

GRANT, ROSE & PUMPHREY

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CHRISTOPHER M. DAVIS
JOHN S. PUMPHREY
JOHN M. HENDRICKS

March 26, 2013

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

VIA HAND-DELIVERY

RECEIVED

MAR 26 2013

PUBLIC SERVICE
COMMISSION

Re: Clark Energy Cooperative, Inc.
Franchise Bid for Lexington-
Fayette Urban County Government

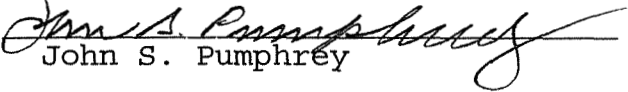
Dear Mr. Derouen:

Enclosed please find the original and ten (10) copies of the application of Clark Energy Cooperative, Inc. for a certificate of public convenience and necessity to bid for the franchise for electric services applicable to territory served in Lexington, Fayette County, Kentucky.

Your assistance in this matter is greatly appreciated.

Very truly yours,

GRANT, ROSE & PUMPHREY

By: 
John S. Pumphrey

Enclosures

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAR 26 2013

PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF CLARK ENERGY COOPERATIVE,)	
INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY TO APPLY FOR AND OBTAIN)	
A FRANCHISE IN THE TERRITORIAL LIMITS OF)	CASE NO. 2013-
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT)	
OF FAYETTE COUNTY KENTUCKY FOR ELECTRIC)	
UTILITY SERVICE)	

Applicant, Clark Energy Cooperative, Inc., respectfully submits the following application pursuant to KRS 278.020(3) and 807 KAR Chapter 5, as follows:

1. Applicant is an electric cooperative engaging in the business of retail electric service in portions of Fayette County, Kentucky, and other areas in Kentucky with its mailing address being 2640 Ironworks Road, P.O. Box 748, Winchester, Kentucky 40392-0748.

2. Copies of applicant's Articles of Incorporation are attached as Exhibit "A".

3. The name of the governmental agency offering the franchise is the Lexington-Fayette Urban County Government of Lexington, Fayette County, Kentucky. A copy of the franchise ordinance is attached as Exhibit "B" and incorporated by reference herein. Bids are due the 8th day of April, 2013.

4. The franchise offered for bid is for electric service within the territorial area now served by applicant within the limits of Lexington-Fayette Urban County Government in Fayette

County, Kentucky. The need and demand exists for retail electric service in the franchise area.

5. Applicant has certified territory pursuant to KRS 278.017 which is located within the boundary of Lexington-Fayette Urban County Government in Fayette County, Kentucky, and in which territory applicant is currently providing retail electric service to any and all customers who require electric energy. The map or maps of the certified territory of applicant are filed with the Public Service Commission as required by KRS 278.017. The need and demand for retail electric service exists in the franchised area because applicant has provided retail electric service to existing consumers for many years and will provide retail service for new development within the certified territory of applicant in Fayette County, Kentucky.

6. The franchise ordinance permits Lexington-Fayette Urban County Government to assess a franchise fee of at least three percent (3%) of the gross annual revenues received by the applicant from electric service provided within Fayette County, with the ability to be raised to five percent (5%).

7. Applicant desires to apply for, bid, and obtain the heretofore mentioned franchise for its duly certified territory conditioned upon this Commission issuing a certificate of public convenience and necessity showing there is a demand and need for

the electric service sought to be rendered pursuant to KRS 278.020(3).

WHEREFORE, applicant Clark Energy Cooperative, Inc., respectfully requests that the Public Service Commission of Kentucky grant a certificate of public convenience and necessity authorizing Clark Energy Cooperative, Inc. to apply for and obtain the electric utility franchise for the territory in Fayette County, Kentucky, and a determination that there is a demand and need for the electric service sought to be rendered.

DATED: This 26th day of March, 2013.

CLARK ENERGY COOPERATIVE, INC.

By: _____
**PAUL G. EMBS, President
and C.E.O.**

P.O. BOX 748
Winchester, Kentucky 40392-0748

GRANT, ROSE & PUMPHREY

By: _____
JOHN S. PUMPHREY

51 South Main Street
Winchester, Kentucky 40391
Attorneys for Applicant,
Clark Energy Cooperative, Inc.

RECEIVED & FILED

AMENDMENT OF ARTICLES OF INCORPORATION
OF
CLARK RURAL ELECTRIC COOPERATIVE CORPORATION

JPB
MAY 23 9 03 AM '97
JOHN L. BECKWITH
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
Beckwith

KNOW ALL MEN BY THESE PRESENTS:

That we, Overt L. Carroll, President, and William N. Curry, Secretary, of Clark Rural Electric Cooperative Corporation (hereinafter called the "Corporation") do hereby certify:

That at a meeting of the Directors of the Corporation duly held on the 22nd day of April, 1997, in conformity with the constitution and laws of the Commonwealth of Kentucky, it was unanimously resolved that the amendments of the Articles of Incorporation of the Corporation hereinafter set forth be approved and recommended to the members for approval.

Further, at a meeting of the members of the Corporation duly held on the 12th day of May, 1997, in conformity with the constitution and laws of the Commonwealth of Kentucky, the following amendments of the Articles of Incorporation of the Corporation were adopted by a majority of the votes entitled to be cast by the members present in person and voting at said meeting:

1. Article I of the Articles of Incorporation shall be amended to read as follows:

ARTICLE I

The name of the Corporation shall be Clark Energy Cooperative, Inc.

2. Article II of the Articles of Incorporation shall be amended to read as follows:

Hold GR&P

ARTICLE II

The purpose for which the Corporation is organized is to produce, transmit, distribute, furnish, supply or sell electric energy to its members and non-members to the extent permitted by Kentucky law, and to engage in the transaction of any and all lawful activities authorized for Kentucky corporations pursuant to Kentucky law.

3. Section 2 (a) of Article VIII of the Articles of Incorporation shall be amended to read as follows:

ARTICLE VIII

Section 2.

(a) Signing the membership application specified in the bylaws:

4. Section 4 of Article VIII of the Articles of Incorporation shall be amended to read as follows:

ARTICLE VIII

Section 4.

Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. At all meetings of the members at which a quorum is present, all questions shall be decided by a vote of a majority of the members voting thereon in person, except as otherwise provided by law, or these Articles of Incorporation. No proxy voting shall be valid. If a husband and wife hold a joint membership they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote of a meeting of the members.

IN WITNESS WHEREOF, Overt L. Carroll and William N. Curry have made, signed and acknowledged these Amendments of Articles of Incorporation of Clark Rural Electric Cooperative Corporation (hereafter "Clark Energy Corporation, Inc."), in triplicate originals, this the 22 day of May, 1997.

CLARK RURAL ELECTRIC COOPERATIVE CORPORATION, INC.

By: [Signature]
Overt L. Carroll, President

ATTEST:

[Signature]
William N. Curry
Secretary

STATE OF KENTUCKY)
COUNTY OF CLARK)

I, Dana J. Graham, Notary Public within and for the State and County aforesaid do certify that on this date the foregoing instrument of writing was produced to me in my County by Clark Rural Electric Cooperative Corporation by its authorized representatives, Overt L. Carroll, President, and William N. Curry, Secretary, parties thereto, and was by them signed, acknowledged and delivered as and for their free act and deed and the free act and deed of Clark Rural Electric Cooperative Corporation.

My commission expires: April 15, 2000

Witness my hand on this the 22 day of May, 1997.

[Signature]
Notary Public, State at Large

PREPARED BY THE UNDERSIGNED
MEMBER OF THE LAW FIRM OF
GRANT, ROSE & PUMPHREY
51 SOUTH MAIN STREET, WINCHESTER,
KENTUCKY 40391 - (606) 744-6828

Arbun Lee Mc

DOCUMENT NO: 43057
RECORDED ON: MAY 27, 1997 02:25:42PM
TOTAL FEES: \$11.00
COUNTY CLERK: ANITA JONES
COUNTY: CLARK COUNTY
DEPUTY CLERK: DONNA BLACK

BOOK 14 PAGE 317

STATE OF KENTUCKY)
COUNTY OF CLARK) SS.

