

E.ON U.S. LLC

Response to the Attorney General's  
Supplemental Request for Information To Joint Applicants  
Dated October 24, 2008

Case No. 2007-00455

Question No. 10

RECEIVED

NOV 07 2008

PUBLIC SERVICE  
COMMISSION

Witness: Paul W. Thompson

Q-10. Please provide copies of all communications between Joint Applicants and the City of Henderson and/or HMP&L concerning the proposed unwind transaction.

A-10. See attached.

Following a review by HMP&L of the November 28, 2005 letter of intent among the Joint Applicants ("Letter of Intent"), a series of communications began among E.ON U.S., certain of its affiliates and the City of Henderson and/or HMP&L concerning certain issues that were outstanding pursuant to the existing agreements. While these outstanding issues did not concern the proposed unwind transaction, in a letter to Western Kentucky Energy Corp. ("WKEC") dated February 9, 2006, counsel for the City of Henderson and HMP&L set forth fifteen outstanding items which the City and HMP&L wanted to have resolved prior to the City and HMP&L executing a release of the "LG&E Entities" in connection with the unwind transaction. These fifteen items were mostly reconciliation of outstanding accounting items and resolution of certain minor operational issues, but also included references to the Back-up Energy issue and the Excess Energy issue described in the attached document entitled "Term Sheet Proposal of E.ON U.S. to Resolve Outstanding Issues between Henderson Municipal Power and Light and E.ON U.S." (which document was filed in this case as Exhibit PWT-9 to supplemental testimony of Paul W. Thompson on October 9, 2008). There was no mention in the February 9, 2006 letter of a concern about plant condition. The accounting reconciliations and virtually all of the outstanding operational issues set forth in the letter were resolved over subsequent months, as evidenced by (1) the attached letter from counsel for the City and HMP&L to E.ON U.S. LLC dated March 21, 2007, (2) by the attached spreadsheet tracking the progress of these items as of May 2007, (3) by the attached print out of a Powerpoint presentation entitled "Resolution of Outstanding Issues Between WKEC and HMPL" presented to HMP&L at a meeting on December 12, 2007, and (4) by the attached draft Settlement Agreement and Release presented to HMP&L by E.ON U.S. in June 2008 (which was not accepted by the City and HMP&L nor executed

by any of the parties). Since the resolution of these items was a part of WKEC's normal course of business under the existing agreements and did not concern the unwind transaction, these communications were not provided, but can be made available for review, if desired. Nevertheless, communications which specifically reference the unwind transaction or which involve the major items described in Exhibit PWT-9 have been included. It is the belief of E.ON U.S. that the issues described in Exhibit PWT-9 are the only issues remaining.

In the Letter of Intent, it was anticipated that the City and HMP&L would fully release WKEC and LEM from all liability that may have arisen with respect to the existing agreements in connection with their consent to the unwind transaction. On March 28, 2006, the City of Henderson and HMP&L sent a letter to Big Rivers and LG&E setting forth certain additional issues that they wanted to have resolved prior to the City and HMP&L granting a full release of the "LG&E Parties" as contemplated in the Letter of Intent. On or before June 14, 2006, HMP&L provided WKEC with a document entitled "Points for Discussion with LG&E Entities and Big Rivers Electric Corporation Regarding Unwind Transactions" ("HMP&L Discussion Points"). This document identified certain sections of the Letter of Intent (a total of 35 items) in which the City and HMP&L indicated they had certain questions or requests.

[REDACTED]

[REDACTED]

On June 22, 2006, counsel for the City and HMP&L sent a letter to the Joint Applicants setting forth the understanding of the City and HMP&L in connection with discussions with Big Rivers and the LG&E Parties. [REDACTED]

[REDACTED] counsel for the City and HMP&L engaged a third party,

Exothermic Engineering, LLC, to assess Station Two's condition, [REDACTED]

[REDACTED]. The unwind transaction was delayed because of issues with one of the parties in the Big Rivers leveraged lease transaction. However, notwithstanding the assertion by the City and HMP&L that the plant condition issue was serious, the City and HMP&L deferred the review by Exothermic Engineering until the unwind transaction resumed many months later. It was not until the Fall of 2007 that Exothermic Engineering completed its visual inspections and issued various reports dealing with plant condition and with the use of petroleum coke (copies of these reports were filed in this proceeding by counsel for the City and HMP&L by letter dated October 29, 2008, see Tab 1). E.ON U.S. disagreed with the findings of Exothermic Engineering in the reports and presented a rebuttal in the attached PowerPoint presentation entitled "*Station II Condition*" to the City and HMP&L on December 12, 2007. [REDACTED]

[REDACTED] (E.ON U.S. will be separately filing a letter with the Commission in this case addressing the claims, facts and asserts made in to the City's October 29, 2008 filing.) The City and HMP&L however declined to discuss any particulars about their claims regarding plant condition, and refused to provide any information about the amount of their claims. At the December 12, 2007 meeting with the City and HMP&L, because it appeared to E.ON U.S. that the City and HMP&L were taking an unreasonable position with respect to their requirements for a full release, E.ON U.S. offered two options for the City and HMP&L to consider: [REDACTED]

[REDACTED] Notwithstanding various attempts by E.ON U.S., to schedule a further meeting, the City and HMP&L elected not to schedule one with E ON U.S. to discuss the two options.

E.ON U.S. understands the need, assuming they were signing a full release giving up their rights to pursue these issues, for the City and HMP&L to resolve the contractual matters and any potential claims prior to granting a full release.

However, because E.ON U.S. believed that the City and HMP&L were taking an unreasonable position regarding these issues, E.ON U.S. subsequently abandoned its alternative request that the City and HMP&L provide a full release. [REDACTED]

[REDACTED]

Notwithstanding E.ON U.S.'s position that it was no longer requesting a full release, on or about May 1, 2008, the City and HMP&L sent to E.ON U.S. a draft of a document entitled "Station Two Termination and Release Agreement" in which the City and HMP&L offer to give a full release to the "E.ON Station Two Parties" from all claims (including plant condition and petroleum coke use) in exchange for various concessions set forth in the document, [REDACTED]

[REDACTED]

The document does not break down, justify or otherwise support the request for the [REDACTED] cash payment by WKEC; and the City and HMP&L have been unwilling to provide it. Moreover, E.ON U.S. found the representations, warranties and indemnities included in the document to be unreasonable. For these reasons, the draft document proposed by the City and HMP&L was rejected by E.ON U.S.

Recently, as evidenced by Exhibit PWT-9, E.ON U.S. increased its offer to option 2 plus \$4 million (\$1 million in cash as a transaction "fee" and \$3 million to be placed in an escrow to be used by the City and HMP&L to fund capital improvements). This new offer also would not require that the City or HMP&L release any claims it may have; and it offers to resolve all of the outstanding contractual issues. HMP&L just responded to this offer in a letter dated November 4, 2008 [REDACTED]

[REDACTED]

[REDACTED] E.ON US is continuing to evaluate the November 4, 2008 letter from HMPL.

Other miscellaneous attached documents:

1. Offers to reimburse HMP&L's costs and expenses in connection with the unwind transaction. In April 2007, E.ON U.S. attempted to enter into an agreement with HMP&L for reimbursement of costs and expenses incurred by HMP&L in connection with the unwind transaction. HMP&L declined to enter into the agreement. E.ON U.S. has offered, as evidenced by Exhibit PWT-9, to pay such costs and expenses of HMP&L [REDACTED], in exchange for the City's and HMP&L's consent to the unwind transaction. [REDACTED]
2. Non-Disclosure Agreements. The City, HMP&L and E.ON U.S. entities entered into a Non-Disclosure Agreement (and a separate Non-Disclosure Agreement with Big Rivers) at the time the City and HMP&L provided copies of the Exothermic Engineering reports to E.ON U.S. and Big Rivers.
3. Claims regarding Excess Energy and Back-up Energy. Attached is correspondence dealing with these two contractual issues. Included are specific claims by the City and HMP&L for payment of certain amounts by WKEC and/or LEM. These amounts were paid by WKEC and LEM under protest. [REDACTED] See Question 4 of this Response to the Attorney General's Supplemental Request for Information to Joint Applicants Dated October 24, 2008 for a more detailed discussion regarding these claims.



STOLL · KEENON · OGDEN  
P L L C

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CHARLES B. WEST  
(270) 869-6422  
[charles.west@skofirm.com](mailto:charles.west@skofirm.com)

February 9, 2006

RECEIVED  
FEB 13 2006

BY:.....

Mr. Rob Toerne  
Western Kentucky Energy  
145 North Main Street  
Henderson, KY 42420

Re: LG&E Entities/Big Rivers  
Term Sheet

Dear Rob:

HMP&L has been provided a copy of the LG&E Entities/Big Rivers Term Sheet relating to the turnover of the Station Two Contracts to Big Rivers. This information has been provided on a confidential basis, and recipients have executed Non-Disclosure Agreements with Big Rivers relating to the Term Sheet.

The portion of the Term Sheet relating to the Station Two Contracts provides that as a condition to closing the transaction between the LG&E Entities and Big Rivers Electric Corporation, the City of Henderson and Utility Commission will be required, among other things to sign documents relating to (a) release of all claims for payment of money from the LG&E Entities to the City and Utility Commission and (b) release of the LG&E Entities from claims that they have in any way damaged the Station Two Units during their term of operation, beyond ordinary wear and tear.

As to the matter of releasing the LG&E Entities from claims for payment of money, the City and Utility Commission are aware of a number of outstanding items involving payment of money which will have to be resolved before such a release would be signed by the City or Utility Commission. At present, the following matters remain unresolved and will require resolution before signing such a document:

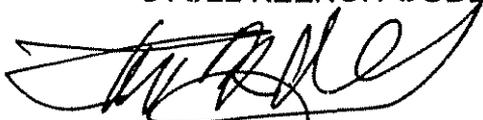
1. April 30, 2005 true-up of the SCR account as per the First Amendment to the Interim Funding Agreement.
2. SCR account true-up from May 1, 2005 to the Unwind Closing Date.
3. True-up of the 04-05 contract year.
4. Resolution of the issue of the appropriate charge from LEM to HMP&L for energy from July 15, 1998 to the Unwind Closing Date pursuant to Amendment No. 1 to System Reserves Agreement.
5. Accounting for the \$1,215,000.00 settlement with Alstom Power. At the time payment was made for this settlement, WKE took the entire \$1,215,000.00. According to our agreement, WKE was to apply \$297,000.00 to existing claims, was to apply the balance of the money, if needed, to pay its costs of replacement power during the damper outage (with appropriate deduction for fuel and reagent costs) and pay the balance into the SCR account. This accounting and any payment into the SCR account has not yet occurred.
6. The issue of HMP&L's liability for 30.45% of the \$200,000 deductible on the H-1 boiler insurance policy.
7. Settlement and allocation of funds of claims against Alstom Power for (a) air preheater baskets, (b) air heater soot blower steam traps, (c) ash buildup in the SCR duct, and (d) ammonia ropes. Also, the matter of the dampers and NEMS Systems for H-1 and H-2 must be finalized.
8. Reconciling coal and reagent inventory for Station Two.
9. Possible clean-out of Station Two ash ponds.
10. Agreement to 06-07 Station Two budget.
11. True-up of 05-06 Station Two budget.
12. True-up of 06-Unwind Closing Date budget.
13. Settlement of Excess Henderson Energy made available to, usage of and payment obligations of LEM for the first half of 2005.
14. Close out of H1 Boiler Repair Contract – complete all change orders.
15. Settlement on H2 turbine controls – return of payments made, replacement of controls, new controls from other vendor or repair of controls that we have.

With our track record of getting matters such as these brought to finality, we need to have a schedule whereby these matters can be resolved by the proposed Unwind Closing Date. We probably should have a meeting within the next several days to discuss the schedule for this work.

If you have any questions, please advise.

Yours very truly,

STOLL KEENON OGDEN PLLC

A handwritten signature in black ink, appearing to read 'C. West', written over a horizontal line.

Charles B. West

CBW/bk

Cc: Bill Smith  
Gary Quick  
Wayne Thompson  
Ralph Bowling  
Bob Berry  
Tim Dowdy  
Jeff Vandiver



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February 7, 2006

Mr. Rob Toerne  
Western Kentucky Energy  
145 North Main Street  
Henderson, KY 42420

Re: LG&E Entities/Big Rivers  
Term Sheet

Dear Rob:

HMP&L has been provided a copy of the LG&E Entities/Big Rivers Term Sheet relating to the turnover of the Station Two Contracts to Big Rivers. This information has been provided on a confidential basis, and recipients have executed Non-Disclosure Agreements with Big Rivers relating to the Term Sheet.

The portion of the Term Sheet relating to the Station Two Contracts provides that as a condition to closing the transaction between the LG&E Entities and Big Rivers Electric Corporation, the City of Henderson and Utility Commission will be required, among other things to sign documents relating to (a) release of all claims for payment of money from the LG&E Entities to the City and Utility Commission and (b) release of the LG&E Entities from claims that they have in any way damaged the Station Two Units during their term of operation, beyond ordinary wear and tear.

As to the matter of releasing the LG&E Entities from claims for payment of money, the City and Utility Commission are aware of a number of outstanding items involving payment of money which will have to be resolved before such a release would be signed by the City or Utility Commission. At present, the following matters remain unresolved and will require resolution before signing such a document:

1. April 30, 2005 true-up of the SCR account as per the First Amendment to the Interim Funding Agreement.
2. SCR account true-up from May 1, 2005 to the Unwind Closing Date.
3. True-up of the 04-05 contract year.
4. Resolution of the issue of the appropriate charge from LEM to HMP&L for energy from July 15, 1998 to the Unwind Closing Date pursuant to Amendment No. 1 to System Reserves Agreement.
5. Accounting for the \$1,215,000.00 settlement with Alstom Power. At the time payment was made for this settlement, WKE took the entire \$1,215,000.00. According to our agreement, WKE was to apply \$297,000.00 to existing claims, was to apply the balance of the money, if needed, to pay its costs of replacement power during the damper outage (with appropriate deduction for fuel and reagent costs) and pay the balance into the SCR account. This accounting and any payment into the SCR account has not yet occurred.
6. The issue of HMP&L's liability for 30.45% of the \$200,000 deductible on the H-1 boiler insurance policy.
7. Settlement and allocation of funds of claims against Alstom Power for (a) air preheater baskets, (b) air heater soot blower steam traps, (c) ash buildup in the SCR duct, and (d) ammonia ropes. Also, the matter of the dampers and NEMS Systems for H-1 and H-2 must be finalized.
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9. Possible clean-out of Station Two ash ponds.
10. Agreement to 06-07 Station Two budget.
11. True-up of 05-06 Station Two budget.
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14. Close out of H1 Boiler Repair Contract – complete all change orders.
15. Settlement on H2 turbine controls – return of payments made, replacement of controls, new controls from other vendor or repair of controls that we have.

With our track record of getting matters such as these brought to finality, we need to have a schedule whereby these matters can be resolved by the proposed Unwind Closing Date. We probably should have a meeting within the next several days to discuss the schedule for this work.

If you have any questions, please advise.

Yours very truly,

STOLL KEENON OGDEN PLLC

Charles B. West

CBW/bk

Cc: Bill Smith  
Gary Quick  
Wayne Thompson  
Ralph Bowling  
Bob Berry  
Tim Dowdy  
Jeff Vandiver



**This Document is being  
filed under seal with a  
Petition for Confidentiality.**



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## EXHIBIT PWT-9

# Term Sheet Proposal of E.ON U.S. to Resolve Outstanding Issues between Henderson Municipal Power and Light and E.On U.S.

October 7, 2008

### ***Resolution of Existing Contract Disputes***

1. **Excess energy value and method** – E.On U.S. would continue to calculate and pay additional amounts, if any, that may occur through the unwind transaction closing date according to the methodology that is currently in effect (including continuing the use of Big Rivers' records to measure Station Two generation) and would not pursue any actions post closing for the reimbursement of any amounts (or interest on those amounts) that WKE and/or LEM have already paid to HMPL under protest with respect to this matter.
2. **Back-up energy cost and method** – E.On U.S. would continue to calculate and pay additional amounts, if any, that may occur through the unwind transaction closing date according to the methodology that is currently in effect and would not pursue any actions post closing for the reimbursement of any amounts (or interest on those amounts) that WKE and/or LEM have already paid to HMPL under protest with respect to this matter.
3. **2004 H1 Thermal Event** - E.On U.S. would waive HMPL's share of the insurance deductible (\$60,897.44) associated with the 2004 H1 thermal event.
4. **2006 Coal Inventory Adjustment** - E.On U.S. would pay HMPL \$400,000 to resolve all claims related to the 2006 coal inventory adjustment.

### ***Resolution of Plant Condition Claims and HMPL's Consent to the Unwind Transaction***

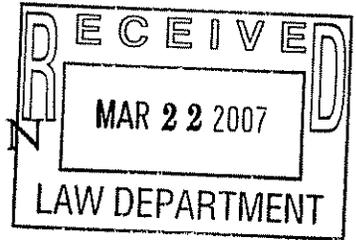
1. E.On U.S. would agree that HMPL can preserve all of its rights and remedies relating to plant operations and condition as currently set forth in the 1998 Agreements that survive the termination of those Agreements according to their existing terms. This would be accomplished by amending the termination date in those Agreements from December 31, 2023 to the unwind transaction closing date.
2. E.On U.S. would pay HMPL \$1 million at closing for its consent to the unwind transaction.
3. E.On U.S. would pay \$3 million at closing into an escrow account for the benefit of HMPL to be used solely for the purpose of reimbursing HMPL for its share of Station Two capital expenditures incurred by HMPL from and after the unwind transaction closing date. These funds would go into an interest bearing escrow account and be disbursed from the account upon presentation to the escrow agent of BREC invoices for HMPL's share of said capital expenditures.
4. E.On U.S. would reimburse HMPL for its out-of-pocket third party costs associated with the unwind transaction at closing, not to exceed \$1,400,000.

Contingent Upon BREC and HMPL also resolving their contract matters in connection with the unwind transaction





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March 21, 2007

**SENT VIA E-MAIL [Tim.Dowdy@eon-us.com](mailto:Tim.Dowdy@eon-us.com)  
AND ORIGINAL BY MAIL**

Hon. Tim Dowdy  
E.ON U.S. LLC  
220 West Main Street  
Louisville, KY 40202

**RE: STATION TWO UNWIND TRANSACTION  
PENDING FINANCIAL MATTERS**

Dear Tim:

At your request I have reviewed with HMP&L management the items listed in my letter of February 7, 2006 to Rob Toerne wherein I discussed pending financial issues between WKEC and HMP&L which must be resolved prior to or simultaneously with the closing of the unwind transaction. I will review those matters as they are set forth in the February 7, 2006 letter.

1. April 30, 2005 true-up of the SCR account as per the First Amendment to the Interim Funding Agreement. This matter has been settled.
2. SCR account true-up from May 1, 2005 to the Unwind Closing Date. This matter needs to be finalized as of the Unwind Closing Date.
3. True-up of the 04-05 contract year. This matter has been settled.
4. Resolution of the issue of the appropriate charge from LEM to HMP&L for energy from July 15, 1998 to the Unwind Closing Date pursuant to Amendment No. 1 to System Reserves Agreement. This matter is not resolved.

5. Accounting for the \$1,215,000.00 settlement with Alstom Power. This matter has been settled.

6. The issue of HMP&L's liability for 30.45% of the \$200,000.00 deductible on the H1 boiler insurance policy. This matter has not yet been resolved.

7. Settlement and allocation of funds of claims against Alstom Power for (a) air preheater baskets; (b) air heater soot blower steam traps; (c) ash buildup in the SCR duct; and (d) ammonia ropes. Also, the matter of the dampers and NEMS systems for H1 and H2 must be finalized. This matter is the subject of our ongoing participation with Alstom Power, Inc. for resolution of the SCR claims. It will not be finalized by the unwind closing date as presently scheduled.

8. Reconciling coal and reagent inventory for Station Two. This matter is unresolved at this time.

9. Possible clean out of Station Two ash ponds. This matter is unresolved at the present time.

10. Agreement to 06-07 Station Two budget. This matter has been resolved.

11. True-up of 05-06 and 06-07 Station Two budgets. This matter is unsettled at this time.

12. True-up of 06 (now 07) to Unwind Closing Date budget. This matter is unresolved at this time.

13. Settlement of Excess Henderson Energy made available to, usage of and payment obligations of LEM. The matter of LEM's/WKEC's obligation to pay for Excess Henderson Energy from July 15, 1998 until the Unwind Closing Date is unresolved.

14. Close out of H1 boiler repair contract – complete all change orders. This relates to the 2004 heat excursion of the H1 boiler. It has been completed except for the matter described in paragraph 6.

15. Settlement on the H2 turbine controls – return of payments made, replacement of controls, new controls from other vendor or repair of controls that we have. The settlement with Siemens has occurred, although the credits to HMP&L have not yet occurred and the return of Siemens' parts (to be removed from the turbine in the 07 fall outage) has not been completed.

In addition to the items contained in my letter of February 7, 2006 to Rob Toerne, the following additional items will have to be resolved:

16. Damage to the H1 boiler as a result of the January 29, 2007 heat excursion.

17. Settlement of HMP&L's future financial risk for transfer of operating responsibilities from WKEC to BREC.

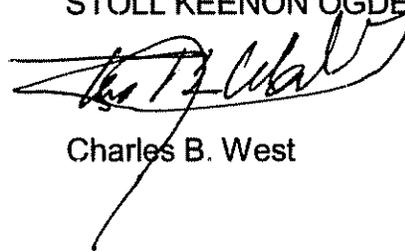
18. Reimbursement of HMP&L's costs and expenses for legal services, engineering services and administrative services incurred in connection with the unwind transaction.

There are a number of additional issues which were discussed during our joint meeting with LG&E entities, Big Rivers and HMP&L held on June 14, 2006 as are reflected by my compilation of notes following that meeting which were forwarded to you by my letter of June 22, 2006. At the time of writing this letter, HMP&L has not seen the provisions of the definitive documentation which will be the basis for the Big Rivers/WKEC unwind transaction. Those documents, as well as our meeting notes of the June 14, 2006 joint meeting of Big Rivers, LG&E entities and HMP&L may be the source of additional issues which will have to be resolved as a basis for HMP&L's and the City of Henderson's participation in the unwind closing transaction.

If you have any additional questions please advise.

Yours very truly,

STOLL KEENON OGDEN PLLC



Charles B. West

CBW/klp



**This Document is being  
filed under seal with a  
Petition for Confidentiality.**



**This Document is being  
filed under seal with a  
Petition for Confidentiality.**



**Dowdy, Tim**

**From:** Gary Quick [gquick@hmpl.net]  
**Sent:** Wednesday, June 18, 2008 4:41 PM  
**To:** Northam, Patrick R.  
**Cc:** Thompson, Paul; Sinclair, David; Dowdy, Tim; mcore@bigrivers.com; David Spainhoward; mbailey@bigrivers.com; Jim Miller; kendrick.riggs@skofirm.com; Sturgeon, Allyson; West, C. B.; Ferdon, Robert; Wayne Thompson  
**Subject:** Follow-Up

Good Afternoon Pat:

We wanted to get back to you concerning the comments in your June 12 email and your proposed draft Second Amendatory Agreement. C.B. West and Bob Ferdon are currently reviewing your email and the draft Agreement; we will let you know if we have any questions.

We do, however, disagree with a number of the comments in your email about Henderson and the prior Unwind discussions. We noted the comments in your email failed to address Henderson's two basic issues related to the present Condition of Station Two and the Excess Henderson Energy, which have been the sticking points during our discussions with E.ON and Big Rivers. Without an agreement on those two Henderson issues, we cannot agree to your proposed resolutions for the other issues.

Thank you, Gary

**From:** Northam, Patrick R. [mailto:PRN2@gdm.com]  
**Sent:** Thursday, June 12, 2008 5:58 PM  
**To:** Gary Quick; West, C. B.; rferdon@fulbright.com; Wayne Thompson  
**Cc:** Thompson, Paul; Sinclair, David; Dowdy, Tim; mcore@bigrivers.com; David Spainhoward; mbailey@bigrivers.com; Jim Miller; kendrick.riggs@skofirm.com; Sturgeon, Allyson  
**Subject:** Follow-Up

Gary, C.B. and Bob,

Thanks again for meeting with us yesterday. It is very unfortunate that progress on the issues between us, and on those between the City and Big Rivers, continue to be elusive. In discussing the results of that meeting in a follow-up meeting with Big Rivers, and during our drive back to Louisville, Paul, David, Tim and I (and we believe the Big Rivers folks) were struck by several of the statements made by one or more of you in our meeting. Those statements lead us to believe that several of you may be confused as to the commitments from the City that are being requested by E.ON in order to accommodate the unwind transactions.

Not since late last year has E.ON sought only a complete release of the E.ON entities (and of Big Rivers) along the lines contemplated in our first draft of the Station Two Termination and Release delivered to the City in May of 2007. In fact, in our meeting with you on February 1 of this year, David Sinclair described for you two alternate proposals, one being the grant by the City of full releases of the E.ON entities and Big Rivers (as we had previously requested) in exchange for a \$1 million "consent fee" from E.ON, and the other being an agreement by the parties merely to accelerate the expiration date of the 1998 Station Two Agreement without new, full releases, thereby allowing the unwind to occur, but also preserving the parties' respective rights to pursue any claims they may have under the provisions of the 1998 agreements that survive their expiration. This proposed "early

11/4/2008

expiration" proposal did not involve the payment of any consent fee by E.ON to the City. However, it was subsequently enhanced when E.ON proposed to pay the City \$1 million at the closing if it would embrace that approach.

Subsequent to that February, 2008 discussion with you, at a meeting held on March 19, 2008 among representatives of Big Rivers, the City and E.ON, Paul Thompson delivered to you the attached proposed "Term Sheet to Resolve Outstanding Issues between Henderson Municipal Power and Light and E.ON U.S." As you can see, by this document E.ON proposed to abandon its previous request for a full release from the City, and instead (a) requested only an amendment to the Station Two Agreement that would accelerate its expiration date, leaving both the City and the E.ON entities with the post-expiration protections and benefits that are already contemplated in the Station Two Agreement, and (b) proposed to pay the City a \$2 million consent fee (an enhancement of \$1 million over E.ON's previous proposal) in exchange for the City's agreement to accelerate the expiration date. In effect, E.ON proposed to pay the City a substantial consent fee while at the same time allowing the City to maintain all of its existing rights provided for in the Station Two Agreement that would survive its expiration -- quite a generous offer, we believed, considering the significant added benefits that the unwind transaction itself would provide to the City's ratepayer citizens.

In that same proposal E.ON also offered to reimburse the City at the closing for up to \$1,400,000 in out-of-pocket transaction costs incurred by the City in connection with the proposed transactions. We point this out as there was a statement by one of you yesterday that E.ON has refused to reimburse the City for transaction costs (this after E.ON proposed early on that the parties enter into an agreement providing for such expense reimbursements, only to have the City decline on two separate occasions to pursue such an agreement).

To avoid any confusion as to the specific proposal being made by E.ON to the City, attached you will find a draft "Second Amending Agreement", which we propose as a means to accomplish the acceleration of the expiration date of our existing agreement, and to address several other incidental matters that (we think you will agree) would warrant attention in connection with that acceleration. Please note, however, that this draft is being sent to Big Rivers for the first time by copy of this message, and they have not yet had an opportunity to review or comment on it.

Once you have had an opportunity to review this draft and the approach we are suggesting, we hope you will agree with us that it is a reasonable and practical means for allowing the unwind transaction to go forward as proposed, while at the same time allowing the City to protect its interests following that transaction.

Incidentally, it was at our February 1 meeting that we shared with you a list of the provisions of the Station Two Agreement that, we believe, provide the City with various post-expiration protections. C.B. indicated yesterday that those provisions are somehow confusing, and implied that they are now not adequate to protect the City. However, neither he nor Bob provided details of that confusion or an explanation of why those provisions would not adequately protect the City upon an expiration of the Station Two Agreement (whether now or in 2023), particularly given how hard the City negotiated for those provisions leading up to the 1998 closing.

As I mentioned yesterday, we believe those provisions are not confusing at all but rather are crystal clear, and certainly would afford the City the post-expiration protections that it bargained for in 1998. We asked you yesterday to articulate how the transaction approach we are proposing would change the City's rights and benefits negotiated for in 1998, sufficient to warrant the numerous changes in the obligations of the E.ON entities (upon an expiration of our agreements) you have proposed. We did not receive a response to that request, however. We continue to believe that the City's rights and benefits would not be changed, but that the City and its residents would in fact benefit greatly by the unwind transactions, particularly given the significant consent fee and transaction cost reimbursement that E.ON has proposed for the City's benefit.

Given the importance of the unwind transaction to the economy of Western Kentucky, E.ON strongly urges you to reconsider your position on these matters.

*Patrick R. Northam, Esq.*

Member - Corporate and Commercial Group

11/4/2008

*Greenebaum Doll & McDonald PLLC*

3500 National City Tower  
101 South Fifth Street  
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Main: (502) 589-4200      Web: [www.greenebaum.com](http://www.greenebaum.com)  
Fax: (502) 540-2296

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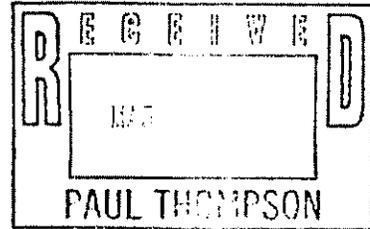
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# **HMP&L** HENDERSON MUNICIPAL POWER & LIGHT

March 28, 2006



Big Rivers Electric Corporation  
201 3<sup>rd</sup> Street  
Henderson, KY 42420

Attn: Michael H. Core  
President and CEO

LG&E  
220 West Main Street  
P O Box 32030  
Louisville, KY 40232

Attn: Paul Thompson  
Senior Vice President, Energy Services

**RE: STATION TWO TURNOVER BY LG&E PARTIES TO BIG RIVERS ELECTRIC CORPORATION**

Gentlemen:

Henderson Municipal Power & Light has been provided a copy of the November 28, 2005 Letter of Intent, and accompanying Term Sheets relating to the LG&E Parties/Big Rivers Electric Corporation Unwind Transactions.

Numerous provisions in the Term Sheets refer to the "Generating Plants". Although this term is not defined in the provisions of the Term Sheets, we have been advised by Jim Miller that by definition contained in Schedule X to the New Participation Agreement of



April 6, 1998, the term includes Henderson's Station Two

There are a number of provisions in the Term Sheets relating to the Generating Plants. To the extent that those provisions relate to Henderson's Station Two Power Plants HMP&L and its representatives will want the opportunity to examine the Definitive Documents

Section VII Station Two Agreements provides for termination upon the Unwind Closing Date of a number of agreements to which HMP&L and the City are parties. Before HMP&L and the City can agree to the termination of these documents, we must have negotiated the terms of replacement documents for the Station Two G & A Allocation Agreement, the Agreement with Respect to Operating Reserves and Amendment Number 1 to the System Reserves Agreement, the Designated Representative Agreement, the Deed of Easement Related to the Reid Station Gasline and the Letter Agreement Relating to Cost Sharing for the Gasline

Also, Section VII provides that as a condition to the Unwind Closing the City and HMP&L are required to release the LG&E Parties from further obligation or liability under each of the Station Two Contracts and the Interim Funding of Station Two SCR System. It goes without saying, that before this release will be signed by the City or Utility Commission, all outstanding financial matters between Henderson and the LG&E Parties will have to be resolved



This provision of the Term Sheets also provides that "(e) Big Rivers would be released and discharged by the City of Henderson from further obligation or liability under any of the foregoing agreements or inducements on account of any breach or default thereof by any LG&E Party occurring on or before the Unwind Closing Date. Before the City or Utility Commission will execute such a release of Big Rivers Electric Corporation, it will be necessary that the LG&E Parties and Big Rivers Electric Corporation demonstrate to the City and the Utility Commission that there are no outstanding and unperformed obligations of the LG&E Parties with respect to Station Two under the provisions of the Station Two Contracts and the Agreement and Amendments to Agreements of July 15, 1998, as amended (Station Two Agreement)

Section 9.14 of the Station Two Agreement provides that "... Big Rivers shall not throughout the Phase II Assignment Term, by virtue of the Assignment contemplated hereby, be released from any of its covenants or agreements set forth in the Assigned Station Two Contracts, or from any damages, actions, liabilities or obligations that may result from or arise out of the performance or failure of performance of the obligations thereunder from and after the Phase II Effective Date." The Agreement goes on to say that the LG&E companies will indemnify Big Rivers for any damages it may sustain by reason of its continued obligation to the City and Utility Commission under terms of the Station Two Contracts.

# **HMP&L**

Yet, the Term Sheets provide that the City and HMP&L would not only release the LG&E Parties from any further obligation or liability whatsoever under provisions of the Station Two Contracts, but would also release Big Rivers from any obligation for the LG&E Parties failure, if any, to perform the Station Two Contracts from July 15, 1998 until the Unwind Closing Date. By these terms, the City and HMP&L would have no recourse for any failure on the part of the LG&E Parties to operate or maintain the Station Two Power Plants pursuant to Prudent Utility Practices from July 15, 1998 through the Unwind Closing Date.

The LG&E Parties and Big Rivers Electric Corporation must take notice that the City and the Utility Commission will not execute such releases unless it has been fully and completely demonstrated by the LG&E Parties and Big Rivers Electric Corporation that the Station Two Contracts have been fully complied with and fully and completely performed during the Phase II Term. Of particular concern to the City and HMP&L is the requirement that "(f) The LG&E Parties would be released and discharged by the City (and HMP&L) from further obligation or liability for any damage incurred by the City of Henderson resulting from or arising out of any of LG&E Parties' use, operation, maintenance, repair or upkeep of Station Two or any joint use facilities' contemplated in the Joint Facilities Agreement included in the Station Two Contracts."

In order for the City and HMP&L to sign such a release, it will be necessary that we be in possession of all relevant inspection reports wherein the condition of the Station Two



Power Plants has been inspected and reported as to the Operator's use of Prudent Utility Practices in the operation maintenance and upkeep of the Station Two Power Plants and all related facilities, including the Joint Use Facilities during the term of the Phase II Assignment

Item 16 of Section III, Termination of Phase II Agreements provides for termination of a 'Baseline Study Agreement dated October 15, 1997'. To the extent that Big Rivers or the LG&E Parties performed a baseline study of the Station Two Power Plants in 1997, the City and Utility Commission expect to be provided copies of that study for purposes of measuring the condition of the Station Two Power Plants on July 15, 1998. There is also mentioned in the Term Sheets a Baseline Environmental Audit Report and an intended Unwind Environmental Audit Report. To the extent that these reports involve Station Two and the Joint Use Facilities, the City and HMP&L will require the opportunity to inspect those reports reasonably in advance of the Unwind Closing Date, and would want to be satisfied as to the formulation and scope of the reports in order to determine whether an environmental issue exists with Station Two or the Joint Use Facilities.

HMP&L has also become aware over the past several years that power plant inspections have been performed, the reports of which would give evidence of the state of maintenance and repair of the Station Two Power Plants and Joint Use Facilities during the term of the Phase II Assignment. In order for the City and HMP&L to be

# **HMP&L**

sufficiently informed as to the condition of repair of the Station Two Plants and the Joint Use Facilities preliminary to executing releases of Big Rivers and the LG&E Parties from liability for the condition of maintenance and repair of these facilities, we will need the opportunity to inspect all such reports and be reasonably satisfied as to the acceptable condition of Station Two and the Joint Use Facilities before signing off on the requested releases

If for any reason all such reports are not made available to HMP&L on a timely basis, it will be necessary for the City and HMP&L to have their own inspection conducted by a qualified entity in order to learn for themselves the present state of condition, upkeep and maintenance of the Station Two Power Plants and Joint Use Facilities. The City and HMP&L will expect to be reimbursed their out-of-pocket costs incurred for the performance of such an inspection, and the pledging of sufficient funds by the LG&E Parties and/or Big Rivers Electric Corporation to restore the condition of Station Two and the Joint Use Facilities to that which existed in July of 1998, when the LG&E Parties took over operation of these facilities

The City and Utility Commission will want to be certain that the SCR Contracts (the 2005 Amendments to Contracts, the Amendatory Agreement, the Grant and Easements and Rights-of-Way and the Subordination Agreement) are fully in force and effective prior to the time of the Unwind Closing Date

# **HMP&L**

It may be necessary that the City of Henderson and the Utility Commission be made parties to a number of the Definitive Documents which will be developed in order to facilitate the Unwind Transactions. On advice of counsel, we are informed that there are no provisions in the Station Two Agreement for its termination prior to the end of its term, except in case of breaches of the Agreement or of other related agreements by one or more of its parties. It appears to us that the only method by which the proposed early termination of the Station Two Agreements can be accomplished, is with mutual agreement of all parties thereto, which includes both the City of Henderson and the City of Henderson, Kentucky Utility Commission.

This letter expresses to both the LG&E Parties and Big Rivers Electric Corporation some of the more serious concerns which the City and the Utility Commission have upon examining the Term Sheets for the proposed Unwind Transactions. The Utility Commission and the City are in the process of developing a definitive list of terms and conditions which they will require as a condition to entering into an agreement to terminate the Station Two Agreement and executing the requested releases of the LG&E Parties and Big Rivers Electric Corporation. The City and Utility Commission will expect, among other things, to be reimbursed their out-of-pocket costs incurred in connection with the Unwind Transactions.

It may be advisable in the near future to have a meeting of the principals involved in the Unwind Transactions in order to discuss and possibly resolve some of the City's and

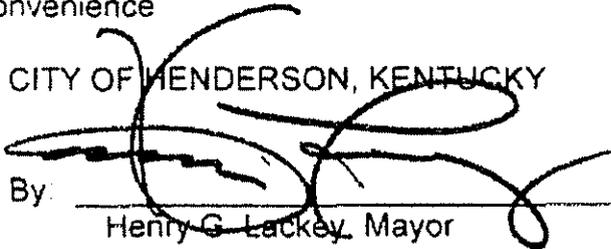
**HMP&L**

Utility Commission's concerns regarding the proposed transactions

We will appreciate your consideration of the foregoing presentation of our concerns, and your responses at your earliest convenience

CITY OF HENDERSON, KENTUCKY

By

  
Henry G. Lackey, Mayor

THE CITY OF HENDERSON KENTUCKY  
UTILITY COMMISSION

By

  
Gary Quick, General Manager



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**Dowdy, Tim**

**From:** West, C. B. [CB.West@skofirm.com]  
**Sent:** Friday, December 14, 2007 12:45 PM  
**To:** Dowdy, Tim  
**Cc:** Northam, Patrick R.; Sinclair, David; Gary Quick; Wayne Thompson  
**Subject:** RE: Unwind Matters - Request for Call

Tim:

HMP&L will be unable at this time to make any kind of decision or speculation regarding the options extended by WKEC during our December 12 meeting. At this point in time we don't have any information regarding the environmental matters. We have two engineering reports yet due from Exothermic Engineering. HMP&L's matters with Big Rivers have not been resolved.

In short, HMP&L will not be in a position to discuss these matters on either Wednesday or Friday next week.

C. B.

**From:** Dowdy, Tim [mailto:Tim.Dowdy@eon-us.com]  
**Sent:** Thursday, December 13, 2007 3:39 PM  
**To:** West, C. B.  
**Cc:** Northam, Patrick R.; Sinclair, David  
**Subject:** Unwind Matters - Request for Call

C.B.,

We are overnighting the Baseline Environmental Audit to you tonight. I expect to be able to update you on the status of the most recent audit tomorrow.

Also, when we proposed the 2 options on how to structure the documentation ((1) the full release plus \$1,000,000 option; or (2) the early termination under the existing documentation option (which would include an allocation of risks after the unwind as they are currently set forth in the existing documentation, but would not include any cash consideration)), we failed to set up a time to get back with you on your decision/thoughts regarding these options.

Would you and Gary (and whomever else you would want on such a call) be available on either Wednesday or Friday of next week?

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May 1, 2008

E.ON U.S., LLC  
220 West Main Street  
Louisville, KY 40202

Attn: David Sinclair

Big Rivers Electric Corporation  
201 Third Street  
Henderson, KY 42420

Attn: Michael H. Core

***RE: Henderson Municipal Power & Light  
Station Two Termination and Release Agreement***

Gentlemen:

Please find enclosed a final copy of the Station Two Termination and Release Agreement which the City of Henderson and the City of Henderson Utility Commission will execute at the time of Closing of the unwind transaction, subject to the provisions and conditions recited in such Agreement.

