

J. WADE HENDRICKS

DIRECT DIAL 502-560-4227
DIRECT FAX 502-627-8727

whendricks@ogdenlaw.com

1700 PNC PLAZA
500 WEST JEFFERSON STREET
LOUISVILLE, KENTUCKY 40202-2874
(502) 582-1601
FAX (502) 581-9564
www.ogdenlaw.com

October 1, 2004

Via: Hand Delivery

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OCT 01 2004

Elizabeth O'Donnell
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40602

Case 2004-00396

PUBLIC SERVICE
COMMISSION

Re: Application of Louisville Gas and Electric Company

Dear Ms. O'Donnell:

Enclosed for filing please find the original and ten copies of the Application of Louisville Gas and Electric Company for an Order Pursuant to KRS 278.300 and for Approval of Long-Term Purchase Contract. Also enclosed are an original and ten copies of a Motion for Deviation from Commission Rules

An extra copy of the Application and the Motion are also enclosed to be file stamped and returned to the undersigned.

The enclosed Application concerns Louisville Gas and Electric Company's entrance into an extension of the current Inter-Company Power Agreement between the Ohio Valley Electric Corporation, and its various owners or sponsors, including Louisville Gas and Electric Company, and is filed for approval pursuant to the Commission's October 25, 1993 Order in Administrative Case No. 350 (In the Matter of: The Consideration and Determination of the Appropriateness of Implementing a Rate Making Standard Pertaining to the Purchase of Long-Term Wholesale Power by Electric Utilities as Required in Section 712 of the Energy Policy Act of 1992).

The Application is also being tendered pursuant to KRS 278.300, based upon language in the Commission's Order in Administrative Case No. 350 stating that such contracts may constitute evidences of indebtedness if they contain minimum payment obligations or take/pay provisions.

The applicability of KRS 278.300 was previously discussed with Commission Staff on September 9, 2004. At that time, Staff expressed the belief that the agreement probably would require the Commission's approval pursuant to KRS 278.300. However, we have since recognized an additional issue that was not raised earlier that could affect the applicability of that Section. KRS 278.300(10) provides an exception to the Commission's general jurisdiction under KRS 278.300:

Elizabeth O'Donnell
Public Service Commission of Kentucky
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This Section [KRS 278.300] does not apply in any instance when the issuance of securities or evidences of indebtedness is subject to the supervision or control of the federal government or any agency thereof, but the Commission may appear as a party to any proceeding filed or pending before any federal agency if the issuance of the securities or evidences of indebtedness will materially affect any utility over which the Commission has jurisdiction.

We understand that since the mid 1980's, the Commission has taken the position that KRS 278.300(10) excludes from its jurisdiction any loans from the Rural Utilities Service, or its predecessor the Rural Electrification Administration. See Case No. 7990 (Application of Big Rivers Electric Corporation), Order of March 27, 1984; Case No. 2002-00351 (Application of Bluegrass Energy Cooperative Corporation for Approval to Execute New Promissory Notes and Other Loan Documents), Order of February 20, 2003.

The Inter-Company Power Agreement ("ICPA") is a wholesale contract subject to the Federal Energy Regulatory Commission's jurisdiction pursuant to 16 USC Section 824, and was filed with FERC on July 16, 2004. Like RUS, FERC is a federal agency. Unlike RUS, which is simply a lender, FERC is a regulatory agency, with exclusive jurisdiction over the rates and terms of wholesale power contracts, including, we believe, such terms as the demand payment and minimum loading provisions contained in the ICPA. Based upon this, we believe that the ICPA "is subject to the supervision or control of the federal government or any agency thereof," and thus falls within the exception setout in KRS 278.300(10). However, because of time constraints and the numerous regulatory and other actions that must be undertaken by OVEC and its sponsors, we are filing the enclosed Application rather than raising this issue separately.

Please do not hesitate to contact me if you need additional information.

Very truly yours,



J. Wade Hendricks

JWH/cjg
Enclosures

cc: Robert A. Amato
Richard Raff, Esq.
Elizabeth E. Blackford, Esq.
Mike Beer, Esq.
Kent Blake
Charlie Freibert
Steve Phillips, Esq.
Roger Hickman
Elliott Horne

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

OCT 01 2004

In the Matter of:

PUBLIC SERVICE
COMMISSION

THE APPLICATION OF LOUISVILLE)
GAS & ELECTRIC COMPANY FOR AN)
ORDER PURSUANT TO KRS 278.300)
AND FOR APPROVAL OF LONG-TERM)
PURCHASE CONTRACT)

CASE NO. 2004-00396

APPLICATION

Louisville Gas and Electric Company (“LG&E” or the “Company”) hereby requests that the Kentucky Public Service Commission (“Commission”) issue an order approving LG&E’s entrance into that certain Amended and Restated Inter-Company Power Agreement dated as of March 13, 2006, as more fully described herein, and grant LG&E any necessary authorization that may be required under KRS 278.300. In support of this Application, LG&E states as follows:

1. The Company’s full name is Louisville Gas and Electric Company. The post office address of the Company is 220 West Main Street, Louisville, Kentucky 40202. LG&E is a Kentucky corporation, a utility as defined by KRS 278.010(3)(a) and (b) and provides retail electric service to approximately 382,000 customers and retail gas service to approximately 310,000 customers in seventeen counties in Kentucky. A description of LG&E’s properties is set out in Exhibit 1 to this Application. A certified copy of the Company’s Articles of Incorporation was filed with the Commission in Case No. 2001-104 (The Joint Application of E.ON AG, Powergen plc, LG&E Energy Corp., Louisville Gas and Electric Company, and Kentucky Utilities Company for Approval of an Acquisition) and a certified copy of subsequent amendments to the Company’s Articles of Incorporation was filed with the Commission in Case

No. 2003-00433 (In the Matter of: An Adjustment of the Gas and Electric Rates, Terms and Conditions of Louisville Gas and Electric Company) and both are incorporated herein.

2. This Application relates to the extension of the current Inter-Company Power Agreement (the “Current ICPA”) a wholesale power contract between Ohio Valley Electric Corporation (“OVEC”), and its various owners or their affiliates, including Louisville Gas and Electric Company (“LG&E”). Exhibit 2 to this Application is a copy of the Amended and Restated Inter-Company Power Agreement, dated as of March 13, 2006 (the “Amended ICPA”), which provides for the extension of the Current ICPA.¹ The Amended ICPA is subject to the jurisdiction of the Federal Energy Regulatory Commission (“FERC”) under the Federal Power Act, and was filed with FERC on July 16, 2004. A copy of the FERC filing was provided to the Commission as part of the FERC filing on July 16, 2004.

3. OVEC was formed in the early 1950s by LG&E and several other holding companies and utilities located in the Ohio Valley region in response to the request of the United States Atomic Energy Commission (“AEC”) to supply the electric power and energy needs of the AEC’s planned uranium enrichment plant in Pike County, Ohio. Accordingly, OVEC together with its wholly owned subsidiary Indiana-Kentucky Electric Company (“IKEC”)² built two coal-fired generating stations (with a total capacity of approximately 2,365 MW) and entered into a long-term power agreement (the “DOE Power Agreement”) with the United States of America, currently acting by and through the AEC’s successor, the Secretary of Energy, the statutory head of the United States Department of Energy (“DOE”). The DOE Power Agreement gave DOE the right to essentially all of the capacity of OVEC’s generating facilities.

¹ LG&E’s sister utility within the E.ON AG holding company system, Kentucky Utilities Company, is also a party to the Amended ICPA, and is concurrently filing a similar Application with the Commission.

² For convenience, OVEC and IKEC are referred to collectively as OVEC, although IKEC is not a party to the Amended ICPA.

4. To support the DOE Power Agreement, OVEC and its owners or their affiliates, including LG&E (collectively the “Sponsors” and individually a “Sponsor”) entered into the Current ICPA, a 50-year power supply agreement, dated as of July 10, 1953.³ The Current ICPA grants each Sponsor the right to purchase “surplus power” and energy not required by DOE in proportion to the Sponsor’s specified “Power Participation Ratio” or “PPR.” DOE, after agreeing to several releases to the Sponsors of its contractual right to power and energy, ultimately elected to terminate the DOE Power Agreement as of April 30, 2003. As a result, all of OVEC’s generation capacity has become “surplus” and each of the Sponsors, including LG&E, has access to its PPR share of OVEC’s relatively low cost generation.

5. The term of the Current ICPA will expire on March 12, 2006. The Sponsors’ only right to OVEC’s generation is by virtue of the Current ICPA. To ensure the continued availability of OVEC’s generation to the Sponsors, OVEC and its Sponsors have entered into the Amended ICPA, which extends the term of the Current ICPA for an additional 20 years to March 13, 2026.⁴ The effectiveness of the Amended ICPA is expressly contingent upon the receipt of all necessary regulatory consents or approvals.

6. The Amended ICPA contains a demand charge (set forth in Section 5.03 of the Amended ICPA). The monthly demand charge permits OVEC to recover its total cost of owning, financing, operating, and maintaining its generation and transmission facilities. Each Sponsor is required to pay its portion, based on its PPR share, of demand charges, regardless of the amount of energy such Sponsor purchases from OVEC during any given month. In addition,

³ The 50-year term runs from the date that all of OVEC’s generating units were placed in commercial operation, not from the date of the Current ICPA.

⁴ In addition, the Amended ICPA will permit the establishment of written procedures for scheduling power and energy purchases, adds “minimum loading” provisions discussed in paragraph 6, calculates energy charges solely based on OVEC’s fuel costs (rather than in part from the Sponsors’ average fuel costs as in the Current ICPA), specifies each Sponsor’s PPR, and provides for decommissioning and other termination payments and modernizes various provisions by eliminating references to the terminated DOE Power Agreement and updating FERC account and other references.

demand charges may be payable in the event of an early termination of the Amended ICPA. This arrangement is typical of negotiated power sales agreements, which often contain a demand charge or other component intended to permit recovery of the seller's fixed and variable costs.

The Amended ICPA also contains "minimum loading" provisions (set forth in Section 5.05 of the Amended ICPA), requiring each Sponsor to either schedule delivery of its portion of OVEC's "total minimum generating output" or pay for any increased costs caused by failure to schedule and take its minimum output. These provisions are intended to improve the economic dispatch of OVEC's generation and to assign the costs resulting from the failure of a Sponsor to schedule its minimum portion of such generation (such as additional maintenance costs associated with frequent ramping up and down of generating units, and operation of units below minimum output levels for coal-fired generation). These costs are assigned directly to the responsible Sponsor, rather than spread among all Sponsors. "Minimal loading" provisions are similar to provisions found in comparable arrangements involving joint ownership of generating facilities, and serve to improve dispatch and properly assign operating costs.

7. Because of the relatively low cost of the OVEC generation, LG&E utilizes the majority of the energy available from OVEC, particularly during peak periods, but on occasion does not use the full capacity available off peak due to seasonal SCR operations and the availability of LG&E economical generation.

8. The Amended ICPA will permit LG&E to continue its existing, beneficial relationship with OVEC, which has been in place for more than 50 years. LG&E will continue to receive its share of OVEC's generation in exchange for payment of OVEC's relatively low costs. In addition, LG&E has not and will not act as a guarantor for OVEC's debt or other securities nor will LG&E issue any securities or other evidence of indebtedness for the purpose

of financing its participation in the Amended ICPA. However, it is anticipated that the Amended ICPA could be used by OVEC to support its financing.

9. In Administrative Case No. 350 (In the Matter of: The Consideration and Determination of the Appropriateness of Implementing a Rate Making Standard Pertaining to the Purchase of Long-Term Wholesale Power by Electric Utilities as Required in Section 712 of the Energy Policy Act of 1992), the Commission encouraged, but declined to require, utilities to file long-term power purchase contracts for pre-approval.

10. In Administrative Case No. 350, the Commission also stated that:

[T]hese Contracts [Purchase Power Contracts] may well require prior approval under KRS 278.300 if they constitute evidence of indebtedness. In particular, the inclusion in such Contracts of minimum payment obligations or take/pay provisions may necessitate prior approval.

Order of October 5, 1993.

As discussed in Paragraph 6, the Amended ICPA contains a firm demand charge and minimum loading provisions. LG&E believes it is possible that, based on these provisions, the Commission might assert that approval under KRS 278.300 is required.

11. Other than the Amended ICPA, which is expressly contingent upon receiving all necessary regulatory approvals, no contracts have been made with respect to the matters herein. Exhibit 4 to this Application contains the financial exhibit required by 807 KAR5:001, Section 11(2)(a) as described by 807 KAR5:001, Section 6. It also contains information required by 807 KAR5:001, Section 11(2)(b), although LG&E notes that its Indenture of Mortgage or Deed of Trust will not be involved in the transaction described herein.

12. Other requirements of the Commission's regulations are inapplicable. The Company proposes to enter into a power supply contract, not to issue notes, bonds or similar evidence of indebtedness. Thus, there are no stock, notes or bonds, or uses of the proceeds from

same to discuss, (807 KAR5:001, Section 11(1)(b) and (c)), and no property is being acquired, constructed, improved or extended, (807 KAR5:001, Section 11(1)(d) and 11(2)(c)). Likewise, no obligations are being discharged or refunded, (807 KAR5:001, Section (1)(e)).

13. Because numerous regulatory and other actions must be undertaken and coordinated by OVEC and the Sponsors, LG&E requests that the Commission consider this Application as expeditiously as possible.

WHEREFORE, Louisville Gas and Electric Company respectfully requests that the Commission enter an order approving LG&E's entrance into the Amended and Restated Inter-Company Power Agreement and granting LG&E any necessary authorization under KRS 278.300.

Respectfully submitted,



Kendrick R. Riggs
John Wade Hendricks
Ogden Newell & Welch PLLC
1700 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202
Telephone: (502) 582-1601

Steven D. Phillips
Senior Corporate Attorney
LG&E Energy LLC
220 West Main Street
Louisville, KY 40202

Counsel for Louisville Gas and Electric Company

VERIFICATION

COMMONWEALTH OF KENTUCKY

COUNTY OF JEFFERSON

Michael S. Beer being first duly sworn, deposes and says that he is Vice President, Rates & Regulatory for Louisville Gas and Electric Company, that he has read the foregoing Application and knows the contents thereof, and that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and that as to these matters, he believes them to be true.