I, Linville Jackson, Clerk of the Clark County Court, do certify that the foregoing Amendment to the Charter of the Joint Board of Education of the Kentucky and Louisville Conferences of the Methodist Episcopal Church South, was on the 23rd day of February, 1940, produced to me in said county, certified as above, and was lodged for record February 23rd, 1940, whereupon the same and this and the preceding certificate have been recorded in my office.
Given under my hand this the 23rd day of February, 1940.

LINVILLE JACKSON, Clerk
By Linville Jackson D.C.

AMENDMENT OF ARTICLES OF INCORPORATION
OF CLARK RURAL ELECTRIC COOPERATIVE
CORPORATION.

COMMONWEALTH OF KENTUCKY)
COUNTY OF CLARK.....) SS.

KNOW ALL MEN BY THESE PRESENTS:

That we, J. Hughes Evans, President, and E. Ward May, Secretary, President and Secretary, respectively of Clark Rural Electric Cooperative Corporation (hereinafter called the "Corporation") do hereby certify:

That at a meeting of the Directors of the Corporation duly held on the 5th day of March, 1940, in conformity with the constitution and laws of the Commonwealth of Kentucky it was unanimously resolved that the amendments to the Articles of Incorporation of the Corporation hereinafter set forth be approved and submitted to the members.

Further, that at a meeting of the members of the Corporation duly held on the 5th day of March, 1940, in conformity with the constitution and laws of the Commonwealth of Kentucky the following amendments of the Articles of Incorporation of the Corporation were adopted by a majority of all the members of the Corporation:

1. Article V of the Articles of Incorporation shall be amended to read as follows:

"ARTICLE V

The number of directors of the Corporation shall be not less than five (5) nor more than eleven (11). Unless otherwise provided in the by laws, the number of directors shall be nine (9)!

2. Section 2 of Article VIII of the Articles of Incorporation shall be amended to read as follows:

"Section 2. Any person, firm, corporation or body politic may become a member in the Corporation by:

- (a) paying the membership fee specified in the bylaws;
- (b) agreeing to purchase from the Corporation electric energy as specified in the bylaws; and

(c) agreeing to comply with and be bound by these Articles of Incorporation and by laws of the Corporation and any amendments thereto and such rules and regulations as may from time to time be adopted by the Board of directors;

provided, however, that no person, firm corporation or body politic shall become a member unless and until he or it has been accepted for membership by the board of directors or the members in the manner provided for the bylaws. No person, firm corporation or body politic may on more than one (1) membership in the corporation.

A husband and wife may jointly become a member and their application for a joint membership may be accepted in accordance with the foregoing provisions of this Section, provided the husband and wife comply jointly with the foregoing provisions of the above subdivisions (a), (b), (c)."

3. Section 3 of Article VIII shall be deleted and the following substituted therefor:

"Section 3. Membership in the Corporation shall be terminated by death, cessation of existence, expulsion or withdrawal of the member as provided in the bylaws of the Corporation. Termination of membership in any manner shall operate as a release of all right, title and interest of the member in the property and assets of the Corporation; provided, however, that such termination of membership shall not release the member or his estate from the debts or liabilities of such member to the Corporation."

4. Section 4 of Article VIII shall be deleted and the following shall be substituted therefor;

" SECTION 4 . Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members at which a quorum is present, all questions shall be decided by a vote of a majority of the members voting thereon in person or by proxy, except as otherwise provided by law, or these Articles of Incorporation. No proxy shall be valid after sixty (60) days from the date of its execution, and the person so appointed may not vote at any meeting other than the one designated in the proxy or any adjournment or adjournments of such meeting. No person shall vote as proxy for more than three (3) members at any meeting of the members except upon the question of amendment of the Articles of Incorporation to increase the number of counties in which the Corporation may operate or on the question of mortgaging or otherwise encumbering any of the Corporation's property to secure loans made or to be made to the Corporation by the United States of America or any agency or instrumentality therefor, in either of which cases a person may hold an unlimited number of proxies. a husband and wife hold a joint membership they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members.

5. Section 5 of Article VIII shall be deleted and the following submitted therefor:

" Section 5. The private property of the members of the Corporation shall be exempt from execution for the debts of the Corporation and no member or incorporator shall be individually liable or responsible for any debts or liabilities of the Corporation."

6. Section 6 of Article VIII shall be deleted and the following substituted therefor:

"Section 6 The bylaws of the Corporation may fix other terms and conditions upon which persons shall be admitted to and retain membership in the Corporation not inconsistent with there Articles of Incorporation or thw Act under which the Corporation is organized."

7. Sections 7,8,9 and 10 of Article VIII shall be deleted.

8. Section 1 of Article IX shall be deleted and Section 2 of Article IX shall be Section 1.

9. Section 3 of Article IX shall be deleted and the following substituted therefor:

"Section 2 Directors of the Corporation shall be members therefor."

10. Article X shall be deleted.

11- Article XI shall be changed to Article X.

IN WITNESS WHEREOF, I hereunto subscribe my name this 5th day of March, 1940.

J. Hughes Evans
President

(CORPORATE SEAL)

Attest: E. Ward May
Secretary

STATE OF KENTUCKY)
COUNTY OF CLARK)

I, Nola D. Thompson, a Notary Public in and for said County and State do hereby certify that this instrument of writing from J. Hughes Evans and E. Ward May was this day produced to me the above parties and was acknowledged to be their act and deed.

Given under my hand and seal this 5th day of March, 1940.
My Commission expires Sept 23, 1942

Nola D. Thompson
Notary Public in and for Clark
County, Kentucky

(SEAL)

Appro: & Recorded
3-18-40
George Glen Hatcher
Sect State
By C. W. McKay
Chief Corp Clk.

COMMONWEALTH OF KENTUCKY)
COUNTY OF CLARK.....)

I, Linville Jackson, Clerk of the Clark County Court, do certify the the foregoing Amendment of Articles of Incorporation of Clark Rural Electric Cooperative Corporation was on the 19th day of March, 1940, produced to me in my office, certified as above, and was ordered to be recorded, Whereupon the same and the preceding certificate have been duly recorded in my office.

Given under my hand this the 19th day of March, 1940.

LINVILLE JACKSON, Clerk
Clark County Court, Ky.
By *Linville Jackson* D.C.

ORIGINAL COPY
FILED AND RECORDED

Date Mar 25 1949

George Glenn Hatcher,
Secretary of State of Kentucky
Frankfort, Kentucky.

By S.L.L. Deputy.

STATE OF KENTUCKY)
COUNTY OF CLARK) SS.

I, Linville Jackson, Clerk of the Clark County Court, do certify that the foregoing Statement of Intent to Dissolve of R. P. Scobee & Son Co. Incorporated, was on the 25th. day of March, 1949, produced to me in said County, certified as above, and was lodged for record March 25, 1949. Whereupon the same and this and the preceding certificate have been recorded in my office.

Given under my hand this, the 19th. day of April, 1949.

LINVILLE JACKSON, Clerk

By Mildred Pennington D.C.

*Filed to me under R.C.A
6/4/49*

Amendment of Articles of Incorporation

of

CLARK RURAL ELECTRIC COOPERATIVE CORPORATION

Commonwealth of Kentucky)
County of Clark) SS.

KNOW ALL MEN BY THESE PRESENTS:

That we, J. L. Skinner, President, and E. E. Gurry, Secretary, President and Secretary, respectively of Clark Rural Electric Cooperative Corporation (hereinafter called the "Corporation") do hereby certify:

That at a meeting of the Directors of the Corporation duly held on the 8th day of March, 1949, with eight of nine members present in conformity with the constitution and laws of the Commonwealth of Kentucky it was unanimously resolved that the amendments to the Articles of Incorporation of the Corporation hereinafter set forth be approved and submitted to the members.

