

# **EXHIBIT 1**

**Commonwealth of Kentucky**  
**Alison Lundergan Grimes, Secretary of State**

Alison Lundergan Grimes  
Secretary of State  
P. O. Box 718  
Frankfort, KY 40602-0718  
(502) 564-3490  
<http://www.sos.ky.gov>

**Certificate of Existence**

Authentication number: 154817  
Visit <https://app.sos.ky.gov/ftshow/certvalidate.aspx> to authenticate this certificate.

I, Alison Lundergan Grimes, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

**LOUISVILLE GAS AND ELECTRIC COMPANY**

is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 271B, whose date of incorporation is July 2, 1913 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that Articles of Dissolution have not been filed; and that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 8<sup>th</sup> day of September, 2014, in the 223<sup>rd</sup> year of the Commonwealth.



*Alison Lundergan Grimes*

Alison Lundergan Grimes  
Secretary of State  
Commonwealth of Kentucky  
154817/0032196

## **EXHIBIT 2**

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

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

June 30, 2014

The applicant's generating, transmission and distribution systems described herein are calculated annually. As of December 31, 2013, the applicant had ownership in 11 and operated 9 coal fired steam electric generating units having a total capacity of 2,642 Mw; had ownership in and operated 14 combustion turbine generating units having a total capacity of 644 Mw; and owned and operated 1 hydroelectric generating station, the operation of which is affected by the water level and flow of the Ohio River, having a total capacity of 54 Mw.

The applicant's owned electric transmission system included 45 substations (32 of which are shared with the distribution system) with a total capacity of 7 million kVA and 675 pole miles of lines. The distribution system included 97 substations (32 of which are shared with the transmission system) with a total capacity of 5 million kVA, 3,886 circuit miles of overhead lines and 2,419 underground cable miles.

The applicant's natural gas transmission system includes 4,272 miles of gas distribution mains and 388 miles of gas transmission mains, consisting of 255 miles of gas transmission pipeline, 126 miles of gas transmission storage lines, 6 miles of gas combustion turbine lines, and 1 mile of gas transmission pipeline in regulator facilities. Five underground natural gas storage fields, with a total working natural gas capacity of approximately 15 Bcf, are used in providing natural gas service to ultimate consumers.

Other properties include an office building, service centers, warehouses, garages and other structures and equipment, the use of which is common to both the electric and gas departments.

The net original cost of the property and cost thereof to the applicant at June 30, 2014, was:

	<u>Electric</u>	<u>Gas</u>	<u>Common</u>	<u>Total</u>
Original Cost	\$ 4,799,532,858	\$ 930,632,209	\$ 263,783,034	\$ 5,993,948,101
Less Reserve for				
Depreciation	1,743,799,640	203,198,754	123,730,094	2,070,728,488 *
Net Original Cost	3,055,733,218	727,433,455	140,052,940	3,923,219,613
Allocation of Common				
To Electric and Gas	99,437,587	40,615,353	(140,052,940)	-
Total	<u>\$ 3,155,170,805</u>	<u>\$ 768,048,808</u>	<u>\$ -</u>	<u>\$ 3,923,219,613</u>

\* Excludes \$303,641,028 related to cost of removal reserves that is not included in the reserve in the Financial Statements and Additional Information, but instead is included as a regulatory liability.

# **EXHIBIT 3**

**Commonwealth of Kentucky**  
**Alison Lundergan Grimes, Secretary of State**

Alison Lundergan Grimes  
Secretary of State  
P. O. Box 718  
Frankfort, KY 40602-0718  
(502) 564-3490  
<http://www.sos.ky.gov>

**Certificate of Existence**

Authentication number: 154816  
Visit <https://app.sos.ky.gov/ftshow/certvalidate.aspx> to authenticate this certificate.

I, Alison Lundergan Grimes, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

**KENTUCKY UTILITIES COMPANY**

is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 271B, whose date of incorporation is August 17, 1912 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that Articles of Dissolution have not been filed; and that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 8<sup>th</sup> day of September, 2014, in the 223<sup>rd</sup> year of the Commonwealth.



*Alison Lundergan Grimes*

Alison Lundergan Grimes  
Secretary of State  
Commonwealth of Kentucky  
154816/0028494

# Commonwealth of Virginia



## State Corporation Commission

### CERTIFICATE OF GOOD STANDING

*I Certify the Following from the Records of the Commission:*

That KENTUCKY UTILITIES COMPANY is duly incorporated under the law of the Commonwealth of Virginia;

That the date of its incorporation is November 26, 1991;

That the period of its duration is perpetual; and

That the corporation is in existence and in good standing in the Commonwealth of Virginia as of the date set forth below.

Nothing more is hereby certified.



*Signed and Sealed at Richmond on this Date:  
September 8, 2014*

*Joel H. Peck*  
Joel H. Peck, Clerk of the Commission

# **EXHIBIT 4**

KENTUCKY UTILITIES COMPANY  
(807 KAR 5:001, Section 11, Item 1 (a))

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

June 30, 2014

The applicant's generating, transmission and distribution systems described herein are calculated annually. As of December 31, 2013, the applicant had ownership in 12 and operated 10 coal fired steam electric generating units having a total capacity of 3,273 Mw; owned and operated a hydroelectric generating station having a total capacity of 24 Mw; and had ownership in and operated 16 gas/oil peaking units having a total capacity of 1,442 Mw.

The applicant's owned electric transmission system included 137 substations (57 of which are shared with the distribution system) with a total capacity of 14 million kVA and 4,079 pole miles of lines. The electric distribution system included 480 substations (57 of which are shared with the transmission system) with a total capacity of 7 million kVA, 14,116 circuit miles of overhead lines, and 2,288 underground cable miles.

KU's service area includes an additional 11 miles of gas transmission pipeline providing gas supply to natural gas combustion turbine electrical generating units.

Other properties include office buildings, service centers, warehouses, garages and other structures and equipment.

The net original cost of the property and cost thereof to the applicant at June 30, 2014, was:

	<u>Utility Plant</u>
Original Cost	
Production Plant	\$ 4,718,365,245
Distribution Plant	1,574,569,514
Transmission Plant	754,726,033
General Plant	164,687,889
Intangible Plant	77,623,591
Construction Work in Progress	<u>1,055,232,710</u>
Total Plant at Original Cost	\$ 8,345,204,982
Less Reserve for Depreciation	<u>2,329,696,260</u> *
Net Original Cost	<u>\$ 6,015,508,722</u>

\* Excludes \$390,704,092 related to cost of removal reserves that is not included in the reserve in the Financial Statements and Additional Information, but instead is included as a regulatory liability.

# **EXHIBIT 5**

To: Bluegrass Generation Company, LLC  
c/o LS Power Equity Advisors, LLC  
1700 Broadway, 35<sup>th</sup> Floor  
New York, NY 10019  
Attn: General Counsel

C: Bluegrass Generation Company, LLC  
c/o LS Power Development, LLC  
400 Chesterfield Center, Suite 110  
St. Louis, MO 63017  
Attn: Adam Gassaway

From: Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU")

Date: September 12, 2014

Re: Reallocation of interests under Capacity Purchase and Tolling Agreement (the "Agreement")  
between LG&E and KU as Buyers and Bluegrass Generation Company, LLC as Seller

---

Pursuant to Section 16.8 of the Agreement, the Buyers are hereby notifying the Seller of the Buyers' intent to re-allocate the rights, obligations and liabilities hereunder as follows:

100% to LG&E

0% to KU

The Buyers further clarify that notwithstanding any given allocation percentage, they may from time to time delegate the performance of an obligation to an affiliate; provided that notwithstanding any such delegation, each Buyer shall remain fully responsible for all obligations under the Agreement, including by ensuring performance of the obligation by such affiliate, to the extent of its allocated share.

Please evidence Seller's agreement to this allocation and its waiver of the 30-day notice under Section 16.8 by executing on behalf of Seller where indicated below. Seller agrees that this allocation shall be effective when the acknowledged notice is received by Buyers.

Acknowledged and agreed:

Bluegrass Generation Company, LLC

By: 

Name: David Nannus

Its: EVP

**EXECUTION VERSION**

**CAPACITY PURCHASE AND TOLLING AGREEMENT**

**BETWEEN**

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**AND**

**KENTUCKY UTILITIES COMPANY**

**AND**


**BLUEGRASS GENERATION COMPANY, LLC**

**August 26, 2014**

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**CAPACITY PURCHASE AND TOLLING AGREEMENT**

This CAPACITY PURCHASE AND TOLLING AGREEMENT (this "Agreement"), dated as of August 26, 2014 (the "Execution Date"), is among Louisville Gas and Electric Company, a corporation organized and existing under the laws of the Commonwealth of Kentucky ("LG&E"), Kentucky Utilities Company, a corporation organized and existing under the laws of the Commonwealth of Kentucky ("KU"; LG&E and KU are sometimes referred to individually as "Buyer" and collectively (and severally liable as provided herein) as the "Buyers"), and Bluegrass Generation Company, LLC, a limited liability company organized and existing under the laws of the State of Delaware ("Seller").

**WITNESSETH:**

WHEREAS, Buyers are engaged in the distribution and sale of electricity to the public in the Commonwealths of Kentucky and Virginia and the state of Tennessee; and

WHEREAS, Seller owns and contracts with a third party to operate three Natural Gas-fired simple cycle electric generating units rated at approximately one hundred sixty five (165) MW each at a facility in Oldham County, Kentucky (as more fully defined in Section 1.1, the "Facility");

WHEREAS, Buyers intend to purchase Contracted Capacity and provide the Natural Gas necessary to generate the associated Energy pursuant to this Agreement in order to fulfill their load obligations; and

WHEREAS, Buyers have agreed to purchase from Seller, and Seller has agreed to sell to Buyers on a Scheduled basis, one hundred sixty five (165) MWs of Capacity for tolling from the Unit as defined herein, all in accordance with the provisions of this Agreement.

NOW, THEREFORE, for and in consideration of the premises, the mutual promises and agreements set forth herein and other good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, Buyers and Seller, each intending to be legally bound, agree as follows:

**ARTICLE 1  
DEFINITIONS**

1.1 Certain Definitions. The following initially capitalized terms and phrases as and when used in this Agreement shall have the respective meanings set forth below:

"Adjustment Period" has the meaning assigned in Section 7.2(c).

"Affiliate" means, with respect to a Person, each other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such designated Person. For purposes of this definition (i) "control" or "controlled by" and "under common control with" shall mean the possession of the power to direct or cause the direction of the management and policies of an entity, whether through the ownership of voting stock or partnership interest, by contract or otherwise and (ii) it shall be assumed that the direct

## EXECUTION VERSION

or indirect owner of more than fifty percent (50%) of the outstanding stock or other equity interest of a Person has “control” of such Person.

