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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

DEC 29 2005

PUBLIC SERVICE  
COMMISSION

In the Matter of:

FILING OF UTILITY DEPOSIT )  
AGREEMENT BETWEEN KENTUCKY )  
POWER COMPANY AND KES )  
ACQUISITION COMPANY LLC AS )  
A SPECIAL CONTRACT AND )  
REQUEST FOR DEVIATION )  
FROM RULES )

P.S.C. Case No. 2005-\_\_\_\_\_

2006-00006

Pursuant to 807 KAR 5:011, Section 13 and 807 KAR 5:011, Section 14 and all other applicable provisions of Chapter 278 of the Kentucky Revised Statutes and the rules and regulations of the Commission, Kentucky Power Company hereby files the Utility Deposit Agreement between it and KES Acquisition Company LLC as a special contract.

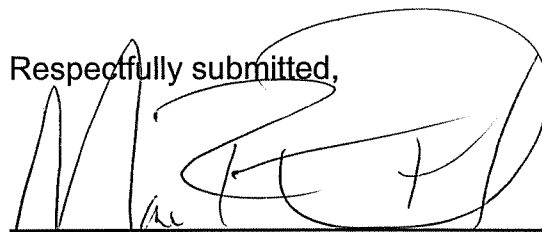
The Utility Deposit Agreement governs the deposit, billing and termination of service terms of Kentucky Power Company's provision of electric service to KES Acquisition Company LLC. In return for Kentucky Power agreeing to accept a deposit of \$150,000 (which is less than two/twelfths of KES Acquisition LLC's estimated annual usage) KES Acquisition LLC agreed to semi-monthly payments of its bill for electric service and to streamlined termination procedures. In addition, the agreement sets out certain agreements between Kentucky Power Company and KES Acquisition LLC concerning any bankruptcy petition that might be filed with respect to KES Acquisition LLC

To the extent required, Kentucky Power Company also requests it be permitted to deviate from 807 KAR 5:006, Section 6 and 807 KAR 5:006, Section 14 and those provisions of its tariff contrary to the terms of the Utility Deposit Agreement.

Wherefore, Kentucky Power Company respectfully requests the Commission to enter an Order:

1. Accepting the Utility Deposit Agreement for filing as a special contract;
2. Permitting Kentucky Power Company to deviate from 807 KAR 5:006, Section 6 and 807 KAR 5:006, Section 14 and those provisions of its tariff contrary to the terms of the Utility Deposit Agreement;
3. Granting Kentucky Power Company all further relief to which it may be entitled or required to permit Kentucky Power Company to provide service to KES Acquisition LLC upon the terms and conditions of the Utility Deposit Agreement.

Respectfully submitted,



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COUNSEL FOR KENTUCKY POWER  
COMPANY

## UTILITY DEPOSIT AGREEMENT

This Utility Deposit Agreement (“Agreement”) dated this 16th day of December 2005, is by and between KES Acquisition Company LLC (“KES” or “Customer”) of US Route 60, Ashland, KY 41102, and Kentucky Power Company (“Kentucky Power” or “Company”) of 12333 Kevin Avenue, Ashland, KY 41102.

Whereas, Kentucky Power has required KES to provide financial security for the payment of electric service furnished to the KES Steel Mill (currently Account # 031-190-577-1), which is located in Coalton, KY.

Whereas, KES is desirous of making semimonthly cash payments, along with a partial standard deposit arrangement of \$150,000 (currently secured on account), as a substitute for a lump sum cash deposit equal to two (2) months estimated usage.

Now therefore in exchange of mutual promises, the parties hereby agree as follows:

- 1) KES agrees to provide Kentucky Power semimonthly payments, in the amount equal to ½ of the normal monthly bill, and the remaining balance between the current monthly bill and the previous partial payment. For the initial payment due on Monday, January 16, 2006, the Customer payment will be the current bill charge for the December 2005 electric usage, and the estimated charge for 2 weeks electric usage, consisting of ½ the December 2005 normal bill. Full payment of this initial charge will be due on Monday, January 16, 2006. Subsequent semimonthly payments will be due each month on the normal billing due date and three business days following the issue date of the normal monthly invoice.
  