Further, that at a meeting of the members of the Corporation duly held on the 8th day of March, 1949, in conformity with the constitution and laws of the Commonwealth of Kentucky the following amendments of the Articles of Incorporation of the Corporation were adopted by a majority of all the members of the Corporation:

1. Section 3 of Article VIII of the Articles of Incorporation be amended to read as follows:

Section 3. Membership in the Corporation shall be terminated by death, cessation of existence, expulsion or withdrawal of the member as provided in the bylaws of the Corporation. Termination of membership in any manner shall not release the member or his estate from the debts or liabilities of such member to the Corporation.

Section 4 of Article VIII of the Articles of Incorporation be amended to read as follows:

Section 4. Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. At all meetings of the members at which a quorum is present, all questions shall be decided by a vote of a majority of the members voting thereon in person or by proxy, except as otherwise provided by law, or these Articles of Incorporation. No proxy shall be valid after (60) days from the date of its execution, and the person so appointed may not vote at any meeting other than the one designated in the proxy of any adjournment or adjournments of such meeting. No person shall vote as proxy for more than three (3) members at any meeting of the members except upon the question of mortgaging or otherwise encumbering any of the Corporation's property to secure loans made or to be made to the Corporation by the United States of America or any agency or instrumentality thereof, or on the question of any amendment to these Articles of Incorporation, in either or all of which cases a person may hold and vote an unlimited number of proxies. If a husband and wife hold a joint membership they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote of a meeting of the members.

IN WITNESS WHEREOF, I hereunto subscribe my name this 31st day of March, 1949.

(Corporate Seal) J. L. Skinner
President

Attest: E. E. Curry
Secretary

STATE OF KENTUCKY)
COUNTY OF CLARK)

I, Ruth R. Prater, a Notary Public in and for said county and state do hereby certify that this instrument of writing from J. L. Skinner and E. E. Curry was this day produced to me by the above parties and was acknowledged by the said J. L. Skinner and E. E. Curry to be their act and deed.

Given under my hand and seal this 31st day of March, 1949.

My commission expires March 9, 1950.

(SEAL) Ruth P. Prater
Notary Public in and for Clark County, Kentucky.

Receipt is acknowledged of a certified copy of Amendment of Articles of Incorporation of Clark Rural Electric Cooperative Corporation. It has been placed on file in the office of the Dean of the College of Agriculture and Home Economics, University of Kentucky.

April 27, 1949. Thomas Cooper, Dean

ORIGINAL COPY
FILED AND RECORDED

Date: April 11, 1949.
George Glenn Hatcher
Secretary of State of Kentucky
Frankfort, Kentucky.

By L.E.
Deputy.

STATE OF KENTUCKY)
COUNTY OF CLARK)

I, Linville Jackson, Clerk of the Clark County Court, do certify that the foregoing Amended Articles of Incorporation of Clark Rural Electric Cooperative Corporation was on the 13th. day of May, 1949, produced to me in said County, certified as above, and was lodged for record May 13, 1949. Whereupon the same and this and the preceding certificate have been recorded in my office.

Given under my hand this, the 14th. day of May, 1949.

LINVILLE JACKSON, Clerk
By Mildred Lindsay D.C.

Articles of Incorporation
of
Clark Rural Electric Cooperative Corporation

The incorporators whose names are hereunto signed, being natural persons and citizens of the Commonwealth of Kentucky, have executed these articles of incorporation for the purpose of forming a cooperative society not organized for pecuniary profit pursuant to the "Rural Electric Cooperative Corporation Act" which was passed by the General Assembly of Kentucky at Special Session, 1936, and approved on January 15, 1938, in accordance with the following provisions:

Article I.

The name of the Corporation shall be "Clark Rural Electric Cooperative Corporation".

Article II.

The purpose or purposes for which the corporation is formed are to promote and encourage the fullest possible use of electric energy in the Commonwealth of Kentucky by making electric energy available by production, transmission or distribution, or both, to or by otherwise securing the same for the inhabitants of and persons in rural areas of the Commonwealth of Kentucky at the lowest cost consistent with sound business methods and prudent management of the business of the Corporation and also by making available to the said inhabitants as aforesaid electrical devices, equipment, wiring, appliances, fixtures and supplies and all kinds of tools, equipment and machinery (including any fixtures or property or both which may by its use be conducive to a more complete use of electricity or electric energy) owned by electrical or electric energy and, without limiting the generality of the foregoing:

(a) To generate, manufacture, purchase, acquire and accumulate electrical energy for its members and non-members to the extent permitted by the

act under which the Corporation is formed and to transmit, distribute, furnish, sell and dispose of such electric energy to its members and non-members to the extent permitted by the act under which the Corporation is formed, and to construct, erect, purchase, lease as lessee and in any manner acquire, own, hold, maintain, operate, sell, dispose of, lease as lessor, exchange and mortgage plants, buildings, works, machinery, fixtures, apparatus, equipment and electric transmission and distribution lines or systems necessary, convenient or useful for carrying out and accomplishing any or all of the foregoing purposes;

(b) To acquire, own, hold, use, exercise and, to the extent permitted by law, to sell, mortgage, pledge, hypothecate and in any manner dispose of franchises, rights, privileges, licenses, rights of way and easements necessary, useful or appropriate to accomplish any or all of the purposes of the Corporation;

(c) To purchase, receive, lease as lessee, or in any other manner acquire, own, hold, maintain, use, convey, sell, lease as lessor, exchange, mortgage, pledge or otherwise dispose of any and all real and personal property or any interest therein necessary, useful or appropriate to enable the Corporation to accomplish any or all of its purposes;

(d) To assist its members to wire their premises and install therein electrical and plumbing appliances, fixtures, machinery, supplies, apparatus and equipment of any and all kinds and character (including, without limiting the generality of the foregoing, such as are applicable to water supply and sewage disposal) and, in connection therewith and for such purposes, to purchase, acquire, lease, sell, distribute, install and repair electrical and plumbing appliances, fixtures, machinery, supplies, apparatus and equipment of any and all kinds and character (including, without limiting the generality of the foregoing, such as are applicable to water supply and sewage disposal) and to receive, acquire, endorse, pledge, guarantee, hypothecate, transfer or otherwise dispose of notes and other evidences of indebtedness and all securities therefor;

(e) To borrow money to and

and otherwise

or for any of the other objects or purposes of the Corporation to secure the payment of such bonds, notes or other evidences of indebtedness by mortgage or mortgages, or deed or deeds of trust upon, or by the pledge of or other lien upon, any or all of the property, rights, privileges or interests of the Corporation, wherever situated, acquired or to be acquired;

(P) To do and perform, either for itself or its members, any and all acts and things, and to have and exercise any and all powers, as may be necessary or convenient to accomplish any or all of the foregoing purposes or as may be permitted by the Act under which the Corporation is formed, and to exercise any of its powers anywhere.

Article III.

The principal office of the Corporation shall be located at Winchester, in the County of Clark, Commonwealth of Kentucky.

Article IV.

The operations of the Corporation are to be conducted in the County of Clark, and in such other Counties as such operations may from time to time become necessary or desirable in the interest of this Corporation or of its members.

Article V.

The number of directors of the Corporation shall be seven.

Article VI.

The names and post office addresses of the directors who are to manage the affairs of the Corporation until the first annual meeting of the members or until their successors shall have been elected and shall have qualified, are:

<u>Name</u>	<u>Post Office Address</u>
J. H. Hughes Lewis	Winchester, Ky., R. F. D. # 1
E. Ward May	Winchester, Ky. R. F. D. # 1
J. Z. Shinner	Winchester, Ky. R. F. D. # 1
Wendell J. Robinson	Winchester, Ky. R. F. D. # 3
Alf J. Ballard	Winchester, Ky. R. F. D. # 3
Orville Wines	Lexington, Ky. R. F. D. # 7
Virgil Barnes	Mt. Sterling, Ky. R. F. D. # 1

Article VII.

