

11-0-0 2:05pm
of godwin



March 24, 2008

RECEIVED

NOV 07 2008

PUBLIC SERVICE
COMMISSION

**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 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 187950 dated March 19, 2008, payable to Henderson MP&L in the sum of \$584,427.00.

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 11.5(a) and (c) of the July 15, 1998 Agreement and Amendments to Agreements among HMP&L, the City of Henderson, Kentucky (the "City"), Big Rivers Electric Corporation ("Big Rivers"), WKE and LEM (the "Station Two Agreement"). This First Amended Notice of Default 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 First Amended Notice of Default, 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 25th of the month.

c. WKEC and/or LEM have used Excess Henderson Energy from Station Two Power Plant from July 15, 1998 through the month of October 2007 pursuant to the authority granted to them by the provisions of Section 11.5(a) of the Station Two Agreement, but without complying with the reporting and payment provisions of Section 11.5(c) of the Station Two Agreement. The attached spreadsheet enumerates the amounts of Henderson Excess Energy taken and used by WKEC and/or LEM during each calendar year, beginning July 15, 1998 and ending October 30, 2007 as well as the amounts of money owed by WKEC and/or LEM to HMP&L during each calendar year from July 15, 1998 through October 30, 2007 at the payment rate specified in Section 11.5(c) of the Station Two Agreement. The total amount of money which is due and owing to HMP&L by WKEC and/or LEM, not including interest, is the amount of \$584,427.00.

d. In arriving at the data presented on the spreadsheet attached hereto HMP&L has relied upon representations made by representatives of WKEC, LEM and E.ON U.S., LLC made during a meeting with HMP&L which occurred on December 12, 2007. HMP&L has accepted WKEC, LEM and E.ON U.S., LLC’s representations as fact for purposes of supporting this First Amended Notice of Default. HMP&L reserves the right to make its own computations and determinations of the amounts due and owing from WKEC and/or LEM in the event a dispute arises as to the correctness of such representations by WKEC, LEM and E.ON U.S., LLC.

e. 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.

f. Under Kentucky law, HMP&L is entitled to receive interest on past due payments at the rate of 8% per annum from the established payment date, until paid. Section 11.5(c) of the Station Two Agreement requires that payments for Henderson Excess Energy be made on a monthly basis, on or before the 25th day of the following month. The representations of WKEC, LEM and E.ON U.S., LLC of amounts due for Henderson Excess Energy are stated on an annual basis, not a monthly basis. Using those representations and using January 25 immediately following each calendar year, HMP&L



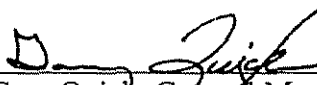
has calculated interest due for past due payments at the legal rate of 8% per annum. If a dispute arises as to the correctness of the amounts due and owing for Henderson Excess Energy, HMP&L reserves the right to recompute interest due using monthly payment dates rather than annual payment dates. The amount due to be paid to HMP&L by WKEC, LEM and/or E.ON U.S., LLC for Excess Henderson Energy from July 15, 1998 through October 30, 2007, including interest, is \$790,694.50.

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, with interest, pursuant to this First Amended Notice of Default, within three (3) days after your receipt of this Notice.

Pursuant to the Station Two Agreement, HMP&L has provided Big Rivers Electric Corporation a copy of this First Amended Notice of Default.

Very truly yours,

CITY OF HENDERSON UTILITY COMMISSION

By: 
Gary Quick, General Manager

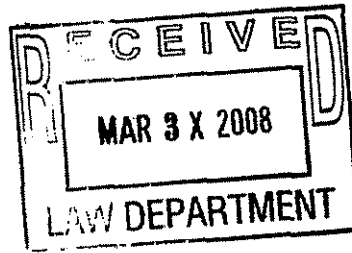
cc: Big Rivers Electric Corporation

Enclosure: Spreadsheet

UNPAID EXCESS HENDERSON ENERGY PLUS INTEREST

| <u>Year</u> | <u>Two Units Available</u> | | <u>One Unit Available</u> | | <u>Total Payment</u> | <u>Total Payment With Interest To January 31, 2008</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 | \$ 11,832.96 |
| 1999 | 3,516 | 5,274 | 15,987 | 23,981 | 29,255 | 49,148.40 |
| 2000 | 12,820 | 19,231 | 25,906 | 38,858 | 58,089 | 92,942.90 |
| 2001 | 13,337 | 20,006 | 33,965 | 50,947 | 70,953 | 107,848.56 |
| 2002 | 16,044 | 24,066 | 30,481 | 45,722 | 69,788 | 100,494.72 |
| 2003 | 8,776 | 13,164 | 54,894 | 82,342 | 95,506 | 129,888.16 |
| 2004 | 5,809 | 8,714 | 53,094 | 79,640 | 88,354 | 113,093.12 |
| 2005 | 9,441 | 14,162 | 48,661 | 72,991 | 33,838 * | 40,605.60 |
| 2006 | 36,806 | 55,208 | 24,921 | 37,382 | 92,590 | 103,700.80 |
| 2007 (thru Oct) | 9,330 | 13,994 | 17,042 | 25,563 | 39,557 | 41,139.28 |
| Total | | \$174,057 | | \$463,684 | \$637,742 | \$790,694.50 |
| | | | | | *(53,315) Credit | |
| | | | | | \$584,427 | |

Ralph Bowling
Vice President Power Operations



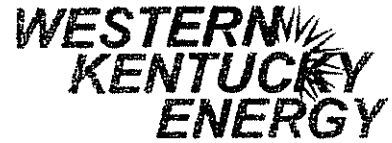
Western Kentucky Energy Corp.
145 N. Main Street
P. O. Box 1518
Henderson, KY 42419-1518
270-844-6000
270-844-6048 FAX
e-mail: ralph.bowling@econ-us.com

March 28, 2008

By signing this statement, I acknowledge receipt of the letter RE: Payment for Excess Henderson Energy and Agreement with Respect to Operating Reserves and Amendment No. 1 to Systems Reserves Agreement and two checks from Western Kentucky Energy.



Henderson Municipal Power & Light



March 28, 2008

Western Kentucky Energy
2500 1st Street
P.O. Box 1505
Henderson, KY 42420
270-424-1100
270-424-1101

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

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. ("WKEC") and LG&E Energy Marketing Inc. ("LEM") are in receipt of your two letters, each dated March 24, 2008 (but not received by WKEC and LEM until March 27, 2008), in which the City of Henderson Utility Commission ("HMPL"):

(a) withdrew its two previous notices of Defaults dated March 14, 2008, delivered by HMPL to WKEC and LEM on March 17, 2008;

(b) alleges certain "Defaults" on the part of WKEC and/or LEM under the provisions of Sections 11.5(a) and (c) and Section 13.4(a) 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"), WKEC and LEM (the "Station Two Agreement"); and

(c) alleges certain defaults on the part of WKEC and/or LEM under the provisions of Sections J.(a) and (b) and paragraph O 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 WKEC (as assignee of LEM) (the "New Reserves Agreement")

Please be advised that WKEC 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 24, 2008.

WKEC, LEM and E.ON U.S. LLC also deny that they have made any representations to HMPL or the City regarding the amount of Excess Henderson Energy taken or used by WKEC

an **e-on** company

City of Henderson Utility Commission
d/b/a Henderson Municipal Power & Light
Charles B. West, Esq
March 28, 2008
Page 2

(or its predecessor) and/or LEM, or regarding any amounts of money owed to HMPL or the City with respect to Excess Henderson Energy or any other indebtedness or obligation to HMPL or the City, nor have they made any representations to HMPL or the City that WKEC (or its predecessor) or LEM have used Excess Henderson Energy during any particular periods, nor have they made any other representations to HMPL or the City regarding Excess Henderson Energy, each as claimed or implied by HMPL in one of its letters of March 24, 2008.

WKEC and LEM also 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, WKEC, LEM, HMPL or the City under the New Reserves Agreement or in connection with the performance of the New Reserves Agreement.

WKEC and LEM further deny that HMPL has been overcharged for standby electric service as claimed in one of HMPL's letters of March 24, 2008. WKEC, LEM and E.ON U.S. LLC also deny that they have made any representations to HMPL or the City regarding the amounts of standby power and energy provided by WKEC and/or LEM to HMPL, or regarding the period(s) during which standby power and energy were so provided to HMPL, or regarding any alleged overcharges (or any dates or amounts thereof) for standby service delivered to HMPL, or regarding 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, as claimed or implied in one of HMPL's letters of March 24, 2008.

WKEC and LEM further deny that any interest amounts are owing by WKEC or LEM to HMPL or the City on (i) any amounts alleged by HMPL to be owing by WKEC or LEM in respect of Excess Henderson Energy or under Section 11.5 of the Station Two Agreement, or (ii) any overcharges alleged to have been paid by HMPL or the City, each as described in one of HMPL's letters of March 24, 2008.

WKEC and LEM also remind HMPL and the City that all information, data, statements, offers and proposals previously disclosed or presented by WKEC, 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 spreadsheets attached to HMPL's letters of March 24, 2008 appear to have been 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, or representations, on the part of WKEC, LEM or E.ON U.S. LLC as HMPL has stated or implied in its letters of March 24, 2008.

City of Henderson Utility Commission
d/b/a Henderson Municipal Power & Light
Charles B. West, Esq.
March 28, 2008
Page 3

WKEC 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 24, 2008 (including without limitation, Section 11.5 of the Station Two Agreement), and with complete reservation by WKEC 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 WKEC has paid to HMPL the sum of \$790,694.50, representing a disputed amount alleged to be owing by WKEC or LEM to HMPL or the City under Section 11.5 of the Station Two Agreement, together with the interest on that disputed amount alleged by HMPL to be owing under Kentucky law. As noted above, WKEC and LEM deny that any such interest amounts are owing to HMPL or the City. This payment is made under protest as contemplated in Subsection 13.5(d) of the Station Two Agreement, on the basis that WKEC 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, under Kentucky law or otherwise. Please be advised that WKEC intends to seek recovery from HMPL and the City of the amounts so paid, together with the interest amounts accruing thereon as contemplated in that Subsection 13.5(d).

HMPL's allegation made in one of its letters of March 24, 2008, that WKEC 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 WKEC 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 WKEC 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 WKEC or LEM under the New Reserves Agreement (or the Station Two Agreement) with respect to the standby or back-up power commitments of WKEC and LEM, as a gesture of good faith WKEC has deposited with HMPL on the date of this letter the sum of \$310,433.05 (being the principal amount alleged by HMPL to be owing to it under Sections J (a) and (b) and or paragraph O of the New Reserves Agreement, together with the interest on that amount alleged by HMPL to be owing under Kentucky law). As noted above, WKEC and LEM deny that any such interest amounts are owing to HMPL or the City. This payment is also made by WKEC under protest, with complete reservation by WKEC 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 WKEC or LEM. Further, it is WKEC's understanding and expectation that this amount will

City of Henderson Utility Commission
d/b/a Henderson Municipal Power & Light
Charles B. West, Esq.
March 28, 2008
Page 4

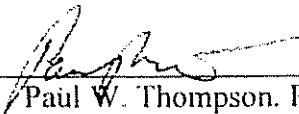
be held by HMPL in escrow pending the resolution of the parties' dispute with respect to the standby or back-up power issue

Nothing contained in this letter should be construed as WKEC'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 24, 2008, all of which are hereby denied unless expressly agreed to by WKEC and LEM in writing.

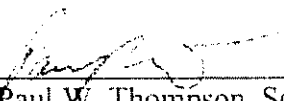
Lastly, please note that WKEC and LEM have provided Big Rivers with a copy of this letter.

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



000002
035227

| DATE | INVOICE NUMBER | DESCRIPTION | DISCOUNT | NET AMOUNT |
|-----------|----------------|-------------|----------|------------|
| 28-MAR-08 | 10459 | | 0.00 | 790,694.50 |
| | | | | |
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| | | | | |
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| | | | | |
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| | | | | |
| | | | | |
| | | | 0.00 | 790,694.50 |

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. 188342

| DATE | NET AMOUNT |
|-----------|------------------|
| 28-MAR-08 | \$****790,694.50 |

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

PAY Seven Hundred Ninety Thousand Six Hundred Ninety-Four Dollars And 50 Cents*****

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

Raymond K. Roberts
SIGNATURE
John Wiggmore
COUNTERSIGNED

⑈0188342⑈ ⑆061112788⑆ 3299027674⑈



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



A SUBSIDIARY OF
IGSENERGY

000003
035228

| DATE | INVOICE NUMBER | DESCRIPTION | DISCOUNT | NET AMOUNT |
|-----------|----------------|-------------|----------|------------|
| 28-MAR-08 | 10460 | | 0.00 | 310,433.05 |
| | | | 0.00 | 310,433.05 |

REMOVE DOCUMENT ALONG THIS PERFORATION



A SUBSIDIARY OF
IGSENERGY

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

611-GA / 433

VOID AFTER 90 DAYS

NO. 188343

| DATE | NET AMOUNT |
|-----------|------------------|
| 28-MAR-08 | \$****310,433.05 |

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

PAY Three Hundred Ten Thousand Four Hundred Thirty-Three Dollars And
05 Cents

TO THE ORDER OF

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

Daniel K. Roberts
SIGNATURE

Ralph Waggoner
COUNTERSIGNATURE

⑈0188343⑈ ⑆061112788⑆ 3299027674⑈



A SUBSIDIARY OF
IGSENERGY

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



U.S. 220 W. Main Street, Louisville, KY 40202

FAX

| | |
|--|-----------------|
| Date: | <u>5/5/2008</u> |
| Number of pages including cover sheet: | <u>5</u> |

| |
|------------------|
| To: Pat Northam |
| _____ |
| _____ |
| _____ |
| _____ |
| Phone: _____ |
| Fax phone: _____ |
| CC: _____ |

| | |
|------------|--------------------------|
| From: | Phyllis Godin |
| | Administrative Assistant |
| | Energy Marketing |
| | _____ |
| Phone: | (502) 627-4161 |
| Fax phone: | (502) 627-4175 |

| | | | | |
|----------|--|--|-------------------------------------|---|
| REMARKS: | <input checked="" type="checkbox"/> Urgent | <input type="checkbox"/> For your review | <input type="checkbox"/> Reply ASAP | <input type="checkbox"/> Please comment |
| | | | | |

CONFIDENTIALITY NOTICE

The information contained in this facsimile message, and in any accompanying documents, constitutes privileged confidential information which belongs to E.ON US. This information is intended only for the use of the individual or entity named above. If you are not the intended recipient of this information, or an employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any disclosure, copying, distribution, dissemination, or the taking of any action in reliance on this information, is strictly prohibited. If you have received this facsimile message in error, please notify us immediately by telephone at the number listed above in order to arrange for its return to us. Thank you.



May 1, 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
ACCOUNTING FOR EXCESS HENDERSON ENERGY
PAYMENT FOR EXCESS HENDERSON ENERGY*

Gentlemen:

This letter will serve as the City of Henderson Utility Commission's Second Amended 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 July 15, 1998 Agreement and Amendments to Agreements among HMP&L, the City of Henderson, Kentucky (the "City"), Big Rivers Electric Corporation ("Big Rivers"), WKE and LEM (the "Station Two Agreement"). This Second Amended Notice of Default is given pursuant to Section 13.4(a) of the Station Two Agreement. You are requested to cure your failure to make timely payment within three (3) days after your receipt of this Second Amended Notice of Default, and to cure your failure to provide monthly accounting of your use of Excess Henderson Energy within thirty (30) days of your receipt of this Second Amended Notice of Default.

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 HMP&L in the amount of \$1.50 per mwh for the Excess Henderson Energy used during the preceding month. The payment is due by the 25th of the month.

c. WKEC and/or LEM have used Excess Henderson Energy from Station Two Power Plant from November 1, 2007 through March 31, 2008 pursuant to the authority granted to them by the provisions of Section 11.5(a) of the Station Two Agreement, but without complying with the reporting and payment provisions of Section 11.5(c) of the Station Two Agreement. The attached spreadsheet enumerates the amounts of Excess Henderson Energy taken and used by WKEC and/or LEM during each calendar month, beginning November 1, 2007 and ending March 31, 2008 as well as the amount of money owed by WKEC and/or LEM to HMP&L for this period of time from November 1, 2007 through March 31, 2008 at the payment rate specified in Section 11.5(c) of the Station Two Agreement. The total amount of money which is due and owing to HMP&L by WKEC and/or LEM, not including interest, is the amount of \$33,321.00.

d. In arriving at the data presented on the spreadsheet attached hereto HMP&L has relied upon the generating records of the Station Two Power Plant. HMP&L has not calculated interest on past due payments and reserves the right to do so at a later date in the event payment of the amounts due is not made within three (3) days from your receipt of this Notice of Default.

e. Under the provisions of Section 11.5(c) WKEC/LEM has a duty to notify HMP&L of the amount of Excess Henderson Energy used by WKEC/LEM during the immediately preceding calendar month. Your failure to so notify HMP&L, on a monthly basis, constitutes a continuing default by Western Kentucky Energy Corp. and/or LG&E Energy Marketing, Inc. to perform this function of the Station Two Agreement. Except for a period of time commencing on January 1, 2005 and ending on June 30, 2005 WKEC/LEM have failed completely, since July 15, 1998, to perform the notification duties provided by Section 11.5(c) of the Station Two Agreement.

The City of Henderson Utility Commission hereby makes demand upon Western Kentucky Energy Corp. and/or LG&E Energy Marketing, Inc. (a) for payment of the past due amounts pursuant to this Second Amended Notice of Default, within three (3) days after your receipt of this Notice and (b) notification to Henderson Municipal Power & Light, in writing, on a monthly basis beginning July 15, 1998 and ending on March 31, 2008, of the quantity of Excess Henderson Energy and Energy Related to Excess Henderson Capacity used by Western Kentucky Energy Corp. and/or LG&E Energy




Marketing, Inc., or their predecessors, within thirty (30) days following your receipt of this Notice of Default.

Very truly yours,

CITY OF HENDERSON UTILITY COMMISSION

By:


Gary Quick, General Manager

cc: Big Rivers Electric Corporation
C.B. West
Wayne Thompson

Enclosure: Spreadsheet

EXCESS HENDERSON ENERGY

| Hours > 312 | Excess MWh to WKEC/LEM |
|----------------|---------------------------|
| Jan-08 | 2,619 |
| Feb-08 | 974 |
| Mar-08 | 8,586 |
| Apr-08 | |
| May-08 | |
| Jun-08 | |
| Jul-08 | |
| Aug-08 | |
| Sep-08 | |
| Oct-08 | |
| Nov-08 | |
| Dec-08 | 12,179 |

| Hours > 312 | Excess MWh to WKEC/LEM |
|----------------|------------------------------|
| Jan-07 | 2,397 |
| Feb-07 | 801 |
| Mar-07 | 5,879 |
| Apr-07 | 4,108 |
| May-07 | 597 |
| Jun-07 | 300 |
| Jul-07 | 339 |
| Aug-07 | 242 |
| Sep-07 | 591 |
| Oct-07 | 3,400 |
| Nov-07 | 5,042 |
| Dec-07 | 4,993 |
| | 28,689 |

Price per MWh

MWh

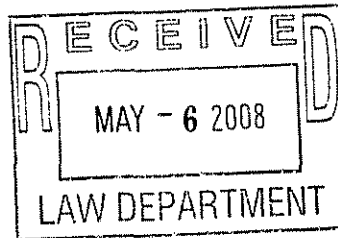
Month

5,042
4,993
2,619
974
8,586
22,214

Nov 07
Dec 07
Jan 08
Feb 08
Mar 08

\$1.50

\$ 33,321.00



May 5, 2008



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

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

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

RE: Excess Henderson Energy Dispute

Gentlemen:

Western Kentucky Energy Corp. ("WKEC") and LG&E Energy Marketing Inc. ("LEM") are in receipt of your letter dated May 1, 2008 (but not received by WKEC and LEM until May 2, 2008), in which the City of Henderson Utility Commission ("HMPL") alleges certain "Defaults" on the part of WKEC and/or LEM under the provisions of Sections 11.5(a) and (c) and Section 13.4(a) 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"), WKEC and LEM (the "Station Two Agreement").

While your letter of May 1, 2008 is described as a "Second Amended Notice of Default", we assume that your claims and demands set forth in that letter are asserted in addition to, and not in lieu of, the claims and demands set forth in your previous letters to WKEC and LEM dated March 24, 2008. Please refer to our letter to HMPL dated March 28, 2008 for our responses with respect to HMPL's claims and demands set forth in those letters of March 24, 2008.

This letter will respond only to the claims and demands made in HMPL's letter of May 1, 2008 with respect to amounts alleged to be owing by WKEC and/or LEM under Section 11.5 of the Station Two Agreement. It should not be considered a response to HMPL's separate claim, also made in its letter of May 1, 2008, that WKEC and/or LEM have breached or defaulted under an obligation to notify HMPL or the City of amounts of Excess Henderson Energy used by WKEC or LEM (or any associated demands made by HMPL), nor should it be considered an admission by WKEC or LEM that either of them has an obligation to provide such a notice to HMPL or the City under the Station Two Agreement. WKEC and LEM will respond separately to that other claim (and any associated demands) made by HMPL.

City of Henderson Utility Commission
d/b/a Henderson Municipal Power & Light
Charles B. West, Esq.
May 5, 2008
Page 2

Please be advised that WKEC and LEM each deny that they are in "Default" (or in any other breach or default) under the Station Two Agreement or any of the provisions cited in HMPL's letter of May 1, 2008. WKEC and LEM further deny that any interest amounts are owing by WKEC or LEM to HMPL or the City on any amounts alleged by HMPL to be owing by WKEC or LEM in respect of Excess Henderson Energy or under Section 11.5 of the Station Two Agreement, as described or implied in HMPL's letter of May 1, 2008.

WKEC and LEM also remind HMPL and the City that all information, data, statements, offers and proposals previously disclosed or presented by WKEC, 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 (including without limitation, the slide presentation prepared and presented by E.ON to HMPL on December 12, 2007) 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, or representations, on the part of WKEC, LEM or E.ON U.S. LLC. WKEC and LEM trust that those disclosures and presentations will be held and treated by HMPL and the 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 letter of May 1, 2008 (including without limitation, Section 11.5 of the Station Two Agreement), and with complete reservation by WKEC 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 WKEC has paid to HMPL the sum of \$33,321.00, representing a disputed amount alleged to be owing by WKEC 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 bases that: (a) WKEC and LEM deny that the amount so paid is owing to HMPL or the City, whether under Section 11.5 of the Station Two Agreement or otherwise; and (b) even assuming *arguendo* that an amount was owing to HMPL for Excess Henderson Energy usages during the period cited in HMPL's letter of May 1, 2008, the specific amount alleged in that letter as so owing was calculated by HMPL in error. Please be advised that WKEC intends to seek recovery from HMPL and the City of the amount so paid, together with the interest amounts contemplated in that Subsection 13.5(d).

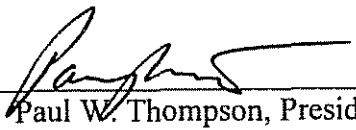
Nothing contained in this letter should be construed as WKEC's or LEM's admission or acceptance of, or agreement with, any statement of fact or allegation made by HMPL in its letter of May 1, 2008, all of which are hereby denied unless expressly agreed to by WKEC and LEM in writing.

City of Henderson Utility Commission
d/b/a Henderson Municipal Power & Light
Charles B. West, Esq.
May 5, 2008
Page 3

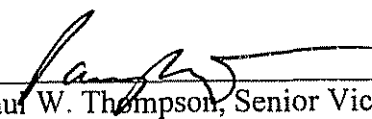
Lastly, please note that WKEC and LEM have provided Big Rivers with a copy of this letter.

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



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

Charles B West, Esq.
Stoll Keenon Ogden PLLC
201 C North Main Street
Henderson, Kentucky 42420-3103

May 30, 2008

RE: Excess Henderson Energy Dispute

Gentlemen:

Western Kentucky Energy Corp. ("WKEC") and LG&E Energy Marketing Inc. ("LEM") are in receipt of your letter dated May 1, 2008 (but not received by WKEC and LEM until May 2, 2008), in which the City of Henderson Utility Commission ("HMPL") alleges certain "Defaults" on the part of WKEC and/or LEM under the provisions of Sections 11.5(a) and (c) and Section 13.4(a) 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"), WKEC and LEM (the "Station Two Agreement").

While your letter of May 1, 2008 is described as a "Second Amended Notice of Default", we assume that your claims and demands set forth in that letter are asserted in addition to, and not in lieu of, the claims and demands set forth in your previous letters to WKEC and LEM dated March 24, 2008. Please refer to our letter to HMPL dated March 28, 2008 for our responses with respect to HMPL's claims and demands set forth in those letters of March 24, 2008.

This letter will respond only to the claims and demands made in HMPL's letter of May 1, 2008 with respect to certain monthly notices alleged to be due from WKEC and/or LEM under Section 11.5(c) of the Station Two Agreement. It should not be considered a response to HMPL's separate claim,

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Legal Department
220 W. Main Street
Louisville, Kentucky 40202
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Tim Dowdy
Sr. Corporate Attorney
T 502-627-3021
F 502-627-3367
Tim.dowdy@eon-us.com



also made in its letter of May 1, 2008, that WKEC and/or LEM have breached or defaulted under an obligation to pay HMPL or the City certain amounts for certain quantities of Excess Henderson Energy alleged to have been taken and used by WKEC or LEM (or any associated demands made by HMPL), nor should it be considered an admission by WKEC or LEM that either of them has an obligation to make such payments to HMPL or the City under the Station Two Agreement. WKEC and LEM have responded separately to that other claim (and associated demands) made by HMPL, in their letter to HMPL dated May 5, 2008.

Please be advised that WKEC and LEM each deny that they are in "Default" (or in any other breach or default) under the Station Two Agreement or any of the provisions cited in HMPL's letter of May 1, 2008. More particularly, WKEC and LEM hereby deny that they are in Default (or other breach or default) under any provision of the Station Two Agreement that may require or contemplate the giving of notice by WKEC or LEM to HMPL or the City, whether in connection with Excess Henderson Energy (if any) utilized by WKEC or LEM or otherwise. In addition, WKEC and LEM hereby claim that, in addition to any other notices that have been given by them to HMPL or the City, or that may in the future be given by them to HMPL or the City, with respect to Excess Henderson Energy taken by WKEC or its predecessor, WKE Station Two Inc., any payments previously made or hereafter made by WKEC or WKE Station Two Inc. to HMPL or the City for Excess Henderson Energy under Section 11.5(c) of the Station Two Agreement (including the amounts recently paid by WKEC to HMPL or the City under protest) were and will be sufficient to satisfy the notice requirement set forth in Subsection 11.5(c) of the Station Two Agreement, and have cured any alleged previous deficiencies in delivering a notice to HMPL or the City. In addition, even assuming *arguendo* that a notice required by Subsection 11.5(c) of the Station Two Agreement was not delivered by WKEC or WKE Station Two Inc. to HMPL or the City in accordance with that Subsection, WKEC and LEM hereby claim that HMPL and the City did not and will not incur any damage or other injury by virtue of that failure, in light of HMPL's or the City's receipt from WKEC or WKE Station Two Inc. of all purchase price amounts for the corresponding Excess Henderson Energy in accordance with that Subsection 11.5(c).

WKEC and LEM also remind HMPL and the City that all information, data, statements, offers and proposals previously disclosed or presented by WKEC, 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 (including without limitation, the slide presentation prepared and



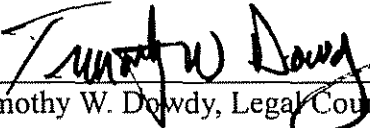
presented by E.ON to HMPL on December 12, 2007) were so disclosed or presented in connection with the parties' settlement discussions and negotiations, and in furtherance of a potential settlement of those issues. Such disclosures and presentations did not represent admissions of responsibility or of obligation, or representations, on the part of WKEC, LEM or E.ON U.S. LLC. WKEC and LEM trust that those disclosures and presentations will be held and treated by HMPL and the 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).

