

Directors and CEO's:

As you know, RUS, EKPC and all Owner-Members executed Amendment No. 3 to the Wholesale Power Contract on or about October 17, 2003. This provided, among other things, that the Member Owners would have an option, from time to time with notice to EKPC, to receive electric power and energy from persons other than EKPC, or from facilities owned or leased by the Members, provided that the aggregate amount of all Member Owners' elections not exceed expressed quantified limitations. In an attempt to clarify, the process for taking this alternate power from a source other than EKPC, in 2015 the Owner Members executed a Memorandum of Understanding (MOU) to guide everyone through the process.

On November 28, 2017, SKRECC provided notice to EKPC of its intent to take 58 MWs of power from an alternate source to be in conformity and in compliance with the MOU. Pursuant to the MOU and Amendment No. 3, and including all other alternate sources already in existence (16 MWs) consistent with the MOU, this left 85 MWs available to the remaining 15 Owner-Members at the time of SKRECC's notice.

Recently, as a result of SKRECC's action to take 15%, a number of CEO's of the remaining 15 Owner-Members have contacted EKPC regarding what they believe to be the fairness or lack of opportunity for the remaining small reserve under the MOU. It is EKPC's intent to share this sentiment to the Board and the CEO's. The comments that EKPC has received from the remaining 15 Owner-Members reflects their concerns that there may not be enough MWs to distribute among those others interested in participating under the MOU.

In an attempt to fairly provide an opportunity to the remaining 15 Owner-Members the ability to purchase power with the remaining MWs under the MOU, EKPC is offering to take the remaining portion of alternate power to the market for all of the remaining 15 Owner-Members spread proportionately among them.

Please understand that this decision by EKPC is an offer to try and help with any potential cost shifting that might occur to the remaining 15 Members, and is not necessarily a decision to guarantee lower rates. EKPC will also use all other available opportunities to mitigate any potential cost shifting to the best of its ability.

In the meantime, EKPC asks that all 15 remaining Member Owners allow EKPC time to aggregate this remaining percentage under the MOU for all of the 15 Member Owners who wish to participate and ask they not submit any independent MOU notices of intent to exercise that option. EKPC will do its best to take advantage of the best possible pricing for this remaining alternate power supply and to limit risk where possible.

EKPC intends to have an in-depth discussion of these issues, and begin the process, at our February 13<sup>th</sup> Board meeting in Executive Session with all Directors and CEO's. I have attached sample copies of both the MOU and Amendment No. 3 for your convenience.

AMENDMENT NO. 3 TO WHOLESALE POWER CONTRACT  
BETWEEN EAST KENTUCKY POWER COOPERATIVE, INC. AND  
BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION

This Agreement dated the 17th day of OCTOBER, 2003, amends the Wholesale Power Contract dated October 1, 1964 between East Kentucky Power Cooperative, Inc. (hereinafter "Seller") and Big Sandy Rural Electric Cooperative Corporation (hereinafter "Member") as follows:

I. Numerical Section 1 of the Wholesale Power Contract shall be amended and restated to read in its entirety as follows:

1. General - The Seller shall sell and deliver to the Member and the Member shall purchase and receive from the Seller all electric power and energy which shall be required to serve the Member's load, including all electric power and energy required for the operation of the Member's system. Notwithstanding the foregoing, the Member shall have the option, from time to time, with notice to the Seller, to receive electric power and energy, from persons other than the Seller, or from facilities owned or leased by the Member, provided that the aggregate amount of all members' elections (measured in megawatts in 15-minute intervals) so obtained under this paragraph shall not exceed five percent (5%) of the rolling average of Seller's coincident peak demand for the single calendar month with the highest peak demand occurring during each of the 3 twelve month periods immediately preceding any election by the Member from time to time, as provided herein and further provided that no Member shall receive more than fifteen percent (15%) of the rolling average of its coincident peak demand for the single calendar month with the highest average peak demand occurring during each of the 3 twelve

month periods immediately preceding any election by the Member from time to time, as provided herein.

For any election made or cancelled under this Section, the following provisions shall apply:

a. During any calendar year, the Member may make or cancel any such election or elections by giving at least 90 days' notice to the Seller with respect to any load or loads with an average coincident peak demand (calculated in the same manner as provided in the preceding paragraph) of 5.0 Megawatts or less, in the annual aggregate.

b. During any calendar year, the Member may make or cancel any such election or elections by giving at least 18 months or greater notice to the Seller with respect to any load or loads with an average coincident peak demand (calculated in the same manner as provided in the preceding paragraph) of 5.0 Megawatts or more, in the annual aggregate.