- 2) Commencing on Monday, January 16, 2006, (hereinafter called the “Commencement Date”) KES shall begin to make electronic payments to Kentucky Power, by 4:00 PM Eastern Standard Time on the Payment Date, for the semimonthly payments identified in Paragraph 1. In addition to the above payment arrangement, Kentucky Power will retain the existing cash security deposit totaling \$150,000 on electric account 031-190-577-1. The Customer understands and agrees the \$150,000 partial standard deposit, as secured

by the Company, shall remain active and in effect until the Customer electric account is closed with no unpaid balance.

- 3) Kentucky Power shall collect meter readings each month (on its normal reading date) and shall submit to KES an invoice reflecting KES actual usage and the actual cost for service for the prior month. Included with this invoice will be an account balance representing the actual monthly electric charge less the previous semimonthly partial payment completed on the normal billing due date. Customer payment on the account balance included with the normal monthly invoice will be due within 3 business days of the electric invoice issue date.
- 4) If KES fails to make any payment pursuant to Paragraphs 1, 2, or 3, on or before the Payment Date, Kentucky Power shall notify the designated KES representative, of such failure. KES shall resolve that failure by the close of business on the second regular business day following the Payment Date, (the "Cure Date"). KES represents that it will not use this provision to extend the Payment Date.
- 5) If KES fails to cure payment default as stipulated in Paragraph 4, or during the notice period, Kentucky Power will terminate service following a 24-hour notice.
- 6) In the event KES files a petition for relief under the Bankruptcy Code or an involuntary petition for relief under the Bankruptcy Code is filed against the KES within twenty-four (24) months of its execution of this Agreement, KES acknowledges and agrees that:
  - a) The semimonthly payment arrangement, as specified in paragraphs 1, 2, 3, and 4, will remain in effect as specified with the terms of this Agreement.
  - b) The parties agree the weekly payments will represent their ordinary method of payment and will be made in the ordinary course of business.
  - c) KES will not file a pleading with the applicable bankruptcy court that seeks to limit or avoid its obligations under the existing Electric Service Contract or this Agreement.
- 7) All payments made hereunder shall continue to be made by direct wire transfer and shall include the electric service account number and dollar amounts to the following address:

Key Bank, PO Box 94825,  
Cleveland OH 44101  
Transit No:  
Account:  
Account Name:

- 8) It is recognized the electric account number associated with facility may change from time to time, and any successive electric account numbers will be applicable to this Agreement.
- 9) The Terms of this Utility Deposit Agreement represent the deposit and payment terms between the parties and supercede conflicting language or terms in Kentucky Power Tariffs or other Agreements between the parties until such date that this Agreement lapses, is terminated, cancelled or superceded.

In witness hereof the parties have signed with intent to be bound to the terms of this Agreement.

WITNESS Karen W. Young

John H. Scheel  
For  
KES Acquisition Company LLC its  
GENERAL MANAGER  
Title

Date: 12-22-05

WITNESS \_\_\_\_\_

Enoch W. Wagner  
For  
Kentucky Power Company its  
Asst Secretary  
Title

Date: 12-28-05

KES Acquisition LLC  
 Example Payment Scenario

Ln No	Actual Date	Description	Meter Read	Useage Period	Amount Billed	Customer Due Date	Payment Amount	Monthly Expense
1	12/29/05	Actual Read	12/29/05	11/28-12/29	\$500,000	1/16/06		
2	1/16/06	Est Payment(bill due date)			\$250,000	1/16/06	\$750,000	\$750,000
3	1/30/06	Actual Read	1/30/06	12/29-1/30	\$400,000	2/02/06	\$150,000	
4	2/15/06	Est Payment(bill due date)			\$200,000	2/15/06	\$200,000	\$350,000
5	2/28/06	Actual Read	2/28/06	1/30-2/28	\$300,000	3/03/06	\$100,000	
6	3/16/06	Est Payment(bill due date)			\$150,000	3/16/06	\$150,000	\$250,000
7	3/29/06	Actual Read	3/29/06	2/28-3/29	\$400,000	4/03/06	\$250,000	
8	4/17/06	Est Payment(bill due date)			\$200,000	4/17/06	\$200,000	\$450,000
9	4/27/06	Actual Read	4/27/06	3/29-4/27	\$420,000	5/02/06	\$220,000	
10	5/15/06	Est Payment(bill due date)			\$210,000	5/15/06	\$210,000	\$430,000