Nothing contained in this letter should be construed as WKEC's or LEM's admission or acceptance of, or agreement with, any statement of fact or allegation made by HMPL in its letter of May 1, 2008, all of which are hereby denied unless expressly agreed to by WKEC and LEM in writing.

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

Very truly yours,

WESTERN KENTUCKY ENERGY CORP.

By: 
Timothy W. Dowdy, Legal Counsel

LG&E ENERGY MARKETING INC.

By: 
Timothy W. Dowdy, Legal Counsel

cc: Big Rivers Electric Corporation

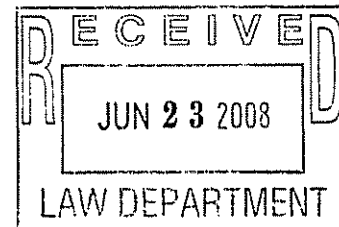


David S. Sinclair
Vice President
Energy Marketing

220 West Main Street
P. O. Box 32030 (40232)
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T (502) 627-4653
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david.sinclair@eon-us.com

June 18, 2008

Gary Quick
General Manager
Henderson Municipal Power and Light
100 Fifth Street
Henderson, KY 42419-0008



Dear Gary,

I am writing to let you know that beginning with the June bill, Western Kentucky Energy ("WKE") will be paying Henderson Municipal Power and Light ("HMPL") for Excess Henderson Energy. WKE will be applying the methodology for calculating Excess Henderson Energy that we first discussed with you at our December 12, 2007 meeting and as documented in the June 10, 2008 Draft Settlement Agreement and Release that we provided to you last week.

Furthermore, please find the enclosed check for \$24,547.50 for Excess Henderson Energy purchased in April and May of 2008. Our records indicate that we made the following purchases:

April – 7,507 MWH x \$1.50/MWH = \$11,260.50

May – 8,858 MWH x \$1.50/MWH = \$13,287.00

Please contact me if you have any questions or would like more information regarding the calculations for April and May.

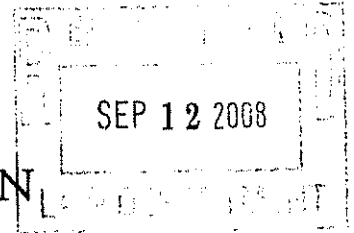
I understand that HMPL continues to disagree with WKE about the contract language related to this matter but I felt it was important that WKE begin to at least apply its interpretation of the contract to the monthly bill. I hope you will find this acceptable.

Regards,

Cc: Paul Thompson
Ralph Bowling
Tim Dowdy
Pat Northam
Ray Tompkins
Rusty Hudson



STOLL · KEENON · OGDEN
PLLC



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CHARLES B. WEST
DIRECT DIAL: (270) 869-6422
charles.west@skofirm.com

September 8, 2008

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

RE: Excess Henderson Energy

Dear Tim:

Since April 2008, WKEC has been sending HMP&L monthly payments for the Excess Henderson Energy used from Station Two. There are no reports of the total amount of megawatt hours used each month, but one may divide the amount of money submitted by the price of \$1.50 and surmise that the result is the proper quantity of Excess Energy.

There is, however, an ongoing discrepancy between generating records which we receive from the Big Rivers' system and WKE's records of the amount of Excess Energy used. Wayne Thompson of HMP&L has had several contacts with Ray Tompkins of your company attempting to resolve the matter, but without success.

WKE's check in the amount of \$24,547.50 for the months of April and May has been cashed. All subsequent checks, each for an amount smaller than Big Rivers' records would indicate to be due are still being held without negotiation.

This is not a question of methodology. We are applying the same methodology that you are applying, that which was demonstrated on December 12, 2007. The issue involves the difference in measured energy use in Big Rivers' records and WKEC's records.

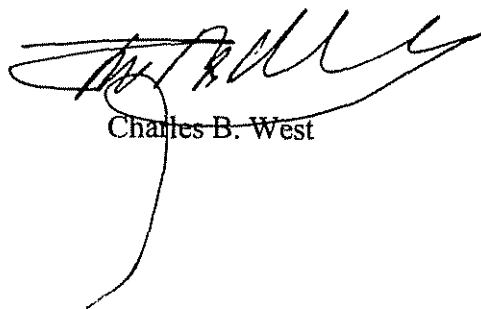
Obviously this is not a major matter, but it is a matter which needs to be resolved soon. I am enclosing a schedule of Excess Henderson Energy used by WKEC through July of '08, as per Big Rivers' generating records. The handwritten entries to the right of the last column represent the megawatt hours utilized by WKEC in calculating the amount of its payments.

Hon. Tim Dowdy
September 8, 2008
Page 2

I would appreciate your assistance in getting this matter resolved.

Yours very truly,

STOLL KEENON OGDEN PLLC

A handwritten signature in black ink, appearing to read 'Charles B. West', is written over the typed name. The signature is fluid and cursive, with a long, sweeping underline that extends downwards.

Charles B. West

CBW:klp

Enclosure

cc: Gary Quick
Wayne Thompson

102300 108916/3595697 1

EXCESS HENDERSON ENERGY

| | Hours > 312 | Excess MWh to WKEC/LEM |
|--------|----------------|------------------------------|
| Jan-07 | 0 | 2,397 |
| Feb-07 | 0 | 801 |
| Mar-07 | 0 | 5,879 |
| Apr-07 | 0 | 4,108 |
| May-07 | 0 | 597 |
| Jun-07 | 0 | 300 |
| Jul-07 | 0 | 339 |
| Aug-07 | 0 | 242 |
| Sep-07 | 0 | 591 |
| Oct-07 | 0 | 3,400 |
| Nov-07 | 0 | 5,042 |
| Dec-07 | 0 | 4,993 |
| | 0 | 28,689 |

| | Hours > 312 | Excess MWh to WKEC/LEM |
|--------|----------------|---------------------------|
| Jan-08 | 0 | 2,619 |
| Feb-08 | 0 | 974 |
| Mar-08 | 0 | 8,586 |
| Apr-08 | 1 | 7,880 |
| May-08 | 0 | 9,182 |
| Jun-08 | 18 | 4,083 |
| Jul-08 | 0 | 2,899 |
| Aug-08 | 0 | |
| Sep-08 | 0 | |
| Oct-08 | 0 | |
| Nov-08 | 0 | |
| Dec-08 | 0 | |
| | 19 | 36,223 |

7,507
6,858
3,773
2,560

Month

Jul-08

MWh

2,899

Price
per MWh

\$1.50

Total
Due HMP&L

\$ 4,348.50

8/1/2008



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

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Timothy W. Dowdy
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T 502-627-3021
F 502-627-3367
Tim.dowdy@eon-us.com

September 18, 2008

RE: Excess Henderson Energy

Dear C.B.:

I received your letter dated September 8, 2008 regarding HMP&L's concern regarding a potential discrepancy between generating records from the Big Rivers' system and the WKE records of the amount of Excess Energy utilized with respect to Station Two.

We acknowledge that you are not questioning the methodology used by WKE to calculate the volume of Excess Energy utilized, rather the issue involves the difference between Big Rivers' records and WKE's records regarding measured energy generated by Station Two.

In order to resolve this matter, WKE proposes that it will (i) pay HMP&L an amount equal to \$2,019.00, the total amount you indicate is the differential for April, May, June and July 2008 (calculated as 1346 MWh times \$1.50), and (ii) effective August 1, 2008, utilize the generating records it receives from the Big Rivers' system to measure Station Two generation and therefore, the amount of Excess Energy utilized by WKE.

WKE reserves the right to utilize its own records to measure the Station Two generation in the future; provided however, WKE agrees that it will not utilize records other than the generating records it receives from the Big Rivers' system to measure energy use without giving at least 30 days written notice to HMP&L.

If you are in agreement with this proposal, please have a representative of HMP&L sign below and return a copy of this letter with the signature to me.



We hope this solution is acceptable and will resolve this matter to HMP&L's satisfaction.

Sincerely,

A handwritten signature in black ink that reads "Timothy W. Dowdy". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Timothy W. Dowdy

cc: David Sinclair
Ray Tompkins

Acknowledged and agreed:

City of Henderson, Kentucky Utility Commission
dba Henderson Municipal Power & Light

By: _____

Name: _____

Title: _____

Date: _____



STOLL · KEENON · OGDEN
PLLC

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charles.west@skofirm.com

September 23, 2008

Timothy W. Dowdy
Senior Corporate Attorney
E.ON U.S. LLC
220 West Main Street
Louisville, KY 40202



RE: Excess Henderson Energy

Dear Tim:

The contents of your letter of September 18, 2008 is acceptable to HMP&L, except that it leaves HMP&L agreeing to WKEC's reversion to its own records based upon thirty (30) days notice. If WKEC reverts to its own generating records at some time in the future, HMP&L wants the right to contest the validity of those records as compared to Big Rivers' records.

To eliminate this risk I would suggest adding to the end of the third paragraph in your letter the following: "HMP&L reserves the right to disagree with WKEC's future refusal to rely upon Big Rivers' generating records."

If you will resubmit your letter with this addition, we can get it signed and returned to you. Thanks.

Yours very truly,

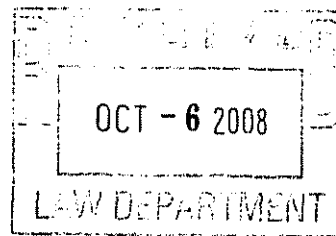
STOLL KEENON OGDEN PLLC

Charles B. West

CBW:klp

cc: Gary Quick
Wayne Thompson

102300 108916/3598404.1



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

E.ON U.S. LLC
Legal Department
220 W. Main Street
Louisville, Kentucky 40202
www.eon-us.com

September 25, 2008

Timothy W. Dowdy
Senior Corporate Attorney
T 502-627-3021
F 502-627-3367
Tim.dowdy@eon-us.com

RE: Excess Henderson Energy

Dear C.B.:

I received your letter dated September 8, 2008 regarding HMP&L's concern regarding a potential discrepancy between generating records from the Big Rivers' system and the WKE records of the amount of Excess Energy utilized with respect to Station Two.

We acknowledge that you are not questioning the methodology used by WKE to calculate the volume of Excess Energy utilized, rather the issue involves the difference between Big Rivers' records and WKE's records regarding measured energy generated by Station Two.

In order to resolve this matter, WKE proposes that it will (i) pay HMP&L an amount equal to \$2,019.00, the total amount you indicate is the differential for April, May, June and July 2008 (calculated as 1346 MWh times \$1.50), and (ii) effective August 1, 2008, utilize the generating records it receives from the Big Rivers' system to measure Station Two generation and therefore, the amount of Excess Energy utilized by WKE.

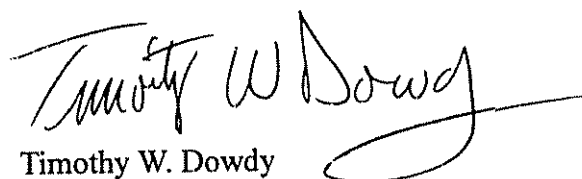
WKE reserves the right to utilize its own records to measure the Station Two generation in the future; provided however, WKE agrees that it will not utilize records other than the generating records it receives from the Big Rivers' system to measure energy use without giving at least 30 days written notice to HMP&L. HMP&L reserves the right to disagree with WKEC's future refusal to rely upon Big Rivers' generating records.

If you are in agreement with this proposal, please have a representative of HMP&L sign below and return a copy of this letter with the signature to me.



We hope this solution is acceptable and will resolve this matter to HMP&L's satisfaction.


Sincerely,


Timothy W. Dowdy

cc: David Sinclair
Ray Tompkins

Acknowledged and agreed:

City of Henderson, Kentucky Utility Commission
dba Henderson Municipal Power & Light

By: 
Name: GARY D. DICK
Title: General Manager
Date: SEPTEMBER 29, 2008

NON-DISCLOSURE AGREEMENT

This Non-Disclosure Agreement ("Agreement") is made and entered into between City of Henderson Utility Commission, d/b/a Henderson Municipal Power & Light ("HMP&L") (the "Disclosing Party") and the undersigned "Recipient."

Whereas, HMP&L is and will be engaged in discussions with (a) E.ON-U.S. LLC and certain of its affiliates (the "LG&E Parties") and Big Rivers Electric Corporation ("Big Rivers") regarding the terms and provisions of a document entitled "Station Two Termination and Release Agreement", which document will form a part of the transactions between and among HMP&L, the LG&E Parties and Big Rivers, as such transactions are more particularly described in that certain Transaction Termination Agreement dated March 26, 2007; and

Whereas, HMP&L, acting through its General Counsel, Charles B. West of Stoll Keenon Ogden PLLC has obtained and is obtaining certain engineering and metallurgical evaluations of the past and present condition and state of repair of HMP&L's Station Two Power Plant and Joint Use Facilities for purposes of assisting HMP&L in negotiating the terms of the Station Two Termination and Release Agreement so as to enable HMP&L to properly and adequately meet the risks which are involved in releasing the LG&E Parties and Big Rivers from past, present and future liability for the present condition and state of repair of the Station Two Power Plants and Joint Use Facilities, resulting from the LG&E Parties' operation, maintenance and control of such facilities from July 15, 1998 to the date of the Unwind Closing; and

Whereas, HMP&L desires to release to the LG&E Parties and Big Rivers copies of the reports and other materials obtained by HMP&L's General Counsel, but with the understanding and agreement that the LG&E Parties and Big Rivers will not disclose to other persons and entities, including the members of the general public the contents of such engineering reports nor the existence thereof without written permission of HMP&L's Counsel; and

Whereas, the undersigned (the "Recipient") is a representative of or advisor to one or more of the LG&E Parties and/or Big Rivers in connection with the performance by them of the Transaction Termination Agreement of March 26, 2007.

Now, therefore, in consideration of the sum of One Dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Recipient and HMP&L, acting by and through its General Counsel, agree as follows:

1. Recipient acknowledges that Recipient has been informed of the confidential nature of the engineering reports, documents and information which is presently in the hands of HMP&L's General Counsel (hereinafter the "Evaluation Material").

2. Recipient agrees to be bound by the terms of this Agreement, and agrees (a) not to use the Evaluation Material for any purposes other than negotiation with HMP&L and the City of Henderson of the terms and provisions of the proposed Station Two Termination and Release Agreement, and (b) not to disclose the Evaluation Material to any other person, except as provided herein.

3. Recipient further agrees that Recipient shall not, without the prior written consent of HMP&L's General Counsel, except as required by law and unless otherwise agreed to in writing by HMP&L, for a period of five years from the date of this Agreement, disclose to any other person or entity the contents of the Evaluation Material or any discussions previously or hereinafter engaged in between or among HMP&L, the LG&E Parties and/or Big Rivers regarding the subject matter of the Evaluation Material.

4. Recipient may, with the consent of HMP&L, disclose and discuss Evaluation Material with a person who is bound to HMP&L to maintain the confidentiality of the Evaluation Material. The LG&E Parties may disclose the Evaluation Material to E.ON U.S.LLC, E.ON U.S. Services Inc. and certain of its and their affiliates, and their respective employees, officers, directors, representatives and advisors who need access (or for whom it would be prudent to have access) to the Evaluation Material, and Big Rivers may disclose the Evaluation Material to its employees, officers, directors, representatives and advisors and the employees, officers, directors, representatives and advisors of its member cooperatives, in either case who need access (or for whom it would be prudent to have access) to the Evaluation Material. The Recipient shall be responsible for the maintenance of the confidentiality of the Evaluation Material by each of such persons to whom it shall disclose the Evaluation Material in accordance with the provisions of this Agreement.

5. Upon the request of HMP&L or its General Counsel, Recipient will promptly return to HMP&L's General Counsel all copies of the Evaluation Material in the possession of the Recipient, and will destroy all copies of any analyses, compilations, and studies or other documents prepared by Recipient, or for Recipient's use, containing or reflecting any Evaluation Material.

6. Each party agrees that the remedies at law for any actual or threatened breach by Recipient of the covenants contained in this Agreement would be inadequate and that HMP&L shall be entitled to equitable relief, including injunction and specific performance, in addition to all other remedies available to HMP&L at law or in equity for any actual or threatened breach by Recipient of this Agreement.

7. It is understood and agreed that no failure or delay by either party in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof.


8. This Agreement is for the benefit of the City of Henderson Utility Commission and the City of Henderson, Kentucky, and the City of Henderson shall be a

third party beneficiary to the covenants of Recipient set forth in this Agreement. This Agreement is governed by and shall be construed in accordance with the laws of the Commonwealth of Kentucky.

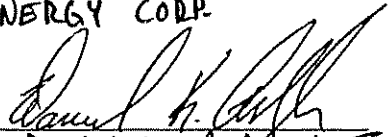
9. Should HMP&L, acting through its General Counsel or otherwise, disclose the Evaluation Material to the general public the Recipient shall thereupon be released from further duties and obligations under the provisions of this Non-Disclosure Agreement. HMP&L and its General Counsel, Charles B. West, reserve the right, under terms of this Agreement, to disclose any one or more of the Evaluation Material to the public.

This Agreement has been executed by HMP&L, acting through its General Counsel, and Recipient this 4 day of December, 2007

HENDERSON MUNICIPAL POWER
& LIGHT

By: 
Charles B. West, General Counsel

RECIPIENT - WESTERN KENTUCKY
ENERGY CORP.

By:  twb
Name: Daniel K. Arbough, Treasurer

LEX 102300/108916/3545249.2

Northam, Patrick R.

From: Northam, Patrick R.
Sent: Thursday, June 12, 2008 6:58 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
Attachments: Lou_2431171_2.DOC; 2974_001.pdf

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 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 Amendatory 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

6/12/2008

SECOND AMENDATORY AGREEMENT

THIS SECOND AMENDATORY AGREEMENT ("*Amendment*"), dated as of _____, 2008 (the "*Amendment Effective Date*"), by and among (a) BIG RIVERS ELECTRIC CORPORATION, a Kentucky rural electric generation and transmission cooperative ("*Big Rivers*"), (b) LG&E ENERGY MARKETING INC., an Oklahoma corporation ("*LEM*"), and WESTERN KENTUCKY ENERGY CORP., a Kentucky corporation ("*WKEC*") and the successor by merger of (i) WKE Corp., a Kentucky corporation ("*WKE*"), and (ii) WKE Station Two Inc., a Kentucky corporation ("*Station Two Subsidiary*") (WKEC, together with 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 a two unit electric Generating Plant owned by the City of Henderson ("*Station Two*"), and purchased a certain portion of the output of such facility.

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, upon the closing of the transactions contemplated therein on July 15, 1998, Station Two Subsidiary assumed certain of Big Rivers' operational responsibilities with respect to Station Two, and WKEC, LEM, Station Two Subsidiary, the City of Henderson, the City Utility Commission, Big Rivers and E.ON U.S. LLC, the indirect parent company of WKEC and LEM and the successor to LG&E Energy Corp. ("*E.ON*"), executed and delivered certain agreements, including the "Station Two Agreement" (as hereinafter defined), creating (among other rights and responsibilities) certain interests in favor of one or more of the E.ON Station Two Parties with respect to Station Two, certain of the energy generated thereby, and the land on which Station Two is situated and to which it is adjacent.

D. 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, including without limitation, their respective rights, debts, obligations and liabilities relating to Station Two.

E. Big Rivers, the E.ON Station Two Parties and E.ON have concluded that it is in their respective best interests to terminate and release between and among them the property interests and contractual relationships between them created by the Participation

Agreement, the Station Two Agreement and the other "Operative Documents" (as defined in the Participation Agreement), and have each executed and delivered a Transaction Termination Agreement dated as of March 26, 2007, as amended (the "**Transaction Termination Agreement**"), setting forth the terms and conditions upon which Big Rivers, the E.ON Station Two Parties and E.ON are willing to terminate and release such property interests and contractual relationships between them (collectively, the "**Unwind Transactions**").

F. In order to effect the Unwind Transaction among them with respect to Station Two, the E.ON Station Two Parties and Big Rivers have requested that the City of Henderson and the City Utility Commission agree to amend the Station Two Agreement by accelerating, to the Amendment Effective Date, the date on which the Station Two Agreement will expire in accordance with its terms, subject to such provisions of the Station Two Agreement which, by their express terms, survive the expiration of the Station Two Agreement.

G. As an inducement for the City of Henderson and the City Utility Commission to agree to that amendment, WKEC has agreed to pay to the City Utility Commission an "Expiration Fee" as provided for in Section 2.1 of this Amendment.

H. The City of Henderson and the City Utility Commission have decided that it is in their respective best interests to accommodate the Unwind Transactions by entering into this Amendment with the other Parties, thereby amending the Station Two Agreement to provide for its early expiration on and as of the Amendment Effective Date, upon the terms and subject to the conditions set forth in this Amendment, including without limitation, in exchange for WKEC's payment to the City Utility Commission of the Expiration Fee contemplated in Section 2.1.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth below, and for other valuable consideration, the receipt of which is hereby acknowledged, the Parties each agree as follows, effective immediately:

ARTICLE 1

DEFINITIONS

Section 1.1 Definitions. As used in this Amendment, the "**Station Two Agreement**" shall mean 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 and WKEC (for itself and as successor to 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, WKEC (for itself and as successor to WKE and Station Two Subsidiary) and LEM. Capitalized terms used in this Amendment (including the Recitals hereto) and not otherwise defined herein shall have the meanings set forth in the Station Two Agreement.

ARTICLE 2

EXPIRATION FEE

Section 2.1 Payment. In consideration of the execution and delivery of this Amendment by the City of Henderson and the City Utility Commission, and as a material inducement for such execution and delivery, WKEC has paid to the City Utility Commission, contemporaneous with the execution and delivery of this Amendment, the amount of TWO MILLION DOLLARS (\$2,000,000.00) in immediately available funds, the receipt of which is hereby acknowledged by the City Utility Commission (the "*Expiration Fee*").

ARTICLE 3

AMENDMENTS TO STATION TWO AGREEMENT

Section 3.1 Amendment to Section 9.3. Section 9.3 of the Station Two Agreement is hereby amended to be and read in its entirety as follows:

"9.3 Term of Assignment. The term (the "Phase II Assignment Term") of the assignment by Big Rivers to Station Two Subsidiary, its successors and permitted assigns, of certain rights and obligations under the Assigned Station Two Contracts, as contemplated in Section 9.1 of this Agreement, shall commence on the Phase II Effective Date and shall end at and as of _____ **[Insert Unwind Closing Date and Time]."**

Section 3.2 Acknowledgments. The Parties acknowledge and agree that, by virtue of the amendments effected pursuant to Section 3.1 above, and by virtue of Section 2.4 of the Station Two Agreement, the Station Two Agreement shall expire at and as of _____ **[Insert Unwind Closing Date and Time]** (the "*Expiration Date*") for all purposes contemplated in the Station Two Agreement, in the G&A Allocation Agreement, in the New Reserves Agreement and in the Guaranty, in each case without notice or further action on the part of any Party, including without limitation, as contemplated in Section 10.16 of the Station Two Agreement for the purpose of effecting the automatic reversion and assignment to Big Rivers provided for therein. Consistent with the foregoing, the Expiration Date shall be deemed to be the "date of expiration" and the "expiration date" of the Station Two Agreement, and the "date the Station Two Agreement expires", as those terms are used in the Station Two Agreement and in the G&A Allocation Agreement and the New Reserves Agreement. Notwithstanding the foregoing provisions of this Section 3.2, the Parties agree that the expiration of the Station Two Agreement as contemplated above shall not be deemed to affect those provisions of the Station Two Agreement, the G&A Allocation Agreement, the New Reserves Agreement and/or the Guaranty which, by their terms, are to continue in force and effect following the expiration of the Station Two Agreement.

ARTICLE 4

STATION TWO TERMINATED DOCUMENTS; MORTGAGE RELEASES

Section 4.1 Termination. Effective immediately, and without notice or further action on the part of any Party, 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 easements, agreements and other instruments and documents set forth or identified on Schedule 4.1 hereto (collectively, the "*Station Two Terminated Documents*") to which such Parties are signatories or beneficiaries; provided, that the foregoing shall not be deemed to relieve any E.ON Station Two Party or Big Rivers, on the one hand, or the City of Henderson or the City Utility Commission, on the other hand, of or from any obligation(s) to the others resulting from or arising out of its breach or default under a Station Two Terminated Document occurring prior to the Amendment Effective Date.

Section 4.2 Filing of Releases and Termination Statements. On the Amendment Effective Date, and consistent with the last sentence of Subsection 10.11(a) of the Station Two Agreement, the relevant Parties agree to execute and deliver to the appropriate Party or Parties for purposes of recording or filing the same: (a) terminations of easements and rights of way in the forms attached hereto as Exhibits A-1 and A-2, (b) a termination of Assignment of Easements in the form attached hereto as Exhibit A-3, and (c) all such other instruments of termination or discharge (in form reasonably satisfactory to the relevant Parties) as shall be required by or otherwise provided for in any Station Two Terminated Document, or as shall be reasonably requested by any Party, to evidence such termination and discharge or for the purpose of updating the real estate records of Henderson County, Kentucky, in respect of the terminations and discharges of the Station Two Terminated Documents as contemplated herein.

Section 4.3 Releases of Mortgages and Security Agreements. Each of the E.ON Station Two Parties and Big Rivers severally agrees with the City of Henderson and the City Utility Commission (a) to execute and deliver on the date hereof written releases of mortgages and security agreements in form satisfactory to the E.ON Station Two Parties and Big Rivers ("*Mortgage Releases*"), sufficient to terminate, release and discharge in their entirety (i) the Mortgage and Security Agreement, dated July 15, 1998, by Big Rivers in favor of LEM and WKEC (for itself and as successor to Station two Subsidiary and WKE), and (ii) the Mortgage and Security Agreement (LEM Mortgage), dated July 15, 1998, by Big Rivers in favor of LEM and WKEC (for itself and as successor to Station two Subsidiary and WKE), and (b) promptly following the execution and delivery of this Amendment, to file those Mortgage Releases, together with all terminations of security interests under Financing Statements (fixture filings) filed under the Kentucky Uniform Commercial Code in connection with the Mortgage and Security Agreements described above (or either of them), in Henderson County, Kentucky or in the office of the Secretary of State of the Commonwealth of Kentucky, as applicable, in order to terminate, release and discharge of

record any mortgages, fixture filings or other security interests created by or in connection with the Mortgage and Security Agreements described above (or either of them).

ARTICLE 5

RELEASED STATION TWO DOCUMENTS

Section 5.1 Released Station Two Documents. Schedule 5.1 attached hereto sets forth or identifies an agreement and certain easements to which Big Rivers, one or more of the E.ON Station Two Parties, the City of Henderson and/or the City Utility Commission (among other parties) are parties as of the date hereof (collectively, the “*Released Station Two Documents*”).