“Agreement” has the meaning assigned in the preamble.

“Air Permits” has the meaning assigned in Section 8.3.

“Alternate Source” has the meaning assigned in Section 4.2.

“Alternate Source Temporary Arrangements” has the meaning assigned in Section 4.2.

“Ancillary Services” means all ancillary commercial products produced by the Unit, including spinning reserves, operating reserves, black start capability, balancing energy, regulation service, reactive power and voltage control.

“Annual Period” means a calendar year from January 1 through December 31.

“Authorized Representatives” has the meaning under Section 19.4.

“Business Day” means any Day excluding Saturday, Sunday and NERC-defined holidays.

“Buyer” and “Buyers” have the meanings assigned in the preamble.

“Capacity” means generating capacity measured in kW or MW.

“Change of Control Transaction” means, in respect of Seller, any transaction or series of related transactions which, if consummated, would result in Seller being an Affiliate of another ultimate parent entity immediately after such transaction. For purposes of this definition, Seller’s ultimate parent entity is the Person who directly or indirectly controls more than fifty percent (50%) or more of such Person’s outstanding capital stock or other equity interests having ordinary voting power and who does not itself have an ultimate parent entity.

“Confidential Information” means business or technical information rightfully in the possession of either Party, which information derives actual or potential commercial value from not being generally known or readily ascertainable through independent development or reverse engineering by persons who can obtain economic value from its disclosure and use, and includes information furnished or disclosed to the other Party in connection with discussions leading up to execution of this Agreement, including this Agreement. Confidential Information must be designated in writing as confidential by the Party supplying such information (the “Disclosing Party”) to the other Party (the “Receiving Party”). Confidential Information does not include information which: (a) is or becomes publicly available other than as a result of a violation of this Agreement; (b) was, at the time of the disclosure, already in the Receiving Party’s possession; (c) is disclosed to the Receiving Party by a third Party who, to the Receiving Party’s knowledge, is not prohibited from disclosing the information pursuant to any agreement with the Disclosing Party; (d) the Receiving Party develops or derives without the aid, application or use of the privileged or proprietary information; or (e) the Receiving Party is required to disclose pursuant to Legal Requirements.

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“Consent” means any and all licenses, permits, franchises, agreements, approvals, authorizations, consents, waivers, rights, exemptions, releases, variances, exceptions, or orders of or issued by, or filing with, or notice to, any Governmental Authority under Legal Requirements, including all applicable environmental certificates, licenses, permits and approvals.

“Contracted Capacity” has the meaning assigned in Appendix A.

“Costs” has the meaning assigned in Section 16.3(b).

“Day” means calendar day.

“Defaulting Party” has the meaning assigned in Section 16.3(a).

“Delivered Energy” has the meaning assigned in Appendix A.


“Delivery Excuse” has the meaning assigned in Section 15.7.

“Delivery Period” means the period from the Delivery Commencement Date until the end of the Term.

“Delivery Commencement Date” means May 1, 2015.

“Designated Network Resource” or “DNR” has the meaning assigned to such term in the OATT.

“Early Termination Date” has the meaning assigned in Section 16.3(a).



“Energy” means three-phase, 60-cycle alternating current electrical energy, and which shall be expressed in megawatt hours (MWh) or kilowatt hours (kWh).

“Event of Default” means an event described in Section 16.1 for Seller and in Section 16.2 for Buyers.

“Execution Date” has the meaning assigned in the preamble.

“Facility” means three Natural Gas-fired simple cycle electric generating units rated at approximately one hundred sixty five (165) MW each at a facility in Oldham County, Kentucky located at the Site and interconnected to the Transmission System at the Interconnection Point.

“Federal Power Act” means the Federal Power Act, 16 U.S.C. § § 791a *et seq.* (2006), as such Act may be amended from time to time, and any successor statute of similar import.

“FERC” means the Federal Energy Regulatory Commission or any Governmental Authority succeeding to the powers and functions thereof under the Federal Power Act.

“Force Majeure Event” has the meaning assigned in Section 15.1.

## EXECUTION VERSION

“Forced Outage” means a time during which the Unit is not capable of normal operations for reasons other than a Force Majeure Event, Delivery Excuse or a Scheduled Outage.

“Gains” has the meaning assigned in Section 16.3(b).

“Gas Adjustment Period” has the meaning assigned in Section 5.3(d).

“Good Utility Practices” means, any of the practices, methods, standards and acts engaged in or approved by a significant portion of the electric utility industry in the United States operating combustion turbine facilities similar to the Facility, with due regard to any material differences between the size and type of such stations and the size and type of the Facility and the Units and that, at a particular time, in the exercise of reasonable judgment in light of the facts known or that should reasonably have been known at the time a decision was made, would have been expected to accomplish the desired result consistent with (i) applicable Legal Requirements; (ii) good business practices, reliability, economy, safety and expedition. Good Utility Practices are not intended to be limited to the optimum practices, methods or acts to the exclusion of all others, but rather to be acceptable practices, methods and acts generally accepted in the United States, having due regard for, among other things, manufacturers’ warranties, original equipment manufacturer’s recommendations and applicable Legal Requirements.

“Governmental Authority” means any federal, state, local or municipal governmental body; any governmental, quasi-governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power, including FERC, NERC or any regional reliability council; or any court or governmental tribunal, in each case, having jurisdiction over the Person or matter in question.

“Guaranteed Heat Rate” has the meaning assigned in Appendix B.

“Indemnified Party” has the meaning assigned in Section 14.1.

“Indemnifying Party” has the meaning assigned in Section 14.1.

“Interconnection Agreement” means that certain Interconnection Agreement dated as of February 13, 2001, by and between Seller and the Transmission Provider that governs the interconnection and parallel operation of the Facility with the Transmission System.

“Interconnection Facilities” means those facilities described in the Interconnection Agreement as facilities that must be installed or modified in order to enable the Facility to deliver Energy associated with the Contracted Capacity to meet Buyers’ Schedules from the Facility to the Transmission System.

“Interconnection Point” means the point of connection between the Transmission System and the Facility’s electrical facilities, as described in more detail in the Interconnection Agreement, which is the LG&E Buckner (345kV) substation.

## EXECUTION VERSION

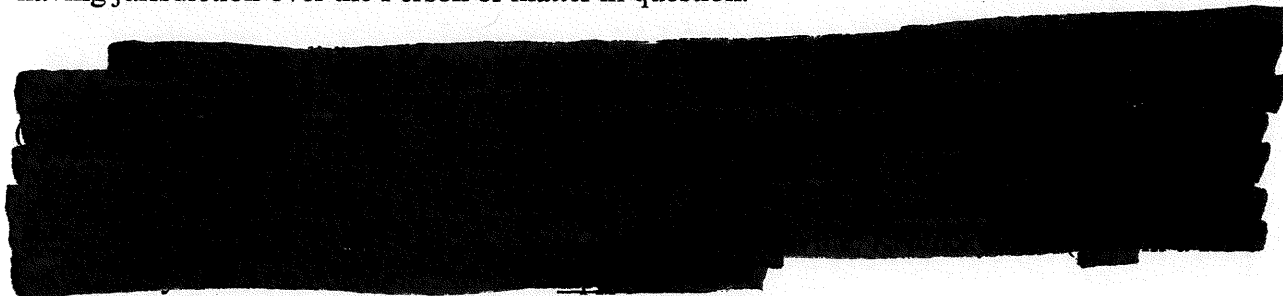
“Interest Rate” means the interest per annum equal to the prime rate as published in *The Wall Street Journal*, or comparable successor publication, under “Money Rates,” as applied on a daily basis and compounded quarterly.

“KU” has the meaning assigned in the preamble.

“kV” means kilovolt(s).

“kW” means kilowatt(s).

“Legal Requirement” means any law, code, statute, regulation, rule, ordinance, judgment, injunction, order, permit or other requirement that is valid and applicable to the Person or matter in question at the time of the execution of this Agreement or any time thereafter during the Term, including any standards, operating policies or similar requirements of a Governmental Authority having jurisdiction over the Person or matter in question.



“LG&E” has the meaning assigned in the preamble.

“LIBOR” means the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBOR01 Page (or any successor page) as the London interbank offered rate for deposits in dollars at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of the applicable interest period for a term comparable to such interest period.

“Losses” has the meaning assigned in Section 16.3(b).

“Maintenance Schedules” has the meaning assigned in Section 8.2(a).

“MMBtu” means one million British thermal units. One (1) MMBtu is equivalent to one (1) Dekatherm.

“Monthly Availability Factor” or “MAF” has the meaning assigned to it in Appendix A.

“Monthly Capacity Payment” has the meaning assigned in Appendix A.

“Monthly Fuel Adjustment” or “MFA” has the meaning assigned in Appendix B.

“Monthly Invoice” has the meaning assigned in Section 9.1(a).

“Monthly O&M Payment and MFA” has the meaning assigned in Appendix B.

## EXECUTION VERSION

“MW” means megawatt(s).

“MWh” means megawatt-hour(s).

“Natural Gas” means a mixture of hydrocarbon gasses that occurs with petroleum deposits, principally methane, together with varying quantities of ethane, propane, butane, and other gases, but excluding manufactured or artificial gas.

“Natural Gas Delivery Point” means the point of interconnection between the Facility and the Texas Gas Transmission pipeline serving the Facility.

“Natural Gas Industry Standards” means those standards, practices, methods and acts engaged in or approved by a significant portion of the Natural Gas Industry in the United States that, at a particular time, in the exercise of reasonable judgment in light of the facts known or that should have been known at the time a decision was made could have been expected to accomplish the desired result consistent with good business practices, reliability, economy, safety and expedition. Natural Gas Industry Standards are not intended to be limited to the optimum practices, methods or acts to the exclusion of all others, but rather to be acceptable practices, method and acts generally accepted in the Natural Gas Industry in the United States, having due regard for, among other things, manufacturers’ warranties and applicable Legal Requirements.

“Natural Gas Interconnection Agreement” means the Facilities Agreement, dated April 9, 2001, between Texas Gas Transmission Corporation and the Seller.

“Natural Gas Metering System” means all meters, metering devices and related instruments used to measure and record Natural Gas consumed by the Unit, including any such consumption meters downstream of the Texas Gas Transmission Facility meter.

“Natural Gas Pseudo Meter” has the meaning assigned in Appendix G.