The duration of the Corporation is: perpetual.

Article VIII.

Section 1. The corporation shall have no capital stock, and the property rights and interests of each member shall be equal.

Section II. the subscribers to these Articles of Incorporation shall be members of the corporation. In addition to the under-
signed incorporators any person, firm, association, corporation, business trust, partnership or body politic may become a member in the corporation by:

(a) paying in full such membership fee as shall be specified in the By-Laws of the Corporation; (b) agreeing to purchase from the Corporation the amount of electric energy hereinafter in Section 3 of this Article specified; and (c) agreeing to comply with and be bound by these articles of Incorporation and the By-Laws of the Corporation and any amendments thereto and by such rules and regulations as may from time to time be adopted by the Board of Directors of the Corporation; provided, however, that no person, firm, association, corporation, business trust, partnership or body politic except the authorized incorporators, or any person, firm, association, business trust, partnership or body politic accepted as such at any meeting of the Board of Directors of the Corporation unless and until he or it has been accepted for membership by the affirmative vote of a majority of the members of the Board of Directors of the Corporation.

Section 3. Each member shall, as soon as electric energy shall be available, purchase from the Corporation monthly not less than the minimum amount of electric energy which shall from time to time be determined by a resolution of the Board of Directors of the Corporation and shall pay therefore, and for all additional electric energy used by such member, the price which from time to time shall be fixed therefor by resolution of the Board of Directors. Each member shall also pay all obligations which may from time to time become due and payable by such member to the Corporation as and when the same shall become due and payable.

Section 4. The Board of Directors may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member of the Corporation.

of the provisions of the Articles of Incorporation or the By-laws of the Corporation or any rules or regulations adopted from time to time by the Board of Directors, Any member so expelled may be reinstated as a member by a vote of the members at any annual or special meeting of the members.

The action of the members with respect to any such reinstatement shall be final.

Section 5, Any member of the Corporation may withdraw from membership upon payment in full of all of his debts and liabilities to the Corporation and upon compliance with and performance of such terms and conditions as the Board of Directors may prescribe.

Section 6, Membership in the Corporation and the certificate representing the same shall not be transferable, and upon the death, cessation of existence, expulsion or withdrawal of a member, the membership of such member shall thereupon terminate, and his or its certificate of membership shall be surrendered to the Corporation, subject to the payment of all debts and liabilities of a member to the Corporation, upon any such termination of membership and the surrender of his or its membership certificate, the Corporation shall pay such member or his personal representatives, an amount equal to the membership fee paid by such member. Termination of membership by death, cessation of existence, expulsion or withdrawal shall operate as a release of all right, title and interest of the member in the property and assets of the Corporation; provided, however, that such termination of membership shall not release the member from the debts or liabilities of such member to the Corporation.

In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefor upon such terms and such indemnity to the Corporation as the Board of Directors may prescribe.

Section 7, Membership in the Corporation shall be evidenced by a certificate of membership which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to or inconsistent with the Articles of Incorporation or the By-laws of the Corporation. Such certificate shall be signed by the President and by the Secretary of the Corporation and shall be sealed with its corporate seal.

Section 8, No membership shall be issued for less than the membership fee specified in the By-laws of the Corporation.

proxy paid for in each and such payment has been deposited with the Treasurer of the Corporation.

Section 9. No member shall be entitled to more than one (1) vote upon each matter submitted to a vote at any meeting of the members of the Corporation nor shall the number of members entitled to vote be more than the number of shares of the Corporation.

Section 10. At any meeting of the members of the Corporation, a member may vote in person or by proxy. The proxy must be in writing and must be signed by the member or his attorney-in-fact. The proxy must be presented at the meeting. No proxy shall be voted at any meeting of the members unless it shall designate the particular meeting at which it is to be voted, and no proxy shall be voted at any meeting of the members unless it shall designate the particular meeting at which it is to be voted. No proxy shall be voted at any meeting of the members unless it shall designate the particular meeting at which it is to be voted. The presence of a member at a meeting of the members shall constitute an assent to the provisions thereof executed by him and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if he had not executed a proxy.

Articles 18

Section 1. The By-laws of the Corporation may fix such other terms and conditions upon which members shall be admitted to and retain membership in the Corporation not inconsistent with the Articles of Incorporation or the Act under which it is organized.

Section 2. The Board of Directors shall have power to make and adopt such rules and regulations not inconsistent with these Articles of Incorporation or the By-laws of the Corporation as it may deem advisable for the management, administration and regulation of the business and affairs of the Corporation.

Section 3. Neither the incorporators nor any other members of the Corporation shall be personally responsible for any debt, obligation or liability of the Corporation.

Section 4. Directors of the Corporation shall be members thereof.

Article X.

Subject to the provisions of any mortgage given by the Corporation and within sixty (60) days after the expiration of each fiscal year the Board of Directors, after paying or providing for the payment of all operating expenses of the Corporation including an amount for prospective operating expenses for a reasonable period, and all interest

at the end of the fiscal year, which shall be the date, and after paying or making provision for the payment of all taxes, insurance and all other non-operating expenses which shall have become due and be unpaid, and all taxes, insurance and all other non-operating expenses which shall have accrued at the end of the fiscal year but which shall not be then due, shall apply the revenues and receipts of the Corporation remaining hereafter for the following purposes and in the following order of priority:

1. the establishment and maintenance of a reserve for the payment of interest on and principal of all outstanding notes, bonds or other evidences of indebtedness of the Corporation in an amount which shall equal the amount of principal and interest required to be paid in respect of such notes, bonds or other evidences of indebtedness during the ensuing fiscal year;

2. the establishment and maintenance of a general reserve fund for working capital, insurance, taxes, new construction, depreciation, obsolescence, and contingencies in an amount which the Board of Directors shall deem reasonable;

3. the establishment and maintenance of a reserve for an educational fund to be used for leading cooperation in an amount not to exceed five per cent (5%) of the balance of the revenue and receipts of the Corporation remaining after the reserves hereinbefore provided for have been established;

and all revenues and receipts not needed for the above and foregoing purposes shall be returned, paid or dated to the members as a patronage dividend or refund on the basis and in the manner provided in the act under which the Corporation is organized, provided, however, that in no case shall any such patronage dividend or refund be returned, paid or dated to any member who is indebted to the Corporation until such indebtedness is paid or arrangements in respect thereof satisfactory to the Board of Directors shall have been made.

Article XI.

The Corporation may amend, alter, change or repeal any provision contained in these Articles of Incorporation in the manner now or hereafter prescribed by law.

In witness whereof, we hereto subscribe our names
this 15th day of March 1937,

J. Hughes Lewis
E. Ward May
J. L. Skinner

Prueitt Davis
Virgil Barnes

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State of Kentucky)
County of Clark) ss

I, Georgia Thomas, a Notary Public in and for said County and State do hereby certify that this instrument of writing from J. Hughes Evans, E. Ward May, J. S. Skinner, Gerald W. Robinson, Wm. J. Ballard, Prueitt Davis and Virgil Barnes, was this day produced to me by the above parties and was acknowledged by the said J. Hughes Evans, E. Ward May, J. S. Skinner, Gerald W. Robinson, Wm. J. Ballard, Prueitt Davis and Virgil Barnes to be their act and deed.

Given under my hand and seal this 15th day of March, 1938.

My commission expires October 20, 1938.

(Seal)

Georgia Thomas
Notary Public in and for
Clark County, Kentucky

State of Kentucky) st.

I, Charles D. Annett, Secretary of State of the Commonwealth of Kentucky, have examined the within Articles of Incorporation of the Clark Rural Electric Cooperative Corporation and have found same legal and valid. I hereby approve said Articles of Incorporation and I hereby certify that one of the five copies filed with me has been retained by me as Secretary of State of the Commonwealth of Kentucky and recorded in my office in Articles of Incorporation Book, and that I have delivered four copies of these Articles of Incorporation to the Incorporators of this Corporation.