Subscribed and sworn before me this 1st day of October, 2004.

My Commission Expires:



NOTARY PUBLIC, STATE AT LARGE

Melody L. Hulse
Notary Public, State at Large, KY
My Commission Expires: November 26, 2007

LOUISVILLE GAS AND ELECTRIC COMPANY
(807 KAR 5:001, Section 11, Item 1 (a))

A DESCRIPTION OF APPLICANT'S PROPERTY, INCLUDING A
STATEMENT OF THE NET ORIGINAL COST OF THE PROPERTY
AND THE COST THEREOF TO APPLICANT

JUNE 30, 2004

The applicant owns and operates thermal-electric generating units with an aggregate station rating totaling 2,878,000 Kw. This total consists of 2,427,000 Kw of steam generation capacity and 451,000 Kw of combustion turbine peaking units. The applicant also owns an 80,000 Kw hydroelectric generating station, the operation of which is affected by the water level and flow of the Ohio River.

The applicant's electric transmission system includes substation capacity of approximately 11,037,000 Kva and approximately 668 structure miles of lines, and is interconnected with the systems of neighboring utilities.

The applicant operates underground gas storage facilities with a current working gas capacity of approximately 15.1 billion cubic feet used for seasonal and peak-day augmentation of winter pipe line supply.

The applicant's gas transmission system includes 254 miles of transmission mains, and the gas distribution system includes 3,898 miles of distribution mains.

Other properties include an office building, service centers, warehouses, garages, and other structures and equipment, the use of which is common to both the Electric and Gas Lines of Business.

The net original cost of the property and cost thereof to the applicant at June 30, 2004, was:

	<u>Electric</u>		<u>Gas</u>		<u>Common</u>		<u>Total</u>
Original Cost	\$ 3,163,005,830	\$	494,271,860	\$	199,953,543	\$	3,857,231,233
Less Reserve for Depreciation	\$ 1,325,077,369	\$	169,230,030	\$	89,996,096	\$	1,584,303,495
Net Original Cost	\$ 1,837,928,461	\$	325,041,830	\$	109,957,447	\$	2,272,927,738
Allocation of Common To Electric and Gas	\$ 82,468,085	\$	27,489,362	\$	(109,957,447)	\$	-
Total	\$ 1,920,396,546	\$	352,531,192	\$	-	\$	2,272,927,738

Execution Copy

**AMENDED AND RESTATED
INTER-COMPANY POWER AGREEMENT
DATED AS OF MARCH 13, 2006**

AMONG

**OHIO VALLEY ELECTRIC CORPORATION,
ALLEGHENY ENERGY SUPPLY COMPANY, L.L.C.
APPALACHIAN POWER COMPANY,
THE CINCINNATI GAS & ELECTRIC COMPANY,
COLUMBUS SOUTHERN POWER COMPANY,
THE DAYTON POWER AND LIGHT COMPANY,
FIRSTENERGY GENERATION CORPORATION,
INDIANA MICHIGAN POWER COMPANY,
KENTUCKY UTILITIES COMPANY,
LOUISVILLE GAS AND ELECTRIC COMPANY,
MONONGAHELA POWER COMPANY,
OHIO POWER COMPANY, and
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY**

AMENDED AND RESTATED
INTER-COMPANY POWER AGREEMENT

THIS AGREEMENT, dated as of March 13, 2006, by and among OHIO VALLEY ELECTRIC CORPORATION (herein called OVEC), ALLEGHENY ENERGY SUPPLY COMPANY, L.L.C. (herein called Allegheny), APPALACHIAN POWER COMPANY (herein called Appalachian), THE CINCINNATI GAS & ELECTRIC COMPANY (herein called Cincinnati), COLUMBUS SOUTHERN POWER COMPANY (herein called Columbus), THE DAYTON POWER AND LIGHT COMPANY (herein called Dayton), FIRSTENERGY GENERATION CORPORATION (herein called FirstEnergy), INDIANA MICHIGAN POWER COMPANY (herein called Indiana), KENTUCKY UTILITIES COMPANY (herein called Kentucky), LOUISVILLE GAS AND ELECTRIC COMPANY (herein called Louisville), MONONGAHELA POWER COMPANY (herein called Monongahela), OHIO POWER COMPANY (herein called Ohio Power), and SOUTHERN INDIANA GAS AND ELECTRIC COMPANY (herein called Southern Indiana, and all of the foregoing, other than OVEC, being herein sometimes collectively referred to as the Sponsoring Companies and individually as a Sponsoring Company) hereby amends and restates in its entirety, the Inter-Company Power Agreement dated as of July 10, 1953 as amended from time to time (herein called the Original Agreement), by and among OVEC, Appalachian, Cincinnati, Columbus, Dayton, Indiana, Kentucky, Louisville, Monongahela Ohio Edison Company, Ohio Power, Pennsylvania Power Company, The Potomac Edison Company, Southern Indiana, The Toledo Edison Company and West Penn Power Company.

WITNESSETH THAT:

WHEREAS, the Original Agreement was amended by Modification No. 1, dated as of June 3, 1966; Modification No. 2, dated as of January 7, 1967; Modification No. 3, dated as of November 15, 1967; Modification No. 4, dated as of November 5, 1975; Modification No. 5, dated as of September 1, 1979; Modification No. 6, dated as of August 1, 1981; Modification No. 7, dated as of January 15, 1992; Modification No. 8, dated as of January 19, 1994; Modification No. 9, dated as of August 17, 1995; Modification No. 10, dated as of January 1, 1998; Modification No. 11, dated as of April 1, 1999; Modification No. 12, dated as of November 1, 1999; Modification No. 13, dated as of May 24, 2000; Modification No. 14, dated as of April 1, 2001; and Modification No. 15, dated as of April 30, 2004 (the Modifications); and

WHEREAS, OVEC designed, purchased, and constructed, and continues to operate and maintain two steam-electric generating stations, one station (herein called Ohio Station) consisting of five turbo-generators and all other necessary equipment, at a location on the Ohio River near Cheshire, Ohio, and the other station (herein called Indiana Station) consisting of six turbogenerators and all other necessary equipment, at a location on the Ohio River near Madison, Indiana, (the Ohio Station and the Indiana Station being herein called the Project Generating Stations); and

WHEREAS, OVEC also designed, purchased, and constructed, and continues to operate and maintain necessary transmission and general plant facilities (herein called the Project Transmission Facilities) and OVEC established or cause to be established interconnections between the Project Generating Stations and the systems of certain of the Sponsoring Companies; and

WHEREAS, OVEC entered into an agreement, attached hereto as Exhibit A, with Indiana-Kentucky Electric Corporation (herein called IKEC), a corporation organized under the laws of the State of Indiana as a wholly owned subsidiary corporation of OVEC, which has been amended and restated as of the date of this Agreement and embodies the terms and conditions for the ownership and operation by IKEC of the Indiana Station and such portion of the Project Transmission Facilities which are to be owned and operated by it; and

WHEREAS, transmission facilities were constructed by certain of the Sponsoring Companies to interconnect the systems of such Sponsoring Companies, directly or indirectly, with the Project Generating Stations and/or the Project Transmission Facilities, and the Sponsoring Companies have agreed to pay for Available Power, as hereinafter defined, as may be available at the Project Generating Stations; and

WHEREAS, pursuant to East Central Area Reliability Group ("ECAR") Document No. 2, entitled DAILY OPERATING RESERVE, as revised August 8, 1996 ("ECAR Document No. 2"), Corporation is required to have available spinning reserve equal to a percentage of its internal load as well as supplemental reserve equal to a percentage of its internal load, which supplemental reserve is expected to be provided by the Sponsoring Companies in proportion to their respective Power Participation Ratios as defined in *subsection 1.0120*; and

WHEREAS, the parties hereto desire to amend and restate in their entirety, the Original Agreement and all of the Modifications, to define the terms and conditions governing the rights of the Sponsoring Companies to receive Available Power from the Project Generating Stations and the obligations of the Sponsoring Companies to pay therefor.

NOW, THEREFORE, the parties hereto agree with each other as follows:

ARTICLE 1

DEFINITIONS

1.01. For the purposes of this Agreement, the following terms, wherever used herein, shall have the following meanings:

1.011 "Affiliate" means, with respect to a specified person, any other person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with, such specified person; provided that

"control" for these purposes means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise.

1.012 "Arbitration Board" has the meaning set forth in Section 9.10.

1.013 "Available Energy" of the Project Generating Stations means the energy associated with Available Power.

1.014 "Available Power" of the Project Generating Stations at any particular time means the total net kilowatts at the 345-kV busses of the Project Generating Stations which Corporation in its sole discretion will determine that the Project Generating Stations will be capable of safely delivering under conditions then prevailing, including all conditions affecting capability.

1.015 "Corporation" means OVEC, IKEC, and all other subsidiary corporations of OVEC.

1.016 "Decommissioning and Demolition Obligation" has the meaning set forth in Section 5.03(f) hereof.

1.017 "ECAR Emergency Energy" means energy sold by Corporation from its Spinning Reserve during an ECAR Reserve Sharing Period.

1.018 "ECAR Reserve Sharing Period" means any period of time during which any control area within ECAR ("ECAR Member") is experiencing a system contingency which requires implementation of ECAR's reserve sharing procedures.

1.019 "Effective Date" means March 13, 2006, or to the extent necessary, such later date on which Corporation notifies the Sponsoring Companies that all conditions to effectiveness, including all required waiting periods and all required regulatory acceptances or approvals, of this Agreement have been satisfied in form and substance satisfactory to the Corporation.

1.0110 "Election Period" has the meaning set forth in Section 9.183(a) hereof.

1.0111 "Minimum Generating Unit Output" means 80 MW (net) for each of the Corporation's generation units; provided that such "Minimum Generating Unit Output" shall be confirmed from time to time by operating tests on the Corporation's generation units and shall be adjusted by the Operating Committee as appropriate following such tests.

1.0112 "Minimum Loading Event" means a period of time during which one or more of the Corporation's generation units are operating at below the Minimum

Generating Output as a result of the Sponsoring Companies' failure to schedule and take delivery of sufficient Available Energy.

1.0113 "Minimum Loading Event Costs" means the sum of the following costs caused by one or more Minimum Loading Events: (i) the actual costs of any of the Corporation's generating units burning fuel oil; and (ii) the estimated actual additional costs to the Corporation resulting from Minimum Loading Events, including without limitation the incremental costs of additional emissions allowances, reflected in the schedule of charges prepared by the Operating Committee and in effect as of the commencement of any Minimum Loading Event, which schedule may be adjusted from time to time as necessary by the Operating Committee.

1.0114 "Month" means a calendar month.

1.0115 "Nominal Power Available" means an individual Sponsoring Company's Power Participation Ratio share of the Corporation's current estimate of the maximum amount of Available Power available for delivery at any given time.

1.0116 "Offer Notice" means the notice required to be given to the other Sponsoring Companies by a Transferring Sponsor offering to sell all or a portion of such Transferring Sponsor's rights, title and interests in, and obligations under this Agreement. At a minimum, the Offer Notice shall be in writing and shall contain (i) the rights, title and interests in, and obligations under this Agreement that the Transferring Sponsor proposes to Transfer; and (ii) the cash purchase price and any other material terms and conditions of such proposed transfer. An Offer Notice may not contain terms or conditions requiring the purchase of any non-OVEC interests.

1.0117 "OVEC Emergency Energy" means energy purchased by Corporation during an ECAR Reserve Sharing Period pursuant to the provisions of ECAR Document No. 2.

1.0118 "Permitted Assignee" means a person that is (a) a Sponsoring Company or its Affiliate whose long-term unsecured non-credit enhanced indebtedness, as of the date of such assignment, has a Standard & Poor's credit rating of at least BBB- and a Moody's Investors Service, Inc. credit rating of at least Baa3 (provided that, if the proposed assignee's long-term unsecured non-credit enhanced indebtedness is not currently rated by one of Standard & Poor's or Moody, such assignee's long-term unsecured non-credit enhanced indebtedness, as of the date of such assignment, must have either a Standard & Poor's credit rating of at least BBB- or a Moody's Investors Service, Inc. credit rating of at least Baa3); or (b) a Sponsoring Company or its Affiliate that does not meet the criteria in subsection (a) above, if the Sponsoring Company or its Affiliate that is assigning its rights, title and interests in, and obligations under, this Agreement agrees in writing (in form and substance satisfactory to Corporation) to remain obligated to satisfy all of the obligations related to the assigned rights, title and

interests to the extent such obligations are not satisfied by the assignee of such rights, title and interests; provided that, in no event shall a person be deemed a "Permitted Assignee" if counsel for the Corporation reasonably determines that the assignment of the rights, title or interests in, or obligations under, this Agreement to such person could cause a termination, default, loss or payment obligation under any security issued, or agreement entered into, by the Corporation prior to such transfer.

1.0119 "Postretirement Benefit Obligation" has the meaning set forth in Section 5.03(e) hereof.

1.0120 "Power Participation Ratio" as applied to each of the Sponsoring Companies refers to the percentage set forth opposite its respective name in the tabulation below:

Company	Power Participation Ratio—Percent
Allegheny	9.00
Appalachian.....	15.69
Cincinnati	9.00
Columbus.....	4.44
Dayton	4.90
FirstEnergy.....	20.50
Indiana	7.85
Kentucky	2.50
Louisville.....	5.63
Monongahela.....	3.50
Ohio Power.....	15.49
Southern Indiana.....	<u>1.50</u>
Total	100.0

1.0121 "Spinning Reserve" means unloaded generation which is synchronized and ready to serve additional demand within ten minutes.

1.0122 "Supplemental Reserve" means a combination of spinning reserve, qualified interruptible load, qualified quick-start generating capacity or pre-scheduled assistance from another system which can be fully utilized within ten minutes.

1.0123 "Third Party" means any person other than a Sponsoring Company or its Affiliate.

1.0124 "Total Minimum Generating Output" means the product of the Minimum Generating Unit Output times the number of the Corporation's generation units available for service at that time.