“NERC” means the North American Electric Reliability Corporation, including any successor thereto and subdivisions thereof.

“Net Worth” means the dollar value calculated by subtracting liabilities from total assets (excluding goodwill and other intangible assets described in FASB Statement 142) as such terms are determined in accordance with generally accepted accounting principles.

“Network Integrated Transmission Service” has the meaning defined in the OATT.

“Non-Defaulting Party” has the meaning assigned in Section 16.3(a).

“OATT” means Buyers’ Open Access Transmission Tariff currently on file with FERC.

“Party” or “Parties” means either Buyers or Seller, or all of them, respectively.

EXECUTION VERSION

“Person” means any natural person, corporation, limited liability company, general partnership, limited partnership, proprietorship, other business organization, trust, union, association or Governmental Authority.

“Power Metering System” means all meters, metering devices and related instruments used to measure and record Energy and to determine the amount of Energy that is delivered to Buyers from the Unit at the Interconnection Point, including any unit meters behind the Interconnection Point.

“Project” means the ownership, operation, management and maintenance of the Facility, all of which being reasonably expected to enable Seller to fulfill its obligations under this Agreement.

“Reliability Coordinator” means the entity that is the highest level of authority who is responsible for the reliable operation of the Transmission System, has the wide area view of the Transmission System, and has the operating tools, processes and procedures, including the authority to prevent or mitigate emergency operating situations in both next-day analysis and real-time operations.

“Schedule,” “Scheduled,” “Scheduling” and “Scheduling Instructions” mean instructions issued by Buyers from the Scheduling Center to Seller with respect to the scheduling of Energy in accordance with Article 6. Such Schedule shall be in a format agreed to by the Parties.

“Scheduled Energy” has the meaning assigned in Appendix A.

“Scheduled Outage” means a time period during which the Contract Capacity from the Unit is unavailable or partially unavailable due to the maintenance of the Unit or other equipment at the Facility in accordance with Section 8.2 and Appendix D.

“Scheduling Center” means the scheduling center designated by Buyers from time to time in writing as being the primary control point for Scheduling Instructions and other operational notifications provided herein, including pursuant to Article 6 and Article 8.

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“Site” means the approximately sixty (60) acres of land in Oldham County, Commonwealth of Kentucky, on which the Facility is located.

“System Alert” means that the Scheduling Center has determined pursuant to its prevailing practices that conditions are expected to occur or have occurred that could jeopardize the ability to meet projected loads in the electric system of LG&E and KU that has been recognized by NERC as a control area.

“Taxes” means all taxes, fees, levies, licenses or charges imposed by any Governmental Authority, other than taxes, levies, licenses or charges based upon net income or net worth, together with any interest and penalties thereon.

“Term” has the meaning assigned in Section 3.1.

“Termination Payment” has the meaning assigned in Section 16.3(b).

“Transmission Provider” means the owner or operator of the Transmission System responsible for providing transmission service under the OATT.

“Transmission System” means the integrated high voltage electricity transmission systems of LG&E and KU, as modified or expanded from time-to-time.

“Turbine Start” means one start of the Unit for each period that has Energy being delivered to Buyers pursuant to the applicable Schedule in each hour (greater than zero MWs per hour) until the hour that such Schedule returns to zero MWs. For the avoidance of doubt, any failed starts of the Unit (for any reason) are not considered a Turbine Start.

“Unit” means Unit Number 3 at the Facility; if the Alternate Source Temporary Arrangements have been achieved, the Alternate Source will be treated as the “Unit” for such period of time under this Agreement.

## ARTICLE 2

### REPRESENTATIONS, WARRANTIES AND COVENANTS

2.1 Representations and Warranties of Seller. Seller hereby makes the following representations and warranties to Buyers as of the date of this Agreement:

(a) Seller is a limited liability company, duly organized, validly existing and in good standing under the laws of the State of Delaware, and is qualified to do business and is in good standing in the jurisdictions in which the conduct of its business or location of its assets and properties makes such qualification necessary (including in the Commonwealth of Kentucky), is the sole owner of the Facility, is causing the Facility to be operated and has the legal power and authority to own its properties, to carry on its business as now being conducted and to enter into this Agreement and to otherwise carry out the transactions contemplated hereby and perform all obligations on Seller’s part to be performed pursuant to this Agreement.

(b) The execution, delivery and performance by Seller of this Agreement have been duly authorized by all necessary limited liability company action, and do not and will not

## EXECUTION VERSION

require any consents or approvals of Seller's members or directors other than those which have already been properly obtained.

(c) The execution, delivery and performance by Seller of this Agreement, and the consummation of the transactions contemplated hereby, do not conflict with any of the terms, conditions or provisions of any Legal Requirements applicable to Seller, any of Seller's organizational or governance documents, or any partnership agreement, deed of trust, mortgage, loan agreement, other evidence of indebtedness or any other material agreement or instrument to which Seller is a party or by which it or any of its property is bound, or result in a breach of or a default under any of the foregoing.

(d) This Agreement constitutes the legal, valid and binding obligations of Seller that are enforceable in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws relating to or affecting the enforcement of creditors' rights generally or by general equitable principles, regardless of whether such enforceability is considered in a proceeding in equity or at law.

(e) There is no pending or, to the knowledge of Seller, threatened action or proceeding affecting Seller before any Governmental Authority that purports to materially adversely affect the legality, validity or enforceability of this Agreement or that reasonably could be expected to have a material adverse effect on Seller's ability to perform its obligations under this Agreement.

(f) There are no bankruptcy proceedings pending or being contemplated by Seller or, to Seller's knowledge, threatened against Seller.

2.2 Representations and Warranties of Buyers. Each Buyer hereby makes the following representations and warranties to Seller as of the date of this Agreement:

(a) Buyer is a corporation, duly organized, validly existing and in good standing under the laws of every state in which it does business as a utility, including the Commonwealth of Kentucky, and has the legal power and authority to own its properties, to carry on its business as now being conducted and to enter into this Agreement and carry out the transactions contemplated hereby and perform all obligations on Buyer's part to be performed pursuant to this Agreement.

(b) The execution, delivery and performance by Buyer of this Agreement have been duly authorized by all necessary corporate action, and do not and will not require any consent or approval of Buyer's board of directors or shareholders other than that which has already been obtained.

(c) The execution, delivery and performance by Buyer of this Agreement, and the consummation of the transactions contemplated hereby, do not and will not conflict with any of the terms, conditions or provisions of any Legal Requirements applicable to Buyer, any of Buyer's organizational or governance documents, or any partnership agreement, deed of trust, mortgage, loan agreement, other evidence of indebtedness or any other material agreement or

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instrument to which Buyer is a party or by which it or any of its property is bound, or result in a breach of or a default under any of the foregoing.

(d) This Agreement constitutes the legal, valid and binding obligation of Buyer that is enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws relating to or affecting the enforcement of creditors' rights generally or by general equitable principles, regardless of whether such enforceability is considered in a proceeding in equity or at law.

(e) There is no pending or, to the knowledge of Buyer, threatened action or proceeding affecting Buyer before any Governmental Authority which purports to materially adversely affect the legality, validity or enforceability of this Agreement or that reasonably could be expected to have a material adverse effect on Buyer's ability to perform its obligations under this Agreement.

(f) There are no bankruptcy proceedings pending or being contemplated by it or, to its knowledge, threatened against it.

### 2.3 Seller Covenants. Seller hereby covenants and agrees that throughout the Term:

(a) No modifications to, or expansion of, the Unit that would have a material adverse effect on Buyers' rights or obligations under this Agreement will occur without the prior written consent of Buyers, which consent shall not be unreasonably withheld, conditioned or delayed.

(b) Except as otherwise provided pursuant to the provisions of this Agreement, Seller will maintain the legal right to and will possess and operate or cause to be operated the Facility and deliver the Capacity and associated Energy from the Facility to Buyers in accordance with the provisions of this Agreement.

(c) Seller shall operate or cause to be operated the Facility at all times during the Term in accordance with Section 8.1.

(d) Seller shall not interfere with, and shall take no position or take any actions adverse to, Buyers' efforts to qualify and maintain the Unit as a Designated Network Resource pursuant to the OATT.

(e) Seller agrees that Buyers are not, and shall ensure that Buyers shall not be deemed to be, the registered "Generation Owner" nor the "Generation Operator" for the Facility as defined under and pursuant to NERC requirements.

(f) Seller agrees not to generate Ancillary Services from the Unit except to the extent such generation is required by a Governmental Authority or the Transmission Provider.

**ARTICLE 3  
TERM OF AGREEMENT**

3.1 Term. This Agreement shall become effective as of the date of this Agreement and, subject to termination as provided in this Agreement, shall remain in full force and effect through April 30, 2019 (the "Term").

3.2 Survival. All provisions of this Agreement that expressly or by implication come into or continue in force and effect following the expiration or termination of this Agreement shall remain in effect and be enforceable following such expiration or termination.

3.3 Conditions Precedent.

(a) The Delivery Commencement Date shall not occur unless and until the following events have occurred or been waived in writing by Buyers on or before April 15, 2015, without extension by a Force Majeure Event or for any other reason:

(i) DNR Status. Buyers shall have qualified the Unit as a Designated Network Resource and Buyers are capable of scheduling the entire Contracted Capacity as a Designated Network Resource.

(ii) Network Integrated Transmission Service Arrangements. Buyers shall have secured unconditional firm network transmission service from the Interconnection Point for the Delivery Period, and any upgrades required in connection with such firm network transmission service not to exceed fifty thousand dollars (\$50,000.00) and to be completed by April 1, 2015.

(iii) Necessary Regulatory Approvals. Buyers shall have received all permits and approvals, and shall have satisfied all other Legal Requirements, including receiving such approvals from the Kentucky Public Service Commission or the Virginia State Corporation Commission, as Buyers choose to pursue in their sole discretion, with respect to the performance of Buyers' obligations and recovery of costs incurred hereunder.

(iv) Natural Gas Pseudo Meter. Seller, Buyers and Texas Gas Transmission have executed an agreement (to the extent all such parties need to execute) for the Buyers' use of the Unit's Natural Gas Pseudo Meter in accordance with Appendix G.

(v) Gas Transportation. Buyers shall have obtained firm Natural Gas transportation service arrangements with respect to the operation of the Unit in an amount [REDACTED] of the Delivery Period on a "no notice" basis.