Upon the effective date of the Member's cancellation of any such election under this Agreement, the load or loads shall be governed by the all requirements obligations of the Seller and the Member in this Section, and notice of same shall be provided to the Rural Utilities Service ("RUS") by the member. Such loads which are transferred to Seller's all-requirements obligations shall not thereafter be switched by Member to a different power supplier.

c. Should any such election by Member involve the acquisition of new service territory currently served by another power supplier or municipal utility, Member shall provide evidence to Seller and RUS in the new Load Purchase Agreement that the acquired territory must be served by the current power supplier as a condition of the acquisition of the new load.

Seller will provide transmission, substation, and ancillary services without

discrimination or adverse distinction with regard to rates, terms of service or availability of such service as between power supplies under paragraphs above and Member will pay charges therefore to Seller. Seller also agrees to allow, at Member's sole cost and expense, such additional interconnection as may be reasonably required to provide such capacity and energy as contemplated in the above paragraphs.

Member will be solely responsible for all additional cost associated with the exercise of elections under the above paragraphs including but not limited to administrative, scheduling, transmission tariff and any penalties, charges and costs, imposed by the Midwest Independent System Operator ("MISO") or other authorities.

II. Section 10 of the Wholesale Power Contract shall be restated as Section 11 and new Section 10 and Section 11 shall read in their entirety as follows:

10. Retail Competition - Seller and its subsidiaries, shall not, during the term of this contract, without the consent of the Member, (i) sell or offer to sell electric power or energy at retail within the Member's assigned or expanded geographic area, if any, established by applicable laws or regulations or (ii) provide or offer to provide retail electric service to any person which is a customer of the Member.

11. Term - This Agreement shall become effective only upon approval in writing by the Administrator and shall remain in effect until January 1, 2041, and thereafter until terminated by either party's giving to the other not less than six months' written notice of its intention to terminate. Subject to the provisions of Section 1 hereof, service hereunder and the obligation of the Member to pay therefore shall commence upon completion of the facilities necessary to provide service.

Executed the day and year first above mentioned.

Reference to Pages 8 and 9  
Attachment #2

EAST KENTUCKY POWER  
COOPERATIVE, INC.

BY: *Dino Tolan*

CHAIRMAN OF THE BOARD

ITS: \_\_\_\_\_

*Sam Lenn*  
ATTEST, SECRETARY

Big Sandy Rural Electric  
Cooperative Corporation

BY: *John E. Shepherd*

ITS: Chairman of the Board

*Pat Harris*  
ATTEST, SECRETARY

(H:Legal/misc/amend-3-wpc)

**MEMORANDUM OF UNDERSTANDING AND AGREEMENT  
REGARDING ALTERNATE POWER SOURCES**

This Memorandum of Understanding and Agreement ("MOU&A") is entered into and effective as of this [ ] day of [ ], 2015, by and between East Kentucky Power Cooperative, Inc. ("EKPC"), and each of the following Member Distribution Cooperatives (also referred to herein as "Owner Member"):

**Member Distribution Cooperatives**

Big Sandy Rural Electric Cooperative Corporation  
Blue Grass Energy Cooperative Corporation  
Clark Energy Cooperative, Inc.  
Cumberland Valley Electric  
Farmers Rural Electric Cooperative Corporation  
Fleming-Mason Energy Cooperative  
Grayson Rural Electric Cooperative Corporation  
Inter-County Energy Cooperative Corporation  
Jackson Energy Cooperative Corporation  
Licking Valley Rural Electric Cooperative Corporation  
Nolin Rural Electric Cooperative Corporation  
Owen Electric Cooperative, Inc.  
Salt River Electric Cooperative Corporation  
Shelby Energy Cooperative, Inc.  
South Kentucky Rural Electric Cooperative Corporation  
Taylor County Rural Electric Cooperative Corporation

**Factual Recitals**

0.1 Each Owner Member is an electric cooperative, organized under the laws of the State of Kentucky, engaged in the business of supplying and distributing electric power and energy to its members within a certain service area, for which business the Owner Member operates an electric distribution system, among other operations.

0.2 EKPC is a generation and transmission cooperative corporation, organized under the laws of the State of Kentucky, which is owned by its Owner Members, which are certain electric cooperatives operating in the State of Kentucky ("Owner Members").