1.0125 "Transferring Sponsor" has the meaning set forth in Section 9.183(a) hereof.

1.0126 "Uniform System of Accounts" means the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission as in effect on January 1, 2004.

ARTICLE 2

TRANSMISSION FACILITIES

2.01. *Limited Burdening of Corporation's Transmission Facilities.*

Transmission facilities owned by the Corporation, including the Project Transmission Facilities, shall not be burdened by power and energy flows of any Sponsoring Company to an extent which would impair or prevent the transmission of Available Power, ECAR Emergency Energy or OVEC Emergency Energy.

ARTICLE 3

ECAR AND OVEC EMERGENCY ENERGY

3.01. In order to enable Corporation to fulfill its obligation under ECAR Document No. 2 to maintain Supplemental Reserve equal to a percentage of Corporation's internal load, each Sponsoring Company shall stand ready to supply its Power Participation Ratio of OVEC's Supplemental Reserve obligation to other members of ECAR during any ECAR Reserve Sharing Period. It is understood, however, that the amount which each Sponsoring Company may charge for its share of such Supplemental Reserve shall be such Sponsoring Company's FERC filed emergency energy charge.

3.02. In order to enable Corporation to fulfill its obligation under ECAR Document No. 2 to provide some or all of the energy available from OVEC's Spinning Reserve to an ECAR Member which is in need of ECAR Emergency Energy, the Sponsoring Companies shall stand ready to purchase from Corporation the energy available from its Spinning Reserve, or any portion thereof, for their own emergency use or for resale to or for another ECAR Member which is experiencing an emergency and shall also stand ready to transmit such energy to or for another ECAR Member which is experiencing an emergency.

3.03. In the event that Corporation is required to purchase, and pay other entities for, OVEC Emergency Energy, each Sponsoring Company shall pay its share, in accordance with its Power Participation Ratio, of the full amount paid by Corporation for OVEC Emergency Energy in accordance with the applicable FERC filed emergency energy charge; provided, however, that Corporation shall credit any payments which Corporation owes to any Sponsoring

Company for ECAR Emergency Energy against the amounts otherwise payable by such Sponsoring Company for OVEC Emergency Energy.

ARTICLE 4

AVAILABLE POWER SUPPLY

4.01. *Operation of Project Generating Stations.* Corporation shall operate and maintain the Project Generating Stations in a manner consistent with safe, prudent, and efficient operating practice so that the Available Power available from said stations shall be at the highest practicable level attainable consistent with OVEC's obligations under ECAR Document No. 2 throughout the term of this Agreement.

4.02. *Available Power Entitlement.* The Sponsoring Companies collectively shall be entitled to take from Corporation and Corporation shall be obligated to supply to the Sponsoring Companies any and all Available Power and Available Energy pursuant to the provisions of this Agreement. Each Sponsoring Company's Available Power Entitlement hereunder shall be its Power Participation Ratio, as defined in *subsection 1.0120*, of Available Power.

4.03. *Available Energy.* Corporation shall make Available Energy available to each Sponsoring Company in proportion to said Sponsoring Company's Power Participation Ratio. No Sponsoring Company, however, shall be obligated to avail itself of any Available Energy. Available Energy shall be scheduled and taken by the Sponsoring Companies in accordance with the following procedures:

4.031 Each Sponsoring Company shall schedule the delivery of all or any portion (in whole MW increments) of its entitlement to Available Energy in accordance with scheduling procedures established by the Operating Committee from time to time.

4.032 In the event that any Sponsoring Company does not schedule the delivery of all of its Power Participation Ratio share of Available Energy, then each such other Sponsoring Company may schedule the delivery of all or any portion (in whole MW increments) of any such unscheduled share of Available Energy (through successive allotments if necessary) in proportion to their Power Participation Ratios.

4.033 Notwithstanding any Available Energy schedules made in accordance with this Section 4.03 and the applicable scheduling procedures, (i) the Corporation shall adjust all schedules to the extent that the Corporation's actual generation output is less than or more than the expected Nominal Power Available to all Sponsoring Companies; and (ii) immediately following a Minimum Loading Event, any Sponsoring Company causing (in whole or part) such Minimum Loading Event shall have its Available Energy schedules increased after the schedules of the Sponsoring Companies not causing such Minimum Load Event, in accordance with the estimated

ramp rates associated with the shutdown and start-up of the Corporation's generation units as reflected in the schedules prepared by the Operating Committee and in effect as of the commencement of any Minimum Loading Event, which schedules may be adjusted from time to time as necessary by the Operating Committee.

4.034 Each Sponsoring Company availing itself of Available Energy shall be entitled to an amount of energy (herein called billing kilowatt-hours of Available Energy) equal to its portion, determined as provided in this Section 4.03, of the total Available Energy after deducting therefrom such Sponsoring Company's proportionate share, as defined in this Section 4.03, of all losses as determined by the Operating Committee which would be incurred in transmitting the total of such Available Energy from the 345-kV busses of the Project Generating Stations to the applicable delivery points, as scheduled pursuant to Section 9.01, of all Sponsoring Companies availing themselves of Available Energy. The proportionate share of all such losses that shall be so deducted from such Sponsoring Company's portion of Available Energy shall be equal to all such losses multiplied by the ratio of such portion of Available Energy to the total of such Available Energy. Each Sponsoring Company shall have the right, pursuant to this Section 4.03, to avail itself of Available Energy for the purpose of meeting the loads of its own system and/or of supplying energy to other systems in accordance with agreements, other than this Agreement, to which such Sponsoring Company is a party.

4.035 To the extent that, as a result of the failure by one or more Sponsoring Companies to take its respective Power Participation Ratio share of the applicable Total Minimum Generating Output during any hour, a Minimum Loading Event shall occur, then such one or more Sponsoring Companies shall be assessed charges for any Minimum Loading Event Costs in accordance with Section 5.05.

ARTICLE 5

CHARGES FOR AVAILABLE POWER, ECAR AND OVEC EMERGENCY ENERGY, AND MINIMUM LOADING EVENT COSTS

5.01. *Total Monthly Charge.* The amount to be paid to Corporation each month by the Sponsoring Companies for Available Power and Available Energy supplied under this Agreement shall consist of the sum of an energy charge, a demand charge and, if applicable, an emergency energy charge, all determined as set forth in this Article 5.

5.02. *Energy Charge.* The energy charge to be paid each month by the Sponsoring Companies for Available Energy shall be determined by Corporation as follows:

5.021 Determine the aggregate of all expenses for fuel incurred in the operation of the Project Generating Stations, in accordance with Account 501 (Fuel), Account 506.5 (Variable Reagent Costs Associated With Pollution Control Facilities) and 509 (Allowances) of the Uniform System of Accounts.

5.022 Determine for such month the difference between the total cost of fuel as described in subsection 5.021 above and the sum of (i) the total cost of fuel used to generate ECAR Emergency Energy, and (ii) the total cost of fuel included in any Minimum Loading Event Costs payable to the Corporation for such month pursuant to Section 8.04. For the purposes hereof the difference so determined shall be the fuel cost allocable for such month to the total kilowatt-hours of energy generated at the Project Generating Stations for the supply of Available Energy. For Available Energy availed of by the Sponsoring Companies, each Sponsoring Company shall pay Corporation for each such month an amount obtained by multiplying the ratio of the billing kilowatt-hours of such Available Energy availed of by such Sponsoring Company during such month to the aggregate of the billing kilowatt-hours of all Available Energy availed of by all Sponsoring Companies during such month times the total cost of fuel as described in this subsection 5.022 for such month.

5.03. *Demand Charge.* During the period commencing with the Effective Date and for the remainder of the term of this Agreement, demand charges payable by the Sponsoring Companies to Corporation shall be determined by the Corporation as provided below in this Section 5.03. Each Sponsoring Company's share of the aggregate demand charges shall be the percentage of such charges represented by its Power Participation Ratio.

The aggregate demand charge payable each month by the Sponsoring Companies to Corporation shall be equal to the total costs incurred for such month by Corporation resulting from its ownership, operation, and maintenance of the Project Generating Stations and Project Transmission Facilities determined as follows:

As soon as practicable after the close of each calendar month the following components of costs of Corporation (eliminating any duplication of costs which might otherwise be reflected among the corporate entities comprising Corporation) applicable for such month to the ownership, operation and maintenance of the Project Generating Stations and the Project Transmission Facilities, including additional facilities and/or spare parts (such as fuel processing plants, flue gas or waste product processing facilities, and facilities reasonably required to enable the Corporation to limit the emission of pollutants or the discharge of wastes in compliance with governmental requirements) and replacements necessary or desirable to keep the Project Generating Stations and the Project Transmission Facilities in a dependable and efficient operating condition, and any provision for any taxes that may be applicable to such charges, to be determined and recorded in the following manner:

- (a) Component (A) shall consist of fixed charges made up of
 - (i) the amounts of interest properly chargeable to Accounts 427, 430 and 431, less the amount thereof credited to Account 432, of the Uniform System of Accounts, including the interest component of any purchase price, interest, rental or other payment under an installment sale, loan,

lease or similar agreement relating to the purchase, lease or acquisition by Corporation of additional facilities and replacements (whether or not such interest or other amounts have come due or are actually payable during such Month), (ii) the amounts of amortization of debt discount or premium and expenses properly chargeable to Accounts 428 and 429, and (iii) an amount equal to the sum of (I) the applicable amount of the debt amortization component for such month required to retire the total amount of indebtedness of Corporation issued and outstanding, (II) the amortization requirement for such month in respect of indebtedness of Corporation incurred in respect of additional facilities and replacements, and (III) to the extent not provided for pursuant to clause (II) of this clause (iii), an appropriate allowance for depreciation of additional facilities and replacements.

(b) Component (B) shall consist of the total operating expenses for labor, maintenance, materials, supplies, services, insurance, administrative and general expense, etc., properly chargeable to the Operation and Maintenance Expense Accounts of the Uniform System of Accounts (exclusive of Accounts 501, 509, 555, 911, 912, 913, 916, and 917 of the Uniform System of Accounts), minus the total of all non-fuel costs included in any Minimum Loading Event Costs payable to the Corporation for such month pursuant to Section 8.04, and plus any additional amounts which, after provision for all income taxes on such amounts (which shall be included in Component (C) below), shall equal any amounts paid or payable by Corporation as fines or penalties with respect to occasions where it is asserted that Corporation failed to comply with a law or regulation relating to the emission of pollutants or the discharge of wastes.

(c) Component (C) shall consist of the total expenses for taxes, including all taxes on income but excluding any federal income taxes arising from payments to Corporation under Component (D) below, and all operating or other costs or expenses, net of income, not included or specifically excluded in Components (A) or (B) above, including tax adjustments, regulatory adjustments, net losses for the disposition of property and other net costs or expenses associated with the operation of a utility.

(d) Component (D) shall consist of an amount equal to the product of \$2.089 multiplied by the total number of shares of capital stock of the par value of \$100 per share of Ohio Valley Electric Corporation which shall have been issued and which are outstanding on the last day of such month.

(e) Component (E) shall consist of an amount to be sufficient to pay the costs and other expenses relating to the establishment, maintenance and administration of life insurance, medical insurance and other postretirement benefits other than pensions attributable to the employment and employee service of active employees, retirees, or other employees, including without limitation any premiums due or expected to become due, as well as administrative fees and costs, such amounts being sufficient to provide payment with respect to all periods for which Corporation has committed or is otherwise obligated to make such payments, including amounts attributable to current employee service and any unamortized prior service cost, gain or loss attributable to prior service years ("Postretirement Benefit Obligation"); provided that, the amount payable for Postretirement Benefit Obligations during any month shall be determined by the Corporation based on, among other factors, the Statement of Financial Accounting Standards No. 106 (Employers' Accounting For Postretirement Benefits Other Than Pensions) and any applicable accounting standards, policies or practices as adopted from time to time relating to accruals with respect to all or any portion of such Postretirement Benefit Obligation.

(f) Component (F) shall consist of an amount that may be incurred in connection with the decommissioning, shutdown, demolition and closing of the Project Generating Stations when production of electric power and energy is discontinued at such Project Generating Stations, which amount shall include, without limitation the following costs (net of any salvage credits): the costs of demolishing the plants' building structures, disposal of non-salvageable materials, removal and disposal of insulating materials, removal and disposal of storage tanks and associated piping, disposal or removal of materials and supplies (including fuel oil and coal), grading, covering and reclaiming storage and disposal areas, disposing of ash in ash ponds to the extent required by regulatory authorities, undertaking corrective or remedial action required by regulatory authorities, and any other costs incurred in putting the facilities in a condition necessary to protect health or the environment or which are required by regulatory authorities, or which are incurred to fund continuing obligations to monitor or to correct environmental problems which result, or are later discovered to result, from the facilities' operation, closure or post-closure activities ("Decommissioning and Demolition Obligation") provided that, the amount payable for Decommissioning and Demolition Obligations during any month shall be calculated by Corporation based on, among other factors, the then-estimated useful life of the Project Generating Stations and any applicable accounting standards, policies or practices as adopted from time to time relating to accruals with respect to all or any portion of such

Decommissioning and Demolition Obligation, and provided further that, the Corporation shall recalculate the amount payable under this Component (F) for future months from time to time, but in no event later than five (5) years after the most recent calculation.

5.04. *ECAR and OVEC Emergency Energy.* The amount to be paid to Corporation for ECAR Emergency Energy supply under this Agreement shall be 98.74 mills per kilowatt hour (plus transmission charges calculated in accordance with applicable law). The amount to be paid to Corporation for OVEC Emergency Energy purchased by Corporation under this Agreement shall be the applicable FERC filed emergency energy charge per kilowatt hour (plus any applicable transmission charges calculated in accordance with applicable law).

5.05. *Minimum Loading Event Costs.* To the extent that, as a result of the failure by one or more Sponsoring Companies to take its respective Power Participation Ratio share of the applicable Total Minimum Generating Output during any hour, a Minimum Loading Event shall occur, then the sum of all Minimum Loading Event Costs relating to such Minimum Loading Event shall be charged to such Sponsoring Company or group of Sponsoring Companies that failed take its respective Power Participation Ratio share of the applicable Total Minimum Generating Output during such period, with such Minimum Loading Event Costs allocated among such Sponsoring Companies on a pro-rata basis in accordance with such Sponsoring Company's MWh share of the MWh reduction in the delivery of Available Energy causing any Minimum Loading Event. The applicable charges for Minimum Loading Event Costs as determined by the corporation in accordance with Section 5.05 shall be paid each month by the applicable Sponsoring Companies.

