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PUBLIC SERVICE
COMMISSION

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. 2012-00'503
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.)

RESPONSE TO FIRST REQUEST FOR INFORMATION PROPOUNDED TO GRAYSON RURAL ELECTRIC
COOPERATIVE CORPORATION

Comes now Grayson Rural Electric Cooperative Corporation and for its Response to First
Request for Information Propounded by East Kentucky Power Cooperative, Inc., et al, states as
follows:

1. With regard to the now failed Magnum Drilling of Ohio, Inc. ("Magnum") project, Grayson is requested to:

(a) provide a detailed chronological description of all activities which Grayson performed to analyze the viability of the project for Grayson and its members;

(b) specifically identify by name and contact information any outside consultants or individuals, whether or not compensated, who assisted Grayson or provided advice to Grayson in any manner in performing such analysis;

(c) provide, for any consultants or individuals identified above, a detailed description of all activities performed and opinions rendered by such consultants or individuals;

(d) identify by name and title whether any individual affiliated with Grayson, including, but not limited to employees, employees' family members or directors or directors' family members, had an ownership interest in any of the gas wells which were intended to be used in the project, and the nature and extent of that ownership interest;

(e) provide all documents and electronic media of any kind in Grayson's possession, or the possession of any consultant or individual assisting or providing advice to Grayson, which were used in this analysis or which were generated as a result of such analysis; and

(f) provide a copy of Grayson's contract with Magnum and any amendments or extensions; and

(g) identify by name, address, telephone number and title the principal individuals representing Magnum with whom Grayson dealt and communicated on this project.

ANSWER: Grayson attempted to contact East Kentucky Power but were unable to receive much in way of assistance. Grayson did, however, speak with Jeff Brandt, Jim Bridges, Mark Stallons who offered his expertise, and Joe Linxwiler. There are no written opinions or written consultative reports given by any of those individuals. Plaintiff further had discussions with Tom

Crisp of Magnum and James Large associated with Magnum Drilling. Darren Adams with East Kentucky Power also was consulted on substation issues.

No individual affiliated with Grayson nor any of its employees or family members or directors had any ownership interest in any of the gas wells which were intended to be used in the project.

It is believed that Jeff Brandt, as well as Mr. Linxwiler, forwarded to Grayson a written document concerning wheeling charges. Copies of those documents are attached. The Magnum contract has already been provided to East Kentucky Power. The principal individual representing Magnum is Mr. Tom Crisp, whose phone number is (606) 571-0273 with an address of 9501 Kentucky Route 5, Ashland, Kentucky, 41102.

2. Please state with specificity why Grayson contends that the Magnum project failed and provide any documents in support of this contention.

ANSWER: The reason for the failure of the Magnum contract is frankly, unknown to Grayson Rural Electric. Magnum simply gave no reason for its rejection of an earlier agreement to extend the term for completion of the project. Grayson does believe that it is likely that the failure of East Kentucky Power to come forward with any relevant information or assistance could certainly have contributed to Magnum's indifference and resulting action to apparently abandon the project.

3. Please describe and provide any documents supporting Grayson's efforts to recover from Magnum the benefit of the bargain which Grayson has now lost as a result of Magnum's failure to perform its contractual obligations to Grayson.

ANSWER: Carol Hall Fraley has recently sent a letter to Tom Crisp exploring that option to which Mr. Crisp responded by simply stating that by the terms of the contract he was not liable to Grayson and, therefore, Grayson believes that it is not beneficial to pursue that claim any further.

4. In its September 9, 2013, Notice of Amendment filed in this case, Grayson states that it has entered into a "new arrangement" with Duke Energy Commercial Asset Management, Inc.

("Duke Commercial"). With regard to the arrangement which Grayson now apparently has with Duke Energy Commercial through EnerVision ("EnerVision"), Grayson is requested to:

(a) provide a detailed chronological description of all activities which Grayson performed to analyze the viability of the project for Grayson and its members;

(b) specifically identify by name and contact information any outside consultants or individuals, whether or not compensated, who assisted Grayson or provided advice to Grayson in any manner in performing such analysis;

(c) provide, for any consultants or individuals identified above, a detailed description of all activities performed and opinions rendered by such consultant or individuals;

(d) provide all documents and electronic media of any kind in Grayson's possession, or the possession of any consultant or individual assisting Grayson, which were used in this analysis or which were generated as a result of such analysis;

(e) provide a copy of Grayson's contract with Duke Commercial and any amendments or extensions;

(f) provide a copy of Grayson's contract with EnerVision and any amendments or extensions; and

(g) identify by name, address, telephone number and title the principal individuals representing Duke Commercial and EnerVision with whom Grayson has dealt and communicated on this arrangement.

ANSWER: When it became apparent that the Magnum contract was not going to be implemented the Board of Directors and President Fraley began discussing how Grayson could supply cheaper power to its members based upon a reduced wholesale power rate. With the knowledge that Amendment 3 of the Wholesale Power Contract provided that Grayson could purchase a portion of Amendment 3 its load from an alternate source this pursuit continued. In discussions with the Board, particularly Harold Dupuy, it was learned that Duke Energy could possibly provide power. Mr.

Dupuy put in motion a contact with Duke power resulting in conversations between Carol Fraley and Salil Pradhan. Subsequent thereto Ms. Fraley had discussions with Greg Shepler with Enervision. A contract with Enervision was entered into, a copy of which is attached hereto. These discussions lead to the term sheet previously filed with the Commission. Furthermore, a phone conference was conducted by Ms. Fraley and Mr. Pradhan following which Mr. Shepler was requested to perform further analysis. A copy of his most recent result of that analysis is attached hereto. No written contract with Duke exists other than an offer and response accepting those terms, which was made in the phone conference between Carol Fraley and Mr. Pradhan in October of 2013. Assurances have been made by Duke that the terms can be honored as soon as practicable between the parties. Telephone number of Salil Pradhan is (513) 384-4256 and the phone number of Greg Shepler with Enervision is (678) 510-2921, address is 4170 Ashford Dunwoody Road, Suite 550, Atlanta, Georgia, 30319.