In Witness Whereof, I have hereunto set my hand and affixed my seal.

Done at Knoxville, Kentucky, this March 16th 1938.

Charles D. Annett
Secretary of State
By C. B. Roberts
Chief Corporation Clerk.

Commonwealth of Kentucky
Office of the
Secretary of State
Certificate.

I, Charles W. Burnett, Secretary of State for the Commonwealth of Kentucky, do certify that the foregoing writing has been carefully compared by me with the original record thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of Articles of Incorporation of Clark Rural Electric Cooperative Corporation, filed in this office Nov. 10, 1935.

In Witness Whereof, I have hereunto set my hand and affixed my official seal.

Done at Frankfort this 10th day of March, 1935

Charles W. Burnett
Secretary of State
By Lee P. Adams
Treasurer

(Seal)

March 16, 1935

I, Thomas Cooper, Dean of the College of Agriculture, University of Kentucky, do certify that on this March 16, 1935, there has been filed in my office as Dean of the College of Agriculture, Articles of Incorporation of the Clark Rural Electric Cooperative Corporation and that the foregoing writing is an exact copy of said Articles of Incorporation as the same are on file in my office.

In Witness Whereof, I have hereunto set my hand this 16th day of March, 1935.

Thomas Cooper
Dean, College of Agriculture
University of Kentucky -

State of Kentucky
County of Clark

I, Linnell Johnson, Clerk of the Clark Co. Court, Ky., do certify that the foregoing Articles of Incorporation of Clark Rural Electric Cooperative Corporation, was on the 16th day of March, 1935, produced to me in my office and there to be recorded, whereupon the same and this and the preceding certificates have been recorded in my office.

Witness under my hand this April 16, 1935

Linnell Johnson, Clerk
By James H. Ramsey, J.C.

ORDINANCE NO. 35-2013

AN ORDINANCE CREATING AND ESTABLISHING FOR BID A NON-EXCLUSIVE ELECTRIC FRANCHISE AND PROVIDING FOR THE PLACEMENT OF FACILITIES FOR THE TRANSMISSION, DISTRIBUTION AND SALE OF ELECTRICAL ENERGY WITHIN THE PUBLIC RIGHTS-OF-WAY FOR AN INITIAL PERIOD OF FIVE YEARS WITH UP TO TWO RENEWAL PERIODS OF FIVE YEARS EACH; IN RETURN FOR PAYMENT TO THE URBAN COUNTY GOVERNMENT OF THE SUM OF AT LEAST THREE PERCENT (3%) OF EACH FRANCHISEE'S GROSS ANNUAL REVENUES RECEIVED FROM ELECTRIC SERVICE PROVIDED WITHIN FAYETTE COUNTY, WITH THE ABILITY TO BE RAISED TO FIVE PERCENT (5%); AND FURTHER PROVIDING FOR COMPLIANCE WITH RELEVANT LAWS, REGULATIONS AND STANDARDS; A PERFORMANCE BOND; INDEMNIFICATION; INSURANCE; ACCESS TO PROPERTY AND INSPECTIONS; REPORTING; AUDITS; NOTICE OF FILINGS WITH THE PUBLIC SERVICE COMMISSION; CANCELLATION OR TERMINATION; PENALTIES FOR VIOLATIONS; AND BID REQUIREMENTS; ALL EFFECTIVE ON DATE OF PASSAGE.

Section 1 - There is hereby created a non-exclusive franchise to acquire, lay, maintain and operate in the public streets, alleys, avenues, public roads, highways, sidewalks and other public ways of the Lexington-Fayette Urban County Government, a system or works for the generation, transmission and distribution of electrical energy from points either within or without the corporate limits of this Urban County, to this Urban County and the inhabitants thereof, and from and through this Urban County to persons, corporations and municipalities beyond the limits thereof, and for the sale of same for light, heat, power and other purposes; to erect and maintain poles or other structures, wires and other apparatus necessary for the operation of said system in, upon, over, under, across and along each and all of the streets, avenues, alleys, rights-of-way and public places (not including parks, greenways, and other public areas not traditionally used for public egress) within the present and future corporate limits of this Urban County (the "Rights-of-way"), subject to all the provisions of this Ordinance. This Ordinance does not excuse the franchisee from complying with any and all existing and future local laws and ordinances, as may be amended, including but not limited to the terms and provisions of Chapters 17, 17B, and 17C of the Code of Ordinances, Lexington-Fayette Urban County Government (the "Code"), or the provisions of its zoning ordinance, if applicable, which are incorporated herein by reference, and which shall apply as if fully set forth herein to the extent that there is no express conflict with the terms or provisions of this Ordinance, or a direct conflict with federal or state law. This franchise does not include the right or privilege to provide for the operation of a telephone communication system, including telephone exchange service (as defined by 47 USC Section 153(47)) and exchange access (as defined by 47 USC Sec. 153 (16)), data transmission, cable service (as defined by 47 USC Section 522(6)) or open video service (as defined by 47 USC Section 76.1500(a)), unless such services are used exclusively within the Company and not for revenue.

Section 2 - The person, firm or corporation that shall become the purchaser of said franchise, or any successor or assignee of such person, shall hereinafter be referred to as the "Company". The Lexington-Fayette Urban County Government shall be referred to as "Lexington" or the "Government". The applicable definitions and terminology contained in the provisions of the Code and/or Zoning Ordinance shall apply.

Section 3 - The Company acquiring this franchise shall have the right and privilege of laying, maintaining and operating a system or works for the generation, transmission and distribution of electrical energy for the sale of same for light, heat, power and other purposes, to erect and maintain poles or other structures, wires and other apparatus necessary for the operation of said system in, along and under the Rights-of-way within the corporate boundaries of Lexington as they now exist or may hereafter be extended (referred to herein as the "System" or the "Facilities"); subject to the provisions hereof and to all powers (including police power) inherent in, conferred upon, or reserved to Lexington, including but not limited to those contained in the Code.

Section 4 - The Company shall conform to at least the minimum standards or requirements contained in federal or state law or regulation in the operation of its System pursuant to this franchise. In addition to complying with the requirements contained in federal or state law or regulation, and the Code (as may be amended), the Company agrees that:

(a) All working facilities and conditions used during construction, installation and maintenance of Facilities shall comply with the standards of the Occupational Safety and Health Administration;

(b) It shall construct and operate the system and related Facilities in accordance with all applicable generally accepted related industry codes and standards;

(c) All construction shall be performed in a workmanlike manner, and all materials, equipment, and/or Facilities used or installed shall be in compliance with industry standards. In case of any defect in the work, material or equipment, whether latent or patent, the Company will remedy such defects without cost to Lexington as soon as practicable under the circumstances or s otherwise provided in the Code;

(d) In the construction or reconstruction or maintenance or removal of any of said Facilities, the Company shall have due regard for the rights of Lexington and others, and shall not unduly interfere with, or in any way damage the property of Lexington or others under, on, or above the ground. The Company shall comply with all the laws of the Commonwealth of Kentucky and ordinances of the Government as to placing lights, danger signals or warning signs

and shall be liable for any and all damage that may arise by reason of its failure or neglect to comply with such ordinances and laws. Work by the Company hereunder shall be done in a workmanlike manner and so as not to unnecessarily interfere with public use of the Rights-of-way.

(e) The minimum clearance of wires and cables above the Rights-of-way and the placement of any underground facilities shall conform to accepted good engineering practices or national standards as recognized by the Kentucky Public Service Commission.

Section 5 – The Company shall comply with all of the requirements of the Code (as may be amended), and more specifically, Section 17C-19 of the Code and the provisions of the zoning ordinance, if applicable pertaining to Government construction and/or street projects.