Section 5.2 Release of E.ON Station Two Parties by City of Henderson and City Utility Commission. In light of the Parties’ intentions that the Released Station Two Documents continue in force and effect following the Amendment Effective Date as between or among the City of Henderson, the City Utility Commission and Big Rivers (in certain cases among other parties), but that the E.ON Station Two Parties, on the one hand, and the City of Henderson and City Utility Commission, on the other hand, be relieved by the others from further obligation under those documents arising or accruing following the Amendment Effective Date, the E.ON Station Two Parties, the City of Henderson and the City Utility Commission agree with each others as follows:

(a) effective immediately, and without notice or further action on the part of any Party, 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 LEM and WKEC, and their respective members, shareholders, directors, officers, employees, agents, representatives, advisors, successors, predecessors and assigns, and each of them, of and from any and all debts, obligations or liabilities of any nature whatsoever, whether in contract, in equity, in tort or otherwise, whether known or unknown, whether accrued or unaccrued, and whether fixed, contingent or otherwise (collectively, “*Claims*”), which the City of Henderson or the City Utility Commission ever had, now have, may now have or may hereafter have against LEM or WKEC, resulting from, arising out of or in any manner relating to the Released Station Two Documents (or any of them); provided, that the foregoing provisions of this Subsection (a) shall not be deemed to remise, release, acquit, waive or discharge LEM or WKEC of or from any Claims resulting from or arising out of any breach or default on the part of LEM or WKEC under or pursuant to a Released Station Two Document occurring prior to the Amendment Effective Date; and

(b) effective immediately, and without notice or further action on the part of any Party, LEM and WKEC, 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 the City of Henderson and the City Utility Commission, and their respective directors, officers, employees, agents, representatives, advisors, successors, predecessors and assigns, and each of them, of and from any and all Claims which LEM or WKEC ever had, now have, may now have or may hereafter have against the City of Henderson or the City Utility Commission, resulting from, arising out of or in any manner relating to the Released Station Two Document (or any of them); provided, that the foregoing provisions of this Subsection (b) shall not be deemed to remise, release, acquit, waive or discharge the City of Henderson or the City Utility Commission of or from any Claims resulting from or arising out of any breach or default on the part of the City of Henderson or the City Utility Commission under or pursuant to a Released Station Two Document occurring prior to the Amendment Effective Date.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES

Section 6.1 Representations and Warranties of the E.ON Station Two Parties. Each of the E.ON Station Two Parties hereby severally represents and warrants to Big Rivers, the City of Henderson and the City Utility Commission that:

(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.

(b) Execution, Delivery and Binding Effect. This Amendment 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 Amendment 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. All consents, approvals, resolutions, authorizations, actions or orders, including those which must be obtained from any Governmental Entities, required for the authorization, execution and delivery of, and for the consummation of the transactions contemplated by, this Amendment by any E.ON Station Two Party have been obtained prior to the date hereof.

Section 6.2 Representations and Warranties of Big Rivers. Big Rivers hereby represents and warrants to each of the E.ON Station Two Parties, the City of Henderson and the City Utility Commission that:

(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.

(b) Authorization, Execution, Binding Effect. This Amendment 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 Amendment, 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. All consents, approvals, resolutions, authorizations, actions or orders, including, those which must be obtained from any Governmental Entities, required for the authorization, execution and delivery of, and for the consummation of the transactions contemplated by, this Amendment by Big Rivers have been obtained prior to the date hereof.

Section 6.3 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:

(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.

(b) Authorization, Execution, Binding Effect. This Amendment 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 Amendment, 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 (i) contravene any Applicable 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 the City of Henderson or the City Utility Commission is a party or by which the City of Henderson or the City Utility Commission, or its property, is bound, or result in the creation of any lien on the property of the City of Henderson or the City Utility Commission.

(d) No Required Consents. All consents, approvals, resolutions, authorizations, actions or orders, including, those which must be obtained from any Governmental Entities, required for the authorization, execution and delivery of, and for the consummation of the transactions contemplated by, this Amendment by the City of Henderson and the City Utility Commission have been obtained prior to the date hereof.

ARTICLE 7

SO2 ALLOWANCES AND NOx ALLOWANCES

Section 7.1 Allowances under Station Two Contracts. Big Rivers agrees with the City of Henderson and the City Utility Commission that, notwithstanding anything contained in this Station Two Termination and Release to the contrary, 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 date hereof which are to be allocated in accordance with the Station Two Contracts subsequent to the date hereof, 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 8

TAX MATTERS

Section 8.1 Tax Acknowledgments and Commitments. Big Rivers and the E.ON Station Two Parties agree with the City of Henderson and the City Utility Commission that, in the event any of the transfers or assignments by WKEC to Big Rivers, effected or to be effected pursuant to the Transaction Termination Agreement (or one or more other "Definitive Documents" referred to in the Transaction Termination Agreement), of inventory, personal property, agreements, permits, SO2 allowances or NOx allowances relating to Station Two or to the Joint Use Facilities shall result in the assessment or imposition of any sales or use taxes by any taxing authority, those sales or use taxes shall not be allocated by Big Rivers or the E.ON Station Two Parties to Station Two as operating or maintenance costs or expenses (or other expenses) recoverable by them under the Station Two Operating Agreement. In addition, the City of Henderson and the City Utility Commission, on the one hand, and Big Rivers, on the other hand, agree that, as between them, the apportionment of property taxes (or responsibility for the same) between the E.ON Station Two Parties and Big Rivers, and the allocation of responsibility for unemployment taxes and workers' compensation premiums between the E.ON Station Two Parties and Big Rivers, in each case pursuant to the Transaction Termination Agreement (or any other Definitive Document), shall not relieve Big Rivers from responsibility for the payment or discharge following the date hereof of property taxes, unemployment taxes and workers' compensation premiums to the extent and in the manner contemplated in the Station Two Contracts (but subject to the provisions of the Station Two Contracts). Nothing contained in this Section 8.1 shall amend, modify or supplement the agreements as between Big Rivers and the E.ON Station Two Parties with respect to sales and use taxes, property taxes, unemployment taxes and workers' compensation premiums set forth in the Transaction Termination Agreement or the other Definitive Documents.

ARTICLE 9

MISCELLANEOUS

Section 9.1 Successors and Assigns. This Amendment 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.

Section 9.2 Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF KENTUCKY.

Section 9.3 Waivers. No waiver of any of the provisions of this Amendment 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 9.3 Further Assurances. Each Party hereby agrees, from and after the date hereof, and upon the reasonable request of any other Party, to do, execute, acknowledge and deliver any and all such other actions, instruments and documents as shall be necessary or appropriate in order to give full force and effect to this Amendment and to the transactions contemplated herein.

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

[Signatures appear on the following page.]

BIG RIVERS ELECTRIC CORPORATION

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:

FOR VALUABLE CONSIDERATION, the receipt of which is hereby acknowledged, the undersigned, E.ON U.S. LLC, a Kentucky limited liability company and the successor in interest of LG&E Energy Corp. ("E.ON"), in its capacity as the guarantor under that certain Guarantee Agreement [Station Two Obligations] dated as of July 15, 1998, among E.ON, the City of Henderson, Kentucky, and the City of Henderson Utility Commission, hereby consents to the amendments to the Station Two Agreement effected

pursuant to the foregoing Second Amendatory Agreement.

WITNESS the signature of the undersigned as of the ____ day of _____, 2008.

E.ON U.S. LLC

By: _____

Name:

Title:

EXHIBIT A-1

TERMINATION OF CITY EASEMENT

See attached.

EXHIBIT A-2

TERMINATION OF BIG RIVERS EASEMENT

See attached.

EXHIBIT A-3

TERMINATION OF ASSIGNMENT OF EASEMENTS

See attached.

SCHEDULE 4.1

STATION TWO TERMINATED DOCUMENTS

1. 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;
2. 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;
3. Assignment of Easements, dated April 30, 2006, among Station Two Subsidiary and LEM, as assignors, and WKEC, as assignee;
4. Acknowledgement and Consent, dated July 15, 1998, among the City of Henderson, the City Utility Commission and LEM;
5. **[Supplementary Agreement on SO₂ Emission Allowances, dated January 18, 2002, between the City Utility Commission and WKEC (including as successor by merger of Station Two Subsidiary)] [NOTE: E.ON, the City and Big Rivers would need to decide how this agreement would be dealt with in connection with the unwind transaction];**
6. Excess Power Agreement (letter agreement) dated July 23, 1999, between LEM and the City Utility Commission; and
7. Designated Representative/Alternate Designated Representative Appointment Agreement, dated August 27, 2002, among the City of Henderson, the City Utility Commission, Big Rivers, Station Two Subsidiary, Gregory Black and Ralph Bowling.

SCHEDULE 5.1

RELEASED STATION TWO DOCUMENTS

1. Designated Representative Appointment Agreement, dated September 24, 2007, among the City of Henderson, the City Utility Commission, Big Rivers, WKEC, Gregory Black and Ralph Bowling;
2. Grant of Rights and Easements, dated as of April 1, 2005, among the City of Henderson, the City Utility Commission, Big Rivers and WKEC;
3. 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;

LOU: 2431171-2

Northam, Patrick R.

From: Gary Quick [gquick@hmpl.net]
Sent: Wednesday, June 25, 2008 5:26 PM
To: Northam, Patrick R.
Cc: West, C. B.; Ferdon, Robert; Wayne Thompson
Subject: Follow-Up

Good Afternoon Pat:

I wanted to get back to you concerning the status of our review of your proposed Second Amendatory Agreement and the March 19 Term Sheet which were attached to your June 12 email. Because of our increasing legal expenses, the current unresolved Ambac matter, and other recent events, I have requested that Mr. West and Mr. Ferdon postpone any further legal review of your documents.

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 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

6/26/2008

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 Amendatory 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

Greenebaum Doll & McDonald PLLC

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101 South Fifth Street
Louisville, Kentucky 40202

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Fax: (502) 540-2296

6/26/2008

The following warning is required by the IRS whenever tax advice is given. If this email contains no direct or indirect tax advice, the warning is not applicable.

As a result of perceived abuses, the Treasury has recently promulgated Regulations for practice before the IRS. These Circular 230 regulations require all attorneys and accountants to provide extensive disclosure when providing certain written tax communications to clients. In order to comply with our obligations under these Regulations, we would like to inform you that since this document does not contain all of such disclosure, you may not rely on any tax advice contained in this document to avoid tax penalties nor may any portion of this document be referred to in any marketing or promotional materials.

This message has been sent from a law firm and may contain information which is confidential or privileged. If you are not the intended recipient, please advise the sender immediately by reply e-mail and delete this message and any attachments without retaining a copy. Please advise immediately if you or your employer do not want us to use Internet e-mail for future messages of this kind. Thank you.

May 1, 2007



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

Dear Mr. West:

**Subject: Henderson Municipal Power & Light Station Two, Unit 1
Review of Thermal Event**

Introduction

R. W. Beck, Inc. ("R. W. Beck") has been retained by Henderson Municipal Power & Light ("HMP&L") to conduct a review of the thermal event which occurred on January 29, 2007 from 6:14 to 6:27 AM at HMP&L's Station Two, Unit 1 (the "Thermal Event"). Station Two was under operation by Western Kentucky Energy ("WKE") at the time of the Thermal Event. This review and associated letter report (the "Letter Report") have been undertaken for Stoll, Keenon Ogden in accordance with a Task Authorization between R. W. Beck and HMP&L dated April 5, 2007, and are subject to the doctrine of lawyer-client privileged communication.

Summary of Review

R. W. Beck's review is based solely on information in the "HMP&L Station Two Unit 1 January 29, 2007 Thermal Event Report" (the "TER") prepared by WKE, and a discussion with Mr. Wayne Thompson of HMP&L. ~~R. W. Beck performed no site visit or further investigation.~~ The observations that follow are based on assumption that the information provided is complete and accurate. To the degree that the information provided is incomplete or inaccurate, then the observations made could be incomplete or inaccurate.

R. W. Beck understands that the Operating Agreement between HMP&L and WKE requires WKE to operate the unit in accordance with "prudent utility practice". ~~R. W. Beck was asked to review the information and identify those instances, if any, where the actions of the WKE employees did not meet the "prudent utility practice" standard or were sufficiency below this standard to constitute negligence, and whether this negligence was a substantial cause of the damage.~~

~~R. W. Beck believes that the combination of the actions and inactions by WKE constitute negligence. Poor maintenance and lack of proper calibration procedures for plant instruments and inadequate freeze protection measures indicate negligence that occurred prior to the Thermal Event. Additionally, it appears the WKE did not correct recognized maintenance problems in a~~

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timely fashion. During the Thermal Event the operator did not employ "prudent utility practice" and trip the boiler after several events were observed that would cause low drum level. These points are detailed below

Actions Prior to the Thermal Event

West Drum Level

The TER indicates that the West Drum Level transmitter was incorrectly installed; proper installation called for it to be made reverse acting. Mr. Thompson reported that a thermal event in 2004 caused significant damage to Unit 1 and was due to a level transmitter that was also incorrectly installed by not making it reverse acting. This was negligent on the part of WKE, as they should have been sensitive to this type of error due to the recent experience. This error was material as it reduced the unit to having only one reliable remote level indicator.

Calibration Sheets

It was determined that there were no calibration sheets available for the West Drum Level transmitter. HMP&L indicated that other instruments have not had calibration sheets available. This calls into question WKE's maintenance management practices for instrumentation, an important system in modern power plants and such information is typically readily available at plants that incorporate "prudent utility practices."

Freeze Risk

There was a recognized freeze risk, as indicated by the outside air temperature being 10°F and a portable heater being placed in the east enclosure. The heater was not placed securely and the operators did not check on it frequently enough, as evidenced by the portable heater being toppled over and not being discovered in this position until after the Thermal Event. "Prudent utility practice" would call for the operators to conduct increased rounds to monitor the temporary freeze protection measures being employed. The information in the TER does not support that this was done by WKE.

In addition, the door to the east enclosure was damaged and unrepaired, even though there was a recognized freeze risk. The quick repair of the door after the Thermal Event indicates that there was no condition preventing repairing the door prior to the freezing risk.

Missing Insulation

The TER indicates that a corrective action was to replace missing insulation on drum level piping, suggesting that the insulation was not replaced when the west drum level transmitter was replaced on January 4, 2007. The reference also suggests the east drum level transmitter had

pipng insulation missing with a recognized freeze risk. WKE's failure to replace primary freeze protection during a recognized period of freeze risk indicates negligent behavior.

Repair of Drum Enclosures

The need for repairing the drum enclosures was recognized, as noted by the fact that funds were allocated for this purpose. However, WKE was deferring the work until after the cold weather season, which is after the period when the need for freeze protection is the greatest.

Sight Glass and Camera

The TER indicates that the east drum level sight glass and camera were damaged the week before the Thermal Event. Additionally, the remaining west drum level sight glass was not checked to ensure that this sole remaining back-up level indication was in good working order. The dirty condition of the west drum level sight glass was not discovered until after the Thermal Event. Consequently, the west drum level sight glass was not in good working order at the time of the Thermal Event. It appears the ability to repair the glass is demonstrated by WKE having the parts on hand to repair the sight glass the day of the Thermal Event.

The TER suggests that the east drum level sight glass remained unrepaired despite the fact that parts were likely on hand to do so as evidenced by the ability to repair west drum level sight glass the day of the Thermal Event.

Other Potential Issues

From the limited information presented, it cannot be determined whether, in the previous three weeks leading up to the Thermal Event, there were indications (due to the incorrect installation of the west drum level transmitter) that should have alerted WKE that there was a problem with one of the indications (e.g., significant differences in level between the east and West transmitters). A review of historical data during this period may indicate anomalies in the readings that WKE should have noted and investigated.

The American Society of Mechanical Engineers ("ASME") boiler code requires certain particular instrumentation to be installed on high pressure boilers for indication of boiler drum level. *From the limited information presented, it cannot be determined whether, this code required instrumentation was installed on Unit 1. If additional investigation is to be undertaken on the Thermal Event, we would recommend determining whether the proper drum level instrumentation was installed and who would have been responsible for this instrumentation not being installed.*

Summary – Prior to Thermal Event

WKE's apparent continued omission of proper calibration procedures and installation errors is not in accordance with "prudent utility practice." The repeated incorrect installation of

instruments, especially in cases where the same mistake caused a similar problem in the past, is not "prudent utility practice" and can be considered negligent.

Actions During the Thermal Event

Operator Error

WKE's critical error during the Thermal Event was focusing on the apparent drum level and failure to recognize that the operating conditions did not agree with the apparent drum level and should have caused WKE to initiate a unit trip much sooner than they did. Some of these errors rise to the level of being negligent.

Feedwater Flow and Control

The feedwater flow was interrupted and it took over three minutes to reestablish feedwater flow (6:14:40 to 6:17:40) with the steam flow continuing at near full flow for this period. The TER indicated that the drum was known to have only 36 seconds of water inventory. If WKE saw that feedwater flow could not be immediately reestablished, the unit should have been tripped. Sending the auxiliary operator out to test the control valve controller would not have supported an immediate reestablishing of the feedwater flow. WKE was either negligent in failing to recognize this situation or was negligent in failing to train its operators adequately.

Once feedwater control was reestablished, WKE continued to restrict water flow for several minutes even though the unit was still being operated with a steam flow higher than the incoming water flow. This is a condition that is universally recognized as one that would rapidly lower boiler water inventory and drum level, despite whatever readings were shown on the drum level indicators.

Drum Level Indication

The drum level indication for either of the east or west indicator did not materially change for the five minutes (6:14:40 to 6:19:40) that water flow was significantly below steam flow. This is a condition that is universally recognized as one that would rapidly lower boiler water inventory and drum level and should have caused the operator to recognize that neither of the two drum level indications were correct. Without reliable drum level indication, the "prudent utility practice" would be to trip the unit immediately.

Potential Boiler Leak

WKE continued to fire the unit after there was indication of high furnace pressure, suggesting a tube leak into the furnace. An increase in furnace pressure (gas side) can be an indication of a significant tube leak causing large amounts of steam volume to enter the furnace. The increase in this volumetric flow causes the increase in furnace pressure. A potential tube leak would also

Mr. Charles B. West
May 1, 2007
Page 5

cause declining pressure in the boiler (steam side), and is also recognized as a condition that can cause a loss of water and drum level in the boiler. These indications were apparently ignored by WKE's operators and the boiler was fired for seven minutes (6:20:00 to 6:27:00) before the unit was tripped.

Summary – During Thermal Event

WKE continued to operate the unit for several minutes during conditions that are typically recognized as rapidly lower boiler water inventory and drum level. The operator errors included continuing to operate the unit for over seven minutes after one of the drum level indicators indicated that the drum was empty. The standard of "prudent utility practice" would require the operators to trip the unit immediately with even a single drum level indication showing the drum empty or when there was a risk of losing drum level.

Conclusion

Based on R. W. Beck's review of the TER and our discussion with Mr. Wayne Thompson of HMP&L, R. W. Beck believes that the combination of the actions and inactions by WKE described in this Letter Report could constitute negligence. In addition, further investigation performed by HMP&L may uncover additional evidence of potential negligence by WKE.

If you should have any questions or comments about the above, please feel free to contact me at (508) 935-1806.

Very truly yours,

R. W. BECK, INC.



Kenneth J. Rush, Jr., P.E.
Senior Director

KJR/ss

c: Rick Reiff, R. W. Beck

Park, Kathy

From: Gary Quick [gquick@hmpl.net]
Sent: Monday, January 28, 2008 2:40 PM
To: West, C. B.; Wayne Thompson
Subject: HMP&L Unwind Expenses
Attachments: UNWIND EXP.pdf


C B. / Wayne:

Attached is an updated schedule of the various expenses we have incurred for the Unwind. The expenses are current as of January 15, 2008. Please destroy any prior copies of this information. I will update the schedule as we go forward and send you copies.

Thanks, Gary

<<UNWIND EXP.pdf>>

HMP&L UNWIND EXPENSES
(as of January 15, 2008)

| | <u>Actual</u> <u>(Rounded)</u> | <u>Estimated</u> <u>Outstanding Billing</u> <u>Not Received</u> |
|------------------------|--|---|
| RW Beck | \$10,357 | |
| Burns & McDonnell | \$37,750 | |
| Exothermic Engineering | \$126,708 | \$34,647 |
| Federal Express | \$66 | |
| Fulbright & Jaworski | \$216,364 | |
| Stoll Keenon Ogden | \$45,648 | |
| HMP&L Administrative | \$250,000 | |
| | <u>\$686,893</u> | <u>\$34,647</u> |
| |  | |
| | <u><u>\$721,540</u></u> | |

UNWIND TRANSACTION
HMP&L ADMINISTRATIVE EXPENSES
TIME PERIOD: 2-YEARS (DECEMBER 2005 - NOVEMBER 2007)

| <u>Employee</u> | <u>Employment Classification</u> | <u>Hours (2-Years)</u> | <u>Compensation</u> | <u>Benefits</u> | <u>Total</u> |
|--|----------------------------------|------------------------|---------------------|-----------------|-------------------------|
| Mary Sue Barron | Acting General Manager | 35 | \$1,167 | \$350 | \$1,517 |
| Wayne Thompson | Director Power Production | 1,665 | \$80,776 | \$24,233 | \$105,009 |
| Gary Quick | General Manager | 1,415 | \$113,469 | \$30,041 | \$143,510 |
| Beverly Klima | Administrative Assistant | 416 | \$9,579 | \$2,874 | \$12,453 |
| Tammy Konsler | Administrative Assistant | 624 | \$15,559 | \$4,668 | \$20,227 |
| 2-Year Total HMP&L Administrative Expense: | | | | | <u><u>\$282,716</u></u> |

Sinclair, David

From: Gary Quick [gquick@hmpl.net]
Sent: Tuesday, April 01, 2008 10:58 AM
To: Sinclair, David
Cc: Dr. Smith
Subject: Big Rivers Letter and HMP&L's Response
Attachments: BIG RIVERS LETTER.pdf; HMPL LETTER.pdf

Good Morning David:

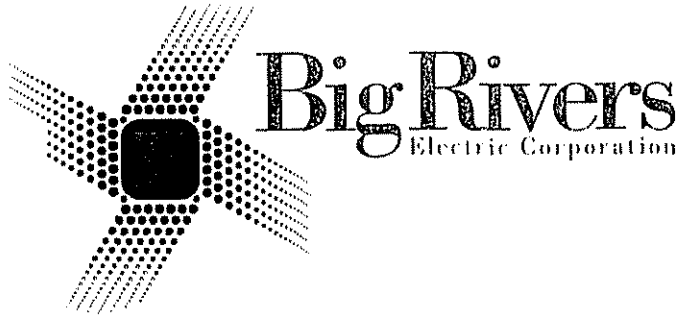
Paul Thompson told me you were having some health issues and I hope you are better.

Attached is a copy of a letter we received from Big Rivers last Friday. Also attached is HMP&L's response to the letter which was sent to Big Rivers this morning. Dr. Smith requested that I send this information to you in an attempt to keep you informed

Gary

<<BIG RIVERS LETTER.pdf>> <<HMPL LETTER.pdf>>

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201 Third Street
P.O. Box 21
Henderson, KY 42419-0021
270-827-2561
www.bigrivers.com

March 28, 2008

Mr. Gary Quick
General Manager
HMP&L
P.O. Box 8
Henderson, KY 42420

Re: Big Rivers/HMP&L Unwind Issue

Dear Gary:

Big Rivers appreciates your prompt review and response to our latest proposal to address HMP&L's concerns related to the "Unwind". As you might guess, we were very disappointed with your response.

We have made every attempt to understand and recognize HMP&L's position regarding your capacity reservation from Station Two and electricity associated with that reservation. Our first proposal to leave the agreements as they are and pay for Excess Energy according to the 1998 agreements was rejected. After that we offered to increase the \$1.50 per megawatt hour fee for Excess Energy to \$2.50 to receive HMP&L consent quickly. That too was rejected.

Big Rivers listened carefully to HMP&L's stated concerns, and we attempted to address them with this last proposal. We listened when HMP&L stated it wanted to close Station One in the near future. We listened when HMP&L stated it believed it was paying for electricity not received. We made a proposal that took both of those issues into account. The most recent proposal allowed HMP&L to meet its demand requirements after shutting down Station One immediately upon shutdown, rather than requiring HMP&L to adjust its reservation 5 MW per year as specified in the current agreements. The latest proposal allows HMP&L to pay for only its actual monthly demand. Our latest proposal was also rejected. This leaves Big Rivers at a loss.

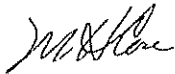
While none of the proposals Big Rivers has made are required or anticipated under the current agreements, Big Rivers has made every effort to propose an agreement to enable HMP&L to give its consent. HMP&L has continued to take the position that its customers have been and would be paying (under Big Rivers' proposals) for electricity not taken by its customers. We do not understand or agree with this position. HMP&L

Mr. Gary Quick
Re: Big Rivers/HMP&L Unwind Issue
March 28, 2008
Page 2 of 2

only pays for the electricity that it uses both under the current arrangement and under Big Rivers' proposals. When HMP&L does not take all electricity available within its capacity reservation, Big Rivers pays for the fuel, reagent, and ash disposal costs *necessary to generate that electricity*. In addition, as specified in our current agreement, we make an additional contribution of \$1.50 per MWh to help offset some of HMP&L's capacity reservation expense obligations.

Big Rivers has made multiple attempts to resolve this impasse, but HMP&L has been unwilling to yield or compromise to any extent. While we would very much like to move forward with the proposed transaction between Big Rivers, E.ON, the smelters, and HMP&L, and are not withdrawing our proposals, Big Rivers has nothing further to offer to HMP&L.

Sincerely



Michael H. Core
CEO/President

MHC/bh



March 31, 2008

Mr. Mike Core
CEO/President
Big Rivers Electric Corporation
PO Box 24
Henderson, KY 42419-0024

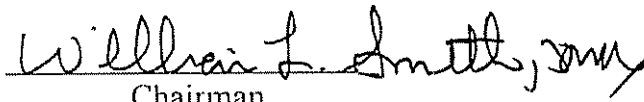
Dear Mike,

Thank you for your March 28 letter concerning our various discussions with Big Rivers related to the proposed Unwind.

Big Rivers has requested that HMP&L voluntarily agree to the proposed Unwind based upon Big Rivers' interpretations of certain provisions of the existing Station Two Agreements. Specifically, Big Rivers has stated that all of Henderson's Excess Energy belongs to Big Rivers and Big Rivers' only obligation is \$1.50 megawatt hour payments to Henderson in the event Big Rivers actually takes the energy. HMP&L does not agree with Big Rivers' interpretations of the existing Station Two Agreements. Each of the proposals discussed in your letter were not acceptable to HMP&L because each proposal allowed Big Rivers to take all of Henderson's Excess Energy and sell our energy to Big Rivers' members or in the market. Based upon information Big Rivers recently submitted to the Public Service Commission, Big Rivers fully intends to take all of Henderson's Excess Energy if the Unwind occurs.


Big Rivers cannot expect the Citizens of Henderson to pay the fixed cost for Henderson's Excess Energy only to have Big Rivers take the energy and sell it for a profit. In your letter you clearly state that you only intend to pay the variable cost ("fuel, reagent, and ash disposal") for the Henderson Excess Energy. Today, HMP&L's fixed cost at Station Two is \$10.88 a megawatt hour for energy and Big Rivers proposes to pay HMP&L \$1.50 a megawatt hour to offset the fixed cost for Henderson's Excess Energy. In other words, Big Rivers expects the Citizens of Henderson to subsidize Big Rivers' \$9.38 a megawatt hour; therefore, we cannot voluntarily agree to your proposals.

HMP&L's position related to the Unwind has not changed from the first meeting to the most recent meeting with Big Rivers. HMP&L has offered Big Rivers a number of proposals to resolve this matter and move forward with the Unwind. Our proposals eliminated your proposed subsidization, and Big Rivers rejected each proposal without qualification. HMP&L remains open to any discussions that do not result in the Citizens of Henderson subsidizing Big Rivers' profits.



Chairman

William L. Smith, D.M.D.