5. With regard to the arrangement which Grayson now apparently has with Duke Commercial, please describe in detail the mechanics of how Grayson believes the arrangement will work.

ANSWER: See the attached report from Mr. Shepler. Furthermore, it is believed that the mechanics will work similar to that which was described by Mr. Crews in his deposition related to the method and manner of power being generated through PJM.

6. Please state whether Grayson believes that there is a binding contract between it and Duke Commercial for the arrangement described above, and, if so, state whether such contract is written or verbal and each and every one of its material terms.

ANSWER: See answer to previous request as applicable to information Request No. 6.

7. Please state whether Grayson believes that there is a binding contract between it and EnerVision for the arrangement described above, and, if so, state whether such contract is written or verbal and each and every one of its material terms.

ANSWER: Not applicable as the sole arrangement would be through Duke for the purchase of the power.

8. Please state whether the terms contained in the document entitled "Draft Terms and Conditions", and attached as Exhibit 1 to Grayson's Notice of Amendment filing made in this case on or about September 9, 2013, are binding on Grayson and Duke Commercial and form a firm basis upon which the Commission should adjudge Grayson's Application for Approval under KRS 278.300.

If your answer to the above Request is in the negative, please state the basis for your answer in the negative.

ANSWER: An offer to supply power at a fixed price has been made and a verbal response accepting that offer has been made. Grayson Rural Electric is comfortable in its belief that Duke will abide by its offer and Grayson is comfortable in its belief that the purchase of power in accordance with Amendment 3 to the Wholesale Power Contract at the rate offered by Duke is one that will be beneficial to the members of Grayson Rural Electric and, therefore, is appropriate for the Commission to adjudicate its approval under the provisions of KRS 278.300.

9. Please state whether there are other documents, correspondence or writings which evidence Grayson's arrangement with Duke Commercial.

If your answer to the above Interrogatory is in the affirmative, please specifically identify and provide a complete copy of each and every document, correspondence, writing or electronic media which discusses or evidences Grayson's arrangement with Duke Commercial.

ANSWER: No.

10. With regard to the arrangement which Grayson apparently has with Duke

Commercial please:

- (a) identify the amount of load being served by Duke Commercial;
- (b) identify the load or loads within Grayson's service territory to be served by Duke Commercial (including the hourly measurement of demand for each such load or loads during EKPC's annual peak hour during the thirty-six calendar months preceding the election);
- (c) state the date and time when the designated load or loads will commence being served by Duke Commercial; and,
- (d) indicate whether the load or loads to be served by Duke Commercial involve the acquisition of new service territory currently served by another power supplier or municipal utility.

ANSWER: The load is 9.3 megawatts of Grayson's aggregate load that it utilizes in the distribution of power to its members. The date and time when the load will commence being served by Duke is as soon thereafter as the days will be accomplished following the initial notification to East Kentucky Power in June of 2012. There is no new service territory that will be served.

11. With regard to the arrangement which Grayson apparently has with Duke Commercial please state:

- (a) how Grayson will transmit the power it plans to acquire from Duke Commercial from the AD Hub into its system, including an identification of the EKPC substation through which this power will be accepted into Grayson's system;
- (b) whether Grayson has a circuit on its system robust enough to accept and distribute this power and, if so, an identification of such circuit;
- (c) whether Grayson has performed any transmission or distribution studies, or had such studies commissioned, to determine whether this power can be transmitted and distributed reliably;
- (d) if Grayson has investigated whether it is required to notify and

coordinate acceptance of this power with PJM Interconnection, LLC ("PJM");

(e) whether EnerVision is acting as agent for Grayson or Duke Commercial, and what role EnerVision will play in this arrangement going forward;

(f) what other costs, besides energy costs, Grayson has determined it will have to pay in order to arrive at an "all-in" cost for the arrangement, an estimate of what those costs will likely be through the term of the arrangement with Duke Commercial, and how those costs were determined;

(g) an estimate of how much per kWh Grayson's average residential customer will have to pay for the power which Grayson intends to procure from Duke Commercial through the term of the arrangement, and a detailed calculation as to how this cost was determined;

(h) whether the stated price of \$41.03/MWh contained in Grayson's September 11, 2013, Notice of Amendment filing for 7x24 power is an energy price only; and

(i) what Grayson plans to do with any excess 7 X 24 energy that doesn't match Grayson's load.

ANSWER: The power would be accepted into the system at the Argentum substation then would be distributed through circuits in the Argentum, Pactolus, Carter City, Low Gap, and Warnock substations. It is believed that the system is robust enough to accept and distribute the power.

While Grayson has performed no transmission or distribution studies to determine whether this power can be transmitted and distributed reliably, there is no reason to think that it could not because this is done on a daily basis on its system.

Grayson understands that PJM would be involved and believes that the attached analysis of Mr. Shepler demonstrates the fact that PJM's involvement is necessary and that based upon the testimony of David Crews at his deposition it is clear that this involvement is required. East Kentucky Power now selling all of its generation to PJM is also a factor giving Grayson this knowledge.

Enervision is not acting as an agent for Grayson or Duke.

The costs besides energy costs are set forth on the attached document of Mr. Shepler. It is believed that what the residential customer would have to pay is calculable by a review of the attached costs associated with the purchase of this power demonstrated by Mr. Shepler's report.

With respect to item (h) of this request the attached document of Mr. Shepler sets forth the stated price and how it is broken down. With respect to what Grayson plans to do with any excess 7x24 energy that doesn't match Grayson's load, it is believed that there would not be such an excess.

12. With regard to Grayson's responses given to Request 11 above, provide a copy of any and all correspondence, analyses, studies, reports, workpapers or other documents used or created to make these analyses, calculations, studies or determinations and identify all individuals participating in their use or creation.

ANSWER: See attached i.e. the documents already referred to hereinabove as being compliant to the request contained herein.

13. Please state whether, prior to sending any of its five "notices" to EKPC concerning its election to receive power from a non-EKPC resource, dated June 22, 2012, August 9, 2012, January 18, 2013, September 9, 2013 and September 26, 2013, Grayson sought any assistance or instruction from any EKPC personnel or other individuals as to the requirements for proper notice under Amendment 3 to the Wholesale Power Contract.