This Agreement parallels the last preliminary draft of the Agreement dated February 27, 2008 with the following additions:

- a. The amount of Termination Payment which the City of Henderson Utility Commission will expect to receive at Closing is recited in Section 3.1 which appears at the top of page 5.
- b. Exhibit C contained in the February 27, 2008 draft was an incomplete exhibit. The Exhibit C contained in the enclosed Agreement has been completed.



The City of Henderson Utility Commission calls to your attention the provisions recited in Section 20.1 Closing Conditions, beginning on page 53 of the Agreement.

Yours very truly,

CITY OF HENDERSON UTILITY COMMISSION

By:   
Gary Quick, General Manager

Enclosure – Station Two Termination and Release Agreement

cc: Hon. Tim Dowdy  
Hon. James Miller

**STATION TWO  
TERMINATION AND RELEASE  
AGREEMENT**

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## STATION TWO TERMINATION AND RELEASE AGREEMENT

This STATION TWO TERMINATION AND RELEASE AGREEMENT (the "*Station Two Termination and Release*"), dated as of [\_\_\_\_\_], 2008, by and among (a) BIG RIVERS ELECTRIC CORPORATION, a Kentucky rural electric generation and transmission cooperative ("*Big Rivers*"), (b) E.ON U.S. LLC ("*E.ON*"), a Kentucky limited liability company f/k/a LG&E Energy LLC, and the successor to LG&E Energy Corp., a Kentucky corporation ("*LEC*"), LG&E ENERGY MARKETING INC., an Oklahoma corporation ("*LEM*"), and WESTERN KENTUCKY ENERGY CORP., a Kentucky corporation ("*WKEC*") and the successor by merger with (i) WKE Corp., a Kentucky corporation ("*WKE*"), and (ii) WKE Station Two Inc., a Kentucky corporation ("*Station Two Subsidiary*") (WKEC, together with E.ON and LEM, the "*E.ON Station Two Parties*"), and (c) the CITY OF HENDERSON, KENTUCKY (the "*City of Henderson*") and the CITY OF HENDERSON UTILITY COMMISSION, d/b/a Henderson Municipal Power & Light (the "*City Utility Commission*") (collectively, the "*Parties*").

### RECITALS:

A. Prior to the effectiveness of the Plan of Reorganization (defined below), Big Rivers operated Station Two and the Joint Use Facilities, and purchased a certain portion of the output of Station Two.

B. In accordance with the First Amended Plan of Reorganization in Big River's bankruptcy proceeding, as modified and restated on June 9, 1997 (as so modified, the "*Plan of Reorganization*"), Big Rivers, LEM, Station Two Subsidiary and WKEC entered into a New

Participation Agreement, dated April 6, 1998 (as amended, the "*Participation Agreement*") and certain other documents.

C. In accordance with the Participation Agreement, Station Two Subsidiary assumed certain of Big Rivers' operational responsibilities with respect to Station Two and the Joint Use Facilities, and LEC, WKEC, LEM, Station Two Subsidiary, the City of Henderson, the City Utility Commission and Big Rivers executed and delivered certain agreements, including the Station Two Agreement, and created certain interests in favor of, and certain obligations assumed by, one or more of the E.ON Station Two Parties with respect to Station Two, the Joint Use Facilities and the Station Two Site.

D. Big Rivers and the E.ON Station Two Parties have concluded that it is in their mutual best interests to terminate and release the property interests and contractual relationships created by the Participation Agreement, the Station Two Agreement and the other operative documents, and have executed and delivered a Transaction Termination Agreement, dated as of March 26, 2007, as amended as of November 1, 2007 (the "*Transaction Termination Agreement*"), setting forth the terms and conditions upon which Big Rivers and the E.ON Station Two Parties are willing to terminate and release such property interests and contractual relationships. A condition precedent to the consummation of the transactions contemplated in the Transaction Termination Agreement is the execution and delivery of this Station Two Termination and Release by the City of Henderson, the City Utility Commission, Big Rivers and the E.ON Station Two Parties.

E. The City of Henderson and City Utility Commission are amenable to the termination of property interests and contractual relationships with the E.ON Station Two Parties

created by the Station Two Agreement and the other agreements and instruments contemplated therein, and are willing to release the E.ON Station Two Parties from further liability, duties and responsibility under the Station Two Agreement, the Station Two Contracts and the other documents to which the City of Henderson and/or the City Utility Commission, on the one hand, and the E.ON Station Two Parties (or any of them), on the other hand, are parties, upon the terms and subject to the conditions set forth in this Station Two Termination and Release.

F. Prior to the date hereof, WKE and Station Two Subsidiary were merged with and into WKEC in accordance with Kentucky law, with WKEC being the surviving entity in that merger succeeding to all of the assets, properties, rights, debts, obligations and liabilities of WKE and Station Two Subsidiary, respectively.

G. Also prior to the date hereof, LEM assigned and transferred to WKEC, among other agreements and rights, all rights, title and interests of LEM under or pursuant to the Station Two Agreement, the Station Two Power Sales Agreement and certain other agreements or instruments with Big Rivers and/or the City of Henderson or the City Utility Commission relating to Station Two and/or the Joint Use Facilities. However, LEM was not, by reason of such assignments and transfers, relieved from its debts, obligations or liabilities under or pursuant to those agreements or instruments.

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants and agreements set forth below, the E.ON Station Two Parties, Big Rivers, the City of Henderson and the City Utility Commission each agree as follows:

## ARTICLE 1

### DEFINITIONS

Section 1.1 Definitions. Capitalized terms used in this Station Two Termination and Release (including the Recitals, Exhibits and Schedules hereto) and not otherwise defined herein shall have the meanings set forth in Exhibit A to this Station Two Termination and Release. The rules of interpretation set forth in Exhibit A to this Station Two Termination and Release shall apply to this Station Two Termination and Release and to the Parties' respective rights and obligations hereunder.

## ARTICLE 2

### CLOSING

Section 2.1 Closing. The Closing shall take place on the date of the closing of the transactions under the Transaction Termination Agreement, provided that such date shall be satisfactory to the City Utility Commission and provided further that all conditions precedent to the Closing set forth in Article 20 have been satisfied or waived and all other obligations of the Parties set forth in this Station Two Termination and Release have been performed (the "**Unwind Closing Date**"). The Closing shall take place at the offices of Henderson Municipal Power & Light, 100 Fifth Street, Henderson, Kentucky, commencing at 10:00 a.m. local time on the Unwind Closing Date.

## ARTICLE 3

### TERMINATION PAYMENT

Section 3.1 Termination Payment to Henderson. At the Closing, WKEC shall pay to the City Utility Commission the sum of Thirteen Million Five Hundred Forty-Five Thousand One Hundred Fifty-Nine Dollars 00/100 Cents (\$13,545,159.00) in immediately available funds (the "*Henderson Termination Payment*") in consideration of the City of Henderson's and the City Utility Commission's release of the E.ON Station Two Parties and Big Rivers from their respective liabilities, responsibilities and obligations as provided in Section 4.4, 5.2, and 5.6 pertaining to the operation and maintenance of Station Two and the Joint Use Facilities and the purchase of Station Two power by the E.ON Station Two Parties or any of them. The Henderson Termination Payment shall be in addition to and shall not affect the environmental indemnities provided as set forth in Article 7 or any of the other obligations of the E.ON Station Two Parties or Big Rivers under the Station Two Termination and Release, including the payment of amounts payable to the City of Henderson or the City Utility Commission to satisfy conditions to the Closing as set forth in Section 20.1

## ARTICLE 4

### STATION TWO TERMINATED AGREEMENTS

Section 4.1 Station Two Terminated Agreements. As of the Closing, each of Big Rivers, the City of Henderson, the City Utility Commission and the E.ON Station Two Parties, for themselves and their respective successors, predecessors and assigns, and for all other persons or entities claiming by, through or under them, hereby collectively and irrevocably terminate, discharge and render null and void and of no further force or effect whatsoever each

of the agreements, letter agreements, guaranties, easements, mortgage and security agreements, implementing letters, directives and other instruments and documents set forth or identified on Schedule 2.1 hereto (collectively, the “*Station Two Terminated Agreements*”) to which such Parties are signatories or beneficiaries.

Section 4.2 Filing of Releases and Termination Statements. As of the Closing, the relevant Party or Parties agree to execute and deliver to the appropriate Party or Parties for purposes of recording or filing the same: (a) termination and releases of Deeds of Easement and Rights-of-Way in substantially the forms attached hereto as Exhibit B-1 and Exhibit B-2, respectively, and the termination of the Assignment of Easements in substantially the form attached hereto as Exhibit B-3, (b) releases of mortgage liens and security interests in substantially the forms attached hereto as Exhibit B-4 and Exhibit B-5, respectively, and terminations of security interests under Financing Statements filed under the Kentucky Uniform Commercial Code, in substantially the forms attached hereto as Exhibit B-6 and Exhibit B-7, respectively, and (c) all such other instruments of termination, discharge or release (in form reasonably satisfactory to the relevant Parties) as shall be required by or otherwise provided for any Station Two Terminated Agreement, or as shall be reasonably requested by any Party to evidence such termination, discharge or release or for the purpose of updating the real estate records of Henderson County, Kentucky, in respect of the terminations, releases and discharges of the Station Two Terminated Agreements as contemplated herein, including without limitation, such forms as may be required to be filed in Henderson County, Kentucky, and in the office of the Secretary of State of the Commonwealth of Kentucky, in order to terminate, release and discharge any fixture filings, any assignment as security of rights and interests under the Station

Two Contracts, or other security interests created by any of the Station Two Terminated Agreements.

Section 4.3 Releases by Big Rivers. As of the Closing, Big Rivers, for itself and its successors, predecessors and assigns, and for all other persons or entities claiming by, through or under any of them: (a) hereby fully, irrevocably and forever remises, releases, acquits, waives and discharges any possessory interest in real or personal property and any lien, security interest, charge or encumbrance whatsoever created in favor of Big Rivers by any one or more of the Station Two Terminated Agreements at any time prior to the execution and delivery hereof; and (b) hereby fully, irrevocably and forever remises, releases, acquits and discharges each of the City of Henderson, the City Utility Commission, LEC, E.ON, LEM, WKEC, WKE and Station Two Subsidiary, and their respective members, shareholders, directors, officers, employees, agents, representatives, advisors, successors, predecessors and assigns, and each of them (collectively, the "Big Rivers Released Parties"), of and from any and all manner of actions, causes of action, suits, sums of money, accounts, reckonings, covenants, controversies, agreements, promises, remedies, amounts paid in settlement, compromises, losses, levies, rights of contribution, rights of set-off, other rights, damages, judgments, executions, debts, obligations, liabilities, claims and demands of any nature whatsoever, whether or not in contract, in equity, in tort or otherwise whether pursuant to any statute, ordinance, regulation, rule of common law or otherwise, whether direct or indirect, whether punitive or compensatory, whether known or unknown, whether presently discoverable or undiscoverable, whether threatened, pending, suspected or claimed, and whether fixed, accrued, contingent or otherwise (collectively, "Claims"), which Big Rivers ever had, now has, may now have or may hereafter have against any one or more of the Big Rivers Released Parties, resulting from, arising out of or in any

manner relating to: (i) any Station Two Terminated Agreement; or (ii) any performance or non-performance by a Big Rivers Released Party under or pursuant to any Station Two Terminated Agreement; or (iii) any breach or default by a Big Rivers Released Party under or pursuant to any Station Two Terminated Agreement howsoever caused and whenever occurring; or (iv) in the case of each E.ON Station Two Party (including without limitation, any of its employees, officers, agents, representatives, advisors and/or contractors), its operation, maintenance, repair, upkeep, occupation, generation, use, closure, abandonment, retirement, replacement or possession of, or the condition or state of repair of, Station Two or any component(s) thereof (including without limitation, any components installed or constructed following the date of the Station Two Agreement), the Joint Use Facilities or any component(s) thereof, the Station Two Site (and any other real property of Big Rivers, the City of Henderson or the City Utility Commission operated, maintained, repaired, kept up, occupied or used by an E.ON Station Two Party (or its employees, officers, agents, representatives, advisors and/or contractors)), any electric energy generated by or capacity associated with Station Two, or any tangible or intangible properties, inventories, spare parts, tools, materials or supplies of, relating to or used in connection with the operation, maintenance, repair, upkeep, occupation, generation, use, closure, abandonment, retirement, replacement or possession of Station Two (or any components thereof), the Joint Use Facilities (or any components thereof), such real property or such electric energy or capacity, in each case whether pursuant to a Station Two Terminated Agreement, a Released Station Two Contract or otherwise; provided, however, that nothing contained in this Section 4.3 shall be deemed to affect, limit, waive or eliminate any other covenant or agreement on the part of any E.ON Station Two Party set forth in, or expressly contemplated as surviving the Closing (used as defined in the Transaction Termination Agreement) under any Definitive

Document (used as defined in the Transaction Termination Agreement) or contemplated in the Transaction Termination Agreement, it being understood that such other covenants and agreements shall survive the execution and delivery hereof and the transactions contemplated in this Station Two Termination and Release as between Big Rivers and the relevant E.ON Station Two Parties; and provided further, that Big Rivers does not hereby remise, release, acquit, waive or discharge the E.ON Station Two Parties, the City of Henderson or the City Utility Commission of or from performance of and compliance with any obligations under this Station Two Termination and Release to be performed or complied with by the E.ON Station Two Parties (or any of them), or by the City of Henderson or the City Utility Commission.

Section 4.4 Releases by City of Henderson and City Utility Commission. As of the Closing, the City of Henderson and the City Utility Commission, for themselves and their respective successors, predecessors and assigns, and for all other persons or entities claiming by, through or under any of them, hereby fully, irrevocably and forever remise, release, acquit, waive and discharge each of Big Rivers, LEC, E.ON, LEM, WKEC, WKE and Station Two Subsidiary, and their respective members, shareholders, directors, officers, employees, agents, representatives, advisors, successors, predecessors and assigns, and each of them (collectively, the "***City Released Parties***"), of and from any and all Claims which the City of Henderson or the City Utility Commission ever had, now have, may now have or may hereafter have against any one or more of the City Released Parties, resulting from, arising out of or in any manner relating to: (i) any Station Two Terminated Agreement; or (ii) any performance or non-performance by a City Released Party under or pursuant to any Station Two Terminated Agreement; or (iii) any breach or default by a City Released Party under or pursuant to any Station Two Terminated Agreement howsoever caused and whenever occurring; or (iv) in the case of the E.ON Station

Two Parties, their respective (including without limitation, their respective employees', officers', agents', representatives', advisors' and/or contractors' respective) operation, maintenance, repair, upkeep, occupation, generation, use, closure, abandonment, retirement, replacement or possession of, or the condition or state of repair of, Station Two or any component(s) thereof (including without limitation, any components installed or constructed following the date of the Station Two Agreement), the Joint Use Facilities or any component(s) thereof, the Station Two Site (and any other real property of Big Rivers, the City of Henderson or the City Utility Commission operated, maintained, repaired, kept up, occupied or used by an E.ON Station Two Party (or its employees, officers, agents, representatives, advisors and/or contractors)), any electric energy generated by or capacity associated with Station Two, or any tangible or intangible properties, inventories, spare parts, tools, materials or supplies of, relating to or used in connection with the operation, maintenance, repair, upkeep or use of Station Two (or any components thereof), the Joint Use Facilities (or any components thereof), the Station Two Site or such electric energy or capacity, in each case whether pursuant to a Station Two Terminated Agreement, a Released Station Two Contract or otherwise; provided, however, that the City of Henderson and City Utility Commission do not hereby remise, release, acquit, waive or discharge (x) the E.ON Station Two Parties from their indemnification obligations provided in Section 7.1 and Section 13.1, (y) Big Rivers from its obligations under Section 7.2, or (z) the E.ON Station Two Parties or Big Rivers from performance of and compliance with the Closing conditions set forth in Article 20 or with any liabilities hereunder or other obligations under this Station Two Termination and Release to be performed or complied with by the E.ON Station Two Parties (or any of them) or by Big Rivers.

Section 4.5 Releases by the E.ON Station Two Parties. As of the Closing, each E.ON Station Two Party, for itself and its successors, predecessors and assigns, and for all other persons or entities claiming by, through or under any of them: (a) hereby fully, irrevocably and forever remises, releases, acquits, waives and discharges any possessory interest in real or personal property and any lien, security interest, charge or encumbrance whatsoever created in favor of such E.ON Station Two Party by any one or more of the Station Two Terminated Agreements at any time prior to the date of the execution and delivery hereof; and (b) hereby fully, irrevocably and forever remises, releases, acquits, waives and discharges each of the City of Henderson, the City Utility Commission and Big Rivers, and their respective members, directors, officers, employees, agents, representatives, advisors, successors, predecessors and assigns, and each of them (collectively, the “*E.ON Released Parties*”), of and from any and all Claims which such E.ON Station Two Party ever had, now has, may now have or may hereafter have against any one or more of the E.ON Released Parties, resulting from, arising out of or in any manner relating to: (i) any Station Two Terminated Agreement; or (ii) any performance or non-performance by an E.ON Released Party under or pursuant to any Station Two Terminated Agreement; or (iii) any breach or default by an E.ON Released Party under or pursuant to any Station Two Terminated Agreement howsoever caused and whenever occurring; provided, however, that nothing contained in this Section 4.5 shall be deemed to affect, limit, waive or eliminate any other covenant or agreement on the part of Big Rivers set forth in, or expressly contemplated as surviving the Closing (used as defined in the Transaction Termination Agreement) under any Definitive Document (used as defined in the Transaction Termination Agreement) or contemplated in the transaction Termination Agreement, it being understood that such other covenants and agreements shall survive the execution and delivery hereof and the

transactions contemplated in this Station Two Termination and Release as between Big Rivers and the relevant E.ON Station Two Parties; and provided further, that the E.ON Station Two Parties do not hereby remise, release, acquit, waive or discharge the City of Henderson, the City Utility Commission or Big Rivers of or from performance of and compliance with any obligations under this Station Two Termination and Release to be performed or complied with by the City of Henderson, the City Utility Commission or Big Rivers.

## ARTICLE 5

### RELEASED STATION TWO CONTRACTS

Section 5.1 Released Station Two Contracts. Schedule 3.1 attached hereto sets forth or identifies various contracts, agreements or other instruments to which Big Rivers or the City of Henderson or the City Utility Commission is a party as of the date of execution and delivery hereof, certain of which contracts, agreements or instruments were partially assigned to and assumed by, or were entered into by, one or more of the E.ON Station Two Parties (or their predecessors) prior to the date of the execution and delivery hereof, or under certain of which contracts, agreements or instruments one or more E.ON Station Two Parties may have become a beneficiary, in either case pursuant to the transactions contemplated in one or more of the Station Two Terminated Agreements or other transactions entered into by such E.ON Station Two Parties since the date of the Station Two Agreement (collectively, the “*Released Station Two Contracts*”). The Parties acknowledge that, by reason of the transactions contemplated in this Station Two Termination and Release, the relevant E.ON Station Two Parties shall be released as of the Closing from the Released Station Two Contracts to which they are a party to the extent and as provided below in this Article 5, but that those Released Station Two Contracts shall hereafter continue in full force and effect as between Big Rivers, on the one hand, and the City of

Henderson and/or the City Utility Commission, on the other hand (and with such other parties thereto), in accordance with their respective terms (unless otherwise amended, modified, terminated or replaced by the separate agreement of Big Rivers, the City of Henderson and/or the City Utility Commission). In light of the fact, as contemplated in the Station Two Agreement, that Big Rivers has remained a party to and beneficiary of certain of the Released Station Two Contracts throughout the period during which the relevant E.ON Station Two Parties (as assignees of Big Rivers, or as assignees of one or more other E.ON Station Two Parties or of Station Two Subsidiary or WKE) may have been parties to or beneficiaries of such Released Station Two Contracts, the City of Henderson and the City Utility Commission acknowledge and agree that Big Rivers remains possessed of all rights and interests as against the City of Henderson and/or the City Utility Commission (as applicable) under and pursuant to such Released Station Two Contracts, whether such rights and interests were heretofore held by Big Rivers or assigned by Big Rivers to any E.ON Station Two Party, with full right and entitlement, following the execution and delivery of this Station Two Termination and Release, to exercise and enjoy all such rights and interests in accordance with the respective terms of such contracts. Big Rivers acknowledges and agrees that Big Rivers shall remain obligated to the City of Henderson and the City Utility Commission (as applicable) under or pursuant to such Released Station Two Contracts in accordance with their respective terms. No E.ON Station Two Party shall have any interest in any of the Released Station Two Contracts following the execution and delivery of this Station Two Termination and Release by the Parties, unless expressly provided otherwise elsewhere in this Station Two Termination and Release. Except as provided in Section 5.6, Big Rivers agrees that the City of Henderson and the City Utility Commission remain possessed of all rights and interests, and nothing contained in this Article 5 shall be deemed to

affect, limit, waive or eliminate any rights or interests, that the City of Henderson or the City Utility Commission may have as against Big Rivers under or pursuant to any Released Station Two Contract in accordance with its terms.

Section 5.2 Release of E.ON Station Two Parties by City of Henderson and City Utility Commission. As of the Closing, the City of Henderson and the City Utility Commission, for themselves and their respective successors, predecessors and assigns, and for all other persons or entities claiming by, through or under any of them, hereby fully, irrevocably and forever remise, release, acquit, waive and discharge each of LEC, E.ON, LEM, WKEC, WKE and Station Two Subsidiary, and their respective members, shareholders, directors, officers, employees, agents, representatives, advisors, successors, predecessors and assigns, and each of them (collectively, the "*Section 5.2 Released Parties*"), of and from any and all Claims which the City of Henderson or the City Utility Commission ever had, now have, may now have or may hereafter have against any one or more of the Section 5.2 Released Parties, resulting from, arising out of or in any manner relating to: (i) any Released Station Two Contract; or (ii) any performance or non-performance by a Section 5.2 Released Party under or pursuant to any Released Station Two Contract; or (iii) any breach or default by a Section 5.2 Released Party under or pursuant to any Released Station Two Contract howsoever caused and whenever occurring; provided, that the City of Henderson and the City Utility Commission do not hereby remise, release, acquit, waive or discharge the E.ON Station Two Parties of or from their indemnification obligations provided in Section 7.1 and Section 13.1, or performance of and compliance with the Closing conditions set forth in Article 20, or with any other obligations under this Station Two Termination and Release to be performed or complied with by the E.ON Station Two Parties (or any of them).

Section 5.3 Release of E.ON Station Two Parties by Big Rivers. As of the Closing, Big Rivers, for itself and its successors, predecessors, and assigns, and for all other persons or entities claiming by, through or under any of them, hereby fully, irrevocably and forever remises, releases, acquits, waives and discharges each of the Section 5.2 Released Parties of and from any and all Claims which Big Rivers ever had, now has, may now have or may hereafter have against any one or more of the Section 5.2 Released Parties, resulting from, arising out of or in any manner relating to: (i) any Released Station Two Contract; or (ii) any performance or non-performance by a Section 5.2 Released Party under or pursuant to any Released Station Two Contract; or (iii) any breach or default by a Section 5.2 Released Party under or pursuant to any Released Station Two Contract howsoever caused and whenever occurring; provided, however, that nothing contained in this Section 5.3 shall be deemed to affect, limit, waive or eliminate any other covenant or agreement on the part of any E.ON Station Two Party set forth in, or expressly contemplated as surviving the Closing (used as defined in the Transaction Termination Agreement) under any Definitive Document (used as defined in the Transaction Termination Agreement) or contemplated in the Transaction Termination Agreement, it being understood that such other covenants and agreements shall survive the execution and delivery hereof and the transactions contemplated in this Station Two Termination and Release as between Big Rivers and the relevant E.ON Station Two Parties; and provided further, that Big Rivers does not hereby remise, release, acquit, waive or discharge the E.ON Station Two Parties of or from performance of and compliance with any obligations under this Station Two Termination and Release to be performed or complied with by the E.ON Station Two Parties (or any of them).

Section 5.4 Release of City of Henderson and City Utility Commission by E.ON Station Two Parties. As of the Closing, each E.ON Station Two Party, for itself and its

successors, predecessors, and assigns, and for all other persons or entities claiming by, through or under any of them, hereby fully, irrevocably and forever remises, releases, acquits, waives and discharges each of the City of Henderson and the City Utility Commission, and their respective members, directors, officers, employees, agents, representatives, advisors, successors, predecessors and assigns, and each of them (collectively, the "**Section 5.4 Released Parties**"), of and from any and all Claims which such E.ON Station Two Party ever had, now has, may now have or may hereafter have against any one or more of the Section 5.4 Released Parties, resulting from, arising out of or in any manner relating to (i) any Released Station Two Contract, or (ii) any performance or non-performance by a Section 5.4 Released Party under or pursuant to any Released Station Two Contract, or (iii) any breach or default by a Section 5.4 Released Party under or pursuant to any Released Station Two Contract howsoever caused and whenever occurring; provided, that the E.ON Station Two Parties do not hereby remise, release, acquit, waive or discharge the City of Henderson or the City Utility Commission of or from performance of and compliance with any obligations under this Station Two Termination and Release to be performed or complied with by the City of Henderson or the City Utility Commission.

Section 5.5 Release of Big Rivers by E.ON Station Two Parties. As of the Closing, each E.ON Station Two Party, for itself and its successors, predecessors, and assigns, and for all other persons or entities claiming by, through or under any of them, hereby fully, irrevocably and forever remises, releases, acquits, waives and discharges Big Rivers, and its members, directors, officers, employees, agents, representatives, advisors, successors, predecessors and assigns, and each of them (collectively, the "**Section 5.5 Released Parties**"), of and from any and all Claims which such E.ON Station Two Party ever had, now has, may now have or may hereafter have

against any one or more of the Section 5.5 Released Parties, resulting from, arising out of or in any manner relating to (i) any Released Station Two Contract, or (ii) any performance or non-performance by a Section 5.5 Released Party under or pursuant to any Released Station Two Contract, or (iii) any breach or default by a Section 5.5 Released Party under or pursuant to any Released Station Two Contract howsoever caused and whenever occurring; provided, however, that nothing contained in this Section 5.5 shall be deemed to affect, limit, waive or eliminate any other covenant or agreement on the part of Big Rivers set forth in, or expressly contemplated as surviving the Closing (used as defined in the Transaction Termination Agreement) under any Definitive Document (used as defined in the Transaction Termination Agreement) or contemplated in the Transaction Termination Agreement, it being understood that such other covenants and agreements shall survive the execution and delivery hereof and the transactions contemplated in this Station Two Termination and Release as between Big Rivers and the relevant E.ON Station Two Parties; and provided further, that the E.ON Station Two Parties do not hereby remise, release, acquit, waive or discharge Big Rivers of or from performance of and compliance with any obligations under this Station Two Termination and Release to be performed or complied with by Big Rivers.

Section 5.6 Release of Big Rivers by City of Henderson and City Utility Commission.

As of the Closing, each of the City of Henderson and the City Utility Commission, for themselves and their respective successors, predecessors and assigns, and for all other persons or entities claiming by, through or under any of them, hereby fully, irrevocably and forever remise, release, acquit and discharge Big Rivers and its members, directors, officers, employees, agents, representatives, advisors, successors, predecessors and assigns, and each of them, of and from any and all Claims which the City of Henderson or the City Utility Commission ever had, now

has, may now have or may hereafter have against Big Rivers or such other persons or entities, resulting from, arising out of or in any manner relating to: (a) any performance or non-performance by any E.ON Station Two Party (or by Station Two Subsidiary or WKE) under or pursuant to any Station Two Terminated Agreement or any Released Station Two Contract (including without limitation, Claims attributable to the "Terms of General Applicability" contemplated in the Station Two Agreement); (b) any breach or default on the part of any E.ON Station Two Party (or on the part of Station Two Subsidiary or WKE) under or pursuant to any Station Two Terminated Agreement or any Released Station Two Contract arising or accruing at any time through the date hereof (including without limitation, any such breach or default that may have given rise to a breach or default on the part of Big Rivers, or an obligation on the part of Big Rivers to reimburse, defend, indemnify and/or hold harmless the City of Henderson or the City Utility Commission, under or pursuant to any Station Two Terminated Agreement or Released Station Two Contract) howsoever caused and whenever occurring; or (c) the operation, maintenance, repair, upkeep, occupation, generation, use, closure, abandonment, retirement, replacement or possession by any E.ON Station Two Party (or by Station Two Subsidiary or WKE), or by any of their respective employees, officers, agents, representatives, advisors and/or contractors, of Station Two or any component(s) thereof (including without limitation, any components installed or constructed following the date of the Station Two Agreement), of the Joint Use Facilities or any component(s) thereof, of the Station Two Site (and any other real property of Big Rivers, the City of Henderson or the City Utility Commission operated, maintained, repaired, kept up, occupied or used by an E.ON Station Two Party (or its employees, officers, agents, representatives, advisors and/or contractors)), of any electric energy generated by or capacity associated with Station Two, or of any tangible or intangible properties,

inventories, spare parts, tools, materials or supplies of, relating to or used in connection with the operation, maintenance, repair, upkeep, occupation, generation, use, closure, abandonment, retirement, replacement or possession of Station Two (or any components thereof), the Joint Use Facilities (or any components thereof), the Station Two Site or such electric energy or capacity; provided, that the City of Henderson and the City Utility Commission do not remise, release, acquit, waive or discharge Big Rivers from its indemnification obligations under Section 7.2 or the performance of and compliance with the closing conditions set forth in Article 20 or with any liabilities hereunder or other obligations under this Station Two Termination and Release to be performed or complied with by Big Rivers.

Section 5.7 Filing of Releases. As of the Closing, the relevant Party or Parties agree to execute and deliver to the appropriate Party or Parties for purposes of recording or filing the same: (a) releases of Deed of Easement and Grant of Rights and Easements in substantially the forms attached hereto as Exhibit B-8 and Exhibit B-9, respectively, and (b) all such other instruments of release or discharge (in form reasonably satisfactory to the relevant Parties) as shall be required by or otherwise provided for any Released Station Two Contract, or as shall be reasonably requested by any Party to evidence such release or discharge or for the purpose of updating the real estate records of Henderson County, Kentucky, in respect of the releases and discharges of the Released Station Two Contracts as contemplated herein, including without limitation, such forms as may be required to be filed in Henderson County Kentucky, and in the Office of Secretary of State of the Commonwealth of Kentucky, in order to release and discharge any fixture filings, any assignment as security of rights and interests under the Section Two Contracts, or other security interests created by any of the Released Station Two Contracts.

## ARTICLE 6

### REPAIRS AND IMPROVEMENTS TO STATION TWO

Section 6.1 Station Two Maintenance, Repairs and Improvements. The City of Henderson and the City Utility Commission agree with Big River that following the Unwind Closing Date Big Rivers will make and perform or cause to be made and performed the maintenance, repairs, replacements and improvements of Station Two and the Joint Use Facilities as and when set forth in the Station Two Work Plan for Station Two and the Joint Use Facilities attached as Exhibit C, except as otherwise agreed to by the City Utility Commission and Big Rivers. Big River and the City Utility Commission each agrees to preserve and maintain the reports, plans, studies, analyses and related information and data in its possession that describes and supports the estimated costs of such maintenance, repairs and improvements set forth in Exhibit C and agrees to furnish a copy thereof to the other Party, if, as and to the extent requested in connection with the budgeting or undertaking thereof. Big Rivers and the City of Henderson and the City Utility Commission acknowledge that the costs of such maintenance, repairs, replacements and improvements shall be payable by the City Utility Commission and Big Rivers, respectively, in accordance with the Station Two Contracts.

## ARTICLE 7

### ENVIRONMENTAL INDEMNITIES

Section 7.1 Indemnification by E.ON Station Two Parties. Notwithstanding any other provision in this Station Two Termination and Release, following the Closing, the E.ON Station Two Parties shall indemnify and hold harmless the City of Henderson and the City Utility Commission from and against any claims, demands, losses, damages, liabilities, costs, expenses

and penalties arising from any Disclosed Environmental Conditions and any Environmental Releases, environmental conditions, emissions, discharges, materials, or other matters, or failure to obtain permits or licenses that are not so identified for the City of Henderson or the City Utility Commission as of the Closing (including any failure of Station Two or the Joint Use Facilities to comply with the New Source Review Provisions of the Clean Air Act as a result of changes in the method of operating, maintaining, repairing or replacing Station Two or the Joint Use Facilities) that relate to Station Two or the Joint Use Facilities that were caused by or due to or otherwise occurred during the operation of Station Two and the Joint Use Facilities by the E.ON Station Two Parties or any of them (collectively, the “*Station Two Environmental Claims*”).

Section 7.2 Indemnification by Big Rivers. Notwithstanding any other provision in this Station Two Termination and Release, following the Closing, Big Rivers shall indemnify and hold harmless the City of Henderson and the City Utility Commission from and against any Station Two Environmental Claims, but only to the extent that the E.ON Station Two Parties fail to comply with Section 7.1.

## ARTICLE 8

### ASSIGNMENT OF CONTRACTS

Section 8.1 Approval of Assignment. The City Utility Commission shall be entitled to review upon its request any contract, agreement, lease, sublease, license, sublicense or any other instrument relating to Station Two or the Joint Use Facilities which shall be assigned by an E.ON Station Two Party to Big Rivers pursuant to Section 3.2 (d) and Article 5 of the Transaction Termination Agreement (collectively, the “Assigned Station Two Contracts”). Such assignment

of Assigned Station Two Contracts shall be subject to the reasonable approval thereof by the City Utility Commission.

## ARTICLE 9

### INVENTORY AND PERSONAL PROPERTY

Section 9.1 Approval of Inventory. The City Utility Commission shall be entitled to inspect upon its request any inventories of spare parts, materials, reagents and other supplies (other than coal, petroleum coke and fixation and hydrated lime) relating to Station Two or the Joint Use Facilities which shall be conveyed by an E.ON Station Two Party to Big Rivers pursuant to Section 3.2 (b) and Article 4 of the Transaction Termination Agreement (collectively the "Station Two Inventory"). Payments for any of such inventories by Big Rivers shall not include any values thereof previously reimbursed as operating and maintenance costs or other expenses relating to Station Two or the Joint Use Facilities under the Station Two Contracts. Such conveyance of the Station Two Inventory and any values to be paid therefor shall be subject to the reasonable approval of the City Utility Commission.

Section 9.2 Approval of Personal Property. The City Utility Commission shall be entitled to inspect upon its request any tangible personal property relating to Station Two or the Joint Use Facilities (other than Station Two Inventory) which shall be conveyed by an E.ON Station Two Party to Big Rivers pursuant to Section 3.2 (c) and Article 4 of the Transaction Termination Agreement (collectively the "Station Two Personal Property"). Payments for any such personal property by Big Rivers shall not include any values thereof previously reimbursed as operating and maintenance costs or other expenses relating to Station Two or the Joint Use Facilities under the Station Two Contracts. Such conveyance of Station Two Personal Property

and the values to be paid therefore shall be subject to the reasonable approval of the City Utility Commission.

## ARTICLE 10

### INTELLECTUAL PROPERTY

Section 10.1 Approval of License Agreements. The City Utility Commission shall be entitled to review upon its request any intellectual property license agreements relating to Station Two or the Joint Use Facilities which shall be assigned or sublicensed by an E.ON Station Two Party to Big Rivers pursuant to Section 3.2 (f) and Article 6 of the Transaction Termination Agreement (collectively the "Station Two Intellectual Property"). Such assignment or sublicensing of the Station Two Intellectual Property shall be subject to the reasonable approval of the City Utility Commission.

## ARTICLE 11

### PERMITS

Section 11.1 Approval of Permits. The City Utility Commission shall be entitled to review upon its request any permit or license issued or allocated by any Governmental Entity to or in respect of Station Two or the Joint Use Facilities which shall be assigned by an E.ON Station Two Party to Big Rivers pursuant to Section 3.2 (g) and Article 7 of the Transaction Termination Agreement (collectively, the "Station Two Permits"). Such assignment of Station Two Permits shall be subject to the reasonable approval of the City Utility Commission.

## ARTICLE 12

### SO2 ALLOWANCES AND NOx ALLOWANCES

Section 12.1 Allowances under Station Two Contracts. Big Rivers and the E.ON Station Two Parties agree with the City of Henderson and the City Utility Commission that, following the date hereof (a) the City of Henderson and the City Utility Commission shall receive the Station Two SO2 allowances and Station Two NOx allowances to which the City of Henderson and the City Utility Commission are entitled as provided for in the Station Two Contracts, and (b) in the case of any such allowances accruing or arising with respect to periods prior to the Closing hereof which are to be allocated in accordance with the Station Two Contracts subsequent to the Closing, the City of Henderson and the City Utility Commission shall receive such allowances to which they shall be entitled upon allocation thereof following the date hereof in accordance with the Station Two Contracts.

## ARTICLE 13

### TAX MATTERS

Section 13.1 Payment of Sales and Use Taxes. WKEC shall pay any and all sales and use Taxes assessed or imposed on the transfers or assignments of Station Two Inventory, Station Two Personal Property, Assigned Station Two Contracts, Station Two Permits, SO2 allowances and NOx allowances relating to Station Two and the Joint Use Facilities and any other property relating to Station Two and the Joint Use Facilities pursuant to Article 3 of the Transaction Termination Agreement, and WKEC shall indemnify and hold harmless the City of Henderson and the City Utility Commission from and against any claims, demands, losses, liabilities, costs, expenses and penalties with respect to such Taxes.

Section 13.2 Apportionment of Property Taxes. Taxes assessed, levied or exacted on the Station Two Site, the Joint Use Facilities, any personal property or the real property relating to Station Two or the Joint Use Facilities accruing for the Closing Year shall be apportioned between the portion of the Closing Year prior to and including the Unwind Closing Date and the portion of the Closing Year after the Unwind Closing Date, based on the number of days in each such period. At or prior to the Unwind Closing Date WKEC shall pay to Big Rivers an amount equal to all accrued property Taxes multiplied by a fraction, the numerator of which is the number of days in the portion of the Closing Year up to and including the Unwind Closing Date and the denominator of which is 365. Payment of the remainder of such property Taxes for the Closing Year shall be the responsibility of Big Rivers. The apportionment provided by this Section 13.2 of property taxes shall be effected notwithstanding that such property Taxes are invoiced or payable after the Closing Unwind Date. Big Rivers shall be responsible for the payment of all such property Taxes for the Closing Year, including such Taxes for the portion of the Closing Year following the Unwind Closing Date.

Section 13.3 Treatment of Taxes. The Parties agree that any sales and use Taxes and any amounts with respect to accrued property Taxes payable by WKEC as provided in Section 13.1 and 13.2 shall not construe or be treated as operating or maintenance costs or other expenses recoverable under Section 16.2 of the Station Two Operating Agreement.

Section 13.4 Unemployment and Worker's Compensation Taxes. WKEC shall be responsible for the payment of all unemployment Taxes and workers' compensation premiums accruing for the period up to and including the Unwind Closing Date in respect of all employees hired by any of the E.ON Station Two Parties for Station Two or the Joint Use Facilities

regardless of when such Taxes and premiums are invoiced or paid. Big Rivers shall be responsible for the payment of all unemployment Taxes and worker's compensation premiums for the period from and after the Unwind Closing Date in respect of all employees hired by Big Rivers for Station Two or the Joint Use Facilities, regardless of when such Taxes and premiums are invoiced or paid. Any such taxes or premiums accruing for the period prior to and including the Unwind Closing Date, to the extent not paid by WKEC at or prior to the Closing, shall continue to be the obligation of WKEC following the Closing, which obligation(s) shall survive the Closing and shall continue to be binding on WKEC until satisfied or discharged in full.