General Manager

Gary Quick

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

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



Charles B. West
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Tim Dowdy
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F 502-627-3367
Tim.dowdy@eon-us.com

August 10, 2006

RE: Henderson Unit One Thermal Expansion – Payment of Deductible Amount

Dear C.B.:

Below is the response of Rob Toerne and Larry Baronowsky to questions posed by Wayne Thompson regarding the H-1 boiler thermal excursion in August, 2004 which were included in your letter of February 15, 2006 addressed to Rob Toerne. I apologize for the delay in this response. This incident was due to an equipment failure and not due to negligence or willful misconduct on the part of WKE, or its affiliates, employees, agents, or representatives. Therefore, the negligence provisions of the 1998 Agreement you reference in your letter are not applicable.

1. *Was the DA level mercoïd switch worked on in this outage?*
No, not during the brief tube leak outage preceding the event. However, during each planned maintenance outage, preventive maintenance testing and calibration is performed on the D.A. level indicator and alarm column by our Instrument Technicians. The previous planned maintenance outage was in March/April, 2003.
2. *When was the last time the mercoïd switch was worked on?*
The last time the mercoïd switch was worked on prior to the incident in August 2004 was on January 9, 2004.
3. *When was the last time the D.A. level mercoïd switch was tested?*
A feed water heater high level alarm test is included on the Operators weekly turbine test sheet. The switch was tested by an Instrument Technician prior to the incident on January 9, 2004.



4. *Is there a D.A. level alarm for high level and one for low level, or is there just one alarm that would cover both high/low D.A. level?*
There is one lighted panel on the PanAlarm annunciator board to indicate D.A. level high or low.
5. *Was this alarm in prior to this event, or had it been in?*
The alarm had been in prior to the event.
6. *If not, why?*
Not applicable.
7. *Was the D.A. level alarm enabled or silenced prior to the event?*
The alarm was enabled, lighted, and acknowledged.
8. *Were the drum level trips lifted at the time of this incident?*
Yes.
9. *Was the coal mills placed in manual operation during this event and recovery attempt? If so would they continue the high rate of coal or heat input in to the boiler?*
The coal mill/P.A. fan (boiler fuel) controls were put in manual during this upset as is normal operating procedure. If the fuel controls are put into manual, then the boiler master is prevented from opening the P. A. fan dampers and prevented from adding more fuel to catch the sagging boiler pressure.
10. *Why did the furnace pressure alarm not come in?*
The furnace pressure chart indicates that the pressure did approach 20 inches of water. The furnace pressure trip set point is 20 inches of water and rising and thus did not trip. However, the furnace pressure alarm set point is 18.5 inches of water and rising. Notwithstanding that the furnace pressure exceeded 18.5 inches of water, the furnace pressure alarm did not activate. It is unknown why it did not activate. The furnace pressure alarm and trip instruments were last calibrated prior to the incident on February 19, 2004. After the incident, the alarm was removed, and maintenance and testing was performed, but the cause of the failure is still unknown.
11. *Why was the plant demand for air so high? Because of air leaks? How long has demand been this high?*
Air demands vary with plant conditions. Normally one of HMPL's Station Two air compressors provides sufficient air for operation, but during the hot summer conditions it is not unusual for two air compressors to be used.

12. *Why was the air discharge temperature operating 20 – 40 degrees above design? For how long?*

Several factors contributed to the high compressor discharge temperature. One of the Centac cooling water pumps was out of service awaiting a new impeller that was on order. It was the middle of August and the outside temperature was at high season peak. The cooling system heat exchangers were beginning to foul, and with the cooling pump out of service we were unable to take out a cooler to clean it. The pump had been out of service about three weeks.

13. *What has changed to cause this?*

Nothing has changed. The new impeller was delivered, and the pump was reassembled and returned to service. The heat exchangers were cleaned and the compressor discharge temperature is operating at design.

14. *Were there Centac cooler leaks?*

No.

15. *If so, how long?*

Not Applicable

16. *Were the Centac Coolers dirty?*

No.

17. *Were the Centac moisture traps working? If not, why and for how long?*

The Centac moisture traps were working properly.

18. *Were the dew points for instrument air being checked daily?*

Instrument air dew point is checked at the dryer outlet weekly.

It is my understanding that WKE already sent you a copy of the incident report and the final report relating to the cause. If I can be of further assistance, please let me know.

Sincerely,


Timothy W. Dowdy



cc: Bob Berry
Larry Baronowsky
Rob Toerne

C. B. West
201-C North Main Street
Henderson, KY 42420
270-831-1900

Stoll, Keenon & Park, LLP

Memo

E-MAILED
9/28/05

To: Wayne Thompson
From: C. B. West
Date: 9/28/2005
Re: Payment of Deductible Amount, Unit 1 Boiler and Machinery Insurance

You have asked me to advise as to whether HMP&L is contractually obligated to pay \$60,897.44 of the \$200,000.00 deductible for the Unit 1 boiler machinery policy covering the Unit 1 boiler loss.

Section 18.1 of the Construction and Operation Agreement requires fire, extended coverage and vandalism insurance to have a \$25,000.00 deductible. Section 18.1(e) requires boiler and machinery breakdown insurance in the minimum amount of \$7,000,000.00 for each unit at Station Two, with a \$200,000.00 deductible. The coverage provided by WKE meets those requirements.

The 1998 Agreement and Amendments to Agreements between the City, Big Rivers and WKE, at Section 12.2, provides that insurance proceeds will be used to restore the Station Two Assets as soon as reasonably possible to substantially the same general condition, character and use as existed before the damage. To the extent not covered by the proceeds of insurance, the capital costs of such restoration of the Station Two Assets should be allocated to and paid by the parties as required by Section 6.3(d) of the Station Two Power Sales Agreement and Section 13(a) of the Station Two Operating Agreement. Each of the parties shall pay the restoration costs as provided above unless the damage or destruction to the Station Two Assets resulted (a) from the negligence or willful misconduct of Station Two's Subsidiary or its Affiliates, or their respective employees, agents or representatives in which event Station Two's Subsidiary shall bear such additional costs alone. . . ." Therefore, if the Unit 1 excursion resulted from the negligence or willful misconduct of WKE or its

employees, then WKE must bear the entire cost of the deductible amount. If that is not the case, then the City should pay 95/312ths of the \$200,000.00 deductible.

I have never seen the reports relating to the circumstances giving rise to the Unit 1 excursion, and I have no basis to opine regarding the negligence, if any, of WKE's employees.

I believe it would be appropriate to ask WKE whether they consider the H1 boiler excursion to have occurred as the result of negligence or willful misconduct on the part of their employees. In order for us to have a basis upon which to make this judgment, we need to request a copy of WKE's incident report and final report relating to the cause of the occurrence.

By copy of this letter to Rob Toerne/Tim Dowdy, I am requesting WKE's opinion as to whether the negligence provisions of the 1998 Agreement are applicable, and also a copy of the incident report and final report relating to the cause of the H1 boiler excursion.

C. B. West

cc: Mary Sue Barron
Bob Berry
Tim Dowdy
Rob Toerne



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

January 26, 2006

Mr. Wayne Thompson
Wayne R. Thompson
Power Production Director
Municipal Power & Light
P.O. Box 8
419 N. Water Street
Henderson, Kentucky 42419-0008

RE: Henderson Unit One Thermal Excursion – Payment of Deductible Amount

Dear Wayne,

I would like to report to you our conclusions concerning the Henderson Station Two - Unit One thermal excursion that occurred on August 23, 2004. We had previously requested HMP&L to pay a capacity share of the deductible amount (\$60,897.44) concerning the loss associated with the subject matter. This report should give you the information you need to resolve any outstanding concerns HMP&L may have. To resolve your primary concern, the accident occurred through a problematic pneumatic control system feedback loop. The accident is not a result of negligence or willful misconduct.

The following is an abbreviated narrative of the root cause analysis report:

At approximately 9:30 pm on August 23, 2004, the Control Room operator received a level alarm on the Deaerator (DA) storage tank. The operator responded by examining the level indicator for the DA, which was displaying a high level. The Control Room operator then requested an Auxiliary operator to visually check the DA level at the local sight glass. The Auxiliary operator returned to the Control Room and verified that the level in the DA was high. At approximately 9:40 pm the Boiler Feed pumps lost suction and the discharge pressure began to decay rapidly. The DA level indicator was still displaying a high level. The Production Leader visually checked the local sight glass on the DA and observed the level to now be low. At 9:42 pm the drum level began to decline and at 9:44 the boiler pressure began to decay rapidly. The Control Room operator reduced load to approximately 5 MW. The drum level also continued to decline and at 9:51 pm the Control Room operator initiated an emergency trip due to low drum level.

An investigation and root cause analysis was started at 6:00 am on August 24, 2004. It was determined that a false level indication of the DA occurred due to water contamination in the air system. The DA level indicator is a pneumatic control loop which is dependent on dry air. The pneumatic control and dry instrument air systems consists of 40 year old technology. (The investigation found no reason to presume any negligence or willful misconduct.)

Findings also indicate that the water wall damage was a result of a loss of circulation. When the boiler feed pumps lost suction, water was no longer being transferred into the drum. The control room operator maintained a minimal water level in the drum until which time the level went negative and the unit was tripped, however, when the unit reached this point, the boiler feed pumps lost suction and make up water was no longer entering the drum.

FM Global, our insurance carrier, has reviewed these findings and confirmed such through their own evaluation. (FM Global has accepted the claim with no concern of negligence or willful misconduct.

Additionally, I have included my copy of the root cause analysis report. You may copy this report, if needed. However, I would like my copy to be returned upon completion of your review. If you have any questions or comments, please contact me at 270.844.6029.

Sincerely,

Robert F. Toerne
Contract Manager

Copies: Tim Dowdy w/o attachment
Bob Berry w/o attachment
C. B. West w/o attachment



S T O L L · K E E N O N · O G D E N
P L L C

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CHARLES B. WEST
(270) 869-6422
charles.west@skofirm.com

February 15, 2006

RECEIVED
FEB 17 2006

BY:.....

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

RE: HENDERSON UNIT 1 THERMAL EXCURSION -- PAYMENT OF
DEDUCTIBLE AMOUNT

Dear Rob:

Wayne Thompson has shared with me the contents of your letter dated January 26, 2006 in the referenced matter.

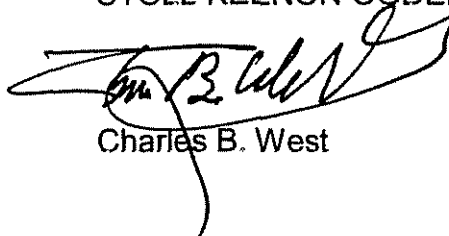
It is HMP&L's intention to have this information submitted to a knowledgeable consultant for purposes of rendering a decision as to whether WKE's operation of Station Two at the time involved constituted prudent utility practices.

Wayne Thompson has examined the data and information provided, and has compiled several questions relating to additional information which he believes is pertinent to the issue to be decided. I enclose herewith a copy of Wayne's questions and ask that answers be provided by the Station Two operators having knowledge of the issue. I would appreciate your prompt response as this issue, among several others, has to be resolved on or before the Unwind Closing Date.

If you have any questions, please advise.

Yours very truly,

STOLL KEENON OGDEN PLLC

A handwritten signature in black ink, appearing to read "Charles B. West", written over a horizontal line. The signature is stylized and cursive.

Charles B. West

CBW/klp

cc: Gary Quick
Wayne Thompson
Mike Thompson
David Spainhoward
Jim Miller
Bob Berry
Jeff Vandiver
Tim Dowdy

Enclosure

C. B.

I have some questions that I think you should ask WKE about H1 thermal excursion and the payment of the deductible amount. You may want to change the format or the questions as you see fit.

- Was the D.A. level mercooid switch worked on in this outage?
- When was the last time the mercooid switch was worked on?
- When was the last time the D.A. level mercooid switch was tested?
- Is there a D.A. level alarm for high level and one for low level, or is there just one alarm that would cover both high/low D.A. level?

Since the D.A. level mercooid switch would have kept a high or low-level alarm in until the level actually would go high or low, I have some questions:

- Was this alarm in prior to this event, or had it been in?
- If not, why?
- Was the D.A. level alarm enabled or silenced prior to the event?
- Were the drum level trips lifted at the time of this incident?
- Was the coal mills placed in manual operation during this event and recovery attempt? If so would they continue the high rate of coal or heat input in to the boiler?
- Why did the furnace pressure alarm not come in?
- Why was the plant demand for air so high? Because of air leaks? How long has demand been this high?
- Why was the air discharge temperature operating 20-40 degrees above design? For how long?
- What has changed to cause this?
- Were there Centac cooler leaks?
- If so, how long?
- Were the Centac coolers dirty?
- Were the Centac moisture traps working? If not, why and for how long?
- Were the dew points for instrument air being checked daily?



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JUL 13 2007

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CHARLES B. WEST
(270) 869-6422
charles.west@skofirm.com

July 12, 2007

Mr. Rob Toerne
Western Kentucky Energy Corp.
145 North Main Street
P. O. Box 1518
Henderson, KY 42419-1518

RE: YOUR INVOICE NUMBER 00657 DATED 9/19/2005

Dear Rob:

One of the outstanding issues among the matters to be resolved between WKEC and HMP&L prior to the unwind transaction is WKE's invoice 00657 for the collection of 95/312ths of the \$200,000.00 insurance deductible relating to the August 23, 2004 heat excursion. HMP&L has taken the position that the August 23, 2004 event was the result of negligence on the part of WKEC's operators which, under the terms of the Station Two Agreement, would relieve HMP&L from paying any portion of the insurance deductible.

I have been asked by HMP&L to obtain an independent engineering evaluation as to the root cause of the August 23, 2004 thermal event. I have received a report from Mr. Kenneth J. Rush, Jr., P. E., Senior Director of R. W. Beck, Inc., wherein Mr. Rush expressed the conclusion that WKEC's actions and inactions at the time of the thermal event were not "prudent industry practice" and could be considered as "negligence" on the part of WKEC's operators.

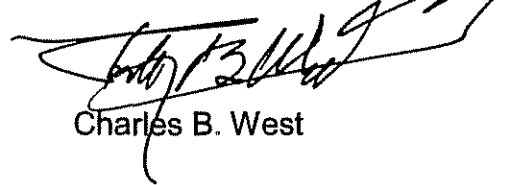
Based upon this report, HMP&L believes that it is not responsible to pay WKEC \$60,897.44 as a share of the deductible amount of insurance proceeds relating to the August 23, 2004 thermal event. I am enclosing a copy of R. W. Beck's report for your

Page 2

further information.

Yours very truly,

STOLL KEENON OGDEN PLLC

A handwritten signature in black ink, appearing to read "Charles B. West", is written over the printed name below.

Charles B. West

CBW/klp

Enclosure

cc: Hon. Tim Dowdy
Mr. Gary Quick
Mr. Wayne Thompson
Mr. Kenneth J. Rush, Jr., P. E.
Mr. Rick Reiff, P. E.

LEX 102300/108916/3518403.1

June 18, 2007



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

Dear Mr. West:

**Subject: Henderson Municipal Power & Light Station Two, Unit 1
Review of August 23, 2004 Thermal Event**

Introduction

R. W. Beck, Inc. ("R. W. Beck") has been retained by Henderson Municipal Power & Light ("HMP&L") to conduct a review of the thermal event which occurred on August 23, 2004 at 9:51 PM at HMP&L's Station Two, Unit 1 (the "Thermal Event"). Station Two was under operation by Western Kentucky Energy ("WKE") at the time of the Thermal Event. This review and associated letter report (the "Letter Report") have been undertaken for Stoll, Keenon Ogden in accordance with a Task Authorization between R. W. Beck and HMP&L dated May 10, 2007, and are subject to the doctrine of lawyer-client privileged communication.

Summary of Review

R. W. Beck's review is based solely on information in the "HMPL Station Two Unit One Root Cause Analysis of Boiler Trip on August 23, 2004" (the "RCA") prepared by WKE, the letter from Timothy Dowdy of E.On US, LLC on August 10, 2006, the "H1 & 2 System Work Orders May - August 2004", the "Compressed Air System Review" prepared by AirPower USA, Inc. dated October 29, 2004, and a discussion with Mr. Wayne Thompson of HMP&L. R. W. Beck performed no site visit or further investigation. The observations that follow are based on the assumption that the information provided is complete and accurate. To the degree that the information provided is incomplete or inaccurate, then the observations made herein could change.

R. W. Beck understands that the Operating Agreement between HMP&L and WKE requires WKE to operate the unit in accordance with "prudent industry practice". R. W. Beck was asked to review the information and identify those instances, if any, where the actions of the WKE employees did not meet the "prudent industry practice" standard or were sufficiency below this standard to constitute negligence, and whether this negligence was a substantial cause of the damage.

R. W. Beck believes that the negligent actions and inactions of WKE directly contributed to the damage caused during the Thermal Event. WKE's disabling of a crucial boiler protective device

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prior to the Thermal Event constitutes negligence. WKE's poor maintenance, lack of proper calibration procedures for plant instruments, and ignoring alarms indicate additional negligence prior to the Thermal Event and were not "prudent industry practice". During the Thermal Event, the operator did not employ "prudent industry practice" and trip the boiler after several events were observed that would cause low drum level. These points are detailed below.

Actions Prior to the Thermal Event

Disabling of Drum Level Trips

The WKE response to Mr. Thompson's questions indicated that a crucial boiler protective device had been disabled. WKE indicated that the drum level boiler trips were "lifted" at the time of the Thermal Event. Mr. Thompson confirmed that this response indicated that WKE had disabled the boiler protective device (i.e., disconnecting the wires). These protective devices are intended to prevent exactly the damage that occurred to Unit 1 during the Thermal Event by shutting the boiler down if the drum level gets too high or too low. By "lifting" the contacts on these devices, WKE prevented these devices (in this case the low level trip) from shutting the boiler down at the appropriate low level (the low level trip was set for -9 inches). This deliberate disabling of a crucial boiler protective device, which is required by the American Society of Mechanical Engineers ("ASME") boiler code, is not "prudent industry practice" and is negligence.

Installing and Testing Deaerator Level Alarm Incorrectly

The RCA indicated that the mercoïd switch for the deaerator high level alarm was installed incorrectly, such that when the level was normal, the alarm would have been activated and when the level was high, the alarm would clear. The WKE responses to Mr. Thompson's questions indicated that this device received maintenance on January 9, 2004. It is apparent that the maintenance was performed incorrectly as it did not reveal that the actions of the switch and alarm were the opposite of what was intended.

Ignoring and Failing to Correct the Deaerator Level Alarm

Normal operation of the plant would have revealed that the switch was installed incorrectly, yet this was ignored for the 32 weeks between the January 9, 2004 maintenance and testing and the Thermal Event. The WKE response to Mr. Thompson's questions indicated that the deaerator level alarm was "enabled, lighted and acknowledged" at the time of the Thermal Event. Typically, the logic and control of these alarms includes an audible warning (common to all alarms) and a flashing light that is specific to a particular alarm (e.g., Deaerator Level High/Low). The logic and control of these alarms allows the operator to "acknowledge" and silence the alarm after it is initiated. This keeps the panel light lit and sometimes flashing, but allows another audible warning if an alarm from the same or another device is initiated. With the alarm incorrectly installed as described, the operators would have to continuously

“acknowledge” an alarm which was occurring when the deaerator level was within normal operating parameters. As the incorrect installation was only discovered after the Thermal Event, it appears that the operators did not investigate or correct a continuous, obviously incorrect, alarm for the 32 weeks prior to the Thermal Event.

Failure to Operate and Maintain the Compressed Instrument Air System Correctly

The water in the instrument air lines caused incorrect readings from the deaerator level indicator, which in turn was a component in causing the Thermal Event. WKE did not follow “prudent industry practice”, which is to ensure that the instrument air system has dry air (i.e., dew points of -30°F) through proper operation and maintenance procedures. Water in an instrument air system can render pneumatic controls and instrumentation (such as used for the deaerator level indication) inoperative. The dew point is that temperature at which the water vapor that is in the compressed air can condense out to form liquid water. In the weeks leading up to the Thermal Event, WKE measured dew points within the compressed air system as high as 85°F. This is significantly higher than the sub-zero levels that “prudent industry practice” would require and is at a level that WKE should have expected water to condense in the instrument air lines.

This continued operation with water in the lines was not “prudent industry practice” as the operation would be under conditions where WKE should have expected that the pneumatic controls and instrumentation would have been unreliable. There was significant fluctuation in the weekly dew point readings which indicated that the air dryers were not operating consistently. There was also direct evidence that there was water in the air lines prior to the Thermal Event, as noted on a work order on May 26, 2004 that “there is water in all instrument air lines”. Despite all of this evidence, WKE continued to operate the boilers with out correcting the problem or ensuring that the water was removed from the instrument air lines (as evidenced by the fact that the RCA indicated there was still water in the lines at the time of the Thermal Event).

The information provided on maintenance activities for the compressed air system raises questions on whether the compressed air system was properly maintained. The list of work orders for the compressed air system indicates that periodic maintenance was performed less frequently than normally supposed to be scheduled by WKE’s own maintenance schedule . In one case, work orders for the “quarterly” maintenance on the three desiccant air dryers were initiated in October and November 2003, but were not completed until seven to ten months later, just prior to the Thermal Event. Two or three other “quarterly” maintenance work orders should have been generated for this equipment, but the information provided does not indicate these work orders were initiated or performed. The performance of “quarterly” maintenance work once or twice per year would not constitute “prudent industry practice”.

WKE waited until after the Thermal Event to institute daily dew point monitoring, an audit of the compressed air system, repair of compressed air leaks and flushing and monitoring the air compressors. These audits or ongoing maintenance activities should have been initiated earlier based on the evidence available. The wide variation in dew point temperatures, even after the

desiccant was changed on July 14, 2004, highlighted the need for an air audit and daily monitoring of the dew point temperatures. The audit of the compressed air system revealed several deficiencies in the compressed air system that needed to be corrected, including modifying and resizing the air dryers. A "prudent operator" would have initiated an audit of the compressed air system prior to the advent of a major adverse event.

Summary – Prior to Thermal Event

WKE's apparent omission of proper installation and testing procedures, and continued installation and maintenance errors is not in accordance with "prudent industry practice". The deliberate disabling of the protective drum level trips is negligence.

Actions During the Thermal Event

Feedwater Flow and Control

WKE was negligent in failing to recognize that the interruption of condensate and feedwater flow would reduce the drum level and required the boiler to be tripped. The feedwater flow was interrupted as the suction to the feedwater pumps was lost and was essentially zero for approximately ten minutes (21:37:20 to 21:47:20) with the steam flow continuing during this period. This is a condition that is universally recognized as one that would rapidly lower boiler water inventory and drum level, despite whatever readings were shown on the drum level indicators. Unit 1 documentation indicates that the drum was known to have only 36 seconds of water inventory at full steam flow. If WKE operators saw that feedwater flow could not be immediately reestablished, the unit should have been tripped.

Continued Operation with Disable Drum Level Trips

We have noted above that the disabling of the drum level trips by WKE was an instance of negligence. The continued operation of the boiler during this transient event with the operators knowing the drum level trips had been disabled is a separate instance of negligence by WKE. One of the reasons for the automatic drum level boiler trips is that they can respond to rapidly occurring events faster than the operators may be able to respond. Once there was an abnormal situation, the operators should have tripped the unit in light of the fact that the automatic drum level trips had been disabled. The lack of automatic trips allowed the situation to quickly deteriorate into an event that moved too fast for the operators to properly respond.

The need for these automatic drum level trips was demonstrated by the operators decision to not trip the unit until the drum level was too low. The RCA indicated that the operators tripped the boiler when the drum level reached -10.8 inches. In fact, the information provided on control room indications suggests that the drum level reading was as low as -13.2 inches prior to the boiler trip. The automatic drum level trips would have tripped the boiler when the drum level reached -9 inches. The records on the east drum level indicator reported that the drum level was below the -9 inch trip level for over five minutes before the level rose above this trip setting.

Mr. Charles B. West
June 18, 2007
Page 5

The damage done to the boiler is consistent with a shortage of water level in the drum. The operator's delay in initiating the boiler trip would certainly have caused or contributed to the damage experienced by the boiler.

Summary – During Thermal Event

WKE continued to operate the unit for several minutes during conditions that are typically recognized as rapidly lower boiler water inventory and drum level. The operator errors included continuing to operate the unit for approximately five minutes after one of the drum level indicators indicated that the drum was empty and ten minutes with no feedwater flow. The standard of "prudent industry practice" would require the operators to trip the unit immediately with even a single drum level indication showing the drum empty or when there was a risk of losing drum level.

Conclusion

Based on R. W. Beck's review of the information and our discussion with Mr. Wayne Thompson of HMP&L, R. W. Beck believes that the combination of the actions and inactions by WKE described in this Letter Report were not "prudent industry practice" and could constitute negligence. Further investigation performed by HMP&L may uncover additional evidence of potential negligence by WKE. In addition, the deliberate disabling of a crucial boiler protective device (the drum level boiler trips), is unquestionably a case of negligence and certainly is not "prudent industry practice".

If you should you have any questions or comments about the above, please feel free to contact me at (508) 935-1806.

Very truly yours,

R. W. BECK, INC.



Kenneth J. Rush, Jr., P.E.
Senior Director

KJR/ss

c: Rick Reiff, R. W. Beck



May 31, 2007

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

Re: Review of Capital Project Budgets for Approval of Unwind Agreement

Dear Mr. West:

Henderson Municipal Power & Light (HMP&L) is in the process of reviewing the potential effects of approving the "Unwind Agreement" which covers the transfer of the operating and maintenance contract for HMP&L's Station 2 from Western Kentucky Energy Corp. (WKEC) to Big Rivers Electric Cooperative (BREC). HMP&L has retained the services of Burns & McDonnell to assist them in the evaluation of this option.

HMP&L provided Burns & McDonnell copies of the following documents relating to the evaluation scope or work:

- BREC Budget Work Plan dated January 12, 2007.
- BREC Budget Work Plan dated February 11, 2007.
- Western Kentucky Energy – 2004-2006 Business Plan.
- Western Kentucky Energy – 2005-2007 Business Plan.
- Western Kentucky Energy – 2006-2008 Business Plan.
- Stanley Consultants Inc. - REID/HMPL STATION 2 – Annual Condition Report dated December 31, 2001.
- Stanley Consultants Inc. - REID/HMPL STATION 2 – Annual Condition Report dated December 20, 2002.
- Stanley Consultants Inc. - REID/HMPL STATION 2 – Annual Condition Report dated December 31, 2003.
- Stanley Consultants Inc. - REID/HMPL STATION 2 – Annual Condition Report dated December 31, 2004.
- Stanley Consultants Inc. - REID/HMPL STATION 2 – Annual Condition Report dated December 31, 2005.
- Stanley Consultants Inc. - REID/HMPL STATION 2 – Draft Annual Condition Report for 2006.

Burns & McDonnell attended a meeting at HMP&L's offices on February 21, 2007 with HMP&L, BREC and Stanley Consultants Inc. (SCI) personnel to discuss items related to the current condition of the HMP&L Station 2 and the proposed BREC work plan for the HMP&L Station 2 units.



May 31, 2007

Page 2

Burns & McDonnell visited the HMPL Station 2 units on May 9 and 10, 2007 to review, in general, the current condition of the plant. However, Burns & McDonnell did not perform a detailed review or any in-depth investigation of the plant during this visit and did not attempt to verify the detailed current condition of the HMP&L Station 2 units as reported in the SCI Annual Condition Reports. Additionally, none of the estimates provided by WKEC or BREC were verified by Burns & McDonnell.

This letter report summarizes Burns & McDonnell's review of the portions of the above documents relating to the proposed capital project budgets for the HMP&L's Station 2 units and our conclusions based on those reviews.

Background

HMP&L built and owns two coal fired power plants referred to as Station 2. Both of the Station 2 units were started up in 1973 and have a combined generating capacity of approximately 350 megawatts.