If your answer to this Interrogatory is in the affirmative, please:

(a) identify each such person or persons from whom Grayson sought assistance or instruction;

(b) provide a specific description of the type of assistance or instruction requested by Grayson and rendered by such person or persons to Grayson;

(c) provide the date upon which such assistance or instruction was obtained;

and,

(d) provide all documents and electronic media of any kind in Grayson's possession, or the possession of any individuals assisting or instructing Grayson concerning such notices.

ANSWER: While Grayson did not seek specific instruction on what East Kentucky Power thought would be proper notice, it did seek assistance from East Kentucky Power as noted hereinabove with respect to discussions had with Mr. Brandt, Mr. Adams, and others mentioned hereinabove. Furthermore, discussions were held with Mr. Anthony "Tony" Campbell concerning whether Grayson could proceed in this fashion to which Mr. Campbell stated an emphatic "no". Therefore, Grayson did not seek further discussions with Mr. Campbell following his emphasis on the negative.

14. In some or all of its five "notices", and in other correspondence, Grayson takes the position that each and every subsequent notice given relates back to all prior notices given for purposes of the 90-day/180-day notice requirement contained in the Wholesale Power Contract. Please state with specificity the authority upon which Grayson relies for its position that each and every subsequent notice relates back to all prior notices.

ANSWER: Amendment 3 requires that notice be given to East Kentucky Power if a distribution cooperative intends to purchase power from an alternate source up to 15% of its load. That notice was given by Grayson on several occasions with each notice simply being successive to the first.

15. Please state with specificity the interpretation of Amendment 3 to the Wholesale Power Contract which Grayson will ask the Kentucky Public Service Commission to adopt and the basis in fact or law supporting such interpretation.

ANSWER: Grayson has sought an interpretation of Amendment 3 that is nothing more than the literal wording of the document itself. While Grayson has been told by Anthony "Tony" Campbell and other representatives of East Kentucky Power that an interpretation of Amendment 3

should be a denial of the right of Grayson to do that which it seeks in the within proceeding, Grayson believes that since neither Mr. Anthony “Tony” Campbell nor the other high level officers of East Kentucky Power were involved with East Kentucky Power at the time of the adoption of Amendment 3 then their particular interpretation is of little or no benefit.

16. On June 28, 2013, Grayson’s board of directors accepted the Memorandum of Understanding (“MOU”) which EKPC’s Distribution Cooperatives had labored for many months to negotiate. However, on August 23, 2013, Grayson’s board of directors reversed course and voted to rescind the MOU. Please state with specificity the basis for Grayson’s sudden reversal and rescission of the MOU on August 23, 2013.

ANSWER: Grayson rejects the reference in the question that there was a “sudden reversal” of the MOU. However, Grayson does state that the Order of the Public Service Commission in the within action in July of 2013, and the conduct of certain officials within East Kentucky Power including Mr. Olivia and David Crews that the 18 month period to be followed had not yet commenced, was something that was inimical to the interest of Grayson Rural Electric and, therefore, it could not proceed with the MOU as a viable resolution of the within dispute. Grayson verily believes that its 18 month notice period commenced in June of 2012 and that the position of East Kentucky Power following the last draft of the MOU, that the 18 month period had not yet commenced, was a denial of Grayson’s rights under the MOU, if adopted, and Amendment 3.

17. Identify by name, address, telephone number and title:

(a) each and every Grayson employee that has performed any work on the Magnum project, the Duke Commercial arrangement, the MOU and/or amendment 3 issues;

(b) the Grayson employee having the most knowledge concerning the technical and operational impacts upon Grayson's system should its arrangement with Duke Commercial be approved by the Commission; and

(c) the Grayson employee having the most knowledge concerning financial impacts upon Grayson's system should its arrangement with Duke Commercial be approved by the Commission.

ANSWER: Carol Fraley, Don Combs, Bradley Cherry, Brian Poling. Brian Poling would have the most knowledge concerning the technical and operational impacts. Don Combs would have the most knowledge concerning the financial impacts.

18. In the written contract between Grayson and Magnum, dated August 24, 2012, and attached as Exhibit 5 to Grayson's November 16, 2012, Complaint and Petition initiating this case, the energy which Magnum was to provide to Grayson would be delivered to EKPC's Skaggs substation. Paragraph 5 to that contract obligated Magnum to: (1) make application and seek approval from EKPC to deliver this energy through the Skaggs substation to the metering point; and, (2) pay for any and all facilities and improvements/upgrades required by EKPC to deliver this energy through the Skaggs substation.

(a) Please state whether Magnum ever made application to EKPC regarding utilization of the Skaggs substation consistent with Magnum's obligations as referenced above;

(b) If your answer is in the negative, please state any and all communications that occurred between Grayson and Magnum related to this issue and provide any and all documents evidencing such communications; and

(c) If your answer is in the affirmative, please provide details regarding Magnum's activities to make application to EKPC, and provide any and all documents evidencing such application.

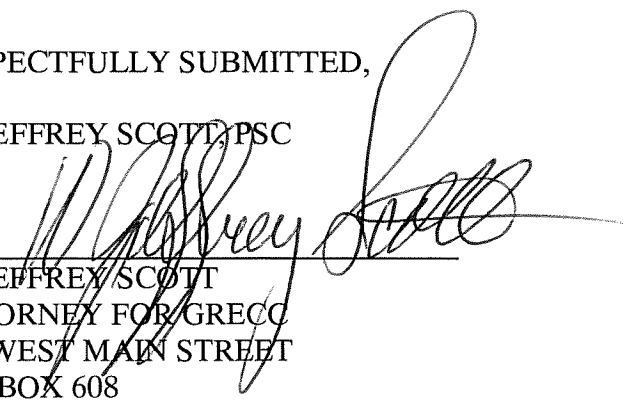
ANSWER: It is not believed that Magnum made any application or sought approval from East Kentucky Power. It is believed that Magnum was awaiting successful negotiation of an arrangement between Grayson and East Kentucky Power on the method and manner of effectuating the Magnum contract. Grayson attempted to accomplish this through discussions with East

Kentucky Power through Anthony "Tony" Campbell and other high level executives with East Kentucky Power which proved to be fruitless. Thus the initiation of the within action was undertaken.