ARTICLE 6

Metering of Energy Supplied

6.01. *Measuring Instruments.* The parties hereto shall own and maintain such metering equipment as may be necessary to provide complete information regarding the delivery of power and energy to or for the account of any of the parties hereto; and the ownership and expense of such metering shall be in accordance with agreements among them. Each party will at its own expense make such periodic tests and inspections of its meters as may be necessary to maintain them at the highest practical commercial standard of accuracy and will advise all other interested parties hereto promptly of the results of any such test showing an inaccuracy of more than 1%. Each party will make additional tests of its meters at the request of any other interested party. Other interested parties shall be given notice of, and may have representatives present at, any test and inspection made by another party.

ARTICLE 7

**COSTS OF REPLACEMENTS AND ADDITIONAL FACILITIES;
PAYMENTS FOR EMPLOYEE BENEFITS;
DECOMMISSIONING, SHUTDOWN, DEMOLITION AND CLOSING CHARGES**

7.01. *Replacement Costs.* The Sponsoring Companies shall reimburse Corporation for the difference between (a) the total cost of replacements chargeable to property and plant made by Corporation during any month prior thereto (and not previously reimbursed) and (b) the amounts received by Corporation as proceeds of fire or other applicable insurance protection, or amounts recovered from third parties responsible for damages requiring replacement, plus provision for all taxes on income on such difference; provided that, to the extent that the Corporation arranges for the financing of any replacements, the payments due under this Section 7.01 shall equal the amount of all principal, interest, taxes and other costs and expenses related to such financing during any month. Each Sponsoring Company's share of such payment shall be the percentage of such costs represented by its Power Participation Ratio. The term cost of replacements, as used herein, shall include all components of cost, plus removal expense, less salvage.

7.02. *Additional Facility Costs.* The Sponsoring Companies shall reimburse Corporation for the total cost of additional facilities and/or spare parts purchased and/or installed by Corporation during any month prior thereto (and not previously reimbursed), plus provision for all taxes on income on such costs; provided that, to the extent that the Corporation arranges for the financing of any additional facilities and/or spare parts, the payments due under this Section 7.02 shall equal the amount of all principal, interest, taxes and other costs and expenses related to such financing during any month. Each Sponsoring Company's share of such payment shall be the percentage of such costs represented by its Power Participation Ratio.

7.03. *Payments for Employee Benefits.* Not later than the effective date of termination of this Agreement, each Sponsoring Company will pay to Corporation its Power Participation Ratio share of additional amounts, after provision for any taxes that may be applicable thereto, sufficient to cover any shortfall if the amount of the Postretirement Benefit Obligation collected by the Corporation prior to the effective date of termination of the Agreement is insufficient to permit Corporation to fulfill its commitments or obligations with respect to both postemployment benefit obligations under the Statement of Financial Accounting Standards No. 112 and postretirement benefits other than pensions, as determined by Corporation with the aid of an actuary or actuaries selected by the Corporation based on the terms of the Corporation's then-applicable plans.

7.04. *Decommissioning, Shutdown, Demolition and Closing.* The Sponsoring Companies recognize that a part of the cost of supplying power to it under this Agreement is the amount that may be incurred in connection with the decommissioning, shutdown, demolition and closing of the Project Generating Stations when production of electric power and energy is discontinued at such Project Generating Stations. Not later than the effective date of termination

of this Agreement, each Sponsoring Company will pay to Corporation its Power Participation Ratio share of additional amounts, after provision for any taxes that may be applicable thereto, sufficient to cover any shortfall if the amount of the Decommissioning and Demolition Obligation collected by the Corporation prior to the effective date of termination of the Agreement is insufficient to permit Corporation to complete the decommissioning, shutdown, demolition and closing of the Project Generating Stations, based on the Corporation's recalculation of the Decommissioning and Demolition Obligation in accordance with Section 5.03(f) of this Agreement no earlier than twelve (12) months before the effective date of termination of this Agreement.

ARTICLE 8

BILLING AND PAYMENT

8.01. *Available Power, and Replacement and Additional Facility Costs.* As soon as practicable after the end of each month Corporation shall render to each Sponsoring Company a statement of all Available Power and Available Energy supplied to or for the account of such Sponsoring Company during such month, specifying the amount due to the Corporation therefor, including any amounts for reimbursement for the cost of replacements and additional facilities and/or spare parts incurred during such month, pursuant to *Articles 5 and 7* above. Such Sponsoring Company shall make payment therefor promptly upon the receipt of such statement, but in no event later than fifteen (15) days after the date of receipt of such statement. In case any factor entering into the computation of the amount due for Available Power and Available Energy cannot be determined at the time, it shall be estimated subject to adjustment when the actual determination can be made.

8.02. *Provisional Payments for Available Power.* The Sponsoring Companies shall, from time to time, at the request of the Corporation, make provisional semi-monthly payments for Available Power in amounts approximately equal to the estimated amounts payable for Available Power delivered by Corporation to the Sponsoring Companies during each semi-monthly period. As soon as practicable after the end of each semi-monthly period with respect to which Corporation has requested the Sponsoring Companies to make provisional semi-monthly payments for Available Power, Corporation shall render to each Sponsoring Company a separate statement indicating the amount payable by such Sponsoring Company for such semi-monthly period. Such Sponsoring Company shall make payment therefor promptly upon receipt of such statement, but in no event later than fifteen (15) days after the date of receipt of such statement and the amounts so paid by such Sponsoring Company shall be credited to the account of such Sponsoring Company with respect to future payments to be made pursuant to *Articles 5 and 7* above by such Sponsoring Company to Corporation for Available Power.

8.03. *ECAR and OVEC Emergency Energy.* As soon as practicable after the end of each month, Corporation shall render to each Sponsoring Company a statement indicating all ECAR Emergency Energy supplied to or for the account of such Sponsoring Company during such month and all OVEC Emergency Energy supplied to Corporation during such month.

specifying the amount due to the Corporation therefor pursuant to *Article 5* above; provided, however, that Corporation shall credit any payments which Corporation owes to any Sponsoring Company for ECAR Emergency Energy against the amounts otherwise payable by such Sponsoring Company for OVEC Emergency Energy. Such Sponsoring Company shall make payment therefor promptly upon the receipt of such statement, but in no event later than fifteen (15) days after the date of receipt of such statement. In case the computation of the amount due for ECAR Emergency Energy or OVEC Emergency Energy cannot be determined at the time, it shall be estimated subject to adjustment when the actual determination can be made, and all payments shall be subject to subsequent adjustment.

8.04. *Minimum Loading Event Costs.* As soon as practicable after the end of each month, Corporation shall render to each Sponsoring Company a statement indicating any applicable charges for Minimum Loading Event Costs pursuant to Section 5.05 during such month, specifying the amount due to the Corporation therefor pursuant to *Article 5* above. Such Sponsoring Company shall make payment therefor promptly upon the receipt of such statement, but in no event later than fifteen (15) days after the date of receipt of such statement. In case the computation of the amount due for Minimum Loading Event Costs cannot be determined at the time, it shall be estimated subject to adjustment when the actual determination can be made, and all payments shall be subject to subsequent adjustment.

8.05. *Unconditional Obligation to Pay Demand and Other Charges.* The obligation of each Sponsoring Company to pay its specified portion of the Demand Charge under Section 5.03 and all charges under *Article 7* for any Month shall not be reduced irrespective of:

- (a) whether or not any Available Power or Available Energy are supplied by the Corporation during such calendar month and whether or not any Available Power or Available Energy are accepted by any Sponsoring Company during such calendar month;
- (b) the existence of any claim, set-off, defense, reduction, abatement or other right (other than irrevocable payment, performance, satisfaction or discharge in full) that such Sponsoring Company may have, or which may at any time be available to or be asserted by such Sponsoring Company, against the Corporation, any other Sponsoring Company, any creditor of the Corporation or any other Person (including, without limitation, arising as a result of any breach or alleged breach by either the Corporation, any other Sponsoring Company, any creditor of the Corporation or any other Person under this Agreement or any other agreement (whether or not related to the transactions contemplated by this Agreement or any other agreement) to which such party is a party); or
- (c) the validity or enforceability against any other Sponsoring Company of this Agreement or any right or obligation hereunder (or any release or discharge thereof) at any time.

ARTICLE 9

GENERAL PROVISIONS

9.01. *Characteristics of Supply and Points of Delivery.* All power and energy delivered hereunder shall be 3-phase, 60-cycle, alternating current, at a nominal unregulated voltage designated for the point of delivery as described in this *Article 9*. Available Power and Available Energy to be delivered between Corporation and the Sponsoring Companies pursuant to this Agreement shall be delivered at the points, as scheduled by the Sponsoring Company in accordance with procedures established by the Operating Committee and in accordance with Section 9.02, where the transmission facilities of Corporation interconnect with the transmission facilities of any Sponsoring Company (or its successor or predecessor); provided that, to the extent that a joint and common market is established for the sale of power and energy by Sponsoring Companies within one or more of the regional transmission organizations or independent system operators approved by the Federal Energy Regulatory Commission in which the Sponsoring Companies are members or otherwise participate, then Corporation and the Sponsoring Companies shall take such action as reasonably necessary to permit the Sponsoring Companies to bid their entitlement to power and energy from Corporation into such market(s) in accordance with the procedures established for such market(s).

9.02. *Modification of Delivery Schedules Based on Available Transmission Capability.* To the extent that transmission capability available for the delivery of Available Power and Available Energy at any delivery point is less than the total amount of Available Power and Available Energy scheduled for delivery by the Sponsoring Companies at such delivery point in accordance with Section 9.01, then the following procedures shall apply and the Corporation and the applicable Sponsoring Companies shall modify their delivery schedules accordingly until the total amount of Available Power and Available Energy scheduled for delivery at such delivery point is equal to or less than the transmission capability available for the delivery of Available Power and Available Energy: (a) the transmission capability available for the delivery of Available Power and Available Energy at the following delivery points shall be allocated first on a pro rata basis (in whole MW increments) to the following Sponsoring Companies up to their Power Participation Ratio share of the total amount of Available Energy available to all Sponsoring Companies (and as applicable, further allocated among Sponsoring Companies entitled to allocation under this Section 9.02(a) in accordance with their Power Participation Ratios): (i) to Allegheny, Appalachian, Columbus, FirstEnergy, Indiana, Monongahela and Ohio Power (or their successors) for deliveries at the points of interconnection between the Corporation and Appalachian, Columbus, Indiana or Ohio Power, or their successors; (ii) to Cincinnati (or its successor) for deliveries at the points of interconnection between the Corporation and Cincinnati or its successor; (iii) to Dayton (or its successor) for deliveries at the points of interconnection between the Corporation and Dayton or its successor; and (iv) to Kentucky, Louisville and Southern Indiana (or their successors) for deliveries at the points of interconnection between the Corporation and Louisville or Kentucky, or their successors; and (b) any remaining transmission capability available for the delivery of Available

Power and Available Energy shall be allocated on a pro rata basis (in whole MW increments) to the Sponsoring Companies in accordance with their Power Participation Ratios.

9.03. *Operation and Maintenance of Systems Involved.* Corporation and the Sponsoring Companies shall operate their systems in parallel, directly or indirectly, except during emergencies that temporarily preclude parallel operation. The parties hereto agree to coordinate their operations to assure maximum continuity of service from the Project Generating Stations, and with relation thereto shall cooperate with one another in the establishment of schedules for maintenance and operation of equipment and shall cooperate in the coordination of relay protection, frequency control, and communication and telemetering systems. The parties shall build, maintain and operate their respective systems in such a manner as to minimize so far as practicable rapid fluctuations in energy flow among the systems. The parties shall cooperate with one another in the operation of reactive capacity so as to assure mutually satisfactory power factor conditions among themselves.

The parties hereto shall exercise due diligence and foresight in carrying out all matters related to the providing and operating of their respective power resources so as to minimize to the extent practicable deviations between actual and scheduled deliveries of power and energy among their systems. The parties hereto shall provide and/or install on their respective systems such communication, telemetering, frequency and/or tie-line control facilities essential to so minimizing such deviations; and shall fully cooperate with one another and with third parties (such third parties whose systems are either directly or indirectly interconnected with the systems of the Sponsoring Companies and who of necessity together with the parties hereto must unify their efforts cooperatively to achieve effective and efficient interconnected systems operation) in developing and executing operating procedures that will enable the parties hereto to avoid to the extent practicable deviations from scheduled deliveries.

In order to foster coordination of the operation and maintenance of Corporation's transmission facilities with those facilities of Sponsoring Companies that are owned or functionally controlled by a regional transmission organization or independent system operator, Corporation shall use commercially reasonable efforts to enter into a coordination agreement with any regional transmission organization or independent system operator approved by the Federal Energy Regulatory Commission that operates transmission facilities that interconnect with Corporation's transmission facilities, and to enter into a mutually agreeable services agreement with a regional transmission organization or independent system operator to provide the Corporation with reliability and security coordination services and other related services.

9.04. *Power Deliveries as Affected by Physical Characteristics of Systems.* It is recognized that the physical and electrical characteristics of the transmission facilities of the interconnected network of which the transmission systems of the Sponsoring Companies, Corporation, and other systems of third parties not parties hereto are a part, may at times preclude the direct delivery at the points of interconnection between the transmission systems of one or more of the Sponsoring Companies and Corporation, of some portion of the energy supplied under this Agreement, and that in each such case, because of said characteristics, some

of the energy will be delivered at points which interconnect the system of one or more of the Sponsoring Companies with systems of companies not parties to this Agreement. The parties hereto shall cooperate in the development of mutually satisfactory arrangements among themselves and with such companies not parties hereto whereby the supply of power and energy contemplated hereunder can be fulfilled.