Section 6 – In addition to any performance bond(s) required pursuant to Section 17C-23 of the Code, the Company may be required to provide a performance guarantee for significant projects with construction costs of one hundred thousand (\$100,000.00) or more involving the Rights-of-way. This performance guarantee shall be set in an amount and duration to be determined by the Chief Administrative Officer of Lexington or his or her designee upon discussing and verifying the scope of such a project with the Company, and shall be in favor of the Government to be issued by an entity subject to jurisdiction and venue in Fayette County, Kentucky. In no event shall the total cumulative amount of such performance guarantee exceed two hundred thousand dollars (\$200,000.00) in this Ordinance or by law.

Section 7 – As consideration for the granting of this franchise, the Company agrees it shall defend, indemnify, and hold harmless Lexington consistent with the indemnification and hold harmless provisions as set forth in Section 17C-17 of the Code, or as it may be amended in the future. This obligation to defend, indemnify, and hold harmless does not include defending, indemnifying and holding harmless the Government for its own negligent acts.

Section 8 - The Company shall comply with all applicable federal, state or local non-discrimination and affirmative action requirements of any laws, regulations and executive directives, and shall not discriminate in its employment practices against any employee or applicant for employment because of race, color, religion, national origin, sex, age or physical handicap.

Section 9 - The Company agrees to procure and maintain throughout the term of this franchise and any extension thereof, commercial general liability insurance in the principal amount of at least One Million Dollars (\$1,000,000) per occurrence with a Two Million Dollar (\$2,000,000.00) aggregate, with an insurance company authorized to do business in the Commonwealth of Kentucky with the provision, "it is agreed and understood that the Lexington-

Fayette Urban County Government, its agents, employees, officers and elected officials, as their interests may appear, are additional insureds, in the same manner as if a separate policy had been issued, under the provision of the policies required to be issued during the term of this franchise or as otherwise required by this Ordinance." All insurance policies shall be broad form in nature and shall be through a company with an A.M. Best Rating of "A" or better, admitted to do business in Kentucky, and the contract shall be non-cancelable without at least thirty (30) days advance written notice by registered mail to Lexington from the insurance company and shall provide Lexington with a certificate of insurance evidencing the insurance policy required by this section. The certificate shall state that the insurance policy shall not be canceled, materially changed or non-renewed until after thirty (30) days written notice has been provided to Lexington; however, insurance may be canceled and replaced with a policy that continues to meet or exceed the requirements of this section. The Company may satisfy the insurance requirements and conditions of this section under an equivalent self-insurance plan that is acceptable to Lexington.

Section 10 -- (a) Lexington, through its Mayor or his designee, or through such assistants as Lexington may employ or designate, may, at all reasonable times and under reasonable conditions with prior notice and in compliance with any recognized and appropriate safety standards or guidelines, have access to all or any of the property owned or used in part or in whole by the Company in its operating and maintaining the System under this franchise and located within the Rights-of-way. In like manner, Lexington's above-mentioned officers and assistants may at all reasonable times and under reasonable conditions with prior notice, inspect, and subject to any reasonable confidentiality measures requested by the Company, examine or verify all or any of the accounts, books, records, contracts, documents or papers of the Company relating to gross revenues in Fayette County in order to audit and recompute any amounts determined to be payable under this Ordinance consistent with the provisions of Section 19(b) of this Ordinance. In the event that Lexington determines that it desires an audit of this franchise, the Company agrees to comply with all reasonable requests of Lexington pertaining to obtaining any necessary information or documentation from the Company reasonably necessary to the administration of this franchise and the provisions of Section 19(b) of this Ordinance shall apply if appropriate.

(b) The Company agrees further to furnish the Mayor or his designee timely written notice of its filing an application with the Public Service Commission for an increase in general base rates concurrent with said filing. Should Lexington choose to intervene in such

Commission action, the Company shall not oppose such intervention, and Lexington shall be given access to records related to said application, as required by the Commission.

(c) The Company agrees to provide Lexington and/or its Council with information pertaining to its provision of services pursuant to this franchise upon reasonable request. This shall include, but is not necessarily limited to, attending public meeting(s) at which some or all the Councilmembers are in attendance (in order to provide such information upon reasonable advanced notice) and providing an annual update to the Council upon its request.

Section 11 - (a) The franchise hereby created shall be for an initial period of five (5) years from the date of acceptance by the Urban County Council.

(b) This franchise may be renewed for up to two (2) additional terms not to exceed five (5) years each upon the request of the Company and the approval of the request by the Urban County Council. The request for a renewal shall be made in writing to Lexington's Mayor and Vice-Mayor at least one hundred eighty (180) days, but no earlier than one (1) year, in advance of the termination date of the Company's franchise agreement. The ultimate decision of whether to grant an additional franchise term shall solely be that of the Government.

(c) In addition, the term of the franchise may be extended up to twelve (12) months by agreement of the parties in order to provide for the good faith negotiation of a new franchise.

(d) This franchise is not exclusive, and the Government reserves the right to grant similar franchises to more than one Company. All franchises awarded pursuant to this Ordinance are intended to terminate at the same time. Therefore any Company awarded a franchise pursuant to this Ordinance shall only be awarded a franchise that is equal in duration to the remaining term of the initial franchise(s).

(e) This franchise creates no vested rights in the Company and any installation or emplacement of Facilities by the Company in the Rights-of-way is at the Company's risk. If the Company is not granted a new franchise upon the expiration of the term for which the franchise is granted, or if the Company's franchise is terminated or cancelled, as provided for herein, Lexington shall have the right to require the Company to remove at its own expense all portions of the system from all Rights-of-way within the confines of Fayette County.

(f) No assignment of this franchise or the System subject to this franchise shall take place without at least sixty (60) days advance written to Lexington, and consent by Lexington, which consent shall not be unreasonably withheld. The Company must obtain Public Service Commission approval when necessary and at a minimum the assignee must show that it

has met any and applicable statutory or regulatory standards or requirements pertaining to such an assignment.

(g) The Company shall not object to the Government's intervention and participation in any action before the Public Service Commission involving the transfer of control of the Company.

Section 12 - (a) If, after the Company is provided the opportunity to appear and present evidence before Lexington's Chief Administrative Officer or his designee, Lexington determines that the Company has violated any of the following provisions of this Ordinance, the following penalties shall be recoverable. The above-determination, which must be in writing and provide the basis for the decision, shall be the final administrative decision, which may be appealed to a court of competent jurisdiction.

(1) For failure to commence removal of any pending construction project within thirty (30) days of receiving notice from Lexington that the franchise has expired and will not be renewed, the Company shall forfeit five hundred dollars (\$500.00) per day or part thereof that the violation continues;

(2) For failure to provide data and reports requested by the Government and as required by this Ordinance, the Company shall forfeit one hundred dollars (\$100.00) per day or part thereof that the violation continues;

(3) For failure to pay the franchise fee when due pursuant to Section 18 of this Ordinance, or any itemized bill presented by the Government pursuant to Section 5 of this Ordinance or this section, the Company shall forfeit one hundred dollars (\$100.00) per day or part thereof that the violation continues. However, this provision shall not apply if interest is assessed by the Government pursuant to Section 19(c).

(b) If the Company fails to comply within thirty (30) days of any Council resolution directing compliance with any other provisions of this Ordinance, the Company shall forfeit one hundred dollars (\$100.00) per day or part thereof that the violation continues. The decision of the Council may be appealed to a court of competent jurisdiction.

(c) The Company shall not be excused from complying with any of the terms and conditions of this Ordinance by any failure of Lexington, upon any one or more occasions, to insist upon the Company's performance or to seek the Company's compliance with any one or more of such terms or conditions. Payment of penalties shall not excuse non-performance under this Ordinance. The right of the Government to seek and collect penalties as set forth in

this section is in addition to its right to terminate and cancel as set forth in Section 14 of this Ordinance.