RESPECTFULLY SUBMITTED,

W. JEFFREY SCOTT, PSC

BY:


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

I have read the foregoing hereinabove, and state that these answers are true and correct to the best of my knowledge and belief.

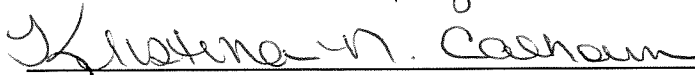

CAROL ANN FRALEY, PRESIDENT/CEO
GRAYSON RURAL ELECTRIC
COOPERATIVE CORPORATION

STATE OF KENTUCKY

COUNTY OF CARTER

Subscribed, sworn to and acknowledged before me by **CAROL ANN FRALEY**, President and CEO of Grayson Rural Electric Cooperative Corporation, to be her free act and deed, this the 22nd day of November, 2013.

My commission expires: AUGUST 23, 2014 # 426639.


NOTARY PUBLIC, KENTUCKY STATE AT LARGE

This is to certify that the foregoing document has been served upon the parties by mailing a true and correct copy of same to:

Hon. James M. Crawford
Crawford & Baxter, PSC
Counsel for Fleming-Mason & Owen Rural Electric
P.O. Box 353
Carrollton, KY 41008

Hon. Mark David Goss
Hon. David S. Samford
GOSS SAMFORD, PLLC
2365 Harrodsburg Road, Suite B 325
Lexington, KY 40504

Hon. Clayton O. Oswald
Taylor, Keller & Oswald
P.O. Box 3440
1306 West 5th Street, Suite 100
London, KY 40743-00344

Salt River Electric Cooperative Corp.
111 West Brashear Avenue
P.O. Box 609
Bardstown, KY 40004-0609

Hon. Don Prather
Mathis Riggs & Prather, PSC
500 Main Street, Suite 5
Shelbyville, KY 40065

Taylor County RECC
625 West Main Street
P.O. Box 100
Campbellsville, KY 42719

This is to further certify that the original plus 10 copies of this document has been forwarded to the Kentucky Service Commission as follows:

Kentucky Public Service Commission
211 Sower Blvd.
Frankfort, KY 40602-0615

This the 27th day of November, 2013.



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.

William 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.

Magnum Drilling of Ohio, Inc.
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.

Justin M. Calhoun

NOTARY PUBLIC, KENTUCKY STATE AT LARGE

My commission expires: August 23, 2014 # 426639

Grayson Rural Electric Cooperative Corporation

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

October 4, 2013

Mr. Tom Crisp, President
Magnum Drilling of Ohio, Inc.
9501 State Route 5
Ashland, KY 41102

Dear Mr. Crisp:

Attached is an invoice for \$7,202.40 incurred while we were working with your company to purchase off-system power.

Since attempts to contact you have failed and we have not heard from you for several months, we will assume that you have abandoned pursuit of this project. Therefore, we expect payment for the time and effort we expended on behalf of Magnum Drilling of Ohio, Inc.

Your attention to this matter would be greatly appreciated. We expect your payment by October 11, 2013.

Thank you,



Carol Hall Fraley
President and CEO

GRAYSON RURAL ELECTRIC
COOPERATIVE CORPORATION

CHF/pfs

Enclosure (1)

Grayson Rural Electric Cooperative Corporation

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

October 4, 2013

INVOICE

Magnum Drilling of Ohio, Inc.
Tom Crisp, President
9501 State Route 5
Ashland, KY 41102

<i>Review of Documents</i>	\$ 2,400.80
<i>Travel to Winchester</i>	\$ 2,400.80
<i>Conference</i>	\$ 2,400.80

TOTAL AMOUNT DUE...	\$ 7,202.40
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ALL INVOICES DUE UPON RECEIPT

file

Rec'd 10/31/13
Copy for:
W. Jeffrey Scott

MAGNUM DRILLING OF OHIO, INC.
9501 STATE ROUTE # 5
ASHLAND, KENTUCKY 41102
(606) 928-3800

October 29, 2013

Carol Hall Fraley, President/EO
Grayson Rural Electric Cooperative Corporation
109 Bagby Park
Grayson, KY 41143-1203

Re: Off-system power invoice:

Dear Mrs. Fraley:

Please find enclosed a copy of the contract between Magnum and Grayson Rural Electric. You will find I have highlighted the expiration date and the portion dealing with expenses incurred by both parties.

During the time period it took Grayson to gain approval to purchase off-system power from Magnum the initial term of the agreement had expired, by several months. We kept stressing how important the timing was to the project because gas prices had begun to increase and further delays would make it uneconomical to proceed. It would be unfair to land owners to contract their gas on a long term basis at below market prices.

Magnum truly wanted to complete this project because we felt it was a win/win situation for all parties. We regret that timing has made it impossible to do so.

Respectfully,



Tom A. Crisp, President
Magnum Drilling of Ohio, Inc.

