

**AMENDMENT NO. 3 TO
SPECIAL AGREEMENT FOR ELECTRIC SERVICE**

THIS CONTRACT AMENDMENT, dated January 7 , 1996, by and among EAST KENTUCKY POWER COOPERATIVE, INC., hereinafter referred to as "EKPC", OWEN ELECTRIC COOPERATIVE, hereinafter referred to as "OEC" and STEEL COMPANY, hereinafter referred to as "Gallatin Steel".

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WITNESSETH:

APR 20 1997

WHEREAS, The Parties have entered into the Special Agreement for Electric Service dated October 27, 1994, as previously amended on January 30, 1995 and February 1995 (the "Special Agreement"); and

PURSUANT TO 807 KAR 5.011,
SECTION 9 (1)

BY P. J. Lammie
REGULATORY RATES & RESEARCH DIV.

WHEREAS, The purposes of the interruptible provision in the Special Agreement are to allow EKPC to reduce its demand as quickly as possible during emergency conditions and qualify the ten minute interruptible demand as operating reserves under East Central Area Reliability Council criteria;

WHEREAS, The Parties wish to amend the Special Agreement in order to incorporate changes which will ensure that Gallatin Steel reduces its interruptible demand to fulfill the intent of the contract;

NOW, THEREFORE, the Parties hereto agree, effective as of Apr 19 1996, to amend the Special Agreement as follows:

1. Section 3.D. of the Special Agreement is amended to insert the following new paragraph before the existing first paragraph:

Gallatin Steel shall be considered to have failed to interrupt if the average demand for either, 1) the first five minutes of the interruption period, 2) the remainder of the hour after the interruption period commences, or 3) any subsequent hour of the interruption period, exceeds the maximum load defined in Section 3.B.2)(d) by more than 1 MW.

2. The original first paragraph of section 3.D. of the Special Agreement, now paragraph 2 of that section, is hereby replaced and amended to read as follows:

Should Gallatin Steel not interrupt service when or to the extent called for, Gallatin Steel shall pay a penalty of five (5) times the firm power service rate then in effect multiplied by the highest excess kW demand calculated in the preceding paragraph of this Section 3.D. and, in addition, if by

virtue of Gallatin Steel's demonstrated inability to interrupt service, EKPC may reclassify Gallatin Steel's load as described in Section 3.B. for a minimum of twelve (12) months until Gallatin Steel can establish that the load should be classified otherwise.

All other terms and conditions of the Special Agreement, as previously amended, which are not affected by this Amendment, shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed by their duly authorized representatives on the day and year first above written.

EAST KENTUCKY POWER COOPERATIVE, INC.

By Roy M. Palk
Roy Palk
President & CEO

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APR 20 1997

GALLATIN STEEL COMPANY

By John Holditch
John Holditch
President

PURSUANT TO 807 KAR 5.011,
SECTION 9 (1)

BY: Phillip Lammie
DIRECTOR, RATES & RESEARCH DIV.

OWEN ELECTRIC COOPERATIVE

By Frank Downing
Frank Downing
President & CEO

The proposed amendment more clearly defines the interruption requirement and insures that this interruptible load will meet NERC requirements for operating reserves. Interruptible loads must be interrupted in 10 minutes to qualify as operating reserves. The present agreement only requires that the average load, during the portion of the hour for which the load is interrupted, be at or below the "not to exceed" load allowed by the interruption. The proposed amendment, in addition, requires that the average load for the first five minutes of the interruption be at or below the "not to exceed" load allowed by the interruption.

Whenever an interruption is necessary, East Kentucky Power Cooperative, Inc. ("EKPC") communicates with Gallatin Steel Company ("GSC") by telephone, informs them of the interruption, and gives GSC a "not to exceed" MW amount. For example, suppose that 20 minutes after the hour, EKPC requests an interruption by GSC. Furthermore, EKPC requests that GSC's total load be no more than 40 MW during the interruption. At 30 minutes past the hour the interruption starts. EKPC would expect GSC to immediately reduce its load to 40 MW. Under the existing agreement, however, with 30 minutes remaining in the hour GSC could operate its plant for 15 minutes at 70 MW and the last 15 minutes of the hour at 10 MW. The average for the 30 minute period would be 40 MW but EKPC's intent was not met. EKPC and GSC personnel met several times to discuss this and jointly agreed on a method to meet EKPC's intent. The results of the joint effort are represented in the proposed contract amendment.

Tables 2 through 4 and Figure 1 represent three examples of interruptions during various times within the hour. The examples illustrate the speed with which GSC must now respond to an interruption. Table 1 below summarizes the three examples.

**Table 1
Summary Of Examples**

Example	Table No.	Not To Exceed (MW)	Interruption Begins At Minute	MWh 5 Minutes Into Interruption	MWh At Hour's End
1	2	40	30	52	69
2	3	40	50	100	104
3	4	40	10	16	46

**Note that in each example, had GSC not been interrupted, its MWh at hour's end would have been 111.*

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APR 20 1997

PURSUANT TO 807 KAR 5:011,
SECTION 9(1)

BY: *Phyllis Fanning*
DIRECTOR, RATES & RESEARCH DIV.