HMP&L contracted with BREC to operate the Station 2 for a 30 year period. HMP&L receives a portion of the energy generated by Station 2 to supply their customer demands. HMP&L pays a proportion share of the plants yearly capital and operating and maintenance (O&M) costs based upon HMP&L's reserved capacity of Station 2.

BREC filed for bankruptcy 1997. As a result of the bankruptcy agreement the operation and maintenance of the HMP&L Station 2 power plant was assigned to WKEC, a subsidiary of Louisville Gas & Electric (LG&E) on July 15, 1998. However, BREC retained contracted responsibility to HMP&L for the operation and maintenance of the units.

WKEC has operated and maintained the HMP&L units as well as other units previously operated and maintained by BREC since July 1998. However, in 2004 WKEC offered BREC an opportunity to resume the operation and maintenance of all the units currently operated by WKEC. BREC has negotiated and reached a financial settlement with WKEC to terminate the operating and maintenance subcontract for its units, including Station 2. The terms of the agreement between WKEC and BREC are confidential; however HMP&L has the right of approval for the reassignment of the operating and maintenance contract for their Station 2.

There was no baseline condition assessment performed on the HMP&L Station 2 at the time WKEC took over operation of the units in 1998. However, BREC retained SCI to perform annual condition assessment reviews and issue summary reports. These yearly condition assessment reports detailed numerous minor and major items throughout both the Reid and HMP&L Station 2 units that required repair or replacement. Most of the items identified were not resolved and were listed in each successive report.

It appears from reviewing the SCI reports that WKEC's business philosophy was based on maximized current profits over investment in long term asset preservation. This is clearly stated in WKEC corporate vision which says in part "...and achieve the lowest total unit cost (\$/MW) in the Region". An operating philosophy based on the lowest production cost often limits operating



May 31, 2007

Page 3

and maintenance costs and capital projects expenditures to the absolute minimum required to continue operation. This operating philosophy is typical for many of the unregulated "merchant power plants".

SCI also reported that under WKEC operation the following operating parameters for the HMP&L Station 2 units were affected as compared to Generating Availability Data (GADs) of similar units as follows:

- Equivalent Availability was below the GADs averages.
- Equivalent Forced Outage Rate has been above the GADs averages.
- Forced Outage Rate has been above the GADs averages.
- Gross Capacity Factor has been above the GADs averages.
- Gross Heat Rate has been deteriorating yearly since 1998.

It is suspected that one of the major contributing factors to the degradation of the operating parameters listed above was the reported burning of off design fuel, specifically petroleum coke, by WKEC at HMP&L's Station 2. For efficient use petroleum coke must be burned at a higher flame temperature than coal and therefore must be blended with coal when used in a boiler that was not designed for the higher combustion temperatures. Petroleum coke is also harder than most coals and therefore more difficult to crush into a combustible product that is within the design range of the existing burners. From an emissions standpoint, it is more difficult to control SOx and NOx when burning petroleum coke due to its higher sulfur content and flame temperature when compared to coal. Additionally, petroleum coke typically has a higher level of vanadium and other metals than coal. Vanadium in combination with other components of the fuel can form products of combustion in the superheater section of the boilers that are very corrosive to the heat transfer tube metal. The effects of this corrosion can be superheater tube failures that may not be totally realized until several years in the future.

BREC claims to have a different operating philosophy than WKEC, and would strive to keep the plant's heat rate low and reliability/availability high to achieve lower average energy cost over the long term. This operating philosophy is typical for most rural electric cooperatives. However, this approach will require higher annual O&M and capital projects costs.

If BREC resumes operation of HMP&L's Station 2 they plan to implement numerous capital projects required to improve the units' heat rate and availability/reliability to industry levels for similar units. They also plan to repair some of the damage done to equipment and materials as a result of WKEC burning off design fuels, poor corrective and preventative maintenance practices. These improvements should result in life extension of the units.

Historical Capital Budgets

Burns & McDonnell reviewed the WKEC business plans for HMP&L's Station 2 for the period from 2004 through 2008 to establish a historical baseline of proposed capital projects based on the WKEC operating philosophy. Each of the three business plans reviewed proposed capital and O&M budget costs for the following three year period. The budgets for future years were



May 31, 2007

Page 4

modified by WKEC in successive plans as required to reflect the current as well as changing conditions and parameters.

The average proposed capital budgets from the three WKEC business plans for the combined Green, Reid and HMP&L units were approximately \$10,333,000 per year. Of this total an average of approximately \$3,211,000 per year could be identified as proposed capital projects dedicated for the HMP&L's units.

Part of the WKEC proposed capital budgets (approximately \$880,000 per year) represented capital projects for shared facilities used by the Green, Reid and HMP&L units. There were not enough details in the WKEC business plans to accurately calculate the appropriate distribution of these shared facilities costs, therefore it was assumed for purposes of this report that each unit would be allotted the cost of capital projects of shared facilities proportional to its generating capacity percentage of the total generating capacity of all of the units. This approach resulted in an average shared facilities project cost of approximately \$451,000 per year for the combined HMP&L units.

The average capital budgets proposed by WKEC between 2004 and 2008 for the HMP&L units was approximately \$3,663,000 per year, included the dedicated and assumed shared facilities costs.

BREC Work Plan

The proposed BREC work plan for the Reid/HMP&L Station includes the years 2008 through 2011. A summarized breakdown of the BREC proposed capital budgets for the HMP&L Station 2 units is attached to this report (Attachment A). The breakdown includes a brief description of each proposed project, the affected unit and the distribution of estimated costs when the work is scheduled to occur. The distribution of proposed shared facilities projects costs were treated the same as described above for the historical budgets from WKEC.

BREC is proposing a substantially higher capital budget for the HMP&L units in 2008 (approximately \$10,752,000), with lower capital budgets the next three years (approximately \$4,946,000 per year). The average of all four yearly capital budgets proposed by BREC for the HMP&L units is approximately \$6,397,000 per year.

BREC reported that the cost estimates used to develop their work plan came from the WKEC proposed budgets, SCI annual assessment reports and BREC in house information. No formal bids or vendor/contractor estimates were used to develop these budgets. This approach would typically be considered a level 2 estimate, with an accuracy of +/- 20 percent. Burns & McDonnell did not verify any of the estimated project costs provided in either the WKEC business plans or the BREC work plan.

Several of the proposed capital projects included in the BREC work plan for the HMP&L units can be identified as "fix up" projects. BREC has apparently determined that these projects are required due to the less than acceptable current condition of the plant. As outlined in the SCI



May 31, 2007

Page 5

annual condition assessment reports, the current condition of the plant can be attributed to many factors including the following major items:

- Burning off design fuel (petroleum coke) resulting in accelerated wear and tear on equipment and materials
- Poor preventative maintenance.
- Poor corrective maintenance.
- Higher than average plant capacity factors.

The total estimated cost listed in the BREC work plan for these “fix up” projects at HMP&L’s Station 2 is approximately \$13,033,000. The following are some of the major “fix up” projects identified in the BREC work plan:

- Precipitator Repairs
- Repair Dry Side Ductwork
- Cooling Tower Distribution Decks
- Structural & Life Assessments
- Clean Coal Dust & Flyash
- Boiler Structural Painting
- Replace Precipitator Hoppers
- SCI Baseline Repairs
- Replace Thickener Return Line
- Plant Phone & PA System

The SCI baseline repairs project listed above in the “fix up” projects was verbally identified by BREC as numerous repair and replacement items listed in the SCI annual condition assessment reports. BREC declined to provide the detailed list of repairs included in the SCI baseline for our review.

There were also 17 proposed projects in the BREC work plan that were identified by BREC as heat rate improvement projects. The total estimated cost of these projects is approximately \$8,837,000. Some of the proposed heat rate improvement projects are also “fix up” projects listed above.

Proposed Capital Budgets Differential

The historical average capital project budgets for the HMP&L units of approximately \$3,622,000 per year as proposed in the WKEC business plans would have resulted in a total proposed capital project budget of approximately \$14,650,000 for the period 2008 through 2011. The BREC proposed work plan would result in a total capital project budget of approximately \$25,589,000 over the same time period. The difference between the two budgets is approximately \$10,939,000 for the four years under consideration. Using a conservative estimating approach, this capital project budget differential could increase by as much as 20 percent, to a total of approximately \$13,127,000.



May 31, 2007

Page 6

This differential in capital project budgets for the HMP&L Station 2 units between the historical WKEC business plans and the proposed BREC work plan can be attributed to many factors, including the following:

- “Fix up” projects proposed by BREC.
- Heat rate improvement projects proposed by BREC.
- Increased levels of maintenance proposed by BREC.

Conclusion

Acceptance by HMP&L of the transfer of the operating and maintenance contract for the HMP&L Station 2 units from WKEC to BREC will result in higher capital project budgets for the HMP&L units of approximately \$10.9 to \$13.1 million over the 2008 to 2011 time period. It is also assumed that the capital project budgets beyond the current BREC work plan would also increase from the historical levels under WKEC operation.

Burns & McDonnell did not review the historical and proposed O&M cost differential, but it is assumed that the HMP&L Station 2 O&M costs will also increase under BREC management as manpower and preventative maintenance is increased. The BREC work plan list the following projected staffing changes for the Reid, Green and HMPL Station 2 plants over the next three years:

- 2008 – Add 8 additional personnel.
- 2009 – No additional personnel.
- 2010 – Add 28 additional personnel.

Do not hesitate to contact us if you have any questions or comments on the contents of this report.

Sincerely,

Jerry A. Ebeling, P.E.
Project Manager

Attachment A

| BREC MAXIMUM CAPITAL BUDGET FOR HMP&L STATION 2 | | | | | | | |
|---|------|------------------------------------|--------------|-------------|-------------|-------------|--------------|
| No. | Unit | Description | 2008 | 2009 | 2010 | 2011 | Total |
| 1 | 1 | Precipitator Repairs | \$2,686,729 | | | | \$2,686,729 |
| 2 | 1 | Repair Dry Side Ductwork | \$80,134 | \$82,538 | \$85,014 | | \$247,685 |
| 3 | 1 | Boiler Combustion Control System | | \$615,322 | | | \$615,322 |
| 4 | 1 | CCS Field Devices | \$750,000 | | | | \$750,000 |
| 5 | 1 | CCS Controls | \$60,000 | \$580,000 | | | \$640,000 |
| 6 | 1 | Booster Fan | \$87,418 | | | | \$87,418 |
| 7 | 1 | Cooling Tower Distribution Decks | | \$200,000 | | | \$200,000 |
| 8 | 1 | Soot Blower Replacements | | \$120,000 | | | \$120,000 |
| 9 | 1 | Structural & Life Assessments | \$273,182 | \$281,378 | \$289,819 | \$149,257 | \$993,635 |
| 10 | 1 | Clean Coal Dust & Flyash | \$142,055 | \$146,316 | | | \$288,371 |
| 11 | 1 | SCI Baseline Repair List | \$273,182 | \$281,378 | \$289,819 | \$149,257 | \$993,635 |
| 12 | 1 | Misc Items (<\$100K each) | | \$165,000 | | | \$165,000 |
| 13 | 1 | Cooling Tower Fire Protection | | \$250,000 | | | \$250,000 |
| 14 | 1 | Mist Eliminator Replacement | | \$175,000 | | | \$175,000 |
| 15 | 1 | Replace Precip Hoppers 9-12 | | \$200,000 | | | \$200,000 |
| 16 | 1 | WKE Assumed Capital Budget | | | \$1,892,753 | \$1,892,753 | \$3,785,506 |
| 17 | 1 | Subtotal (Unit 1) | \$4,352,699 | \$3,096,931 | \$2,557,405 | \$2,191,266 | \$12,198,300 |
| 18 | 2 | Feed Water Heater Extraction MOV | \$150,000 | | | | \$150,000 |
| 19 | 2 | Re-heater Replacement | \$1,000,000 | | | | \$1,000,000 |
| 20 | 2 | Precipitator Repairs | \$2,686,729 | | | | \$2,686,729 |
| 21 | 2 | Repair Dry Side Ductwork | \$80,134 | \$82,538 | \$85,014 | | \$247,685 |
| 22 | 2 | CCS Controls | \$575,000 | | | | \$575,000 |
| 23 | 2 | Booster Fan | \$87,418 | | | | \$87,418 |
| 24 | 2 | Cooling Tower Distribution Decks | \$200,000 | | | | \$200,000 |
| 25 | 2 | Structural & Life Assessments | \$273,182 | \$281,378 | \$289,819 | \$149,257 | \$993,635 |
| 26 | 2 | Clean Coal Dust & Flyash | \$142,055 | \$146,316 | | | \$288,371 |
| 27 | 2 | SCI Baseline Repair List | \$273,182 | \$281,378 | \$289,819 | \$149,257 | \$993,635 |
| 28 | 2 | Misc Items (<\$100K each) | \$82,000 | \$30,000 | | | \$112,000 |
| 29 | 2 | Control Room | \$100,000 | | | | \$100,000 |
| 30 | 2 | WKE Assumed Capital Budget | | | \$1,892,753 | \$1,892,753 | \$3,785,506 |
| 31 | 2 | Subtotal (Unit 2) | \$5,649,699 | \$821,609 | \$2,557,405 | \$2,191,266 | \$11,219,978 |
| 32 | C | DCS Engineering | | \$176,000 | | | \$176,000 |
| 33 | C | CCS Engineering | \$44,000 | | | | \$44,000 |
| 34 | C | Control Room DCS | | \$100,000 | | | \$100,000 |
| 35 | C | Replace WDPF FGD & SCR Controls | \$10,000 | \$200,000 | | | \$210,000 |
| 36 | C | Replace Elevator Door Controls | | \$100,000 | | | \$100,000 |
| 37 | C | Replace 16" Thickener Return Line | | \$200,000 | | | \$200,000 |
| 38 | C | Misc Items (<\$100K each) | \$5,000 | \$52,000 | | | \$57,000 |
| 39 | C | Subtotal (Common) | \$54,000 | \$776,000 | \$0 | \$0 | \$830,000 |
| 40 | H&R | Replace #2 Centrac Air Compressors | \$165,517 | | | | \$165,517 |
| 41 | H&R | Misc Items (<\$100K each) | \$82,759 | \$107,989 | | | \$190,748 |
| 42 | H&R | Replace 627 Scrapper | \$446,897 | | | | \$446,897 |
| 43 | H&R | Plant Phone & PA System | | \$537,931 | | | \$537,931 |
| 44 | H&R | Subtotal (Site) | \$695,172 | \$645,920 | \$0 | \$0 | \$1,341,093 |
| 45 | | Total | \$10,751,570 | \$5,340,459 | \$5,114,809 | \$4,382,532 | \$25,589,371 |
| 46 | | Total (With 20% Contingency) | \$12,901,884 | \$6,408,551 | \$6,137,771 | \$5,259,038 | \$30,707,245 |



Robert W. Berry
General Manager Reid, Green, & HMPL-2 Stations

Western Kentucky Energy Corp.
Sebree Station
9000 Hwy 2096
Robards, KY 42452
270-844-5530
270-844-5543 FAX

February 17, 2006

Mr. Wayne Thompson
Power Production Director
Municipal Power & Light
P.O. Box 8
419 N. Water Street
Henderson, Kentucky 42419-0008

RECEIVED
FEB 21 2006

BY:.....

RE: Accounting Treatment for the \$1,215,000 settlement with Alstom Power for the Damper Repair Outage in May of 2005

Dear Wayne,

Western Kentucky Energy received a credit invoice from HMP&L (SCR-LD-Credit-AP) in the amount of \$1,215,000 in May of 2005 per the May 2005 "Agreement Regarding Cost in Connection with the Correction or Repair of Diverter Dampers and NEMs System," between WKE, HMP&L, and Big Rivers Electric. This credit was to fund the additional outage on the Henderson Unit 2 the week of May 21, 2005, as well as to compensate WKE for derates and other outage related cost incurred related to the damper repairs. The previous uncompensated outage cost totaled \$297,333. The May 21 - 28, 2005 outage cost totaled \$598,467. Of the \$1,215,000 credit invoice, \$319,200 remains to be distributed per the Agreement. I have enclosed supporting documentation of the outage cost to WKE during the May 21 - 28 damper outage. I will have our accounting group make the proper distribution of the remaining funds by the end of March. If you need additional information please contact me.

Sincerely,

Robert W. Berry
General Manager
WKE Sebree Station

Cc: Gary Quick
Tim Dowdy ✓
C.B. West
Mike Thompson
Ralph Bowling
Rob Toerne
DeAnna Speed

Henderson Unit 2-Alstom Damper Repair Outage

May 21, 2005 - May 28, 2005

Henderson #2 Offline on May 20th at 2352
Henderson #2 tied back online May 28th at 1321

| <u>Replacement Power Costs</u> | <u>Mwhs</u> | <u>Dollars</u> |
|--|---------------|--------------------|
| 21-May | 3,816 | \$114,480 |
| 22-May | 3,816 | \$114,480 |
| 23-May | 3,816 | \$163,736 |
| 24-May | 3,816 | \$139,920 |
| 25-May | 3,816 | \$138,648 |
| 26-May | 3,816 | \$166,632 |
| 27-May | 3,816 | \$118,798 |
| 28-May | 3,498 | \$129,665 |
| Total | 30,210 | \$1,086,359 |
| Less avoided variable cost | 30,210 | (\$487,892) |
| Net impact of Damper Repair Outage | | \$598,467 |



STOLL · KEENON · OGDEN
PLLC

RECEIVED
MAR 17 2006

201 C North Main Street
Henderson, KY 42420
(270) 831-1900
Fax: (270) 827-4060
www.skofirm.com

BY:.....

CHARLES B. WEST
(270) 869-6422
charles.west@skofirm.com

March 15, 2006

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

RE: STATION TWO MATTERS

Dear Rob:

Will you please advise me when HMP&L can expect to receive the following:

- a) Payment for the April 30, 2005 true up of the SCR account
- b) Payment of HMP&L's share (30.45%) of the \$319,200.00 remaining out of the \$1,215,000.00 payment by Alstom
- c) Response to my letter of February 15, 2006 forwarding Wayne Thompson's questions regarding the H1 thermal excursion

Thanking you, we remain

Yours very truly,

STOLL KEENON OGDEN PLLC

Charles B. West

CBW/klp

cc: Tim Dowdy, LG&E
Gary Quick, HMP&L
Wayne Thompson, HMP&L

1062\X:\BUS BNK & CORP\HMP&L - 102300\Station Two - 108916\Correspondence\toerne robert ltr 03-15-06.doc



STOLL · KEENON · OGDEN
PLLC

201 C NORTH MAIN STREET
HENDERSON, KY 42420-3103
MAIN: (270) 831-1900
FAX: (270) 827-4060
www.skofirm.com

CHARLES B. WEST
DIRECT DIAL: (270) 869-6422
charles.west@skofirm.com

September 23, 2008

Timothy W. Dowdy
Senior Corporate Attorney
E.ON U.S. LLC
220 West Main Street
Louisville, KY 40202

RE: Excess Henderson Energy

Dear Tim:

The contents of your letter of September 18, 2008 is acceptable to HMP&L, except that it leaves HMP&L agreeing to WKEC's reversion to its own records based upon thirty (30) days notice. If WKEC reverts to its own generating records at some time in the future, HMP&L wants the right to contest the validity of those records as compared to Big Rivers' records.

To eliminate this risk I would suggest adding to the end of the third paragraph in your letter the following: "HMP&L reserves the right to disagree with WKEC's future refusal to rely upon Big Rivers' generating records."

If you will resubmit your letter with this addition, we can get it signed and returned to you. Thanks.

Yours very truly,

STOLL KEENON OGDEN PLLC

Charles B. West

CBW:klp

cc: Gary Quick
Wayne Thompson

102300.108916/3598404.1

Dowdy, Tim

From: West, C. B. [CB.West@skofirm.com]
Sent: Friday, September 26, 2008 1:02 PM
To: Dowdy, Tim
Subject: Excess Henderson Energy

Thanks much for amending your letter. As soon as I receive the original I will have it signed and return it to you.

Yours very truly,

C.B. West

Dowdy, Tim

From: West, C. B. [CB.West@skofirm.com]
Sent: Tuesday, September 30, 2008 2:00 PM
To: Dowdy, Tim
Cc: Gary Quick; Wayne Thompson
Subject: Excess Henderson Energy
Attachments: 3600073_1 - Letter Agreement from Tim Dowdy Re Excess Henderson Energy.PDF

Dear Tim:

Attached is an executed copy of the agreement relating to Excess Henderson Energy. I have placed the original in the mail to you.

Thanks for working with us on this matter.

C.B. West



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

September 25, 2008

RE: Excess Henderson Energy

Dear C.B.:

I received your letter dated September 8, 2008 regarding HMP&L's concern regarding a potential discrepancy between generating records from the Big Rivers' system and the WKE records of the amount of Excess Energy utilized with respect to Station Two.

We acknowledge that you are not questioning the methodology used by WKE to calculate the volume of Excess Energy utilized, rather the issue involves the difference between Big Rivers' records and WKE's records regarding measured energy generated by Station Two.

In order to resolve this matter, WKE proposes that it will (i) pay HMP&L an amount equal to \$2,019.00, the total amount you indicate is the differential for April, May, June and July 2008 (calculated as 1346 MWh times \$1.50), and (ii) effective August 1, 2008, utilize the generating records it receives from the Big Rivers' system to measure Station Two generation and therefore, the amount of Excess Energy utilized by WKE.

WKE reserves the right to utilize its own records to measure the Station Two generation in the future; provided however, WKE agrees that it will not utilize records other than the generating records it receives from the Big Rivers' system to measure energy use without giving at least 30 days written notice to HMP&L. HMP&L reserves the right to disagree with WKE's future refusal to rely upon Big Rivers' generating records.

If you are in agreement with this proposal, please have a representative of HMP&L sign below and return a copy of this letter with the signature to me.

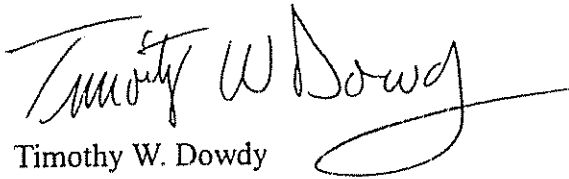
E.ON U.S. LLC
Legal Department
220 W. Main Street
Louisville, Kentucky 40202
www.eon-us.com

Timothy W. Dowdy
Senior Corporate Attorney
T 502-627-3021
F 502-627-3367
Tim.dowdy@eon-us.com



We hope this solution is acceptable and will resolve this matter to HMP&L's satisfaction.

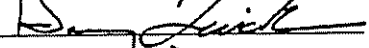
Sincerely,


Timothy W. Dowdy

cc: David Sinclair
Ray Tompkins

Acknowledged and agreed:

City of Henderson, Kentucky Utility Commission
dba Henderson Municipal Power & Light

By: 
Name: GARY DICK
Title: GENERAL MANAGER
Date: SEPTEMBER 29, 2008

Dowdy, Tim

From: Toerne, Rob
Sent: Tuesday, April 03, 2007 7:50 PM
To: 'Wayne Thompson'; West, C. B.; Gary Quick; Jim Miller; Mike Thompson; David Spainhoward; Berry, Bob; Vandiver, Jeff; Dowdy, Tim
Subject: RE: Meeting on unresolved matters

I am available on the 16th

Rob Toerne
270.844.6029

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

From: Wayne Thompson [mailto:WThompson@hmpl.net]
Sent: Tuesday, April 03, 2007 4:49 PM
To: West, C. B.; Gary Quick; Jim Miller; Mike Thompson; David Spainhoward; Toerne, Rob; Berry, Bob; Vandiver, Jeff; Dowdy, Tim
Subject: RE: Meeting on unresolved matters

C.B.

I am available any time on the 16th and 17th.

Wayne

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

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Tuesday, April 03, 2007 3:40 PM
To: Gary Quick; Wayne Thompson; Jim Miller; Mike Thompson; David Spainhoward; Toerne, Rob; Berry, Bob; Vandiver, Jeff; Tim.Dowdy@eon-us.com
Subject: Meeting on unresolved matters

Gentlemen:

Tim Dowdy has requested that I arrange for a meeting among the addressees of this e-mail to discuss the unresolved matters outlined in my letter to Tim Dowdy dated March 21, 2007. A copy of that letter is appended for your information. Tim asked for a meeting approximately two weeks from now. I will suggest April 16, 17 or 18, commencing at 9:00 a.m., Central Daylight Time at HMP&L's offices, 100 5th Street, Henderson, Kentucky. Please let me know of your availability during those three days.

C. B. West

Dowdy, Tim

From: Toerne, Rob
Sent: Tuesday, May 15, 2007 1:43 PM
To: Berry, Bob; Hawkins, Jim; 'Mike Thompson'; 'Wayne Thompson'; 'Mark Powers'; 'Gary Quick'; 'West, C. B.'; Bowling, Ralph; Speed, DeAnna; Baronowsky, Larry; Ralph, Dawna; McCarty, David; Depaull, Tom; Dowdy, Tim; 'dspainhoward@bigrivers.com'; Ashby, David; Polivick, Jennifer; Sinclair, David
Subject: WKE/HMPL/BREC Termination Timeline and Action Item List
Attachments: New Timeline.xls

Rob Toerne
270.844.6029

Dowdy, Tim

From: Toerne, Rob
Sent: Tuesday, June 19, 2007 5:05 PM
To: 'Wayne Thompson'
Cc: Dowdy, Tim; West, C. B.
Subject: Calcs

Wayne,
It was indicated to Tim Dowdy that WKE had the calculations for the HMPL value of the two LEM issues. I do not have them. Can you send me your price calculations?

*Rob Toerne
WKE Contract Manager
Office: 270.844.6029
Cell: 270.993.1604
Fax: 502.217.2008*

Dowdy, Tim

From: Toerne, Rob
Sent: Wednesday, June 20, 2007 10:07 AM
To: Dowdy, Tim
Subject: Fw: Calcs

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

From: Wayne Thompson <WThompson@hmpl.net>
To: Toerne, Rob
Sent: Wed Jun 20 09:58:34 2007
Subject: RE: Calcs

Rob

I think that there may be some misunderstanding on this issue. What was indicated to Tim Dowdy was that the generation and load data that was requested by Maria Murphy was provided to her.

Wayne

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

From: Toerne, Rob [mailto:Rob.Toerne@eon-us.com]
Sent: Tuesday, June 19, 2007 4:05 PM
To: Wayne Thompson
Cc: Dowdy, Tim; West, C. B.
Subject: Calcs

Wayne,

It was indicated to Tim Dowdy that WKE had the calculations for the HMPL value of the two LEM issues. I do not have them. Can you send me your price calculations?

Rob Toerne

WKE Contract Manager

Office: 270.844.6029

Cell: 270.993.1604

Fax: 502.217.2008

Dowdy, Tim

From: Toerne, Rob
Sent: Thursday, August 02, 2007 9:26 AM
To: 'Mark Powers'
Cc: Ising, John; Dowdy, Tim; Bowling, Ralph; Berry, Bob; Hudson, Rusty
Subject: RE: Station Two FS May 2007

Mark,

John Ising would be the person that might have any kind of a preliminary settlement calculation. (I have copied this email to him.) I do not believe we have complete agreement between the two companies to have final settlement or final settlement documents as I believe the statement of purchase reviews have not been finalized. However, I am currently reviewing your request with others concerning a "pre-settlement."

Rob Toerne
270.844.6029

From: Mark Powers [mailto:MPowers@hmpl.net]
Sent: Thursday, August 02, 2007 7:56 AM
To: Toerne, Rob
Subject: FW: Station Two FS May 2007

Rob,

Can you supply me with a preliminary settlement statement for 2007 and will you consider refunding some of the funds before the final settlement documents are created?