TAC:cl

Enclosure (1)

Amendment 3 Financial Model

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Evaluation of 7x24 Product:</u>					
Contract Amount (MW)	10	10	10	10	10
Annual MWh	87,600	87,600	87,600	87,600	87,600
EKPC Estimated Cost	\$4,925,309	\$4,898,691	\$4,921,358	\$4,942,437	\$5,187,337
Duke Estimated Cost					
Contract Energy	\$3,582,840	\$3,582,840	\$3,582,840	\$3,582,840	\$3,582,840
Capacity	\$472,988	\$376,920	\$288,621	\$425,269	\$485,522
Ancillary Services	\$207,148	\$213,933	\$221,709	\$231,006	\$241,967
Transmission	\$209,345	\$212,485	\$215,672	\$218,907	\$222,191
PJM Fees	\$6,638	\$6,940	\$7,255	\$7,585	\$7,931
ACES Cost	\$30,000	\$30,900	\$31,827	\$32,782	\$33,765
EKPC Incremental Cost	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628
Total Alternate Source	\$4,513,959	\$4,429,167	\$4,353,229	\$4,503,853	\$4,579,843
Estimated Savings	\$411,350	\$469,524	\$568,129	\$438,584	\$607,494
Percentage Savings	8%	10%	12%	9%	12%
PV Savings @ 6%	\$2,084,308				

<u>Evaluation of 7x16 Product:</u>					
Contract Amount (MW)	10	10	10	10	10
Annual MWh	57,440	57,440	57,440	57,440	57,440
EKPC Estimated Cost	\$3,572,498	\$3,553,191	\$3,569,632	\$3,584,922	\$3,762,556
Duke Estimated Cost					
Contract Energy	\$2,558,378	\$2,558,378	\$2,558,378	\$2,558,378	\$2,558,378
Capacity	\$472,988	\$376,920	\$288,621	\$425,269	\$485,522
Ancillary Services	\$135,829	\$140,277	\$145,376	\$151,472	\$158,660
Transmission	\$209,345	\$212,485	\$215,672	\$218,907	\$222,191
PJM Fees	\$4,352	\$4,550	\$4,757	\$4,974	\$5,200
ACES Cost	\$30,000	\$30,900	\$31,827	\$32,782	\$33,765
EKPC Incremental Cost	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628
Total Alternate Source	\$3,415,892	\$3,328,661	\$3,249,936	\$3,397,245	\$3,469,343
Estimated Savings	\$156,606	\$224,531	\$319,697	\$187,677	\$293,213
Percentage Savings	4%	6%	9%	5%	8%
PV Savings @ 6%	\$983,761				

<u>Evaluation of 5x16 Product:</u>					
Contract Amount (MW)	10	10	10	10	10
Annual MWh	1,877,208	1,877,208	1,877,208	1,877,208	1,877,208
EKPC Estimated Cost	\$2,826,120	\$2,810,847	\$2,823,853	\$2,835,948	\$2,976,470
Duke Estimated Cost					
Contract Energy	\$1,877,208	\$1,877,208	\$1,877,208	\$1,877,208	\$1,877,208
Capacity	\$472,988	\$376,920	\$288,621	\$425,269	\$485,522
Ancillary Services	\$96,480	\$99,640	\$103,262	\$107,592	\$112,697
Transmission	\$209,345	\$212,485	\$215,672	\$218,907	\$222,191
PJM Fees	\$3,091	\$3,232	\$3,379	\$3,533	\$3,694
ACES Cost	\$30,000	\$30,900	\$31,827	\$32,782	\$33,765
EKPC Incremental Cost	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628
Total Alternate Source	\$2,694,113	\$2,605,535	\$2,525,273	\$2,670,754	\$2,740,704
Estimated Savings	\$132,007	\$205,311	\$298,579	\$165,193	\$235,766
Percentage Savings	5%	7%	11%	6%	8%
PV Savings @ 6%	\$864,981				

Pricing from Duke:

Received Aug 6, 2013

MW Size 10

For delivery terms beginning April 1, 2015 (anticipating 18 month notice)

For delivery to PJM's A-D hub (real-time)

Energy only; all else is a pass-through

	<u>5x16</u>	<u>7x16</u>	<u>7x24</u>			<u>5x16</u>	<u>7x16</u>	<u>7x24</u>
5 years	\$46.01	\$44.54	\$40.90					
10 years	\$59.38	\$58.28	\$54.63					
Annual MWh	40,800	57,440	87,600			40,800	57,440	87,600
Annual kW-mo	120,000	120,000	120,000			120,000	120,000	120,000
Annual MW-Days	3,650	3,650	3,650			3,650	3,650	3,650
Annual Contract Energy Cost								
5 Years	\$1,877,208	\$2,558,378	\$3,582,840			\$1,877,208	\$2,558,378	\$3,582,840
10 Years	\$2,422,704	\$3,347,603	\$4,785,588			\$2,422,704	\$3,347,603	\$4,785,588
Capacity	\$472,988	\$472,988	\$472,988			\$485,522	\$485,522	\$485,522
Ancillaries	\$96,480	\$135,829	\$207,148	2015 estimate	2019 estimate >	\$112,697	\$158,660	\$241,967
Transmission	\$209,345	\$209,345	\$209,345	2015 estimate	2019 estimate >	\$222,191	\$222,191	\$222,191
Other PJM Fees, etc.	\$3,091	\$4,352	\$6,638	2015 estimate	2019 estimate >	\$3,694	\$5,200	\$7,931
All-In Duke Estimate (5 yr)	\$2,659,113	\$3,380,892	\$4,478,959			\$2,701,311	\$3,429,950	\$4,540,450
Percent Savings	5%	5%	8%					
EKPC Wholesale Cost	\$2,807,188	\$3,548,567	\$4,892,315	Current Rates	2019 estimate >	\$2,976,470	\$3,762,556	\$5,187,337