9.05. *Operating Committee.* There shall be an "Operating Committee" consisting of one member appointed by the Corporation and one member appointed by each of the Sponsoring Companies electing so to do; provided that, if any two or more Sponsoring Companies are Affiliates, then such Affiliates shall together be entitled to appoint only one member to the Operating Committee. The "Operating Committee" shall establish (and modify as necessary) scheduling, operating, testing and maintenance procedures of the Corporation in support of this Agreement, including establishing: (i) procedures for scheduling delivery of Available Energy under Section 4.03, (ii) procedures for power and energy accounting, (iii) procedures for the determination and the accounting of transmission losses, (iv) the Minimum Generating Unit Output, and (v) the form of notifications relating to power and energy and the price thereof. In addition, the Operating Committee shall consider and make recommendations to Corporation's Board of Directors with respect to such other problems as may arise affecting the transactions under this Agreement. The decisions of the Operating Committee, including the adoption or modification of any procedure by the Operating Committee pursuant to this Section 9.04, must receive the affirmative vote of at least two-thirds of the members of the Operating Committee, regardless of the number of members of the Operating Committee present at any meeting.

9.06. *Acknowledgment of Certain Rights.* For the avoidance of doubt, all of the parties to this Agreement acknowledge and agree that (i) as of the Effective Date of this Agreement, certain rights and obligations of the Sponsoring Companies under the Original Agreement will be changed, modified or otherwise removed, (ii) to the extent that the rights of any Sponsoring Company will be changed, modified or otherwise removed as of the Effective Date of this Agreement, such Sponsoring Company may be entitled to rights under applicable law, regulation, rules or orders under the Federal Power Act or otherwise adopted by the Federal Energy Regulatory Commission ("FERC"), (iii) as a result of the elimination as of the Effective Date of this Agreement of the firm transmission service previously provided during the term of the Original Agreement to Sponsoring Companies whose transmission systems were only indirectly connected to the Corporation's facilities through intervening transmission systems by certain Sponsoring Companies whose transmission systems were directly connected to the Corporation's facilities, such Sponsoring Companies whose transmission systems were only indirectly connected to the Corporation's facilities through intervening transmission systems shall be entitled to such "roll over" firm transmission service for delivery of their entitlement to their Power Participation Ratio share of Surplus Power and Surplus Energy under this Agreement, to the border of such Sponsoring Company system and intervening Sponsoring Company system, as would be accorded a long-term firm point-to-point transmission service reservation under the then otherwise applicable FERC Open Access Transmission Tariff ("OATT"), (iv) the obligation of any Sponsoring Company to maintain or expand transmission

capacity to accommodate another Sponsoring Company's "roll over" rights to transmission service for delivery of their entitlement to their Power Participation Ratio share of Surplus Power and Surplus Energy under this Agreement shall be consistent with the obligations it would have for long-term firm point-to-point transmission service provided pursuant to the then otherwise applicable OATT, and (v) the parties shall cooperate with any Sponsoring Company that seeks to obtain and/or exercise any such rights available under applicable law, regulation, rules or orders under the Federal Power Act or otherwise adopted by the FERC.

9.07. *Term of Agreement.* This Agreement shall become effective upon the Effective Date and shall terminate upon the earlier of: (1) March 13, 2026 or (2) the sale or other disposition of all of the facilities of the Project Generating Stations or the permanent cessation of operation of such facilities; provided that, the provisions of *Articles 5, 7 and 8*, this Section 9.07 and Sections 9.08, 9.09, 9.10, 9.11, 9.12, 9.14, 9.15, 9.16, 9.17 and 9.18 shall survive the termination of this Agreement, and no termination of this Agreement, for whatever reason, shall release any Sponsoring Company of any obligations or liabilities incurred prior to such termination.

9.08. *Access to Records.* Corporation shall, at all reasonable times, upon the request of any Sponsoring Company, grant to its representatives reasonable access to the books, records and accounts of the Corporation, and furnish such Sponsoring Company such information as it may reasonably request, to enable it to determine the accuracy and reasonableness of payments made for energy supplied under this Agreement.

9.09. *Modification of Agreement.* Absent the agreement of all parties to this Agreement, the standard for changes to provisions of this Agreement related to rates proposed by a party, a non-party or the Federal Energy Regulatory Commission (or a successor agency) acting sua sponte shall be the "public interest" standard of review set forth in *United Gas Pipeline Co. v. Mobile Gas Serv. Corp.*, 350 U.S. 332 (1956) and *Federal Power Comm'n v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956).

9.10. *Arbitration.* Any controversy, dispute or claim arising out of this Agreement or the refusal by any party hereto to perform the whole or any part thereof, shall be determined by arbitration, in the City of Columbus, Franklin County, Ohio, in accordance with the Commercial Arbitration Rules of the American Arbitration Association or any successor organization, except as otherwise set forth in this Section 9.10.

The party demanding arbitration shall serve notice in writing upon all other parties hereto, setting forth in detail the controversy, dispute or claim with respect to which arbitration is demanded, and the parties shall thereupon endeavor to agree upon an arbitration board, which shall consist of three members ("Arbitration Board"). If all the parties hereto fail so to agree within a period of thirty (30) days from the original notice, the party demanding arbitration may, by written notice to all other parties hereto, direct that any members of the Arbitration Board that have not been agreed to by the parties shall be selected by the American Arbitration Association, or any successor organization. No person shall be eligible for

appointment to the Arbitration Board who is an officer, employee, shareholder of or otherwise interested in any of the parties hereto or in the matter sought to be arbitrated.

The Arbitration Board shall afford adequate opportunity to all parties hereto to present information with respect to the controversy, dispute or claim submitted to arbitration and may request further information from any party hereto; provided, however, that the parties hereto may, by mutual agreement, specify the rules which are to govern any proceeding before the Arbitration Board and limit the matters to be considered by the Arbitration Board, in which event the Arbitration Board shall be governed by the terms and conditions of such agreement.

The determination or award of the Arbitration Board shall be made upon a determination of a majority of the members thereof. The findings and award of the Arbitration Board shall be final and conclusive with respect to the controversy, dispute or claim submitted for arbitration and shall be binding upon the parties hereto, except as otherwise provided by law. The award of the Arbitration Board shall specify the manner and extent of the division of the costs of the arbitration proceeding among the parties hereto.

9.11. *Liability.* The rights and obligations of all the parties hereto shall be several and not joint or joint and several.

9.12. *Force Majeure.* No party hereto shall be held responsible or liable for any loss or damage on account of non-delivery of energy hereunder at any time caused by an event of Force Majeure. "Force Majeure" shall mean the occurrence or non-occurrence of any act or event that could not reasonably have been expected and avoided by exercise of due diligence and foresight and such act or event is beyond the reasonable control of such party, including to the extent caused by act of God, fire, flood, explosion, strike, civil or military authority, insurrection or riot, act of the elements, or failure of equipment. For the avoidance of doubt, "Force Majeure" shall in no event be based on any Sponsoring Company's financial or economic conditions, including without limitation (i) the loss of the Sponsoring Company's markets; or (ii) the Sponsoring Company's inability economically to use or resell the Available Power or Available Energy purchased hereunder.

9.13. *Governing Law.* This Agreement shall be governed by, and construed in accordance with, the laws of the State of Ohio.

9.14. *Regulatory Approvals.* This Agreement is made subject to the jurisdiction of any governmental authority or authorities having jurisdiction in the premises and the performance thereof shall be subject to the following:

(a) The receipt of all regulatory approvals, in form and substance satisfactory to Corporation, necessary to permit Corporation to perform all the duties and obligations to be performed by Corporation hereunder.

(b) The receipt of all regulatory approvals, in form and substance satisfactory to the Sponsoring Companies, necessary to permit the Sponsoring Companies to carry out all transactions contemplated herein.

9.15. *Notices.* All notices, requests or other communications under this Agreement shall be in writing and shall be sufficient in all respects: (i) if delivered in person or by courier, upon receipt by the intended recipient or an employee that routinely accepts packages or letters from couriers or other persons for delivery to personnel at the address identified above (as confirmed by, if delivered by courier, the records of such courier), (ii) if sent by facsimile transmission, when the sender receives confirmation from the sending facsimile machine that such facsimile transmission was transmitted to the facsimile number of the addressee, or (iii) if mailed, upon the date of delivery as shown by the return receipt therefor.

9.16. *Waiver.* Performance by any party to this Agreement of any responsibility or obligation to be performed by such party or compliance by such party with any condition contained in this Agreement may by a written instrument signed by all other parties to this Agreement be waived in any one or more instances, but the failure of any party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights, but the same shall continue and remain in full force and effect.

9.17. *Titles of Articles and Sections.* The titles of the Articles and Sections in this Agreement have been inserted as a matter of convenience of reference and are not a part of this Agreement.

9.18. *Successors and Assigns.* This Agreement may be executed in any number of counterparts, all of which shall constitute but one and the same document.

9.181 This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns, but a party to this Agreement may not assign this Agreement or any of its rights, title or interests in or obligations (including without limitation the assumption of debt obligations) under this Agreement, except to a successor to all or substantially all the properties and assets of such party or as provided in Section 9.182 or 9.183, without the written consent of all the other parties hereto.

9.182 Notwithstanding the provisions of Section 9.181, any Sponsoring Company shall be permitted to, upon thirty (30) days notice to the Corporation and each other Sponsoring Company, without any further action by the Corporation or the other Sponsoring Companies, assign all or part of its rights, title and interests in, and obligations under this Agreement to a Permitted Assignee, provided that, the assignee and assignor of the rights, title and interests in, and obligations under, this Agreement have executed an assignment agreement in form and substance acceptable to the Corporation

in its reasonable discretion (including, without limitation, the agreement by the Sponsoring Company assigning such rights, title and interests in, and obligations under, this Agreement to reimburse the Corporation and the other Sponsoring Companies for any fees or expenses required under any security issued, or agreement entered into, by the Corporation as a result of such assignment, including without limitation any consent fee or additional financing costs to the Corporation under the Corporation's then-existing securities or agreements resulting from such assignment).

9.183 Notwithstanding the provisions of Section 9.181, any Sponsoring Company shall be permitted to, subject to compliance with all of the requirements of this Section 9.183, assign all or part of its rights, title and interests in, and obligations under this Agreement to a Third Party without any further action by the Corporation or the other Sponsoring Companies.

(a) A Sponsoring Company (the "Transferring Sponsor") that desires to assign all or part of its rights, title and interests in, and obligations under this Agreement to a Third Party shall deliver an Offer Notice to the Corporation and each other Sponsoring Company. The Offer Notice shall be deemed to be an irrevocable offer of the subject rights, title and interests in, and obligations under this Agreement to each of the other Sponsoring Companies that is not an Affiliate of the Transferring Sponsor, which offer must be held open for no less than thirty (30) days from the date of the Offer Notice (the "Election Period").

(b) The Sponsoring Companies (other than the Transferring Sponsor and its Affiliates) shall first have the right, but not the obligation, to purchase all of the rights, title and interests in, and obligations under this Agreement described in the Offer Notice at the price and on the terms specified therein by delivering written notice of such election to the Transferring Sponsor and the Corporation within the Election Period; provided that, irrespective of the terms and conditions of the Offer Notice, a Sponsoring Company may condition its election to purchase the interest described in the Offer Notice on the receipt of approval or consent from such Sponsoring Company's Board of Directors; provided further that, written notice of such conditional election must be delivered to the Transferring Sponsor and the Corporation within the Election Period and such conditional election shall be deemed withdrawn (as if it had never been provided) unless the Sponsoring Company that delivered such conditional election subsequently delivers written notice to the Transferring Sponsor and the Corporation on or before the tenth (10th) day after the expiration of the Election Period that all necessary approval or consent of such Sponsoring Company's Board of Directors have been obtained. To the extent that more than one Sponsoring Company exercises its right to purchase all of the rights, title and interests in, and

obligations under this Agreement described in the Offer Notice in accordance with the previous sentence, such rights, title and interests in, and obligations under this Agreement shall be allotted (successively if necessary) among the Sponsoring Companies exercising such right in proportion to their respective Power Participation Ratios.

(c) Each Sponsoring Company exercising its right to purchase any rights, title and interests in, and obligations under this Agreement pursuant to this Section 9.183 may choose to have an Affiliate purchase such rights, title and interests in, and obligations under this Agreement; provided that, notwithstanding anything in this Section 9.183 to the contrary, any assignment to a Sponsoring Company or its Affiliate hereunder must comply with the requirements of Section 9.182.

(d) If one or more Sponsoring Companies have elected to purchase all of the rights, title and interests in, and obligations under this Agreement of the Transferring Sponsor pursuant to the Offer Notice, the assignment of such rights, title and interests in, and obligations under this Agreement shall be consummated as soon as practical after the delivery of the election notices, but in any event no later than fifteen (15) days after the filing and receipt, as applicable, of all necessary governmental filings, consents or other approvals and the expiration of all applicable waiting periods. At the closing of the purchase of such rights, title and interests in, and obligations under this Agreement from the Transferring Sponsor, the Transferring Sponsor shall provide representations and warranties customary for transactions of this type, including those as to its title to such securities and that there are no liens or other encumbrances on such securities (other than pursuant to this Agreement) and shall sign such documents as may reasonably be requested by the Corporation and the other Sponsoring Companies. The Sponsoring Companies or their Affiliates shall only be required to pay cash for the rights, title and interests in, and obligations under this Agreement being assigned by the Transferring Sponsor.