Section 13 – Lexington reserves all rights it might presently have, or which it may hereafter acquire, to regulate the Company's rates and services. The parties acknowledge the ~~current~~ general regulatory authority that the Kentucky Public Service Commission has been provided in this area. The rights of all subscribers are defined by the Customer Bill of Rights, which is contained in the Company's tariffs. The Company will abide by any all Commission orders and/or tariffs pertaining to service and operations in Fayette County. As further consideration for the granting of this franchise, the Company shall work with the Government to improve the identification and replacement or repair of nonfunctioning street lights.

Section 14 - (a) In addition to all other rights and powers pertaining to the Government by virtue of the franchise or otherwise, Lexington, by and through its Council, reserves the right to terminate and cancel any franchise awarded pursuant to this Ordinance and all rights and privileges of the Company hereunder in the event that the Company:

(1) Willfully violates any material provision of the franchise or any material rule, order, or determination of the Government made pursuant to the franchise, except where such violation is without fault or through excusable neglect;

(2) Willfully attempts to evade any material provision of the franchise or practices any fraud or deceit upon the Government;

(3) Knowingly makes a material misrepresentation of any fact in the application, proposal for renewal, or negotiation of the franchise;

(4) Is experiencing a foreclosure or other judicial sale of all or a substantial part of the Company's Facilities located within Fayette County. The Company shall provide the Government at least thirty (30) days advance written notice of such foreclosure or sale;

(5) Is no longer able to provide regular and customary uninterrupted service to its customers in the franchise area.

(b) Prior to attempting to terminate or cancel this franchise pursuant to this section, the Mayor or his designee, or the Urban County Council shall make a written demand that the Company do or comply with any such provision, rule, order or determination. If the violation of Section 14(a) by the Company continues for a period of thirty (30) days following such written demand without written proof that the corrective action has been taken or is being actively and expeditiously pursued, Lexington may place its request for termination of the franchise as early as the next regular Council meeting agenda. Lexington shall cause to be served upon Company, at

least ten (10) days prior to the date of such Council meeting, a written notice of intent to request such termination and the time and place of the meeting, legal notice of which shall be published in accordance with any applicable laws.

(1) It shall be a defense to any attempt to terminate and cancel the franchise that the Company was relying on federal law, state law, or a valid tariff in acting or not acting on the issue in dispute.

(2) The Council shall consider the request of the Government and shall hear any person interested therein, and shall determine in its discretion, whether or not any violation by the Company was with just cause.

(3) If such violation by the Company is found to have been with just cause, the Council shall direct the Company to comply therewith within such time and manner and upon such terms and conditions as are just and reasonable.

(4) If the Council determines such violation by the Company was without just cause, then the Council may, by resolution, declare that the franchise of the Company shall be terminated and forfeited unless there is compliance by the Company within such period as the Council may fix.

Section 15 – The Council shall have the right to cancel this franchise thirty (30) days after the appointment of a receiver, or trustee, to take over and conduct the business of the Company, whether in receivership, reorganization, bankruptcy, or other action or proceeding, unless such receivership or trusteeship shall have been vacated prior to the expiration of said thirty (30) days, unless:

(a) Within thirty (30) days after his election of appointment, such receiver or trustee shall have fully complied with all the provisions of this Ordinance and remedied all defaults thereunder; and,

(b) Such receiver or trustee, within said thirty (30) days shall have executed an agreement, duly approved by the court having jurisdiction in the premises, whereby such receiver or trustee assumes and agrees to be bound by each and every provision of this Ordinance and the franchise granted to the Company.

Section 16 - It shall be the duty of the Mayor or his designee as soon as practicable after the passage of this Ordinance to offer for sale at public auction said franchise and privilege. In the event that additional interested bidders are identified or express an interest in obtaining a franchise after this initial offering, the additional offering and advertisement to accommodate such bidders is hereby authorized where not precluded by law. Said franchise and privilege shall be

sold to the highest and best bidder or bidders at a time and place fixed by the Mayor after he or she has given due notice thereof by publication or advertisement as required by law.

Section 17 – Bids and proposals for the purchase and acquisition of the franchise and privileges hereby created shall be in writing and shall be delivered to the Mayor or his designee upon the date and at the time fixed by him or her in said publication or advertisement for receiving same. Thereafter, the Mayor shall report and submit to the Urban County Council, at the time of its next regular meeting or as soon as practicable thereafter, said bids and proposals for its approval. The Urban County Council reserves the right, for and on behalf of the Government, to reject any and all bids for said franchise and privileges; and, in case the bids reported by the Mayor shall be rejected by the Urban County Council, it may direct, by resolution or ordinance, said franchise and privilege to be again offered for sale, from time to time, until a satisfactory bid therefore shall be received and approved.

(a) Each bid shall be accompanied by a non-refundable payment to Lexington in the amount of five hundred dollars (\$500.00) to cover its cost of advertising and other administrative expenses incurred.

(b) In addition, any bid submitted by an entity or person not already owning within the territorial limits of Fayette County a plant, equipment, and/or Facilities sufficient to render the service required by this Ordinance must be accompanied by cash or a certified check drawn on a bank of the Commonwealth of Kentucky, or a national bank, equal to five percent (5%) of the fair estimated cost of the system required to render the service, which check or cash shall be forfeited to the Government in case the bid should be accepted and the bidder should fail, for thirty (30) days after the confirmation of the sale, to pay the price and to give a good and sufficient bond in a sum equal to one-fourth (1/4) of the fair estimated cost of the system to be erected, conditioned that it shall be enforceable in case the purchaser should fail, within sixty (60) days, to establish and begin rendering the service in the manner set forth in this Ordinance. Bids shall include such documentation as is necessary to support the bidder's determination of the fair estimated cost of the system required to render the service. Lexington reserves the right to review any of bidder's supporting documentation which justifies bidder's determination of said estimated cost.

Section 18 - (a) In consideration for the granting of the franchise the Company agrees to pay the franchise fee as provided herein, which shall automatically be established in an amount of three percent (3%) of the gross annual revenues received by the Company within Fayette County including any fees charged directly to customers related to the receipt of services, unless

Lexington establishes the franchise fee in a different amount pursuant to this section. Lexington reserves the right at any time during the effective period of the franchise to be awarded hereby to impose upon the Company a franchise fee in an amount not to exceed five percent (5%), inclusive of the permitting fees provided in subsection 18(f), below, of the gross annual revenues received by the Company from electric service provided by the Company within Fayette County including any fees charged directly to customers related to the receipt of services. The Company may choose to assess the permitting fees provided in subsection 18(f), below, in addition to and as a part of the franchise fee amount. The term gross annual revenues is intended to include revenue received from customers within Fayette County supplied under residential, commercial, industrial, public street and highway lighting, and other public authorities classifications. At a minimum, the franchise fee is intended to apply to gross revenues related to those services which include the franchise fee as part of the tariff filed with the Public Service Commission as of the date of the adoption of this Ordinance, and the Company expressly agrees that it will continue to pay franchise fees on the gross revenues derived from these services for the duration of this franchise with the exception of those public street lights for which Lexington is the customer. The Company further agrees to include the franchise fee tariff on any revised or additional tariffs for services in Fayette County unless Lexington specifically indicates that it does not want the fee to apply. The Company agrees that the franchise fee shall not be applied to those public street lights for which Lexington is the customer subject to any required approval by the Kentucky Public Service Commission. No later than ten (10) working days after final acceptance of its bid by Lexington, or any subsequent notification of any change in the amount of the fees in this Section 18, the Company shall make any necessary filings with the Kentucky Public Service Commission to provide for prompt and satisfactory cost recovery of the amount(s) payable under this Ordinance and any franchise awarded pursuant to its terms for any amounts for which it desires recovery. In the event that a new or modified tariff or special contract is necessary to comply with the franchise or to seek cost recovery, such filing shall be made within forty-five (45) days. The Company shall provide Lexington with copies of any filings it makes with the Kentucky Public Service Commission related to the franchise in order to satisfy the obligations created herein. The Company is otherwise required to continue submitting payments to the Government under the terms of its existing tariff(s) and/or franchise until such time as any necessary approvals are obtained.