Section 13.5 Review of Requests for Tax Rulings. Each of LEM and WKEC, on the one hand, and Big Rivers, on the other hand (each a "Filing Party") shall permit the other of those Party or Parties (the "Non-Filing Parties") and the City Utility Commission to review and comment upon any ruling requests to be filed by the Filing Party for local, state or federal tax rulings in connection with the Taxes referred to in Section 13.1 and 13.2 and the Taxes and premiums referred to in Section 13.4 prior to filing such requests, provided, that in the event the Filing Party shall not have received the Non-Filing Party's or the City Utility Commission's comment(s) with respect to such requests within ten (10) business days after the delivery of the same by the Filing Party or the City Utility Commission to the Non-Filing Party, the Filing party may proceed in its discretion to file such requests with the relevant Governmental Entities without further delay.

## ARTICLE 14

### E.ON GUARANTY

Section 14.1 E.ON Guarantee. (a) E.ON hereby guarantees to the City of Henderson and the City Utility Commission (the "Guaranteed Parties") that each of the E.ON Station Two Parties will perform all of their respective present and future payment and performance obligations arising under this Station Two Termination and Release (the "Guaranteed Obligations"). E.ON agrees that if any of the E.ON Station Two Parties shall fail to perform any of its Guaranteed Obligations, E.ON shall immediately perform such obligations. This is an irrevocable and continuing guarantee and this Section 14.1 shall remain in full force and effect and be binding upon E.ON and its successors until all of the Guaranteed Obligations have been satisfied in full.

Section 14.2 Waivers. E.ON expressly waives the acceptance of this guarantee by the Guaranteed Parties, protest, notice of protest and notice of dishonor or nonpayment of any instrument evidencing debt of any of the E.ON Station Two Parties, any right to require the pursuit of any remedies against any of the E.ON Station Two Parties, including commencement of suit, before enforcing this guarantee, any right to have any security or the right of set-off applied before enforcing this guarantee, and all diligence in collection and enforcement and failure or delay by the Guaranteed Parties in protection or exercise of their respective rights against any of the E.ON Station Two Parties.

Before enforcing this Guarantee against E.ON, the Guaranteed Parties shall give E.ON written notice of default by any such E.ON Station Two Party under this Station Two

Termination and Release, and shall initiate the giving of such notice to E.ON at the same time and in the same manner as notice is provided to the applicable E.ON Station Two Party.

E.ON hereby waives and agrees not to assert or to take advantage of any defense based upon: (1) any incapacity, lack of authority, death or disability of E.ON or any other person or entity (other than the Guaranteed Parties); (ii) any lack of notice to which E.ON might be entitled (other than such notices as E.ON is entitled to receive under or by virtue of this Section 14.2); (iii) the inaccuracy of any representation by any of the E.ON Station Two Parties contained in this Station Two Termination and Release; (iv) any assertion or claim that the automatic stay provided by 11 U.S.C. §362 (arising upon the voluntary or involuntary bankruptcy proceeding of any of the E.ON Station Two Parties), or any other stay relating to the Guaranteed Obligations provided under any other debtor relief law (whether statutory, common law, case law or otherwise) of any jurisdiction whatsoever, now or hereafter in effect, which may be or become applicable, which operates to stay, interdict, condition, reduce or inhibit the ability of the Guaranteed Parties to enforce any rights, whether now existing or hereafter acquired, which the Guaranteed Parties may have against E.ON; or (v) any action, occurrence, event or matter consented to by E.ON under this Article 14 or otherwise.

## ARTICLE 15

### PERSONNEL

Section 15.1 Personnel Matters. Big Rivers and the E.ON Station Two Parties hereby agree with the City Utility Commission that each of them will perform and carry out such obligations and responsibilities relating to personnel matters with respect to Station Two and the Joint Use Facilities in the manner and as and to the extent provided in Section 14.4 of the

Transaction Termination Agreement. Big Rivers agrees to furnish the City Utility Commission with a list of the employees to whom it intends to offer employment relating to the operation and maintenance of Station Two and the Joint Use Facilities promptly upon notification of WKEC pursuant to Section 14.4 of the Transaction Termination Agreement of its intent to offer such employment. Each list shall provide the identification, classification and job description for each of such employees.

## ARTICLE 16

### REPORTS

Section 16.1 Delivery of Materials and Documents. Not later than a date that is 30 days prior to the Closing, the E.ON Station Two Parties and Big Rivers, respectively, shall furnish the City Utility Commission with copies of all work plans, capital budgets, engineering and other assessments with respect to the condition and operational viability of Station Two and the Joint Use Facilities, together with the environmental audits and all other environmental reports, statements, violations, orders or other proceedings or events applicable to Station Two or the Joint Use Facilities, including the environmental audit report provided for in Article 15 of the Transaction Termination Agreement (collectively, the "Station Two Documents"), which have been prepared and received on or prior to the aforesaid date. Thereafter and prior to the Closing, the E.ON Station Two Parties and Big Rivers shall furnish the City Utility Commission with copies of all Station Two Documents upon their preparation and receipt.

## ARTICLE 17

### REIMBURSEMENT OF COSTS AND EXPENSES

Section 17.1 Payment by E.ON. E.ON shall reimburse the City of Henderson and the City Utility Commission, respectively, for all their costs and expenses relating to the Unwind, including, without limitation, all general and administration costs allocable to the Unwind, and all legal fees and disbursements, accounting charges, and fees of consulting engineers and other experts, all to the extent incurred in connection with the Unwind. Such payment shall be made on or prior to the Closing in accordance with Section 20.1(l) upon invoices therefor submitted by the City of Henderson and the City Utility Commission, respectively .

## ARTICLE 18

### RECONCILIATIONS; TRUE-UPS; DISTRIBUTIONS; FUNDING

Section 18.1 Reconciliation Between Big Rivers and LEM/WKEC. Big Rivers, LEM and WKEC agree with each other that, notwithstanding any provisions of this Station Two Termination and Release, the Transaction Termination Agreement or the Termination and Release (used as defined in the Transaction Termination Agreement) to the contrary, the provisions of Subsection 10.1(a) of the Station Two Agreement (solely to the extent they relate to the “date of termination or expiration of the Term” and to the period of operation of Station Two during the Term (used as defined in the Station Two Agreement)), and the provisions of Subsections 10.1(c) and 10.1(d) of the Station Two Agreement, shall each survive the Closing, and shall continue to be binding on and to inure to the benefit of Big Rivers, LEM and WKEC (as the successor to Station Two Subsidiary and the assignee of LEM) until satisfied or discharged in full; provided, that:

(i) the provisions of the concluding sentence of Subsection 10.1(c) shall not so survive the execution and delivery hereof, and shall as of such execution and delivery immediately become null and void; and

(ii) all references in any of the above-described provisions of Section 10.1 to the “date of termination or expiration of the Term,” to the “date of expiration or termination of this Agreement,” to the “termination or expiration date,” to the “expiration or termination of the Term,” or to the “date of that expiration or termination,” shall be deemed to be references to the Unwind Closing Date; and

(iii) by way of clarification and not of limitation, for purposes of the reconciliation to be undertaken following the date hereof by Big Rivers, LEM and WKEC pursuant to Section 10.1 of the Station Two Agreement, the operating and maintenances costs actually paid or accrued by WKEC in the Partial Year (used in this Section 18.1 as defined in the Station Two Agreement) shall be deemed to include, without limitation, all general and administrative expenses for the Partial Year permitted, immediately prior to the Closing, to be charged by Station Two Subsidiary to Station Two pursuant to Section 4.3 of the G&A Allocation Agreement (including any general and administrative expenses for the Partial Year permitted to be charged by Big Rivers to Station Two pursuant to Section 4.1 of the G&A Allocation Agreement but which were paid by WKEC to Big Rivers pursuant to Section 5.2 of that agreement prior to the date hereof).

Big Rivers, LEM and WKEC hereby further agree with each other that attached to this Station Two Termination and Release as Schedule 5.1 and incorporated herein by reference is a true, correct and complete copy of those provisions (or portions thereof) of Section 10.1 of the Station Two Agreement that shall survive the Unwind Closing Date and continue to be binding on and to inure to the benefit of Big Rivers, LEM and WKEC as contemplated in the preceding sentence, all other provisions (or portions thereof) of that Section 10.1 becoming null, void and of no further force or effect as of the execution and delivery hereof. In light of the reconciliation contemplated above in this Subsection (a), Big Rivers, LEM and WKEC agree with each other that the reconciliation and associated payment between WKEC and Big Rivers contemplated in Subsection 5.2(b) of the G&A Allocation Agreement is not required and shall not be undertaken. Consistent with the last sentence of Subsection 10.1(d) of the Station Two Agreement, the City of Henderson and City Utility Commission agree to reasonably cooperate with Big Rivers, LEM and WKEC in determining, as soon as practicable following the Closing, the actual and estimated charges and costs paid, payable or accrued for the Partial Year of operation of Station Two ending on the Unwind Closing Date, as contemplated in Section 10.1 of the Station Two Agreement.

Section 18.2 Reconciliation Between City Utility Commission and WKEC/LEM

(a) In connection with the Closing transactions, the reconciliation of current Station Two capacity charges under the Power Sales Contract shall take place and consist of the following:

(i) if the Unwind Closing Date shall be prior to the payment by WKEC and LEM of Station Two capacity charges for the then current Monthly

Billing Period as required under Section 9.1 of the Power Sales Contract, WKEC and LEM agree to pay to the City Utility Commission at the Closing an amount equal to the total amount of Station Two capacity charges payable for the then current Monthly Billing Period pursuant to Section 9.1 of the Power Sales Contract multiplied by a fraction, the numerator of which is the number of days of such Monthly Billing Period up to and including the Unwind Closing Date and the denominator of which is the total number of days in such Monthly Billing Period; or

(ii) if the Unwind Closing Date shall be subsequent to the payment by WKEC and LEM of the Station Two capacity charges for the then current Monthly Billing Period as required by Section 9.1 of the Power Sales Contract, the City Utility Commission agrees to refund to WKEC or LEM at the Closing an amount equal to such Station Two capacity charges paid by WKEC and LEM multiplied by a fraction, the numerator of which is the number of days of the then current Monthly Billing Period occurring after the Unwind Closing Date and the denominator of which is the total number of days in such Monthly Billing Period.

(b) In connection with the Closing transactions, the reconciliation of current payments for Station Two operating and maintenance costs and expenses under the Station Two Operating Agreement shall take place and consist of the following:

(i) if the Unwind Closing Date shall be prior to the payment by the City Utility Commission of the Station Two operating and maintenance costs and expenses for the then current Monthly Billing Period as required under Section

16.2 of the Station Two Operating Agreement, the City Utility Commission agrees to pay to WKEC and LEM at the Closing an amount equal to the total amount of Station Two operating and maintenance costs and expenses payable by the City Utility Commission for the then current Monthly Billing Period pursuant to Section 16.2 of the Station Two Operating Agreement multiplied by a fraction, the numerator of which is the number of days of the then current Monthly Billing Period up to and including the Unwind Closing Date and the denominator of which is the total number of days in such Monthly Billing Period; or

(ii) if the Unwind Closing Date shall be subsequent to the payment by the City Utility Commission of the Station Two operating and maintenance costs and expenses for the then current Monthly Billing Period as required by Section 16.2 of the Station Two Operating Agreement, WKEC and LEM shall refund to the City Utility Commission at the Closing an amount equal to such Station Two operating and maintenance costs and expenses paid by the City Utility Commission multiplied by a fraction, the numerator of which is the number of days of the then current Monthly Billing Period occurring after the Unwind Closing Date and the denominator of which is the total number of days in such Monthly Billing Period.

(c) In making payments under this Section 18.2 each Party shall have the right to set-off any account payable to it under this Section 18.2.

Section 18.3 Initial Monthly Payments by Big Rivers and City Utility Commission.

(a) Notwithstanding anything in Section 9.1 of the Power Sales Contract to the contrary, as payment of Station Two capacity charges for Station Two Capacity for the Monthly Billing Period that includes the Unwind Closing Date, Big Rivers shall pay to the City Utility Commission at the Closing an amount equal to the total amount of Station Two capacity charges payable to the City Utility Commission for the then current Monthly Billing Period pursuant to Section 9.1 of the Power Sales Contract multiplied by a fraction, the numerator of which is the number of days of the then current Monthly Billing Period occurring after the Unwind Closing Date and the denominator of which is the total number of days in such Monthly Billing Period.

(b) Notwithstanding anything in Section 16.2 of the Station Two Operating Agreement to the contrary, as payment of Station Two operating and maintenance costs and expenses for the Monthly Billing Period that includes the Unwind Closing Date, the City Utility Commission shall pay to Big Rivers at the Closing an amount equal to the total amount of Station Two operating and maintenance costs and expenses payable to Big Rivers for the then current Monthly Billing Period pursuant to Section 16.2 of the Power Sales Contract multiplied by a fraction, the numerator of which is the number of days of such Monthly Billing Period occurring after the Unwind Closing Date and the denominator of which is the total number of days in such Monthly Billing Period.

Section 18.4 True-Ups as Between Henderson and WKEC/LEM.

(a) Notwithstanding anything in Section 9.4 of the Power Sales Contract to the contrary, (i) WKEC and LEM agree with the City Utility Commission and the City of

Henderson that the Power Sales True-Up between them with respect to Station Two capacity charges for the Contract Year in which the Closing occurs shall be completed within 120 days following the Unwind Closing Date and shall be conducted, the amounts thereof calculated and the payments due in connection therewith determined in the manner and in accordance with the methodology provided in Section 9.4 of the Power Sales Contract, but such Power Sales True-Up shall be applicable only to those Monthly Billing Periods (including with respect to the Monthly Billing Period in which the Closing occurs, only the portion thereof up to and including the Unwind Closing Date) of such Contract Year occurring on and prior to the Unwind Closing Date; and (ii) if the audit of accounts pursuant to subsection (c) of this Section 18.4 pertaining to such Power Sales True-Up shall state results that are not consistent with those of such Power Sales True-Up, such Parties agree to adjust payments under such Power Sales True-Up so that the same shall be consistent with such audit of accounts.

(b) Notwithstanding anything in Section 16.6 of the Station Two Operating Agreement to the contrary, (i) the City Utility Commission agrees with WKEC that the Operating True-Up between them with respect to Station Two operating and maintenance costs and expenses for the Contract Year in which the Closing occurs shall be completed within 120 days following the Unwind Closing Date and shall be conducted, the amounts thereof calculated and payments due in connection therewith determined in the manner and in accordance with the methodology provided in Section 16.6 of the Station Two Operating Agreement, but such Operating True-Up shall be applicable only to those Monthly Billing Periods (including with respect to the Monthly Billing Period in which the Closing occurs, only the portion thereof up to and including the Unwind Closing

Date) of such Contract Year occurring on and prior to the Unwind Closing Date; and (ii) if the audit of accounts pursuant to subsection (c) of this Section 18.4 pertaining to such Operating True-Up shall state results that are not consistent with those of such Operating True-Up, such Parties agree to adjust payments under such Operating True-Up so that the same shall be consistent with such audit of accounts.

(c) For the purposes of the Power Sales True-Up pursuant to Section 18.4 (a) and the Operating True-Up pursuant to Section 18.4 (b), there shall be an audit of the applicable financial accounts of Station Two for that portion of the Contract Year in which the Closing occurs that includes all of the Monthly Billing Periods (including, with respect to the Monthly Billing Period in which the Closing occurs, only the portion thereof up to and including the Unwind Closing Date) of such Contract Year occurring on and prior to the Unwind Closing Date. Such audit shall be conducted by an independent certified public accountant or firm of certified public accountants of recognized standing selected by the City Utility Commission and shall be completed as soon as practicable following the Unwind Closing Date. The cost of such audit shall be paid by WKEC and each of the Parties shall be entitled to receipt of copies of the report of such audit.

Section 18.5 Initial True-Ups as Between Henderson and Big Rivers.

(a) Notwithstanding anything in Section 9.4 of the Power Sales Contract to the contrary, Big Rivers agrees with the City Utility Commission and the City of Henderson that the Power Sales True-Up between them with respect to Station Two capacity charges for the Contract Year in which the Closing occurs shall be conducted, the amounts thereof calculated and the payment due in connection therewith shall be

determined in the manner and in accordance with the methodology provided in Section 9.4 of the Power Sales Contract, but such Power Sales True-Up shall be applicable only to those Monthly Billing Periods (including, with respect to the Monthly Billing Period in which the Closing occurs, only the portion thereof occurring after the Unwind Closing Date) of such Contract Year occurring after the Unwind Closing Date.

(b) Notwithstanding anything in Section 16.6 of the Station Two Operating Agreement to the contrary, the City Utility Commission agrees with Big Rivers that the Operating True-Up between them with respect to Station Two operating and maintenance costs and expenses for the Contract Year in which the Closing occurs shall be conducted, the amounts thereof calculated and payment due in connection therewith shall be determined in the manner and in accordance with the methodology provided in Section 16.6 of the Station Two Operating Agreement, but such Operating True-Up shall be applicable only to those Monthly Billing Periods (including with respect to the Monthly Billing Period in which the Closing occurs, only the portion thereof occurring after the Unwind Closing Date) of such Contract Year occurring after the Unwind Closing Date.

Section 18.6 Distributions and Funding.

(a) At the Closing, amounts in the Station Two Replacement O & M Funds shall be distributed as follows:

(i) the amount then remaining on deposit in the Big Rivers Station Two Replacement O & M Fund held under the Station Two Agreement, together with accrued but unpaid interest thereon, shall be remitted to WKEC as provided under Section 10.3 (f)(4) of the Station Two Agreement.

(ii) the amount then remaining on deposit in the Henderson Station Two Replacement O & M Fund, held under the Station Two Agreement, together with accrued but unpaid interest thereon, shall be remitted to the City Utility Commission.

(b) At the Closing, the City Utility Commission shall release and pay over to WKEC and LEM amounts, if any, then held by the City Utility Commission that were paid to it by WKEC or LEM pursuant to Section 10.3 (g)(2) of the Station Two Agreement to fund any major renewals or replacements with respect to Station Two. In addition, amounts, if any, held by the City Utility Commission that were allocated by the City Utility Commission pursuant to Section 10.3 (g)(3) of the Station Two Agreement for funding of any such major renewal and replacement with respect to Station Two shall be contemporaneously released to the City Utility Commission.

Section 18.7 Acceptance of Annual Budget. The City Utility Commission and the City of Henderson agree with Big Rivers that the Annual Budget in force and effect on the Unwind Closing Date shall constitute and be treated as the Annual Budget for the purposes of this Article 18 and for the purposes of the Station Two Contracts, unless and until thereafter amended in accordance with the provisions of the Station Two Contracts.

## ARTICLE 19

### REPRESENTATIONS AND WARRANTIES

Section 19.1 Representations and Warranties of the E.ON Station Two Parties. Each of the E.ON Station Two Parties hereby severally represents and warrants to the City of Henderson and the City Utility Commission (but not to Big Rivers, it being understood and agreed that any

representations and warranties of the E.ON Station Two Parties to or for the benefit of Big Rivers are set forth solely in the Transaction Termination Agreement or in another Definitive Document (used as defined in the Transaction Termination Agreement) that on the Effective Date and as of the Closing Unwind Date, except as otherwise specified:

(a) Organization and Existence. Each of the E.ON Station Two Parties is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and WKEC is duly qualified to transact business as a foreign corporation in any jurisdiction where the nature of its business and its activities require it to be so qualified. LEM is qualified to transact business as a foreign corporation in (i) any jurisdiction where the nature of its business and its activities require it to be so qualified and (ii) in the Commonwealth of Kentucky. Each of the E.ON Station Two Parties has the requisite power and authority to conduct its business as presently conducted, to own or hold under lease its properties, and to enter into and perform its obligations under this Station Two Termination and Release in accordance with its terms. Station Two Subsidiary and WKE have effectively merged with and into WKEC in accordance with the general corporate law of Kentucky, and all rights, obligations and liabilities of Station Two Subsidiary and WKE as of the time of that merger have become rights, obligations and liabilities of WKEC.

(b) Execution, Delivery and Binding Effect. This Station Two Termination and Release has been duly authorized, executed and delivered by each E.ON Station Two Party and, assuming the due authorization, execution and delivery hereof by Big Rivers, the City of Henderson and the City Utility Commission, constitutes a legal, valid and

binding obligation of each E.ON Station Two Party, enforceable against each such E.ON Station Two Party in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, arrangement, moratorium or other laws relating to or affecting the rights of creditors generally and by general principles of equity.

(c) No Violation. The execution and delivery of this Station Two Termination and Release by each E.ON Station Two Party, the consummation by each E.ON Station Two Party of the transactions contemplated hereby, and the compliance by each E.ON Station Two Party with the terms and provisions hereof, do not and will not (i) contravene any Applicable Laws or its organizational documents or by-laws, or (ii) *contravene the provisions of, or constitute a default (or an event which, with notice or the passage of time, or both, would constitute a default) by it under, any indenture, mortgage or other material contract, agreement or instrument to which any E.ON Station Two Party is a party or by which any E.ON Station Two Party, or its property, is bound, or result in the creation of any Lien on the property of any E.ON Station Two Party.*

(d) No Required Consents or Approvals. As of the closing, all consents, approvals, resolutions, authorizations, actions or orders, including those which must be obtained from any Governmental Entity, required for the authorization, execution and delivery of, and for the consummation of the transactions contemplated by, this Station Two Termination and Release by any E.ON Station Two Party shall have been obtained.

(e) Absence of Litigation. There is no pending or, to the knowledge of any E.ON Station Two Party, threatened action, suit or proceeding against any E.ON Station

Two Party by any other person or entity (other than the City of Henderson or the City Utility Commission) before any Governmental Entity which: (i) questions the validity of this Station Two Termination and Release or the ability of any E.ON Station Two Party to perform its obligations hereunder; or (ii) if determined adversely to any E.ON Station Two Party, would materially adversely affect the ability of such E.ON Station Two Party to perform its obligations under this Station Two Termination and Release or would materially adversely affect Station Two, the Joint Use Facilities, the Station Two Site or any interest thereon or part thereof.

(f) Liens. Station Two, the Station Two Site, the Station Two Inventory, the Station Two Personal Property, the Station Two Intellectual Property, the Station Two Permits, the Joint Use Facilities, the Station Two Contracts and the Assigned Station Two Contracts are free of any liens created by, through or on behalf of any E.ON Station Two Party.

(g) Assigned Station Two Contracts. The Assigned Station Two Contracts include each and every contract, agreement, lease, sublease, license, sublicense and other instrument (other than Station Two Terminated Agreements, Released Station Two Contracts, Station Two Intellectual Property and Station Two Permits) relating to Station Two, the Station Two Site or the Joint Use Facilities under which any E.ON Station Two Party has any right, interest or obligation in force and effect on the Effective Date or which was entered into by any E.ON Station Two Party after the Effective Date and on or prior to the Unwind Closing Date, except any such contract, agreement, lease, sublease,

license, sublicense or other instrument, the exclusion of which shall be approved by the City Utility Commission.

(h) Station Two Inventory. The Station Two Inventory includes an inventory of all the spare parts, materials, reagents and other supplies (other than coal, petroleum coke, and fixation and hydrated lime) relating to Station Two, the Station Two Site or the Joint Use Facilities in the possession of or otherwise held for any E.ON Station Two Party as to which any E.ON Station Two Party has any right, interest or obligation in force and effect on the Effective Date or which was acquired by or for any E.ON Station Two Party after the Effective Date and on or prior to the Unwind Closing Date, except any such inventory, the exclusion of which shall be approved by the City Utility Commission.

(i) Station Two Personal Property. The Station Two Personal Property includes all tangible personal property (other than Station Two Inventory) relating to Station Two, the Station Two Site or the Joint Use Facilities in the possession of or otherwise held for any E.ON Station Two Party as to which any E.ON Station Two Party has any right, interest or obligation in force and effect on the Effective Date or which was acquired by or for any E.ON Station Two Party after the Effective Date and on or prior to the Unwind Closing Date, except any such personal property, the exclusion of which shall be approved by the City Utility Commission.

(j) Station Two Intellectual Property. The Station Two Intellectual Property includes each and every intellectual property, license or sublicense agreement relating to Station Two, the Station Two Site or the Joint Use Facilities as to which any E.ON

Station Two Party is a party or is granted a right or interest in force and effect on the Effective Date or which was obtained and entered into by any E.ON Station Two Party after the Effective Date and on or prior to the Unwind Closing Date, except any such intellectual property, license or sublicense agreement, the exclusion of which shall be approved by the City Utility Commission.

(k) Station Two Permits. The Station Two Permits include each and every permit or license issued or allocated by any Governmental Entity to or in respect of Station Two or the Joint Use Facilities under which any E.ON Station Two Party is granted rights or exemptions that are in existence on the Effective Date or which was issued or allocated to any E.ON Station Two Party after the Effective Date and on or prior to the Unwind Closing Date, except such permit or license, the exclusion of which shall be approved by the City Utility Commission.

(l) Zoning and Condemnation. No E.ON Station Two Party has received any written notice of any pending or threatened proceeding to modify the zoning classification of, or to condemn or take by power of eminent domain, all or any part of Station Two, the Joint Use Facilities or the Station Two Site, which, if decided adversely, would be reasonably likely to result in a material adverse effect with respect thereto.

(m) Infringement. The E.ON Station Two Parties have not infringed or violated any patent, copyright, license or other similar legal right of any vendor under any Assigned Station Two Contract or Station Two Intellectual Property.

(n) Environmental Conditions. As of the Closing, to the knowledge of the E.ON Station Two Parties: (i) Schedule 4.1 contains a listing of all material permits

required as of the Closing for the operation, maintenance, repair and upkeep of Station Two and the Joint Use Facilities, (ii) each of those permits is in full force and effect and is held by or in the name of the City of Henderson or the City Utility Commission, or constitute Station Two Permits, and (iii) there are no above ground or underground storage tanks at Station Two, or on or under the Station Two Site, in each case other than underground storage tanks that were at Station Two, or on or under the Station Two Site on July 15, 1998, or that were installed in connection with the construction and installation at Station Two of the selective catalytic reduction system at Station Two. As of the Closing, except to the extent constituting, attributable to, resulting from or arising out of Environmental Releases, conditions, events, circumstances, actions, omissions, proceedings, operations, violations, failures to comply and other matters existing or occurring as of or prior to July 15, 1998 which, to the knowledge of the E.ON Station Two Parties, have not been materially aggravated and have not materially expanded following July 15, 1998:

(i) to the knowledge of the E.ON Station Two Parties, Station Two and the Joint Use Facilities are in compliance with the terms of each permit relating to the operation or maintenance of Station Two or the Joint Use Facilities, except for such *noncompliance the continuation or correction of which does not and will not materially interfere with the operation of Station Two or the Joint Use Facilities and which does not and will not result in the imposition of any material civil or criminal fines or penalties against Big Rivers, any E.ON Station Two Party, the City of Henderson or the City Utility Commission;*

(ii) to the knowledge of the E.ON Station Two Parties, the E.ON Station Two Parties' operation of Station Two and the Joint Use Facilities and use of Station Two, the Station Two Site and the Joint Use Facilities are in material compliance with all Applicable Laws, except for such noncompliance the continuation or correction of which does not and will not materially interfere with the operation of Station Two or the Joint Use Facilities and which does not and will not result in the imposition of any material civil or criminal fines or penalties on Big Rivers, any E.ON Station Two Party, the City of Henderson or the City Utility Commission;

(iii) no E.ON Station Two Party has received any notice of material violation or notice of material noncompliance with Applicable Laws with respect to Station Two, the Station Two Site or the Joint Use Facilities, or the operation or condition thereof, other than violations or noncompliances which have been remedied or cured in compliance with Applicable Laws and with respect to which there are no continuing obligations or conditions imposed upon any E.ON Station Two Party, Big Rivers, the City of Henderson or the City Utility Commission;

(iv) to the knowledge of the E.ON Station Two Parties, (A) there is no pending agency investigation, administrative or judicial proceeding or action or any outstanding claim, demand, order, administrative or legal proceeding or settlement or consent decree or order under or relating to any Environmental Law and relating to or involving Station Two or Joint Use Facilities, and (B) there is

not now, nor has there been, any pattern of violations that would lead to any of the foregoing; and

(v) to the knowledge of the E.ON Station Two Parties, no Environmental Release has occurred at, on, under or from Station Two, including the Station Two Site, or any other properties, other than (x) such Environmental Releases as would not reasonably be expected to result in a material liability for any remediation under Environmental Laws, and (z) such Environmental Releases which have been cured, remediated, removed and disposed of in compliance with Applicable Laws.

(o) No Material Dispute. To the knowledge of the E.ON Station Two Parties after reasonable inquiry, no material dispute or proceeding relating to Station Two or the Joint Use Facilitates exists between any E.ON Station Two Party and (i) the City of Henderson or the City Utility Commission or (ii) Big Rivers, other than such disputes or proceedings as shall be released and discharged as of the Closing.

(p) Termination of Non-Disturbance Agreement. As of the Closing, the Non-Disturbance Agreement, together with each and every agreement or instrument assigning or transferring any right, title, interest or obligation of any party thereunder, shall have been terminated, discharged, released and rendered null and void and of no further force and effect by the parties thereto.

(q) Termination of Participation Agreement. As of the Closing, the Participation Agreement, together with each and every agreement or instrument assigning or transferring any right, title, interest or obligation of any party thereunder, shall have

been terminated, discharged, released and rendered null and void and of no further force and effect by the parties thereto.

(r) Agreements, Instruments and Documentation Included. All agreements, instruments and other documents by, under or pursuant to which any real or personal property, or any lien, encumbrance, charge, right or interest with respect to real or personal property, whether tangible or intangible, relating to Station Two or the Joint Use Facilities, is conveyed, transferred or assigned to any E.ON Station Two Party, or any right or interest in or to any Station Two Contract or Assigned Station Two Contract is transferred or assigned to or otherwise created in favor of any E.ON Station Two Party, are set forth in or included under Schedule 2.1 hereto, the provisions of Section 4.2 or Section 5.7, including the Exhibits referred to therein, or Schedule 3.1 hereto.

Section 19.2 Representations and Warranties of Big Rivers. Big Rivers hereby represents and warrants to each of the City of Henderson and the City Utility Commission (but not to the E.ON Station Two Parties, it being understood and agreed that any representations and warranties of Big Rivers to or for the benefit of the E.ON Station Two Parties are set forth solely in the Transaction Termination Agreement or in another Definitive Document (used as defined in the Transaction Termination Agreement) that on the Effective Date and as of the Closing Unwind Date, except as otherwise specified:

(a) Organization and Existence. Big Rivers is a rural electric cooperative duly organized, validly existing, and in good standing under the laws of the Commonwealth of Kentucky, and is duly licensed or qualified and in good standing in each jurisdiction where the nature of its business and its activities requires it to be so qualified. Big Rivers

has the requisite cooperative power and authority to carry on its business as now conducted, to own or hold under lease its property and to enter into and perform its obligations under this Station Two Termination and Release.

(b) Authorization, Execution, Binding Effect. This Station Two Termination and Release has been duly authorized, executed and delivered by all necessary cooperative action by Big Rivers and, assuming the due authorization, execution and delivery hereof by each E.ON Station Two Party, the City of Henderson and the City Utility Commission, constitutes the legal, valid and binding obligation of Big Rivers, enforceable against Big Rivers in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, arrangement, moratorium or other laws relating to or affecting the rights of creditors generally and by general principles of equity.

(c) No Violation. The execution, delivery and performance by Big Rivers of this Station Two Termination and Release, the consummation by Big Rivers of the transactions contemplated hereby, and the compliance by Big Rivers with the terms and provisions hereof, do not and will not (i) contravene any Applicable Laws or Big Rivers' Articles of Incorporation or By-Laws, or (ii) contravene the provisions of, or constitute a default (or an event which, with notice or the passage of time, or both, would constitute a default) by it under, any indenture, mortgage or other material contract, agreement or instrument to which Big Rivers is a party or by which Big Rivers, or its property, is bound, or result in the creation of any Lien on the property of Big Rivers.

(d) No Required Consents or Approvals. As of the Closing, all consents, approvals, resolutions, authorizations, actions or orders, including those which must be obtained from any Governmental Entity, required for the authorization, execution and delivery of, and for the consummation of the transactions contemplated by, this Station Two Termination and Release by Big Rivers shall have been obtained.

(e) Absence of Litigation. There is no pending or, to the knowledge of Big Rivers, threatened action, suit, investigation or proceeding against Big Rivers by any person before any Governmental Entity which (i) questions the validity of this Station Two Termination and Release or the ability of Big Rivers to perform its obligations under this Station Two Termination and Release or (ii) if determined adversely to it, would materially adversely affect Big Rivers' ability to perform its obligations under this Station Two Termination and Release.

(f) Termination of Non-Disturbance Agreement. As of the Closing, the Non-Disturbance Agreement, together with each and every agreement or instrument assigning or transferring any right, title, interest or obligation of any party thereunder, shall have been terminated, discharged, released and rendered null and void and of no further force and effect by the parties thereto.

(g) Termination of Participation Agreement. As of the Closing, the Participation Agreement, together with each and every agreement or instrument assigning or transferring any right, title, interest or obligation of any party thereunder, shall have been terminated, discharged, released and rendered null and void and of no further force and effect by the parties thereto.

(h) Agreements, Instruments and Documentation Included. All agreements, instruments and other documents by, under or pursuant to which any real or personal property, or any lien, encumbrance, charge, right or interest with respect to real or personal property, whether tangible or intangible, relating to Station Two or the Joint Use Facilities, is conveyed, transferred or assigned by Big Rivers to any E.ON Station Two Party, or any right or interest in or to any Station Two Contract or Assigned Station Two Contract is transferred or assigned by Big Rivers to or otherwise created by Big Rivers in favor of any E.ON Station Two Party, are set forth in or included under Schedule 2.1 hereto, the provisions of Section 4.2 or Section 5.7, including the Exhibits referred to therein, or Schedule 3.1 hereto.

Section 19.3 Representations and Warranties of the City of Henderson and the City Utility Commission. The City of Henderson and the City Utility Commission hereby severally represent and warrant to each of the E.ON Station Two Parties and Big Rivers that on the Effective Date and as of the Closing Unwind Date, except as otherwise specified:

(a) Organization and Existence. The City of Henderson is a municipal corporation and city of the second class duly organized and existing under the laws of the Commonwealth of Kentucky. The City Utility Commission is a public body politic and corporate duly organized and existing under Kentucky Revised Statutes § 96.530 and related statutes. The City of Henderson and the City Utility Commission each has all requisite power and authority to carry on its business as now conducted, to own its property and to enter into and perform its respective obligations under this Station Two Termination and Release.

(b) Authorization, Execution, Binding Effect. This Station Two Termination and Release has been duly authorized, executed and delivered by the City of Henderson and the City Utility Commission, and, assuming the due authorization, execution and delivery hereof by each E.ON Station Two Party and Big Rivers, constitutes the legal, valid and binding obligation of the City of Henderson and the City Utility Commission, enforceable against the City of Henderson and the City Utility Commission in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, arrangement, moratorium or other laws relating to or affecting the rights of creditors generally and by general principles of equity.

(c) No Violation. The execution, delivery and performance by the City of Henderson and the City Utility Commission of this Station Two Termination and Release, the consummation by the City of Henderson and the City Utility Commission of the transactions contemplated hereby, and the compliance by the City of Henderson and the City Utility Commission with the terms and provisions hereof, do not and will not contravene any Applicable Law.

(d) No Required Consents. As of the Closing, all consents, approvals, resolutions, authorizations, actions or orders, including, those which must be obtained from any Governmental Entity required for the authorization, execution and delivery of, and for the consummation of the transactions contemplated by, this Station Two Termination and Release by the City of Henderson and the City Utility Commission have been obtained.

ARTICLE 20

CLOSING CONDITIONS

Section 20.1 Closing Conditions. The obligation of the City of Henderson and the City Utility Commission to consummate the transactions under this Station Two Termination and Release shall be subject to the performance by the E.ON Station Two Parties and Big Rivers of and their compliance with their respective obligations, requirements and conditions to be performed and complied with under the provisions of this Station Two Termination and Release at and prior to the Closing Date, and to the following conditions under this Section 20.1 to be performed, completed or complied with to the satisfaction of the City Utility Commission:

(a) Replacement Contracts. The City of Henderson, the City Utility Commission and Big Rivers shall have entered into certain contracts replacing those terminated in connection with the Unwind including, without limitation, the Station Two G&A Allocation Agreement, the Supplementary Agreement on SO<sub>2</sub> Emission Allowances and the Designated Representative Appointment Agreement.

(b) Additional Agreements. The City Utility Commission, the City of Henderson (as necessary) and Big Rivers shall have entered into agreements or amendments of agreements that give effect to the matters set forth in the letter, dated August 3, 2007, by the City Utility Commission to Big Rivers.

(c) Alstom Claims. All outstanding settlement claims against Alstom Power Inc. shall have been settled and funds with respect to the Station Two selective catalytic reduction system shall have been allocated or, if not settled and funds allocated, an

appropriate agreement with regard to the Alstom Power Inc issues shall have been entered into by the Parties.

(d) Big Rivers Debt Rating. The debt obligations of Big Rivers secured by a first lien and security interest in assets of Big Rivers shall be rated at least “BBB” by Standard and Poor’s and “Baa2” by Moody’s Investor Service.

(e) E.ON Debt Rating. The corporate credit rating and long term issuer rating of E.ON shall be at least the minimum “investment grade” rating, issued by Standard and Poor’s and Moody’s Investor Service.

(f) Covenants. The E.ON Station Two Parties and Big Rivers shall have complied with all their respective covenants and agreements for the benefit of City of Henderson and the City Utility Commission under the Station Two Agreement, the Station Two Contracts and all Definitive Documents (used as defined in the Transaction Termination Agreement).

(g) Open Issues. The following open issues shall have been resolved and any necessary payments made:

(i) The appropriate charges by LEM to the City Utility Commission for energy under Amendment No. 1 to the System Reserves Agreement;

(ii) The City Utility Commission’s liability for 30.45% of the \$200,000 deductible under the Station Two, Unit 1 boiler insurance policy;

(iii) The E.ON Station Two Parties' obligation to pay the City Utility Commission for Excess Henderson Energy from Station Two up to the Unwind Closing Date;

(iv) The turbine controls issue with respect to Unit 2 of Station Two and the allocation of the related Siemen's payment; and

(v) Provision by the E.ON Station Two Parties for the funding of the cost of the repair of damage to the Station Two Unit 1 boiler as a result of the January 29, 2007 heat excursion.

(h) Inventory. The inventories of coal and lime for Station Two shall have been reconciled as between the City Utility Commission and the E.ON Station Two Parties.

(i) No Casualty. No casualty shall have occurred at Station Two or the Joint Use Facilities from and after the Effective Date of the Station Two Termination and Release and prior to and including the Unwind Closing Date that has not been repaired or otherwise corrected by the E.ON Station Two Parties.

(j) SO2 and NOx Allowances. All SO2 and NOx allowances to which City of Henderson and the City Utility Commission are entitled under the Station Two Contracts shall have been transferred to the City Utility Commission or provision made under the Station Two Contracts for their transfer to the City Utility Commission.

(k) No Unresolved Disputes. There shall be no outstanding unresolved disputes or proceedings between any of the E.ON Station Two Parties or Big Rivers on

the one hand and City of Henderson or the City Utility Commission on the other hand, other than any such disputes or proceedings as shall be discharged or released as of the Unwind Closing Date.

(l) Payment of Certain Amounts. E.ON shall have reimbursed the City of Henderson and the City Utility Commission, respectively, for all costs and expenses pursuant Section 17.1.

(m) Inability to Consummate Unwind. There shall not have been any action taken by any Governmental Entity, or pursuant to Applicable Laws, that would render any Party unable to consummate the Unwind, or that would make the Unwind illegal, or that would otherwise prohibit the consummation of the Unwind.

(n) Representations and Warranties. All representations and warranties of the E.ON Station Two Parties and Big Rivers, respectively, as set forth in Sections 19.1 and 19.2 shall be true and correct in all material respects on and as of the Effective Date and as of the Unwind Closing Date, except as otherwise specified in Sections 19.1 and 19.2, respectively, and the City of Henderson and the City Utility Commission shall have received certificates of an authorized officer of each of the E.ON Station Two Parties and of Big Rivers to such effect.

(o) Governmental Approvals. All consents and approvals of Governmental Entities required for the consummation of the Unwind by each of the E.ON Station Two Parties, Big Rivers and any member cooperative of Big Rivers, shall have been obtained and any required filings with or waivers from any Governmental Entity shall have been made and received.