(e) To the extent that the Sponsoring Companies have not elected to purchase all of the rights, title and interests in, and obligations under this Agreement described in the Offer Notice, the Transferring Sponsor may, within one-hundred and eighty (180) days after the later of the expiration of the Election Period or the deemed withdrawal of a conditional election by a Sponsoring Company under Section 9.183(b) hereof (if applicable), enter into a definitive agreement to, assign such rights, title and interests in, and obligations under this Agreement to a Third Party at a price no less than 92.5% of the purchase price specified in the Offer Notice and on other material terms and conditions no more

favorable to the such Third Party than those specified in the Offer Notice; provided that such purchases shall be conditioned upon: (i) such Third Party having long-term unsecured non-credit enhanced indebtedness, as of the date of such assignment, with a Standard & Poor's credit rating of at least BBB- and a Moody's Investors Service, Inc. credit rating of at least Baa3 (provided that, if such Third Party's long-term unsecured non-credit enhanced indebtedness is not currently rated by one of Standard & Poor's or Moody, such Third Party's long-term unsecured non-credit enhanced indebtedness, as of the date of such assignment, must have either a Standard & Poor's credit rating of at least BBB- or a Moody's Investors Service, Inc. credit rating of at least Baa3); (ii) the filing or receipt, as applicable, of any necessary governmental filings, consents or other approvals; (iii) the determination by counsel for the Corporation that the assignment of the rights, title or interests in, or obligations under, this Agreement to such Third Party would not cause a termination, default, loss or payment obligation under any security issued, ~~or agreement entered~~ into, by the Corporation prior to such transfer; and (iv) such Third Party executing a counterpart of this Agreement, and both such Third Party and the Sponsoring Company which is assigning its rights, title and interests in, and obligations under, this Agreement executing such other documents as may be reasonably requested by the Corporation (including, without limitation, an assignment agreement in form and substance acceptable to the Corporation in its reasonable discretion and containing the agreement by such Sponsoring Company to reimburse the Corporation and the other Sponsoring Companies for any fees or expenses required under any security issued, or agreement entered into, by the Corporation as a result of such assignment, including without limitation any consent fee or additional financing costs to the Corporation under the Corporation's then-existing securities or agreements resulting from such assignment). In the event that the Sponsoring Company and a Third Party have not entered into a definitive agreement to assign the interests specified in the Offer Notice to such Third Party within the later of one-hundred and eighty (180) days after the expiration of the Election Period or the deemed withdrawal of a conditional election by a Sponsoring Company under Section 9.183(b) hereof (if applicable) for any reason or if either the price to be paid by such Third Party would be less than 92.5% of the purchase price specified in the Offer Notice or the other material terms of such assignment would be more favorable to such Third Party than the terms specified in the Offer Notice, then the restrictions provided for herein shall again be effective, and no assignment of any rights, title and interests in, and obligations under this Agreement may be made thereafter without again offering the same to Sponsoring Companies in accordance with this Section 9.183.

ARTICLE 10

REPRESENTATIONS AND WARRANTIES

10.01. *Representations and Warranties.* Each Sponsoring Company hereby represents and warrants for itself, on and as of the date of this Agreement, as follows:

(a) it is duly organized, validly existing and in good standing under the laws of its state of organization, with full corporate power, authority and legal right to execute and deliver this Agreement and to perform its obligations hereunder;

(b) it has duly authorized, executed and delivered this Agreement, and upon the execution and delivery by all of the parties hereto, this Agreement will be in full force and effect, and will constitute a legal, valid and binding obligation of such Sponsoring Company, enforceable in accordance with the terms hereof, except as enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally;

(c) Except as set forth in Schedule 10.01(c) hereto, no consents or approvals of, or filings or registrations with, any governmental authority or public regulatory authority or agency, federal state or local, or any other entity or person are required in connection with the execution, delivery and performance by it of this Agreement, except for those which have been duly obtained or made and are in full force and effect, have not been revoked, and are not the subject of a pending appeal; and

(d) the execution, delivery and performance by it of this Agreement will not conflict with or result in any breach of any of the terms, conditions or provisions of, or constitute a default under its charter or by-laws or any indenture or other material agreement or instrument to which it is a party or by which it may be bound or result in the imposition of any liens, claims or encumbrances on any of its property.

ARTICLE 11

EVENTS OF DEFAULT AND REMEDIES

11.01. *Payment Default.* If any Sponsoring Company fails to make full payment to Corporation under this Agreement when due and such failure is not remedied within ten (10) days after receipt of notice of such failure from the Corporation, then such failure shall constitute a "Payment Default" on the part of such Sponsoring Company. Upon a Payment Default, the

Corporation may suspend service to the Sponsoring Company that has caused such Payment Default for all or part of the period of continuing default (and such Sponsoring Company shall be deemed to have notified the Corporation and the other Sponsoring Companies that any Available Energy shall be available for scheduling by such other Sponsoring Companies in accordance with Section 4.032). The Corporation's right to suspend service shall not be exclusive, but shall be in addition to all remedies available to the Corporation at law or in equity. No suspension of service or termination of this Agreement shall relieve any Sponsoring Company of its obligations under this Agreement, which are absolute and unconditional.

11.02. *Performance Default.* If the Corporation or any Sponsoring Company fails to comply in any material respect with any of the material terms, conditions and covenants of this Agreement (and such failure does not constitute a Payment Default under Section 11.01), the Corporation (in the case of a default by any Sponsoring Company) and any Sponsoring Company (in the case of a default by the Corporation) shall give the defaulting party written notice of the default ("Performance Default"). To the extent that a Performance Default is not cured within thirty (30) days after receipt of notice thereof (or within such longer period of time, not to exceed sixty (60) additional days, as necessary for the defaulting party with the exercise of reasonable diligence to cure such default), then the Corporation (in the case of a default by any Sponsoring Company) and any Sponsoring Company (in the case of a default by the Corporation) shall have all of the rights and remedies provided at law and in equity, other than termination of this Agreement or any release of the obligation of the Sponsoring Companies to make payments pursuant to this Agreement, which obligation shall remain absolute and unconditional.

11.03. *Waiver.* No waiver by the Corporation or any Sponsoring Company of any one or more defaults in the performance of any provision of this Agreement shall be construed as a waiver of any other default or defaults, whether of a like kind or different nature.

11.04. *Limitation of Liability and Damages.* TO THE FULLEST EXTENT PERMITTED BY LAW, NEITHER THE CORPORATION, NOR ANY SPONSORING COMPANY SHALL BE LIABLE UNDER THIS AGREEMENT FOR ANY CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST REVENUES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, OR OTHERWISE.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amended and Restated Inter-Company Power Agreement to be duly executed and delivered by their proper and duly authorized officers to be effective as of March 13, 2006.

OHIO VALLEY ELECTRIC CORPORATION

By *Kimberly Havel*
Its PRESIDENT

ALLEGHENY ENERGY SUPPLY COMPANY, L.L.C.

By _____
Its _____

APPALACHIAN POWER COMPANY

By *Wayne Lape*
Its PRESIDENT

THE CINCINNATI GAS & ELECTRIC COMPANY

By _____
Its _____

COLUMBUS SOUTHERN POWER COMPANY

By *Wayne Lape*
Its PRESIDENT

THE DAYTON POWER AND LIGHT COMPANY

By _____
Its _____

FIRSTENERGY GENERATION CORPORATION

By _____
Its _____

INDIANA MICHIGAN POWER COMPANY

By *Wayne Lape*
Its PRESIDENT

KENTUCKY UTILITIES COMPANY

By _____
Its _____

LOUISVILLE GAS AND ELECTRIC COMPANY

By _____
Its _____

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OHIO VALLEY ELECTRIC CORPORATION

By _____
Its _____

ALLEGHENY ENERGY SUPPLY COMPANY, L.L.C.

By _____
Its _____

APPALACHIAN POWER COMPANY

By _____
Its _____

THE CINCINNATI GAS & ELECTRIC COMPANY

By _____
Its _____

COLUMBUS SOUTHERN POWER COMPANY

By _____
Its _____

THE DAYTON POWER AND LIGHT COMPANY

By _____
Its _____

FIRSTENERGY GENERATION CORP.

By *Donald R. Smith*
Its PRESIDENT

INDIANA MICHIGAN POWER COMPANY

By _____
Its _____

KENTUCKY UTILITIES COMPANY

By _____
Its _____

LOUISVILLE GAS AND ELECTRIC COMPANY

By _____
Its _____

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OHIO VALLEY ELECTRIC CORPORATION

ALLEGHENY ENERGY SUPPLY COMPANY, L.L.C.

By _____
Its _____

By _____
Its _____

APPALACHIAN POWER COMPANY

THE CINCINNATI GAS & ELECTRIC COMPANY

By _____
Its _____

By _____
Its _____

COLUMBUS SOUTHERN POWER COMPANY

THE DAYTON POWER AND LIGHT COMPANY

By _____
Its _____

By _____
Its _____

FIRSTENERGY GENERATION CORPORATION


INDIANA MICHIGAN POWER COMPANY


By _____
Its _____

By _____
Its _____

KENTUCKY UTILITIES COMPANY

LOUISVILLE GAS AND ELECTRIC COMPANY

By: 
Name: Paul W. Thompson
Title: Sr. Vice President - Energy Services


By: 
Name: Paul W. Thompson
Title: Sr. Vice President - Energy Services

IN WITNESS WHEREOF, the parties hereto have caused this Amended and Restated Inter-Company Power Agreement to be duly executed and delivered by their proper and duly authorized officers to be effective as of March 13, 2006.

OHIO VALLEY ELECTRIC CORPORATION

ALLEGHENY ENERGY SUPPLY COMPANY, L.L.C.

By _____
Its _____

By  _____ DTF
Its President _____

APPALACHIAN POWER COMPANY

THE CINCINNATI GAS & ELECTRIC COMPANY

By _____
Its _____

By _____
Its _____

COLUMBUS SOUTHERN POWER COMPANY

THE DAYTON POWER AND LIGHT COMPANY

By _____
Its _____

By _____
Its _____

FIRSTENERGY GENERATION CORPORATION

INDIANA MICHIGAN POWER COMPANY

By _____
Its _____

By _____
Its _____

KENTUCKY UTILITIES COMPANY

LOUISVILLE GAS AND ELECTRIC COMPANY

By _____
Its _____

By _____
Its _____

IN WITNESS WHEREOF, the parties hereto have caused this Amended and Restated Inter-Company Power Agreement to be duly executed and delivered by their proper and duly authorized officers to be effective as of March 13, 2006.

OHIO VALLEY ELECTRIC CORPORATION

ALLEGHENY ENERGY SUPPLY COMPANY, L.L.C.

By _____
Its _____

By _____
Its _____

APPALACHIAN POWER COMPANY

THE CINCINNATI GAS & ELECTRIC COMPANY

As To Form:
KEM

By _____
Its _____

By 
Its Executive Vice President

COLUMBUS SOUTHERN POWER COMPANY

THE DAYTON POWER AND LIGHT COMPANY

By _____
Its _____

By _____
Its _____

FIRSTENERGY GENERATION CORPORATION

INDIANA MICHIGAN POWER COMPANY

By _____
Its _____

By _____
Its _____

KENTUCKY UTILITIES COMPANY

LOUISVILLE GAS AND ELECTRIC COMPANY

By _____
Its _____

By _____
Its _____

IN WITNESS WHEREOF, the parties hereto have caused this Amended and Restated Inter-Company Power Agreement to be duly executed and delivered by their proper and duly authorized officers to be effective as of March 13, 2006.

OHIO VALLEY ELECTRIC CORPORATION

By _____
Its _____

ALLEGHENY ENERGY SUPPLY COMPANY, L.L.C.

By _____
Its _____

APPALACHIAN POWER COMPANY

By _____
Its _____

THE CINCINNATI GAS & ELECTRIC COMPANY

By _____
Its _____

COLUMBUS SOUTHERN POWER COMPANY

By _____
Its _____

THE DAYTON POWER AND LIGHT COMPANY

By Walter Wang
Its President, Power Production

FIRSTENERGY GENERATION CORPORATION

By _____
Its _____

INDIANA MICHIGAN POWER COMPANY

By _____
Its _____

KENTUCKY UTILITIES COMPANY

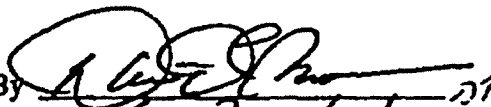
By _____
Its _____

LOUISVILLE GAS AND ELECTRIC COMPANY

By _____
Its _____

MONONGAHELA POWER COMPANY

OHIO POWER COMPANY

By  *VP*
Its Vice President

By _____
Its _____

**SOUTHERN INDIANA GAS AND
ELECTRIC COMPANY**

By _____
Its _____

MONONGAHELA POWER COMPANY

OHIO POWER COMPANY

By _____
Its _____

By *[Signature]*
Its President

**SOUTHERN INDIANA GAS AND
ELECTRIC COMPANY**

By _____
Its _____

MONONGAHELA POWER COMPANY

OHIO POWER COMPANY

By _____
Its _____

By _____
Its _____

**SOUTHERN INDIANA GAS AND
ELECTRIC COMPANY**

By 
Its President

EXHIBIT A

**AMENDED AND RESTATED
POWER AGREEMENT**

BETWEEN

OHIO VALLEY ELECTRIC CORPORATION

AND

INDIANA-KENTUCKY ELECTRIC CORPORATION

Dated as of March 13, 2006

THIS AGREEMENT, dated as of March 13, 2006 by and between OHIO VALLEY ELECTRIC CORPORATION (herein called OVEC) and INDIANA-KENTUCKY ELECTRIC CORPORATION (herein called IKEC), hereby amends and restates in its entirety, the Power Agreement (herein called the Original Agreement), dated July 10, 1953, between OVEC and IKEC, as amended by the Supplemental Agreement, dated as of February 1, 1977, by and between OVEC and IKEC.