(b) As further consideration for the granting of this franchise, the Company shall work with the Government to provide of redundant power feeds/lines sufficient to meet

operational needs from separate power substations to all Government facilities housing security, communications, and or information technology services in accordance with any applicable tariff.

(c) As further consideration for the granting of this franchise, the Company shall permit the Government to utilize its pole, conduit, or raceway space at no charge when such space is vacant or available for public safety or governmental purposes. If such space is not available, then the Company shall make such space available on the most favorable terms extended to any other customer. This provision shall not supersede any existing or future agreement that the Government has with the Company pertaining to the use of the Company's space.

(d) If, after a period of sixty (60) days from the filing of Company's application or tariff, the Kentucky Public Service Commission has made no final determination concerning the prompt and satisfactory recovery of amounts payable under this Section by the Company, then the Company's obligation to pay the amount specified in Section 18(a) shall be suspended, provided the Company shall first give the Government ten (10) days written notice of its intention to suspend payment pending the decision of the said Commission. In the event of suspension of the Company's obligation as herein provided, the Government shall have the option to terminate this franchise within thirty (30) days of receipt of said written notification from the Company. Notwithstanding the above, any Company that had a previously existing franchise with Lexington shall continue to pay the fees established pursuant to its previous franchise.

(e) In the event the sale of electricity is deregulated within the Commonwealth of Kentucky, and deregulation results in a material shortfall of revenue to Lexington, Lexington shall have the option of terminating the franchise agreement with the Company. If the franchise agreement is terminated by Lexington pursuant to this provision, Lexington and the Company shall have a duty to negotiate in good faith with respect to offering a mutually acceptable franchise agreement to the Company.

(f) In addition to the franchise fees in Section 18(a), the Company is also required to pay Lexington an additional amount intended to adequately compensate Lexington for its permitting and inspection of the Company's construction activities in the Rights-of-way pursuant to Section 17C-22 of the Code. This amount is to be paid separately to Lexington at the time and under the terms as set forth in Chapter 17C of the Code. The Company may seek tariff approval from the Kentucky Public Service Commission for the recovery of such payments as set forth in Section 18(a). Notwithstanding the foregoing, the Company may elect to pay for its permit fees upon application for each respective permit upon approval of the person specified in Chapter

17C of the Code. These permitting fees are subject to change during the term of the franchise based upon an audit of the actual cost of permitting for the Government or a change in the amount of the respective permitting fees found in Section 17C-22 of the Code. In the event of such a change, the Company shall be provided at least sixty (60) days advance written notice.

(g) To the extent the Company actually incurs other reasonable incremental costs in connection with its compliance with Lexington's ordinances; Lexington agrees that the Company may recover such amounts from its customers pursuant to the terms of a tariff filed and approved by the Kentucky Public Service Commission, if otherwise permitted by law.

Section 19 - (a) Payment of any amount due under this Ordinance shall be made on a monthly basis within thirty (30) days of the end of the preceding calendar month. Upon request, Company shall deposit such payments electronically to an account specified by Lexington. In the event of suspension of the Company's obligation pursuant to Section 18(b) herein, said suspension shall not have application to any amount due hereunder for the preceding calendar month, and the gross income received by the Company during any such suspension period shall be excluded from the Company's annual gross revenues for the purpose of calculating amounts due under Section 18(a) herein.

(b) No acceptance of any franchise fee payment by Lexington shall be construed as an accord and satisfaction that the amount paid is in fact the correct amount nor shall acceptance be deemed a release to any claim Lexington may have for future or additional sums pursuant to this Ordinance. Lexington shall have the right to inspect the Company's income, financial, and records relating to gross revenues in order to audit, and to re-compute any amounts determined to be payable under this Ordinance. The Company shall respond to a reasonable request for information related to obtaining audit information within ten (10) business days unless agreed otherwise by the parties. This provision shall survive the term of any franchise agreement awarded pursuant to this Ordinance for a period of one (1) year. Any additional amount due to Lexington as a result of the audit shall be paid within thirty (30) days following written notice to the Company by Lexington which notice shall include a copy of the audit report. If as a result of such audit or review Lexington determines that the Company has underpaid its franchise fee by five percent (5%) or more for any six (6) month period then in addition to making full payment of the relevant obligation it shall reimburse Lexington for all of the reasonable costs associated with the audit or review. If such audit or review is performed in connection with the granting of a new franchise, and extension of the terms of this franchise, a sale or transfer of control of the Company, or a substantive modification of the terms to, or an

assignment of this franchise, the Company shall reimburse Lexington for all of the reasonable costs associated with the audit or review including all out-of-pocket costs for attorneys, accountants and other consultants.

(c) In the event that any franchise payment or recomputed amount is not made on or before the applicable dates heretofore specified, interest shall be charged from such date at the annual rate of eight percent (8%). Overpayments discovered by the Government or the Company shall be an adjustment on the next monthly payment without interest.

(d) With respect to its billing of Lexington, Company agrees to work with Lexington toward the provision of electronic billing and information regarding energy consumption, and shall timely provide an explanation of any and all billing adjustments or credits including the account(s) impacted and any and all late payments upon reasonable request.

Section 20 – Bids offered for purchase of this franchise shall state the bidder's acceptance of the conditions set forth in this Ordinance. If any bid shall include an offer of payment over and above the terms of the franchise, then a certified check for said amount, payable to the Lexington-Fayette Urban County Government, shall be deposited with the Government. This amount shall be in addition to the provision for payments contained in Sections 18 and 19, which shall be considered as a condition of this franchise. Any check deposited by an unsuccessful bidder shall be returned when the Urban County Council shall have accepted the bid or bids, which in its judgment is or are the highest and best.

Section 21 – Any violation by the Company, its vendee, Lessee, or successor of the material provisions of this franchise or any material portions thereof, or the failure promptly to perform any of the provisions thereof, shall be cause for the forfeiture of this franchise and all rights hereunder after written notice to the Company and continuation of such violations, failure or default, as set forth in Section 14.

Section 22 - The Company shall have the authority to trim trees that are located within or overhang the Rights-of-way so as to prevent the branches of such trees from coming in contact with the wires, cables, or other Facilities of the Company. Any trimming, removal or other disturbance of trees shall conform to all lawful ordinances, requirements and directives of the Government, including but not limited to the Government's Street Tree Ordinance (Chapter 17B of the Code of Ordinances), and the Company shall make available upon reasonable request of Lexington, information regarding its tree trimming practices. In the event that the Company fails to timely and sufficiently respond to a legitimate and reasonable complaint regarding its failure to trim such trees, and such complaint is made known to Lexington, Lexington [shall contact the

Company with respect to such matter and attempt to reach a satisfactory result. Notwithstanding the foregoing, this provision in no way limits any existing or future lawful rights that Lexington may have with respect to such trees.

Section 23 – This Ordinance and any franchise awarded pursuant to it shall be governed by the laws of the Commonwealth of Kentucky, both as to interpretation and performance. The venue for any litigation related to this Ordinance or a franchise shall be in a court of competent jurisdiction in Fayette County, Kentucky.

Section 24 - This Ordinance and any franchise awarded pursuant to it does not create a contractual relationship with or right of action in favor of a third party against either Lexington or the Company.

Section 25 - If any section, sentence, clause or phrase of the Ordinance is held unconstitutional or otherwise invalid, such infirmity shall not affect the validity of the remaining Ordinance.

Section 26 - The franchise created by this Ordinance shall become effective when the Urban County Council accepts the bid(s) for it.

Section 27 - This Ordinance shall become effective on the date of its passage.

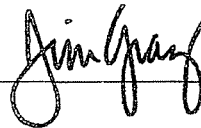
PASSED URBAN COUNTY COUNCIL: March 21, 2013

ATTEST:



CLERK OF URBAN COUNTY COUNCIL

MAYOR



PUBLISHED: March 26, 2013 -1t
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