(p) Transaction Termination Agreement. The Transaction Termination Agreement shall be in full force and effect and there shall not be any additional amendment or supplement thereof which affects Station Two, the Joint Use Facilities or the Station Two Site except as shall have been approved by the City Utility Commission and the Closing thereunder shall take place on the Unwind Closing Date.

(q) Environmental Conditions. The City of Henderson and the City Utility Commission, respectively, shall not, in their sole and absolute discretion, by written notice delivered to the E.ON Station Two Parties and to Big Rivers: (A) at any time more than 20 days prior to the scheduled Unwind Closing Date have refused to consummate the Closing of the transactions contemplated by this Station Two Termination and Release, on the basis of one or more facts or circumstances described in the following sentence; or (B) at any time 20 days or less prior to the scheduled Unwind Closing Date, have refused to consummate the Closing of the transactions contemplated by this Station Two Termination and Release, on the basis of one or more facts or circumstances described in the following sentence as to which neither the City of Henderson nor the City Utility Commission had knowledge at any time prior to 20 days prior to the scheduled Unwind Closing Date. The facts or circumstances that would permit delivery of the notice described in the preceding sentence are as follows: (i) any actual, alleged or perceived violation of any Environmental Law occurring at any time, howsoever caused, and associated in any manner with Station Two, the Joint Use Facilities or the Station Two Site, or the use, operation, maintenance or repair thereof; (ii) the actual, alleged or perceived Environmental Release occurring at any time, howsoever caused, and associated with Station Two, the Joint Use Facilities or the Station Two Site

or the use or operation, maintenance or repair thereof; (iii) any Baseline Environmental Condition (used as defined in the Transaction Termination Agreement), Disclosed Environmental Condition or other Excepted Condition (used as defined in the Transaction Termination Agreement); (iv) any actual, alleged or perceived violation of any permit occurring at any time, howsoever caused, and associated with Station Two, the Joint Use Facilities and the Station Two Site or the use, operation, maintenance or repair thereof; or (v) any other actual alleged or perceived condition, release, circumstance, transaction, omission, proceeding, operation, maintenance, failure to comply, violation or other event occurring at any time, and associated with Station Two, the Joint Use Facilities or the Station Two Site, or the use, operation, maintenance or repair thereof, that, if known to any Governmental Entity, would or could reasonably be expected to give rise to any liability for fines, penalties, modifications of plant, facilities or equipment, or any remediation or compensation for damages under any Environmental Law; in each case relating to Station Two, the Joint Use Facilities or the Station Two Site or the use, operation, maintenance or repair thereof, and regardless of whether any claims, losses, liabilities, damages, costs, expenses, obligations or deficiencies associated with or resulting from or arising out of any of the forgoing could be the subject of indemnification in favor of the City of Henderson or the City Utility Commission under Article 7.

(r) Generating Capability. Within 30 days prior to the scheduled Unwind Closing Date, WKEC shall have demonstrated to the City Utility Commission through actual performance data and physical testing, that Station Two and the Joint Use Facilities are capable of generating net output of at least 311 MW. The demonstration

contemplated above shall be at WKEC's sole cost and expense. Such testing shall include sustained operation for at least 24 hour's duration under actual load carrying condition at rated pressure and temperature with all auxiliary equipment in service and at a power factor of 90%. Such measurement and testing of net output shall otherwise be in accordance with East Central Area Reliability (ECAR) "Procedures for the Uniform Rating and Testing of Generation Equipment" dated May, 1998. The scope and method of such testing shall be acceptable to the City Utility Commission in its reasonable discretion. The testing will utilize coal having characteristics that meet the fuel box design for Station Two. The City Utility Commission shall be provided the opportunity to have a representative or representatives present to observe the testing. The operation of Station Two and the Joint Use Facilities during the testing shall conform to all permits and licenses from Governmental Entities and comply with other Applicable Laws.

(s) No Forced Outage. No forced outage of Station Two or the Joint Use Facilities shall have occurred for a period greater than 5 consecutive days during the 30 day period immediately proceeding the Unwind Closing Date, and no forced outage of Station Two or the Joint Use Facilities shall be pending.

(t) Opinions of Counsel. The City of Henderson and the City Utility Commission shall have received such opinions of counsel for each of the E.ON Station Two Parties, and such opinion or opinions of counsel for Big Rivers, each dated the Unwind Closing Date, reasonably satisfactory in form and substance to the City Utility Commission.

## ARTICLE 21

### TERMINATION

Section 21.1 Effective Date; Termination of Agreement. This Station Two Termination and Release shall become effective on the date ("Effective Date") on which each of the Parties shall have executed and delivered this Agreement. This Station Two Termination and Release, including the obligations of the Parties to use their respective reasonable best efforts to cause the Closing to occur and to cause any conditions precedent set forth in Article 20 to be satisfied or waived, may be terminated at the option of the City of Henderson or the City Utility Commission on the one hand, or the E.ON Station Two Parties or Big Rivers on the other hand, if the Closing shall not have occurred on or prior to April 30, 2008, upon two Business Days prior notice given to the other Parties to this Station Two Termination and Release. If this Station Two Termination and Release shall be terminated in accordance with this Section 21.1, this Station Two Termination and Release shall immediately become null and void and of no further force or effect whatsoever, and each Party shall be fully released and discharged from its obligations hereunder; provided that the E.ON Station Two Parties shall promptly reimburse the City of Henderson and the City Utility Commission, respectively, for all their costs and expenses relating to the Unwind, including, without limitation, all general and administrative costs allocable to the Unwind, and all legal fees and disbursements, accounting charges, and fees and disbursements of engineers and other experts, all to the extent incurred in connection with the Unwind. Such payment shall be made within 30 days following receipt of invoices therefor submitted by the City of Henderson and the City Utility Commission, respectively.

## ARTICLE 22

### WOODWARD-CLYDE AGREEMENT

Section 22.1 No Affect on City's Rights and Remedies. The Parties agree that nothing contained in this Station Two Termination and Release or in the Transaction Termination Agreement shall limit, or otherwise affect any rights or remedies of the City of Henderson or the City Utility Commission under, pursuant to or otherwise arising out of the Agreement For Professional and Environmental Services, dated as of October 15, 1997, among WKEC, Big Rivers and Woodward-Clyde International-Americas (the "WCI Agreement"). WKEC and Big Rivers further agree that they will not take any action or allow any action to be taken to terminate the WCI Agreement without the prior consent of the City Utility Commission and each of them agrees that it will not take any action pursuant to this Station Two Termination and Release Agreement or the Transaction Termination Agreement or other Definitive Documents (used as defined in the Transaction Termination Agreement) which would adversely affect any rights or remedies which the City of Henderson or the City Utility Commission may have under, pursuant to or otherwise arising out of the WCI Agreement.

## ARTICLE 23

### MISCELLANEOUS

Section 23.1 Successors and Assigns. This Station Two Termination and Release shall be binding upon, and shall inure to the benefit of and be enforceable by, the Parties named herein and their respective members, shareholders, directors, officers, employees, agents, representatives, advisors, successors, predecessors and permitted assigns, and all other persons or entities claiming by, through or under any of them. No Party may assign either this Station Two

Termination and Release or any of its rights or interests hereunder, nor delegate any of its obligations hereunder, without the prior written consent of the other Parties (which consent shall not be unreasonably withheld, conditioned or delayed), and any attempt to make any such transfer, assignment or delegation without such consent shall be null and void.

Section 23.2 Notices. All notices, requests, demands, claims or other communications required or permitted to be given or made under this Station Two Termination and Release shall be in writing and shall be deemed duly given or made if it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

|  |  |
|--|--|
| <u>If to any E.ON Station Two Party:</u> | E.ON U.S. LLC<br>220 West Main Street<br>Louisville, KY 40202<br>Facsimile: 502-627-4622<br>Telephone: 502-627-3665<br>Attn: Executive Vice President,<br>General Counsel & Corporate Secretary        |
| <u>With a Copy to:</u>                   | Patrick R. Northam, Esq.<br>Greenebaum Doll & McDonald PLLC<br>3500 National City Tower<br>101 South Fifth Street<br>Louisville, Kentucky 40202<br>Facsimile: 502-587-3695<br>Telephone: 502-587-3774  |
| <u>If to Big Rivers:</u>                 | Big Rivers Electric Corporation<br>201 Third Street<br>P.O. Box 24<br>Henderson Kentucky 42419<br>Attention: President & Chief Executive Officer<br>Facsimile: 270-827-2558<br>Telephone: 270-827-2561 |
|  |  |

|  |  |
|--|--|
| <u>With a Copy to:</u>   | James M. Miller, Esq.<br>Sullivan, Mountjoy, Stainback & Miller, P.S.C.<br>100 St. Ann Building<br>Post Office Box 727<br>Owensboro, Kentucky 42302-0727<br>Facsimile: 270-683-6694<br>Telephone: 270-691-1640 |
| <u>If to the City of Henderson or the City Utility Commission:</u> | The City of Henderson, Kentucky<br>222 First Street<br>Henderson, Kentucky 42419<br>Attn: City Attorney<br>Facsimile: (270) 831-1206<br>Telephone: (270) 831-1200  |
|  | Henderson Municipal Power & Light<br>100 Fifth Street<br>Henderson, Kentucky 42419<br>Attn: General Manager<br>Facsimile: (270) 826-9650<br>Telephone: (270) 826-2726  |
| <u>With a Copy to:</u>   | C. B. West, Esq.<br>Stoll, Keenon & Ogden<br>201C North Main Street<br>Henderson, Kentucky 42420<br>Facsimile: (270) 827-4060<br>Telephone: (270) 831-1900   |

Any Party may send any notice, request, demand, claim or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

Section 23.3 Governing Law. This Station Two Termination and Release shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

Section 23.4 Amendments and Waivers. This Station Two Termination and Release shall not be modified or amended except pursuant to an instrument in writing executed and delivered on behalf of each of the E.ON Station Two Parties, Big Rivers, the City of Henderson and the City Utility Commission. No waiver of any of the provisions of this Station Two Termination and Release shall be deemed to or shall constitute a continuing waiver or a waiver of any other provision hereof (whether or not similar). No delay on the part of any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof.

Section 23.5 Severability. Any term or provision of this Station Two Termination and Release which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such invalidity or unenforceability, without rendering invalid or unenforceable the remaining terms and provisions of this Station Two Termination and Release or affecting the validity or enforceability of any of the terms or provisions of this Station Two Termination and Release in any other jurisdiction.

Section 23.6 Construction. The Parties have participated jointly in the negotiation and drafting of this Station Two Termination and Release. In the event an ambiguity or question of intent or interpretation arises, this Station Two Termination and Release shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Station Two Termination and Release.

Section 23.7 Incorporation. The Exhibits and Schedules identified in this Station Two Termination and Release are incorporated herein by reference and made a part hereof.

Section 23.8 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS STATION TWO TERMINATION AND RELEASE OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 23.9 Headings. The article and section headings contained in this Station Two Termination and Release are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Station Two Termination and Release.

Section 23.10 Counterparts. This Station Two Termination and Release may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

Section 23.11 Further Assurances. Each of the Parties shall, at all times, and from time to time, upon the request of the appropriate Party, do, execute, acknowledge and deliver, or will cause to be done, executed, acknowledged and delivered, all such further acts as may be required to consummate the transactions contemplated in this Station Two Termination and Release as they are herein contemplated. Each Party shall, and shall use its commercially reasonable efforts to assure that any necessary third party shall, execute and deliver such documents and do such other acts and things as any other Party may reasonably require for the purpose of giving to that other Party the full benefit of all the provisions of this Station Two Termination and Release, and as may be reasonably required to complete the transactions contemplated in this Station Two Termination and Release.

Section 23.12 Third Party Beneficiaries. This Station Two Termination and Release is entered into for the sole benefit of the Parties hereto and the other persons and entities expressly contemplated herein, and except as specifically provided herein, shall not confer any rights or remedies upon any person or entity other than the Parties, such other identified persons and entities and their respective successors and permitted assigns.

Section 23.13 No Other Representations. Each Party represents to the others that it has not executed this Station Two Termination and Release upon the basis of any agreement, promise, representation or warranty not specifically contained herein or, in the case of Big Rivers and the E.ON Station Two Parties, in the Transaction Termination Agreement or the Definitive Documents (used as defined in the Transaction Termination Agreement).

Section 23.14 Time of the Essence. Time shall be of the essence in the Parties' performance of their respective obligations under this Station Two Termination and Release.

Section 23.15 Survival. The provisions of this Station Two Termination and Release shall survive the execution and delivery hereof and the consummation of the transactions contemplated herein, and shall continue to be binding on and enforceable by the Parties hereto in accordance with its terms.

Section 23.16 Acknowledgment and Representation. Each Party has fully read the terms of this Station Two Termination and Release and has been represented by competent legal counsel in connection with the negotiation and execution hereof, and the effect and legal consequences of this Station Two Termination and Release have been fully explained to each Party by its legal counsel. Each Party hereby further represents and warrants to the other Parties that such Party has not at any time assigned or transferred to any other person or entity in any

manner, including by way of subrogation, operation of law or otherwise, any Claim or portion thereof that it may have had, has, may now have or may hereafter have, against any other Party hereto of the type(s) contemplated in this Station Two Termination and Release to be released and discharged by this Station Two Termination and Release (other than such Claims as any E.ON Station Two Party may have against or in respect of any other E.ON Station Two Party but not against Big Rivers, the City of Henderson or the City Utility Commission).

IN WITNESS WHEREOF, the Parties have caused this Station Two Termination and Release to be duly executed by their respective authorized officers as of the day and year first above written.

BIG RIVERS ELECTRIC CORPORATION

By:

Name:

Title:

E.ON U.S. LLC

By: \_\_\_\_\_

Name:

Title:

LG&E ENERGY MARKETING INC.

By: \_\_\_\_\_

Name:

Title:

WESTERN KENTUCKY ENERGY CORP.

By: \_\_\_\_\_

Name:

Title:

CITY OF HENDERSON, KENTUCKY

By: \_\_\_\_\_

Name:

Title:

CITY OF HENDERSON UTILITY  
COMMISSION, D/B/A, HENDERSON  
MUNICIPAL POWER & LIGHT

By: \_\_\_\_\_

Name:

Title:

## **EXHIBIT A**

### **RULES OF INTERPRETATION AND DEFINITIONS**

**RULES OF INTERPRETATION.** In this Station Two Termination and Release, unless otherwise expressly provided herein:

1. Any term defined in this Station Two Termination and Release (including this Exhibit A and any other Exhibit or Schedule hereto) by reference to another document, instrument or agreement shall continue to have the meaning ascribed thereto whether or not such other document, instrument or agreement remains in effect;
2. Words importing the singular include the plural and vice versa;
3. Words importing a gender include either gender;
4. A reference in this Station Two Termination and Release to a part, clause, recital, section, subsection, article, party, annex, appendix, exhibit, schedule or other attachment is a reference to a part, clause, recital, section, subsection, or article of, or a party, annex, appendix, exhibit, schedule or other attachment to, this Station Two Termination and Release unless, in any such case, otherwise expressly provided herein;
5. A definition of or reference to any document, instrument or agreement set forth in this Station Two Termination and Release (including without limitation, in any Exhibit or Schedule hereto) includes all amendments and/or supplements to, and any restatements, replacements, modifications or novations of, any such document, instrument or agreement unless otherwise specified in such definition or in the context in which such reference is used;

6. A reference to any person or entity includes such person's or entity's successors and permitted assigns (in the designated capacity);

7. Any reference to "days" shall mean calendar days unless Business Days are expressly specified;

8. If the date as of which any right, option or election is exercisable, or the date upon which any amount is due and payable, is stated to be on a date or day that is not a Business Day, such right, option or election may be exercised, and such amount shall be deemed due and payable, on the next succeeding Business Day with the same effect as if the same was exercised or made on such date or day (without, in the case of any such payment, the payment or accrual of any interest or other late payment or charge, provided such payment is made on such next succeeding Business Day);

9. Words such as "hereunder", "hereto", "hereof" and "herein" and other words of similar import shall, unless the context clearly requires otherwise, refer to the whole of the applicable document and not to any particular article, section, subsection, paragraph or clause thereof; and

10. A reference to "including" means including without limiting the generality of any description preceding such term, and for purposes hereof the rule of *ejusdem generis* shall not be applicable to limit a general statement, followed by or referable to an enumeration of specific matters, to matters similar to those specifically mentioned.

DEFINITIONS

***“Annual Budget”*** means the budget for each Contract Year prepared pursuant to the Station Two Contracts

***“Applicable Laws”*** means all federal, state and local laws, rules, regulations, ordinances, codes, orders and directives of any court or other governmental entity or regulatory body, or any office or agency thereof.

***“Assigned Station Two Contracts”*** shall have the meaning provided in Section 8.1.

***“Big Rivers Released Parties”*** shall have the meaning provided in Section 4.3.

***“Business Day”*** means any day other than a Saturday or Sunday or other day in which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in Henderson or Louisville, Kentucky.

***“Capacity”*** means the net electrical energy output which can be generated from Station Two expressed in megawatts (MW).

***“City Released Parties”*** shall have the meaning provided in Section 4.4.

***“Claims”*** shall have the meaning provided in Section 4.3.

***“Closing”*** means the closing of the transactions contemplated by this Station Two Termination and Release.

***“Closing Year”*** means the year in which the Closing occurs.

***“Contract Year”*** means the successive 12 month period beginning June 1 and ending on May 31.

***“Disclosed Environmental Conditions”*** means any Environment Releases, conditions, facts, events, circumstances, actions, omissions, proceedings, operations, violations, failures to comply and other matters: (i) identified or disclosed in an environmental audit report referred to in Article 15 of the Transaction Termination Agreement or otherwise referred to in Article 15 of the Transaction Termination Agreement or in any Schedule referred to in Article 15; or (ii) otherwise identified or disclosed in writing by WKEC and delivered to the City Utility Commission on or prior to the Closing.

***“Effective Date”*** means the date on which each of the Parties shall have executed and delivered this Agreement as set forth in Section 21.1.

***“Environmental Law”*** means any federal, state or local statute, regulation or ordinance pertaining to the environment or to the control, handling, treatment and disposal of Hazardous Substances, as the same was in effect on July 15, 1998 (or enacted after July 15, 1998) and as the same may be amended, modified or reinterpreted after July 15, 1998, including but not limited to, the Clean Air Act; the Federal Water Pollution Control Act, 33 U.S.C. Section 1251 et seq.; the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 et seq.; the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq.; and any regulations under those statutes.

***“Environmental Releases”*** means any release as defined under Section 101(22) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. Section 9601 et seq., of a Hazardous Substance or other waste (including, without limitation, garbage and refuse), at, on, under or from Station Two, the Joint Use Facilities or the Station Two Site.

***“E.ON Guarantee”*** means the Guarantee Agreement [Station Two Obligations] dated July 15, 1998, from E.ON (as successor to LG&E Energy Corp.) in favor of the City of Henderson and the City Utility Commission.

***“E.ON Released Parties”*** shall have the meaning provided in Section 4.5.

***“Excess Henderson Energy”*** means Energy associated with the City of Henderson’s reserved Capacity from Station Two that is in excess of the amount of such Energy scheduled or taken by the City of Henderson or the City Utility Commission.

***“Filing Party”*** shall have the meaning provided in Section 10.4.

***“Governmental Entity”*** means any federal, state or local government, any political subdivision thereof or any other governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body, agency, bureau or entity.

***“Guaranteed Obligations”*** shall have the meaning provided in Section 14.1.

***“Guaranteed Parties”*** shall have the meaning provided in Section 14.1.

***“Hazardous Substances”*** means any water or air pollutant and hazardous, toxic, radioactive or infectious substance, material or waste as defined, listed or regulated under any Environmental Law.

***“Henderson Termination Payment”*** shall have the meaning provided by Section 3.1.

***“Joint Facilities Agreement”*** means the Joint Facilities Agreement between the City of Henderson and Big Rivers dated August 1, 1970, as amended.

***“Joint Use Facilities”*** means the auxiliary facilities which was the subject of the Joint Facilities Agreement.

***“Lien”*** means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, or any other type of preferential arrangement that has substantially the same practical effect as a security interest, in respect of such asset.

***“Monthly Billing Period”*** means each calendar month of any Contract Year.

***“Non-Disturbance Agreement”*** means the Third Amended and Restated Subordination, Non Disturbance, Attornment and Intercreditor Agreement, dated August 1, 2001, by and among Big Rivers, Western Kentucky Energy Corp., LG&E Energy Marketing Inc., WKE Station Two, Inc., WKE Corp. and other creditors of Big Rivers parties thereto, as amended.

***“Non-Filing Parties”*** shall have the meaning provided in Section 10.4.

***“Operating True-Up”*** means, with respect to the Station Two operating and maintenance costs and expenses for the Contract Year in which the Closing occurs, the final settlement of accounts between the applicable Parties.

***“Participation Agreement”*** shall have the meaning provided in Recital B.

***“Plan of Reorganization”*** shall have the meaning provided in Recital B.

***“Power Sales Contract”*** means the Power Sales Contract, dated August 1, 1970, among Big Rivers, the City of Henderson and the City Utility Commission, as amended.

***“Power Sales True-Up”*** means, with respect to Station Two capacity charges for the Contract Year in which the Closing occurs, the final settlement of accounts between the applicable Parties.

***“Released Station Two Contracts”*** shall have the meaning provided in Section 5.1.

***“Section 5.2 Released Parties”*** shall have the meaning provided in Section 5.2.

***“Section 5.4 Released Parties”*** shall have the meaning provided in Section 5.4.

***“Section 5.5 Released Parties”*** shall have the meaning provided in Section 5.5.

***“Station Two”*** means the two generating units and related facilities owned by the City of Henderson and located on a site near the Green River in Henderson County, Kentucky.

***“Station Two Agreement”*** means the Agreement and Amendments to Agreement dated as of July 15, 1998, as amended, among the City of Henderson, the City Utility Commission, Big Rivers, LEM, WKEC, WKE and Station Two Subsidiary, including without limitation, as amended by the Amendatory Agreement, dated as of April 1, 2005, among the City of Henderson, the City Utility Commission, Big Rivers, Station Two Subsidiary, WKEC, LEM and WKE.

***“Station Two Contracts”*** means the Power Plant Construction and Operating Agreement, the Power Sales Contract and the Joint Facilities Agreement, each dated August 1, 1970, together with all the amendments thereof and, contracts, letters and other agreements relating to the operation of Station Two.

***“Station Two Documents”*** shall have the meaning provided in Section 16.1.

***“Station Two Environmental Claims”*** shall have the meaning provided in Section 7.1.

***“Station Two Intellectual Property”*** shall have the meaning provided in Section 10.1.

***“Station Two Inventory”*** shall have the meaning provided in Section 9.1.

***“Station Two Operating Agreement”*** shall mean the Power Plant Construction and Operating Agreement, dated August 1, 1970, as amended.

***“Station Two Permits”*** shall have the meaning provided in Section 11.1.

***“Station Two Personal Property”*** shall have the meaning provided in Section 9.2.

***“Station Two Site”*** means the real property on which Station Two and the Joint Use Facilities are situated.

***“Station Two Terminated Agreements”*** shall have the meaning provided in Section 4.1.

***“Taxes”*** means all income, profits, gains, gross receipts, net worth, utility gross receipts license, premium, value added, ad valorem, sales, use, excise, stamp, transfer, franchise, withholdings, payroll, employment, occupation, social security, property, environmental, license, privilege, alternative minimum calculation, severance, fuel and all other taxes of any kind whatsoever, or any amounts imposed in lieu of any of the foregoing, together with any interest, penalties, and additions thereto, in each case imposed by any federal, state, local, or foreign government or any agency or political subdivision thereof, including all amounts imposed as a result of being a member of a consolidated, affiliated, combined, or unified group.

***“Transaction Termination Agreement”*** shall have the meaning provided in Recital D.

***“Unwind”*** means transactions contemplated by the Transaction Termination Agreement and this Station Two Termination and Release.

***“Unwind Closing Date”*** shall have the meaning provided in Section 2.1.

***“WCI Agreement”*** shall have the meaning provided in Section 22.1.

**EXHIBIT B-1**

**TERMINATION AND RELEASE OF DEED OF EASEMENT**

On July 15, 1998, the CITY OF HENDERSON, KENTUCKY, a municipal corporation, and the CITY OF HENDERSON UTILITY COMMISSION, a body politic and corporate (hereinafter collectively referred to as "Henderson") granted to WKE STATION TWO, INC., formerly known as LG&E Station Two, Inc., a Kentucky corporation, LG&E ENERGY MARKETING, INC., an Oklahoma corporation, and WESTERN KENTUCKY ENERGY CORP., a Kentucky Corporation, (hereinafter collectively referred to as the "LG&E Parties") an unexclusive easement for access to Henderson's property for the purpose of enabling the LG&E Parties to perform and fulfill their respective obligations under certain agreements relating to the operation and maintenance of Henderson's Station Two Power Plant, all in accordance with the rights, privileges, reservations, exceptions and limitations recited therein, and

**WHEREAS**, the LG&E Parties will, upon the effective date of this Termination and Release cease to operate, maintain and control Henderson's Station Two Power Plant, and will thereupon cease to use the easement and right-of-way granted to them by Henderson by the terms of the Deed of Easement and Right-of-Way dated July 15, 1998, of record in Miscellaneous book 6, at page 373, in the Henderson County Clerk's Office, Henderson County, Kentucky.

**NOW, THEREFORE**, in consideration of the premises, the said WKE Station Two, Inc., LG&E Energy Marketing, Inc. and Western Kentucky Energy Corp. do hereby bargain, sell, and convey, and by these presents release, remise and quit-claim unto the said City of Henderson, Kentucky and City of Henderson Utility Commission, their respective successors and assigns, any and all right, title and interest in and to the property described in said Deed of

Easement, and all and any other interest the said WKE Station Two, Inc., LG&E Energy Marketing, Inc. and Western Kentucky Energy Corp., their respective successors and assigns, may have in and to the said property of City of Henderson, Kentucky and City of Henderson Utility Commission.

Prior to the date hereof, WKE Station Two, Inc., formerly known as LG&E Station Two, Inc., a Kentucky corporation, was merged with and into Western Kentucky Energy Corp. in accordance with Kentucky law, with Western Kentucky Energy Corp. being the surviving entity in that merger succeeding to all of the assets, properties, rights, debts, obligations and liabilities of WKE Station Two, Inc., whereby the execution of this document by Western Kentucky Energy Corp. will transfer and convey all right, title and interest of WKE Station Two, Inc. in the Deed of Easement herein referred to.

**IN TESTIMONY WHEREOF**, the said parties to this Termination and Release of Deed of Easement have hereunto executed this document by their respective duly authorized representatives to be effective the \_\_\_\_\_ day of \_\_\_\_\_, 2008.

LG&E ENERGY MARKETING, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

WESTERN KENTUCKY ENERGY CORP.

By: \_\_\_\_\_

Title: \_\_\_\_\_

CITY OF HENDERSON, KENTUCKY

By: \_\_\_\_\_

Title: \_\_\_\_\_

CITY OF HENDERSON UTILITY COMMISSION

By: \_\_\_\_\_

Title: \_\_\_\_\_

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The foregoing Termination and Release of Deed of Easement was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2008, by LG&E Energy Marketing, Inc., an Oklahoma corporation, for and on behalf of said corporation.

My commission expires: \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

(SEAL)

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The foregoing Termination and Release of Deed of Easement was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2008, by Western Kentucky Energy Corp., a Kentucky corporation, for and on behalf of said corporation.

My commission expires: \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

(SEAL)



**EXHIBIT B-2**

**TERMINATION AND RELEASE OF DEED OF EASEMENT**

On July 15, 1998, BIG RIVERS ELECTRIC CORPORATION, a Kentucky rural electric cooperative (hereinafter referred to as "Big Rivers") granted to WKE STATION TWO, INC., formerly known as LG&E Station Two, Inc., a Kentucky corporation, LG&E ENERGY MARKETING, INC., an Oklahoma corporation, and WESTERN KENTUCKY ENERGY CORP., a Kentucky Corporation, (hereinafter collectively referred to as the "LG&E Parties") an unexclusive easement for access to Big Rivers' property for the purpose of enabling the LG&E Parties to perform and fulfill their respective obligations under certain agreements relating to the operation and maintenance of Big Rivers Green Station and Reid Station Power Plants and Henderson's Station Two Power Plant, all in accordance with the rights, privileges, reservations, exceptions and limitations recited therein, and

**WHEREAS**, the LG&E Parties will, upon the effective date of this Termination and Release cease to operate, maintain and control Big Rivers Green Station and Reid Station Power Plants and Henderson's Station Two Power Plant, and will thereupon cease to use the easement and right-of-way granted to them by Big Rivers by the terms of the Deed of Easement and Right-of-Way dated July 15, 1998, of record in Miscellaneous Book 6, at page 378, in the Henderson County Clerk's Office, Henderson County, Kentucky.

**NOW, THEREFORE**, in consideration of the premises, the said WKE Station Two, Inc., LG&E Energy Marketing, Inc. and Western Kentucky Energy Corp. do hereby bargain, sell, and convey, and by these presents release, remise and quit-claim unto the said Big Rivers Electric Corporation, its successors and assigns, any and all right, title and interest in and to the property described in said Deed of Easement, and all and any other interest the said WKE Station

Two, Inc., LG&E Energy Marketing, Inc. and Western Kentucky Energy Corp., their respective successors and assigns, may have in the said property of Big Rivers.

Prior to the date hereof, WKE Station Two, Inc., formerly known as LG&E Station Two, Inc., a Kentucky corporation, was merged with and into Western Kentucky Energy Corp. in accordance with Kentucky law, with Western Kentucky Energy Corp. being the surviving entity in that merger succeeding to all of the assets, properties, rights, debts, obligations and liabilities of WKE Station Two, Inc., whereby the execution of this document by Western Kentucky Energy Corp. will transfer and convey all right, title and interest of WKE Station Two, Inc. in the Deed of Easement herein referred to.

**IN TESTIMONY WHEREOF**, the said parties to this Termination and Release of Deed of Easement have hereunto executed this document by their respective duly authorized representatives to be effective on the \_\_\_\_ day of \_\_\_\_\_, 2008.

**LG&E ENERGY MARKETING, INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**WESTERN KENTUCKY ENERGY CORP.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**BIG RIVERS ELECTRIC CORPORATION**

By: \_\_\_\_\_

Title: \_\_\_\_\_





**EXHIBIT B-3**

**TERMINATION AND RELEASE OF ASSIGNMENT OF EASEMENTS**

By ASSIGNMENT OF EASEMENTS entered into on April 30, 2006 by and among WKE STATION TWO, INC., a Kentucky corporation, LG&E ENERGY MARKETING, INC., an Oklahoma corporation (hereinafter referred to as "Assignors") and WESTERN KENTUCKY ENERGY CORP., a Kentucky corporation (hereinafter referred to as "Assignee"), which Assignment of Easements is of record in Miscellaneous Book 8, beginning at page 902 in the Office of the Henderson County Court Clerk, Henderson County, Kentucky, Assignors assigned to Assignee (1) a Deed of Easement and Right-of-Way by and among the City of Henderson, Kentucky, and the City of Henderson Utility Commission, as Grantors, and WKE Station Two, Inc., LG&E Energy Marketing, Inc. and Western Kentucky Energy Corp., as Grantees, which Deed of Easement is of record in Miscellaneous Book 6, beginning at page 373 in the Office of the Henderson County Court Clerk, and (2) a Deed of Easement and Right-of-Way by and among Big Rivers Electric Corporation, as Grantor, and WKE Station Two, Inc., LG&E Energy Marketing, Inc. and Western Kentucky Energy Corp., as Grantees, which Deed of Easement is of record in Miscellaneous Book 6, beginning at page 378 in the Office of the Henderson County Court Clerk, Henderson County, Kentucky, and

**WHEREAS**, the purposes for which such Deeds of Easements and Rights-of-Way were granted, and thereafter assigned to Assignee have terminated as of the effective date of this Termination and Release. It is the desire of the Assignors and Assignee to return said easements and rights-of-way to the original Grantors, free and clear of all claims of the Assignors and the Assignee herein.

**NOW, THEREFORE**, the Assignors and the Assignee do hereby bargain, sell and convey, and do by these presents release, remise and quit-claim unto the said City of Henderson and City of Henderson Utility Commission, their respective successors and assigns, any and all right, title and interest in and to the easement and right-of-way referred to in that certain Deed of Easement and Right-of-Way dated July 15, 1998 and of record in Miscellaneous Book 6, beginning at page 373 in the Office of the Henderson County Court Clerk, and do by these presents release, remise and quit-claim unto the said Big Rivers Electric Corporation its successors and assigns, any and all right, title and interest in and to the easement and right-of-way referred to in that certain Deed of Easement and Right-of-Way dated July 15, 1998 and of record in Miscellaneous Book 6, beginning at page 378 in the Office of the Henderson County Court Clerk, Henderson County, Kentucky.

Prior to the date hereof, WKE Station Two, Inc., formerly known as LG&E Station Two, Inc., a Kentucky corporation, was merged with and into Western Kentucky Energy Corp. in accordance with Kentucky law, with Western Kentucky Energy Corp. being the surviving entity in that merger succeeding to all of the assets, properties, rights, debts, obligations and liabilities of WKE Station Two, Inc., whereby the execution of this document by Western Kentucky Energy Corp. will transfer and convey all right, title and interest of WKE Station Two, Inc. in the Deeds of Easement herein referred to.

**IN WITNESS WHEREOF**, the Assignors and the Assignee have caused this instrument to be executed by their respective duly authorized representatives to be effective as of the \_\_\_\_\_ day of \_\_\_\_\_, 2008.

LG&E ENERGY MARKETING, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

WESTERN KENTUCKY ENERGY CORP.

By: \_\_\_\_\_

Title: \_\_\_\_\_

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The foregoing Termination and Release of Assignment of Easements was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2008, by LG&E Energy Marketing, Inc., an Oklahoma corporation, for and on behalf of said corporation.

My commission expires: \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

(SEAL)

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The foregoing Termination and Release of Assignment of Easements was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2008, by Western Kentucky Energy Corp., a Kentucky corporation, for and on behalf of said corporation.

My commission expires: \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

(SEAL)

This Instrument Was Prepared By:

\_\_\_\_\_  
CHARLES B. WEST, JR.  
Stoll Keenon Ogden PLLC  
201 C North Main Street  
Henderson, KY 42420  
270-831-1900

**EXHIBIT B-4**

**DEED OF RELEASE OF MORTGAGE AND SECURITY AGREEMENT**

This DEED OF RELEASE between WESTERN KENTUCKY ENERGY CORP., a Kentucky corporation, LG&E ENERGY MARKETING, INC., an Oklahoma corporation, and WKE STATION TWO, INC., a Kentucky corporation, parties of the First Part, and BIG RIVERS ELECTRIC CORPORATION, a Kentucky rural electric cooperative, Party of the Second Part.

**WITNESSETH:**

**THAT WHEREAS**, by Mortgage and Security Agreement dated the 15th day of July, 1998, and recorded in Mortgage Book 559, beginning at page 123, in the Office of the Henderson County Court Clerk, Henderson County, Kentucky, Second Party did convey by Mortgage and Security Agreement the property described in said Mortgage and Security Agreement to the said Parties of the First Part, and did transfer and convey to Parties of the First Part a security interest in certain real and personal, and tangible and intangible properties as described therein, as security for the payment of obligations and performance of the Secured Agreements referred to therein, and

**WHEREAS**, upon the effective date of this Deed of Release the Second Party shall have fully paid all of its said obligations to First Parties, and shall have fully performed all of its covenants and agreements as referred to in the Secured Agreements, and shall otherwise have fully performed the terms and provisions of the said Mortgage and Security Agreement to have been performed by Second Party.

**NOW, THEREFORE,** in consideration of the premises, the said Parties of the First Part, Western Kentucky Energy Corp., LG&E Energy Marketing, Inc., and WKE Station Two, Inc., do hereby bargain, sell and convey, and do by these presents release, remise and quit-claim unto the said Big Rivers Electric Corporation, its successors and assigns, any and all right, title and interest in and to the real estate, personal property, tangible property, intangible property and all other property interests secured by said Mortgage and Security Agreement, by reason of its execution, and all and any other interests the said First Parties may have in the said real properties, personal properties, tangible and intangible properties, Secured Agreements and other tangible and intangible assets.

Prior to the date hereof, WKE Station Two, Inc., formerly known as LG&E Station Two, Inc., a Kentucky corporation, was merged with and into Western Kentucky Energy Corp. in accordance with Kentucky law, with Western Kentucky Energy Corp. being the surviving entity in that merger succeeding to all of the assets, properties, rights, debts, obligations and liabilities of WKE Station Two, Inc., whereby the execution of this document by Western Kentucky Energy Corp. will transfer and convey all right, title and interest of WKE Station Two, Inc.

**IN TESTIMONY WHEREOF**, the said Western Kentucky Energy Corp. and LG&E Energy Marketing, Inc. have caused this Deed of Release to be executed by their duly authorized representatives to be effective on the \_\_\_\_ day of \_\_\_\_\_, 2008.

WESTERN KENTUCKY ENERGY CORP.

By: \_\_\_\_\_

Title: \_\_\_\_\_

LG&E ENERGY MARKETING, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The foregoing Deed of Release of Mortgage and Security Agreement and Amendment to Mortgage and Security Agreement was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2008, by Western Kentucky Energy Corp., a Kentucky corporation, for and on behalf of said corporation.

My commission expires: \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

(SEAL)

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The foregoing Deed of Release of Mortgage and Security Agreement and Amendment to Mortgage and Security Agreement was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2008, by LG&E Energy Marketing, Inc., an Oklahoma corporation, for and on behalf of said corporation.

My commission expires: \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

(SEAL)

This Instrument Prepared By:

\_\_\_\_\_  
CHARLES B. WEST  
Stoll Keenon Ogden PLLC  
201-C North Main Street  
Henderson, KY 42420  
270-831-1900

**EXHIBIT B-5**

**DEED OF RELEASE OF MORTGAGE AND SECURITY AGREEMENT  
AND AMENDMENT TO MORTGAGE AND SECURITY AGREEMENT**

THIS DEED OF RELEASE OF MORTGAGE AND SECURITY AGREEMENT between LG&E ENERGY MARKETING, INC., an Oklahoma Corporation, and WESTERN KENTUCKY ENERGY CORP., a Kentucky corporation, Parties of the First Part, and BIG RIVERS ELECTRIC CORPORATION, a Kentucky rural electric cooperative, Party of the Second Part,

**WITNESSETH,**

**THAT WHEREAS,** by Mortgage Deed and Security Agreement dated the 15th day of July, 1998 and recorded in Mortgage Book 559, beginning at page 199 in the Office of the Henderson County Clerk, Henderson County, Kentucky, the said Party of the Second Part did convey and mortgage the property described in said Mortgage and Security Agreement to the said Parties of the First Part, and

**WHEREAS,** by First Amendment to Mortgage and Security Agreement dated August 22, 2002, and of record in Mortgage Book 749, beginning at page 805, in the Office of the Henderson County Clerk, Henderson County, Kentucky, the terms and provisions of the said Mortgage and Security Agreement were amended, and WKE Station Two, Inc. and WKE Corp. were added as Mortgagees, and

**WHEREAS,** the payments secured by said Mortgage and Security Agreement, as amended, have been fully paid or provided for and the covenants and agreements on the part of the Mortgagor have been fully performed and/or provided for.

**NOW, THEREFORE,** in consideration of the premises, the said LG&E Energy Marketing, Inc., Western Kentucky Energy Corp., WKE Corp. and WKE Station Two, Inc. do hereby bargain, sell, and convey, and do by these presents release, remise and quit-claim unto the said Big Rivers Electric Corporation, its successors and assigns, any and all right, title and interest in and to the said property described in said Mortgage and Security Agreement, as amended, by reason of their execution, and all and any other interest the said First Parties and WKE Corp. and WKE Station Two, Inc. may have in the said property, real, personal, and mixed.

Prior to the date hereof, WKE Station Two, Inc., formerly known as LG&E Station Two, Inc., a Kentucky corporation, and WKE Corp. were merged with and into Western Kentucky Energy Corp. in accordance with Kentucky law, with Western Kentucky Energy Corp. being the surviving entity in that merger succeeding to all of the assets, properties, rights, debts, obligations and liabilities of WKE Station Two, Inc. and WKE Corp., whereby the execution of this document by Western Kentucky Energy Corp. will transfer and convey all right, title and interest of WKE Station Two, Inc. and WKE Corp.