(b) Buyers shall diligently pursue satisfaction of the conditions precedent set forth in Section 3.3(a); provided, that the Parties acknowledge and agree that Buyers shall not seek satisfaction of the condition precedent set forth in Section 3.3(a)(v) until satisfaction or waiver of the other conditions precedent set forth in Section 3.3(a) has taken place. Buyers shall promptly provide written notice to Seller of the date when (i) all conditions precedent other than

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Section 3.3(a)(v) have been satisfied or waived by written notice from Buyers; and (ii) all conditions precedent are satisfied or otherwise waived by Buyers.

(c) If any of the above conditions precedent are not met or waived in writing by Buyers on or before April 15, 2015, either Party may elect, in its sole discretion, to terminate this Agreement on or before the tenth (10<sup>th</sup>) Business Day after April 15, 2015 with no further obligation to either Party other than any payment obligations which are accrued and payable at the time of termination. In the event a Party elects to terminate this Agreement under this Section 3.3, such Party shall exercise such termination right by delivering a notice of termination to the other Party on or before the tenth (10<sup>th</sup>) Business Day after April 15, 2015 referencing this Section 3.3 and the effective date of termination. If a Party has the right to terminate this Agreement pursuant to this Section 3.3 and does not deliver such notice of termination to the other Party on or before the tenth (10<sup>th</sup>) Business Day after April 15, 2015, then such Party's termination right provided in this Section 3.3 shall be deemed waived in its entirety.

### ARTICLE 4 SALE OF CAPACITY AND DELIVERY OF ENERGY

#### 4.1 Agreement to Sell and Purchase Capacity for Tolling.

(a) At all times during the Delivery Period, (i) Seller agrees to make available to Buyers the Contracted Capacity of the Unit and to provide to Buyers all of the Energy produced by the Unit pursuant to Buyers' Scheduling instructions, and (ii) Buyers agree to take from Seller such Energy from the Unit pursuant to Buyers' Scheduling instructions and accept the Contracted Capacity associated with the Unit. Buyers shall Schedule at least four thousand nine hundred fifty (4,950) MWh (165 MW for 30 hours) of Energy from the Unit each Annual Period.

(b) Seller shall make available Contracted Capacity and deliver Energy from the Unit to Buyers at the Interconnection Point.

(c) Seller's failure to make available Contracted Capacity and deliver Energy as required hereunder shall only be excused by a Force Majeure Event and Delivery Excuse, subject to the other provisions regarding a Force Majeure Event and Delivery Excuse set forth in this Agreement.

(d) The risk of loss of all Energy delivered by Seller to Buyers at the Interconnection Point shall pass from Seller to Buyers at the Interconnection Point.

4.2 Alternate Source Delivery. If the Unit incurs a Forced Outage, then Seller may offer to Buyers a different unit at the Facility as the "Unit" under this Agreement (the "Alternate Source"). If Seller desires to use an Alternate Source for a temporary period, Seller shall give reasonable prior notice of such intent to Buyers via telephone (with written notice to follow promptly) to seek such temporary Alternate Source designation. After such notice, the Parties shall diligently seek to temporarily use an Alternate Source by (i) obtaining Designated Network Resource Status, which may include temporarily undesignating the Network Integrated Transmission Service arrangements with respect to the Unit pursuant to the OATT with a start

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and end date (with a concomitant redesignation of the Unit for Network Integrated Transmission Service at the end of such undesignation period); (ii) obtaining alternative arrangements needed for firm network transmission service for the Alternate Source; (iii) establishing Natural Gas Pseudo Meter arrangements at the Alternate Source; ; and (iv) if utilizing such Alternate Source (or otherwise making the Alternate Source Temporary Arrangements) will result in increased costs to Buyers, Seller (at its sole discretion) agreeing to pay such increased costs in a payment manner reasonably acceptable to Buyers (all such arrangements, the “Alternate Source Temporary Arrangements”). Alternate Source Temporary Arrangements shall be in daily increments and shall only last for the period of time set forth in any application or other documentation related to such Alternate Source Arrangements. In the event such Alternate Source Temporary Arrangements cannot be obtained (or if Seller does not agree to make payments stated above or if Buyers have not accepted the manner of payment), then no Alternate Source will be permitted to be used. If the Alternate Source Temporary Arrangements have been achieved, the Alternate Source will be treated as the “Unit” for such period of time under this Agreement.

4.3 Rights to Use Contracted Capacity. During the Delivery Period, Buyers will have the right to use the Contracted Capacity and may Schedule associated Energy from the Unit at any time, provided notice requirements are followed pursuant to Article 6. Seller will be permitted to operate or produce Energy from the Unit (i) to satisfy its obligations hereunder with respect to operating in accordance with Good Utility Practice, including, without limitation, those found in Article 8; (ii) if and to the extent Seller is required to operate the Unit at the direction of the Transmission Provider or Reliability Coordinator; and (iii) to make third-party sales, provided (a) such sales are non-firm and interruptible and do not require Buyers to undesignate the DNR status of the Unit, (b) Seller interrupts such third-party sales if and when necessary to meet Buyers’ Schedules (either through recall rights or otherwise), and (c) Seller ensures that a separate meter is installed on the Unit and used to nominate and measure all Natural Gas used for Seller’s third party sales, which Natural Gas shall be procured by Seller.

4.4 Costs for Seller’s Use of Unit. Buyers shall not be obligated to pay any costs associated with operating the Unit when Seller is so directed by the Transmission Provider or Reliability Coordinator or when Seller makes sales to third parties pursuant to Section 4.3. Buyers shall be obligated to pay only those costs of operating the Unit for the duration of a submitted Energy Schedule as provided herein. The Parties acknowledge that any breach of this provision shall result in Buyers’ entitlement to receive damages from Seller and otherwise seek any remedies pursuant to Section 16.3 hereunder.

4.5 Calculation of Monthly Capacity Payments. Subject to the terms of this Agreement, each month during the Delivery Period, Buyers shall be obligated to pay Seller a Monthly Capacity Payment calculated in accordance with Appendix A for Contracted Capacity in such month during the Delivery Period in accordance with this Agreement. Except as otherwise expressly provided in this Agreement, Buyers shall have no responsibility for any other payments (including reimbursement for any Taxes or any other costs) to Seller under this Agreement for Contracted Capacity or Energy delivered to or made available to Buyers.

4.6 Calculation of Monthly O&M Payments and MFA. Subject to the terms of this Agreement, each month during the Delivery Period, Buyers shall be obligated to pay Seller a

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Monthly O&M Payment and MFA calculated in accordance with Appendix B for Delivered Energy in such month during the Delivery Period in accordance with this Agreement.

4.7 Monthly Availability Factor. If Seller's Monthly Availability Factor for the Unit falls below fifty percent (50%) per month for two (2) months over the course of a rolling twelve (12) month period during the Delivery Period, Buyers shall have the right, but not the obligation, to request Seller to replace the Unit with an Alternate Source consisting of a different unit at the Facility. The Seller shall work in good faith to accommodate the change, subject to the availability of alternate units at the Facility and subject to Section 4.2.

## ARTICLE 5 NATURAL GAS SUPPLY

### 5.1 Overview.

(a) Buyers will purchase Natural Gas service and arrange for delivery of Natural Gas to the Unit during the Delivery Period and the Unit shall be capable of utilizing such Natural Gas as arranged by Buyers in order to produce the Scheduled Energy committed to Buyers under this Agreement. Buyers will also arrange for Natural Gas for each Turbine Start in the amount of three hundred fifty (350) MMBtu.

(b) Buyers shall receive, as the case may be, a MFA based on the Guaranteed Heat Rate set forth in Appendix B for all Natural Gas used to generate Energy that is delivered to Buyers pursuant to Buyers' Scheduling Instructions, including ramping up to and down from base load operations.

### 5.2 Other Natural Gas Provisions.

(a) Seller agrees to accept at the Natural Gas Delivery Point any Natural Gas delivered by Buyers that (i) meets the Natural Gas quality standards for delivered Natural Gas under the applicable Natural Gas transportation provider's FERC Natural Gas tariff and the applicable transportation agreement(s), or (ii) does not meet the Natural Gas quality standards described in (i) so long as such Natural Gas would not, in Seller's reasonable discretion, have a material adverse effect on the Facility, or (iii) Seller allows such Natural Gas to flow beyond the Natural Gas Delivery Point. All Natural Gas supplied by Buyers pursuant to this Agreement shall be measured at the Unit's consumption meter, which is downstream of the Natural Gas Delivery Point. Buyers shall retain title to Natural Gas provided by Buyers to meet Buyers' Schedules. The title to all Energy Scheduled in accordance with the terms herein and generated by the Unit as a result of the conversion of such Natural Gas to Energy by the Unit shall vest in Buyers at the Interconnection Point, Seller shall make the Unit available to Buyers to convert Buyers' Natural Gas to Buyers' Energy. Notwithstanding the foregoing, care, custody, control and risk of loss of Natural Gas supplied by Buyers pursuant to this Agreement shall transfer from Buyers to Seller at the Natural Gas Delivery Point, and Seller shall have care, custody, control and risk of loss of Energy generated at the Unit until it is transferred from Seller to Buyers at the Interconnection Point.

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### 5.3 Natural Gas Metering.

(a) Seller shall maintain the Natural Gas Interconnection Agreement throughout the Term. Seller shall promptly provide upon execution a copy of, and any amendments to, such Natural Gas Interconnection Agreement to Buyers. Seller shall be responsible for determining and complying with all Natural Gas transportation-related rules, practices and policies with which it must comply.

(b) Seller shall ensure the Natural Gas Metering System is owned, operated and maintained in accordance with the Natural Gas Interconnection Agreement and Natural Gas Industry Standards in order to measure and record the amount of Natural Gas delivered to the Unit and the Facility, including with respect to the Natural Gas Pseudo Meter. None of Seller, Seller's Affiliates or the employees, subcontractors or contractors of any of them shall make adjustments to the Natural Gas Metering System without giving reasonable prior notice to Buyers. Buyers may, at their own cost, install additional meters or other such facilities, equipment, devices, or telemetering equipment on the Unit's consumption gas meter as Buyers deem necessary or appropriate to monitor the measurements of the Natural Gas Metering System and that do not interfere with Seller's operation of the Facility or its ability to satisfy our obligations pursuant to this Agreement. Seller shall verify the accuracy of such Natural Gas Metering System to Buyers when requested.