Sch	Description	Weekly Billing Line Items		Basis	Rate	Units	Comments																
		Charges	Credits																				
Energy, Congestion, and Losses								<i>All incorporated into components of LMP</i>															
DA and Balancing Energy								1200-1205															
DA and Balancing Congestion								1210-1215	2210														
Planning Period Congestion								1218	2217-2218														
DA and Balancing T-Losses								1220-1230	2220, 2420														
Economic Load Response								1240-1243	2240-2241														
Emergency Load Response								1245, 1660	2245														
Emergency Energy								1260	2260														
Transmission																							
NITS								2100-2156	EKPC Zone tariff (H-24)	\$20,020.00	MW-year	AEP zone must add for T-losses at 3.3% (3,413)	1.5%	0.0%	\$203,203	\$206,251	\$209,345	\$212,485	\$215,672	\$218,907	\$222,191	\$225,524	
NITS adder (if any)									EAP Zone tariff	\$0.00	MW-month	AEP zone = \$8.60/MW-month (RTD start-up cost); not applicable for EKPC			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7-8 PTP								2130, 2140		\$24,533.00	MW-year	not sure if PTP applies (need to look at contract); if so, will need to build into costs of project; non-firm PTP most likely does not apply			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Transmission Projects								1108-1157 less PTP	2108-2156 less PTP	\$0.00		RTEP does not apply per EKPC FERC filing											
Ancillary Services																							
1 PJM Scheduling, Sys Control								note: need to add losses in to almost all of the Schedule 9 and 10 PJM charges below (but generally not the market-based ancillaries)															
9-1 Control Area Admin								1301, 1308	usage of PJM T system	\$0.1680	PJM MWh		2.5%	2.0%	\$14,717	\$15,386	\$16,086	\$16,818	\$17,584	\$18,384	\$19,220	\$20,095	
9-2 FTR Admin								1302, 1309, 1500	FTR MW and hours	\$0.0025	FTR MWh	not applicable unless procure FTRs	2.5%	2.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
9-3 Market Support								1303, 1307, 1310	Load	\$0.0357	MWh load		2.5%	2.0%	\$3,127	\$3,270	\$3,418	\$3,574	\$3,737	\$3,907	\$4,084	\$4,270	
9-4 Regulation Admin								1304, 1311	Regulation obligation	\$0.2251	MWh regulation obligation	regulation obligation = 0.7%	2.5%	2.0%	\$138	\$144	\$151	\$158	\$165	\$172	\$180	\$188	
9-5 Capacity Resource Mgt								1305, 1311	UCAP obligation	\$0.0864	MW-day of LSE's UCAP obligation		2.5%	2.0%	\$315	\$330	\$345	\$360	\$377	\$394	\$412	\$431	
9-6 Second Control Center								1306		\$0.0346	MWh	allocated based on LSE's usage of 9-1 through 9-5	0.0%	0.0%	\$116	\$126	\$126	\$126	\$126	\$126	\$126	\$126	
1A T-Owner Scheduling, Sys Control								1320		\$0.1928	MWh		2.5%	0.0%	\$16,889	\$17,312	\$17,744	\$18,188	\$18,643	\$19,109	\$19,586	\$20,076	
2 Reactive Supply and VC								1330	2330, 2378	\$0.4958	MWh				\$39,030	\$42,324	\$44,869	\$47,584	\$50,420	\$53,447	\$56,657	\$60,050	
3 Regulation & Frequency Response								1340		\$0.3936	MWh				\$26,896	\$27,299	\$27,811	\$28,450	\$29,281	\$30,452	\$31,966	\$33,857	
4 Energy Imbalance								1350	2350	\$0.0000	MWh	assumed zero (schedule = actual)	2.5%	0.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
5 Synchronized Reserve								1360	2360	\$0.0012	MWh	market-based			\$5,341	\$5,488	\$5,678	\$5,880	\$6,093	\$6,319	\$6,557	\$6,808	
6 DA Scheduling Reserve								1365	2365	\$0.0090	MWh	market-based			\$4,380	\$4,380	\$4,380	\$4,380	\$4,380	\$4,380	\$4,380	\$4,380	
6 Operating Reserves								1370, 1375, 1376		\$0.8235	MWh				\$80,831	\$82,848	\$84,992	\$86,444	\$88,970	\$92,466	\$97,128	\$103,873	
6A Synchronous Condensing								1377	2377	\$0.0005	MWh	not related to Synth Reserves or reactive Serv	2.5%	0.0%	\$44	\$45	\$46	\$47	\$48	\$50	\$51	\$52	
6A Black Start								1380	2380	\$0.0000	MWh				\$2,010	\$2,051	\$2,092	\$2,133	\$2,176	\$2,220	\$2,264	\$2,309	
PJM Costs, etc.																							
9- PJM Settlement, Inc								1313		\$0.0053	MWh network load		2.5%	2.0%	\$464	\$485	\$507	\$531	\$555	\$580	\$606	\$634	
9- MMU Funding								1314		\$0.0038	MWh network load		2.5%	2.0%	\$336	\$351	\$367	\$383	\$401	\$419	\$438	\$458	
9- FERC Annual Charge Recovery								1315		\$0.0591	MWh network load		2.5%	2.0%	\$5,212	\$5,449	\$5,697	\$5,957	\$6,228	\$6,511	\$6,807	\$7,117	
9- OPSP Funding								1316		\$0.0007	PJM MWh		2.5%	2.0%	\$60	\$63	\$66	\$69	\$72	\$76	\$79	\$83	
10- NERC								1317		\$0.0100	MWh delivered in PJM territory (excluding DOM and EKPC)		2.5%	2.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
10- RFC								1318		\$0.0143	MWh delivered in PJM territory (excluding DOM and EKPC)		2.5%	2.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Capacity								FTRs purchased in auction, plus costs of auction uplifted to users															
RPM Auction								1600	2600	\$0.00	clearing prices in the auction			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Locational Reliability								1610	2610	\$0.00	avoided via self-supply - assume this will be the case with the project			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Auction-specific Capacity								1650	2650	\$0.00	bi-lateral capacity transaction that clears in PJM			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Gen Resource Rating Test Failure								1662	2662	\$0.00	penalty if gen resource fails capacity test			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Totals																							
Total Dollars														\$403,721	\$413,686	\$423,131	\$433,357	\$444,637	\$457,498	\$472,089	\$488,563		
Total Dollars per MWh of Load														\$4.61	\$4.72	\$4.83	\$4.95	\$5.08	\$5.22	\$5.39	\$5.58		
Congestion and Balancing Dollars														\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Congestion and Balancing per MWh of Load														\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
Transmission Dollars														\$203,203	\$206,251	\$209,345	\$212,485	\$215,672	\$218,907	\$222,191	\$225,524		
T Dollars per MWh of Load														\$2.32	\$2.35	\$2.39	\$2.43	\$2.46	\$2.50	\$2.54			
Ancillary Service Dollars														\$194,445	\$201,086	\$207,148	\$213,933	\$221,709	\$231,006	\$241,967	\$254,748		
AS Dollars per MWh of Load														\$2.22	\$2.30	\$2.36	\$2.44	\$2.53	\$2.64	\$2.76	\$2.91		
PJM Costs in Dollars														\$6,072	\$6,349	\$6,638	\$6,940	\$7,255	\$7,585	\$7,931	\$8,291		
PJM Costs in Dollars per MWh of Load														\$0.07	\$0.07	\$0.08	\$0.08	\$0.08	\$0.09	\$0.09	\$0.09		
Capacity Dollars														\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Capacity Dollars per MWh of Load														\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
														\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
														\$24,496	\$25,605	\$26,764	\$27,976	\$29,244	\$30,568	\$31,927	\$33,275		
														\$0.28	\$0.29	\$0.31	\$0.32	\$0.33	\$0.35	\$0.36	\$0.38		
														\$0.14	\$0.13	\$0.11	\$0.10	\$0.09	\$0.07	\$0.06	\$0.04		
														\$0.21	\$0.20	\$0.19	\$0.18	\$0.17	\$0.16	\$0.15	\$0.13		