IN TESTIMONY WHEREOF, the said LG&E Energy Marketing, Inc. and Western Kentucky Energy Corp. have caused this Deed of Release of Mortgage and Security Agreement to be executed by their duly authorized officers or representatives to be effective on the \_\_\_\_ day of \_\_\_\_\_, 2008.

LG&E ENERGY MARKETING, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

WESTERN KENTUCKY ENERGY CORP.

By: \_\_\_\_\_

Title: \_\_\_\_\_

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The foregoing Deed of Release of Mortgage and Security Agreement was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2008, by LG&E Energy Marketing, Inc., an Oklahoma corporation, for and on behalf of said corporation.

My commission expires: \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

(SEAL)

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The foregoing Deed of Release of Mortgage and Security Agreement was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2008, by Western Kentucky Energy Corp., a Kentucky corporation, for and on behalf of said corporation.

My commission expires: \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

(SEAL)

This Instrument Prepared By:

\_\_\_\_\_  
CHARLES B. WEST  
Stoll Keenon Ogden PLLC  
201-C North Main Street  
Henderson, KY 42420  
(270) 831-1900

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER (optional)

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

Charles B. West  
Stoll Keenon Ogden PLLC  
201 C North Main Street  
Henderson, KY 42420

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE # \_\_\_\_\_ 1b. This FINANCING STATEMENT AMENDMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS.

Fixture Filing Book 3, page 270, Henderson Co. Clerk (7/17/98)

2.  TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to security interest(s) of the Secured Party authorizing this Termination Statement.

3.  CONTINUATION: Effectiveness of the Financing Statement identified above with respect to security interest(s) of the Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law.

4.  ASSIGNMENT (full or partial): Give name of assignee in item 7a or 7b and address of assignee in item 7c; and also give name of assignor in item 9.

5. AMENDMENT (PARTY INFORMATION): This Amendment affects  Debtor or  Secured Party of record. Check only ONE of these two boxes. Also check ONE of the following three boxes and provide appropriate information in items 6 and/or 7.

CHANGE name and/or address: Please refer to the detailed instructions in regards to changing the name/address of a party.  DELETE name: Give record name to be deleted in item 6a or 6b.  ADD name: Complete item 7a or 7b, and also item 7c; also complete items 7e-7g (if applicable).

6. CURRENT RECORD INFORMATION

6a. ORGANIZATION'S NAME

OR

|                            |            |             |        |
|----------------------------|------------|-------------|--------|
| 6b. INDIVIDUAL'S LAST NAME | FIRST NAME | MIDDLE NAME | SUFFIX |
|----------------------------|------------|-------------|--------|

7. CHANGED (NEW) OR ADDED INFORMATION:

7a. ORGANIZATION'S NAME

OR

|                            |            |             |        |
|----------------------------|------------|-------------|--------|
| 7b. INDIVIDUAL'S LAST NAME | FIRST NAME | MIDDLE NAME | SUFFIX |
|----------------------------|------------|-------------|--------|

|                     |      |       |             |         |
|---------------------|------|-------|-------------|---------|
| 7c. MAILING ADDRESS | CITY | STATE | POSTAL CODE | COUNTRY |
|---------------------|------|-------|-------------|---------|

|                      |   |                          |                                  |                                 |                               |
|----------------------|---|--------------------------|----------------------------------|---------------------------------|-------------------------------|
| 7d. SEE INSTRUCTIONS | ADDITIONAL INFO RE: ORGANIZATION DEBTOR | 7e. TYPE OF ORGANIZATION | 7f. JURISDICTION OF ORGANIZATION | 7g. ORGANIZATIONAL ID #, if any | <input type="checkbox"/> NONE |
|----------------------|---|--------------------------|----------------------------------|---------------------------------|-------------------------------|

8. AMENDMENT (COLLATERAL CHANGE): check only ONE box. Describe collateral  deleted or  added, or give entire  restated collateral description, or describe collateral  assigned.

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT (name of assignor, if this is an Assignment). If this is an Amendment authorized by a Debtor which adds collateral or adds the authorizing Debtor, or if this is a Termination authorized by a Debtor, check here  and enter name of DEBTOR authorizing this Amendment.

9a. ORGANIZATION'S NAME

OR

SEE UCC FINANCING STATEMENT AMENDMENT ADDENDUM

|                            |            |             |        |
|----------------------------|------------|-------------|--------|
| 9b. INDIVIDUAL'S LAST NAME | FIRST NAME | MIDDLE NAME | SUFFIX |
|----------------------------|------------|-------------|--------|

10. OPTIONAL FILER REFERENCE DATA

**UCC FINANCING STATEMENT AMENDMENT ADDENDUM**

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

11. INITIAL FINANCING STATEMENT FILE # (same as item 1a on Amendment form)

Fixture Filing Book 3, page 270, Henderson Co. Clerk

12. NAME OF PARTY AUTHORIZING THIS AMENDMENT (same as item 9 on Amendment form)

12a. ORGANIZATION'S NAME  
SEE BELOW

OR 12b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME, SUFFIX

13. Use this space for additional information

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. Western Kentucky Energy Corp.

By: \_\_\_\_\_  
Authorized Representative

2. LG&E Energy Marketing, Inc.

By: \_\_\_\_\_  
Authorized Representative

Prior to the date hereof, WKE Station Two, Inc., formerly known as LG&E Station Two, Inc., a Kentucky corporation, was merged with and into Western Kentucky Energy Corp. in accordance with Kentucky law, with Western Kentucky Energy Corp. being the surviving entity in that merger succeeding to all of the assets, properties, rights, debts, obligations and liabilities of WKE Station Two, Inc., whereby the execution of this document by Western Kentucky Energy Corp. will transfer and convey all right, title and interest of WKE Station Two, Inc.

Signed by: Western Kentucky Energy Corp.

By: \_\_\_\_\_  
Authorized Representative

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

Charles B. West  
Stoll Keenon Ogden PLLC  
201 C North Main Street  
Henderson, KY 42420

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE # \_\_\_\_\_ 1b. This FINANCING STATEMENT AMENDMENT is to be filed for record (or recorded) in the REAL ESTATE RECORDS.

Fixture Filing Book 3, page 332, Henderson Co. Clerk (7/17/98)

2.  TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to security interest(s) of the Secured Party authorizing this Termination Statement.

3.  CONTINUATION: Effectiveness of the Financing Statement identified above with respect to security interest(s) of the Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law.

4.  ASSIGNMENT (full or parts): Give name of assignee in item 7a or 7b and address of assignee in item 7c; and also give name of assignor in item 9.

5. AMENDMENT (PARTY INFORMATION): This Amendment affects  Debtor or  Secured Party of record. Check only one of these two boxes.

Also check one of the following three boxes and provide appropriate information in items 6 and/or 7.

CHANGE name and/or address: Please refer to the detailed instructions in regards to changing the name/address of a party.  DELETE name: Give record name to be deleted in item 6a or 6b.  ADD name: Complete item 7a or 7b, and also item 7c; also complete items 7e-7g (if applicable).

6. CURRENT RECORD INFORMATION:

6a. ORGANIZATION'S NAME \_\_\_\_\_

OR

|                            |            |             |        |
|----------------------------|------------|-------------|--------|
| 6b. INDIVIDUAL'S LAST NAME | FIRST NAME | MIDDLE NAME | SUFFIX |
|                            |            |             |        |

7. CHANGED (NEW) OR ADDED INFORMATION:

7a. ORGANIZATION'S NAME \_\_\_\_\_

OR

|                            |            |             |        |
|----------------------------|------------|-------------|--------|
| 7b. INDIVIDUAL'S LAST NAME | FIRST NAME | MIDDLE NAME | SUFFIX |
|                            |            |             |        |

|                     |      |       |             |         |
|---------------------|------|-------|-------------|---------|
| 7c. MAILING ADDRESS | CITY | STATE | POSTAL CODE | COUNTRY |
|                     |      |       |             |         |

|                      |                                   |                          |                                  |                                 |
|----------------------|-----------------------------------|--------------------------|----------------------------------|---------------------------------|
| 7d. SEE INSTRUCTIONS | ADDL. INFO RE ORGANIZATION DEBTOR | 7e. TYPE OF ORGANIZATION | 7f. JURISDICTION OF ORGANIZATION | 7g. ORGANIZATIONAL ID #, if any |
|                      |                                   |                          |                                  | <input type="checkbox"/> NONE   |

8. AMENDMENT (COLLATERAL CHANGE): check only one box.

Describe collateral  deleted or  added, or give entire  restated collateral description, or describe collateral  assigned.

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT (name of assignor, if this is an Assignment; if this is an Amendment authorized by a Debtor which adds collateral or adds the authorizing Debtor, or if this is a Termination authorized by a Debtor, check here  and enter name of DEBTOR authorizing this Amendment.

9a. ORGANIZATION'S NAME \_\_\_\_\_

OR

|  |            |             |        |
|--|------------|-------------|--------|
| 9b. INDIVIDUAL'S LAST NAME                     | FIRST NAME | MIDDLE NAME | SUFFIX |
| SEE UCC FINANCING STATEMENT AMENDMENT ADDENDUM |            |             |        |

10. OPTIONAL FILER REFERENCE DATA

**UCC FINANCING STATEMENT AMENDMENT ADDENDUM**

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

11. INITIAL FINANCING STATEMENT FILE # (same as item 1a on Amendment form)  
**Fixture Filing Book 3, page 332, Henderson Co. Clerk**

12. NAME OF PARTY AUTHORIZING THIS AMENDMENT (same as item 9 on Amendment form)

|                                       |                             |                    |
|---------------------------------------|-----------------------------|--------------------|
| 12a. ORGANIZATION'S NAME<br>SEE BELOW |                             |                    |
| OR                                    | 12b. INDIVIDUAL'S LAST NAME | FIRST NAME         |
|                                       |                             | MIDDLE NAME/SUFFIX |

13. Use this space for additional information

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. Western Kentucky Energy Corp.

By: \_\_\_\_\_  
 Authorized Representative

2. LG&E Energy Marketing, Inc.

By: \_\_\_\_\_  
 Authorized Representative

Prior to the date hereof, WKE Station Two, Inc., formerly known as LG&E Station Two, Inc., a Kentucky corporation, was merged with and into Western Kentucky Energy Corp. in accordance with Kentucky law, with Western Kentucky Energy Corp. being the surviving entity in that merger succeeding to all of the assets, properties, rights, debts, obligations and liabilities of WKE Station Two, Inc., whereby the execution of this document by Western Kentucky Energy Corp. will transfer and convey all right, title and interest of WKE Station Two, Inc.

Signed by: Western Kentucky Energy Corp.

By: \_\_\_\_\_  
 Authorized Representative

**EXHIBIT B-8**

**PARTIAL TERMINATION AND RELEASE OF  
DEED OF EASEMENT**

On August 12, 2003 the City of Henderson, Kentucky and the City of Henderson Utility Commission granted unto WKE Station Two, Inc., LG&E Energy Marketing, Inc., Western Kentucky Energy Corp., WKE Corp. and Big Rivers Electric Corporation a non-exclusive, irrevocable easement for access to, and ingress and egress over, Grantors' property for the construction, operation, maintenance and removal of an 8 inch diameter high pressure natural gas line and related valves, fittings and ancillary facilities, all as more particularly described in said Deed of Easement which is of record in Deed Book 527, at page 421, in the office of the Henderson County Court Clerk.

By the terms of paragraph 7 of said Deed of Easement it is provided that the rights and privileges of WKE Station Two, Inc., LG&E Energy Marketing, Inc., Western Kentucky Energy Corp. and WKE Corp., their successors and assigns will terminate at such time as they shall cease to operate and maintain Big Rivers Electric Corporation's Reid Station and Big Rivers Electric Corporation's combustion turbine generating unit, both located in Henderson County, Kentucky.

Prior to the date hereof, WKE Station Two, Inc. and WKE Corp. were merged with and into Western Kentucky Energy Corp. in accordance with Kentucky law, with Western Kentucky Energy Corp. being the surviving entity in that merger succeeding to all of the assets, properties, rights, debts, obligations and liabilities of WKE Station Two, Inc. and WKE Corp. At the same time LG&E Energy Marketing, Inc. assigned all of its rights and interests in said gasline easement to Western Kentucky Energy Corp.

Prior to the execution of this Partial Termination and Release of Deed of Easement, WKE Station Two, Inc., LG&E Energy Marketing, Inc., WKE Corp. and Western Kentucky Energy Corp. ceased to operate and maintain Big Rivers Electric Corporation's Reid Station and Big Rivers Electric Corporation's combustion turbine generating unit, whereby all rights and interests granted to them pursuant to the terms and provisions of this Deed of Easement terminated in their entirety.

NOW THEREFORE pursuant to the requirements of paragraph 7 of said Deed of Easement, WKE Station Two, Inc. and WKE Corp. acting by and through Western Kentucky Energy Corp., LG&E Energy Marketing, Inc. and Western Kentucky Energy Corp. hereby permanently and irrevocably release and discharge all rights and interests created by the terms and provisions of the said Deed of Easement, upon which termination they shall have no further easement rights or rights of ingress or egress over or with respect to the Grantors' property under said Deed of Easement, and shall be deemed to be fully and forever remised, released and discharged by Grantors and Big Rivers Electric Corporation of and from any and all obligations, liabilities, rights and privileges arising under or pursuant to such Deed of Easement.

IN WITNESS WHEREOF the said Western Kentucky Energy Corp., acting for itself and WKE Station Two, Inc. and WKE Corp., and LG&E Energy Marketing, Inc. hereby execute this Partial Termination and Release of Deed of Easement this \_\_\_\_ day of \_\_\_\_\_, 2008.

LG&E ENERGY MARKETING, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

WESTERN KENTUCKY ENERGY CORP.,  
acting for itself and for WKE Station Two, Inc.  
and WKE Corp.

By: \_\_\_\_\_

Title: \_\_\_\_\_

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The foregoing Partial Termination and Release of Deed of Easement was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2008, by LG&E Energy Marketing, Inc., an Oklahoma corporation, for and on behalf of said corporation.

\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The foregoing Partial Termination and Release of Deed of Easement was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2008, by Western Kentucky Energy Corp., a Kentucky corporation, for and on behalf of said corporation, acting also for WKE Station Two, Inc. and WKE Corp.

\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_

This instrument prepared by:

\_\_\_\_\_  
Charles B. West  
STOLL KEENON OGDEN PLLC  
201-C North Main Street  
Henderson, KY 42420

**EXHIBIT B-9**

**PARTIAL RELEASE OF GRANTORS' RIGHTS  
TO RIGHTS AND EASEMENTS**

Effective on April 1, 2005, Big Rivers Electric Corporation and Western Kentucky Energy Corp. granted and conveyed to the City of Henderson, Kentucky and the City of Henderson Utility Commission certain rights of access, easements of location and use, and easements of ingress and egress across lands owned by Big Rivers Electric Corporation, and leased to Western Kentucky Energy Corp., located in Henderson County, Kentucky, for use in connection with the City's Station Two Power Plant and the construction and addition thereto of selective catalytic recovery systems, such Grant of Rights and Easements is of record in Deed Book 548, at page 169, in the office of the Henderson County Court Clerk. Big Rivers Electric Corporation and Western Kentucky Energy Corp. reserved unto themselves certain rights and privileges in connection with said Grant of Rights and Easements.

Western Kentucky Energy Corp. has prior to the execution of this Agreement terminated its Lease of Big Rivers Electric Corporation's property and improvements thereon, and by these presents terminates its rights and privileges reserved in its Grant of Rights and Easements to the City of Henderson, Kentucky and the City of Henderson Utility Commission under terms and provisions of the said Grant of Rights and Easements.

NOW THEREFORE, Western Kentucky Energy Corp., a Kentucky corporation, acting for itself and its affiliates does hereby release and forever discharge all of its rights and interests reserved by it under the terms and provisions of the said Grant of Rights and Easements dated April 1, 2005, having terminated its Lease of the Big Rivers property and improvements thereon upon which said rights and easements were granted to the City of Henderson, Kentucky and the City of Henderson Utility Commission.

WITNESS the signature of the undersigned duly authorized representative of Western Kentucky Energy Corp. this \_\_\_\_ day of \_\_\_\_\_, 2008.

WESTERN KENTUCKY ENERGY CORP.

By: \_\_\_\_\_

Title: \_\_\_\_\_



**EXHIBIT C**

**STATION TWO WORK PLAN**

**A. O&M and Capital Project Lists Submitted by Mark A. Bailey on behalf of Big Rivers on February 14, 2008 (PCS Case No. 2007-00-455)**

|      |  | <u>GROSS CAPITAL BUDGET</u> |
|------|--|-----------------------------|
| I.   | 2008 Capital Budget – Page C-4 Attached                      | \$ 4,095,684                |
| II.  | 2009 Capital Budget – Page C-5 Attached                      | 5,653,192                   |
| III. | 2010 Capital Budget – Page C-6 Attached                      | 3,783,080                   |
| IV.  | 2008 O&M Non-Labor Budget – Pages C-7 through C-10 Attached  | 10,573,064                  |
| V.   | 2009 O&M Non-Labor Budget – Pages C-11 through C-13 Attached | 10,944,055                  |
| VI.  | 2010 O&M Non-Labor Budget – Pages C-14 through C-16 Attached | 11,768,042                  |

**B. Additional O&M and Capital Projects**

|        |                                   | <u>PROJECT TO BE COMPLETED IN BUDGET YEAR</u> |      |      | <u>TOTAL PROJECTED COST</u> |
|--------|-----------------------------------|---|------|------|-----------------------------|
|        |                                   | 2009  | 2010 | 2011 |                             |
| VII.   | H1 Precipitator Repairs*          | 2009  |      |      | \$ 3,224,074                |
| VIII.  | H2 Precipitator Repairs*          |   | 2010 |      | 3,224,074                   |
| IX.    | H1 Repair Dry Side Ductwork*      | 2009  |      |      | 297,222                     |
| X.     | H2 Repair Dry Side Ductwork*      |   | 2010 |      | 297,222                     |
| XI.    | H1 Structural & Life Assessments* | 2009  | 2010 | 2011 | 1,192,362                   |
| XII.   | H2 Structural & Live Assessments* | 2009  | 2010 | 2011 | 1,192,362                   |
| XIII.  | H1 Booster Fan*                   | 2009  |      |      | 104,901                     |
| XIV.   | H2 Booster Fan*                   |   | 2010 |      | 104,901                     |
| XV.    | H1 Clean Coal Dusts & Flyash*     | 2009  | 2010 |      | 346,045                     |
| XVI.   | H2 Clean Coal Dust & Flyash*      | 2009  | 2010 |      | 346,045                     |
| XVII.  | H1 Boiler Structural Painting**   |   | 2010 |      | 3,000,000                   |
| XVIII. | H2 Boiler Structural Painting**   |   |      | 2011 | 3,000,000                   |
| XIX.   | H1 SCI Baseline Repairs*          | 2009  | 2010 | 2011 | 1,192,362                   |
| XX.    | H2 SCI Baseline Repairs*          | 2009  | 2010 | 2011 | 1,192,362                   |

**C. Repair Lists by Exothermic Engineering Co., LLC for the City Utility Commission (To Be Included Following Receipt)**

|       |   | PROJECT TO BE COMPLETED IN BUDGET YEAR |      |      | TOTAL PROJECTED COST |
|-------|---|--|------|------|----------------------|
| XXI.  | H1 and H2 Exothermic Engineering Repair List              | 2009                                   | 2010 | 2011 | \$17,134,000         |
| XXII. | H1 Exothermic Engineering Dry Fire Fire Assessment Repair |  | 2010 | 2011 | 3,484,344            |

**D. Ash Pond**

|        |                                 |      |      |  |           |
|--------|---------------------------------|------|------|--|-----------|
| XXIII. | Dredging Station Two Ash Pond** | 2009 | 2010 |  | 5,424,000 |
|--------|---------------------------------|------|------|--|-----------|

\* As described in the Big Rivers Electric Corporation Draft Work Plan Reid/HMP&L Stations, dated February 11, 2007.

\*\* Cost for Project estimated by the City Utility Commission.

**EXOTHERMIC ENGINEERING VISUAL CONDITION  
ASSESSMENT REPAIRS COST ESTIMATE**

**AMI Visual Assessment Category Estimates**

|  |                      |
|--|----------------------|
| H1 Boiler Area                                     | \$ 2,722,000         |
| H2 Boiler Area                                     | \$ 2,007,000         |
| H1 Boiler Building Internal                        | \$ 236,000           |
| H2 Boiler Building Internal                        | \$ 277,000           |
| H1 Ash System                                      | \$ 19,000            |
| H2 Ash System                                      | \$ 18,000            |
| Ash System Common                                  | \$ 216,000           |
| North Cooling Tower                                | See Below            |
| South Cooling Tower                                | See Below            |
| Cooling Water Intake                               | \$ 61,000            |
| FGD and SCR Systems                                | \$ 532,000           |
| Coal Handling System                               | \$ 4,678,000         |
| Water Plant  | \$ 99,000            |
| Construction Overhead and Equipment                | \$ 953,000           |
| <b>Total AMI Visual Assessment Repair Estimate</b> | <b>\$ 11,818,000</b> |

**Exothermic Engineering Visual Condition Additional Estimates**

|   |                     |
|---|---------------------|
| Switchgear Repair                                       | \$ 80,000           |
| H1 Cooling Tower Switchgear Replace                     | \$ 400,000          |
| H2 Cooling Tower Switchgear Replace                     | \$ 400,000          |
| Coal Yard Switchgear Replace                            | \$ 250,000          |
| Motor Repair  | \$ 282,000          |
| H1 High Energy Piping Hanger Replace                    | \$ 527,000          |
| H2 High Energy Piping Hanger Replace                    | \$ 527,000          |
| H1 Cooling Tower Repairs                                | \$ 1,095,000        |
| H2 Cooling Tower Repairs                                | \$ 1,095,000        |
| Site Project Engineer                                   | \$ 660,000          |
| <b>Total Exothermic Engineering Additional Estimate</b> | <b>\$ 5,316,000</b> |

**Exothermic Engineering Visual Assessment Total Repair Cost** **\$ 17,134,000**

## Big Rivers Electric Cooperative 2008 Capital Budget

| Project Description   | Gross Capital Budget | City of Henderson Share | Net Capital Budget  |
|---|----------------------|-------------------------|---------------------|
| <b>Reid / HMPL Station II</b>                                 |                      |                         |                     |
| RGH - 3-Ton Electric Hoist                                    | 5,000                | 572                     | 4,428               |
| RGH - Misc Safety Equipment                                   | 20,000               | 2,286                   | 17,714              |
| RGH - CSI Vibration Equipment                                 | 45,000               | 5,144                   | 39,856              |
| RGH - #2 Screen Wash Pump - Green pays 10%                    | 11,000               | 1,258                   | 9,742               |
| RH - Misc Capital Projects                                    | 100,000              | 25,199                  | 74,801              |
| RH - Misc Tools & Equipment                                   | 10,000               | 2,520                   | 7,480               |
| RH - 1 Hr Self Contained Breathing Apparatus(SCBA) (2)        | 7,000                | 1,764                   | 5,236               |
| RH - Client & Monitors  | 16,000               | 4,032                   | 11,968              |
| RH - Bobcat Loader (Operations)                               | 37,000               | 9,324                   | 27,676              |
| RH - Portable Gas Analyzers (2) - Moved \$15K from 2007 for 3 | 12,000               | 3,024                   | 8,976               |
| RH - 4" Slurry Pump (Trash) - Moved from 2007                 | 15,450               | 3,893                   | 11,557              |
| H1 - "A" Station Air Compressor (2 of 2) - added \$25K        | 225,000              | 72,115                  | 152,885             |
| RH - Upgrade 2-way Radios-Cell Phones                         | 5,000                | 1,260                   | 3,740               |
| RH - Misc Capital Valves                                      | 90,000               | 22,679                  | 67,321              |
| RH - Misc Conveyor Belts (2B & #1)                            | 90,000               | 22,679                  | 67,321              |
| H0 - CCS Engineering  | 44,000               | 0                       | 44,000              |
| H0 - DCS Engineering  | 83,000               | 26,603                  | 56,397              |
| H1 - WDPF FGD & SCR Controls                                  | 10,000               | 3,205                   | 6,795               |
| H1 - CCS Controls   | 60,000               | 38,462                  | 21,538              |
| H2 - CCS Controls   | 620,000              | 226,923                 | 393,077             |
| H2 - CCS Field Devices  | 750,000              | 240,385                 | 509,615             |
| H2 - Control Room   | 100,000              | 32,051                  | 67,949              |
| H0 - Aux Water Strainers                                      | 110,000              | 35,256                  | 74,744              |
| H0 - Engineering for Wetbottom Drains                         | 50,000               | 16,026                  | 33,974              |
| H0 - Install GPS Clock on DCS/PI Systems                      | 5,000                | 1,603                   | 3,397               |
| H0 - Rpl Hydrazine Day Tanks                                  | 8,000                | 2,564                   | 5,436               |
| H0 - Rpl Cooling Tower Fan Gear Box                           | 113,300              | 36,314                  | 76,986              |
| H0 - Spare Precip Transformer                                 | 80,000               | 25,641                  | 54,359              |
| H1 - Rpl 4th Floor Roof                                       | 0                    | 0                       | 0                   |
| H2 - Air Preheater Baskets (Cold End)                         | 875,000              | 280,448                 | 594,551             |
| H2 - Cooling Tower Distribution Deck                          | 200,000              | 64,103                  | 135,897             |
| H2 - Drum Safety  | 12,000               | 3,846                   | 8,154               |
| H2 - Feedwater Regulator Rexa Drive                           | 25,000               | 8,013                   | 16,987              |
| H2 - High Energy Pipe Hangers                                 | 30,000               | 9,615                   | 20,385              |
| H2 - Hydrogen Purty Meter                                     | 22,000               | 7,051                   | 14,949              |
| H2 - Install Sootblower Power Disconnects                     | 16,000               | 5,128                   | 10,872              |
| H2 - Penthouse Isomembrane Installation                       | 175,000              | 56,090                  | 118,910             |
| H2 - Rpl AH Steam Coils (2)                                   | 12,000               | 3,846                   | 8,154               |
| H2 - Rpl Slag Grinders (2)                                    | 70,000               | 22,436                  | 47,564              |
| H2 - Rpl Sootblowers (11-13 of 23) 3 total                    | 65,000               | 20,833                  | 44,167              |
| H2 - Rpl Wall Blowers (1-3 of 24) 3 total                     | 40,000               | 12,821                  | 27,179              |
| R1 - CO2 Monitor  | 13,000               | 0                       | 13,000              |
| R1 - Flow Monitor   | 22,000               | 0                       | 22,000              |
| R1 - NOX Monitor  | 14,000               | 0                       | 14,000              |
| R1 - SO2 Monitor  | 12,500               | 0                       | 12,500              |
| R1 - Rpl AH Steam Coils (2)                                   | 12,000               | 0                       | 12,000              |
| RH - High Pressure Transmitter Tester (2)                     | 10,000               | 2,520                   | 7,480               |
| RH - Rpl #1 & #2 Carbon Filters                               | 40,000               | 10,080                  | 29,920              |
| H0 - Rpl Layer of Catalyst                                    | 1,550,000            | 471,955                 | 1,078,045           |
| <b>Total Reid / HMPL Station II</b>                           | <b>\$ 5,837,250</b>  | <b>\$ 1,841,566</b>     | <b>\$ 4,095,684</b> |

## Big Rivers Electric Cooperative 2009 Capital Budget

| Project Description                               | Gross<br>Capital<br>Budget | City of<br>Henderson<br>Share | Net Capital<br>Budget |
|---|----------------------------|-------------------------------|-----------------------|
| <b>Reid / HMPL Station II</b>                     |                            |                               |                       |
| RH - Misc Capital Projects                        | 100,000                    | 25,188                        | 74,801                |
| RH - Misc Tools & Equipment                       | 10,000                     | 2,520                         | 7,480                 |
| RH - Electric Wrench                              | 5,000                      | 1,260                         | 3,740                 |
| RH - Passport Multi Gas                           | 7,000                      | 1,764                         | 5,236                 |
| RH - Passport Ammonia                             | 6,000                      | 1,512                         | 4,488                 |
| RH - Remodel Operations Locker Room               | 35,000                     | 8,820                         | 26,180                |
| RH - Client & Monitors                            | 20,000                     | 5,040                         | 14,960                |
| RH - 4" Sump Pump and Hose - Moved from 2008      | 25,750                     | 6,489                         | 19,261                |
| RH - Misc Capital Valves                          | 90,000                     | 22,679                        | 67,321                |
| RH - Misc Conveyor Belts                          | 90,000                     | 22,679                        | 67,321                |
| H0 - DCS Engineering                              | 166,000                    | 53,205                        | 112,795               |
| H1 - Rpl WDPF FGD & SCR Controls                  | 140,000                    | 44,872                        | 95,128                |
| H1 - CCS Controls                                 | 580,000                    | 185,897                       | 394,103               |
| H1 - Control Room                                 | 100,000                    | 32,051                        | 67,949                |
| H0 - Upgrade CEMs                                 | 80,000                     | 25,641                        | 54,359                |
| R1 - Upgrade CEMs                                 | 55,000                     | 13,859                        | 41,141                |
| H2 - Rpl WDPF FGD & SCR Controls                  | 60,000                     | 19,231                        | 40,769                |
| H0 - Rpl Bleed Lines 8" (2)                       | 400,000                    | 128,205                       | 271,795               |
| H0 - Rpl Elevator Doors/Frames                    | 100,000                    | 32,051                        | 67,949                |
| H0 - Rpl Thickener Return Line 16"                | 200,000                    | 64,103                        | 135,897               |
| H0 - Wetbottom Drains                             | 300,000                    | 96,154                        | 203,846               |
| H1 - AH Inlet Expansion Joints (2)                | 160,000                    | 51,282                        | 108,718               |
| H1 - Burner Deck Vent Fans                        | 30,000                     | 9,615                         | 20,385                |
| H1 - Cooling Tower Distribution Deck              | 200,000                    | 64,103                        | 135,897               |
| H1 - FD Fan Outlet Damper A&B Rexa Drives         | 20,000                     | 6,410                         | 13,590                |
| H1 - High Energy Pipe Hangers                     | 35,000                     | 11,218                        | 23,782                |
| H1 - Hydrogen Purity Meters                       | 22,000                     | 7,051                         | 14,949                |
| H1 - Install Sootblower Power Disconnects         | 16,000                     | 5,128                         | 10,872                |
| H1 - Rpl AH Steam Coils (2)                       | 12,000                     | 3,846                         | 8,154                 |
| H1 - Rpl Mist Eliminator                          | 175,000                    | 56,090                        | 118,910               |
| H1 - Rpl Precip Hoppers (9-12)                    | 250,000                    | 80,128                        | 169,872               |
| H1 - Rpl Slag Grinders (2)                        | 75,000                     | 24,038                        | 50,962                |
| H1 - Rpl Sootblowers (20-23 of 23) 4 total        | 112,000                    | 35,897                        | 76,103                |
| H1 - Rpl Wallblowers (8-10 of 24) 3 total         | 40,000                     | 12,821                        | 27,179                |
| H2 - #5 HP Heater Re-tube                         | 300,000                    | 96,154                        | 203,846               |
| R1 - Rpl Reclaim Vent Fan                         | 30,000                     | 0                             | 30,000                |
| R1 - Stack Lighting                               | 200,000                    | 0                             | 200,000               |
| RH - Booth System Control Box                     | 22,000                     | 5,544                         | 16,456                |
| RH - Loop Calibrators (2)                         | 4,000                      | 1,008                         | 2,992                 |
| RH - Plant Phone & PA New System                  | 650,000                    | 163,793                       | 486,207               |
| H0 - Rpl Layer of Catalyst                        | 300,000                    | 78,441                        | 221,559               |
| HMPL SCR Catalyst Replacement-additional \$ (net) | 610,731                    |                               | 610,731               |
| HMPL Stack Lighting                               | 200,000                    |                               | 200,000               |
| R-CT reliability study & upgrades                 | 1,125,509                  | 0                             | 1,125,509             |
| <b>Total Reid / HMPL Station II</b>               | <b>\$ 7,158,990</b>        | <b>\$ 1,505,798</b>           | <b>\$ 5,653,192</b>   |

## Big Rivers Electric Cooperative 2010 Capital Budget

| Project Description                                     | Gross Capital<br>Budget | City of<br>Henderson<br>Portion | Net Capital<br>Budget |
|---|-------------------------|---------------------------------|-----------------------|
| <b>Reid / HMPL Station</b>                              |                         |                                 |                       |
| RGH - Misc Safety Equipment                             | 20,000                  | 2,407                           | 17,593                |
| RGH - Rpl Panama Bldg External Sheeting                 | 40,000                  | 4,453                           | 35,547                |
| RH - Misc Capital Projects                              | 100,000                 | 25,199                          | 74,801                |
| RH - Misc Tools & Equipment                             | 10,000                  | 2,520                           | 7,480                 |
| RH - Electric Welding Machine                           | 5,000                   | 1,260                           | 3,740                 |
| RH - Client & Monitors                                  | 20,000                  | 5,040                           | 14,960                |
| RH - 1 Ton Mtc Truck (Rpl S9 - 1990 Ford)               | 20,000                  | 5,040                           | 14,960                |
| RH - Misc Capital Valves                                | 90,000                  | 22,679                          | 67,321                |
| RH - Misc Conveyor Belts                                | 90,000                  | 22,679                          | 67,321                |
| H0 - DCS Engineering                                    | 99,600                  | 31,923                          | 67,677                |
| H0 - PI Tags  | 25,600                  | 8,013                           | 16,987                |
| H2 - Rpl WDPF FGD & SCR Controls                        | 80,000                  | 28,846                          | 61,154                |
| H1 - Performance OPT Software                           | 150,000                 | 48,077                          | 101,923               |
| H2 - Performance OPT Software                           | 150,000                 | 48,077                          | 101,923               |
| H0 - Rpl F1-F4 Building Heating Fans                    | 200,000                 | 64,103                          | 135,897               |
| H2 - #6 Heater Retube                                   | 300,000                 | 96,154                          | 203,846               |
| H2 - AH Outlet Expansion Joint                          | 85,000                  | 27,244                          | 57,756                |
| H2 - Boiler to AH Breeching Expansion Joints (2)        | 130,000                 | 41,667                          | 88,333                |
| H2 - Burner Igniter Conversion                          | 150,000                 | 48,077                          | 101,923               |
| H2 - High Energy Pipe Hangers                           | 35,000                  | 11,218                          | 23,782                |
| H2 - Rpl AH Steam Coils (2)                             | 12,000                  | 3,846                           | 8,154                 |
| H2 - Rpl Mist Eliminator                                | 175,000                 | 56,090                          | 118,910               |
| H2 - Rpl Precip Hoppers on #9-#12                       | 200,000                 | 64,103                          | 135,897               |
| H2 - Rpl Precip Outlet Duct to Bypass Stack Breeching   | 300,000                 | 96,154                          | 203,846               |
| H2 - Rpl Slag Grinders (2)                              | 75,000                  | 24,038                          | 50,962                |
| H2 - Rpl Sootblowers (14-17 of 23) 4 total              | 115,000                 | 36,859                          | 78,141                |
| H2 - Rpl Wallblowers (4-6 of 24) 3 total                | 48,000                  | 15,385                          | 32,615                |
| H2 - Feedwater Heater MOV Extraction Valves - Chg is 3% | 160,000                 | 51,282                          | 108,718               |
| H2 - Voltage Regulator                                  | 175,000                 | 56,090                          | 118,910               |
| H2 - Waterwall Overlay                                  | 1,000,000               | 320,513                         | 679,487               |
| R1 - Rpl AH Steam Coils (2) - Moved from 2009           | 12,000                  | 0                               | 12,000                |
| RH - "SA" Raw River Reclaim vent fans                   | 25,000                  | 6,300                           | 18,700                |
| RH - 480 Volt Welder                                    | 3,000                   | 756                             | 2,244                 |
| RH - Barge Unloader Bucket                              | 70,000                  | 17,639                          | 52,361                |
| RH - Rpl 480 Volt MCC                                   | 200,000                 | 50,398                          | 149,602               |
| RH - Rpl River Intake 480 Volt MCC                      | 100,000                 | 25,199                          | 74,801                |
| RH - Temperature Bath Calibrator                        | 8,000                   | 2,016                           | 5,984                 |
| HMPL SCR Catalyst Replacement                           | 666,820                 | 0                               | 666,820               |
| <b>Total Reid / HMPL Station</b>                        | <b>\$ 5,154,420</b>     | <b>\$ 1,371,340</b>             | <b>\$ 3,783,080</b>   |