Mark Powers
Henderson Municipal Power and Light
100 Fifth Street
Henderson KY, 42419
270-826-2726

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

From: Mark Powers
Sent: Thursday, July 26, 2007 5:02 PM
To: Rob Toerne (E-mail)
Cc: John Ising (E-mail); Wayne Thompson; Gary Quick
Subject: FW: Station Two FS May 2007

Rob,

This is the final financial statement statement for 2007. The statement shows that we were under budget by \$3.2 million dollars. Because of the budget shortfall HMP&L is going to be due a large refund. We do not want to wait for the complete settlement process to take place before receiving any part of the refund. Please consider refunding 75% of our estimated settlement during the month of August

Mark Powers

11/4/2008

Henderson Municipal Power and Light
100 Fifth Street
Henderson KY, 42419
270-826-2726

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

From: Ising, John [mailto:John.Ising@eon-us.com]

Sent: Wednesday, July 25, 2007 6:21 PM

To: Mark Powers

Cc: Toerne, Rob; Beck, Brian

Subject: Station Two FS May 2007

<<FS 05-2007 (MAY).xls>>

Mark,

Here are the may financials. Please let me know if there is anything further you need.

I have spoken with Mac and have received his client assistance requests.

Thanks,

John L Ising III

Accounting Manager - WKE

Ph (502) 627-4995

Fax (502) 627-2665

john.ising@eon-us.com

Dowdy, Tim

From: Gary Quick [gquick@hmpl.net]
Sent: Thursday, February 28, 2008 1:42 PM
To: Sinclair, David; dspainhoward@bigdrivers.com
Cc: Dowdy, Tim; jmiller@smsmlaw.com; Mike Thompson; West, C. B.; Wayne Thompson; Ferdon, Robert; Dr. Smith
Subject: FW: Station Two Termination and Release Agreement Drafts
Attachments: 70202307_1.DOC; Station Two Term & Release Agmt 1 v 11-07-07.doc



70202307_1.DOC Station Two Term &
Release Agm...

Good Afternoon:

Attached is HMP&L's Station Two Termination and Release Agreement dated February 27, 2008. I have also included a marked copy which shows our revisions to the initial HMP&L November 7, 2007, proposed Station Two Termination and Release Agreement.

You will note some information is missing from our February 27, 2008, Agreement because we do not have the required information as of today. We hope to have the information within the next couple of weeks and we will forward that information to you when it is available.

Thank you, Gary

Dowdy, Tim

From: Toerne, Rob
Sent: Tuesday, November 04, 2008 6:48 PM
To: Dowdy, Tim
Subject: FW: Weekly Conference for Unwind Status

Rob Toerne
270.844.6029

From: Toerne, Rob
Sent: Friday, April 20, 2007 8:41 AM
To: 'Wayne Thompson'
Subject: FW: Weekly Conference for Unwind Status

Wayne,
All those addressed in the "To" section of the original email have responded and committed to a weekly Tuesday 8:30 am phone call. I need your concurrence and commitment of availability to start scheduling these meetings. Please respond in a timely manner.
Thank you.

Rob Toerne
270.844.6029

From: Toerne, Rob
Sent: Wednesday, April 18, 2007 9:46 AM
To: 'Wayne Thompson'
Subject: FW: Weekly Conference for Unwind Status

I haven't heard back from you about the 8:00 time – but Mike needs it to be 8:30 – everyone in house is okay with 8:00 – and I assume 8:30 would also work for us. The commitment from us by our management is that we will be available.

Rob Toerne
270.844.6029

From: Mike Thompson [mailto:mthompson@bigrivers.com]
Sent: Wednesday, April 18, 2007 8:17 AM
To: Toerne, Rob
Cc: 'David Spainhoward'; 'Gary Quick'
Subject: RE: Weekly Conference for Unwind Status

Rob,
How much trouble would it be to make it 8:30 instead of 8:00?
I have a regular 8:00 am Tuesday mtg already but it only takes 30 minutes.

11/5/2008

Thanks,
Mike T.

From: Toerne, Rob [mailto:Rob.Toerne@eon-us.com]

Sent: Tuesday, April 17, 2007 11:06 AM

To: Berry, Bob; Speed, DeAnna; Wayne Thompson; Baronowsky, Larry; Ralph, Dawna; McCarty, David; Hawkins, Jim; Depaull, Tom; Mike Thompson

Cc: Bowling, Ralph; Dowdy, Tim; Gary Quick; Mark Powers; West, C. B.; C. B. West; David Spainhoward

Subject: Weekly Conference for Unwind Status

To those of you listed in the "To" header;

You are requested to be part of a weekly conference call to discuss status and updates of the transaction unwind process. I would like to propose every Tuesday at 8:00 am. The call should be scheduled to last for 30 minutes. CB West's letter discussed in our 4/16/2007 meeting will be used as the agenda. Please respond with your concurrence and I will set up a formal meeting notice with dial-in phone conference ports.

To those addressed in the "Cc" section;

This is for your information, however please realize that you are invited to attend and will also receive a meeting notice as an optional attendee.

Please feel free to add additional attendees as required.

*Rob Toerne
WKE Contract Manager
Office: 270.844.6029
Cell: 270.993.1604
Fax: 502.217.2008*

Dowdy, Tim

From: Toerne, Rob
Sent: Tuesday, November 04, 2008 6:48 PM
To: Dowdy, Tim
Subject: FW: Meeting on unresolved matters

Rob Toerne
270.844.6029

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

From: Toerne, Rob
Sent: Tuesday, April 03, 2007 6:50 PM
To: 'Wayne Thompson'; West, C. B.; Gary Quick; Jim Miller; Mike Thompson; David Spainhoward; Berry, Bob; Vandiver, Jeff; Dowdy, Tim
Subject: RE: Meeting on unresolved matters

I am available on the 16th

Rob Toerne
270.844.6029

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

From: Wayne Thompson [mailto:WThompson@hmpl.net]
Sent: Tuesday, April 03, 2007 4:49 PM
To: West, C. B.; Gary Quick; Jim Miller; Mike Thompson; David Spainhoward; Toerne, Rob; Berry, Bob; Vandiver, Jeff; Dowdy, Tim
Subject: RE: Meeting on unresolved matters

C.B.

I am available any time on the 16th and 17th.

Wayne

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

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Tuesday, April 03, 2007 3:40 PM
To: Gary Quick; Wayne Thompson; Jim Miller; Mike Thompson; David Spainhoward; Toerne, Rob; Berry, Bob; Vandiver, Jeff; Tim.Dowdy@eon-us.com
Subject: Meeting on unresolved matters

Gentlemen:

Tim Dowdy has requested that I arrange for a meeting among the addressees of this e-mail to discuss the unresolved matters outlined in my letter to Tim Dowdy dated March 21, 2007. A copy of that letter is appended for your information. Tim asked for a meeting approximately two weeks from now. I will suggest April 16, 17 or 18, commencing at 9:00 a.m., Central Daylight Time at HMP&L's offices, 100 5th Street, Henderson, Kentucky. Please let me know of your availability during those three days.

C. B. West

Dowdy, Tim

From: Toerne, Rob
Sent: Tuesday, November 04, 2008 6:49 PM
To: Dowdy, Tim
Subject: FW: Letter to Tim Dowdy of March 21, 2007

Rob Toerne
270.844.6029

From: Toerne, Rob
Sent: Wednesday, May 09, 2007 8:31 AM
To: 'West, C. B.'
Subject: RE: Letter to Tim Dowdy of March 21, 2007

CB,

I would like to set the body of your letter into a spreadsheet to so we can add meeting notes and allow others to update it as necessary. Is there any way I can get the body of the letter in Word format so I can cut and paste to Excel? Or is this the only format you have? If not, I can retype it.

Rob Toerne
270.844.6029

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Tuesday, May 08, 2007 9:25 AM
To: Toerne, Rob
Subject: Letter to Tim Dowdy of March 21, 2007

Per your request.

C. B.

Dowdy, Tim

From: Toerne, Rob
Sent: Tuesday, November 04, 2008 6:49 PM
To: Dowdy, Tim
Subject: FW: Weekly Conference for Unwind Status

Rob Toerne
270.844.6029

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

From: Wayne Thompson [mailto:WThompson@hmpl.net]
Sent: Friday, April 20, 2007 11:17 AM
To: Toerne, Rob
Subject: RE: Weekly Conference for Unwind Status

Rob

Tuesday at 8:30AM will work for me.

Thanks

Wayne

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

From: Toerne, Rob [mailto:Rob.Toerne@eon-us.com]
Sent: Friday, April 20, 2007 8:41 AM
To: Wayne Thompson
Subject: FW: Weekly Conference for Unwind Status

Wayne,

All those addressed in the "To" section of the original email have responded and committed to a weekly Tuesday 8:30 am phone call. I need your concurrence and commitment of availability to start scheduling these meetings. Please respond in a timely manner. Thank you.

Rob Toerne
270.844.6029

From: Toerne, Rob
Sent: Wednesday, April 18, 2007 9:46 AM
To: 'Wayne Thompson'
Subject: FW: Weekly Conference for Unwind Status

I haven't heard back from you about the 8:00 time - but Mike needs it to be 8:30 - everyone in house is okay with 8:00 - and I assume 8:30 would also work for us. The commitment from us by our management is that we will be available.

Rob Toerne
270.844.6029

From: Mike Thompson [mailto:mthompson@bigdrivers.com]
Sent: Wednesday, April 18, 2007 8:17 AM
To: Toerne, Rob
Cc: 'David Spainhoward'; 'Gary Quick'
Subject: RE: Weekly Conference for Unwind Status

Rob,

How much trouble would it be to make it 8:30 instead of 8:00?

I have a regular 8:00 am Tuesday mtg already but it only takes 30 minutes.

Thanks,

Mike T.

From: Toerne, Rob [mailto:Rob.Toerne@eon-us.com]
Sent: Tuesday, April 17, 2007 11:06 AM
To: Berry, Bob; Speed, DeAnna; Wayne Thompson; Baronowsky, Larry; Ralph, Dawna; McCarty, David; Hawkins, Jim; Depaull, Tom; Mike Thompson
Cc: Bowling, Ralph; Dowdy, Tim; Gary Quick; Mark Powers; West, C. B.; C. B. West; David Spainhoward
Subject: Weekly Conference for Unwind Status

To those of you listed in the "To" header;

You are requested to be part of a weekly conference call to discuss status and updates of the transaction unwind process. I would like to propose every Tuesday at 8:00 am. The call should be scheduled to last for 30 minutes. CB West's letter discussed in our 4/16/2007 meeting will be used as the agenda. Please respond with your concurrence and I will set up a formal meeting notice with dial-in phone conference ports.

To those addressed in the "Cc" section;

This is for your information, however please realize that you are invited to attend and will also receive a meeting notice as an optional attendee.

Please feel free to add additional attendees as required.

Rob Toerne

WKE Contract Manager

Office: 270.844.6029

Cell: 270.993.1604

Fax: 502.217.2008

Dowdy, Tim

From: Toerne, Rob
Sent: Tuesday, November 04, 2008 6:50 PM
To: Dowdy, Tim
Subject: FW: Letter to Tim Dowdy of March 21, 2007
Attachments: 3495371 - Letter to Tim Dowdy - 1 - LEXINGTON.DOC

Rob Toerne
270.844.6029

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Wednesday, May 09, 2007 8:37 AM
To: Toerne, Rob
Subject: RE: Letter to Tim Dowdy of March 21, 2007

Rob,

Please see attached letter in Word format.

C. B.

CB,

I would like to set the body of your letter into a spreadsheet to so we can add meeting notes and allow others to update it as necessary. Is there any way I can get the body of the letter in Word format so I can cut and paste to Excel? Or is this the only format you have? If not, I can retype it.

Rob Toerne
270.844.6029

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Tuesday, May 08, 2007 9:25 AM
To: Toerne, Rob
Subject: Letter to Tim Dowdy of March 21, 2007

Per your request.

C. B.

11/5/2008

Dowdy, Tim

From: Toerne, Rob
Sent: Tuesday, November 04, 2008 6:50 PM
To: Dowdy, Tim
Subject: FW: Meeting on unresolved issues relating to Station Two

Rob Toerne
270.844.6029

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Wednesday, April 04, 2007 12:03 PM
To: Gary Quick; Wayne Thompson; Jim Miller; Mike Thompson; David Spainhoward; Toerne, Rob; Berry, Bob; Vandiver, Jeff; Dowdy, Tim
Subject: Meeting on unresolved issues relating to Station Two

Since almost everybody is available on the 16th (except for David Spainhoward and I haven't heard yet from Jim Miller) I am going to go ahead and schedule the meeting for April 16 at 9:00 a.m., *Central Daylight Time*, at HMP&L's offices, 100 5th Street, Henderson, Kentucky. See you then. Thanks.

C. B. West

Dowdy, Tim

From: Toerne, Rob
Sent: Tuesday, November 04, 2008 6:50 PM
To: Dowdy, Tim
Subject: FW: Meeting on unresolved matters
Attachments: Attachment Info.htm

Rob Toerne
270.844.6029

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Tuesday, April 03, 2007 3:40 PM
To: Gary Quick; Wayne Thompson; Jim Miller; Mike Thompson; David Spainhoward; Toerne, Rob; Berry, Bob; Vandiver, Jeff; Dowdy, Tim
Subject: Meeting on unresolved matters

Gentlemen:

Tim Dowdy has requested that I arrange for a meeting among the addressees of this e-mail to discuss the unresolved matters outlined in my letter to Tim Dowdy dated March 21, 2007. A copy of that letter is appended for your information. Tim asked for a meeting approximately two weeks from now. I will suggest April 16, 17 or 18, commencing at 9:00 a.m., Central Daylight Time at HMP&L's offices, 100 5th Street, Henderson, Kentucky. Please let me know of your availability during those three days.

C. B. West

Dowdy, Tim

From: Toerne, Rob
Sent: Tuesday, November 04, 2008 6:53 PM
To: Dowdy, Tim
Subject: Emailing: H1 Boiler Repair Rebuttal.doc

Attachments: H1 Boiler Repair Rebuttal.doc



H1 Boiler Repair
Rebuttal.doc ...

The message is ready to be sent with the following file or link attachments:

H1 Boiler Repair Rebuttal.doc

Note: To protect against computer viruses, e-mail programs may prevent sending or receiving certain types of file attachments. Check your e-mail security settings to determine how attachments are handled.

Dowdy, Tim

From: Dowdy, Tim
Sent: Friday, November 30, 2007 12:51 PM
To: 'West, C. B.'; Northam, Patrick R.; Jim Miller
Cc: Gary Quick; dspainhoward@bigrivers.com; Sinclair, David; Wayne Thompson; Ferdon, Robert
Subject: RE: Your mark-ups of the Station Two Termination and Release Agreement

C.B. ,

We will have something for you by the close of business next Wednesday, Dec 5. Also, we would like to have a short call with you prior to sending. Would you be available next Wednesday afternoon after 3pm Central?

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Friday, November 30, 2007 10:36 AM
To: Northam, Patrick R.; Dowdy, Tim; Jim Miller
Cc: Gary Quick; dspainhoward@bigrivers.com; Sinclair, David; Wayne Thompson; Ferdon, Robert
Subject: Your mark-ups of the Station Two Termination and Release Agreement

Please advise on what date HMP&L can expect to receive your mark-ups on the proposed Station Two Termination and Release Agreement. We will need some time to review your proposals before the December 12 meeting.

Also, it appears from the contents of Tim Dowdy's proposed "Fee Letter" that the Transaction Termination Agreement of March 26, 2007 has now been amended. We will appreciate receiving a copy of the amendment at your convenience. Thanks.

C. B. West

Dowdy, Tim

From: Dowdy, Tim
Sent: Wednesday, December 05, 2007 11:31 AM
To: 'West, C. B.'; Jim Miller; 'Michel, Robert'
Cc: Northam, Patrick R.; Sinclair, David
Subject: HMP&L/BREC/E.ON U.S. Conference Call Information

C.B., Jim and Bob,

Below is the call-in information for the call this afternoon at 3 CST (4 EST).

User Code: 3505

Moderator Code: 7150 (Dowdy)

Conference Phone Numbers: 2526, LG&E Internal

7-627-2526, KU and WKE On-net 7+seven

627-2526, Louisville area local call

502-627-2526, North America Long Distance

866-877-4571, North America Toll Free

0 800-917-0165, United Kingdom

0 800-180-8188, Germany

0 800 666 0569, Argentina FK Region

0 800-444-8188, Argentina AG Region

Dowdy, Tim

From: Dowdy, Tim
Sent: Thursday, December 06, 2007 2:01 PM
To: 'West, C. B.'; Jim Miller
Cc: 'Michel, Robert'
Subject: RE: Page 1 of Non-Disclosure Agreement

C.B.,

I have reviewed the revised Page 1 and it now reads correctly. We each will replace the original page 1 of the Non-Disclosure with this revised page. Thank you for your prompt attention in correcting this error.

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Thursday, December 06, 2007 12:58 PM
To: Dowdy, Tim; Jim Miller
Subject: Page 1 of Non-Disclosure Agreement

Gentlemen:

Please see attached revised Page 1 of the Non-Disclosure Agreement incorporating Tim Dowdy's revisions to paragraph 1.

Thanks.

C. B. West

Dowdy, Tim

From: Dowdy, Tim
Sent: Tuesday, January 08, 2008 5:43 PM
To: 'West, C. B.'; Gary Quick; Wayne Thompson; Sinclair, David; Northam, Patrick R.
Subject: Scheduled Meeting

C.B., Gary and Wayne,

I apologize. After confirming the meeting for January 31, I now realize that the E.ON folks have a internal corporate conflict on day that we cannot change. Would it be possible to reschedule for either January 29, January 30 or February 1?

Dowdy, Tim

From: Dowdy, Tim
Sent: Wednesday, January 09, 2008 2:08 PM
To: 'West, C. B.'; Gary Quick; Wayne Thompson; Sinclair, David; Northam, Patrick R.
Subject: RE: Scheduled Meeting

Thanks for accomodating the schedule change.

We will come to your office at 9am CST on February 1.

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Wednesday, January 09, 2008 10:57 AM
To: Dowdy, Tim; Gary Quick; Wayne Thompson; Sinclair, David; Northam, Patrick R.
Subject: RE: Scheduled Meeting

February 1 is best for us 9:00 a.m. CST at HMP&L.

Thanks

C. B.

From: Dowdy, Tim [mailto:Tim.Dowdy@eon-us.com]
Sent: Tuesday, January 08, 2008 4:43 PM
To: West, C. B.; Gary Quick; Wayne Thompson; Sinclair, David; Northam, Patrick R.
Subject: Scheduled Meeting

C.B., Gary and Wayne,

I apologize. After confirming the meeting for January 31, I now realize that the E.ON folks have a internal corporate conflict on day that we cannot change. Would it be possible to reschedule for either January 29, January 30 or February 1?

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is not allowed. If you received this message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.

Dowdy, Tim

From: Dowdy, Tim
Sent: Tuesday, April 03, 2007 4:59 PM
To: 'West, C. B.'; Gary Quick; Wayne Thompson; Jim Miller; Mike Thompson; David Spainhoward; Toerne, Rob; Berry, Bob; Vandiver, Jeff
Subject: RE: Meeting on unresolved matters

C.B. ,

I am also available anytime on 16th or 18th.

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Tuesday, April 03, 2007 4:40 PM
To: Gary Quick; Wayne Thompson; Jim Miller; Mike Thompson; David Spainhoward; Toerne, Rob; Berry, Bob; Vandiver, Jeff; Dowdy, Tim
Subject: Meeting on unresolved matters

Gentlemen:

Tim Dowdy has requested that I arrange for a meeting among the addressees of this e-mail to discuss the unresolved matters outlined in my letter to Tim Dowdy dated March 21, 2007. A copy of that letter is appended for your information. Tim asked for a meeting approximately two weeks from now. I will suggest April 16, 17 or 18, commencing at 9:00 a.m., Central Daylight Time at HMP&L's offices, 100 5th Street, Henderson, Kentucky. Please let me know of your availability during those three days.

C. B. West

Dowdy, Tim

From: Dowdy, Tim
Sent: Wednesday, January 16, 2008 10:14 AM
To: 'West, C. B.'; Gary Quick
Cc: 'Attanasio, Donna'; Fendig, John
Subject: Call re WKE FERC filing

C.B.,

I received your call that HMP&L is not available on Thursday afternoon for a call regarding WKE's proposed FERC filing. We unfortunately are not available on Friday.

I am okay after 11am EST (10am CST) on Monday and after 1pm EST (12CST) on Tuesday.

Is everyone available during any of these times?

Dowdy, Tim

From: Dowdy, Tim
Sent: Monday, December 10, 2007 4:44 PM
To: 'West, C. B.'; Ferdon, Robert
Cc: Sinclair, David; 'Northam, Patrick R.'; Jim Miller; dspainhoward@bigrivers.com
Subject: Station Two Contracts

Bob and C.B.,

After inquiry, WKE personnel have confirmed that there are no contracts, equipment leases or licenses (other than coal or fuel related contracts) for Station Two in which HMP&L is not a party.

Dowdy, Tim

From: Dowdy, Tim
Sent: Wednesday, January 10, 2007 6:09 PM
To: 'West, C. B.'
Subject: RE: Meeting re Station Two

C.B.,

I would ask that you keep us informed of what is going on and provide us a copy of any materials you get from Big Rivers or others, if possible.

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Wednesday, January 10, 2007 10:33 AM
To: Dowdy, Tim
Subject: RE: Meeting re Station Two

Tim,

It looks like HMP&L is going to get what it needs without a meeting.

Thanks.

C. B.

From: Dowdy, Tim [mailto:Tim.Dowdy@eon-us.com]
Sent: Tuesday, January 09, 2007 4:02 PM
To: West, C. B.
Subject: Meeting re Station Two

C.B.,

You indicated you were going to schedule a meeting between you, Big Rivers and WKE to talk about how best to address HMP&L's maintenance questions. Have you given any further thought to a date and time?

Dowdy, Tim

From: Dowdy, Tim
Sent: Wednesday, January 31, 2007 6:36 PM
To: 'West, C. B.'
Subject: RE: Fee Estimates Big Rivers/WKE Unwind Transaction

C.B.,

This is the first chance I have had to focus on your estimate. What did you intend to be covered by the entry "HMP&L administrative expense"?

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Friday, December 01, 2006 4:31 PM
To: Dowdy, Tim
Cc: Gary Quick; Wayne Thompson; Jim Miller; Spainhoward; Bowling, Ralph
Subject: Fee Estimates Big Rivers/WKE Unwind Transaction

During the initial phase of our work on the Unwind Transaction, we incurred expenses in identifying the various matters about which the Henderson Utility Commission and City of Henderson should be concerned when giving consent to the Unwind Transaction. A detailed listing of those matters was given to WKE and Big Rivers representatives during our joint meeting held at HMP&L for purposes of discussing the unsettled issues involved with HMP&L/City consent.

In regard to the work so far completed, HMP&L has incurred expenses for legal services in connection with the work in the total amount of \$103,734.00.

Additionally, HMP&L has employed the consulting services of Burns & McDonnell Engineering Company to assist in this transaction. Although some services have been performed by B&M, they have not as of yet invoiced HMP&L.

We anticipate that future expenses will be incurred by HMP&L in order to finalize all matters which will be required as a condition to the City's and Utility Commission's consents to finalization of the Unwind Transaction:

- (a) Legal expense -- \$175,000.00
- (b) Engineering consulting expense -- \$55,000.00
- (c) HMP&L administrative expense -- \$250,000.00 (past and future)

Please understand that these are our best estimates based upon our present understanding of the complexities involved in resolving the various issues related to City/Utility Commission final consent to the unwind transaction. If, during the progress of the work, we determine that substantial under or over estimates have been made, we will provide corrective information based upon the facts then involved.

C. B. West

11/5/2008

Dowdy, Tim

From: Dowdy, Tim
Sent: Wednesday, March 21, 2007 3:21 PM
To: 'West, C. B.'
Cc: Gary Quick; Wayne Thompson
Subject: RE: Station Two Unwind Transaction - Pending Financial Matters

C.B.,

The attached letter has a file extension of "drf" which I am not able to open. It appears that the original file was a "pdf" file and was converted to "drf". Could you please resend?

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Wednesday, March 21, 2007 2:14 PM
To: Dowdy, Tim
Cc: Gary Quick; Wayne Thompson
Subject: Station Two Unwind Transaction - Pending Financial Matters

Please see attached letter.

C. B.

Dowdy, Tim

From: Dowdy, Tim
Sent: Wednesday, March 21, 2007 3:23 PM
To: 'West, C. B.'
Cc: Gary Quick; Wayne Thompson
Subject: RE: Station Two Unwind Transaction - Pending Financial Matters

I received a pdf from your assistant that I can open. I did not see this when I sent my previous email. Thanks.

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Wednesday, March 21, 2007 2:14 PM
To: Dowdy, Tim
Cc: Gary Quick; Wayne Thompson
Subject: Station Two Unwind Transaction - Pending Financial Matters

Please see attached letter.

C. B.

Dowdy, Tim

From: Dowdy, Tim
Sent: Thursday, September 27, 2007 7:47 AM
To: 'West, C. B.'
Cc: JTernes@cityofhendersonky.org; Gary Quick
Subject: RE: Transaction Termination Agreement of March 26, 2007

Sorry C.B.,

I will get you a copy with all of the exhibits.

Also, I have been waiting on a response from our business folks on your proposal to Alstom. I will get back to you as soon as I can get their response

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Wednesday, September 26, 2007 5:17 PM
To: Dowdy, Tim
Cc: JTernes@cityofhendersonky.org; Gary Quick
Subject: Transaction Termination Agreement of March 26, 2007

Tim,

Please see attached letter.

Thanks.

C. B. West

Dowdy, Tim

From: Dowdy, Tim
Sent: Thursday, November 08, 2007 8:13 AM
To: 'West, C. B.'
Cc: Gary Quick; Sinclair, David
Subject: Meeting on Nov 30

C.B.,

I wanted to confirm WKE's intent to meet with HMP&L on November 30. We look forward to receiving copies of the engineering reports next week, together with HMP&L's assessment of the impact, if any. If the reports are delayed, we may need to discuss a possible alternate date, but for now we plan on being in HMP&L's offices at 9am CST on November 30.

Dowdy, Tim

From: Dowdy, Tim
Sent: Tuesday, November 13, 2007 9:07 AM
To: 'West, C. B.'
Subject: RE: Meeting of November 30, 2007

C.B.,

Thanks for the update. Our view is that discussions will be more meaningful and productive once all of the issues are identified and valued. Therefore, we propose to postpone the November 30 meeting for a few weeks to allow HMP&L to receive and assess the final reports, to provide to WKE the reports and its request for "damages," if any, identified in connection with the report, and to give WKE a few weeks to review and assess the reports and HMP&L's request.

Therefore, we propose rescheduling our meeting for either Wednesday, December 12 or Thursday, December 13, whichever day is best for HMP&L. Let me know if either of these days works for you and HMP&L.

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Monday, November 12, 2007 10:54 AM
To: Dowdy, Tim
Cc: Northam, Patrick R.; Jim Miller; dspainhoward@bigrivers.com; Gary Quick; Mike Thompson; Wayne Thompson
Subject: Meeting of November 30, 2007

HMP&L's engineering consultants have advised that they intend to have their initial reports of Station Two inspections completed by Friday, November 23, 2007, but caution that it may take until November 30, 2007 to get the reports completed.

Please advise whether this will require postponement of our scheduled November 30 meeting between HMP&L and E.ON.