(c) Buyers shall not be required to pay more than one hundred thousand dollars (\$100,000) for the initial Natural Gas Pseudo Meter created pursuant to such agreement and Seller shall be required to pay any and all costs (i) in excess of the first one hundred thousand dollars (\$100,000), up to two hundred thousand dollars (\$200,000) for the initial Natural Gas Pseudo Meter; and (ii) for all additional Natural Gas Pseudo Meters. In the event the costs for the initial Natural Gas Pseudo Meter exceeds two hundred thousand (\$200,000), Seller shall deliver notice thereof and Buyers and Seller shall then make a good faith effort to allocate the costs in excess of two hundred thousand (\$200,000) in a mutually agreeable manner. If such parties cannot agree upon such an allocation within ten (10) Days after Buyers' receipt of such notice, then Seller shall have the right to terminate this Agreement at any time thereafter after ten (10) Days' notice and neither Party will have any further obligations hereunder after the effective date of termination other than those obligations that survive such termination. The equipment associated with the Natural Gas Pseudo Meter shall be transferred to Buyers at the end of the Term. In connection with the foregoing, Seller shall grant to Buyers and their designated employees and agents the right to enter the Site at a mutually agreeable time to remove such equipment. All activities of Buyers and their designated employees and agents at the Site shall be subject to the reasonable rules and procedures of Seller.

(d) Seller shall inspect and test, or cause to be inspected and tested, all meters of the Natural Gas Metering System at such times as will conform to Natural Gas Industry Standards, but not less often than once annually. Seller shall be responsible for all costs and expenses incurred in connection with such inspections or tests. Buyers shall have audit rights with respect to such meters.

If the Natural Gas Metering System fails to register, or if the measurement made by a metering device is found upon testing to vary by more than one-half percent (0.5%) from the measurement

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made by the standard meter used in the test, an adjustment shall be made correcting all measurements of Natural Gas made by the Natural Gas Metering System during: (i) the actual period when inaccurate measurements were made by the Natural Gas Metering System, if that period can be determined to the mutual satisfaction of the Parties; or (ii) if such actual period cannot be determined to the mutual satisfaction of the Parties, the second half of the period from the date of the last test of the Natural Gas Metering System to the date such failure is discovered or such test is made ("Gas Adjustment Period"). If the Parties are unable to agree on the amount of the adjustment to be applied to the Gas Adjustment Period, the amount of the adjustment shall be determined: (i) by correcting the error if the percentage of error is ascertainable by calibration, tests or mathematical calculation; or (ii) if not so ascertainable, by estimating on the basis of deliveries made under similar conditions during the period since the last test. Within thirty (30) days after the determination of the amount of any adjustment, the MFA shall be recalculated and any required payments shall be adjusted on the next invoice.

### ARTICLE 6 ENERGY SCHEDULING AND TRANSMISSION

#### 6.1 Energy Scheduling.

(a) Seller shall deliver Energy to the Delivery Point at the dates and times set forth on Buyers' Schedule of Energy as provided below. Buyers shall either Schedule the whole Contracted Capacity or zero for any hour in a Schedule.

(b) Buyers shall provide Seller with Schedules at least two (2) hours prior to the time Buyers wishes to take Energy at the Contracted Capacity. Such Schedules shall specify the hours Buyers will receive Energy from Seller during the period(s) set forth in such Schedules. For the avoidance of doubt, a Schedule may include multiple days and multiple run periods for the Unit (e.g., a four hour run scheduled for hours 0700 to 1100 and a four hour run Scheduled for hours 1600 to 2000), subject to the limitations set forth below. Seller will accommodate a Schedule request that is shorter than the two (2) hours' notice requirement if operationally possible and if such request is not likely to have a material adverse effect on Seller's ability to perform its other obligations under this Agreement and shall immediately confirm with Buyers such accommodation. Buyers may amend a submitted Schedule or a Schedule that is in progress if done two (2) hours before the change is effective.

(c) Any Schedule shall have a duration of at least one consecutive two (2) hour period, not including time for ramping up and down with the start and stop of such Schedule. Buyers shall be permitted to include a reduction of a Schedule to zero (0) MWs, provided, that if any Schedule includes a reduction to zero (0) MWs, such reduction to zero (0) MWs shall be of a duration of at least two (2) hours. For the avoidance of doubt, if during a Scheduled run period of the Unit, the Unit is required to be restarted for any reason, such start shall not be deemed a Turbine Start for the purposes of this Agreement.

6.2 Documentation. Buyers and Seller shall maintain written records of the quantities of Scheduled Energy to be delivered each hour during the Delivery Period. All such records shall be kept in accordance with Section 8.5.

**ARTICLE 7**  
**INTERCONNECTION AND POWER METERING**

7.1 Interconnection. Seller shall maintain the Interconnection Agreement throughout the Term. Seller shall promptly provide upon execution a copy of, and any amendments to, such Interconnection Agreement to Buyers. Seller shall be responsible for determining and complying with all transmission-related rules, practices and policies with which it must comply.

7.2 Meters.

(a) Seller shall ensure the Power Metering System is operated and maintained in accordance with the Interconnection Agreement and Good Utility Practices in order to measure and record the amount of Energy delivered from the Facility, to calculate the Capacity of the Facility, and to measure the availability of the Facility to meet Buyers' Schedules, all at the Interconnection Point. The meters shall be of a mutually acceptable accuracy range and type. None of Seller, Seller's Affiliates or the employees, subcontractors or contractors of any of them shall make adjustments to the Power Metering System without the written consent of Buyers. Buyers may, at their own cost, install additional meters or other such facilities, equipment or devices on Buyers' side of the Interconnection Point as Buyers deem necessary or appropriate to monitor the measurements of the Power Metering System; provided, however, that in all cases Seller will be entitled to base its invoiced amounts solely by reference to the Transmission Provider's Power Metering System. Buyers shall reasonably establish the telemetering equipment that is necessary to coordinate the Facility with the Scheduling Center and Seller shall, at its sole cost, install or cause the installation of such telemetering equipment. The telemetered data shall be delivered by Seller to the electrical switchyard of the Facility.

(b) Seller shall inspect and test all meters at such times as will conform to Good Utility Practices, but not less often than once annually. Seller shall be responsible for all costs and expenses incurred in connection with such inspections or tests.

(c) If the Power Metering System fails to register, or if the measurement made by a metering device is found upon testing to vary by more than one-half percent (0.5%) from the measurement made by the standard meter used in the test, an adjustment shall be made correcting all measurements of Energy made by the Power Metering System during: (i) the actual period when inaccurate measurements were made by the Power Metering System, if that period can be determined to the mutual satisfaction of the Parties; or (ii) if such actual period cannot be determined to the mutual satisfaction of the Parties, the second half of the period from the date of the last test of the Power Metering System to the date such failure is discovered or such test is made ("Adjustment Period"). If the Parties are unable to agree on the amount of the adjustment to be applied to the Adjustment Period, the amount of the adjustment shall be determined: (i) by correcting the error if the percentage of error is ascertainable by calibration, tests or mathematical calculation; or (ii) if not so ascertainable, by estimating on the basis of deliveries made under similar conditions during the period since the last test. Within thirty (30) days after the determination of the amount of any adjustment, Buyers shall pay Seller any additional amounts then due for deliveries of Energy or Contracted Capacity during the Adjustment Period or Buyers shall be entitled to a credit against any subsequent payments for Energy or Contracted Capacity, as the case may be.

**ARTICLE 8**  
**OPERATION AND MAINTENANCE**

8.1 Operation and Maintenance.

(a) Seller shall manage, control, test, operate and maintain (or cause to be operated and maintained) the Facility (i) without adverse distinction as between units at the Facility; (ii) in accordance with Good Utility Practices; and (ii) in accordance with the terms of this Agreement.

(b) Seller and Buyers shall mutually develop and agree upon written Scheduling procedures no later than three (3) months prior to the Delivery Commencement Date. Topics covered shall include the format for Schedules; the method of day-to-day communications; hourly energy reports (if not available from the Buyers' Load Serving Entity's EMS facilities, Seller will permit Buyers to see Seller's real-time output for the Unit); Unit availability; and coordination of maintenance scheduling. In the event of inconsistency or conflict between the Scheduling procedures and specific terms of this Agreement, the specific terms of this Agreement shall take precedence.

(c) Seller shall employ at the Facility all safety devices and safety practices required by Good Utility Practices. Seller shall keep accurate records of any accident or other occurrence at the Site that results in injury to persons or damage to property. Seller shall provide Buyers with reasonable access to these records upon not less than five (5) Days' notice during normal business hours, but Seller shall not be required to provide Buyers with access to any confidential employment data regarding Facility personnel.

(d) Seller shall report the start and the end of any Forced Outage to the Buyers as soon as practicable, with an expectation, but not the obligation, that such notice shall occur no longer than fifteen (15) minutes after the start and end of such Forced Outage period.

8.2 Maintenance Scheduling.

(a) Commencing no later than three (3) months before the expected Delivery Commencement Date and no later than three (3) months before the start of each Annual Period thereafter, Seller shall deliver to Buyers planned maintenance schedules, including the scope of the maintenance, and outage plans for the Unit, which schedules conform to Good Utility Practices and the requirements of Appendix D ("Maintenance Schedules"), for such Annual Period and a non-binding Maintenance Schedule for the next three (3) Annual Periods or the number of such Annual Periods remaining in the Term, whichever is less. Seller shall not schedule any maintenance of the Facility during the months of January, February, May, June, July, August, September and December that would decrease the Contracted Capacity of the Unit below the Contracted Capacity without the prior written consent of Buyers, which may be withheld in Buyers' sole discretion.

(b) Within ten (10) Days of receipt of the Maintenance Schedules, Buyers may request Seller to reschedule the Scheduled Outage, and in such case, Seller shall use commercially reasonable efforts to effectuate the requested change, taking into consideration

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Good Utility Practices, purchasers of capacity and energy from other units at the Facility and incremental cost. If the Scheduled Outage is rescheduled, Seller shall promptly submit to Buyers the revised Maintenance Schedule.

(c) During each Annual Period, Seller, after consulting with Buyers and in good faith giving due consideration to Buyers' preferences, comments and concerns, shall be entitled to (i) revise the Maintenance Schedule; and (ii) schedule additional Scheduled Outage(s) on an unplanned basis subject to Appendix D; provided, that the revised or additional Scheduled Outage(s) conform to Good Utility Practices and the requirements of the Maintenance Schedules and do not occur during the months of January, February, May, June, July, August, September and December; and provided further that under (i) or (ii) above, Seller provides Buyers no less than the following prior written notice:

<u>Expected Duration</u>	<u>Prior Written Notice Required</u>
Less than 3 Days	at least 5 Days
3 to 6 Days	at least 21 Days
Over 6 Days	at least 60 Days

(d) If Seller has a Scheduled Outage, and such Scheduled Outage occurs or would occur coincident with a System Alert, Buyers shall notify Seller of the System Alert. Due to the System Alert, Buyers may request Seller to reschedule the Scheduled Outage or, if the Scheduled Outage has begun, to expedite the completion thereof, or stop work if possible to run the Unit, and Seller promptly provide an estimate of both the cost and time needed to comply with such request. If Buyers elect to proceed with such request after receiving such information, Buyers shall give Seller written notice of such election and Seller shall comply with such request as soon as reasonably practical after receipt of such notice. If the Scheduled Outage is rescheduled pursuant to this Section 8.2(d), Buyers shall promptly reimburse Seller for all incremental costs reasonably incurred by Seller in connection with the rescheduling of the Scheduled Outage.