Table 2
Interruption Beginning 30 Minutes Into The Hour

Minute Ending	Typical Uninterrupted Load Pattern (MWh)	Interrupted Load Pattern "Not To Exceed" 40 MW Starts At 30 Minutes Past (MWh)	
1	0		
2	5		
3	8		
4	8		
5	8		
6	8		
7	8		
8	8		
9	10		
10	13		
11	14		
12	18		
13	20		
14	20		
15	25		
16	28		
17	33		
18	38		
19	39		
20	43		GSC Notified
21	45		
22	45		
23	45		
24	45		
25	45		
26	49		
27	49		
28	49		
29	49		
30	50		Interruption Begins
31	50	50	
32	50	51	
33	55	51	
34	55	52	5 Minutes Into Interruption
35	58	53	
36	61	53	

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APR 20 1997

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)

BY: Phillip Lammie
DIRECTOR, RATES & RESEARCH DIV.

Table 2
Interruption Beginning 30 Minutes Into The Hour

Minute Ending	Typical Uninterrupted Load Pattern (MWh)	Interrupted Load Pattern "Not To Exceed" 40 MW Starts At 30 Minutes Past (MWh)	
37	65	54	
38	66	55	
39	70	55	
40	73	56	
41	77	57	
42	78	57	
43	78	58	
44	80	59	
45	81	59	
46	84	60	
47	87	61	
48	89	61	
49	92	62	
50	97	63	
51	98	63	
52	102	64	
53	106	65	
54	109	65	
55	111	66	
56	111	67	
57	111	67	
58	111	68	
59	111	69	
60	111	69	Total MWh

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APR 20 1997

PURSUANT TO 807 KAR 5.011,
SECTION 9 (1)

BY: Phillip Lammie
DIRECTOR, RATES & RESEARCH DIV.

Table 3
Interruption 50 Minutes Into The Hour

Minute Ending	Typical Uninterrupted Load Pattern (MWh)	Interrupted Load Pattern "Not To Exceed" 40 MW Starts At 50 Minutes Past (MWh)
1	0	
2	5	
3	8	
4	8	
5	8	
6	8	
7	8	
8	8	
9	10	
10	13	
11	14	
12	18	
13	20	
14	20	
15	25	
16	28	
17	33	
18	38	
19	39	
20	43	
21	45	
22	45	
23	45	
24	45	
25	45	
26	49	
27	49	
28	49	
29	49	
30	50	
31	50	
32	50	
33	55	
34	55	
35	58	

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APR 20 1997

PURSUANT TO 807 KAR 5.011,
SECTION 9 (1)

BY: Phillip Lammie
DIRECTOR, RATES & RESEARCH DIV.

Table 3
Interruption 50 Minutes Into The Hour

Minute Ending	Typical Uninterrupted Load Pattern (MWh)	Interrupted Load Pattern "Not To Exceed" 40 MW Starts At 50 Minutes Past (MWh)	
36	61		
37	65		
38	66		
39	70		
40	73		GSC Notified
41	77		
42	78		
43	78		
44	80		
45	81		
46	84		
47	87		
48	89		
49	92		
50	97		PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE APR 20 1997 PURSUANT TO 807 KAR 5011, SECTION 9 (1) BY: <i>Phillip Lammie</i> DIRECTOR OF PUBLIC UTILITIES
51	98	98	Interruption Begins
52	102	99	
53	106	100	
54	109	100	5 Minutes Into Interruption
55	111	101	
56	111	102	
57	111	102	
58	111	103	
59	111	104	
60	111	104	Total MWh

Table 4
Interruption At 10 Minutes Into The Hour

Minute Ending	Typical Uninterrupted Load Pattern (MWh)	Interrupted Load Pattern "Not To Exceed" 40 MW Starts At 10 Minutes Past (MWh)	
60			GSC Notified
1	0		
2	5		
3	8		
4	8		
5	8		
6	8		
7	8		
8	8		
9	10		
10	13		Interruption Begins
11	14	14	
12	18	14	
13	20	15	
14	20	16	5 Minutes Into Interruption
15	25	16	
16	28	17	
17	33	18	
18	38	18	
19	39	19	
20	43	20	
21	45	20	
22	45	21	
23	45	22	
24	45	22	
25	45	23	
26	49	24	
27	49	24	
28	49	25	
29	49	26	
30	50	26	
31	50	27	
32	50	28	
33	55	28	
34	55	29	
35	58	30	
36	61	30	
37	65	31	

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

APR 20 1997

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)

BY: Phyllis Fannin
DIRECTOR, RATES & RESEARCH DIV.

Table 4
Interruption At 10 Minutes Into The Hour

Minute Ending	Typical Uninterrupted Load Pattern (MWh)	Interrupted Load Pattern "Not To Exceed" 40 MW Starts At 10 Minutes Past (MWh)
38	66	32
39	70	32
40	73	33
41	77	34
42	78	34
43	78	35
44	80	36
45	81	36
46	84	37
47	87	38
48	89	38
49	92	39
50	97	40
51	98	40
52	102	41
53	106	42
54	109	42
55	111	43
56	111	44
57	111	44
58	111	45
59	111	46
60	111	46
		Total MWh

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

APR 20 1997

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)

BY: Phyllis Lannis
DIRECTOR, RATES & RESEARCH

**Figure 1
Summary Graph**