BREC - Reid/Station Two

O&M Non-Labor Budget (Gross)

| Number    | Description                                 | Jan-08 | Feb-08 | Mar-08  | Apr-08  | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08  | Nov-08 | Dec-08 | TOTAL   |
|-----------|---|--------|--------|---------|---------|--------|--------|--------|--------|--------|---------|--------|--------|---------|
| STMGXPRP  | STM Emission Controls: Precipitators        | 2,000  | 3,500  | 5,000   | 1,250   | 5,000  | 5,000  | 5,750  | 5,000  | 3,750  | 2,000   | 1,500  | 750    | 40,500  |
| STMGXMEW  | STM Emission Controls: SDRS Mist Eliminator | 0      | 1,800  | 2,800   | 800     | 0      | 3,300  | 200    | 2,200  | 2,000  | 200     | 1,400  | 900    | 15,200  |
| STMGXPPWS | STM Emission Controls:SDRS Potable Water    | 200    | 200    | 300     | 200     | 300    | 200    | 300    | 200    | 100    | 200     | 100    | 100    | 2,400   |
| STMGXSAB  | STM Emission Controls:SDRS Absorber Bldg    | 1,500  | 4,000  | 2,000   | 1,000   | 2,500  | 1,000  | 3,600  | 1,300  | 2,000  | 1,600   | 1,400  | 1,200  | 23,000  |
| STMGXSBB  | STM Emission Controls:SDRS Scrubber Bldg    | 180    | 180    | 150     | 150     | 100    | 150    | 150    | 150    | 150    | 100     | 180    | 100    | 1,700   |
| STMGXSJK  | STM Emission Controls:SDRS Scrubber Stack   | 500    | 0      | 1,000   | 400     | 0      | 1,400  | 0      | 600    | 1,700  | 0       | 700    | 700    | 7,000   |
| STMGXTRW  | STM Emission Controls:SDRS Thickener Return | 980    | 9,250  | 750     | 750     | 750    | 850    | 750    | 1,150  | 750    | 1,150   | 750    | 750    | 18,700  |
| STMGXTRW  | STM Emission Controls: Scrubbers            | 3,050  | 3,450  | 21,350  | 8,600   | 6,000  | 13,150 | 3,050  | 4,350  | 8,950  | 8,100   | 10,400 | 2,250  | 93,000  |
| STMGSCR   | STM Nox Reduction-SCR Maintenance           | 0      | 0      | 27,200  | 43,500  | 2,000  | 5,000  | 3,000  | 22,200 | 3,000  | 8,100   | 0      | 0      | 114,000 |
| RDMWWS    | RDM Effluent Control(Waste Water Treatment) | 1,925  | 1,325  | 1,375   | 10,325  | 1,325  | 1,325  | 1,325  | 1,325  | 1,325  | 1,325   | 1,325  | 1,325  | 25,000  |
| RDMWWS    | RDM Effluent Control(Waste Water Treatment) | 350    | 350    | 350     | 600     | 350    | 400    | 300    | 400    | 300    | 400     | 550    | 350    | 4,700   |
| RDMWWS    | RDM Effluent Control(Waste Water Treatment) | 11,400 | 30,300 | 23,600  | 43,400  | 25,320 | 38,520 | 27,920 | 28,020 | 27,320 | 23,780  | 17,800 | 23,420 | 321,500 |
| RDMWWS    | RDM Fuel Feed: Fuel Conveying System        | 3,000  | 6,300  | 6,500   | 5,800   | 8,400  | 5,700  | 8,500  | 6,100  | 8,800  | 6,100   | 2,150  | 6,550  | 74,000  |
| RDMWWS    | RDM Fuel Feed: Mills and Feeders            | 2,500  | 4,800  | 2,500   | 5,400   | 800    | 2,200  | 1,600  | 1,400  | 800    | 3,800   | 1,800  | 2,200  | 29,500  |
| RDMWWS    | RDM Fuel Feed: Mills and Feeders            | 8,800  | 8,700  | 4,500   | 9,100   | 3,800  | 7,400  | 5,000  | 4,800  | 6,400  | 7,000   | 8,500  | 3,900  | 76,000  |
| RDMWWS    | RDM Fuel Feed: Mills and Feeders            | 3,500  | 3,300  | 12,450  | 4,500   | 9,500  | 15,250 | 9,000  | 7,100  | 4,000  | 5,800   | 12,800 | 5,000  | 92,500  |
| RDMWWS    | RDM Fuel Feed: Mills and Feeders            | 500    | 1,050  | 12,000  | 7,000   | 2,800  | 3,800  | 3,800  | 3,200  | 2,500  | 800     | 900    | 500    | 34,450  |
| RDMWWS    | RDM Fuel Feed: Mills and Feeders            | 800    | 350    | 370     | 500     | 1,100  | 300    | 900    | 450    | 500    | 800     | 450    | 800    | 7,120   |
| RDMWWS    | RDM Potable Water System                    | 100    | 100    | 100     | 100     | 100    | 100    | 100    | 100    | 100    | 100     | 100    | 100    | 1,200   |
| RDMWWS    | RDM Potable Water System                    | 250    | 800    | 650     | 400     | 650    | 400    | 650    | 400    | 650    | 700     | 800    | 100    | 23,400  |
| RDMWWS    | RDM Potable Water System                    | 1,900  | 7,400  | 6,500   | 1,400   | 7,000  | 7,700  | 6,850  | 1,200  | 7,250  | 1,200   | 12,400 | 1,200  | 62,000  |
| RDMWWS    | STM Diesel/Generator                        | 100    | 70     | 200     | 800     | 200    | 200    | 280    | 230    | 0      | 1,250   | 0      | 500    | 3,600   |
| RDMWWS    | STM Diesel/Generator                        | 1,700  | 1,200  | 2,700   | 1,700   | 1,200  | 2,700  | 2,200  | 1,200  | 3,200  | 1,700   | 1,700  | 2,700  | 23,900  |
| RDMWWS    | STM Diesel/Generator                        | 3,500  | 3,400  | 4,050   | 3,250   | 3,500  | 4,000  | 4,700  | 6,000  | 5,500  | 4,500   | 5,500  | 4,500  | 52,500  |
| RDMWWS    | STM Diesel/Generator                        | 2,500  | 2,500  | 1,850   | 1,750   | 400    | 1,000  | 800    | 800    | 1,100  | 2,250   | 2,100  | 2,250  | 19,400  |
| RDMWWS    | STM Diesel/Generator                        | 4,000  | 5,000  | 3,100   | 5,250   | 3,500  | 4,000  | 5,400  | 4,100  | 3,150  | 4,500   | 4,000  | 3,000  | 48,000  |
| RDMWWS    | STM Diesel/Generator                        | 200    | 200    | 400     | 800     | 200    | 400    | 200    | 200    | 200    | 400     | 200    | 200    | 3,800   |
| RDMWWS    | STM Diesel/Generator                        | 3,100  | 4,800  | 2,850   | 4,000   | 5,000  | 4,300  | 3,150  | 2,450  | 4,000  | 4,500   | 3,200  | 2,350  | 43,500  |
| RDMWWS    | STM Diesel/Generator                        | 1,250  | 3,250  | 1,250   | 1,250   | 1,250  | 24,250 | 6,250  | 3,250  | 1,250  | 1,250   | 3,250  | 1,250  | 48,000  |
| RDMWWS    | STM Diesel/Generator                        | 0      | 450    | 800     | 300     | 500    | 900    | 600    | 500    | 400    | 0       | 600    | 300    | 5,200   |
| RDMWWS    | STM Diesel/Generator                        | 0      | 450    | 800     | 650     | 800    | 700    | 600    | 400    | 200    | 700     | 3,000  | 200    | 8,000   |
| RDMWWS    | STM Diesel/Generator                        | 100    | 180    | 3,400   | 2,600   | 2,600  | 100    | 100    | 100    | 2,100  | 17,500  | 81,300 | 100    | 95,000  |
| RDMWWS    | STM Diesel/Generator                        | 6,700  | 6,700  | 46,700  | 6,700   | 6,700  | 6,700  | 6,700  | 6,700  | 6,700  | 59,700  | 6,700  | 6,700  | 170,400 |
| RDMWWS    | STM Diesel/Generator                        | 8,500  | 8,500  | 8,500   | 8,500   | 8,500  | 8,500  | 8,500  | 8,500  | 8,500  | 8,500   | 8,500  | 8,500  | 102,000 |
| RDMWWS    | STM Diesel/Generator                        | 0      | 0      | 11,000  | 0       | 11,000 | 22,000 | 0      | 0      | 0      | 11,000  | 0      | 0      | 66,000  |
| RDMWWS    | STM Diesel/Generator                        | 5,250  | 3,750  | 2,250   | 3,900   | 4,650  | 9,275  | 4,650  | 3,150  | 5,775  | 1,275   | 750    | 5,250  | 48,925  |
| RDMWWS    | STM Diesel/Generator                        | 1,000  | 1,000  | 1,000   | 1,000   | 1,000  | 1,000  | 1,000  | 1,000  | 1,000  | 1,000   | 1,000  | 1,000  | 12,000  |
| RDMWWS    | STM Diesel/Generator                        | 700    | 700    | 700     | 700     | 700    | 700    | 700    | 700    | 700    | 700     | 700    | 700    | 8,400   |
| RDMWWS    | STM Diesel/Generator                        | 8,150  | 6,150  | 5,150   | 5,150   | 5,150  | 5,150  | 5,150  | 5,150  | 6,150  | 6,150   | 5,150  | 5,150  | 61,800  |
| RDMWWS    | STM Diesel/Generator                        | 0      | 0      | 134,000 | 6,000   | 6,000  | 6,000  | 6,000  | 6,000  | 6,000  | 100,000 | 50,000 | 0      | 324,000 |
| RDMWWS    | STM Diesel/Generator                        | 4,284  | 13,984 | 21,284  | 18,084  | 7,384  | 13,984 | 5,084  | 3,084  | 6,884  | 13,884  | 4,884  | 6,584  | 115,410 |
| RDMWWS    | STM Diesel/Generator                        | 3,250  | 3,250  | 3,250   | 3,250   | 3,250  | 3,250  | 3,250  | 3,250  | 3,250  | 3,250   | 3,250  | 3,250  | 39,000  |
| RDMWWS    | STM Diesel/Generator                        | 42,022 | 42,022 | 42,022  | 42,022  | 42,022 | 42,022 | 42,022 | 42,022 | 42,022 | 42,022  | 42,022 | 42,022 | 504,264 |
| RDMWWS    | STM Diesel/Generator                        | 17,110 | 17,110 | 18,478  | (6,691) | 15,719 | 23,047 | 16,750 | 15,159 | 21,080 | 2,473   | 10,185 | 17,135 | 170,523 |

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BREC - Reid/Station Two

2008 O&M Non-Labor Budget (Gross)

| Number            | Description                      | Jan-08  | Feb-08  | Mar-08  | Apr-08  | May-08  | Jun-08  | Jul-08  | Aug-08  | Sep-08    | Oct-08    | Nov-08  | Dec-08  | TOTAL      |
|-------------------|----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|-----------|---------|---------|------------|
| STOLAB            | STO Laboratory                   | 12,850  | 14,850  | 25,400  | 23,450  | 21,900  | 33,600  | 12,800  | 14,850  | 71,980    | 15,750    | 15,300  | 21,550  | 283,880    |
| STOREGE           | ST Dredging Ash Ponds            | 0       | 0       | 0       | 0       | 0       | 5,000   | 0       | 0       | 0         | 0         | 0       | 0       | 5,000      |
| STOFST            | STO Buildings & Grounds          | 11,245  | 14,045  | 11,245  | 19,245  | 10,245  | 11,985  | 11,980  | 35,245  | 10,245    | 10,245    | 19,245  | 11,245  | 176,215    |
| STOCBM            | STO Consumables                  | 1,000   | 1,000   | 1,000   | 1,000   | 1,000   | 1,000   | 1,000   | 1,000   | 1,000     | 1,000     | 1,000   | 1,000   | 12,000     |
| RDOSGUFPE         | RDO Mills and Feeders            | 5,000   | 5,000   | 5,000   | 5,000   | 5,000   | 5,000   | 5,000   | 5,000   | 5,000     | 5,000     | 5,000   | 5,000   | 36,000     |
| STOSGUFPE         | STO Mills and Feeders            | 13,500  | 13,500  | 13,500  | 13,500  | 13,500  | 13,500  | 13,500  | 13,500  | 13,500    | 13,500    | 13,500  | 13,500  | 155,500    |
| STOTR             | STO Tool Room                    | 0       | 0       | 2,550   | 0       | 1,000   | 0       | 1,500   | 0       | 350       | 1,000     | 0       | 1,000   | 7,400      |
| STOTGN            | STO Turbine/Generator            | 5,330   | 5,330   | 5,330   | 5,330   | 5,330   | 5,330   | 5,330   | 5,330   | 5,340     | 5,330     | 5,330   | 5,340   | 64,000     |
| STOIS             | STO Outside Industrial Svc       | 12,875  | 12,875  | 12,875  | 12,875  | 12,875  | 12,875  | 12,875  | 12,875  | 12,875    | 12,875    | 12,875  | 12,875  | 162,102    |
| STOBGU            | STO Boilers and Burners          | 17,000  | 47,000  | 24,500  | 0       | 34,200  | 24,000  | 17,000  | 0       | 25,000    | 40,000    | 17,000  | 0       | 248,500    |
| RD108FFO          | R1 - Fall Planned Outage (Ops)   | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 61,000    | 0         | 0       | 0       | 61,000     |
| ST108XXO          | H1 - Planned Outage (Ops)        | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 387,000   | 0         | 0       | 0       | 387,000    |
| ST208FFO          | H2 - Fall Planned Outage (Ops)   | 0       | 0       | 0       | 0       | 0       | 45,000  | 60,000  | 0       | 0         | 0         | 0       | 0       | 105,000    |
| RD108xxx          | R1 - Major Initiatives           | 0       | 0       | 29,000  | 0       | 0       | 0       | 30,080  | 30,000  | 0         | 80,000    | 0       | 0       | 179,000    |
| ST108xxx          | H1 - Major Initiatives           | 0       | 0       | 30,000  | 0       | 0       | 30,000  | 0       | 0       | 30,000    | 0         | 0       | 0       | 90,000     |
| ST208xxx          | H2 - Major Initiatives           | 5,800   | 5,800   | 5,800   | 5,800   | 5,800   | 5,800   | 5,800   | 5,800   | 5,800     | 5,800     | 5,800   | 5,800   | 56,000     |
| RD108USO          | R1 - Unscheduled Outages         | 30,000  | 30,000  | 20,000  | 30,000  | 30,000  | 30,000  | 30,000  | 30,000  | 20,000    | 30,000    | 30,000  | 30,000  | 380,000    |
| ST108USO          | H1 - Unscheduled Outages         | 7,000   | 7,000   | 7,000   | 7,000   | 7,000   | 7,000   | 7,000   | 7,000   | 7,000     | 7,000     | 7,000   | 7,000   | 70,000     |
| RD108FFG          | R1 - Fall Planned Outage (Mtc)   | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 785,200   | 0         | 0       | 0       | 785,200    |
| ST108XXG          | H1 - Planned Outage (Mtc)        | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0         | 0         | 0       | 0       | 0          |
| ST208FFG          | H2 - Spring Planned Outage (Mtc) | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 880,200   | 1,328,050 | 0       | 0       | 2,188,250  |
| Total 2008 Budget |                                  | 418,481 | 528,781 | 770,902 | 676,330 | 484,325 | 718,623 | 801,281 | 567,878 | 2,567,741 | 2,124,888 | 582,195 | 414,610 | 10,573,084 |
| HMPL Allocation   |                                  | 100,460 | 128,428 | 194,848 | 175,571 | 126,748 | 174,275 | 139,068 | 148,571 | 527,688   | 510,185   | 132,311 | 99,880  | 2,559,880  |
| BREC Allocation   |                                  | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0         | 0         | 0       | 0       | 0          |
| WKE Share         |                                  | 318,021 | 400,353 | 576,054 | 499,519 | 357,578 | 544,348 | 482,213 | 421,304 | 2,140,074 | 1,514,704 | 459,885 | 314,730 | 8,013,464  |

**BREC - Reid/Station Two**

**2008 O&M Non-Labor Budget (Gross)**

| Number                      | Description               | Jan-08         | Feb-08         | Mar-08         | Apr-08         | May-08         | Jun-08         | Jul-08         | Aug-08         | Sep-08           | Oct-08           | Nov-08         | Dec-08         | TOTAL             |
|-----------------------------|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|----------------|----------------|-------------------|
| <b>2008 SUMMARY (Gross)</b> |                           |                |                |                |                |                |                |                |                |                  |                  |                |                |                   |
|                             | Operations                | 89,000         | 101,800        | 79,000         | 65,500         | 81,200         | 76,780         | 66,235         | 71,000         | 72,160           | 92,000           | 77,000         | 52,012         | 892,717           |
|                             | Maintenance               | 177,275        | 210,825        | 361,180        | 231,165        | 178,730        | 361,025        | 312,820        | 244,890        | 248,120          | 343,985          | 218,785        | 163,938        | 3,052,096         |
|                             | Fuel Handling Maintenance | 24,800         | 49,800         | 88,280         | 60,400         | 60,520         | 66,170         | 62,120         | 49,920         | 44,920           | 92,380           | 41,660         | 41,670         | 689,400           |
|                             | Fuel Handling Operations  | 20,600         | 19,180         | 28,800         | 19,280         | 31,000         | 24,025         | 31,000         | 40,500         | 21,128           | 27,825           | 16,100         | 20,800         | 300,126           |
|                             | FGD O&M                   | 52,656         | 74,668         | 91,856         | 69,806         | 89,058         | 75,108         | 56,168         | 65,058         | 64,258           | 66,868           | 61,708         | 53,708         | 780,874           |
|                             | Combustion Turbines       | 100            | 950            | 8,600          | 4,350          | 3,600          | 1,700          | 1,200          | 1,000          | 2,700            | 18,800           | 64,900         | 600            | 108,200           |
|                             | Laboratory                | 12,630         | 14,860         | 26,400         | 23,460         | 21,900         | 33,600         | 12,600         | 14,850         | 71,980           | 16,750           | 15,300         | 21,660         | 263,880           |
|                             | SCR O&M                   | 0              | 0              | 27,200         | 177,600        | 10,900         | 13,000         | 11,000         | 30,200         | 11,000           | 108,100          | 60,000         | 0              | 438,000           |
|                             | Administrative            | 17,110         | 17,110         | 19,476         | (6,881)        | 16,719         | 23,047         | 16,750         | 16,169         | 21,080           | 2,473            | 10,165         | 17,135         | 170,523           |
|                             | Outage O&M                | 42,600         | 42,600         | 42,600         | 42,600         | 42,600         | 42,600         | 42,600         | 42,600         | 2,110,400        | 1,358,060        | 35,800         | 42,600         | 3,887,480         |
|                             | <b>TOTAL</b>              | <b>416,491</b> | <b>628,781</b> | <b>770,902</b> | <b>676,230</b> | <b>484,325</b> | <b>718,823</b> | <b>601,281</b> | <b>567,876</b> | <b>2,687,741</b> | <b>2,124,889</b> | <b>692,196</b> | <b>414,610</b> | <b>10,673,034</b> |
| <b>2008 SUMMARY (Net)</b>   |                           |                |                |                |                |                |                |                |                |                  |                  |                |                |                   |
|                             | Operations                | 52,873         | 77,407         | 60,388         | 41,279         | 60,738         | 57,410         | 49,644         | 69,108         | 53,978           | 70,077           | 56,667         | 40,913         | 676,581           |
|                             | Maintenance               | 137,356        | 163,672        | 271,667        | 179,057        | 133,346        | 280,191        | 248,829        | 163,517        | 185,119          | 258,360          | 169,444        | 127,098        | 2,337,762         |
|                             | Fuel Handling Maintenance | 18,244         | 34,676         | 65,723         | 44,876         | 37,349         | 49,197         | 38,640         | 36,916         | 33,238           | 68,781           | 30,969         | 30,828         | 488,353           |
|                             | Fuel Handling Operations  | 16,408         | 14,287         | 21,383         | 14,399         | 23,188         | 18,420         | 23,166         | 30,284         | 16,902           | 20,604           | 12,043         | 15,408         | 224,487           |
|                             | FGD O&M                   | 38,829         | 54,130         | 65,954         | 50,767         | 43,280         | 55,139         | 40,588         | 40,498         | 48,987           | 48,705           | 45,123         | 39,581         | 568,442           |
|                             | Combustion Turbine        | 100            | 950            | 8,600          | 4,350          | 3,600          | 1,700          | 1,200          | 1,000          | 2,700            | 18,800           | 64,900         | 600            | 108,200           |
|                             | Laboratory                | 9,388          | 11,165         | 18,998         | 17,841         | 16,381         | 26,132         | 9,428          | 11,098         | 63,842           | 11,781           | 11,445         | 18,194         | 212,345           |
|                             | SCR O&M                   | 0              | 0              | 18,978         | 123,484        | 6,355          | 9,042          | 7,851          | 21,094         | 7,651            | 75,186           | 34,778         | 0              | 304,636           |
|                             | Administrative            | 12,785         | 12,786         | 16,681         | 13,464         | 12,788         | 16,592         | 13,674         | 16,728         | 16,813           | 12,098           | 12,788         | 12,817         | 173,127           |
|                             | Outage O&M                | 31,334         | 31,334         | 31,334         | 31,334         | 31,334         | 31,334         | 31,334         | 31,334         | 1,728,467        | 944,841          | 26,465         | 31,334         | 2,978,480         |
|                             | <b>TOTAL</b>              | <b>316,321</b> | <b>490,383</b> | <b>679,637</b> | <b>620,510</b> | <b>288,970</b> | <b>546,168</b> | <b>463,763</b> | <b>425,505</b> | <b>2,141,805</b> | <b>1,629,781</b> | <b>468,840</b> | <b>314,750</b> | <b>8,074,411</b>  |

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BREC - Reid/Station Two

2009 O&M Non-Labor Budget (Gross)

| Number    | Description                             | Jan-09 | Feb-09 | Mar-09  | Apr-09 | May-09 | Jun-09 | Jul-09 | Aug-09 | Sep-09 | Oct-09 | Nov-09 | Dec-09 | TOTAL   |
|-----------|---|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| RDMAIR    | RDM Air System                          | 5,000  | 3,420  | 6,000   | 29,850 | 4,270  | 4,290  | 1,830  | 6,800  | 4,350  | 3,620  | 3,920  | 950    | 69,000  |
| STMPAS    | STM Air System                          | 4,880  | 3,850  | 2,100   | 18,600 | 3,100  | 3,100  | 2,760  | 3,050  | 3,300  | 3,650  | 1,950  | 2,800  | 52,500  |
| RDMASH    | RDM Ash Handling                        | 6,250  | 5,300  | 3,884   | 6,760  | 755    | 12,980 | 5,880  | 3,435  | 6,166  | 3,450  | 10,200 | 4,400  | 71,500  |
| STMASH    | STM Ash Handling                        | 9,300  | 18,600 | 14,850  | 11,250 | 2,850  | 18,700 | 12,100 | 18,050 | 13,000 | 10,800 | 17,800 | 10,200 | 157,500 |
| RDMBSG    | RDM Boilers & Burners                   | 10,300 | 12,600 | 11,300  | 6,800  | 2,880  | 3,360  | 4,780  | 3,900  | 2,850  | 12,800 | 12,600 | 9,200  | 92,570  |
| STMBSG    | STM Boilers & Burners                   | 36,650 | 27,800 | 28,050  | 29,050 | 28,050 | 18,250 | 20,350 | 27,325 | 18,225 | 27,050 | 28,450 | 24,350 | 315,600 |
| RDMFOS    | RDM Fuel Oil System                     | 900    | 600    | 400     | 800    | 850    | 885    | 575    | 600    | 210    | 700    | 500    | 900    | 7,400   |
| STMFOS    | STM Fuel Oil System                     | 1,100  | 800    | 1,200   | 850    | 650    | 1,300  | 1,100  | 1,200  | 800    | 400    | 800    | 1,300  | 11,600  |
| RDMCDS    | RDM Condensate System                   | 1,000  | 1,250  | 1,000   | 1,800  | 600    | 700    | 800    | 600    | 850    | 1,600  | 1,600  | 1,100  | 12,200  |
| STMCDSD   | STM Condensate System                   | 1,900  | 1,200  | 1,800   | 1,800  | 1,700  | 1,500  | 1,825  | 2,175  | 10,600 | 2,850  | 2,250  | 1,250  | 29,500  |
| RDMOWS    | RDM Demineralized Water System          | 800    | 1,300  | 1,800   | 1,000  | 1,400  | 900    | 900    | 1,000  | 400    | 1,800  | 1,200  | 1,300  | 14,000  |
| RDMBFW    | RDM Feedwater System                    | 1,400  | 2,200  | 1,200   | 1,650  | 200    | 400    | 400    | 300    | 860    | 1,000  | 1,200  | 1,400  | 12,000  |
| STMDFW    | STM Feedwater System                    | 5,000  | 5,900  | 9,800   | 8,700  | 4,500  | 6,000  | 5,200  | 6,200  | 7,000  | 7,000  | 7,900  | 5,500  | 76,500  |
| RDMGUFDE  | RDM Fans/Draft System                   | 1,000  | 3,400  | 1,800   | 3,600  | 750    | 1,000  | 2,550  | 1,100  | 1,900  | 600    | 2,600  | 5,500  | 26,000  |
| STMGUFDE  | STM Fans/Draft System                   | 1,000  | 4,750  | 8,250   | 5,500  | 4,000  | 8,500  | 3,200  | 3,500  | 7,350  | 2,800  | 3,700  | 1,800  | 61,950  |
| RDMFPS    | RDM Fire Protection                     | 400    | 1,200  | 1,200   | 2,700  | 860    | 1,800  | 200    | 700    | 1,100  | 2,800  | 800    | 800    | 14,350  |
| STMFPS    | STM Fire Protection                     | 1,000  | 1,000  | 3,500   | 1,600  | 3,000  | 1,000  | 1,600  | 1,600  | 2,500  | 1,000  | 3,600  | 1,000  | 22,000  |
| RDMPLS    | RDM Plant Lighting System               | 1,700  | 4,200  | 200     | 4,400  | 200    | 4,400  | 1,850  | 4,800  | 350    | 5,700  | 900    | 350    | 28,650  |
| STMPLS    | STM Plant Lighting System               | 9,300  | 8,600  | 10,450  | 5,800  | 8,900  | 4,750  | 5,500  | 6,200  | 4,700  | 6,100  | 6,000  | 6,800  | 83,500  |
| RDMVHC    | RDM Overhead Cranes & Hoists            | 3,000  | 600    | 3,000   | 1,900  | 0      | 5,500  | 2,000  | 400    | 3,700  | 800    | 1,000  | 0      | 21,900  |
| STMVHC    | STM Overhead Cranes & Hoists            | 0      | 2,600  | 3,500   | 4,000  | 0      | 1,000  | 0      | 0      | 4,000  | 1,600  | 1,500  | 1,000  | 19,200  |
| RDMPCM    | RDM Plant Communications                | 1,350  | 1,800  | 1,000   | 1,850  | 1,500  | 1,800  | 1,700  | 1,850  | 1,600  | 2,200  | 1,500  | 1,250  | 19,300  |
| STMPCM    | STM Plant Communications                | 1,600  | 1,600  | 1,800   | 1,500  | 1,800  | 2,150  | 2,300  | 1,800  | 1,800  | 1,000  | 2,100  | 1,300  | 20,800  |
| RDMRST    | RDM Bldgs & Grounds Site Misc/Imp       | 3,100  | 3,600  | 2,300   | 2,800  | 2,800  | 2,600  | 7,400  | 2,800  | 3,300  | 3,550  | 4,450  | 3,700  | 44,000  |
| STMEL     | STM Bldgs & Grounds: Elevators          | 3,875  | 3,875  | 3,875   | 3,875  | 3,875  | 3,875  | 3,875  | 3,875  | 3,875  | 3,875  | 3,875  | 3,875  | 48,550  |
| RDMWTS    | RDM Bldgs & Grounds: Sumps              | 3,250  | 1,650  | 8,050   | 4,250  | 1,050  | 5,150  | 18,150 | 9,450  | 3,650  | 4,050  | 1,250  | 3,150  | 60,100  |
| STMWTS    | STM Bldgs & Grounds: HVAC               | 580    | 3,980  | 1,980   | 3,880  | 2,680  | 3,460  | 5,075  | 3,600  | 5,050  | 340    | 3,280  | 2,040  | 35,720  |
| RDMHVC    | RDM Bldgs & Grounds: HVAC               | 1,200  | 3,630  | 3,760   | 3,750  | 6,750  | 5,760  | 8,276  | 4,250  | 4,100  | 2,050  | 5,000  | 2,285  | 47,900  |
| STMHVC    | STM Bldgs & Grounds: Winterization      | 1,510  | 1,000  | 600     | 500    | 410    | 0      | 0      | 410    | 1,050  | 15,410 | 410    | 610    | 22,000  |
| RDMPCP    | RDM Cooling Water System                | 400    | 350    | 125     | 400    | 200    | 160    | 330    | 400    | 350    | 160    | 170    | 0      | 3,020   |
| STMPCW    | STM Cooling Water System                | 1,000  | 700    | 950     | 1,500  | 1,500  | 1,700  | 1,500  | 1,150  | 750    | 700    | 1,150  | 1,500  | 13,000  |
| RDMCWS    | RDM Circulating Water/Cooling Tower     | 1,000  | 1,000  | 1,000   | 1,000  | 1,000  | 1,350  | 1,400  | 1,450  | 600    | 1,700  | 0      | 1,700  | 14,100  |
| STMCSWS   | STM Circulating Water/Cooling Tower     | 5,400  | 4,550  | 6,850   | 6,350  | 6,700  | 9,050  | 5,850  | 5,850  | 6,000  | 16,900 | 6,200  | 6,200  | 81,100  |
| RDMPCS    | RDM Controls/Computer Systems           | 1,000  | 1,000  | 18,000  | 500    | 1,000  | 1,100  | 1,000  | 1,000  | 600    | 1,100  | 1,000  | 500    | 25,700  |
| STMPCS    | STM Plant Controls                      | 1,000  | 2,000  | 1,800   | 1,700  | 1,800  | 1,800  | 1,000  | 1,200  | 1,900  | 2,000  | 1,300  | 1,300  | 18,700  |
| STMPLC    | STM Controls/Computer Systems           | 3,100  | 3,800  | 183,340 | 4,900  | 3,500  | 17,450 | 2,800  | 4,250  | 2,800  | 3,000  | 3,600  | 2,750  | 216,590 |
| RDMRID    | RDM Recording/Indicating Devices        | 1,000  | 1,500  | 760     | 800    | 225    | 450    | 740    | 450    | 180    | 900    | 1,000  | 600    | 6,290   |
| STMRID    | STM Recording/Indicating Devices        | 800    | 1,150  | 3,350   | 1,800  | 600    | 0      | 800    | 1,000  | 1,500  | 1,800  | 1,800  | 0      | 13,700  |
| RDMRBLU   | RDM Plant Lubrication                   | 3,000  | 3,000  | 3,000   | 3,000  | 3,000  | 3,600  | 3,600  | 3,000  | 3,000  | 3,000  | 3,000  | 3,000  | 37,000  |
| STMCSM    | STM Consumables                         | 27,838 | 28,088 | 23,783  | 28,483 | 28,053 | 24,441 | 29,717 | 29,994 | 32,148 | 26,575 | 26,764 | 28,488 | 324,351 |
| RDMENY    | RDM Emission Controls: CEM              | 3,500  | 1,570  | 2,100   | 2,650  | 820    | 1,050  | 800    | 600    | 800    | 800    | 800    | 3,100  | 1,910   |
| STMENY    | STM Emission Controls: CEM              | 8,100  | 7,650  | 5,800   | 5,700  | 14,000 | 4,200  | 7,500  | 6,250  | 5,200  | 11,800 | 4,200  | 6,400  | 85,500  |
| RDMGUPCP  | RDM Emission Controls: Precipitators    | 500    | 800    | 5,800   | 800    | 700    | 1,100  | 1,800  | 800    | 1,100  | 200    | 200    | 700    | 13,300  |
| STMGUPCP  | STM Emission Controls: Precipitators    | 4,000  | 6,500  | 7,000   | 4,600  | 6,000  | 6,500  | 6,500  | 6,000  | 6,500  | 5,000  | 3,500  | 500    | 61,600  |
| STMFGXNEW | STM Emission Controls: SDRS Mist EI     | 0      | 1,500  | 4,300   | 600    | 0      | 3,100  | 800    | 2,000  | 2,000  | 500    | 2,000  | 900    | 17,600  |
| STMFGXPWS | STM Emission Controls: SDRS Particulate | 400    | 200    | 100     | 200    | 500    | 200    | 100    | 200    | 100    | 200    | 100    | 500    | 2,800   |
| STMFGXASB | STM Emission Controls: SDRS Absorb      | 1,500  | 5,000  | 1,000   | 1,500  | 2,800  | 1,000  | 3,100  | 1,300  | 1,500  | 1,600  | 2,400  | 1,200  | 23,500  |

US Sabes Station Operations BREC Business Plan 2009 BREC O&M Non-Labor Sabes Summary.xls



**BREC - Reid/Station Two**  
**2009 O&M Non-Labor Budget (Gross)**

| Number                                 | Description                            | Jan-09  | Feb-09  | Mar-09    | Apr-09  | May-09  | Jun-09  | Jul-09  | Aug-09  | Sep-09  | Oct-09  | Nov-09  | Dec-09  | TOTAL      |
|--|--|---------|---------|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|------------|
| ST018                                  | ST Outside Industrial Service - Operat | 13,000  | 12,000  | 13,000    | 13,000  | 18,000  | 13,000  | 13,000  | 13,000  | 13,000  | 13,000  | 13,000  | 13,000  | 166,000    |
| ST05GU                                 | STO Boilers and Burners                | 27,000  | 33,000  | 25,000    | 42,000  | 18,200  | 42,000  | 19,000  | 0       | 27,800  | 33,000  | 16,000  | 0       | 243,500    |
| RD109xxx                               | R1 - Major Initiatives                 | 0       | 0       | 0         | 18,500  | 0       | 18,500  | 95,000  | 10,000  | 19,500  | 0       | 0       | 0       | 182,000    |
| RD09xxx                                | RD - Major Initiatives                 | 30,943  | 30,943  | 30,943    | 30,943  | 30,943  | 30,943  | 30,943  | 30,943  | 30,943  | 30,943  | 30,943  | 30,943  | 371,316    |
| ST108xxx                               | H1 - Major Initiatives                 | 0       | 80,000  | 150,000   | 0       | 0       | 0       | 0       | 0       | 30,000  | 0       | 0       | 0       | 260,000    |
| ST209xxx                               | H2 - Major Initiatives                 | 0       | 0       | 0         | 0       | 0       | 0       | 36,000  | 0       | 0       | 0       | 0       | 0       | 36,000     |
| ST09xxx                                | H0 - Major Initiatives                 | 30,943  | 30,943  | 30,943    | 30,943  | 30,943  | 30,943  | 30,943  | 30,943  | 30,943  | 30,943  | 30,943  | 30,943  | 371,316    |
| RD109USO                               | R1 - Unscheduled Outages               | 17,500  | 17,500  | 17,500    | 17,500  | 17,500  | 17,500  | 17,500  | 17,500  | 17,500  | 17,500  | 17,500  | 17,500  | 210,000    |
| ST109USO                               | H1 - Unscheduled Outages               | 7,000   | 7,000   | 7,000     | 7,000   | 7,000   | 7,000   | 7,000   | 7,000   | 7,000   | 7,000   | 7,000   | 7,000   | 70,000     |
| ST208USO                               | H2 - Unscheduled Outages               | 30,000  | 30,000  | 30,000    | 30,000  | 30,000  | 30,000  | 30,000  | 30,000  | 30,000  | 30,000  | 30,000  | 30,000  | 360,000    |
| RD109XKO                               | R1 - Planned Outage (Ops)              | 0       | 0       | 0         | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0          |
| ST109XKO                               | H1 - Spring Planned Outage (Ops)       | 0       | 0       | 167,000   | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 167,000    |
| ST209XKO                               | H2 - Planned Outage (Ops)              | 0       | 0       | 0         | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0          |
| RD109XXX                               | R1 - Planned Outage (Mic)              | 0       | 0       | 0         | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0          |
| ST109SPG                               | H1 - Spring Planned Outage (Mic)       | 0       | 0       | 2,169,765 | 0       | 0       | 0       | 0       | 0       | 20,000  | 0       | 0       | 0       | 2,179,765  |
| ST209XKG                               | H2 - Planned Outage (Mic)              | 0       | 0       | 0         | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0          |
| Total 2009 R/STH Non-Labor O&M (Gross) |  | 650,288 | 721,853 | 5,378,659 | 885,277 | 643,979 | 847,562 | 723,840 | 845,176 | 718,164 | 771,652 | 740,005 | 619,854 | 10,844,055 |
| HMPL Allocation                        |  | 122,587 | 168,891 | 972,000   | 165,666 | 183,317 | 208,040 | 148,789 | 749,247 | 167,138 | 176,702 | 181,344 | 174,684 | 2,694,475  |
| Total 2009 R/STH Non-Labor O&M (Net)   |  | 427,711 | 654,862 | 2,406,659 | 529,611 | 490,661 | 642,522 | 575,051 | 495,929 | 549,027 | 594,950 | 578,661 | 404,870 | 8,249,580  |

**BREC - Reic/Station Two**

**2010 O&M Non-Labor Budget (Gross)**

| Number   | Description                       | Jan-10 | Feb-10 | Mar-10  | Apr-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | TOTAL   |
|----------|-----------------------------------|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| RDMAIR   | RDM Air System                    | 4,450  | 3,520  | 2,870   | 20,000 | 4,720  | 2,370  | 16,250 | 6,000  | 2,850  | 2,870  | 3,100  | 1,300  | 74,400  |
| STMAS    | STM Air System                    | 1,000  | 4,050  | 3,000   | 8,300  | 12,000 | 3,000  | 3,000  | 2,150  | 9,900  | 3,700  | 2,100  | 3,000  | 66,200  |
| RDMASH   | RDM Ash Handling                  | 5,450  | 6,150  | 4,050   | 7,350  | 1,650  | 10,650 | 3,350  | 3,350  | 7,900  | 3,250  | 8,100  | 3,800  | 67,000  |
| STMASH   | STM Ash Handling                  | 7,650  | 17,000 | 15,200  | 13,100 | 6,450  | 27,650 | 24,100 | 19,800 | 9,700  | 11,450 | 11,750 | 9,950  | 170,800 |
| RDMBSG   | RDM Boilers & Burners             | 0      | 0      | 0       | 0      | 0      | 3,355  | 3,355  | 3,350  | 0      | 0      | 0      | 0      | 10,160  |
| STMBSG   | STM Boilers & Burners             | 28,450 | 24,050 | 38,450  | 32,450 | 28,950 | 51,050 | 29,150 | 24,125 | 30,425 | 28,450 | 26,950 | 24,750 | 364,250 |
| RDMFOS   | RDM Fuel Oil System               | 0      | 0      | 0       | 0      | 0      | 3,000  | 3,000  | 3,000  | 0      | 0      | 0      | 0      | 9,000   |
| STMFO    | STM Fuel Oil System               | 900    | 1,700  | 1,500   | 1,150  | 450    | 1,100  | 1,100  | 1,800  | 1,300  | 500    | 700    | 900    | 13,100  |
| RDMCDS   | RDM Condensate System             | 0      | 0      | 0       | 0      | 0      | 3,000  | 3,000  | 3,000  | 0      | 0      | 0      | 0      | 9,000   |
| STMCD    | STM Condensate System             | 2,750  | 1,850  | 3,700   | 1,650  | 2,250  | 2,750  | 2,875  | 2,875  | 11,500 | 2,150  | 3,400  | 1,250  | 38,200  |
| RDMDWS   | RDM Demineralized Water System    | 1,400  | 2,100  | 1,000   | 1,000  | 1,300  | 11,000 | 1,000  | 1,900  | 300    | 1,200  | 1,300  | 800    | 24,000  |
| RDMBFW   | RDM Feedwater System              | 0      | 0      | 0       | 0      | 0      | 3,000  | 3,000  | 3,000  | 0      | 0      | 0      | 0      | 9,000   |
| STMFBW   | STM Feedwater System              | 8,000  | 5,500  | 10,700  | 9,200  | 5,000  | 5,800  | 3,000  | 8,900  | 8,300  | 5,000  | 11,800 | 5,500  | 86,700  |
| RDMGUFDE | RDM Fans/Draft System             | 0      | 0      | 0       | 0      | 0      | 3,000  | 3,000  | 3,000  | 0      | 0      | 0      | 0      | 9,000   |
| STMGUFDE | STM Fans/Draft System             | 1,800  | 5,250  | 4,450   | 5,100  | 3,200  | 9,000  | 2,900  | 4,200  | 8,200  | 4,400  | 2,800  | 3,100  | 52,850  |
| RDMFPP   | RDM Fire Protection               | 700    | 850    | 3,400   | 700    | 650    | 500    | 500    | 700    | 2,100  | 2,800  | 750    | 700    | 14,350  |
| STMFP    | STM Fire Protection               | 1,550  | 2,050  | 2,750   | 2,550  | 1,650  | 2,050  | 1,250  | 2,650  | 1,550  | 1,050  | 4,050  | 1,050  | 24,900  |
| RDMPLS   | RDM Plant Lighting System         | 2,400  | 5,700  | 300     | 5,100  | 400    | 2,100  | 2,100  | 4,700  | 500    | 3,800  | 2,100  | 550    | 29,850  |
| STMPLS   | STM Plant Lighting System         | 9,100  | 6,450  | 8,850   | 6,200  | 7,850  | 4,800  | 9,000  | 4,100  | 5,000  | 10,700 | 9,300  | 8,100  | 87,550  |
| RDMOHC   | RDM Overhead Cranes & Hoists      | 3,000  | 1,300  | 5,300   | 2,400  | 0      | 3,000  | 2,500  | 1,000  | 3,500  | 1,900  | 2,000  | 0      | 25,900  |
| STMHC    | STM Overhead Cranes & Hoists      | 1,000  | 2,500  | 2,800   | 3,000  | 0      | 1,000  | 2,000  | 1,450  | 3,800  | 1,600  | 2,600  | 1,000  | 20,900  |
| RDMPCM   | RDM Plant Communications          | 1,450  | 2,200  | 1,000   | 1,850  | 1,500  | 1,700  | 1,800  | 1,450  | 1,600  | 2,200  | 1,000  | 1,850  | 19,400  |
| STMPCM   | STM Plant Communications          | 1,300  | 1,700  | 3,100   | 1,900  | 1,300  | 1,900  | 1,600  | 1,300  | 3,200  | 1,900  | 1,300  | 1,200  | 21,700  |
| RDMPS    | RDM Bldgs & Grounds Site Miscelin | 3,000  | 2,900  | 2,100   | 7,700  | 2,100  | 3,300  | 14,200 | 2,200  | 3,200  | 4,150  | 2,350  | 3,600  | 50,500  |
| RDMEL    | RDM Bldgs & Grounds: Elevators    | 3,600  | 3,600  | 4,100   | 4,100  | 4,100  | 4,100  | 4,500  | 4,100  | 3,600  | 4,600  | 3,600  | 4,600  | 48,700  |
| STMEL    | STM Bldgs & Grounds: Elevators    | 4,800  | 4,800  | 3,300   | 4,300  | 3,800  | 3,800  | 3,600  | 3,200  | 3,800  | 3,400  | 3,600  | 3,400  | 45,700  |
| RDMWTS   | RDM Bldgs & Grounds: Sumps        | 550    | 650    | 11,750  | 4,850  | 550    | 8,850  | 15,250 | 9,950  | 4,050  | 2,850  | 1,750  | 550    | 61,200  |
| RDMHVC   | RDM Bldgs & Grounds: HVAC         | 730    | 3,630  | 1,030   | 4,130  | 3,430  | 3,600  | 4,200  | 4,075  | 3,800  | 500    | 4,950  | 2,300  | 36,071  |
| STMHVC   | STM Bldgs & Grounds: HVAC         | 1,900  | 3,700  | 4,415   | 3,800  | 5,800  | 4,500  | 4,900  | 3,850  | 3,700  | 2,200  | 3,700  | 1,900  | 44,161  |
| RDMPPF   | RDM Bldgs & Grounds: Winterizatic | 1,500  | 900    | 800     | 800    | 0      | 0      | 0      | 400    | 100    | 12,900 | 1,220  | 1,000  | 19,720  |
| RDMCW    | RDM Cooling Water System          | 0      | 350    | 925     | 400    | 0      | 320    | 330    | 0      | 530    | 350    | 470    | 0      | 3,871   |
| STMCW    | STM Cooling Water System          | 1,800  | 700    | 1,800   | 1,800  | 1,000  | 1,700  | 2,000  | 1,150  | 750    | 700    | 1,150  | 0      | 14,050  |
| RDMCWS   | RDM Circulating Water/Cooling To  | 1,800  | 1,000  | 400     | 500    | 1,900  | 1,350  | 2,700  | 1,450  | 800    | 1,700  | 500    | 1,700  | 14,800  |
| STMCWS   | STM Circulating Water/Cooling To  | 5,000  | 4,700  | 6,000   | 6,150  | 5,700  | 18,550 | 4,750  | 4,500  | 5,700  | 49,500 | 4,500  | 4,200  | 109,950 |
| RDMPCS   | RDM Controls/Computer Systems     | 0      | 0      | 15,000  | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 15,000  |
| STMPCS   | STM Plant Controls                | 2,100  | 1,900  | 2,400   | 1,000  | 3,200  | 1,000  | 0      | 1,000  | 2,100  | 2,000  | 1,400  | 1,400  | 19,280  |
| STMPLC   | STM Controls/Computer Systems     | 3,100  | 4,100  | 121,090 | 8,100  | 2,900  | 18,200 | 5,600  | 5,500  | 4,200  | 2,900  | 4,300  | 4,200  | 182,190 |
| RDMRID   | RDM Recording/Indicating Devices  | 1,090  | 1,500  | 750     | 600    | 225    | 0      | 540    | 450    | 300    | 900    | 1,000  | 0      | 7,341   |