8.3 Permits. Seller shall obtain and maintain, for the period required by Legal Requirements during the Term, all Consents pertaining to air emissions necessary for the performance of Seller's obligations under this Agreement ("Air Permits"), provided that Buyers shall only be entitled to an allocation of one third (33.33%) of the operating hours and emission limits available under the Air Permits. Upon Seller's obtaining any Air Permit or a renewal or amendment to an Air Permit, Seller shall promptly provide a copy of such Air Permit(s) to Buyers.

8.4 Access to the Site and the Unit. Seller grants to Buyers and its designated employees and agents the right to enter the Site with reasonable prior notice to Seller to: (a) inspect meters and to witness any testing, adjustments or replacement of any parts of such meters with respect to the Natural Gas Metering System and the Power Metering System (and reasonably request any such testing); (b) monitor or measure Energy generated by the Unit in accordance with the terms of this Agreement; (c) inspect the Unit as soon as practicable during and after any Scheduled Outages or Forced Outages. All activities of Buyers and its designated employees and agents at the Site shall be subject to the reasonable rules and procedures of Seller.

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8.5 Availability of Records. Seller shall keep accurate records and all other data necessary for the purposes of proper administration of this Agreement in accordance with the following guidelines:

(a) All such records shall be maintained for a minimum of two (2) years after the creation of such record or data and for any additional period of time required by Legal Requirements; provided, however, that such records will be kept for as long as is necessary to complete any audit that began or was announced during such two-year or longer period as required by Legal Requirements.

(b) An accurate and up-to-date operating log shall be maintained at the Facility with records of: (i) real and reactive power production for each clock hour; (ii) changes in operating status; (iii) Scheduled Outages, Forced Outages, Delivery Excuses and Force Majeure Events; (iv) any unusual conditions found during inspections; and (v) any significant events related to the operation of the Facility. Seller will submit an electronic copy of the operating log monthly to the Buyers by the 4<sup>th</sup> business day of the following month.

(c) Buyers shall have the right from time to time, upon not less than seven (7) Days' notice to Seller and during normal business hours, to examine the records and data relating to this Agreement, including all historical test records relating to the Facility, at a location mutually agreed to by the Parties.

(d) At the request of Buyers throughout the Term, Seller shall provide to Buyers public and non-public financial and business information reasonably necessary for Buyers to make accounting determinations. To the extent such request requires access to confidential information of Seller, Buyers shall execute an appropriate confidentiality agreement reasonably acceptable to Seller respecting such confidential information.

8.6 Disclaimer. Seller understands and agrees that Buyers' receipt and/or review of any material related to the Project or any physical inspection of the Facility conducted by Buyers under any provision of this Agreement is solely for their own information. By conducting such reviews or inspections, Buyers makes no endorsement of the design or representation or warranty of the safety, durability or reliability of the Facility, all of which are the sole responsibility of Seller in accordance with the terms of this Agreement, and Buyers shall not be deemed to have accepted any condition of the Facility that is not in full compliance with the terms hereof. Seller shall in no way represent to any third party that, as a result of Buyers' receipt and review of any material or any inspections, Buyers are in any way responsible for the engineering or construction maintenance or soundness of the Facility.

## ARTICLE 9 BILLING AND COLLECTIONS

### 9.1 Capacity and Energy Billing and Payment.

(a) If a Forced Outage occurred in the previous month, Buyers shall provide information regarding the two (2) Trimble County combustion turbines being on-line during such Forced Outages within three (3) Business Days after the end of the previous month. Subject to

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the provisions of Section 6.2, by the tenth (10<sup>th</sup>) Business Day of each month commencing in the first full month after the Delivery Commencement Date, Seller shall send Buyers an invoice stating the Monthly Capacity Payment, the Monthly O&M Payment and MFA, and, if applicable, the MFA for the immediately preceding Month (the "Monthly Invoice"). The Monthly Invoice shall also specify any other payments required to be made by either Party pursuant to this Agreement, and with respect to payments to be paid by Seller, such payments shall be netted against payments due to Seller by Buyers. All Monthly Invoices shall be due and payable by Buyers on or before the thirtieth (30<sup>th</sup>) day after Buyers receipt of such invoice. Subject to the provisions of Section 9.2, Buyers shall make payment to Seller in accordance with such invoices on or before the date due in immediately available funds, through wire transfer of funds to an account designated by Seller, or other means acceptable to Seller. Interest on unpaid amounts shall accrue from the date such payments were due at a rate equal to the Interest Rate. Each Monthly Invoice shall contain a statement explaining in reasonable detail how such invoice was calculated pursuant to the terms of this Agreement.

### 9.2 Billing Disputes and Final Accounting.

(a) If a Party questions or contests the amount or propriety of any payment claimed by the other Party to be due pursuant to this Agreement, the non-disputing Party shall make payment to the other Party of amounts not in dispute, but may withhold amounts disputed in good faith until after the settlement of such question or contest in accordance with this Section 9.2.

(b) In the event a Party questions or contests the correctness of any charge or credit, such Party shall provide the other Party with written notice of such amount and the basis for the question or contest. The other Party shall promptly review the questioned charge or credit and shall promptly notify the disputing Party of any error in determination of amounts owed by the disputing Party and issue an amended invoice in the amount of any payment that the disputing Party is required to make in respect of such re-determination.

(c) Seller shall have until one (1) year after the date of a Monthly Invoice for Contracted Capacity and associated Energy to correct any error and deliver a corrected Monthly Invoice to Buyers. Buyers shall have until one (1) year after the date of a Monthly Invoice to question or contest the correctness of any charge or credit made to Buyers on such Monthly Invoice. If within such one (1) year period, Buyers have made payment under a Monthly Invoice and thereafter question or contest the correctness thereof, Seller shall not be required to refund any payment received from Buyers until such time as it is finally determined that Seller's Monthly Invoice was in error.

9.3 Interest. If any Party does not make a payment or portion of a payment or provide a credit or portion of a credit required by this Agreement when originally due (and not the date of settlement of such question or contest concerning the amount or propriety of any payment claimed by the other Party), then interest at the Interest Rate from the date such overdue payment or credit was originally due until such overdue payment or credit, together with interest, is paid or credited; provided, however, if any amount is reduced or eliminated through corrections or settlement, interest at the Interest Rate shall accrue on such settled or corrected amount only. If any Party makes a payment pursuant to an invoice that is later determined to have been incorrect,

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then interest at the Interest Rate from the date such overpayment was made shall be added to the overpayment until such overpayment, together with interest, is refunded to such Party. Remittance received by mail, if mail is a means of payment acceptable to a Party owed such payment, will be accepted without interest charges if such payment is postmarked on or before the due date. If the due date of any payment falls on a Day other than a Business Day, the next succeeding Business Day shall be the last Day on which payment can be postmarked without interest charges being assessed.

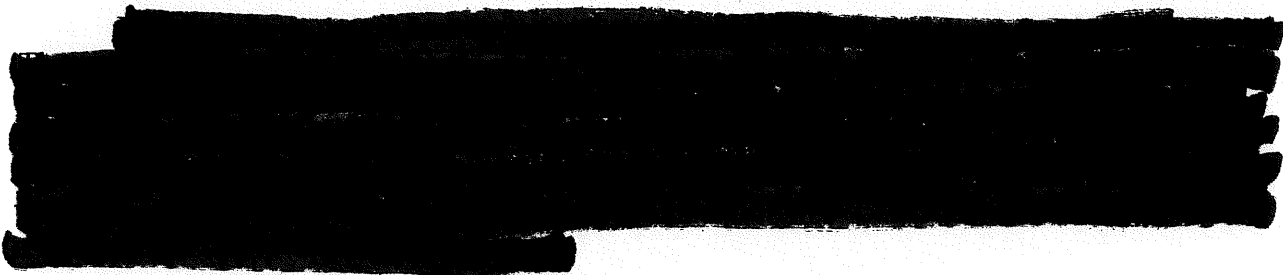
9.4 Billing and Payment Records. Subject to Section 8.5, each Party will, until two (2) years after its receipt of any invoice, make available to the other Party, and each Party may audit, such books and records of the other Party as are necessary for such Party to verify the calculation of the Monthly Capacity Payments, the Monthly O&M Payment and MFAs, and any other invoice, charge or payment demand made in connection with this Agreement.

**ARTICLE 10  
PERFORMANCE SECURITY**

10.1 Seller Performance Security. Seller shall deliver to Buyers Seller Performance Security.





Contract Year	Eligible Collateral	Eligible Collateral
Three (3) Business Days after the Execution Date – three (3) Business Days after the date that Seller receives notice pursuant to <u>Section 3.3(b)</u> that all conditions precedent other than <u>Section 3.3(a)(v)</u> have been satisfied or waived by written notice from Buyers	[Redacted]	[Redacted]
Three (3) Business Days after the date that Seller receives notice pursuant to <u>Section 3.3(b)</u> that all conditions precedent other than <u>Section 3.3(a)(v)</u> have been satisfied or waived by written notice from Buyers— Sept. 30, 2017	[Redacted]	[Redacted]
Oct. 1, 2017 – Sept. 30, 2018	[Redacted]	[Redacted]
Oct. 1, 2018 – April 30, 2019	[Redacted]	[Redacted]



10.2 Replacement Collateral; Substituted Collateral; Release of Collateral.

(a) Replacement Collateral. To the extent that any Eligible Collateral is required to be replaced in order to maintain compliance with Section 10.1, and except as provided for in Section 17.2, Seller shall deliver such replacement Eligible Collateral to Buyers no later than thirty (30) days prior to the earlier to occur of (i) the date when an increase or decrease in Eligible Collateral is required pursuant to Section 10.1 and (ii) the date when the existing Eligible Collateral will expire; provided that the increase or decrease in Eligible Collateral shall not become effective until the applicable date specified in Section 10.1. In the event of a failure to comply with the preceding sentence, Buyers shall be entitled to (A) draw upon the existing Eligible Collateral prior to the expiration date thereof and (B) take such further action to protect its interests pursuant to this Agreement. Upon receipt of any replacement Eligible Collateral, and provided that Seller remains in compliance with this Article 10, (1) Buyers shall not draw upon the existing Eligible Collateral, for which such replacement is being made, solely because such existing Eligible Collateral is about to expire; and (2) Buyers shall, within two (2) Business Days of receiving such replacement Eligible Collateral, release the Eligible Collateral that is being replaced back to Seller.