WITNESSETH THAT:

WHEREAS, IKEC, a wholly owned subsidiary of OVEC, designed, purchased, and constructed, and continues to own, operate and maintain a steam-electric generating station (herein called Indiana Station) consisting of six turbogenerators and all other necessary equipment, at a location on the Ohio River near Madison, Indiana; and

WHEREAS, OVEC designed, purchased, and constructed, and continues to own, operate and maintain a steam-electric generating stations (herein called Ohio Station) consisting of five turbo-generators and all other necessary equipment, at a location on the Ohio River near Cheshire, Ohio (the Ohio Station and the Indiana Station being herein called the Project Generating Stations); and

WHEREAS, OVEC also designed, purchased, and constructed, and continues to operate and maintain necessary transmission and general plant facilities (herein called the Project Transmission Facilities) and OVEC established or cause to be established interconnections between the Project Generating Stations and/or the Project Transmission Facilities, and the systems of certain of the Sponsoring Companies; and

WHEREAS, IKEC owns and operates the portion of the Project Transmission Facilities located in the State of Indiana; and

WHEREAS, IKEC entered into a Power Agreement (the "Original Agreement"), dated July 10, 1953, with OVEC which embodies the terms and conditions for the ownership and operation by IKEC of the Indiana Station and such portion of the Project Transmission Facilities which are to be owned and operated by it; and

WHEREAS, the owners of OVEC or their affiliates that are parties to an Inter-Company Power Agreement, have amended and restated such Inter-Company Power Agreement as of the date hereof, which defines the terms and conditions governing the rights of the "Sponsoring Companies" (as defined thereunder) to receive "Available Power" (as defined thereunder) from the Project Generating Stations and the obligations of the Sponsoring Companies to pay therefor; and

WHEREAS, concurrent with the amendment and restatement of the Inter-Company Power Agreement, IKEC and OVEC hereto desire to amend and restate in their entirety, the Original Agreement (as amended by the Supplemental Agreement) in order for IKEC to continue

to sell to OVEC any and all power available at the Indiana Station, and energy associated therewith, and to transmit power and energy as provided herein.

NOW, THEREFORE, the parties hereto agree with each other as follows:

ARTICLE 1

POWER AND ENERGY TRANSACTIONS

1.01 IKEC shall transmit any and all power generated at the Indiana Station by any of the generating units thereof in commercial operation and deliver such power, together with the energy associated therewith, but less the transmission losses in the facilities of IKEC applicable thereto from the 330 kV busses of the Indiana Station, at the points of delivery hereinafter designated in *Section 1.03* hereof, and sell such power and energy at said points of delivery to OVEC. OVEC shall purchase from IKEC all such power so delivered by IKEC to OVEC at said points of delivery, together with the energy associated therewith, and shall from time to time pay IKEC therefor, amounts which, when added to revenues received by IKEC from other sources, will be sufficient to enable IKEC to pay all of its operating and other expenses, including all income and other taxes and any interest and regular amortization requirements applicable to any indebtedness for borrowed funds incurred by IKEC. For the purposes of this *Section 1.01* the term "operating and other expenses" shall also include, without limitation, all amounts payable to suppliers of fuel requirements (including the handling and shipment thereof) in connection with the cancellation of commitments and the extension of delivery schedules, as well as all expenses accrued to pay for postemployment and postretirement benefits and the costs of the decommissioning, shutdown, demolition and closing of the Project Generating Stations.

1.02 IKEC shall transmit and deliver to OVEC at the points of delivery hereinafter designated in *Section 1.03* hereof, all power and the energy associated therewith supplied to IKEC by Sponsoring Companies at the points of delivery hereinafter designated in *Section 1.03* hereof, less the transmission losses in the facilities of IKEC applicable thereto. IKEC shall transmit and deliver to Sponsoring Companies designated by OVEC at the points of delivery hereinafter designated in *Section 1.03* hereof, all power, and the energy associated therewith, supplied to IKEC by OVEC at the points of delivery hereinafter designated in *Section 1.03* hereof, less the transmission losses in the facilities of IKEC applicable thereto.

1.03 All power and energy sold, purchased, transmitted or delivered hereunder shall be 3-phase, 60-cycle, alternating current, at nominal unregulated voltage, designated for the points of delivery hereinbelow described. Power and energy transmitted, delivered and sold by IKEC to OVEC pursuant to the provisions of *Section 1.01* hereof shall be delivered at the points where the transmission facilities of OVEC and the transmission facilities of IKEC interconnect and title to such power and energy shall pass from IKEC to OVEC at said points. Power and energy supplied to IKEC by a Sponsoring Company for transmission to OVEC pursuant to the provisions of *Section 1.02* hereof, shall be delivered by said Sponsoring Company to IKEC at the points where the transmission facilities of said Sponsoring Company and the transmission

facilities of IKEC interconnect and shall be delivered by IKEC to OVEC and title thereto shall pass from said Sponsoring Company to OVEC at the points where the transmission facilities of OVEC and the transmission facilities of IKEC interconnect. Power and energy supplied to IKEC by OVEC for transmission to a Sponsoring Company pursuant to the provisions of *Section 1.02* hereof shall be delivered by OVEC to IKEC at the points where the transmission facilities of OVEC and the transmission facilities of IKEC interconnect and title to such power and energy shall pass from OVEC to said Sponsoring Company at said points. Such power and energy shall be delivered by IKEC to said Sponsoring Company at the points where the transmission facilities of IKEC and the transmission facilities of said Sponsoring Company interconnect.

1.04 The parties hereto shall exercise due diligence and foresight in carrying out all matters related to the providing and operating of their respective power resources so as to minimize to the extent practicable deviations between actual and scheduled deliveries of power and energy among their systems. The parties hereto shall provide and/or install on their respective systems such communication, telemetering, frequency and/or tie-line control facilities essential to so minimizing such deviations; and shall fully cooperate with one another and with third parties (such third parties whose systems are either directly or indirectly interconnected with the systems of the Sponsoring Companies and who of necessity together with the Sponsoring Companies and the parties hereto must unify their efforts cooperatively to achieve effective and efficient interconnected system operation) in developing and executing operating procedures that will enable the parties hereto to avoid to the extent practicable deviations from scheduled deliveries.

1.05 OVEC shall reimburse IKEC for the difference between (a) the total cost of replacements chargeable to property and plant made by IKEC, and the total cost of additional facilities and/or spare parts purchased or installed by Corporation, during any month or prior thereto (and not previously reimbursed) and (b) the amounts paid for by IKEC out of proceeds of fire or other applicable insurance protection, or out of amounts recovered from third parties responsible for damages requiring replacement. OVEC shall pay to IKEC such amount in lieu of the amounts to be paid as above provided, which, after provision for all taxes on income, shall equal the costs of the replacements reimbursable by OVEC to IKEC as above provided. The term cost of replacements, as used herein, shall include all components of costs, plus removal expense, less salvage. The amounts reimbursed by OVEC to IKEC for such replacements shall be accounted for on the books of IKEC in a special balance sheet account provided for such purposes.

ARTICLE 2

MISCELLANEOUS

2.01 This Agreement shall become effective on March 13, 2006, or to the extent necessary, such later date on which all conditions to effectiveness, including all required waiting periods and all required regulatory acceptances or approvals, of this Agreement have been satisfied in form and substance satisfactory to OVEC, and shall terminate upon the earlier

of: (1) March 13, 2026 or (2) the sale or other disposition of all of the facilities of the Project Generating Stations or the permanent cessation of operation of such facilities.

2.02 No party hereto shall be held responsible or liable for any loss or damage on account of non-delivery of energy hereunder at any time caused by act of God, fire, flood, explosion, strike, civil or military authority, insurrection or riot, act of the elements, failure of equipment, or for any other cause beyond its control.

2.03 This Agreement is made subject to the jurisdiction of any governmental authority or authorities having jurisdiction in the premises and the performance thereof shall be subject to the receipt of all regulatory approvals, in form and substance satisfactory to the parties hereto, necessary to permit the parties hereto to perform all the duties and obligations to be performed by such parties hereunder.

2.04 This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns, but this Agreement shall not be assigned by either party hereto without the written consent of the other, except (a) to a successor to all or substantially all the properties and assets of such party, or (b) to a trustee under an indenture securing any indebtedness of such party.

2.05 All notices and requests under this Agreement shall be in writing and shall be sufficient in all respects if delivered in person or sent by registered mail addressed to the party to be served at such party's general office or at such other address as such party may from time to time in writing designate.

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

OHIO VALLEY ELECTRIC CORPORATION

By _____

INDIANA-KENTUCKY ELECTRIC CORPORATION

By _____

LOUISVILLE GAS AND ELECTRIC COMPANY

FINANCIAL EXHIBIT
(807 KAR 5:001 SEC. 6)

June 30, 2004

(1) Amount and kinds of stock authorized.

75,000,000 shares of Common Stock, without par value.
1,720,000 shares of Cumulative Preferred Stock, \$25 par value.
6,750,000 shares of Cumulative Preferred Stock, without par value.

(2) Amount and kinds of stock issued and outstanding.

21,294,223 shares of Common Stock, without par value, recorded at
\$425,170,424.
860,287 shares of Cumulative Preferred Stock, \$25 par value, 5%
series, \$21,507,175.
500,000 shares of Cumulative Preferred Stock, without par value
(stated value \$100 per share), Auction Rate, \$50,000,000.
237,500 shares of Cumulative Preferred Stock, without par value
(stated value \$100 per share), \$5.875 series, \$23,750,000.

(3) Terms of preference of preferred stock whether cumulative or participating, or on dividends or assets or otherwise.

The holders of the 5% Cumulative Preferred Stock, \$25 par value, are entitled to receive cumulative dividends at an annual rate of 5% of the par value thereof and no more. The holders of the Auction Rate Cumulative Preferred Stock are entitled to receive cumulative dividends at an annual rate of that which results from the auction and no more. The holders of the \$5.875 Cumulative Preferred Stock are entitled to receive cumulative dividends at an annual rate of \$5.875 per share and no more. Unless dividends on all outstanding shares of each series of the preferred stock, at the respective annual dividend rates and from the dates for accumulation thereof, have been paid for all quarter-yearly periods, no dividends may be paid or declared and no other distribution may be made on the Common Stock, without par value.

In the event of a voluntary liquidation, the holders of the 5% Cumulative Preferred Stock are entitled to \$27.25 per share, together with any accumulated but unpaid dividends thereon; provided that, if such voluntary liquidation is approved by the affirmative vote

or the written consent of the holders of a majority of a series of preferred stock then outstanding, the amount so payable is \$25 per share, together with any accumulated but unpaid dividends thereon. In the event of any involuntary liquidation, the holders of the 5% Cumulative Preferred Stock are entitled to \$25 per share, together with any accumulated but unpaid dividends thereon. In the event of a voluntary or involuntary liquidation, the holders of the Auction Rate Cumulative Preferred Stock and the \$5.875 Cumulative Preferred Stock are entitled to \$100 per share, together with any accumulated but unpaid dividends thereon. After any such liquidation, whether voluntary or involuntary, the holders of the Common Stock, without par value, are entitled to the remaining assets.

- (4) Brief description of each mortgage on property of applicant, giving date of execution, name of mortgagor, name of mortgagee, or trustee, amount of indebtedness authorized to be secured thereby, and the amount of indebtedness actually secured, together with any sinking fund provisions.

The Trust Indenture from Louisville Gas and Electric Company to The Bank of New York, Trustee, dated November 1, 1949, and amended February 15, 1979, secures the First Mortgage Bonds of Louisville Gas and Electric Company. In the opinion of counsel for the Company, the Indenture, as amended and supplemented, constitutes a first mortgage lien, subject only to permissible encumbrances, upon all the property of the Company (with certain specified exceptions) for the equal pro-rata security of all bonds issued or to be issued thereunder, subject to the provisions relating to any sinking fund or similar fund for the benefit of bonds of any particular series. The Indenture contains provisions for subjecting to the lien thereof property acquired by the Company after the date of the Indenture.

The Company has issued First Mortgage Bonds in accordance with the provisions of the Indenture and Supplemental Indentures as follows:

<u>Date of Indenture</u>	<u>Series of Bonds Due</u>	<u>Principal Amount</u>	
		<u>Authorized</u>	<u>Outstanding at June 30, 2004</u>
Sept. 17, 1992	Sept. 1, 2017	31,000,000	31,000,000
Sept. 17, 1992	Sept. 1, 2017	60,000,000	60,000,000
Aug. 15, 1993	Aug. 15, 2013	35,200,000	35,200,000
Apr. 15, 1995	Apr. 15, 2023	40,000,000	40,000,000
May. 1, 2000	May. 1, 2027	25,000,000	25,000,000
Aug. 1, 2000	Aug. 1, 2030	83,335,000	83,335,000
Sept. 11, 2001	Sept. 1, 2027	10,104,000	10,104,000
Mar. 6, 2002	Sept. 1, 2026	22,500,000	22,500,000
Mar. 6, 2002	Sept. 1, 2026	27,500,000	27,500,000
Mar. 22, 2002	Nov. 1, 2027	35,000,000	35,000,000
Mar. 22, 2002	Nov. 1, 2027	35,000,000	35,000,000
Oct. 23, 2002	Oct. 1, 2032	41,665,000	41,665,000
Nov. 20, 2003	Oct. 1, 2033	128,000,000	128,000,000
			<u>\$574,304,000</u>

- (5) Amount of bonds authorized, and amount issued, giving the name of the public utility which issued the same, describing each class separately, and giving date of issue, face value, rate of interest, date of maturity and how secured, together with amount of interest paid thereon during the last fiscal year.

Louisville Gas and Electric Company has issued the following First Mortgage Bonds, which are secured by the Trust Indenture, as amended and supplemented, to The Bank of New York, Trustee:

<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Rate of Interest</u>	<u>Principal Amount</u>		<u>Interest Expense</u>
			<u>Authorized</u>	<u>Outstanding at June 30, 2004</u>	<u>Year Ended June 30, 2004</u>
Aug. 31, 1993	Aug. 15, 2003	6%	\$ 42,600,000	\$ 42,600,000	\$ 319,500

The following are Pollution Control Series (a)

Sept. 17, 1992	Sept. 1, 2017	Variable	31,000,000	31,000,000	335,337
Sept. 17, 1992	Sept. 1, 2017	Variable	60,000,000	60,000,000	668,344
Aug. 15, 1993	Aug. 15, 2013	Variable	35,200,000	35,200,000	391,221
Aug. 15, 1993	Aug. 15, 2015	5 5/8%	102,000,000	102,000,000	2,741,253
Oct. 15, 1993	Oct. 15, 2020	5.45%	26,000,000	26,000,000	677,011
Apr. 15, 1995	Apr. 15, 2023	5.90%	40,000,000	40,000,000	2,360,000
May 1, 2000	May 1, 2027	Variable	25,000,000	25,000,000	237,830
Aug. 1, 2000	Aug. 1, 2030	Variable	83,335,000	83,335,000	888,923
Sept. 11, 2001	Sept. 1, 2027	Variable	10,104,000	10,104,000	103,114
Mar. 6, 2002	Sept. 1, 2026	Variable	22,500,000	22,500,000	235,488
Mar. 6, 2002	Sept. 1, 2026	Variable	27,500,000	27,500,000	295,165
Mar. 22, 2002	Nov. 1, 2027	Variable	35,000,000	35,000,000	374,674
Mar. 22, 2002	Nov. 1, 2027	Variable	35,000,000	35,000,000	372,083
Oct. 15, 2002	Oct. 1, 2032	Variable	41,665,000	41,665,000	454,552
Nov. 20, 2003	Oct. 1, 2033	Variable	128,000,000	128,000,000	787,573
Interest Rate Swap					6,373,337
					\$17,615,405

(a) Pollution Control Revenue Bonds (Louisville Gas and Electric Company Projects) issued by Jefferson and Trimble Counties, Kentucky, are secured by the assignment of loan payments by the Company to the County pursuant to loan agreements, and further secured by the delivery from time to time of an equal amount of the Company's First Mortgage Bonds, Pollution Control Series. First Mortgage Bonds so delivered are summarized in the table above. No principal or interest on these First Mortgage Bonds is payable unless default on the loan agreements occurs. The interest rate stated in the table applies to the Pollution Control Revenue Bonds, not the First Mortgage Bonds. At June 30, 2004, First Mortgage Bonds had been delivered to the trustees as security for all outstanding Pollution Control Revenue Bonds.

