to 10 days.

10. This agreement shall become effective upon execution by all parties hereto subject to an accord reached between Magnum and East Kentucky Power to accomplish the delivery of electric power provided for herein, and upon signatory approval by CO-OP's Board of Directors. The delivery of electric power hereunder shall begin immediately upon:

a. Completion of all facilities necessary to generate, deliver, and receive said electrical power; and

- b. Receipt of all regulatory approvals necessarily required for the generation, delivery and/or receipt of said electric power;

Provided, however, that all parties hereto shall use best efforts to facilitate (a) and (b) hereinabove. The time period for the actual delivery of electrical power hereunder (delivery term) shall extend for a period of five (5) years from the commencement of said delivery, subject to extension and rate adjustment as set forth hereinafter.

The parties agree that the terms of this agreement will extend for a period of five (5) years from the commencement date, following which and after the expiration of the initial five (5) year delivery term, this agreement will be extended for five (5) successive three (3) year delivery terms. At the beginning of each of these three (3) year extensions, the price payable for electric power sold and purchased hereunder shall be adjusted to equate to 85% of the average energy charge and demand charge paid pay CO-OP to EKPC, or its successor supplier entity, for the previous twelve (12) month period, and the adjusted rate will prevail throughout that three (3) year extension. Other than this described price adjustment, all other terms, provisions, and conditions of this agreement shall remain unchanged and in full force and effect.

11. As between the parties hereto MAGNUM shall be deemed to be in exclusive control and responsible for damages and injury caused by the electric power prior to the delivery point and CO-OP shall be deemed to be in exclusive control and responsible for any damages or injury caused by of the electric power at and after the delivery point.

12. MAGNUM shall provide to CO-OP a statement setting forth the electric power sold by MAGNUM at the delivery point in the most recently completed billing cycle and the total amount payable by CO-OP for said electric energy. Such statement accompanied by the required payment shall be provided by CO-OP to MAGNUM within 30 days of the reading of the meter.

13. MAGNUM shall pay or caused to be paid all taxes, fees, and other charges lawfully levied on MAGNUM or otherwise to be born by MAGNUM and applicable to the electric power prior to its delivery to CO-OP. CO-OP shall pay or caused to be paid all taxes, fees, and other charges lawfully levied on CO-OP or otherwise to be born by CO-OP and applicable to the electric power at and after delivery to the delivery point.

14. Neither party hereto shall be considered to be in default in the performance of any of its obligations under this agreement if its ability to perform was prevented by Force Majeure. For purposes of this agreement, Force Majeure means an event which prevents one party from performing its obligations hereunder, which event was not:

- a) Within the reasonable control of, or;
- b) The result of negligence of the claiming party, and which, by due diligence, the claiming party is unable to overcome or avoid.

Force Majeure shall include, without limitation:

- a) Condition resulting in the interruption or curtailment of power or natural gas supply, or interruption or curtailment of transmission on the electric transmission or distribution system;
- b) Restraint by Court order;
- c) Action or nonaction by, or inability to obtain necessary authorizations or approvals from any government agency or authority.

The party claiming Force Majeure must provide the other party with written notice of the Force Majeure as soon as practicable, which notice shall contain reasonably full particulars of the Force Majeure, including the estimated duration.

15. This agreement shall not be assigned nor transferred by either party without the prior written consent of the nonassigning party, which consent should not be unreasonably withheld. Notwithstanding the foregoing, however, either party may assign this agreement to its parent, affiliate, subsidiary, or successor to all or a material portion of its assets, as long as prior notice of the assignment is given to the nonassigning party.

16. This agreement and all disputes arising out of this agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky. The parties agree that any civil action to be initiated concerning this agreement which may be properly initiated in the Circuit Courts of Kentucky shall be initiated in the Carter Circuit Court.

17. Should Magnum be unable to obtain any accord necessary to proceed from East Kentucky Power Cooperative for a period of time following the execution of this agreement and up to and including February 28, 2013, then this agreement will be of no force and effect. The parties however agree that they will attempt to renegotiate an additional contract under the same terms and conditions provided for herein in order to continue to obtain an accord with East Kentucky Power Cooperative.

18. Other than as contained herein, this constitutes the entire agreement reached between the parties and shall not be changed unless mutually agreed to in writing signed by the parties, including signatory approval by the CO-OP's Board of Directors.

WITNESS OUR HANDS this 24th day of August, 2012.

Grayson Rural Electric
Cooperative Corporation

BY: Carol Ann Fraley
CAROL ANN FRALEY
PRESIDENT AND CEO

ATTEST:

BY: Roger Trent
ROGER TRENT, CHAIRMAN OF THE
BOARD OF DIRECTORS

MAGNUM DRILLING OF OHIO, INC.

BY: Tom A. Crisp
TOM A. CRISP, PRESIDENT

ATTEST:

BY: Carla N. Large
Carla N. Large
CHAIRMAN OR SECRETARY
OF THE BOARD

STATE OF KENTUCKY

COUNTY OF CARTER

Subscribed, sworn to, and acknowledged before me by Grayson Rural Electric Cooperative Corporation, by and through **CAROL ANN FRALEY**, President and CEO, this 24th day of August, 2012.

Proctor Sparks
NOTARY PUBLIC, KENTUCKY STATE AT LARGE

My commission expires: March 22, # 2013

STATE OF KENTUCKY

COUNTY OF CARTER

Subscribed, sworn to, and acknowledged before me by Grayson Rural Electric Cooperative Corporation, by and through **ROGER TRENT**, Chairman of the Board of Directors, this 24th day of August, 2012.

Priscilla Sparks

NOTARY PUBLIC, KENTUCKY STATE AT LARGE

My commission expires: March 22, # 2013

STATE OF KENTUCKY

COUNTY OF Carter

Subscribed, sworn to, and acknowledged before me by Magnum Drilling of Ohio, Inc., by and through **TOM A. CRISP**, President, this 24th day of August, 2012.

William. Cashman

NOTARY PUBLIC, KENTUCKY STATE AT LARGE

My commission expires: August 23, 2014 # 4126639

STATE OF KENTUCKY

COUNTY OF Carter

Subscribed, sworn to, and acknowledged before me by Magnum Drilling of Ohio, Inc., by
and through Carla N. Large, Chairman or Secretary of the Board, this 24th day
of August, 2012.

Kristina M. Cashman

NOTARY PUBLIC, KENTUCKY STATE AT LARGE

My commission expires: August 23, 2014 # L224639

Anthony S Campbell
President & CEO
East Kentucky Power Cooperative, Inc.
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Winchester, KY 40392-0707

Honorable W. Jeffrey Scott
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311 West Main Street
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