(b) Release of Collateral; Substituted Collateral. Upon any reduction of the amount of the Seller Performance Security pursuant to Section 10.1, Buyers shall upon two (2) Business Days advance written request by Seller release any Eligible Collateral that is no longer required. The choice of any Eligible Collateral provided by Seller may be selected from time to time by Seller, and upon receipt of substitute Eligible Collateral, Buyers shall promptly release such existing Eligible Collateral in an amount equal to that which is being substituted. Following any termination of this Agreement, the Parties shall mutually agree to a final settlement of all obligations under this Agreement, which such period shall not exceed the later of (i) ninety (90) days from such termination date, and (ii) the date on which Seller has fulfilled all its obligations and all Buyers' and Seller's claims are released or uncontested, and after such settlement, any remaining Eligible Collateral posted by Seller that has not been drawn upon by Buyers pursuant to the rights under this Agreement shall be returned to Seller, pending resolution of any dispute. Any dispute between the Parties regarding such final settlement shall be resolved pursuant to Article 18.

(c) Interest. In the event Seller provides Eligible Collateral in the form of cash  the interest due Seller for such Eligible Collateral shall be the interest paid pursuant to 

[REDACTED]

10.4 Reporting. Seller shall promptly notify Buyers of any circumstance that results in Seller's failure to be in compliance with the Seller Performance Security requirements of this Article 10, including, without limitation providing prompt written notice in the event [REDACTED] and provide replacement Eligible Collateral as provided in Article 10. From time to time, at Buyers written request, Seller shall provide Buyers with such evidence as Buyers may reasonably request to demonstrate that Seller [REDACTED] is in full compliance with this Agreement, including, without limitation, quarterly unaudited financial statements of the [REDACTED]

10.5 Grant of Security Interest. To secure its obligations under this Agreement and to the extent Seller delivers Eligible Collateral hereunder, Seller hereby grants to Buyers a present and continuing security interest in, and lien on (and right of setoff against), and assignment of, all cash collateral and cash equivalent collateral and any and all proceeds resulting therefrom or the liquidation thereof, whether now or hereafter held by, on behalf of, or for the benefit of Buyers, and Seller agrees to take such action as the Buyers reasonably requires in order to perfect the Buyers' first-priority security interest in, and lien on (and right of setoff against), such collateral and any and all proceeds resulting therefrom or from the liquidation thereof.

## ARTICLE 11 EMISSION ALLOWANCES

11.1 Emission Allowances. On March 10, 2005, the U.S. Environmental Protection Agency ("EPA") issued the Clean Air Interstate Rule ("CAIR") to reduce emissions of SO<sub>2</sub> and NO<sub>x</sub>. Seller shall provide for or obtain NO<sub>x</sub> and SO<sub>2</sub> emissions allowances (if any) related to the Delivered Energy from the Unit in any Annual Period, allocated to the Unit by any agency, including the EPA and/or the Kentucky Department for Environmental Protection or otherwise under CAIR, up to 264,000 MWh of such emission allowance. In the event that in any Annual Period the Delivered Energy from the Unit exceeds 264,000 MWh, Buyers shall be responsible for NO<sub>x</sub> and SO<sub>2</sub> emissions allowances associated with the Energy Scheduled and delivered pursuant to this Agreement. Seller shall maintain a tracking account on behalf of Buyers containing a balance of the emissions allowances made available for Buyers' Schedules and the emissions allowances expended through delivery of Scheduled Energy. If additional emissions allowances are required to be provided by Buyers, Seller shall notify Buyers thereof as soon as practicable. In such case, Buyers shall have the choice of either (i) purchasing such additional emissions allowances and transferring them to Seller for addition into Buyers' allowance account; or (ii) instructing Seller to purchase such additional emissions allowances and passing the associated costs on to Buyers as agreed by the Parties.

**ARTICLE 12**  
**RULES AND REGULATIONS; LEGAL REQUIREMENTS; TAXES**

12.1 Preservation of Terms.

(a) Each Party agrees that, subject to Section 4.1 and Section 4.3, except with the prior written consent of the other Party or Parties, it will not, and will use reasonable efforts within the requirements of each Party's FERC Code of Conduct to assure that its Affiliates will not, institute or voluntarily cooperate in the institution or conduct of any claim, action or proceeding before FERC under Section 205, Section 206 or any other portion of the Federal Power Act, or any other Governmental Authority under any provision of any Legal Requirement which claim, action or proceeding is intended for the purpose of, or could reasonably be expected to have the effect of, changing the terms of this Agreement then in effect.

(b) The Parties waive all rights to submit filings to FERC seeking modifications or rescission of this Agreement under Sections 205 or 206 of the Federal Power Act. In any proceeding before FERC involving this Agreement, the Parties shall request that FERC review any and all aspects of this Agreement under the "public interest" application of the "just and reasonable" standard of review in United Gas Pipe Line Co. v. Mobile Gas Service Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956) and clarified by Morgan Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish, 554 U.S. 527 (2008) and NRG Power Marketing, LLC v. Maine Public Utility Commission, 558 U.S. 165 (2010) (the "Mobile-Sierra" doctrine).

12.2 Other Approvals. Each Party shall diligently seek to obtain, maintain, pursue, or cause to be pursued, comply with and, as necessary, renew and modify from time to time any and all Consents, required to be possessed by such Party, in a manner that is reasonably expected to enable such Party to perform its obligations under this Agreement. Each Party agrees to assist and support each other Party, in a timely manner and to the extent reasonably requested by one of the Parties, in obtaining such Consents. Upon request, each Party shall provide a copy of such Consents to the requesting Party.

12.3 Legal Requirements. Each Party shall at all times comply with all Legal Requirements applicable to it; provided, however that any non-compliance which, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the business or financial condition of the Party or its ability to fulfill its obligations hereunder, shall not be construed as a breach of obligations or an Event of Default hereunder.

12.4 Taxes.

(a) Seller shall pay, or cause to be paid, all Taxes on or with respect to: (i) the Facility, including its ownership, leasing, financing, operation, and maintenance; (ii) Seller's income or profits; and (iii) the production and delivery of Contracted Capacity and Energy to be provided to Buyers arising, in the case of Energy, prior to the time of Seller's delivery of such Energy to Buyers at the Interconnection Point, or, in the case of Contracted Capacity, prior to the time such Contracted Capacity is made available to Buyers..

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(b) Buyers shall pay or cause to be paid all Taxes on or with respect to: (i) Energy received by Buyers arising at and after the time such Energy is delivered by Seller to the Interconnection Point; (ii) Buyer's income or profits; (iii) Natural Gas arising at and after the time such Natural Gas is made available to Buyers; and (iv) Contracted Capacity received by Buyers arising at and after the time such Contracted Capacity is made available to Buyers. Such Taxes shall include such sales, use, excise or other similar Taxes on the sale to Buyers and purchase from Seller of Contracted Capacity and Energy pursuant to this Agreement.

(c) Each Party shall use reasonable efforts to implement and administer the provisions of this Agreement in accordance with the intent of the Parties to minimize Taxes so long as neither Party is materially adversely affected by such efforts. All Energy delivered by Seller to Buyers hereunder shall be sales for resale, with Buyers reselling such Energy. Buyers shall obtain and provide Seller with any certificates required by any Governmental Authority, or otherwise reasonably requested by Seller to evidence that the deliveries of Energy are for resale.

(d) In the event Seller is required by Legal Requirement to remit or pay Taxes that are Buyers' responsibility hereunder, Seller will promptly notify Buyers and may include such Taxes in the Monthly Invoice that immediately precedes the due date for payment of such Taxes, and Buyers shall remit payment thereof in accordance with Article 9. Conversely, if Buyers are required by Legal Requirement to remit or pay Taxes that are Seller's responsibility hereunder, Buyers may deduct the amount of any such Taxes from the sums otherwise due to Seller under this Agreement in remittance of sums for the Monthly Invoice that immediately precede the payment date of such Taxes. Any refunds associated with such Taxes will be handled in the same manner. Nothing herein shall obligate or cause a Party to pay or be liable to pay any Taxes from which it is exempt under applicable Legal Requirements; provided, however, such Party takes all necessary steps to address with the taxing authority any issues regarding its obligation to pay.

12.5 Carbon Dioxide Taxes. In the event of a change in any Legal Requirement, or enactment of a new Legal Requirement after the Execution Date which generally affects the cost of electric generation through an imposition or increase of taxes related to the emission of carbon dioxide, then such taxes that Seller incurs during the Delivery Period shall be passed on directly to and paid by Buyers as incurred, up to One Dollar for each MWh (\$1/MWh) of Delivered Energy. For the avoidance of doubt, if Seller incurs such taxes on a Facility-wide basis based on the Capacity of the Facility, Buyers shall be responsible for one third (33.33%) of such increase in taxes. Notwithstanding any other provision of this Section 12.5, in no event shall Buyers be responsible to bear any costs associated with any such taxes that are in excess of One Dollar for each MWh (\$1/MWh) of Delivered Energy. Seller shall be solely responsible for all such taxes in excess of One Dollar for each MWh (\$1/MWh) of Delivered Energy; provided, however, that Seller shall have the right to provide Buyers with written notice of its election to terminate this Agreement, effective thirty (30) Days after the date of Seller's written notice, in which case, following the effective date of the termination, neither Party shall have any further liability to the other Party except for any obligations incurred prior to the effective date of the termination; provided, further, that Buyers shall have the right to elect by written notice delivered to Seller within thirty (30) Days of Seller's written termination notice to accept responsibility for all such taxes in excess of One Dollar for each MWh (\$1/MWh) of Delivered Energy and, in which case, this Agreement shall not terminate and shall continue in full force

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and effect as so modified. If Buyers do not provide such written notice within such thirty (30) Day period, then Buyers shall be deemed to have waived such election and this Agreement shall terminate in accordance with Seller's election.