- (6) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest, in whose favor, together with amount of interest paid thereon during the last fiscal year.

<u>Payee</u>	<u>Date of Issue</u>	<u>Intercompany Notes Payable</u>			<u>Amount</u>	<u>Interest Expense</u>
		<u>Date of Maturity</u>	<u>Rate of Interest</u>	<u>Year Ended June 30, 2004</u>		
LG&E Energy LLC	12/31/00	Various	Various	\$ 25,950,000	\$ 539,430	
Fidelia Corp.	4/30/03	4/30/13	4.55%	100,000,000	4,562,639	
Fidelia Corp.	8/15/03	8/15/13	5.31%	100,000,000	4,661,000	
Fidelia Corp.	1/6/04	1/6/05	1.53%	50,000,000	612,000	
Fidelia Corp.	1/15/04	1/16/12	4.33%	25,000,000	499,153	
					<u>\$10,874,222</u>	

- (7) Other indebtedness, giving same by classes and describing security, if any, with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year.

None, other than current and accrued liabilities.

- (8) Rate and amount of dividends paid during the five previous fiscal years through June 30, 2004, and the amount of capital stock on which dividends were paid each year.

Dividends on Common Stock, without par value

<u>Month Declared</u>		<u>Payment Date</u>	<u>Amount</u>
March	1999	4/15/99	\$22,000,000
June	1999	7/15/99	22,000,000
September	1999	10/15/97	23,000,000
December	1999	1/14/00	23,000,000
			\$90,000,000
March	2000	4/15/00	\$16,500,000
June	2000	7/15/00	16,500,000
September	2000	10/15/00	17,000,000
December	2000		-
			\$50,000,000
March	2001		\$-
June	2001		-
September	2001		-
December	2001	12/18/01	23,000,000
			\$23,000,000
March	2002	4/15/02	\$23,000,000
June	2002		
September	2002	10/15/02	23,000,000
December	2002	12/19/02	23,000,000
			\$69,000,000
March	2003		\$-
June	2003		-
September	2003		-
December	2003		-
			\$-
May	2004	6/18/04	\$21,000,000
June	2004		-
			\$21,000,000

Number of shares outstanding was 21,294,223 for each period.

Dividends on 5% Cumulative Preferred Stock, \$25 par value

For each of the quarters shown for the Common Stock above the Company declared and paid dividends of \$.3125 per share on the 860,287 shares of 5% Cumulative Preferred Stock, \$25 par value, outstanding for a total of \$268,842. On an annual basis the dividend amounted to \$1.25 per share, or \$1,075,366.

Dividends on \$5.875 Cumulative Preferred Stock, without par value

For each of the quarters shown for Common Stock on the previous page the Company declared and paid dividends of \$1.4687 per share on the \$5.875 series preferred stock outstanding. The preferred stock has a sinking fund requirement sufficient to retire a minimum of 12,500 shares on July 15 of each year commencing with July 15, 2003, and the remaining 187,500 shares on July 15, 2008 at \$100 per share. The Company redeemed 12,500 shares in accordance with these provisions on July 15, 2003, leaving 237,500 shares outstanding as of June 30, 2004. Dividends of \$367,187 were paid for all quarters through the second quarter of 2003 for a total of \$1,468,750 on an annual basis. Dividends of \$348,828 were paid for each of the four remaining quarters through June 30, 2004. Preferred dividends for the twelve months ended June 30, 2004 was \$1,395,312.

Dividends on Auction Rate Cumulative Preferred Stock, without par value

<u>Month Declared</u>		<u>Payment Date</u>	<u>Rate Per Share</u>	<u>Amount</u>
March	1999			\$453,750
June	1999			449,875
September	1999	10/15/1999	0.90750	471,250
December	1999	1/14/2000	1.20000	600,000
				<u>\$1,974,875</u>
March	2000	4/15/2000	1.05750	\$528,750
June	2000	7/15/2000	1.36250	681,250
September	2000	10/15/2000	1.45000	725,000
December	2000	1/15/2001	1.46250	731,250
				<u>\$2,666,250</u>
March	2001	4/15/2001	1.32500	\$662,500
June	2001	7/15/2001	1.16750	583,750
September	2001	10/15/2001	0.94750	473,750
December	2001	1/14/2002	0.95000	475,000
				<u>\$2,195,000</u>
March	2002	4/15/2002	0.85875	\$429,375
June	2002	7/15/2002	0.82500	412,500
September	2002	10/15/2002	0.87750	438,750
December	2002	1/15/03	0.84250	421,250
				<u>\$1,701,875</u>
March	2003	4/15/03	0.60000	\$300,000
June	2003	7/15/03	0.53750	268,750
September	2003	10/15/03	0.34750	173,750
December	2003	1/15/04	0.33000	165,000
				<u>\$907,500</u>
March	2004	4/15/04	0.37500	\$187,500
June	2004	7/15/04	0.43750	218,750
				<u>\$406,250</u>

Dividend is based on 500,000 shares for all periods.

(9) Detailed Income Statement and Balance Sheet.

See pages 7 through 9

LOUISVILLE GAS AND ELECTRIC COMPANY AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET AS OF JUNE 30, 2004

	<u>CONSOLIDATED</u>	<u>CONSOLIDATED</u>
ASSETS AND OTHER DEBITS		
Utility Plant		
Utility Plant at Original Cost.....	3,857,231,235.57	425,170,424.09
Less Reserves for Depreciation & Amortization.....	<u>1,584,303,495.89</u>	(835,888.64)
Total.....	<u>2,272,927,739.68</u>	<u>40,000,000.00</u>
Investments - At Cost		
Ohio Valley Electric Corporation.....	490,000.00	516,856,057.71
Investments in LG&E-R.....	-	975,131,600.56
Nonutility Property-Less Reserve.....	<u>17,337.47</u>	70,424,594.05
Other.....	-	574,304,000.00
Total.....	<u>507,337.47</u>	<u>225,000,000.00</u>
Current and Accrued Assets		
Cash.....	7,392,971.38	1,867,360,194.61
Special Deposits.....	6,531,487.04	1,250,000.00
Temporary Cash Investments.....	84.90	50,000,000.00
Accounts Receivable-Less Reserve.....	114,131,141.97	25,950,000.00
Notes Receivable from Assoc. Companies.....	-	76,261,438.03
Notes Receivable from LG&E/R.....	-	35,133,266.08
Accounts Receivable from Assoc Companies.....	7,526,841.38	11,015,150.24
Materials & Supplies-At Average Cost		
Fuel.....	32,843,286.12	10,694,304.46
Plant Materials & Operating Supplies.....	22,417,856.20	5,794,029.13
Stores Expense.....	3,667,465.62	487,591.87
Gas Stored Underground.....	21,794,863.84	4,474,142.70
Allowance Inventory.....	41,711.36	-
Prepayments.....	2,332,204.03	-
Miscellaneous Current & Accrued Assets.....	<u>607,471.92</u>	221,059,922.51
Total.....	<u>219,287,385.76</u>	451,967,654.53
Deferred Debits and Other		
Unamortized Debt Expense.....	8,653,483.03	47,535,236.90
Unamortized Loss on Bonds.....	20,802,357.75	41,371,191.19
Accumulated Deferred Income Taxes.....	88,419,307.25	10,344,025.73
Deferred Regulatory Assets.....	108,617,105.07	10,064,210.50
Other Deferred Debits.....	68,933,568.53	33,027,681.23
Total.....	<u>295,425,821.63</u>	47,341,991.78
Total Assets and Other Debits.....	<u>2,788,148,284.54</u>	<u>2,788,148,284.54</u>
LIABILITIES AND OTHER CREDITS		
Capitalization		
Common Stock.....		425,170,424.09
Common Stock Expense.....		(835,888.64)
Paid-In Capital.....		40,000,000.00
Other Comprehensive Income.....		(6,058,992.60)
Retained Earnings.....		<u>516,856,057.71</u>
Total Common Equity.....		<u>975,131,600.56</u>
Preferred Stock.....		70,424,594.05
First Mortgage Bonds.....		574,304,000.00
Mandatory Redeemable Preferred Stock.....		22,500,000.00
LT Notes Payable to Associated Companies.....		<u>225,000,000.00</u>
Total Capitalization.....		<u>1,867,360,194.61</u>
Current and Accrued Liabilities		
Long-Term Debt Due in 1 Year.....		1,250,000.00
ST Notes Payable to Associated Companies.....		50,000,000.00
Notes Payable to Associated Companies.....		25,950,000.00
Notes Payable.....		-
Accounts Payable.....		76,261,438.03
Accounts Payable to Associated Companies.....		35,133,266.08
Customer Deposits.....		11,015,150.24
Taxes Accrued.....		10,694,304.46
Interest Accrued.....		5,794,029.13
Dividends Declared.....		487,591.87
Misc. Current & Accrued Liabilities.....		<u>4,474,142.70</u>
Total.....		<u>221,059,922.51</u>
Deferred Credits and Other		
Accumulated Deferred Income Taxes.....		451,967,654.53
Investment Tax Credit.....		47,535,236.90
Regulatory Liabilities.....		41,371,191.19
Customer Advances for Construction.....		10,344,025.73
Asset Retirement Obligations.....		10,064,210.50
Other Deferred Credits.....		33,027,681.23
Misc. Long-Term Liabilities.....		47,341,991.78
Accum Provision for Post-Retirement Benefits.....		<u>58,076,175.56</u>
Total.....		<u>699,728,167.42</u>
Total Liabilities and Other Credits.....		<u>2,788,148,284.54</u>

LOUISVILLE GAS AND ELECTRIC COMPANY AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME
JUNE 30, 2004

	CONSOLIDATED
Electric Operating Revenues.....	786,465,383.15
Gas Operating Revenues.....	351,413,750.65
Rate Refunds.....	(3,394,134.05)
	1,134,484,999.75
Total Operating Revenues.....	201,350,017.28
Fuel for Electric Generation.....	69,420,102.27
Power Purchased.....	263,278,016.81
Gas Supply Expenses.....	225,670,756.21
Other Operation Expenses.....	54,394,539.13
Maintenance.....	107,012,625.06
Depreciation.....	4,754,577.35
Amortization Expense.....	(832,140.50)
Regulatory Credits.....	-
Taxes	-
Federal Income.....	41,657,965.94
State Income.....	14,505,920.29
Deferred Federal Income - Net.....	8,935,696.11
Deferred State Income - Net.....	(1,094,039.97)
Federal Income - Estimated.....	-
State Income - Estimated.....	-
Property and Other.....	19,015,918.23
Investment Tax Credit.....	-
Amortization of Investment Tax Credit.....	(4,895,940.32)
Gain from Disposition of Allowances.....	(347,605.08)
Accretion Expense.....	637,080.00
	1,003,463,488.81
Total Operating Expenses.....	131,021,510.94
Net Operating Income.....	(1,206,143.89)
Other Income Less Deductions.....	-
Income Before Interest Charges.....	129,815,367.05
Interest on Long Term Debt.....	29,345,507.28
Amortization of Debt Expense - Net.....	1,440,661.66
Other Interest Expenses.....	1,850,279.52
	32,636,448.46
Total Interest Charges.....	97,178,918.59
Net Inc Before Cumulative Effect of Acctg Chg.....	-
Cumulative Effect of Accounting Change Net of Tax.....	-
Net Income.....	97,178,918.59
Preferred Dividend Requirements.....	1,820,368.98
Earnings Available for Common.....	95,358,549.61

LOUISVILLE GAS AND ELECTRIC COMPANY
ANALYSIS OF RETAINED EARNINGS
JUNE 30, 2004

YEAR ENDED CURRENT MONTH

	<u>THIS YEAR</u>
Balance at Beginning of Period.....	442,487,399.54
Add:	
Credits from Income.....	97,189,027.15
Deduct:	
Preferred Dividends	
\$25 Par Value	
5% Series.....	1,075,365.89
Without Par Value	
Auction Rate.....	745,000.02
\$5.875 Series.....	3.07
Preferred Dividends Accrued	
\$25 Par Value	
5% Series.....	
Without Par Value	
Auction Rate.....	
\$5.875 Series.....	
Common Dividends	
Common Stock Without Par Value.....	21,000,000.00
Balance at End of Period.....	516,856,057.71

LOUISVILLE GAS AND ELECTRIC COMPANY
(807 KAR 5:001, Section 11, Item 2(b))

Applications to the Commission for authority to issue First Mortgage Bonds included copies of the Trust Indenture and Supplemental Indentures from Louisville Gas and Electric Company to Harris Trust and Savings Bank, Trustee.

The most recent Supplemental Indenture was filed in Case No. 2003-00299.

Copies of the Supplemental Indentures related to prior First Mortgage Bonds were filed in Case Nos. 90-110, 90-271, 92-250, 93-087, 93-223, 2000-051, 2000-052, 2000-275, 2001-205, 2001-316 and 2002-230.