PJM Total Price of Wholesale Power

Dollars per MWh (from 2012 SOM Report, Volume 1; Table 9) >>>>

Description	2001												basis for estimate	2013								
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		2013	2014	2015	2016	2017	2018	2019	2020	
Load Weighted Energy	Load weighted average LMP													calculated rates below -- added in to analysis in PPA Price and Savings tabs								
Capacity	RPM payments												RPM BRA, then esc									
Transmission Service Charges	NRTS and firm/non-firm ZIP																					
Operating Reserves (Uplift)	DA and RT operating reserves												2013-2020 gas curve									
Reactive	Reactive Supply and Voltage Control												2003-2012 g	6.0%								
PJM Administrative Fees	Advance control center, Sch 9 FERC/DPS/MMU												2012	\$0.42								
Transmission Enhancement Cost Recovery	T upgrades (e.g., TRAIL, PATH)																					
Regulation	Regulation procured through Reg market												2013-2020 gas curve									
Transmission Owner (Schedule 1A)	Sch 1A charged to 7 customers																					
Day Ahead Scheduling Reserve (DASR)	Procured through DASR market												2012	\$0.05								
Synchronized Reserves	Procured through Synchron Res market												avg 2009-2012 + 2%	\$0.06								
Black Start	Avg cost of Black Start service												avg 2009-2012 + 2%	\$0.02								
NERC/RFC	Avg cost of NERC and RFC charges												EKPC zone excluded									
RTO Startup and Expansion	AEP, ComEd, DAY integration expenses																					
Load Response -	DA and RT load response charges to LSEs												2012	\$0.01								
Transmission Facility Charges	Ramepo project charged to PJM Mid-Atlantic																					
Non-Synchronized Reserves	Procured through Non-Synch market												2012	\$0.00								
Total	\$42.66	\$37.05	\$47.36	\$50.25	\$69.20	\$58.58	\$71.30	\$85.24	\$55.85	\$66.85	\$62.55	\$48.55										
	Not Applicable to Alternative Supply Project																					
	Applicable Non-Energy Costs																					
	Specific Estimate based on Rates/Market																					
	Aggregate estimate based on historical, fuel, etc.																					
							\$7.23	\$7.40	\$9.11	\$5.03	\$5.30	\$4.87	\$3.56	Gas Curve	\$4.16	\$4.27	\$4.35	\$4.45	\$4.58	\$4.76	\$5.00	\$5.30

Calculations for RPM Capacity

Capacity	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
\$/MWh day (per RPM BRA results -- RTO)	\$147.50	\$71.03	\$21.16	\$68.67	\$129.59	\$103.27	\$79.07	\$116.51	\$133.02	\$139.67	\$146.65	\$87.99
	escalation >>											
	2010-11											
planning year estimates	\$174.29	\$110.00	\$16.46	\$27.73	\$125.99	\$134.62	\$59.37	\$106.66	\$130.31	\$136.82	\$143.66	\$150.84



EnerVision, Inc.

Professional Services Agreement

Grayson Rural Electric Cooperative Corporation
109 Bagby Park
Grayson, Ky 41143

("Client")

EnerVision, Inc.
4170 Ashford Dunwoody Road, Suite 550
Atlanta, Georgia 30319

("EnerVision")

THIS PROFESSIONAL SERVICES AGREEMENT ("Agreement") is entered into by and between EnerVision and the above referenced Client, and is effective on the date it is executed by Client and accepted by EnerVision. EnerVision hereby agrees to perform and provide Client with the services described herein below ("Services"), on the terms and conditions set forth on the face page of this Agreement and the following page hereof.

Description of Services

Power supply support: evaluating Alternative Supply options under Amendment 3 and the anticipated MOU, and - at Grayson's direction - providing technical and consulting support toward potential power supply transaction(s) that may result from the evaluation process

AGREED TO BY:

Grayson RECC

("Client")

ACCEPTED BY:

EnerVision, Inc.

("EnerVision")

By:

Carol Hall Fratey (Signature)

Carol Hall Fratey (Name typed or printed)

Title:

President + CEO

Date:

7/3/13

By:

Greg Shepler (Signature)

GREG SHEPLER (Name typed or printed)

Title:

Principal Consultant

Date:

7/8/13

CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT ("Agreement"), entered into and made effective as of the 2 day of July 2013, is by and between Grayson Rural Electric Cooperative ("Grayson") and _____ ("_____") (collectively the "Parties").