Thanks.

C. B. West

11/5/2008

Dowdy, Tim

From: Dowdy, Tim
Sent: Tuesday, November 13, 2007 4:29 PM
To: 'West, C. B.'
Cc: Wayne Thompson; Gary Quick; Sinclair, David; 'Northam, Patrick R.'
Subject: RE: Meeting of November 30, 2007

Thanks.

We will plan on that date.

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Tuesday, November 13, 2007 3:17 PM
To: Dowdy, Tim
Cc: Wayne Thompson; Gary Quick
Subject: RE: Meeting of November 30, 2007

Tim,

We are available on December 12 at 9:00 a.m. at HMP&L. Thanks.

C. B.

From: Dowdy, Tim [mailto:Tim.Dowdy@eon-us.com]
Sent: Tuesday, November 13, 2007 8:07 AM
To: West, C. B.
Subject: RE: Meeting of November 30, 2007

C.B.,

Thanks for the update. Our view is that discussions will be more meaningful and productive once all of the issues are identified and valued. Therefore, we propose to postpone the November 30 meeting for a few weeks to allow HMP&L to receive and assess the final reports, to provide to WKE the reports and its request for "damages," if any, identified in connection with the report, and to give WKE a few weeks to review and assess the reports and HMP&L's request.

Therefore, we propose rescheduling our meeting for either Wednesday, December 12 or Thursday, December 13, whichever day is best for HMP&L. Let me know if either of these days works for you and HMP&L.

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Monday, November 12, 2007 10:54 AM
To: Dowdy, Tim
Cc: Northam, Patrick R.; Jim Miller; dspainhoward@bigrivers.com; Gary Quick; Mike Thompson; Wayne Thompson
Subject: Meeting of November 30, 2007

HMP&L's engineering consultants have advised that they intend to have their initial reports of Station Two inspections completed by Friday, November 23, 2007, but caution that it may take until November 30, 2007 to get the reports completed.

11/5/2008

Please advise whether this will require postponement of our scheduled November 30 meeting between HMP&L and E.ON.

Thanks.

C. B. West

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Dowdy, Tim

From: Dowdy, Tim
Sent: Tuesday, November 20, 2007 8:27 AM
To: 'West, C. B.'
Cc: Gary Quick; Sinclair, David; 'Northam, Patrick R.'
Subject: Proposed Cost Reimbursement Agreement

Attachments: HMP&L Fee Letter November 2007.doc

C.B.,

I apologize that it has taken me a while to get this draft to you. Please review and provide any comments you may have.

As we discussed, WKE wants HMPL to properly analyze the implications of the unwind, but it is concerned about run-away costs. WKE cannot agree to a blank check. I have not placed any caps in the proposed agreement, but if costs become excessive, the agreement gives WKE the right to shut things down - reimbursing HMPL for costs it had expended to that point.



HMP&L Fee Letter
November 2007...

[WKEC Letterhead]

CONFIDENTIAL

November [], 2007

Gary Quick
Henderson Municipal Power & Light
100 Fifth Street
Henderson, Kentucky 42419

Re: Reimbursement of Certain of HMP&L's Costs and Expenses in Connection with the Unwind Transaction

Dear Gary:

As you are aware, Western Kentucky Energy Corp. ("WKEC") and Big Rivers Electric Corporation ("Big Rivers") have executed that certain Transaction Termination Agreement dated as of March 26, 2007, as amended, whereby WKEC and Big Rivers intend, among the other matters contemplated therein, (i) to terminate and/or unwind certain agreements under which WKEC (and/or certain of its affiliates) lease or have the right to operate generating facilities owned by Big Rivers or owned by the City of Henderson, Kentucky, (ii) to terminate and/or unwind certain agreements under which WKEC (and/or certain of its affiliates) provides electric power, or (iii) to assign to Big Rivers certain agreements (or portions thereof) to which WKEC (and/or certain of its affiliates) is a party (herein, the "Unwind Transaction"). WKEC and Big Rivers Electric Corporation ("BREC") have requested the consent of the City of Henderson, Kentucky (the "City") and the City of Henderson, Kentucky Utility Commission d/b/a/ Henderson Municipal Power & Light ("HMP&L"). In connection with the process of determining whether to grant consent, and if granted, the documentation of such consent, the City and HMP&L will incur certain costs and expenses. The purpose of this letter is to set forth the commitment of WKEC to reimburse the City of Henderson, Kentucky (the "City") and the City of Henderson, Kentucky Utility Commission d/b/a Henderson Municipal Power & Light ("HMP&L") for costs and expenses actually incurred by them in connection with such process, as more particularly described herein.

WKEC agrees to reimburse the City and HMP&L for all reasonable out-of-pocket costs and expenses actually incurred by them (including, without limitation, attorney fees and expenses, engineering consulting fees and expenses and administrative costs and expenses) in connection with the Review and Documentation (as such term is hereinafter defined). Notwithstanding the foregoing, WKEC agrees to reimburse the City and HMP&L for their reasonable administrative costs and expenses in connection with the Review and Documentation,

even if not out-of-pocket, to the extent the City and HMP&L provide satisfactory documentation of such costs and expenses.

For purposes of this letter, the term "Review and Documentation" shall mean (i) the review and evaluation of the potential impact or implications to the City and HMP&L of granting their consent to the proposed transactions contemplated in or in connection with the Unwind Transaction (including, the engineering studies conducted by Burns and McDonnell Engineering Company and _____), but only to the extent such review and evaluation is in addition to any review and evaluation required or performed by the City or HMP&L in its normal course of business as a party to the Station Two agreements among WKEC, BREC, the City and/or HMP&L, and (ii) the negotiation, documentation and consummation of any amendments, releases and/or other instruments among the parties required to effect the transactions contemplated in or in connection with the Unwind Transaction.

WKEC will promptly pay such amounts upon presentation of itemized invoices. WKEC would ask that your invoices be submitted to it promptly and that your legal counsel invoices be submitted to WKEC on a monthly basis for each calendar month, in arrears, and contain a timekeeper summary listing personnel who performed the work, together with hourly billing rates and total hours billed. We understand that you may wish to redact certain attorney-client narrative descriptions from the invoices. In the event, the City or HMP&L believes that they would be disadvantaged in any way by submission of a legal counsel invoice, the parties agree to obtain the services of a mutually acceptable independent accounting firm to review the legal counsel invoice under an obligation of confidentiality. The only information that such accounting firm would be permitted to report to WKEC is the existence of the invoice, the amount of the invoice, that the amount was reasonable given the work performed, and that it was incurred in connection with the Review and Documentation. The cost of such accounting firm would be shared equally among the City and HMP&L, on the one hand, and WKEC, on the other hand. We also understand that you will not have third party invoices with respect to administrative costs and expenses incurred by City or HMP&L employees. Therefore, please provide an itemized description of these costs and expenses with the invoices sufficient to determine that they were incurred in connection with the Review and Documentation.

Notwithstanding anything herein to the contrary, in the event (i) the Transaction Termination Agreement, as amended, is terminated for any reason prior to closing, (ii) WKEC determines, in its sole discretion, that the Unwind Transaction may or will not close, (iii) WKEC determines, in its sole discretion, that the aggregate costs and expenses of the City and HMP&L in connection with the Review and Documentation are excessive; WKEC may suspend or terminate this letter (and all duties, obligations and liabilities hereunder) with no further duty, obligation or liability to the City or HMP&L from and after the date WKEC so notifies the City or HMP&L of such suspension or termination, except to reimburse the City and HMP&L for its costs and expenses required to be reimbursed hereunder incurred prior to the date of such suspension or termination.

If you accept and are in agreement with the terms and conditions of this letter agreement, please indicate by signing in the place designated below.

Sincerely yours,

Paul W. Thompson

President

Accepted and Agreed:

City of Henderson, Kentucky

By: _____

Name: _____

Title: _____

Date: _____

City of Henderson, Kentucky Utility Commission

d/b/a Henderson Municipal Power & Light

By: _____

Name: _____

Title: _____

Date: _____

Dowdy, Tim

From: Dowdy, Tim
Sent: Thursday, November 29, 2007 5:32 PM
To: 'West, C. B.'
Subject: RE: Station Two Engineering Reports

C.B. ,

In regard to my previous message: the confidentiality agreement would cover a limited number of folks from those various entities who would need to review/evalutate the report.

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Thursday, November 29, 2007 5:02 PM
To: Dowdy, Tim; Northam, Patrick R.; Jim Miller
Cc: Gary Quick; Wayne Thompson; dspainhoward@bigrivers.com; Mike Thompson; Sinclair, David; Ferdon, Robert
Subject: Station Two Engineering Reports

Gentlemen:

Henderson Municipal Power & Light intends to maintain confidentiality of its Station Two Inspection Reports for *the meantime*. We ask that each person desiring to receive copies of the Engineering Reports execute and redeliver to us a copy of the Non-Disclosure Agreement which is attached to this e-mail.

I have three reports in hand at this time and will provide them to you upon receipt of your executed Non-Disclosure Agreement. Another report is currently in the mail and I expect to receive it on Friday, November 30. An additional report will be placed in the mail on Friday, November 30, which I expect to receive by Monday or Tuesday. Two additional reports are promised for December 7.

Some of these reports can be electronically transferred and others will have to be copied and mailed. I will get them to you as soon as I can.

Yours very truly,

C. B. West

Dowdy, Tim

From: Dowdy, Tim
Sent: Friday, November 30, 2007 12:48 PM
To: 'West, C. B.'
Cc: 'Jim Miller'
Subject: RE: Station Two Engineering Reports

C.B.,

Thanks. Also, I was talking to Jim Miller this morning on another topic and he mentioned Big Rivers would like to do a more institutional approach as well, including Big Rivers and its member co-ops, but limited to persons who needed to see the reports.

If it is okay with you, it would probably be more efficient if Jim and I prepare joint comments and send only one set of comments back to you.

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Friday, November 30, 2007 10:00 AM
To: Dowdy, Tim
Subject: RE: Station Two Engineering Reports

Yes, if you will add a statement to that effect.

C. B. West

From: Dowdy, Tim [mailto:Tim.Dowdy@eon-us.com]
Sent: Thursday, November 29, 2007 4:15 PM
To: West, C. B.
Subject: Re: Station Two Engineering Reports

C. B.,

Can we do one for E.ON which would cover the relevant folks at E.ON, WKE and its representatives?

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

From: West, C. B. <CB.West@skofirm.com>
To: Dowdy, Tim; Northam, Patrick R. <PRN2@gdm.com>; Jim Miller <jmiller@smsmlaw.com>
Cc: Gary Quick <gquick@hmpl.net>; Wayne Thompson <WThompson@hmpl.net>; dspainhoward@bigrivers.com <dspainhoward@bigrivers.com>; Mike Thompson <mthompson@bigrivers.com>; Sinclair, David; Ferdon, Robert <rferdon@fulbright.com>
Sent: Thu Nov 29 17:02:15 2007
Subject: Station Two Engineering Reports

Gentlemen:

Henderson Municipal Power & Light intends to maintain confidentiality of its Station Two Inspection Reports for the *meantime*. We ask that each person desiring to receive copies of the Engineering Reports execute and redeliver to us a copy of the Non-Disclosure Agreement which is attached to this e-mail.

11/5/2008

I have three reports in hand at this time and will provide them to you upon receipt of your executed Non-Disclosure Agreement. Another report is currently in the mail and I expect to receive it on Friday, November 30. An additional report will be placed in the mail on Friday, November 30, which I expect to receive by Monday or Tuesday. Two additional reports are promised for December 7.

Some of these reports can be electronically transferred and others will have to be copied and mailed. I will get them to you as soon as I can.

Yours very truly,

C. B. West

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Dowdy, Tim

From: Dowdy, Tim
Sent: Tuesday, December 04, 2007 10:16 AM
To: 'West, C. B.'
Cc: Jim Miller; Northam, Patrick R.
Subject: Call tomorrow?

C.B.,

We plan to send you a redraft of the Termination and Release by close of business tomorrow. Do you have a few minutes tomorrow afternoon after 3pm CST (4pm EST) for us to discuss a *proposed change in structure of the agreement* - which we believe will greatly simplify the document?

Dowdy, Tim

From: Dowdy, Tim
Sent: Tuesday, December 04, 2007 10:57 AM
To: 'West, C. B.'
Cc: Jim Miller; Northam, Patrick R.
Subject: RE: Call tomorrow?

At 3 would be fine if you are available.

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Tuesday, December 04, 2007 10:52 AM
To: Dowdy, Tim
Cc: Jim Miller; Northam, Patrick R.
Subject: RE: Call tomorrow?

Do you mean beginning at 3:00 p.m. Central Time or beginning sometime after 3:00 p.m.?

C. B.

From: Dowdy, Tim [mailto:Tim.Dowdy@eon-us.com]
Sent: Tuesday, December 04, 2007 9:16 AM
To: West, C. B.
Cc: Jim Miller; Northam, Patrick R.
Subject: Call tomorrow?

C.B.,

We plan to send you a redraft of the Termination and Release by close of business tomorrow. Do you have a few minutes tomorrow afternoon after 3pm CST (4pm EST) for us to discuss a proposed change in structure of the agreement - which we believe will greatly simplify the document?

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Dowdy, Tim

From: Dowdy, Tim
Sent: Tuesday, December 04, 2007 2:36 PM
To: 'West, C. B.'
Cc: Jim Miller; 'Michel, Robert'; Northam, Patrick R.; Sinclair, David
Subject: FW: Non-Disclosure Agreement

Attachments: Non-Disc.pdf



Non-Disc.pdf

C.B.,

Attached is the Non-Disclosure Agreement signed by WKE. Please let us know the best form or process for us receiving copies of the report(s).

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

From: harriet.eberle@eon-us.com [mailto:harriet.eberle@eon-us.com]
Sent: Tuesday, December 04, 2007 2:59 PM
To: Dowdy, Tim
Subject: Non-Disclosure Agreement

Please open the attached document.
This document was sent to you using an HP Digital Sender.

Sent by: <harriet.eberle@eon-us.com>
Number of pages: 3
Document type: B/W Document
Attachment File Format: Adobe PDF

To view this document you need to use the Adobe Acrobat Reader.
For free copy of the Acrobat reader please visit:

<http://www.adobe.com>

For more information on the HP Digital Sender please visit:

<http://www.digitalsender.hp.com>

NON-DISCLOSURE AGREEMENT

This Non-Disclosure Agreement ("Agreement") is made and entered into between City of Henderson Utility Commission, d/b/a Henderson Municipal Power & Light ("HMP&L") (the "Disclosing Party") and the undersigned "Recipient."

Whereas, HMP&L is and will be engaged in discussions with (a) E.ON-U.S. LLC and certain of its affiliates (the "LG&E Parties") and Big Rivers Electric Corporation ("Big Rivers") regarding the terms and provisions of a document entitled "Station Two Termination and Release Agreement", which document will form a part of the transactions between and among HMP&L, the LG&E Parties and Big Rivers, as such transactions are more particularly described in that certain Transaction Termination Agreement dated March 26, 2007; and

Whereas, HMP&L, acting through its General Counsel, Charles B. West of Stoll Keenon Ogden PLLC has obtained and is obtaining certain engineering and metallurgical evaluations of the past and present condition and state of repair of HMP&L's Station Two Power Plant and Joint Use Facilities for purposes of assisting HMP&L in negotiating the terms of the Station Two Termination and Release Agreement so as to enable HMP&L to properly and adequately meet the risks which are involved in releasing the LG&E Parties and Big Rivers from past, present and future liability for the present condition and state of repair of the Station Two Power Plants and Joint Use Facilities, resulting from the LG&E Parties' operation, maintenance and control of such facilities from July 15, 1998 to the date of the Unwind Closing; and

Whereas, HMP&L desires to release to the LG&E Parties and Big Rivers copies of the reports and other materials obtained by HMP&L's General Counsel, but with the understanding and agreement that the LG&E Parties and Big Rivers will not disclose to other persons and entities, including the members of the general public the contents of such engineering reports nor the existence thereof without written permission of HMP&L's Counsel; and

Whereas, the undersigned (the "Recipient") is a representative of or advisor to one or more of the LG&E Parties and/or Big Rivers in connection with the performance by them of the *Transaction Termination Agreement* of March 26, 2007.

Now, therefore, in consideration of the sum of One Dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Recipient and HMP&L, acting by and through its General Counsel, agree as follows:

1. Recipient acknowledges that Recipient has been informed of the confidential nature of the *Transaction Termination Agreement*, the proposed *Station Two Termination and Release Agreement* and the engineering reports, documents and information which is presently in the hands of HMP&L's General Counsel (hereinafter the "Evaluation Material").

2. Recipient agrees to be bound by the terms of this Agreement, and agrees (a) not to use the Evaluation Material for any purposes other than negotiation with HMP&L and the City of Henderson of the terms and provisions of the proposed Station Two Termination and Release Agreement, and (b) not to disclose the Evaluation Material to any other person, except as provided herein.

3. Recipient further agrees that Recipient shall not, without the prior written consent of HMP&L's General Counsel, except as required by law and unless otherwise agreed to in writing by HMP&L, for a period of five years from the date of this Agreement, disclose to any other person or entity the contents of the Evaluation Material or any discussions previously or hereinafter engaged in between or among HMP&L, the LG&E Parties and/or Big Rivers regarding the subject matter of the Evaluation Material.

4. Recipient may, with the consent of HMP&L, disclose and discuss Evaluation Material with a person who is bound to HMP&L to maintain the confidentiality of the Evaluation Material. The LG&E Parties may disclose the Evaluation Material to E.ON U.S.LLC, E.ON U.S. Services Inc. and certain of its and their affiliates, and their respective employees, officers, directors, representatives and advisors who need access (or for whom it would be prudent to have access) to the Evaluation Material, and Big Rivers may disclose the Evaluation Material to its employees, officers, directors, representatives and advisors and the employees, officers, directors, representatives and advisors of its member cooperatives, in either case who need access (or for whom it would be prudent to have access) to the Evaluation Material. The Recipient shall be responsible for the maintenance of the confidentiality of the Evaluation Material by each of such persons to whom it shall disclose the Evaluation Material in accordance with the provisions of this Agreement.

5. Upon the request of HMP&L or its General Counsel, Recipient will promptly return to HMP&L's General Counsel all copies of the Evaluation Material in the possession of the Recipient, and will destroy all copies of any analyses, compilations, and studies or other documents prepared by Recipient, or for Recipient's use, containing or reflecting any Evaluation Material.

6. Each party agrees that the remedies at law for any actual or threatened breach by Recipient of the covenants contained in this Agreement would be inadequate and that HMP&L shall be entitled to equitable relief, including injunction and specific performance, in addition to all other remedies available to HMP&L at law or in equity for any actual or threatened breach by Recipient of this Agreement.

7. It is understood and agreed that no failure or delay by either party in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof.


8. This Agreement is for the benefit of the City of Henderson Utility Commission and the City of Henderson, Kentucky, and the City of Henderson shall be a

third party beneficiary to the covenants of Recipient set forth in this Agreement. This Agreement is governed by and shall be construed in accordance with the laws of the Commonwealth of Kentucky.

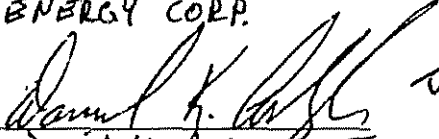
9. Should HMP&L, acting through its General Counsel or otherwise, disclose the Evaluation Material to the general public the Recipient shall thereupon be released from further duties and obligations under the provisions of this Non-Disclosure Agreement. HMP&L and its General Counsel, Charles B. West, reserve the right, under terms of this Agreement, to disclose any one or more of the Evaluation Material to the public.

This Agreement has been executed by HMP&L, acting through its General Counsel, and Recipient this 4 day of December, 2007.

HENDERSON MUNICIPAL POWER
& LIGHT

By: 
Charles B. West, General Counsel

RECIPIENT - WESTERN KENTUCKY
ENERGY CORP.

By:  twd
Name: Daniel K. Arbough, Treasurer

LEX 102300/108916/3545249.2

Dowdy, Tim

From: Dowdy, Tim
Sent: Tuesday, December 04, 2007 5:37 PM
To: 'West, C. B.'
Cc: Jim Miller; Northam, Patrick R.; 'Michel, Robert'; Sinclair, David
Subject: RE: Call tomorrow?

Thanks C.B. ,

I will send call in instructions in the morning.

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Tuesday, December 04, 2007 5:35 PM
To: Dowdy, Tim
Cc: Jim Miller; Northam, Patrick R.
Subject: RE: Call tomorrow?

Tim,

Bob Ferdon and I will be available tomorrow at 3:00 p.m., Central Standard Time, to participate in a telephone call with you and others. Please provide me conference call instructions so that I can also provide them to Bob.

From the standpoint of reviewing your re-draft, I assume you will provide us a marked copy so that our review will be facilitated.

Talk to you tomorrow.

C. B. West

From: Dowdy, Tim [mailto:Tim.Dowdy@eon-us.com]
Sent: Tuesday, December 04, 2007 9:57 AM
To: West, C. B.
Cc: Jim Miller; Northam, Patrick R.
Subject: RE: Call tomorrow?

At 3 would be fine if you are available.

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Tuesday, December 04, 2007 10:52 AM
To: Dowdy, Tim
Cc: Jim Miller; Northam, Patrick R.
Subject: RE: Call tomorrow?

Do you mean beginning at 3:00 p.m. Central Time or beginning sometime after 3:00 p.m.?

C. B.

From: Dowdy, Tim [mailto:Tim.Dowdy@eon-us.com]
Sent: Tuesday, December 04, 2007 9:16 AM
To: West, C. B.
Cc: Jim Miller; Northam, Patrick R.
Subject: Call tomorrow?

C.B.,

We plan to send you a redraft of the Termination and Release by close of business tomorrow. Do you have a few minutes tomorrow afternoon after 3pm CST (4pm EST) for us to discuss a proposed change in structure of the agreement - which we believe will greatly simplify the document?

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Dowdy, Tim

From: Dowdy, Tim
Sent: Thursday, December 13, 2007 4:39 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?

Dowdy, Tim

From: Dowdy, Tim
Sent: Friday, December 14, 2007 1:12 PM
To: 'West, C. B.'
Subject: RE: Unwind Matters - Request for Call

Understood. Thanks.

From: West, C. B. [mailto: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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11/5/2008

message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.

Dowdy, Tim

From: Dowdy, Tim
Sent: Monday, January 07, 2008 5:05 PM
To: 'West, C. B.'
Cc: Sinclair, David; Gary Quick; 'Northam, Patrick R.'
Subject: Set aside possible meeting date

C.B.,

Our schedule is starting to fill up with various activities surrounding the unwind transaction and I have been asked to try to reserve a date with you and HMP&L to continue our discussions regarding the outstanding issues (these dates of course assume that we have provided you with a copy of the environmental report prior to the meeting such that you will have had sufficient time to review and evaluate - we anticipate this should not take too long since we have heard there is nothing significant in the report). We would like to set up a date now, and if for some reason it turns out that date does not work, then we can always change it.

The E.ON folks are available on Jan 24, 30 or 31. Would any of these dates work?

Dowdy, Tim

From: Dowdy, Tim
Sent: Tuesday, January 08, 2008 1:47 PM
To: 'West, C. B.'
Cc: Sinclair, David; Gary Quick; Northam, Patrick R.; Wayne Thompson
Subject: RE: Set aside possible meeting date

Thanks C.B.,

We will plan on being at your office at 9 am CST on January 31.

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Tuesday, January 08, 2008 11:59 AM
To: Dowdy, Tim
Cc: Sinclair, David; Gary Quick; Northam, Patrick R.; Wayne Thompson
Subject: RE: Set aside possible meeting date

Tim,

January 31 is preferable.

Thanks.

C. B.

From: Dowdy, Tim [mailto:Tim.Dowdy@eon-us.com]
Sent: Monday, January 07, 2008 4:05 PM
To: West, C. B.
Cc: Sinclair, David; Gary Quick; Northam, Patrick R.
Subject: Set aside possible meeting date

C.B.,

Our schedule is starting to fill up with various activities surrounding the unwind transaction and I have been asked to try to reserve a date with you and HMP&L to continue our discussions regarding the outstanding issues (these dates of course assume that we have provided you with a copy of the environmental report prior to the meeting such that you will have had sufficient time to review and evaluate - we anticipate this should not take too long since we have heard there is nothing significant in the report). We would like to set up a date now, and if for some reason it turns out that date does not work, then we can always change it.

The E.ON folks are available on Jan 24, 30 or 31. Would any of these dates work?

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11/5/2008

material from your/any storage medium.

Dowdy, Tim

From: Dowdy, Tim
Sent: Friday, January 18, 2008 4:00 PM
To: 'West, C. B.'
Cc: gquick@hmpl.net
Subject: RE: Conference call regarding FERC filing

C.B.,

I have not yet heard back from our FERC counsel on the day and time. She is travelling today. I will put it on the schedule and will let you know as soon as I hear from her if it is a problem. Otherwise, let's plan to have the call on Tues, Jan 22 at 2 CST (3 EST).

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Friday, January 18, 2008 2:31 PM
To: Dowdy, Tim
Cc: gquick@hmpl.net
Subject: Conference call regarding FERC filing

Tim,

Are we set up for a conference call at 2:00 p.m., Central Standard Time, on Tuesday, January 22? Please advise as to call-in information.

Thanks.

C. B. West

Dowdy, Tim

From: Dowdy, Tim
Sent: Saturday, January 19, 2008 9:34 AM
To: 'West, C. B.'
Cc: gquick@hmpl.net
Subject: RE: Conference call regarding FERC filing

C.B.,

Our FERC lawyer is not available at 2pm CST on Tuesday. She is available either at 1 pm CST or 4pm CST. Do either of these times work?

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Friday, January 18, 2008 2:31 PM
To: Dowdy, Tim
Cc: gquick@hmpl.net
Subject: Conference call regarding FERC filing

Tim,

Are we set up for a conference call at 2:00 p.m., Central Standard Time, on Tuesday, January 22? Please advise as to call-in information.

Thanks.

C. B. West

Dowdy, Tim

From: Dowdy, Tim
Sent: Tuesday, January 22, 2008 9:41 AM
To: 'West, C. B.'
Cc: gquick@hmpl.net; wthompson@hmpl.net
Subject: RE: Conference call regarding FERC filing

Thanks C.B.,

I will provide the call in numbers shortly.

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Tuesday, January 22, 2008 9:40 AM
To: Dowdy, Tim
Cc: gquick@hmpl.net; wthompson@hmpl.net
Subject: Conference call regarding FERC filing

Tim,

We are all available for 1:00 p.m. Central Standard Time on Tuesday the 22nd. Please advise of conference call numbers.

Thanks.

C. B.

Dowdy, Tim

From: Dowdy, Tim
Sent: Tuesday, January 29, 2008 9:59 AM
To: 'West, C. B.'
Subject: URS Environmental Report

C.B.,

I noticed that Big Rivers sent you and Gary information that would permit you to access the new environmental report for Seabee Station on a website.

I wanted to follow up with you and confirm that whoever you are having review the report have been able to access the report. Let me know if you have any issues with the access.

Dowdy, Tim

From: Dowdy, Tim
Sent: Tuesday, January 29, 2008 1:38 PM
To: 'West, C. B.'
Subject: RE: URS Environmental Report

It is Big Rivers' website, but my understanding is that the access is for you or someone at your direction.

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Tuesday, January 29, 2008 11:02 AM
To: Dowdy, Tim
Subject: RE: URS Environmental Report

Tim,

I plan to have our consultant use the same mode of access. Is this okay?