12.6 Change in Law. In the event of a change in any Legal Requirement, or enactment of a new Legal Requirement after the Execution Date materially affects either Party's costs to perform any of its obligations under this Agreement (except for (i) those which pertain to taxes on the emission of carbon dioxide which are governed by Section 12.5 above; and (ii) those pertaining to Taxes), and such Party notifies the other Party that it desires to pass on such costs to the other Party for payment, then the Parties shall use commercially reasonable efforts to reform this Agreement in order most nearly restore to the Parties the economic benefits and burdens of the Agreement prior to such change. If the Parties are unable to reform the contract after sixty (60) days, the subject of the reformation of the Agreement shall be submitted to dispute resolution pursuant to Article 18.

12.7 No Dedication. No undertaking by Seller under this Agreement is intended to constitute the dedication of the Facility or any part thereof to the public or affect the status of Seller as an independent entity and not a public utility or public service company.

### 12.8 Dodd-Frank Act Compliance.

(a) Representations. Each Party represents as of the time it entered into this Agreement and each time that Buyers elect to use the Unit (or an Alternate Source) to generate Energy for delivery by Seller to Buyers that, unless notice to the contrary has been given to the other party prior to each election by Buyers hereunder, each Party reasonably believes, based upon contract terms, such Party's knowledge of the facts and circumstances, and such Party's knowledge of the regulations of the Commodity Futures Trading Commission ("CFTC"), that:

#### (b) Physical Commercial Agreement.

(i) This Agreement is intended to be a flexible physical commercial agreement that qualifies for the forward contract exclusion as set forth under Section 1a(47)(B)(ii) of the Commodity Exchange Act ("CEA") and is not intended to be interpreted by the CFTC to be a commodity option, because this Agreement meets the three-part test for the forward contract exclusion as set forth in the Interpretive Guidance #1, namely: (1) the subject of this Agreement is usage of a specified facility or part thereof rather than the purchase or sale of the commodity that is to be created, transported, processed or stored using the specified facility; (2) this Agreement grants the Buyers the use of the specified facility or part thereof during the Term of this Agreement to deliver Energy as Scheduled hereunder, and provides for an unconditional obligation on the part of the Seller to supply the Buyers with Energy from the specified facility or part thereof pursuant to Buyers' Schedules; and (3) the payment for the use of the specified facility or part thereof represents a payment for its use rather than the option to use it; and

(ii) Under this Agreement, Buyers pay for use of the specified facility or part thereof (i.e., the commodity) in two parts, paying the Seller's fixed/known costs upfront in the Monthly Capacity Payment (the "Demand Charge/Reservation Fee") that is paid monthly

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for the right to use the Unit (or the Alternate Source) for a supply of Energy each month, regardless of whether Buyers actually elect to use the Unit (or the Alternate Source) during such month, and paying the Seller's variable costs for such month in the Monthly O&M Payment and MFA (the "Usage Fee") that is determined by the costs actually incurred by Seller for such month associated with Buyers' actual usage of the Unit (or the Alternate Source) during such month, and, therefore, this Agreement is not intended to be an option and is not intended to be covered by the "however paragraph" in the Interpretive Guidance #1, because this Agreement satisfies the five-part test as set forth in the OGC FAQ, namely: (1) this facility usage agreement includes a two-part fee structure, (2) the right to use the Unit (or the Alternate Source) for the Term of this Agreement is legally established upon entering into this Agreement, (3) the Buyers who have legally established the right to use the Unit (or the Alternate Source) for the Term of this Agreement pay the Demand Charge/Reservation Fee in a commercially reasonable timeframe, (4) the use of the Unit (or the Alternate Source) does not depend on the further exercise of an option, and (5) the Usage Fee is in the nature of a reimbursement for the variable costs incurred by the Seller as the operator of the Unit (or the Alternate Source) in rendering the service; and

(c) Forward Contract with Volumetric Optionality.

(i) Under this Agreement, if the CFTC disagrees with the foregoing interpretations of the applicability of the forward contract exclusion to this Agreement by the Buyers and Seller as set forth Sections 12.8(a) and 12.8(b)(i) and (ii) above, because the CFTC interprets each election by Buyers under this Agreement to use the Unit (or the Alternate Source) as the purchase and sale of a Commodity (a "Power Transaction") that contains an embedded volumetric option, then the Parties hereto intend that each such Power Transaction qualifies for the forward contract exclusion as set forth under Section 1a(47)(b)(ii) of the CEA and the seven (7) factor test in the Interpretive Guidance #2, which requires that: (1) the embedded option does not undermine the overall nature of the Power Transaction as a whole; (2) the predominant feature of the Power Transaction is actual delivery; (3) the embedded option cannot be severed and marketed separately; (4) Seller intends at the time it enters into each Power Transaction, to deliver the underlying nonfinancial commodity if the option is exercised by Buyers; (5) Buyers intend at the time they enter into each Power Transaction to take delivery of the underlying nonfinancial commodity if they exercise the embedded option; (6) all Parties are Commercial Parties (defined as a producer, processor, or commercial user of, or a merchant handling the Commodity, or the products or byproducts thereof, that are the subject of each Power Transaction); and (7) the exercise or non-exercise of the embedded option is based primarily on physical factors or regulatory requirements beyond the control of the Parties.

(ii) With respect to any such Power Transaction described in Section 12.8(b)(ii) above, each of the Parties makes the following representations as of the date the Parties enter into such Power Transaction (the "Trade Date"):

(1) each Party is a producer, processor, or commercial user of, or a merchant handling, the Commodity, or the products or byproducts thereof, that are the subject of the Power Transaction; and is entering into such Power Transaction solely for purposes related to its business as such; and

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(2) each Party intends to make or take physical delivery of the Commodity; and any optionality under the Power Transaction is merely incidental to the predominant purpose of effecting delivery.

(d) Commodity Option Transactions; Trade Option Exemption.

(i) If a Power Transaction entered into hereunder is construed to be a “Commodity Option” as defined in CFTC Regulation 1.3(hh) and entered into pursuant to the Trade Option exemption set forth in CFTC Regulation 32.3(a) with respect to each such Power Transaction, each Party makes the following representations to the other party as of the Trade Date:

(ii) the Party that is the offeror of the Commodity Option Transaction represents to the other Party (i.e., the offeree) that it is (a) an “eligible contract participant,” as that term is defined in Section 1a(18) of the CEA and applicable CFTC regulations thereunder (an “ECP”), or (b) (1) a producer, processor, or commercial user of, or a merchant handling, the Commodity that is the subject of the Commodity Option Transaction, or the products or by-products thereof, and (2) that such offeror is offering or entering into the Commodity Option Transaction solely for purposes related to its business as such; and

(iii) the Party that is the offeree of the Commodity Option Transaction represents to the other Party (i.e., the offeror) that it is (a) a producer, processor, or commercial user of, or a merchant handling, the Commodity that is the subject of the Commodity Option Transaction, or the products or by-products thereof, and (b) entering into the Commodity Option Transaction solely for purposes related to its business as such; and

(iv) each Party intends to physically settle the Commodity Option, so that if exercised, the Commodity Option Transaction will result in the sale of an “exempt commodity” as defined in Section 1a(20) of the CEA or an “agricultural commodity” as defined in CFTC Regulation 1.3(zz) for immediate or deferred shipment or delivery; and

(v) each Party acknowledges that in reliance on CFTC Letter No. 13-08 dated April 5, 2013, unless one of the Parties is a “swap dealer” or “major swap participant,” as those terms are defined in CEA Sections 1a(49) and 1a(33), respectively and the applicable CFTC Regulations thereunder, the Power Transaction is an unreported Trade Option that must be reported by each Party on Form TO pursuant to CFTC Regulation 32.3(b)(2).

(e) Definitions.

(i) As used in this Section 12.8, “Commodity” shall mean any nonfinancial commodity that can be physically delivered and that is an “exempt commodity” as defined in Section 1a(20) of the CEA or an “agricultural commodity” as defined in CFTC Regulation 1.3(zz), and includes any tangible or intangible commodity, good or article of any type or description (that is not an “excluded commodity” as defined in Section 1a(19) of the CEA), and all services relating to, and rights and interests in, such commodity, good or article, whether presently or in the future dealt in (including, without limitation, any electric energy, electric capacity, ancillary services, environmental attribute, or renewable energy credit).

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(ii) As used in this Section 12.8, “Interpretive Guidance #1” means the CFTC’s interpretive guidance for “Certain Physical Commercial Agreements, Contracts or Transactions” set forth in part II.B.2.(b)(iii) of the CFTC’s Products Definition Final Rule, 77 Federal Register 48208 at 48242 - 48243 (August 13, 2012).

(iii) As used in this Section 12.8, “Interpretive Guidance #2” means the CFTC’s interpretive guidance for “Commercial Options Embedded in Forward Contracts” set forth in part II.B.2.(b)(ii) of the CFTC’s Products Definition Final Rule, 77 Federal Register 48208 at 48237- 48242 (August 13, 2012).

(iv) As used in this Section 12.8, “OGC FAQ” means the Office of General Counsel Response to Frequently Asked Questions Regarding Certain Physical Commercial Agreements for the Supply and Consumption of Energy, issued by the CFTC’s Office of General Counsel on November 14, 2012.

(v) As used in this Section 12.8, “Trade Option” means a Commodity Transaction between the Parties under this Agreement that meets the conditions for a trade option exemption contained in CFTC Regulation 32.3(a).

(f) Miscellaneous.

(i) Each Party shall promptly give notice to the other Party if any of the representations made in this Section 12.8 by such Party become incorrect or misleading. Notwithstanding anything to the contrary in this Agreement, no breach of a representation made in this Section 12.8 shall be deemed to have occurred solely on the basis of a representation made in this Section 12.8 being incorrect or misleading in any material respect as a result of any subsequent CFTC Regulation or subsequent decision by a court of competent jurisdiction in the United States provided that such representation was true and correct in all material respects prior to such subsequent CFTC Regulation or such subsequent court decision.

(ii) Each Party shall promptly provide the other Party any information reasonably requested by such other Party to enable such other Party to comply with Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act and CFTC Regulations in connection with any transaction between the Parties under this Agreement. Notwithstanding anything to the contrary in this Agreement or in any non-disclosure, confidentiality or similar agreement among the Parties, each Party hereby consents to the disclosure of information by the other Party to the extent required under CFTC Regulations.

(iii) As used herein, “CFTC Regulations” means any applicable rules, regulations, orders, supplementary information, interpretation and guidance issued by the Commodity Futures Trading Commission or any division or office thereof, and when used herein may also include specific citations to Titles, Parts or Sections of Title 17 of the Code of Federal Regulations, as amended, modified, superseded or otherwise supplemented from time to time.