**BREC - Reid/Station Two**  
**2010 O&M Non-Labor Budget (Gross)**

| Number     | Description                       | Jan-10 | Feb-10 | Mar-10 | Apr-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | TOTAL   |
|------------|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| STMRID     | STM Recording/Indicating Devices  | 900    | 1,150  | 3,350  | 2,000  | 500    | 200    | 500    | 1,000  | 1,500  | 1,500  | 1,500  | 0      | 14,100  |
| RDMMBSLU   | RDMM Plant Lubrication            | 3,000  | 3,500  | 3,500  | 4,000  | 2,500  | 4,000  | 3,500  | 4,000  | 3,000  | 4,000  | 3,000  | 4,000  | 42,000  |
| STMCSM     | STM Consumables                   | 21,320 | 20,070 | 19,570 | 22,070 | 20,070 | 21,070 | 19,070 | 22,320 | 23,070 | 19,070 | 22,070 | 17,070 | 246,840 |
| RDMMENV    | RDM Emission Controls:CEM         | 0      | 0      | 0      | 0      | 0      | 3,000  | 3,000  | 3,000  | 0      | 0      | 0      | 0      | 9,000   |
| STMENV     | STM Emission Controls:CEM         | 6,200  | 6,900  | 9,850  | 5,700  | 13,100 | 4,400  | 8,600  | 5,600  | 5,400  | 12,250 | 3,200  | 5,400  | 86,500  |
| RDMSGUPCF  | RDM Emission Controls:Precipitak  | 0      | 0      | 0      | 0      | 0      | 3,000  | 3,000  | 3,000  | 0      | 0      | 0      | 0      | 9,000   |
| STMGGUPRF  | STM Emission Controls: Precipitak | 4,000  | 6,500  | 7,000  | 4,000  | 8,000  | 6,000  | 5,750  | 5,000  | 6,750  | 5,000  | 3,500  | 500    | 62,000  |
| STMFGXMEV  | STM Emission Controls: SDRS Mis   | 0      | 3,100  | 3,200  | 600    | 0      | 4,100  | 200    | 2,200  | 2,500  | 200    | 1,800  | 900    | 18,800  |
| STMFGXPWS  | STM Emission Controls:SDRS Pots   | 200    | 200    | 300    | 1,500  | 300    | 200    | 300    | 200    | 100    | 200    | 100    | 100    | 3,600   |
| STMFGXSAB  | STM Emission Controls:SDRS Absl   | 1,500  | 5,000  | 2,000  | 1,000  | 2,500  | 1,000  | 3,600  | 1,300  | 2,000  | 1,500  | 1,400  | 1,200  | 24,000  |
| STMFGXSBB  | STM Emission Controls:SDRS Scr    | 150    | 150    | 150    | 1,000  | 100    | 200    | 150    | 180    | 180    | 100    | 150    | 100    | 2,650   |
| STMFGXSTK  | STM Emission Controls:SDRS Scr    | 500    | 0      | 1,000  | 1,200  | 0      | 1,400  | 0      | 600    | 1,700  | 0      | 700    | 700    | 7,800   |
| STMFGXTRW  | STM Emission Controls:SDRS Thic   | 800    | 9,250  | 750    | 750    | 350    | 300    | 750    | 1,150  | 750    | 1,150  | 550    | 750    | 17,300  |
| STMFGCD    | STM Emission Controls: Scrubbers  | 3,350  | 7,900  | 26,800 | 11,550 | 3,950  | 14,325 | 3,500  | 5,800  | 13,450 | 10,775 | 10,300 | 2,300  | 114,000 |
| STMMSCR    | STM Nox Reduction-SCR Maintena    | 4,000  | 4,000  | 81,200 | 26,500 | 4,000  | 5,000  | 4,000  | 22,200 | 24,000 | 17,500 | 4,000  | 4,000  | 170,400 |
| RDMMWWS    | RDM Effluent Control/Waste Water  | 950    | 950    | 1,000  | 9,950  | 550    | 950    | 950    | 900    | 850    | 850    | 850    | 850    | 20,000  |
| STMWWS     | STM Effluent Control/Waste Water  | 350    | 350    | 350    | 1,500  | 350    | 400    | 300    | 400    | 300    | 400    | 350    | 350    | 6,800   |
| RDMMCHS    | RDM Fuel Feed: Fuel Conveying Sy  | 11,400 | 33,300 | 25,600 | 45,400 | 26,920 | 39,720 | 27,920 | 28,020 | 28,020 | 23,820 | 17,900 | 23,420 | 330,440 |
| STMCHS     | STM Fuel Feed: Fuel Conveying Sy  | 3,650  | 6,375  | 6,900  | 7,300  | 9,300  | 7,200  | 10,400 | 9,100  | 8,300  | 8,100  | 2,950  | 5,750  | 85,225  |
| RDMSGUFPE  | RDM Fuel Feed: Mills and Feeders  | 0      | 0      | 0      | 0      | 0      | 3,000  | 3,000  | 3,000  | 0      | 0      | 0      | 0      | 9,000   |
| STMGGUFPE  | STM Fuel Feed: Mills and Feeders  | 5,800  | 9,700  | 12,000 | 11,100 | 3,800  | 7,400  | 5,000  | 4,900  | 9,900  | 8,000  | 11,100 | 3,900  | 92,600  |
| RDMMCHSBUS | RDM Fuel Handling:Coal Unloadin   | 3,500  | 3,500  | 16,450 | 4,500  | 10,500 | 15,250 | 10,000 | 7,100  | 4,000  | 5,800  | 13,900 | 5,300  | 99,800  |
| RDMMCSINT  | RDM Screenwall Maintenance        | 200    | 3,700  | 21,300 | 14,200 | 13,200 | 200    | 7,200  | 4,500  | 8,450  | 200    | 200    | 200    | 73,550  |
| RDMPWS     | RDM Potable Water System          | 800    | 350    | 370    | 500    | 2,350  | 300    | 900    | 450    | 500    | 800    | 450    | 600    | 8,370   |
| STMPSWS    | STM Service Water System          | 100    | 100    | 100    | 100    | 100    | 100    | 100    | 100    | 100    | 100    | 100    | 100    | 1,200   |
| RDMMEDT    | RDM Switchgear/Bus                | 250    | 800    | 450    | 650    | 400    | 6,350  | 800    | 6,400  | 6,000  | 700    | 600    | 100    | 23,400  |
| STMEDT     | STM Switchgear/Bus                | 1,900  | 8,400  | 7,600  | 1,400  | 7,000  | 8,700  | 8,950  | 1,200  | 7,250  | 1,200  | 14,400 | 1,300  | 67,100  |
| STMGTNDGS  | STM Diesel/Generator              | 100    | 70     | 300    | 600    | 300    | 200    | 250    | 330    | 200    | 1,250  | 0      | 500    | 4,100   |
| RDMMGEU    | RDM General Use Equipment         | 1,700  | 1,200  | 2,700  | 2,700  | 1,200  | 2,700  | 2,200  | 1,200  | 3,200  | 1,700  | 1,700  | 2,700  | 24,900  |
| STMTR      | STM Tool Room                     | 3,500  | 3,400  | 4,050  | 3,250  | 3,600  | 4,000  | 4,700  | 6,000  | 5,500  | 4,500  | 5,500  | 4,500  | 52,500  |
| RDMMTGN    | RDM Turbine/Generator             | 0      | 0      | 0      | 0      | 0      | 3,000  | 3,000  | 3,000  | 0      | 0      | 0      | 0      | 9,000   |
| STMNTGN    | STM Turbine/Generator             | 4,000  | 5,000  | 3,100  | 6,250  | 3,500  | 4,000  | 5,400  | 7,600  | 3,150  | 4,500  | 4,000  | 3,000  | 52,500  |
| RDMMMEQ    | RDM Non-Fuels Equipment           | 900    | 900    | 1,100  | 1,300  | 900    | 1,100  | 900    | 1,100  | 900    | 1,100  | 900    | 900    | 12,000  |
| RDMMFVE    | RDM Vehicles                      | 3,250  | 5,400  | 3,050  | 4,100  | 5,800  | 4,500  | 3,250  | 2,650  | 4,100  | 5,300  | 3,400  | 2,480  | 47,200  |
| RDMMBMT    | RDM Maintenance Training          | 1,250  | 3,250  | 1,250  | 1,250  | 1,250  | 24,250 | 6,250  | 3,250  | 1,250  | 1,250  | 3,250  | 1,250  | 49,000  |
| RDMMEDGT   | RDM Combustion Turbine-Electri    | 0      | 400    | 800    | 300    | 500    | 900    | 4,500  | 500    | 500    | 0      | 600    | 300    | 9,300   |
| RDMMFSPOT  | RDM Combustion Turbine-Fire Pro   | 0      | 350    | 400    | 2,900  | 300    | 700    | 600    | 400    | 0      | 1,700  | 3,000  | 200    | 10,650  |
| RDMMGT     | RDM Combustion Turbine            | 100    | 100    | 6,100  | 5,100  | 6,100  | 100    | 100    | 4,100  | 4,100  | 20,100 | 66,900 | 100    | 111,000 |
| RDMMEQCLE  | RDM Mobile Fuels Equipment        | 6,200  | 6,200  | 6,200  | 6,700  | 6,700  | 66,700 | 6,700  | 6,700  | 6,700  | 6,700  | 6,700  | 6,700  | 138,900 |

BREC - Reid/Station Two

2010 O&M Non-Labor Budget (Gross)

| Number                                  | Description                         | Jan-10  | Feb-10  | Mar-10    | Apr-10    | May-10  | Jun-10  | Jul-10    | Aug-10  | Sep-10    | Oct-10  | Nov-10  | Dec-10  | TOTAL      |
|---|-------------------------------------|---------|---------|-----------|-----------|---------|---------|-----------|---------|-----------|---------|---------|---------|------------|
| STMF0X                                  | STM Limestone Grinding/Processi     | 5,535   | 15,235  | 21,834    | 18,834    | 13,934  | 12,134  | 7,034     | 3,934   | 7,334     | 12,464  | 5,334   | 8,334   | 127,640    |
| STOMEQ                                  | STO Mobile Fuels Equipment - Fue    | 8,700   | 8,700   | 8,700     | 8,700     | 8,700   | 8,700   | 8,700     | 8,700   | 8,700     | 8,700   | 8,700   | 8,700   | 104,400    |
| STOCHPS                                 | STO Coal Unloading Barge - Fuel H   | 0       | 0       | 13,000    | 0         | 13,000  | 0       | 13,000    | 22,000  | 0         | 13,000  | 0       | 0       | 74,000     |
| STOCHPST                                | STO Buildings & Grounds - Fuel H    | 8,000   | 6,000   | 3,000     | 6,750     | 6,000   | 12,125  | 8,000     | 6,000   | 7,125     | 3,525   | 3,000   | 6,000   | 71,525     |
| STORBT                                  | STO Buildings & Grounds - Operati   | 11,885  | 14,885  | 11,885    | 19,885    | 10,885  | 12,185  | 12,185    | 35,885  | 10,885    | 10,885  | 19,885  | 11,885  | 182,140    |
| STCHCSM                                 | STO Consumables - Fuel Handlin      | 1,000   | 1,000   | 1,000     | 1,000     | 1,000   | 1,000   | 1,000     | 1,000   | 1,000     | 1,000   | 1,000   | 1,000   | 12,000     |
| STOCSM                                  | STO Consumables - Operations        | 1,000   | 1,000   | 1,000     | 1,000     | 1,000   | 1,000   | 1,000     | 1,000   | 1,000     | 1,000   | 1,000   | 1,000   | 12,000     |
| RDOSGUFPE                               | RDOSGUFPE Mills and Feeders         | 0       | 0       | 0         | 0         | 0       | 0       | 0         | 0       | 0         | 0       | 0       | 0       | 0          |
| STOSGUFPE                               | STO Mills and Feeders               | 16,000  | 16,000  | 16,000    | 16,000    | 16,000  | 16,000  | 16,000    | 16,000  | 16,000    | 16,000  | 16,000  | 16,000  | 192,000    |
| STOCHTR                                 | STO Tool Room - Fuel Handling       | 700     | 700     | 700       | 700       | 700     | 700     | 700       | 700     | 700       | 700     | 700     | 700     | 8,400      |
| STOTR                                   | STO Tool Room - Operations          | 0       | 0       | 2,550     | 0         | 1,000   | 0       | 1,500     | 0       | 350       | 1,000   | 0       | 1,000   | 7,400      |
| STOTGN                                  | STO Turbine/Generator               | 5,330   | 5,330   | 5,330     | 5,330     | 5,330   | 5,330   | 5,330     | 5,330   | 5,330     | 5,330   | 5,330   | 5,330   | 64,000     |
| STOMEQCYH                               | STO Vehicles                        | 3,350   | 3,350   | 3,350     | 3,350     | 3,350   | 3,350   | 3,350     | 3,350   | 3,350     | 3,350   | 3,350   | 3,350   | 40,200     |
| STOF0G                                  | STO HMPL FGD Shared Equipment       | 35,254  | 35,254  | 35,254    | 35,254    | 35,254  | 35,254  | 35,254    | 35,254  | 35,254    | 35,254  | 35,254  | 35,254  | 423,048    |
| STOADM                                  | STO Administrative                  | 15,453  | 16,453  | 14,037    | 10,541    | 16,978  | 5,941   | 17,143    | 18,171  | 19,371    | 3,403   | 4,603   | 16,483  | 188,693    |
| STOLAB                                  | STO Laboratory                      | 14,050  | 16,350  | 25,400    | 20,050    | 23,300  | 43,700  | 14,200    | 16,450  | 37,180    | 17,250  | 16,900  | 23,700  | 288,530    |
| STDREDGE                                | ST Dredging Ash Ponds               | 0       | 0       | 0         | 0         | 0       | 5,000   | 0         | 10,000  | 0         | 0       | 0       | 0       | 16,000     |
| STCHOIS                                 | ST Outside Industrial Service - Fue | 8,000   | 6,000   | 8,000     | 6,000     | 6,000   | 6,000   | 6,000     | 6,000   | 6,000     | 6,000   | 6,000   | 6,000   | 72,000     |
| STOIS                                   | ST Outside Industrial Service - Ops | 13,400  | 13,400  | 13,400    | 13,400    | 13,400  | 13,400  | 13,400    | 13,400  | 13,400    | 13,400  | 13,400  | 13,400  | 160,800    |
| STOSOR                                  | STO HMPL SCR Operation              | 9,000   | 9,000   | 9,000     | 21,000    | 9,000   | 129,000 | 9,000     | 9,000   | 9,000     | 85,000  | 87,000  | 9,000   | 394,000    |
| STOSGU                                  | STO Boilers and Burners             | 27,000  | 30,000  | 19,000    | 19,000    | 19,200  | 39,000  | 18,000    | 18,000  | 27,800    | 30,000  | 18,000  | 9,000   | 236,000    |
| RD110xxx                                | BREC Additions                      | 130,560 | 30,560  | 165,080   | 395,650   | 30,560  | 60,000  | 370,000   | 0       | 497,560   | 30,560  | 30,560  | 30,514  | 1,761,414  |
| ST110xxx                                | R1 - Major Initiatives              | 0       | 0       | 142,000   | 80,000    | 0       | 0       | 0         | 0       | 0         | 0       | 0       | 0       | 222,000    |
| ST210xxx                                | H2 - Major Initiatives              | 0       | 0       | 22,800    | 58,000    | 0       | 0       | 30,000    | 0       | 0         | 0       | 0       | 0       | 107,000    |
| RD110USO                                | R1 - Unscheduled Outages            | 0       | 0       | 0         | 0         | 0       | 0       | 0         | 0       | 0         | 0       | 0       | 0       | 0          |
| ST110USO                                | H1 - Unscheduled Outages            | 30,000  | 30,000  | 30,000    | 30,000    | 30,000  | 30,000  | 30,000    | 30,000  | 30,000    | 30,000  | 30,000  | 30,000  | 360,000    |
| RD110SPO                                | R1 - Scheduled Outages              | 7,000   | 7,000   | 3,500     | 0         | 3,500   | 7,000   | 7,000     | 7,000   | 7,000     | 7,000   | 7,000   | 7,000   | 70,000     |
| ST110SPO                                | H1 - Scheduled Outages (Ops)        | 0       | 0       | 0         | 0         | 0       | 0       | 0         | 0       | 0         | 0       | 0       | 0       | 0          |
| ST110XPO                                | H1 - Planned Outage (Ops)           | 0       | 0       | 0         | 0         | 0       | 0       | 0         | 0       | 0         | 0       | 0       | 0       | 0          |
| ST210SPO                                | H2 - Spring Planned Outage (Ops)    | 0       | 0       | 0         | 162,000   | 0       | 0       | 0         | 0       | 0         | 0       | 0       | 0       | 162,000    |
| RD110XPG                                | R1 - Planned Outage (Mtc)           | 0       | 0       | 0         | 0         | 0       | 0       | 0         | 0       | 0         | 0       | 0       | 0       | 0          |
| ST110XPG                                | H1 - Planned Outage (Mtc)           | 0       | 0       | 0         | 0         | 0       | 0       | 0         | 0       | 0         | 0       | 0       | 0       | 0          |
| ST210SPO                                | H2 - Spring Planned Outage (Mtc)    | 0       | 0       | 967,610   | 1,451,196 | 0       | 0       | 0         | 0       | 0         | 0       | 0       | 0       | 2,119,005  |
| Total 2010 RUSTII Non-Labor O&M (Gross) |                                     | 577,982 | 577,347 | 1,789,908 | 2,770,577 | 582,981 | 981,484 | 1,001,896 | 594,884 | 1,097,739 | 697,271 | 876,692 | 460,579 | 11,766,042 |
| HMPL Allocation                         |                                     | 112,283 | 139,634 | 464,527   | 690,812   | 133,938 | 233,135 | 152,731   | 143,482 | 152,938   | 169,923 | 163,118 | 107,707 | 2,652,306  |
| Total 2010 RUSTII Non-Labor O&M (Net)   |                                     | 465,719 | 437,713 | 1,326,378 | 2,079,764 | 428,643 | 728,389 | 849,165   | 451,402 | 944,802   | 527,348 | 523,573 | 352,869 | 9,115,735  |

## SCHEDULE 2.1

### STATION TWO TERMINATED AGREEMENTS

1. Station Two Agreement;
2. Station Two G&A Allocation Agreement, dated July 15, 1998, among the City Utility Commission, Big Rivers and Station Two Subsidiary;
3. Agreement with Respect to Operating Reserves and Amendment No. 1 to Systems Reserve Agreement, dated July 15, 1998, among the City Utility Commission, Big Rivers and LEM;
4. Assignment and Assumption Agreement (Station Two), dated July 15, 1998, between Big Rivers and Station Two Subsidiary;
5. Deed of Easement and Right-of-Way, dated July 15, 1998, between Big Rivers, as grantor, and Station Two Subsidiary, LEM and WKEC, as grantees;
6. Deed of Easement and Right-of-Way, dated July 15, 1998, between the City of Henderson, the City Utility Commission, as grantors, and Station Two Subsidiary, LEM and WKEC, as grantees;
7. Mortgage and Security Agreement, dated July 15, 1998, by Big Rivers to WKEC and LEM;
8. Mortgage Deed and Security Agreement, dated July 15, 1998, by Big Rivers to LEM and WKEC, as amended by First Amendment to Mortgage and Security Agreement, dated August 22, 2002;

SCHEDULE 2.1

9. Acknowledgement and Consent, dated July 15, 1998, among the City of Henderson, the City Utility Commission and LEM;

10. Designated Representative Appointment Agreement, dated September 24, 2007 among the City of Henderson, the City Utility Commission, Big Rivers, Western Kentucky Energy Corp., Gregory Black and Ralph Bowling;

11. Letter Agreement, dated October 20, 2003, among WKEC, LEM and Big Rivers, relating to the sharing of costs for the Reid Station gas line;

12. E.ON Guarantee, and any written consents, acknowledgments or assurances that may have been given by LEC or E.ON at any time prior to the Closing with respect to the enforceability or effectiveness of the E.ON Guarantee and/or the applicability of the E.ON Guarantee to any debts, obligations or liabilities of any other E.ON Station Two Party, Station Two Subsidiary or WKE;

13. Agreement for Interim Funding Station Two SCR System, dated May 7, 2002, as amended, among the City of Henderson, the City Utility Commission, WKEC (including as successor by merger with Station Two Subsidiary and WKE) and LEM;

14. Supplementary Agreement on SO<sub>2</sub> Emission Allowances, dated January 18, 2002, between the City Utility Commission and WKEC (including as successor by merger with Station Two Subsidiary and WKE);

15. Excess Power Agreement (letter agreement) dated July 23, 1999, between LEM and the City Utility Commission;

16. Non-Disturbance Agreement;
17. Participation Agreement.

## **SCHEDULE 3.1**

### **RELEASED STATION TWO CONTRACTS**

1. Power Sales Contract, dated August 1, 1970, among the City of Henderson, the City Utility Commission, Big Rivers, Station Two Subsidiary (as assignee of Big Rivers) and LEM (as assignee of Station Two Subsidiary), as amended;
2. Amendment No. 1 dated March 2, 1971, to Power Sales Contract, dated August 1, 1970, among the City of Henderson, the City Utility Commission, Big Rivers, Station Two Subsidiary (as assignee of Big Rivers) and LEM (as assignee of Station Two Subsidiary);
3. Amendments, dated May 1, 1993, to Contracts among the City of Henderson, the City Utility Commission, Big Rivers, Station Two Subsidiary (as assignee of Big Rivers) and LEM (as assignee of Station Two Subsidiary);
4. Amendments to Contracts among the City of Henderson, the City Utility Commission and Big Rivers, dated July 15, 1998;
5. Power Plant Construction and Operation Agreement, dated August 1, 1970, among the City of Henderson, the City Utility Commission, Big Rivers and Station Two Subsidiary (as assignee of Big Rivers), as amended;
6. Joint Facilities Agreement, dated August 1, 1970, among the City of Henderson, the City Utility Commission, Big Rivers and Station Two Subsidiary (as assignee of Big Rivers), as amended;
7. 2005 Amendments to Contracts, dated as of April 1, 2005, among the City of Henderson, the City Utility Commission, Big Rivers, Station Two Subsidiary and LEM;

8. Deed of Easement, dated August 12, 2003, but with retroactive effect to June 1, 1999, among the City of Henderson, the City Utility Commission, Big Rivers, WKEC, LEM, Station Two Subsidiary and WKE, relating to the Reid Station gas line;

9. Agreement for Transmission and Transformation Capacity, dated April 11, 1975, between Big Rivers and the City Utility Commission;

10. Spare Transformer Agreement, dated July 1, 1972, among the City of Henderson, the City Utility Commission and Big Rivers;

11. Grant of Rights and Easements, dated as of April 1, 2005, among the City of Henderson, the City Utility Commission, Big Rivers and WKEC.

12. Letter Agreement, dated May 13, 1994, between Big Rivers and the City Utility Commission;

13. Settlement Agreement for Diverter Dampers and NEMS Systems, dated April 28, 2005, among WKEC (including as successor by merger with Station Two Subsidiary and WKE), the City Utility Commission, Alstom Power Inc., Zachry Construction Corporation, and the consortium comprised of Alstom Power Inc. and Zachry Construction Corporation pursuant to that certain Consortium Agreement dated effective April 2, 2002 (the "Consortium").

14. Agreement Regarding Costs in Connection with Correction or Repair of Diverter Dampers and NEMS Systems, dated May 5, 2005, among the City Utility Commission, WKEC (including as successor by merger with Station Two Subsidiary and WKE), and Big Rivers, including the Amendment thereto executed on December 18, 2006, but dated effective December 13, 2006.

15. Agreement and Supplemental Settlement Agreement dated December 13, 2006, among the City Utility Commission, WKEC, Alstom Power Inc., Zachry Construction Corporation, the Consortium and Big Rivers.

16. Station Two Unit 2 Controls – Siemens Proposals RFCN03161-LS-6233 dated 10/10/03, RFCN03161-LS-6233A dated 10/16/03 and RFCN03161-LS-6233B dated 10/17/03; Project 051-H-0096.

17. Reid Station Unit 1 Controls – Siemens Proposals RFCN03180-LS-6246 dated 10/21/03.

18. Letter Agreement dated March 28, 2006, among WKEC, the City Utility Commission and Siemens Power Generation, Inc. (“Siemens”).

19. Letter Agreement dated January 10, 2007, among WKEC, the City Utility Commission and Siemens.

20. Agreement (commonly referred to as the “Subordination Agreement”) dated as of April 1, 2005, among the City of Henderson, the City Utility Commission, Big Rivers, Station Two Subsidiary, LEM, WKEC, WKE, The United States of America, Ambac Assurance Corporation, National Rural Utilities Cooperative Finance Cooperation, Credit Suisse, U.S. Bank National Association, PBR-1 Statutory Trust, PBR-2 Statutory Trust, PBR-3 Statutory Trust, FBR-1 Statutory Trust, FBR-2 Statutory Trust, PBR-1 OP Statutory Trust, PBR-2 OP Statutory Trust, PBR-3 OP Statutory Trust, FBR-1 OP Statutory Trust, FBR-2 OP Statutory Trust, Bluegrass Leasing, Trisail Capital Corporation, AME Investments, LLC, CoBank, ACB, AME Asset Funding, LLC and Ambac Credit Products, LLC.

**SCHEDULE 4.1**  
**MATERIAL PERMITS**

## SCHEDULE 5.1

### CLOSING YEAR RECONCILIATION AS BETWEEN E.ON STATION TWO PARTIES AND BIG RIVERS

#### *10.1 Interim Period Reconciliations.*

(a) In any Year which includes . . . the date of termination or expiration of the Term, Big Rivers, on the one hand, and Station Two Subsidiary and LEM, on the other hand, hereby agree that, on or before 30 days after . . . the date of termination or expiration of the Term, . . . (or as soon thereafter as is reasonably possible, in the event the relevant data is not available within 30 days), there shall be a reconciliation between Big Rivers and the LG&E Companies of the following charges and costs actually paid or accrued while Station Two was being operated . . . by Station Two Subsidiary during the Term, as compared with the estimates of such charges and costs paid or accrued (based on the Annual Budget with Henderson) during the period of operation of Station Two by . . . Station Two Subsidiary . . .: (1) all charges and costs for operation and maintenance of Station Two under the Station Two Operating Agreement, as actually paid or accrued by . . . Station Two Subsidiary . . . during the period of . . . operations of Station Two, as compared with payments made or accrued by Henderson to . . . Station Two Subsidiary . . . under Section 13.6 of the Station Two Operating Agreement based upon estimates included in the Annual Budget; and (2) all amounts paid or accrued to Henderson . . . (pursuant to Section 6.1 of the Station Two Power Sales Agreement) of estimated Capacity costs and charges (based on the Annual Budget with Henderson) by . . . Station Two Subsidiary or LEM during the period of . . . Station Two Subsidiary's . . . operations of Station Two, as compared with the actual aggregate Capacity costs and charges that should have been paid or accrued

(based on actual charges and costs so paid or accrued in the operation of Station Two) . . . by LEM or Station Two Subsidiary during the period of . . . operation of Station Two.

(c) For purposes of reconciling operating and maintenance costs and Capacity charges between Big River, on the one hand, and LEM and Station Two Subsidiary, on the other hand, incurred during the Partial Year prior to the date of expiration or termination of this Agreement, the provisions of this Section 10.1(c) shall govern. If during the Partial Year ending on the termination or expiration date: (1) the sum of the operating and maintenance costs actually paid or accrued by Station Two Subsidiary in such Partial Year plus the estimated Capacity costs and charges . . . paid in or payable for such Partial Year directly to Henderson . . . by Station Two Subsidiary (or its successors or permitted assigns) (reduced, however, by the amounts that Big Rivers reimburses or must reimburse Station Two Subsidiary for Capacity charges in such Partial Year associated with Big Rivers' share of Debt Service, Big Rivers' share of Henderson Incremental Environmental O&M or Big Rivers' share of all Station Two Improvements funded during that Partial Year) exceeds (2) the sum of the estimated operating and maintenance costs paid or accrued by Henderson as a reimbursement to Station Two Subsidiary during such Partial Year plus the Capacity costs and charges that (based on actual charges and costs paid or accrued in the operation of Station Two during such Partial Year, and not based on estimates) should have been . . . paid in or payable for the Partial Year directly to Henderson . . . by Station Two Subsidiary (or its successors or permitted assigns) (reduced, however, by the amounts that Big Rivers reimburses or must reimburse Station Two Subsidiary for Capacity charges incurred during such Partial Year associated with Big Rivers' share of Debt Service, Big Rivers' share of Henderson Incremental Environmental O&M or Big Rivers' share of Station Two Improvements funded during that Partial Year); then Big Rivers shall pay to LEM and/or Station Two

Subsidiary such excess amount within 45 days after the termination or expiration date (or, if the determination of those amounts cannot reasonably be made within the initial 30-day period as contemplated in Section 10.1(a), then within 15 days after that determination can be reasonably made). If, however, the sum described in (2), above, exceeds the sum described in (1), above, then Station Two Subsidiary (or its designated Affiliate) shall pay to Big Rivers the amount of such deficiency within 45 days after the termination or expiration date (or, if the determination of those amounts cannot reasonably be made within the initial 30-day period as contemplated in Section 10.1(a), then within 15 days after that determination can be reasonably made). As between Big Rivers, on the one hand, and Station Two Subsidiary and LEM, on the other hand, such Parties acknowledge and agree that neither Station Two Subsidiary nor LEM, nor any other LG&E Company, shall have any right or interest in the proceeds due from Henderson, or any duty or obligation to Big Rivers or Henderson for proceeds due to Henderson, in the annual reconciliation required by Section 9.4 of the Station Two Power Sales Agreement and Section 16.6 of the Station Two Operating Agreement for the Year which includes the date of expiration or termination of the Term. . . .

(d) Notwithstanding anything herein to the contrary, the agreements set forth above are solely between Big Rivers, Station Two Subsidiary and LEM, and shall not impose upon Henderson any duty or obligation to Big Rivers, Station Two Subsidiary or LEM relating to such interim period reconciliations or the annual reconciliations required by the Station Two Operating Agreement and the Station Two Power Sales Agreement which are in addition to or different that the duties and obligations required of Henderson under such Station Two Contracts. . . .



02071 | U.S.

May 15, 2006

Mr. Wayne Thompson  
Henderson Municipal Power & Light  
100 5<sup>th</sup> Street  
Henderson, Kentucky 42420

RE: Station Two Surplus Energy (\$1.50)

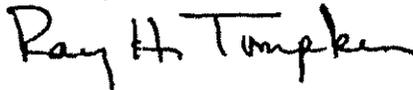
Dear Wayne:

Per our discussions last week, and after reviewing the spreadsheet emailed from Beverly Menke, LEM is in agreement with the City of Henderson on the amount LEM owes the City of Henderson for Station Two surplus energy. This amount, \$53,314.50, represents 55,543 MWh of surplus energy that was scheduled by the City of Henderson and accepted for purchase by LEM between January 1, 2005 and June 30, 2005.

As agreed during our conversation, no other monies are owed to the City of Henderson regarding Station Two surplus energy. If at some point the City of Henderson would like to begin scheduling surplus energy again, LEM is fully agreeable to a meeting between the two parties and putting in place the proper procedures.

I am glad we were able to resolve this issue, and I look forward to working with you in the future. If you have any questions regarding this matter, please don't hesitate to contact me or Maria Murphy. Maria will contact you and let you know exactly how the payment of these funds will be made.

Sincerely,



Ray H. Tompkins  
Director Non-Utility Marketing

cc: Maria Murphy  
Steve Phillips  
Stacy Ritchey



**Northam, Patrick R.**

---

**From:** Cocanougher, Beth [Beth.Cocanougher@eon-us.com]  
**Sent:** Wednesday, May 23, 2007 10:34 AM  
**To:** Tompkins, Ray; Murphy, Maria; Toerne, Rob; Sinclair, David; Northam, Patrick R.  
**Cc:** Dowdy, Tim  
**Subject:** FW: Charges made by LEM to HMP&L for stand-by power

fyi -- for discussion.

---

**From:** West, C. B. [mailto:CB.West@skofirm.com]  
**Sent:** Wednesday, May 23, 2007 10:32 AM  
**To:** Dowdy, Tim  
**Cc:** Cocanougher, Beth; Gary Quick; Wayne Thompson  
**Subject:** Charges made by LEM to HMP&L for stand-by power

Tim:

I spoke to you briefly during our May 17 joint meeting regarding the document that Beth Cocanougher had sent to us, proposing amendments to the document entitled Agreement With Respect To Operating Reserved And Amendment No. 1 To System Reserves Agreement.

I am not aware that we reached any kind of an agreement during our joint meeting with Ms. Cocanougher, Mr. Tompkins and Ms. Murphy. At the meeting we discussed our interpretation of the appropriate sections of the existing Agreement to be (a) a cost for stand-by power if it comes from one of the Big Rivers' units being operated by WKEC of 110% of (i) the cost of fuels in the generating station or stations of the supplying party (including all fuel costs, handling charges and associated fuel charges includable within FERC Account 501) plus (ii) the Adder plus any applicable start up charges. The Adder equals 1 mil per kwh.

There are alternate provisions for pricing stand-by energy, but the fuel cost provision is the lesser of the pricing methods given in the contract.

As to the cost of the fuels, Ms. Cocanougher has suggested that the fuel cost in the most expensive Big Rivers' unit which is on line at the time should be applied. It looks as if the words in the contract which say "cost of fuels in the generating station or station of the Supplying Party" would indicate the use of the average fuel cost among the Big Rivers' generating units which are being utilized at the time. Ms. Cocanougher's proposed amendment uses language which specifies the fuel cost of the most expensive unit to operate on the Big Rivers system. I assume she means the most expensive unit from the standpoint of fuel cost, although that's not explained. In any event, it would seem that the average cost of fuel is what's meant by the language in the contract.

Paragraph J.(b) provides that if electric energy requested by City under this Agreement is not available from Station Two or any plant owned by Big Rivers and operated by Western Kentucky Energy Corp. or any of its affiliates for reasons beyond the control of Western Kentucky Energy Corp. or any of its affiliates, but is available from other sources, then LEM will purchase such electric energy, to the extent available, and deliver such electric energy. . . . City will pay LEM the lesser of (i) LEM's actual out-of-pocket purchase cost for delivery to Big Rivers' transmission system or the City's transmission system, as applicable. . . .

The amendment which Ms. Cocanougher provided to us states that if LEM has sold its surplus energy on the open market through commitments made prior to the City's need for stand-by power, then the City has no right to stand-by power from the Big Rivers' system at the cost of 110% of fuel plus Adder, but instead must pay LEM's out-of-pocket costs to get the energy on the open market. We do not agree that the proposed language coincides with the terms of the present Agreement. As above quoted, the present Agreement provides that WKE will go to the open market if for reasons beyond its control the energy cannot be provided from one of Big Rivers' units at

5/23/2007

110% of fuel plus Adder. If WKEC's open market sales of Big Rivers' energy are interruptible contracts (which Mr. Tompkins stated was always the case) then in the event HMP&L needs stand-by energy under the provisions of Amendment No. 1 To System Reserves Agreement, WKE/LEM is obligated to interrupt its off system sales and provide energy to HMP&L in accordance with the terms of the contract.

These are HMP&L's beliefs on this subject. We believe the existing agreements say the same thing we're saying. We have estimated the costs which should have been charged to us by LEM/WKEC for stand-by power from July 15, 1998 to present date and believe we have been overcharged in the amount of \$1,694,672.00 through March 31, 2007. This calculation is being made on the basis of the information which WKE has provided us, from time to time, regarding its fuel costs for the Big Rivers' units.

It was our understanding when we left our meeting with E.ON personnel that Mr. Tompkins was going to go back and make some calculations to see what the appropriate charges would be, and was going to start calculations as of July 15, 1998 rather than two years after, as we had suggested. If Mr. Tompkins' calculations are not in the process of being made, perhaps we need to have another meeting on the subject. There is however no inclination on the part of HMP&L to agree to amend the contract provisions applicable to the subject.

The second matter in contention is WKEC's/LEM's debt to HMP&L for Excess Henderson Energy used out of Station Two. Section 11.5 of the Station Two Agreement applies to the use of excess energy of Station Two. Subparagraph (a) provides that in the event at any time Henderson does not schedule or take the full amount of Energy associated with HMP&L's Reserve Capacity, Station Two Subsidiary may, in its discretion, take and utilize all such energy (or any portion thereof designated by Station Two Subsidiary) not so scheduled or taken by Henderson. Henderson agrees to permit Station Two Subsidiary to take and utilize all or any portion of such Excess Henderson Energy as contemplated above. This means Station Two Subsidiary has a choice of whether or not to take Henderson's Excess Energy. Over the years Station Two Subsidiary/WKEC has repeatedly used Excess Henderson Energy, but without paying the agreed price for it.

Subparagraph (c) says that promptly following the end of each calendar month, Station Two Subsidiary shall notify Henderson of the amount of Excess Henderson Energy, if any, taken by Station Two Subsidiary during the previous month. Station Two Subsidiary also "shall pay to Henderson, prior to the 25th day of the then current month, for the amount of Excess Henderson Energy so taken by it during the prior month, a purchase price per megawatt hour equal to \$1.50.