C. B.

From: Dowdy, Tim [mailto:Tim.Dowdy@eon-us.com]
Sent: Tuesday, January 29, 2008 8:59 AM
To: West, C. B.
Subject: URS Environmental Report

C.B.,

I noticed that Big Rivers sent you and Gary information that would permit you to access the new environmental report for Sebree Station on a website.

I wanted to follow up with you and confirm that whoever you are having review the report have been able to access the report. Let me know if you have any issues with the access.

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is not allowed. If you received this message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.

Dowdy, Tim

From: Dowdy, Tim
Sent: Thursday, January 31, 2008 12:14 PM
To: 'West, C. B.'
Cc: gquick@hmpl.net
Subject: Confirming Meeting Tomorrow

C.B.,

David Sinclair, Pat Northam and I are still planning on being in HMP&L's office tomorrow morning at 9 am CST. Please confirm that we are still on for tomorrow.

Dowdy, Tim

From: Dowdy, Tim
Sent: Monday, April 28, 2008 5:35 PM
To: 'West, C. B.'
Cc: Gary Quick; Wayne Thompson
Subject: RE: Unwind Closing Date

C.B.,

The Transaction Termination Agreement contemplated the setting of the Scheduled Unwind Closing Date as an action under the agreement. An amendment was not contemplated or necessary.

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Friday, April 25, 2008 12:49 PM
To: Dowdy, Tim
Cc: Gary Quick; Wayne Thompson
Subject: Unwind Closing Date

Tim,

I've just completed reading Paul Thompson's testimony offered in rebuttal of the AG's expert, David Brevitz. Mr. Thompson testified at page 4 of the Transcript that Eon and Big Rivers have scheduled July 15, 2008 as the Unwind closing date. I'm assuming there has been another amendment to the Transaction Termination Agreement. If so, I would appreciate receiving a copy.

Thanks.

C.B. West
Stoll Keenon Ogden PLLC
201 C North Main Street
Henderson, KY 42420
Telephone: 270-831-1900
Direct: 270-869-6432
Fax: 270-827-4060
Email: charles.west@skofirm.com

Dowdy, Tim

From: Dowdy, Tim
Sent: Thursday, September 18, 2008 11:04 AM
To: 'West, C. B.'
Cc: Tompkins, Ray
Subject: Excess Henderson Energy

Attachments: CB_West_.pdf

C.B.,

Attached is a pdf file of a letter (that will follow in the mail) in response to your letter dated September 8, 2008. The attached letter contains a proposal to resolve the measurement issue that hopefully will be satisfactory. Please give me a call if you would like to discuss.



CB_West_.pdf (55
KB)



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

E.ON U.S. LLC
Legal Department
220 W. Main Street
Louisville, Kentucky 40202
www.eon-us.com

Timothy W. Dowdy
Senior Corporate Attorney
T 502-627-3021
F 502-627-3367
Tim.dowdy@eon-us.com

September 18, 2008

RE: Excess Henderson Energy

Dear C.B.:

I received your letter dated September 8, 2008 regarding HMP&L's concern regarding a potential discrepancy between generating records from the Big Rivers' system and the WKE records of the amount of Excess Energy utilized with respect to Station Two.

We acknowledge that you are not questioning the methodology used by WKE to calculate the volume of Excess Energy utilized, rather the issue involves the difference between Big Rivers' records and WKE's records regarding measured energy generated by Station Two.

In order to resolve this matter, WKE proposes that it will (i) pay HMP&L an amount equal to \$2,019.00, the total amount you indicate is the differential for April, May, June and July 2008 (calculated as 1346 MWh times \$1.50), and (ii) effective August 1, 2008, utilize the generating records it receives from the Big Rivers' system to measure Station Two generation and therefore, the amount of Excess Energy utilized by WKE.

WKE reserves the right to utilize its own records to measure the Station Two generation in the future; provided however, WKE agrees that it will not utilize records other than the generating records it receives from the Big Rivers' system to measure energy use without giving at least 30 days written notice to HMP&L.

If you are in agreement with this proposal, please have a representative of HMP&L sign below and return a copy of this letter with the signature to me.



We hope this solution is acceptable and will resolve this matter to HMP&L's satisfaction.

Sincerely,

A handwritten signature in black ink that reads "Timothy W. Dowdy". The signature is fluid and cursive, with the first name being the most prominent.

Timothy W. Dowdy

cc: David Sinclair
Ray Tompkins

Acknowledged and agreed:

City of Henderson, Kentucky Utility Commission
dba Henderson Municipal Power & Light

By: _____

Name: _____

Title: _____

Date: _____

Dowdy, Tim

From: Dowdy, Tim
Sent: Thursday, September 25, 2008 2:08 PM
To: 'West, C. B.'
Cc: Gary Quick; Wayne Thompson
Subject: RE: Excess Henderson Energy
Attachments: CB_West_09-25-08.pdf

C.B.,

Attached is a new version of my previous letter with your proposed language added. Original letter to follow in the mail.

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Tuesday, September 23, 2008 2:57 PM
To: Dowdy, Tim
Cc: Gary Quick; Wayne Thompson
Subject: Excess Henderson Energy

Tim,

Please see attached letter.

C.B.



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

September 25, 2008

RE: Excess Henderson Energy

E.ON U.S. LLC
Legal Department
220 W. Main Street
Louisville, Kentucky 40202
www.eon-us.com

Timothy W. Dowdy
Senior Corporate Attorney
T 502-627-3021
F 502-627-3367
Tim.dowdy@eon-us.com

Dear C.B.:

I received your letter dated September 8, 2008 regarding HMP&L's concern regarding a potential discrepancy between generating records from the Big Rivers' system and the WKE records of the amount of Excess Energy utilized with respect to Station Two.

We acknowledge that you are not questioning the methodology used by WKE to calculate the volume of Excess Energy utilized, rather the issue involves the difference between Big Rivers' records and WKE's records regarding measured energy generated by Station Two.

In order to resolve this matter, WKE proposes that it will (i) pay HMP&L an amount equal to \$2,019.00, the total amount you indicate is the differential for April, May, June and July 2008 (calculated as 1346 MWh times \$1.50), and (ii) effective August 1, 2008, utilize the generating records it receives from the Big Rivers' system to measure Station Two generation and therefore, the amount of Excess Energy utilized by WKE.

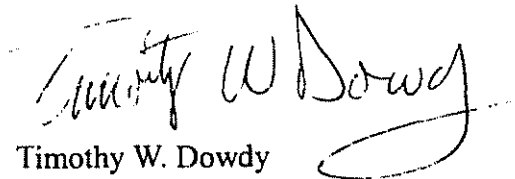
WKE reserves the right to utilize its own records to measure the Station Two generation in the future; provided however, WKE agrees that it will not utilize records other than the generating records it receives from the Big Rivers' system to measure energy use without giving at least 30 days written notice to HMP&L. HMP&L reserves the right to disagree with WKEC's future refusal to rely upon Big Rivers' generating records.

If you are in agreement with this proposal, please have a representative of HMP&L sign below and return a copy of this letter with the signature to me.



We hope this solution is acceptable and will resolve this matter to HMP&L's satisfaction.

Sincerely,


Timothy W. Dowdy

cc: David Sinclair
Ray Tompkins

Acknowledged and agreed:

City of Henderson, Kentucky Utility Commission
dba Henderson Municipal Power & Light

By: _____
Name: _____
Title: _____
Date: _____

Dowdy, Tim

From: Dowdy, Tim
Sent: Friday, September 26, 2008 1:11 PM
To: 'West, C. B.'
Subject: RE: Excess Henderson Energy

Thanks.

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Friday, September 26, 2008 1:02 PM
To: Dowdy, Tim
Subject: Excess Henderson Energy

Thanks much for amending your letter. As soon as I receive the original I will have it signed and return it to you.

Yours very truly,

C.B. West

11/5/2008

CONFIDENTIAL

April [], 2007

Gary Quick
Henderson Municipal Power & Light
100 Fifth Street
Henderson, Kentucky 42419

Re: Reimbursement of HMP&L's Costs and Expenses in Connection with the Unwind Transaction

Dear Gary:

As you are aware, Western Kentucky Energy Corp. ("WKEC") and Big Rivers Electric Corporation ("Big Rivers") have executed that certain Transaction Termination Agreement dated as of March 26, 2007 whereby WKEC and Big Rivers intend, among the other matters contemplated therein, (i) to terminate and/or unwind certain agreements under which WKEC (and/or certain of its affiliates) lease or have the right to operate generating facilities owned by Big Rivers or owned by the City of Henderson, Kentucky, (ii) to terminate and/or unwind certain agreements under which WKEC (and/or certain of its affiliates) provides electric power, or (iii) to assign to Big Rivers certain agreements (or portions thereof) to which WKEC (and/or certain of its affiliates) is a party (herein, the "Unwind Transaction"). The purpose of this letter is to request that the City of Henderson, Kentucky (the "City") and the City of Henderson, Kentucky Utility Commission d/b/a Henderson Municipal Power & Light ("HMP&L") consider granting consent, as may be required, to the proposed transactions contemplated in or in connection with the Unwind Transaction.

We contemplate closing the Unwind Transaction on or before September 30, 2007.

WKEC [and Big Rivers] agree to reimburse the City and HMP&L for all reasonable out-of-pocket costs and expenses actually incurred by them (including, without limitation, attorney fees and expenses, engineering consulting fees and expenses and administrative costs and expenses) in connection with the Review and Documentation (as such term is hereinafter defined).

For purposes of this letter, the term "Review and Documentation" shall mean (i) the review and evaluation of the potential impact or implications to the City and HMP&L to consenting to the proposed transactions contemplated in or in connection with the Unwind Transaction (including, the review and evaluation currently being conducted by Burns and McDonnell Engineering Company), and (ii) the negotiation, documentation and consummation of any amendments, releases and/or other instruments among the parties required to effect the transactions contemplated in or in connection with the Unwind Transaction.

We will promptly pay such amounts upon presentation of itemized invoices. We would ask that your invoices be submitted to us promptly and that your legal counsel invoices be submitted to us on a monthly basis for each calendar month, in arrears, and contain a timekeeper summary listing personnel who performed the work together with hourly billing rates and total hours billed. We understand that you may wish to redact certain attorney-client narrative descriptions from the invoices.

Thank you for your attention. Please let us know if you require any additional information to make a determination on this request.

Sincerely yours,

Dowdy, Tim

From: West, C B [CB.West@skofirm.com]
Sent: Friday, December 01, 2006 4:31 PM
To: Dowdy, Tim
Cc: Gary Quick; Wayne Thompson; Jim Miller; Spainhoward; Bowling, Ralph
Subject: Fee Estimates Big Rivers/WKE Unwind Transaction

During the initial phase of our work on the Unwind Transaction, we incurred expenses in identifying the various matters about which the Henderson Utility Commission and City of Henderson should be concerned when giving consent to the Unwind Transaction. A detailed listing of those matters was given to WKE and Big Rivers representatives during our joint meeting held at HMP&L for purposes of discussing the unsettled issues involved with HMP&L/City consent.

In regard to the work so far completed, HMP&L has incurred expenses for legal services in connection with the work in the total amount of \$103,734.00.

Additionally, HMP&L has employed the consulting services of Burns & McDonnell Engineering Company to assist in this transaction. Although some services have been performed by B&M, they have not as of yet invoiced HMP&L.

We anticipate that future expenses will be incurred by HMP&L in order to finalize all matters which will be required as a condition to the City's and Utility Commission's consents to finalization of the Unwind Transaction:

- (a) Legal expense -- \$175,000.00
- (b) Engineering consulting expense -- \$55,000.00
- (c) HMP&L administrative expense -- \$250,000.00 (past and future)

Please understand that these are our best estimates based upon our present understanding of the complexities involved in resolving the various issues related to City/Utility Commission final consent to the unwind transaction. If, during the progress of the work, we determine that substantial under or over estimates have been made, we will provide corrective information based upon the facts then involved.

C. B. West

Dowdy, Tim

From: West, C. B. [CB.West@skofirm.com]
Sent: Monday, February 05, 2007 3:03 PM
To: Dowdy, Tim
Subject: Fee Estimates Big Rivers/WKE Unwind Transaction

Tim,

Reference your request for explanation of administrative expenses in the approximate amount of \$250,000. I submitted your request to Gary Quick and have received the following in response, which I forward for your information.

If you need further assistance, please advise.

C.B. West

From: Gary Quick [mailto:gquick@hmpl.net]
Sent: Friday, February 02, 2007 4:34 PM
To: West, C. B.
Cc: Wayne Thompson
Subject: Tim Dowdy's Question

C. B.

This is in response to Mr. Tim Dowdy's question concerning the HMP&L administrative expense for the Unwind Transaction. The projected expense includes five existing and prior employees. Included in the expense are employee compensations, benefits, and miscellaneous business expenses for the following individuals:

Mrs. Mary Sue Barron Administration Director
Mr. Wayne Thompson Power Production Director
Mr. Gary Quick General Manager
Mrs. Beverly Klima Administrative Assistant
Mrs. Tammy Konsler Administrative Assistant

The period of time for the expense began in December 2005 and we selected June 2007 as an arbitrary date for the conclusion of the Unwind Transaction. The time period included in the total expense is 19 months; however, in the event the Unwind Transaction extends beyond June 2007, the projected administrative expense would increase. For the administrative expense, we projected the average employee compensation for all five employees at approximately \$58/hour and employee related benefits are projected at 30 percent. The remaining expense is for various miscellaneous business expenses.

Let me know if you need to discuss this information.

Thank you, Gary

From: West, C. B.
Sent: Thursday, February 01, 2007 10:03 AM
To: 'Gary Quick'; Wayne Thompson
Subject: FW: Fee Estimates Big Rivers/WKE Unwind Transaction

4 10 2007

Please find below an e-mail from Tim Dowdy requesting an explanation of the potential administrative expenses in the amount of \$250,000.00 in connection with the unwind transaction. Please give this some thought and let us get together so that I can prepare an answer to Mr. Dowdy's request.

C. B. West

From: Dowdy, Tim [mailto:Tim.Dowdy@eon-us.com]
Sent: Wednesday, January 31, 2007 5:36 PM
To: West, C. B.
Subject: RE: Fee Estimates Big Rivers/WKE Unwind Transaction

C.B.,

This is the first chance I have had to focus on your estimate. What did you intend to be covered by the entry "HMP&L administrative expense"?

4/10/2007

Dowdy, Tim

From: Sinclair, David
Sent: Tuesday, November 04, 2008 10:02 AM
To: Dowdy, Tim
Subject: FW: Follow-Up

From: Northam, Patrick R. [mailto:PRN2@gdm.com]
Sent: Wednesday, June 25, 2008 5:32 PM
To: Sinclair, David; Dowdy, Tim; Thompson, Paul; Depaull, Tom; Arbough, Dan
Subject: Fw: Follow-Up

FYI

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

From: Gary Quick <gquick@hmpl.net>
To: Northam, Patrick R.
Cc: West, C. B. <CB.West@skofirm.com>; Ferdon, Robert <rferdon@fulbright.com>; Wayne Thompson <WThompson@hmpl.net>
Sent: Wed Jun 25 17:25:33 2008
Subject: Follow-Up

Good Afternoon Pat:

I wanted to get back to you concerning the status of our review of your proposed Second Amendatory Agreement and the March 19 Term Sheet which were attached to your June 12 email. Because of our increasing legal expenses, the current unresolved Ambac matter, and other recent events, I have requested that Mr. West and Mr. Ferdon postpone any further legal review of your documents

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

11/4/2008

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 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 Amendatory 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

11/4/2008

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

Greenebaum Doll & McDonald PLLC

3500 National City Tower

101 South Fifth Street

Louisville, Kentucky 40202

Direct: (502) 587-3774 E-Mail: prn@gdm.com <blocked::mailto:prn@gdm.com>

Main: (502) 589-4200 Web: www.greenebaum.com

<blocked::blocked::blocked::blocked::http://www.greenebaum.com/>

<blocked::blocked::blocked::blocked::http://www.greenebaum.com/>

Fax: (502) 540-2296

The following warning is required by the IRS whenever tax advice is given. If this email contains no direct or indirect tax advice, the warning is not applicable.

As a result of perceived abuses, the Treasury has recently promulgated Regulations for practice before the IRS. These

11/4/2008

Circular 230 regulations require all attorneys and accountants to provide extensive disclosure when providing certain written tax communications to clients. In order to comply with our obligations under these Regulations, we would like to inform you that since this document does not contain all of such disclosure, you may not rely on any tax advice contained in this document to avoid tax penalties nor may any portion of this document be referred to in any marketing or promotional materials.

This message has been sent from a law firm and may contain information which is confidential or privileged. If you are not the intended recipient, please advise the sender immediately by reply e-mail and delete this message and any attachments without retaining a copy. Please advise immediately if you or your employer do not want us to use Internet e-mail for future messages of this kind. Thank you.

Dowdy, Tim

From: West, C. B. [CB.West@skofirm.com]
Sent: Wednesday, December 05, 2007 11:28 AM
To: Dowdy, Tim; Northam, Patrick R.; Jim Miller; dspainhoward@bigrivers.com; Sinclair, David; Gary Quick; Wayne Thompson; Ferdon, Robert
Subject: Exothermic Engineering, LLC Engineering Reports
Attachments: LEXINGTON-#3546229-v1-Exothermic_Report_-_Operating_Condition.PDF; LEXINGTON-#3546228-v1-Exothermic_Report_-_Pet_Coke.PDF

Attached to this e-mail are copies of two (2) Engineering Reports related to Station Two which have been prepared by Exothermic Engineering, LLC. One report relates to the effects of burning pet coke in the Station Two boilers. The other report relates to an assessment of the present operating condition of the Station Two Power Plant and Joint Use Facilities.

There are only a few photographs with the pet coke report and I have included them with the enclosed copy. I hope the quality is okay. If not, I have a compact disc from which the pictures can be reproduced, which I will lend to you but not give to you.

The Station Two Assessment Report contains 2390 photographs. The photographs are essential to an understanding of the content of the report. I expect to receive today two DVDs containing the photographs, numbered and verbally identified. I will forward those two DVDs to Tim Dowdy and Jim Miller as soon as received.

If you have any questions, please advise

C. B. West

Dowdy, Tim

From: West, C. B. [CB.West@skofirm.com]
Sent: Wednesday, December 05, 2007 11:28 AM
To: Dowdy, Tim; Northam, Patrick R.; Jim Miller; dspainhoward@bigrivers.com; Sinclair, David; Gary Quick; Wayne Thompson; Ferdon, Robert
Subject: Exothermic Engineering, LLC Engineering Reports
Attachments: LEXINGTON-#3546229-v1-Exothermic_Report_-_Operating_Condition.PDF; LEXINGTON-#3546228-v1-Exothermic_Report_-_Pet_Coke.PDF

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If you have any questions, please advise

C. B. West

Dowdy, Tim

From: West, C. B. [CB.West@skofirm.com]
Sent: Wednesday, December 05, 2007 11:28 AM
To: Dowdy, Tim; Northam, Patrick R.; Jim Miller; dspainhoward@bigrivers.com; Sinclair, David; Gary Quick; Wayne Thompson; Ferdon, Robert
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The Station Two Assessment Report contains 2390 photographs. The photographs are essential to an understanding of the content of the report. I expect to receive today two DVDs containing the photographs, numbered and verbally identified. I will forward those two DVDs to Tim Dowdy and Jim Miller as soon as received.

If you have any questions, please advise.

C. B. West

11/3/2008

Dowdy, Tim

From: West, C. B. [CB.West@skofirm.com]
Sent: Thursday, December 06, 2007 12:58 PM
To: Dowdy, Tim; Jim Miller
Subject: Page 1 of Non-Disclosure Agreement
Attachments: LEXINGTON-#3546497-v1-Revised_page_1_of_Non-Disclosure_Agreement.pdf

Gentlemen:

Please see attached revised Page 1 of the Non-Disclosure Agreement incorporating Tim Dowdy's revisions to paragraph 1.

Thanks.

C. B. West

Dowdy, Tim

From: West, C. B. [CB.West@skofirm.com]
Sent: Tuesday, January 08, 2008 11:59 AM
To: Dowdy, Tim
Cc: Sinclair, David; Gary Quick; Northam, Patrick R.; Wayne Thompson
Subject: RE: Set aside possible meeting date

Tim,

January 31 is preferable.

Thanks.

C. B.

From: Dowdy, Tim [mailto:Tim.Dowdy@eon-us.com]
Sent: Monday, January 07, 2008 4:05 PM
To: West, C. B.
Cc: Sinclair, David; Gary Quick; Northam, Patrick R.
Subject: Set aside possible meeting date

C.B.,

Our schedule is starting to fill up with various activities surrounding the unwind transaction and I have been asked to try to reserve a date with you and HMP&L to continue our discussions regarding the outstanding issues (these dates of course assume that we have provided you with a copy of the environmental report prior to the meeting such that you will have had sufficient time to review and evaluate - we anticipate this should not take too long since we have heard there is nothing significant in the report). We would like to set up a date now, and if for some reason it turns out that date does not work, then we can always change it.

The E.ON folks are available on Jan 24, 30 or 31. Would any of these dates work?

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is not allowed. If you received this message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.

Dowdy, Tim

From: West, C. B. [CB.West@skofirm.com]
Sent: Wednesday, January 09, 2008 10:57 AM
To: Dowdy, Tim; Gary Quick; Wayne Thompson; Sinclair, David; Northam, Patrick R.
Subject: RE: Scheduled Meeting

February 1 is best for us. 9:00 a.m. CST at HMP&L.

Thanks.

C. B.

From: Dowdy, Tim [mailto:Tim.Dowdy@eon-us.com]
Sent: Tuesday, January 08, 2008 4:43 PM
To: West, C. B.; Gary Quick; Wayne Thompson; Sinclair, David; Northam, Patrick R.
Subject: Scheduled Meeting

C.B., Gary and Wayne,

I apologize. After confirming the meeting for January 31, I now realize that the E.ON folks have a internal corporate conflict on day that we cannot change. Would it be possible to reschedule for either January 29, January 30 or February 1?

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Dowdy, Tim

From: West, C. B. [CB.West@skofirm.com]
Sent: Wednesday, January 16, 2008 4:20 PM
To: Dowdy, Tim
Cc: Wayne Thompson; Gary Quick
Subject: Conference call

Tim,

We can all participate in a conference call next Tuesday afternoon beginning at 2:00 p.m. Central Standard Time. If that suits your people, please give us call-in instructions.

Thanks.

C. B. West

Dowdy, Tim

From: West, C. B. [CB.West@skofirm.com]
Sent: Friday, January 18, 2008 2:31 PM
To: Dowdy, Tim
Cc: gquick@hmpl.net
Subject: Conference call regarding FERC filing

Tim,

Are we set up for a conference call at 2:00 p.m., Central Standard Time, on Tuesday, January 22? Please advise as to call-in information.

Thanks.

C. B. West

11/4/2008

Dowdy, Tim

From: West, C. B. [CB.West@skofirm.com]
Sent: Tuesday, January 22, 2008 9:40 AM
To: Dowdy, Tim
Cc: gquick@hmpl.net; wthompson@hmpl.net
Subject: Conference call regarding FERC filing

Tim,

We are all available for 1:00 p.m. Central Standard Time on Tuesday the 22nd. Please advise of conference call numbers.

Thanks.

C. B.

Dowdy, Tim

From: West, C. B. [CB.West@skofirm.com]
Sent: Tuesday, January 29, 2008 11:02 AM
To: Dowdy, Tim
Subject: RE: URS Environmental Report

Tim,

I plan to have our consultant use the same mode of access. Is this okay?

C. B.

From: Dowdy, Tim [mailto:Tim.Dowdy@eon-us.com]
Sent: Tuesday, January 29, 2008 8:59 AM
To: West, C. B.
Subject: URS Environmental Report

C.B.,

I noticed that Big Rivers sent you and Gary information that would permit you to access the new environmental report for Sebree Station on a website.

I wanted to follow up with you and confirm that whoever you are having review the report have been able to access the report. Let me know if you have any issues with the access.

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Dowdy, Tim

From: West, C. B. [CB.West@skofirm.com]
Sent: Thursday, January 31, 2008 2:23 PM
To: Dowdy, Tim
Cc: gquick@hmpl.net
Subject: RE: Confirming Meeting Tomorrow

We are still on for 9:00 a.m. CST at HMP&L's office tomorrow. Hope the weather doesn't interfere with your travel.

C. B.

From: Dowdy, Tim [mailto:Tim.Dowdy@eon-us.com]
Sent: Thursday, January 31, 2008 11:14 AM
To: West, C. B.
Cc: gquick@hmpl.net
Subject: Confirming Meeting Tomorrow

C.B.,

David Sinclair, Pat Northam and I are still planning on being in HMP&L's office tomorrow morning at 9 am CST. Please confirm that we are still on for tomorrow.

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Dowdy, Tim

From: West, C. B. [CB.West@skofirm.com]
Sent: Tuesday, March 18, 2008 3:26 PM
To: Dowdy, Tim
Cc: Gary Quick
Subject: Notice of Default

Regarding your request for time extension on the Notices of Default pending a meeting between Alcan, E.ON and the HMP&L Board, I am advised by Mr. Quick that there will not be such a meeting.

Yours very truly,

C. B.

Dowdy, Tim

From: West, C. B. [CB.West@skofirm.com]
Sent: Friday, April 25, 2008 12:49 PM
To: Dowdy, Tim
Cc: Gary Quick; Wayne Thompson
Subject: Unwind Closing Date

Tim,

I've just completed reading Paul Thompson's testimony offered in rebuttal of the AG's expert, David Brevitz. Mr. Thompson testified at page 4 of the Transcript that Eon and Big Rivers have scheduled July 15, 2008 as the Unwind closing date. I'm assuming there has been another amendment to the Transaction Termination Agreement. If so, I would appreciate receiving a copy.

Thanks.

C.B. West
Stoll Keenon Ogden PLLC
201 C North Main Street
Henderson, KY 42420
Telephone: 270-831-1900
Direct: 270-869-6432
Fax: 270-827-4060
Email: charles.west@skofirm.com

Dowdy, Tim

From: West, C. B. [CB.West@skofirm.com]
Sent: Monday, April 28, 2008 5:45 PM
To: Dowdy, Tim
Cc: Gary Quick; Wayne Thompson
Subject: RE: Unwind Closing Date

Thanks.

C. B.

From: Dowdy, Tim [mailto:Tim.Dowdy@eon-us.com]
Sent: Monday, April 28, 2008 4:35 PM
To: West, C. B.
Cc: Gary Quick; Wayne Thompson
Subject: RE: Unwind Closing Date

C.B.,

The Transaction Termination Agreement contemplated the setting of the Scheduled Unwind Closing Date as an action under the agreement. An amendment was not contemplated or necessary.

From: West, C. B. [mailto:CB.West@skofirm.com]
Sent: Friday, April 25, 2008 12:49 PM
To: Dowdy, Tim
Cc: Gary Quick; Wayne Thompson
Subject: Unwind Closing Date

Tim,

I've just completed reading Paul Thompson's testimony offered in rebuttal of the AG's expert, David Brevitz. Mr. Thompson testified at page 4 of the Transcript that Eon and Big Rivers have scheduled July 15, 2008 as the Unwind closing date. I'm assuming there has been another amendment to the Transaction Termination Agreement. If so, I would appreciate receiving a copy.

Thanks.

C.B. West
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11/4/2008

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Dowdy, Tim

From: West, C. B. [CB.West@skofirm.com]
Sent: Tuesday, September 23, 2008 2:57 PM
To: Dowdy, Tim
Cc: Gary Quick; Wayne Thompson
Subject: Excess Henderson Energy
Attachments: 3598451_1 - Letter to Tim Dowdy - Excess Henderson Energy.PDF

Tim,

Please see attached letter.

C.B.