WITNESSETH:

WHEREAS, the Parties intend to conduct confidential discussions and negotiations concerning the possibility of entering into a power supply transaction (the "Project"); and

WHEREAS, the Parties have entered into this Agreement in order to assure the confidentiality of all such information and the confidentiality of the discussions between the Parties to prevent the disclosure of same to third parties except as permitted herein;

NOW, THEREFORE, in consideration of the mutual promises and covenants made herein, and with the intent to be legally bound hereby, the Parties agree as follows:

1. Confidential Information. The term "Confidential Information" as used in this Agreement shall mean the discussions between the Parties concerning the Project, any and all written, printed or other materials provided by either Party to any Party to this Agreement and the substance and content thereof, and all information ascertained through the discussions between employees or Representatives of the Parties concerning the Project. Confidential Information shall not include the following:
 - (a) information which at the time of disclosure by a Party (the "Disclosing Party") is publicly available, or information which later becomes publicly available through no act or omission of the recipient (the "Receiving Party");
 - (b) information which the Receiving Party can demonstrate was in its possession prior to disclosure by the Disclosing Party;
 - (c) information received by the Receiving Party from a third party who, to the best of the Receiving Party's knowledge, did not acquire such information on a confidential basis either directly or indirectly from the Disclosing Party; and
 - (d) information which the Receiving Party can demonstrate was independently developed by it or for it and which was not obtained, in whole or in part, from the Disclosing Party.

2. Disclosure and Use of Confidential Information. The Parties agree to keep confidential all Confidential Information and shall not, without the other Party's prior written consent, disclose to any third party, firm, corporation or entity, including affiliates of the Parties, such Confidential Information. The Parties shall limit the disclosure of the Confidential Information to only those officers, employees, agents and Representatives (including attorneys, accountants, bankers and consultants) of the Party reasonably necessary to evaluate the Project. Each Party shall use the Confidential Information only for the purpose of its internal evaluation of the Project. Neither Party shall make any other use, in whole or in part, of any such Confidential Information without the prior written consent of the other. The Parties agree to be responsible for any breach of this Agreement by their respective Representatives. As used in this Agreement, (a) the term "Representative" means, as to any person, such person's Affiliates (as defined below) and

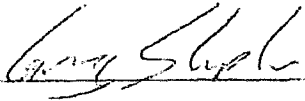
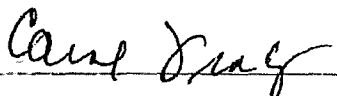
their directors, officers, employees, agents, advisors (including, without limitation, financial advisors, legal counsel and accountants) and controlling persons, and (b) "Affiliates" shall mean all entities which are controlling, controlled by or under common control with the Party.

3. Required Disclosure. A Party shall be permitted to disclose Confidential Information required to be disclosed by it by applicable law or regulation, pursuant to a subpoena or order of a court or for evidentiary purposes in any relevant action, proceeding or arbitration to which a Party or any of its partners, officers, directors or shareholders is a party. In the event that a Party receives a request to disclose any Confidential Information under such subpoena, order or otherwise, that Party will (a) promptly notify the other party thereof, (b) consult with the other party on the advisability of taking steps to resist or narrow such request, and (c) if disclosure is required or deemed advisable, reasonably cooperate with the other Party in any attempt that it may make to obtain an order or other reliable assurance that confidential treatment will be accorded to designated portions of the Confidential Information; provided, however, that such reasonable cooperation does not cause the Party to be in violation of any law, regulation, subpoena or order. The Parties agree to reimburse the other Party for its reasonable expenses, including the reasonable fees and expenses of its counsel, in connection with action taken at the Party's request pursuant to this paragraph. Further, a Party shall be permitted to disclose Confidential Information that it (i) deems necessary to be in compliance with any applicable law and/or (ii) is requested to disclose to any regulatory, self-regulatory or legislative body of competent jurisdiction in connection with any regulatory or legislative report, audit or other request for information. In the event that a Party receives such a request, they will promptly notify the other Party thereof, provided that such notification does not violate the terms of such request.
4. Return of Documents. Either Party may elect at any time to terminate further access to the Confidential Information. The Parties further agree to return any and all Confidential Information as well as any other information disclosed to it by the other Party upon written request from the other Party therefore, including all originals, copies, translations, notes, or any other form of said material, without retaining any copy or duplicate thereof, and shall promptly destroy any and all written, printed or other material or information derived from the Confidential Information. Notwithstanding the foregoing, a Party may retain (i) that portion of the Confidential Information that is required to be retained pursuant to law and/or regulation and/or (ii) Confidential Information stored on automatic computer back-up archiving systems; provided, however, that any Confidential Information retained by a Party shall be maintained by such Party subject to confidentiality pursuant to the terms of this Agreement for so long as such Confidential Information is retained.
5. Survival of Obligations. Regardless of any termination of any business relationship between the Parties, the obligations and commitments established by this Agreement shall remain in full force and effect for three (3) years from the day and year first hereinabove written or until such time as the Parties have entered into an agreement providing otherwise.
6. Nature of Information. The Parties each hereby accept the representations of the other Party that the Confidential Information of the other Party is of a special, unique, unusual, extraordinary, and intellectual character and that money damages would not be a

sufficient remedy for any breach of this Agreement by it or its Representatives and that specific performance and injunctive or other equitable remedies for any such breach shall be available to it. The Parties also acknowledge that the interests of the other Party in such Confidential Information may be irreparably injured by disclosure of such Confidential Information. The remedy stated above may be pursued in addition to any other remedies applicable at law or equity for breach of this Agreement.

7. Governing Law. The validity and interpretation of this Agreement and the legal relations of the Parties to it shall be governed by the laws of the State of Kentucky.
8. No Representation or Warranties. With respect to any Confidential Information which either Party furnished or otherwise discloses to the other Party for the purpose of evaluating the Project, it is understood and agreed that the Party disclosing such information does not make any representations or warranties as to the accuracy, completeness or fitness for a particular purpose thereof. It is further understood and agreed that neither Party nor its Representatives shall have any liability or responsibility to the other Party (except as pursuant to this Agreement) or to any other person or entity resulting from the use of any Confidential Information so furnished or otherwise provided.

IN WITNESS WHEREOF, the Parties hereto have entered into this Agreement on the day and year first herein above written.

By:	<u></u>	By:	<u></u>
Name:	<u>GREG SHEPLER</u>	Name:	<u>Carol Fraley</u>
Title:	<u>PRINCIPAL CONSULTANT</u>	Title:	<u>President/CEO</u>
Date:	<u>7/8/13</u>	Date:	<u>7/2/13</u>

Grayson Rural Electric Cooperative