During our discussions with Mr. Tompkins, he insisted that the City had an obligation to notify Station Two Subsidiary that it had Excess Henderson Energy for sale. That's not what the contract says. Henderson's notice of the availability of Excess Energy is applicable only under subsection (d) providing for Henderson to sell Excess Energy to third parties. In that event, Henderson is obligated to give notice to Station Two Subsidiary that it wants to sell Excess Henderson Energy to third parties, in which event Station Two Subsidiary has the right to take the energy or permit Henderson to sell it to third parties. The notice provision is not applicable to Station Two Subsidiary's use of Excess Henderson Energy as provided by subparagraphs (a), (b) and (c). Station Two Subsidiary has repeatedly used the full generating capacity of Station Two when HMP&L was taking less than its reserved capacity share.

HMP&L has made calculations of the amount which is due from Station Two Subsidiary/ WKEC for Excess Henderson Energy used through March 31, 2007. That figure is \$415,190.00.

Tim, if you want another meeting on this matter we will be happy to participate in a meeting. However, we have made our positions clear in our previous meeting as well in this e-mail transmittal. In short, we do not agree to the proposed amendment to the contract, nor any other amendment to the contract at this late date (assuming an Unwind Closing of September 30, 2007). We would like to get these two issues out of the way. This is a fairly substantial matter and one which we need to resolve.

Please advise accordingly.

C. B. West

5/23/2007



RECEIVED

NOV - 8 2006

W K E

**HMP&L**

HENDERSON ENERGY AND ENERGY RELATED TO STATION TWO

November 6, 2006

Mr. Robert Toerne  
Contract Manager  
Western Kentucky Energy Corporation  
145 North Main Street  
P O Box 1518  
Henderson KY 42419-1518

RE: Excess Henderson Energy and Energy Related to Station Two Excess Capacity

Dear Rob:

During the month of October 2006, Western Kentucky Electric Corporation (WKEC) has operated Station Two above its rated capacity of 312 MW. WKEC is authorized to do that under the provisions of Section 11.5(d) of the 1998 Station Two Agreement provided that WKEC's operation of Station Two shall at all times be subject to its operating covenants to Big Rivers Electric Corporation (BREC) and Henderson, respectively.

Section 11.5(c) provides that promptly following the end of each calendar month, WKEC will notify Henderson and BREC of the amount of Excess Henderson Energy and Energy Related to Station Two Excess Capacity taken by WKEC. Also, whichever party took the energy (BREC or WKEC) shall pay to Henderson prior to the 25<sup>th</sup> day of the then current month for the amount of Excess Henderson Energy and Energy Related to Station Two Excess Capacity so taken by it during the prior month, a purchase price of \$1.50 per MWh.

Station Two operating records indicate that WKEC operated Station Two in excess of its rated capacity of 312 MW for a total of 5 MWh during the month of October. If these records are correct, WKEC should be obligated to pay HMP&L \$7.50 for the month of October related to its use of Energy associated with Station Two Excess Capacity.

Operating records available to HMP&L for the month of October also show that WKEC has used Energy relating to HMP&L's reserve capacity of 95 MW, which HMP&L did not use during the month. Section 11.5(a) provides that in the event Henderson does not take the full amount of energy associated with its reserved capacity from Station Two, WKEC may, in its discretion, take and utilize all such Energy (or any portion thereof designated by Station Two Subsidiary) not so scheduled or taken by Henderson (the "Excess Henderson Energy") and should account to Henderson for the amount of such Excess Henderson Energy utilized, and make payment at the rate of \$1.50 per MWh. Operating records indicate that during the month of October, WKEC used 11,813 MWh of Excess Henderson Energy, which was not used by HMP&L out of its

# HMP&L

Mr. Robert Toerne  
November 6, 2006  
RE: Henderson Excess Energy and Energy  
Related to Station Two Excess Capacity  
Page 2

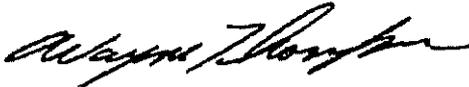
reserved capacity of 95 MW from Station Two. According to these records, WKEC should pay HMP&L the sum of \$17,719.50 for this Excess Henderson Energy as is provided by Section 11.5(c) of the 1998 Station Two Agreements.

HMP&L's records further indicate that Station Two Subsidiary/Western Kentucky Energy/Western Kentucky Energy Corporation, and/or LEM have since the inception of the Station Two Agreement on July 15, 1998, utilized Excess Henderson Energy and Energy Related to Station Two Excess Capacity on a number of occasions, without complying with the reporting requirements and payment requirements of Section 11.5(c). HMP&L is in the process of compiling these records and will share this information with you as soon as the compilation is completed.

For your convenience, I have enclosed a detailed hourly spreadsheet for October 2006. This spreadsheet includes the Excess Henderson Energy and Energy Related to Station Two Excess Capacity. If you should have any questions or comments, please let me know.

Sincerely,

Henderson Municipal Power & Light



Wayne R. Thompson  
Power Production Director

WRT/bmk

cc: Gary Quick



**Northam, Patrick R.**

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**From:** Cocanougher, Beth [Beth.Cocanougher@eon-us.com]  
**Sent:** Wednesday, December 27, 2006 1:03 PM  
**To:** Northam, Patrick R.  
**Subject:** FW: \$1.50 Surplus Energy  
**Attachments:** 1.50 Surplus Energy.doc

Fyi -- response to follow.

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**From:** Tompkins, Ray  
**Sent:** Wednesday, December 27, 2006 12:59 PM  
**To:** Cocanougher, Beth  
**Subject:** FW: \$1.50 Surplus Energy

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**From:** Tompkins, Ray  
**Sent:** Thursday, May 11, 2006 3:56 PM  
**To:** 'WThompson@hmpl.net'  
**Cc:** Murphy, Maria; Phillips, Steven; Ritchey, Stacy  
**Subject:** \$1.50 Surplus Energy

Hard copy to follow.

<<1.50 Surplus Energy.doc>>

December 27, 2006

Mr. Wayne Thompson  
Henderson Municipal Power & Light  
100 5<sup>th</sup> Street  
Henderson, Kentucky 42420

RE: Station Two Surplus Energy (\$1.50)

Dear Wayne:

Per our discussions last week, and after reviewing the spreadsheet emailed from Beverly Menke, LEM is in agreement with the City of Henderson on the amount LEM owes the City of Henderson for Station Two surplus energy. This amount, \$53,314.50, represents 35,543 MWh of surplus energy that was scheduled by the City of Henderson and accepted for purchase by LEM between January 1, 2005 and June 30, 2005.

As agreed during our conversation, no other monies are owed to the City of Henderson regarding Station Two surplus energy. If at some point the City of Henderson would like to begin scheduling surplus energy again, LEM is fully agreeable to a meeting between the two parties and putting in place the proper procedures.

I am glad we were able to resolve this issue, and I look forward to working with you in the future. If you have any questions regarding this matter, please don't hesitate to contact me or Maria Murphy. Maria will contact you and let you know exactly how the payment of these funds will be made.

Sincerely,

Ray H. Tompkins  
Director Non-Utility Marketing

cc: Maria Murphy  
Steve Phillips  
Stacy Ritchey



**Northam, Patrick R.**

---

**From:** Cocanougher, Beth [Beth.Cocanougher@eon-us.com]  
**Sent:** Wednesday, December 27, 2006 1:06 PM  
**To:** Northam, Patrick R.  
**Subject:** FW: Excess Energy

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**From:** Tompkins, Ray  
**Sent:** Wednesday, December 27, 2006 1:01 PM  
**To:** Cocanougher, Beth  
**Subject:** FW: Excess Energy

---

**From:** Jeff Garner [mailto:JGarner@hmpl.net]  
**Sent:** Wednesday, February 09, 2005 6:34 PM  
**To:** Murphy, Maria  
**Cc:** Tompkins, Ray  
**Subject:** RE: Excess Energy

Maria,

Thank you for the example. Since LEM noted on the phone call yesterday that it had questions as to the Station Two excess energy, I have instructed our operating personnel to no longer offer any excess energy pending further notification. This instruction to our personnel took effect at 0001 hours, Wednesday, February 9.

Thank you, Ray & John for your time yesterday working through the January interchange numbers.

Jeff

-----Original Message-----

**From:** Murphy, Maria [mailto:Maria.Murphy@lgeenergy.com]  
**Sent:** Wednesday, February 09, 2005 3:50 PM  
**To:** Jeff Garner  
**Cc:** Tompkins, Ray  
**Subject:** Excess Energy

Jeff,

As you know from our discussion yesterday, we will begin handling any excess energy prior to the top of the hour effective midnight tonight. I thought it might be helpful for you to see an example of what we are giving our dispatchers to track any offers, changes, etc. If you have any questions, please don't hesitate to call.

Thanks,  
Maria

12/27/2006

(502) 627-4335

<<Excess Dispatcher Form.xls>>





March 14, 2008

**CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

Western Kentucky Energy Corp. and  
LG&E Energy Marketing, Inc.  
220 West Main Street  
Louisville, KY 40202

Attn: David Sinclair

*RE: STATION TWO AGREEMENT  
AGREEMENT WITH RESPECT TO OPERATING RESERVES AND  
AMENDMENT NO. 1 TO SYSTEM RESERVES AGREEMENT*

Gentlemen:

This letter will serve as the City of Henderson Utility Commission's Notice of Default to Western Kentucky Energy Corp. and LG&E Energy Marketing, Inc. under the provisions of Section J.(a) and (b) of the Agreement With Respect to Operating Reserves and Amendment No. 1 to System Reserves Agreement, and the relevant provisions of the Station Two Agreement. This Default Notice is given pursuant to Section 13.4(a) of the Station Two Agreement. You are requested to cure this default within three (3) days after your receipt of this Notice, as provided by Section 13.5(b) of the Station Two Agreement.

The nature of your Default is as follows:

a. Section J.(a) of the Agreement With Respect to Operating Reserves and Amendment No. 1 to System Reserves Agreement provides "(a) electric energy delivered pursuant to this Agreement by LEM from Station Two or any plant owned by Big Rivers and operated by Western Kentucky Energy Corp., or any of its affiliates may be settled for by the return of the equivalent energy delivered to LEM at Station Two and as determined by and in accordance with the requirements of Section 4.2 of the System Reserves Agreement, or if the amount of electric energy requested exceeds 2 MW, then, at the option of LEM, by payment. In the event that LEM elects payment rather than return of electric energy in kind, City will pay LEM for energy delivered by LEM to City pursuant to this Agreement in amounts equal to the lesser of (i) 110% of the sum of the following: the cost of fuels in the generating station or station of the supplying party



(including all fuel costs, handling charges and associated fuel charges includable within FERC Account 501) plus the Adder (as calculated below), plus any applicable startup charge or (ii) a daily demand charge equal to the highest hourly delivery of unscheduled energy times \$0.1931 per KW plus the higher of 100 mils per KWH or LEM's actual incremental costs."

b. Section J.(b) provides, "(b) if the electric energy requested by City under this Agreement is not available from Station Two or any plant owned by Big Rivers and operated by Western Kentucky Energy Corp. or any of its affiliates for reasons beyond the control of Western Kentucky Energy Corp. or any of its affiliates, but is available from other sources, then LEM will purchase such electric energy, to the extent available, and deliver such electric energy, at its option, to Big Rivers' transmission system or the City's transmission system. City will pay LEM the lesser of (i) LEM's actual out-of-pocket purchase costs for delivery to Big Rivers' transmission system or the City's transmission system, as applicable or (ii) a daily demand charge equal to the highest hourly delivery of unscheduled energy times \$0.1931 per KW plus the higher of 100 mils per KWH or LEM's actual incremental costs."

c. Western Kentucky Energy Corp. and LG&E Energy Marketing, Inc. have produced records that establish the amounts of standby energy which have been provided to Henderson Municipal Power & Light from July 15, 1998 through October of 2007, including information regarding the total amounts billed to Henderson Municipal Power & Light for such standby services, the dollar value of standby service purchased on the open market for the account of Henderson Municipal Power & Light and the dollar value of electric service furnished to Henderson Municipal Power & Light from Station Two or other generating stations of Big Rivers Electric Corporation operated by Western Kentucky Energy Corp.

d. Western Kentucky Energy Corp.'s and LG&E Energy Marketing, Inc.'s records reveal that Henderson Municipal Power & Light has been overcharged for standby electric service furnished by Western Kentucky Energy Corp. and/or LG&E Energy Marketing, Inc. during calendar years 2001, 2002, 2003, 2004, 2005 and 2007, in the total amount of \$277,817.00, not including interest.

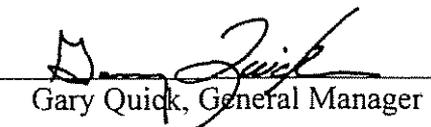
The City of Henderson Utility Commission hereby makes demand upon Western Kentucky Energy Corp. and/or LG&E Energy Marketing, Inc. for payment of all past overcharges pursuant to this Notice of Default, within three (3) days after your receipt of this Notice. You are also obligated to pay interest to Henderson Municipal Power & Light at the legal rate of eight percent (8%) per annum from the dates of your respective overcharges for standby capacity and energy until the date of your payment to Henderson Municipal Power & Light. These interest charges have been calculated on the invoice attached hereto and made a part hereof. The total payment due, with interest is \$329,681.00.



Pursuant to the Station Two Agreement, Henderson has provided Big Rivers Electric Corporation a copy of this Notice of Default.

Very truly yours,

CITY OF HENDERSON UTILITY COMMISSION

By:   
Gary Quick, General Manager

cc: Big Rivers Electric Corporation

Enclosure: Invoice

**TOTAL BACK-UP ENERGY OVERCHARGE PLUS 8% PER ANNUM INTEREST**

| <u>Year</u>     | <u>Total Bill</u> | <u>Purchases</u> | <u>Fuel</u> | <u>Overpayment</u> | <u>Amount Due With Interest</u> |
|-----------------|-------------------|------------------|-------------|--------------------|---------------------------------|
| 1998            | \$ 98,299         | \$ -             | \$ 98,299   | \$ -               | \$ -                            |
| 1999            | 19,591            | -                | 19,591      | -                  | -                               |
| 2000            | 142,546           | 30,151           | 112,395     | -                  | -                               |
| 2001            | 240,121           | 94,640           | 129,907     | 15,574             | 23,672                          |
| 2002            | 299,999           | 101,255          | 173,689     | 25,054             | 36,078                          |
| 2003            | 1,738,398         | 1,272,855        | 429,779     | 35,764             | 48,639                          |
| 2004            | 331,519           | 312,832          | 14,056      | 4,631              | 5,928                           |
| 2005            | 258,760           | 120,875          | 71,025      | 66,861             | 80,233                          |
| 2006            | 4,289             | 4,289            | -           | -                  | -                               |
| 2007 (thru Oct) | 1,564,947         | 1,182,747        | 252,267     | 129,934            | 135,131                         |
| <hr/>           |                   |                  |             |                    |                                 |
| Total           | \$4,698,469       | \$3,119,645      | \$1,301,007 | \$277,817          | \$329,681                       |





March 14, 2008

**CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

Western Kentucky Energy Corp. and  
LG&E Energy Marketing, Inc.  
220 West Main Street  
Louisville, KY 40202

Attn: David Sinclair

*RE: STATION TWO AGREEMENT  
PAYMENT FOR HENDERSON EXCESS ENERGY*

Gentlemen:

This letter will serve as the City of Henderson Utility Commission's Notice of Default to Western Kentucky Energy Corp. and LG&E Energy Marketing, Inc. under the provisions of Sections 11.5(a) and (c) of the Station Two Agreement and New Section 3.8 of the July 15, 1998 Amendment to the Power Sales Contract. This Default Notice is given pursuant to Section 13.4(a) of the Station Two Agreement. You are requested to cure this default within three (3) days after your receipt of this Notice, as provided by Section 13.5(b) of the Station Two Agreement.

The nature of your Default is as follows:

a. Section 11.5 of the Station Two Agreement became effective on July 15, 1998. Pursuant to Section 11.5(a) Station Two Subsidiary has the right, but not the obligation, to take all or any portion of Excess Henderson Energy not taken or scheduled by Henderson, subject to the provisions of Section 11.5(c).

b. Section 11.5(c) provides: "Promptly following the end of each calendar month . . . Station Two Subsidiary shall *notify* Henderson and Big Rivers of the amount of Excess Henderson Energy . . . taken by . . . Station Two Subsidiary during the previous month. That section of the agreement further provides that Station Two Subsidiary will make payment to Henderson in the amount of \$1.50 per mwh for the Excess Henderson Energy used during the preceding month. The payment is due by the 25<sup>th</sup> of the month.



c. Western Kentucky Energy Corp. and LG&E Energy Marketing, Inc. have produced records that establish the amount of Excess Henderson Energy taken by Station Two Subsidiary and its successor Western Kentucky Energy Corp. from 1998 through October of 2007. Those records show that Station Two Subsidiary (Western Kentucky Energy Corp.) is now indebted to Henderson Municipal Power & Light in the amount of \$584,427.00, not including interest for late payments. Your records should also reveal that additional sums are due since October 2007.

d. Your stated reason for not making these payments has been the assertion that Henderson has an obligation to notify Station Two Subsidiary of the availability of Excess Henderson Energy. However, the provisions of Section 11.5(a) and (c) have no requirement for Henderson to give notice to Station Two Subsidiary. Just the reverse is true. Subparagraph (c) requires Station Two Subsidiary to promptly give Henderson notice of the amount of Excess Henderson Energy it has taken during the previous month. While there are notice provisions in Subparagraph (d) of Section 11.5, those notice provisions come into play when Henderson contracts to provide Excess Henderson Energy to some third party, thereby becoming obligated to give notice to Station Two Subsidiary of first right of refusal for such Excess Henderson Energy.

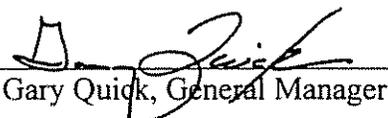
e. Under the provisions of Section 9.2 of the Power Sales Contract, Henderson is entitled to receive interest on past due payments at the rate of 1% per month, until paid. Using your records of these required payments we have determined the amount of interest currently due on each payment and have enclosed an invoice setting forth the total amount due through October, 2007. With interest the amount due is \$893,330.00.

The City of Henderson Utility Commission hereby makes demand upon Western Kentucky Energy Corp. and/or LG&E Energy Marketing, Inc. for payment of past due amounts pursuant to this Notice of Default, within three (3) days after your receipt of this Notice.

Pursuant to the Station Two Agreement, Henderson has provided Big Rivers Electric Corporation a copy of this Notice of Default.

Very truly yours,

CITY OF HENDERSON UTILITY COMMISSION

By:   
Gary Quick, General Manager

cc: Big Rivers Electric Corporation

Enclosure: Invoice

## REFUND OF OVERCHARGE OF STANDBY ENERGY

| <u>Year</u>      | <u>Two Units Available</u> |                | <u>One Unit Available</u> |                | <u>Total<br/>Payment</u> | <u>Total Payment<br/>With Interest</u> |
|------------------|----------------------------|----------------|---------------------------|----------------|--------------------------|--|
|                  | <u>MWh</u>                 | <u>Payment</u> | <u>MWh</u>                | <u>Payment</u> |                          |  |
| 1998 (7/15/1998) | 159                        | \$ 238         | 4,172                     | \$ 6,258       | \$ 6,496                 | \$ 13,609                              |
| 1999             | 3,516                      | 5,274          | 15,987                    | 23,981         | 29,255                   | 59,095                                 |
| 2000             | 12,820                     | 19,231         | 25,906                    | 38,858         | 58,089                   | 110,369                                |
| 2001             | 13,337                     | 20,006         | 33,965                    | 50,947         | 70,953                   | 126,296                                |
| 2002             | 16,044                     | 24,066         | 30,481                    | 45,722         | 69,788                   | 115,848                                |
| 2003             | 8,776                      | 13,164         | 54,894                    | 82,342         | 95,506                   | 147,079                                |
| 2004             | 5,809                      | 8,714          | 53,094                    | 79,640         | 88,354                   | 125,463                                |
| 2005             | 9,441                      | 14,162         | 48,661                    | 72,991         | 33,838 *                 | 43,989                                 |
| 2006             | 36,806                     | 55,208         | 24,921                    | 37,382         | 92,590                   | 109,256                                |
| 2007 (thru Oct)  | 9,330                      | 13,994         | 17,042                    | 25,563         | 39,557                   | 42,326                                 |
| Total            |                            | \$174,057      |                           | \$463,684      | \$637,742                | \$893,330                              |
|                  |                            |                |                           |                | *(53,315) Credit         |  |
|                  |                            |                |                           |                | \$584,427                |  |





March 19, 2008

City of Henderson Utility Commission  
d/b/a Henderson Municipal Power & Light  
P.O. Box 8  
100 Fifth Street  
Henderson, Kentucky 42420  
Attn: Gary Quick, General Manager

Western Kentucky Energy Corp.  
145 N. Main Street  
P. O. Box 1518  
Henderson, KY 42419-1518  
270-844-6000  
270-844-6048 FAX

Charles B West, Esq.  
Stoll Keenon Ogden  
300 First Street  
Henderson, Kentucky 42420

RE: Payment for Excess Henderson Energy and Agreement with Respect to  
Operating Reserves and Amendment No. 1 to Systems Reserves Agreement

Gentlemen:

Western Kentucky Energy Corp. ("WKE") and LG&E Energy Marketing Inc. ("LEM") are in receipt of your two letters, each dated March 14, 2008 (but not received by WKEC and LEM until March 17, 2008), in which the City of Henderson Utility Commission ("HMPL"):

(a) alleges certain "Defaults" on the part of WKE and/or LEM under the provisions of Sections 11.5(a) and (c) of the July 15, 1998 Agreement and Amendments to Agreements among HMPL, the City of Henderson, Kentucky (the "City"), Big Rivers Electric Corporation ("Big Rivers"), WKE and LEM (the "Station Two Agreement"), and under Section 3.8 of the August 1, 1970 Power Sales Contract among the City, Big Rivers, WKE and LEM (as that Section was established by the July 15, 1998 amendments to that Power Sales Contract) ("Section 3.8"); and

(b) alleges certain Defaults on the part of WKE and/or LEM under the provisions of Sections J.(a) and (b) of the Agreement with Respect to Operating Reserves and Amendment No. 1 to Systems Reserves Agreement, dated July 15, 1998, among HMPL, Big Rivers, LEM and WKE (as assignee of LEM) (the "New Reserves Agreement"), and under "the relevant provisions of the Station Two Agreement."

Please be advised that WKE and LEM each deny that they are in "Default" (or in any other breach or default) under any of the agreements or provisions cited in HMPL's letters of March 14, 2008. Also, WKE and LEM deny that Section 3.8 is applicable to them or that WKE or LEM are bound by or subject to Section 3.8. We direct HMPL's attention to Subsection 9.4(b)(1) of the Station Two Agreement and to the first sentence of Section 11.5 of

City of Henderson Utility Commission  
d/b/a Henderson Municipal Power & Light  
Charles B. West, Esq.  
March 19, 2008  
Page 2

the Station Two Agreement, which by their terms suspend the provisions of Section 3.8 throughout the Phase II Assignment Term and render Section 3.8 inapplicable to WKEC and LEM during that term.

WKE and LEM also deny that they have produced any records that establish any indebtedness or obligation to HMPL or the City with respect to Excess Henderson Energy, or that establish that WKE (or its predecessor) or LEM have taken the amount of Excess Henderson Energy alleged by HMPL, each as claimed by HMPL in one of its letters of March 14, 2008. WKE and LEM further deny that Section 9.2 of the August 1, 1970 Power Sales Contract applies to any payments alleged to be owing by WKE or LEM under Section 11.5 of the Station Two Agreement, and deny that any interest amounts are owing by WKE or LEM to HMPL or the City with respect to payments alleged to be owing by WKE or LEM under that Section 11.5.

WKE and LEM cannot discern from HMPL's reference, in the first paragraph of one of its letters of March 14, 2008, to "and the relevant provisions of the Station Two Agreement" which provisions of the Station Two Agreement are alleged by HMPL to be in "Default". In any event, WKE and LEM deny that any Default has occurred under the Station Two Agreement as noted above, and further deny that any provisions of the Station Two Agreement (including without limitation, Sections 13.4(a) and 13.5(b) of the Station Two Agreement) are applicable to the rights or obligations of, or to any alleged breaches or defaults by, WKE, LEM, HMPL or the City under the New Reserves Agreement or in connection with the performance of the New Reserves Agreement.

WKE and LEM further deny that they have produced any records which establish that the amount of standby energy provided to HMPL is as HMPL alleges, or which establish that the total amounts billed to HMPL for standby services, the dollar value of standby services purchased on the open market for the account of HMPL, or the dollar value of electric service furnished to HMPL from Station Two or other generating stations, are as HMPL alleges, as claimed in one of HMPL's letters of March 14, 2008.

WKE and LEM also deny that their records reveal that HMPL has been overcharged for standby electric service as claimed in one of HMPL's letters of March 14, 2008. WKE and LEM further deny that any interest amounts are owing by WKE or LEM to HMPL or the City on any overcharges alleged to have been paid by HMPL or the City as described in one of HMPL's letters of March 14, 2008.

WKE and LEM also remind HMPL and the City that all information, data, statements, offers and proposals previously disclosed or presented by WKE, LEM or E.ON U.S. LLC to HMPL or the City in connection with the parties' disputes and differences with respect to the Excess Henderson Energy issues and the standby/back-up power issues (including the slide presentation prepared and presented by E.ON to HMPL on December 12, 2007, from which the

City of Henderson Utility Commission  
d/b/a Henderson Municipal Power & Light  
Charles B. West, Esq.  
March 19, 2008  
Page 3

spreadsheets attached to HMPL's letters of March 14, 2008 were taken) were so disclosed or presented in connection with the parties' settlement discussions and negotiations, and in furtherance of a potential settlement of those issues. Such disclosures and presentations did not represent admissions of responsibility or of obligation on the part of WKE, LEM or E.ON U.S. as HMPL has stated or implied in its letters of March 14, 2008. WKE and LEM trust that those disclosures and presentations will be held and treated by HMPL and City as the settlement proposals and settlement discussion points that they represent under Kentucky Rule of Evidence 408 (and the corresponding Federal Rule of Evidence).

In accordance with Subsection 13.5(d) of the Station Two Agreement, without admitting any Default or any obligation or liability under any agreement or provision referenced in HMPL's letters of March 14, 1998 (including without limitation, Section 11.5 of the Station Two Agreement), and with complete reservation by WKE and LEM of any and all rights of recoupment, recovery, defense and counterclaim that they may have as against HMPL and the City, on the date of this letter WKE has paid to HMPL the sum of \$584,427.00, representing a disputed amount alleged to be owing by WKE or LEM to HMPL or the City under Section 11.5 of the Station Two Agreement. That payment is made under protest as contemplated in Subsection 13.5(d) of the Station Two Agreement, on the basis that WKE and LEM deny that the amounts so paid are owing to HMPL or the City, whether under Section 11.5 of the Station Two Agreement or otherwise. Please be advised that WKE intends to seek recovery of the amounts so paid, together with the interest amounts contemplated in that Subsection 13.5(d).

HMPL's allegation made in one of its letters of March 14, 2008, that WKE or LEM owes HMPL certain overcharge amounts associated with standby or back-up power previously purchased by HMPL, is not based on a payment obligation of WKE or LEM under the Station Two Agreement, but rather on an alleged consequence of a payment obligation of HMPL under a separate document, namely the New Reserves Agreement. For this reason, the provisions of Subsection 13.5(d) of the Station Two Agreement do not apply to that alleged obligation, nor do they require that WKE or LEM pay the alleged overcharge(s) to HMPL under protest.

Despite this, and despite the absence of a breach or default on the part of WKE or LEM under the New Reserves Agreement (or the Station Two Agreement) with respect to the standby or back-up power commitments of WKE and LEM, as a gesture of good faith WKE has deposited with HMPL on the date of this letter the sum of \$277,817.00 (being the principal amount alleged by HMPL to be owing to it under Sections J.(a) and (b) of the New Reserves Agreement). This payment is made by WKE under protest, however, with complete reservation by WKE and LEM of any and all rights of recoupment, recovery, defense and counterclaim that they may have as against HMPL and the City with respect to the amount paid. The payment should not be construed as an admission of responsibility or liability by WKE or LEM. Further, it is WKE's understanding and expectation that this amount will be held by HMPL in escrow pending the resolution of the parties' dispute with respect to the standby or back-up power issue.

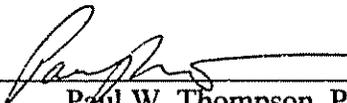
City of Henderson Utility Commission  
d/b/a Henderson Municipal Power & Light  
Charles B. West, Esq.  
March 19, 2008  
Page 4

Nothing contained in this letter should be construed as WKE's or LEM's admission or acceptance of, or agreement with, any statement of fact or allegation made by HMPL in either of its letters of March 14, 2008, all of which are hereby denied unless expressly agreed to by WKE and LEM in writing.

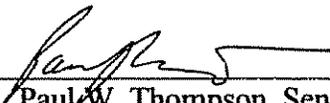
Lastly, please note that WKE and LEM have provided Big Rivers with a copy of this letter.

Very truly yours,

**WESTERN KENTUCKY ENERGY CORP.**

By:   
Paul W. Thompson, President

**LG&E ENERGY MARKETING INC.**

By:   
Paul W. Thompson, Senior Vice President

cc: Big Rivers Electric Corporation



000003  
034836

A SUBSIDIARY OF  
IGS ENERGY

| DATE      | INVOICE NUMBER | DESCRIPTION    | DISCOUNT | NET AMOUNT |
|-----------|----------------|----------------|----------|------------|
| 19-MAR-08 | 10440          | BACK-UP ENERGY | 0.00     | 277,817.00 |
|           |                |                |          |            |
|           |                |                |          |            |
|           |                |                |          |            |
|           |                |                |          |            |
|           |                |                |          |            |
|           |                |                |          |            |
|           |                |                |          |            |
|           |                |                |          |            |
|           |                |                | 0.00     | 277,817.00 |

REMOVE DOCUMENT ALONG THIS PERFORATION



Western Kentucky Energy Corp.  
PO Box 1518  
145 N. Main Street  
Henderson, KY 42420

611-GA / 433

VOID AFTER 90 DAYS

NO. 187951

A SUBSIDIARY OF  
IGS ENERGY

Bank of America, N.A.  
Atlanta, Dekalb County, GA

| DATE      | NET AMOUNT        |
|-----------|-------------------|
| 19-MAR-08 | \$*****277,817.00 |

PAY Two Hundred Seventy-Seven Thousand Eight Hundred Seventeen Dollars  
And 00 Cents\*\*\*\*\*

*Samuel K. Roberts*  
SIGNATURE

TO THE ORDER OF  
HENDERSON MP&L  
PO BOX 8  
HENDERSON, KY 42420-0000  
United States

COUNTERSIGNED

⑈0187951⑈ ⑆061112788⑆ 3299027674⑈



A SUBSIDIARY OF  
IGS ENERGY

Western Kentucky Energy Corp.  
PO Box 1518  
145 N. Main Street  
Henderson, KY 42420

HENDERSON MP&L  
PO BOX 8  
HENDERSON, KY 42420-0000  
United States



000002  
034835

A SUBSIDIARY OF  
IG ENERGY

| DATE      | INVOICE NUMBER | DESCRIPTION   | DISCOUNT | NET AMOUNT |
|-----------|----------------|---------------|----------|------------|
| 19-MAR-08 | 10439          | EXCESS ENERGY | 0.00     | 584,427.00 |
|           |                |               |          |            |
|           |                |               |          |            |
|           |                |               |          |            |
|           |                |               |          |            |
|           |                |               |          |            |
|           |                |               |          |            |
|           |                |               |          |            |
|           |                |               |          |            |
|           |                |               | 0.00     | 584,427.00 |

REMOVE DOCUMENT ALONG THIS PERFORATION



Western Kentucky Energy Corp  
PO Box 1518  
145 N. Main Street  
Henderson, KY 42420

611-GA / 433

VOID AFTER 90 DAYS

NO. 187950

A SUBSIDIARY OF  
IG ENERGY

Bank of America, N.A.  
Atlanta, DeKalb County, GA

| DATE      | NET AMOUNT      |
|-----------|-----------------|
| 19-MAR-08 | *****584,427.00 |

PAY Five Hundred Eighty-Four Thousand Four Hundred Twenty-Seven Dollars And 00 Cents

TO THE ORDER OF

HENDERSON MP&L  
PO BOX 8  
HENDERSON, KY 42420-0000  
United States

*Samuel K. Roberts*  
SIGNATURE  
*JHB Black*  
COUNTERSIGNED

⑈0187950⑈ ⑆061112788⑆ 3299027674⑈



A SUBSIDIARY OF  
IG ENERGY

Western Kentucky Energy Corp.  
PO Box 1518  
145 N. Main Street  
Henderson, KY 42420

HENDERSON MP&L  
PO BOX 8  
HENDERSON, KY 42420-0000  
United States

03112

RECEIVED FOR  
COURTESY OF



REC'D 2:05pm  
p. godwin



March 24, 2008

**CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

Western Kentucky Energy Corp. and  
LG&E Energy Marketing, Inc.  
220 West Main Street  
Louisville, KY 40202

Attn: David Sinclair

*RE: STATION TWO AGREEMENT  
AGREEMENT WITH RESPECT TO OPERATING RESERVES AND  
AMENDMENT NO. 1 TO SYSTEM RESERVES AGREEMENT*

Gentlemen:

This letter will Notify Western Kentucky Energy Corp. ("WKEC") and LG&E Energy Marketing, Inc. ("LEM") that the City of Henderson Utility Commission ("HMP&L") hereby withdraws its Notice of Default to Western Kentucky Energy Corp. and LG&E Marketing, Inc. dated March 14, 2008 and with this letter returns to WKEC and LEM Western Kentucky Energy Corp.'s check number 187951 dated March 19, 2008, payable to Henderson MP&L in the sum of \$277,817.00.

This letter will serve as the City of Henderson Utility Commission's First Amended Notice of Default to Western Kentucky Energy Corp. and LG&E Energy Marketing, Inc. under the provisions of Sections J.(a) and (b) of the Agreement With Respect to Operating Reserves and Amendment No. 1 to System Reserves Agreement ("New Reserves Agreement"). This First Amended Notice of Default is given pursuant to paragraph O of the New Reserves Agreement and Section 13.4(a) of the Station Two Agreement. You are requested to cure this default within three (3) days after your receipt of this First Amended Notice of Default, as provided by Paragraph O of the New Reserves Agreement and Section 13.5(b) of the Station Two Agreement.

The nature of your Default is as follows:

- a. Section J.(a) of the Agreement With Respect to Operating Reserves and Amendment No. 1 to System Reserves Agreement provides "(a) electric energy delivered pursuant to this Agreement by LEM from Station Two or any plant owned by Big Rivers and operated by Western Kentucky Energy Corp., or any of its affiliates may be settled for by the return of the equivalent energy delivered to LEM at Station Two and as



determined by and in accordance with the requirements of Section 4.2 of the System Reserves Agreement, or if the amount of electric energy requested exceeds 2 MW, then, at the option of LEM, by payment. In the event that LEM elects payment rather than return of electric energy in kind, City will pay LEM for energy delivered by LEM to City pursuant to this Agreement in amounts equal to the lesser of (i) 110% of the sum of the following: the cost of fuels in the generating station or station of the supplying party (including all fuel costs, handling charges and associated fuel charges includable within FERC Account 501) plus the Adder (as calculated below), plus any applicable startup charge or (ii) a daily demand charge equal to the highest hourly delivery of unscheduled energy times \$0.1931 per KW plus the higher of 100 mils per KWH or LEM's actual incremental costs."

b. Section J.(b) provides, "(b) if the electric energy requested by City under this Agreement is not available from Station Two or any plant owned by Big Rivers and operated by Western Kentucky Energy Corp. or any of its affiliates for reasons beyond the control of Western Kentucky Energy Corp. or any of its affiliates, but is available from other sources, then LEM will purchase such electric energy, to the extent available, and deliver such electric energy, at its option, to Big Rivers' transmission system or the City's transmission system. City will pay LEM the lesser of (i) LEM's actual out-of-pocket purchase costs for delivery to Big Rivers' transmission system or the City's transmission system, as applicable or (ii) a daily demand charge equal to the highest hourly delivery of unscheduled energy times \$0.1931 per KW plus the higher of 100 mils per KWH or LEM's actual incremental costs."

c. Western Kentucky Energy Corp. and LG&E Energy Marketing, Inc. have provided standby power and energy to Henderson Municipal Power & Light from July 15, 1998 through October of 2007, for the calendar years and in the amounts shown on the attached spreadsheet. Western Kentucky Energy Corp. and LG&E Energy Marketing, Inc. have overcharged Henderson Municipal Power & Light for standby service pursuant to paragraph J.(a) of the New Reserves Agreement during the calendar years, and in the amounts shown on the attached spreadsheet. Western Kentucky Energy Corp. and LG&E Energy Marketing, Inc. owe Henderson Municipal Power & Light the total sum of \$277,817, not including interest, for amounts billed to HMP&L during calendar years 2001, 2002, 2003, 2004, 2005 and 2007, in excess of the amounts which should have been billed to HMP&L for the standby services rendered during such calendar years.

d. Under Kentucky law, Henderson Municipal Power & Light is entitled to receive interest from Western Kentucky Energy Corp. and LG&E Energy Marketing, Inc., at the rate of 8% per annum, for all payments made by HMP&L to WKEC and LEM for standby services in excess of the amounts which were actually due to be paid pursuant to paragraph J.(a) and (b) of the New Reserves Agreement.

e. Henderson Municipal Power & Light has relied upon representations made by WKEC, LEM and E.ON U.S., LLC during a meeting with HMP&L which occurred on December 12, 2007 as to the amount of overcharges made by WKEC and



LEM to HMP&L for each calendar year of 2001, 2002, 2003, 2004, 2005 and calendar year 2007 through October 30, 2007. HMP&L has calculated interest due for such overpayments from December 31 of each calendar year in which such overpayments were made. In the event a dispute occurs between WKEC, LEM and E.ON U.S., LLC, on the one hand, and HMP&L on the other hand, as to the time and amounts of overcharges made by WKEC and LEM to HMP&L, HMP&L reserves the right to recompute the amounts of such overcharges, the dates of such overcharges and the amounts of interest due thereon.

The City of Henderson Utility Commission hereby makes demand upon Western Kentucky Energy Corp. and/or LG&E Energy Marketing, Inc. for payment of all past overcharges, with interest at 8% per annum, pursuant to this First Amended Notice of Default, within three (3) days after your receipt of this First Amended Notice. All amounts due and owing, including interest are shown on the attached spreadsheet. The total payment due, with interest, is \$310,433.05.

Big Rivers Electric Corporation has been provided a copy of this First Amended Notice of Default.

Very truly yours,

CITY OF HENDERSON UTILITY COMMISSION

By:   
Gary Quick, General Manager

cc: Big Rivers Electric Corporation

Enclosure: Spreadsheet

**TOTAL BACK-UP ENERGY OVERCHARGE PLUS 8% PER ANNUM INTEREST**

| <u>Year</u>     | <u>Total Bill</u> | <u>Purchases</u> | <u>Fuel</u> | <u>Overpayment</u> | <u>Amount Due<br/>With Interest</u> |
|-----------------|-------------------|------------------|-------------|--------------------|-------------------------------------|
| 1998            | \$ 98,299         | \$ -             | \$ 98,299   | \$ -               | \$ -                                |
| 1999            | 19,591            | -                | 19,591      | -                  | -                                   |
| 2000            | 142,546           | 30,151           | 112,395     | -                  | -                                   |
| 2001            | 240,121           | 94,640           | 129,907     | 15,574             | 22,010.73                           |
| 2002            | 299,999           | 101,255          | 173,689     | 25,054             | 33,404.50                           |
| 2003            | 1,738,398         | 1,272,855        | 429,779     | 35,764             | 44,823.02                           |
| 2004            | 331,519           | 312,832          | 14,056      | 4,631              | 5,433.55                            |
| 2005            | 258,760           | 120,875          | 71,025      | 66,861             | 73,099.13                           |
| 2006            | 4,289             | 4,289            | -           | -                  | -                                   |
| 2007 (thru Oct) | 1,564,947         | 1,182,747        | 252,267     | 129,934            | 131,662.12                          |
| <hr/>           |                   |                  |             |                    |                                     |
| Total           | \$4,698,469       | \$3,119,645      | \$1,301,007 | \$277,817          | \$310,433.05                        |