0.3 EKPC and each Owner Member are parties to a Wholesale Power Contract, dated October 1, 1964, as amended, pursuant to which (among other things) EKPC sells and delivers to that Owner Member, and that Owner Member purchases and receives, electric power and energy

required for the operation of the Owner Member's electric system. Such Wholesale Power Contracts are identical in all material respects, except for the identification of the respective Owner Member that is a party to each such agreement. A reference herein to "Wholesale Power Contract" refers to each and every such agreement.

0.4 As of October 23, 2003, each Wholesale Power Contract was amended by the execution of that certain amendment designated and known as "Amendment No. 3" thereto, to provide, among other things, for the obtaining by the subject Owner Member of electric power and energy from sources other than EKPC for use in operating the Owner Member's electric system, subject to certain limitation and required procedures set forth therein. Except for the identification of the respective Owner Member that is a party to each such Amendment No. 3, all of such amendments are identical. A reference herein to "Amendment No. 3" refers to each and every such amendment.

0.5 EKPC and certain Owner Members have, in the past, disagreed on the interpretation of some provisions of Amendment No. 3 and, therefore, to the Wholesale Power Contract as amended thereby.

0.6 The Owner Members each have a keen interest in pursuing or investigating opportunities to develop or otherwise obtain and use sources of electric power and energy other than EKPC. Such non-EKPC sources are hereinafter referred to as "Alternate Sources" and further defined in Section 2(A) below.

0.7 EKPC and each Owner Member each desire to avoid litigation over the provisions of the Wholesale Power Contract that pertain to Alternate Sources, and thereby avoid the costs and uncertainty of such litigation.

NOW THEREFORE, in consideration of the mutual covenants, understandings, and undertakings set forth herein, each of the Owner Members and EKPC, agree as follows:

### Understandings, Stipulations, and Agreements

#### 1. Term

(A) This MOU&A shall become effective on the date first written above and shall continue in effect until the termination of the Wholesale Power Contract. If the Wholesale Power Contract between EKPC and one of the Owner Members terminates before the other Wholesale Power Contracts, then this MOU&A shall terminate with respect to that Owner Member, but shall remain in effect with respect to the other Owner Members.

#### 2. Scope

(A) The purpose of this MOU&A is to memorialize EKPC's and the Owner Members' mutually agreed interpretation of Amendment No. 3 with respect to Alternate Sources. Except as provided in Section 2(B), an "Alternate Source" is any generating resource that is owned (directly or indirectly, in whole or in part) or controlled (directly or indirectly, in whole or in part) by an Owner Member, regardless of whether the resource is connected to the Owner

Member's distribution system, or any power purchase arrangement under which an Owner Member purchases capacity or energy (or both), if such generating resource or power purchase arrangement is used to serve any portion of the Owner Member's load.

(B) A generating resource that meets the definition of a "Behind the Meter Source" as set forth in Section 4(A)(v)(a) that is used by a Member solely to provide energy to serve interruptible retail load during times when service for such load through PJM has been interrupted pursuant to the load's participation in PJM's demand response program will not be considered an "Alternate Source" subject to the requirements of this MOU&A. If an Owner Member desires to use such a generating resource at any other time, the Owner Member must comply with the requirements of this MOU&A with respect to that generating resource.

(C) Nothing in this MOU&A is intended to modify any of the express provisions of Amendment No. 3. During the term of this MOU&A, neither EKPC nor any Owner Member shall assert that this MOU&A is invalid for the reason that it is contrary to or inconsistent with the Wholesale Power Contract. In the event of an actual conflict between the Wholesale Power Contract, as amended, including by Amendment No. 3, and this MOU&A, the Wholesale Power Contract, as amended, including by Amendment No. 3, shall control.

3. Maximum Permissible Demand Reduction.

(A) The maximum demand reduction that an Owner Member can obtain through the use of Alternate Sources shall be determined as follows:

- (i) All demand measurements, whether of EKPC aggregate demand or an Owner Member's demand, called for in this Section 3 shall be measured in megawatts in 15-minute intervals and shall be adjusted to include any interruptible load that was interrupted at the time of measurement.
- (ii) If in connection with its acquisition of new service territory the Owner Member provides evidence to EKPC and the RUS in the related acquisition agreement that the acquired service territory must continue to be served by the current power supplier as a condition of the acquisition, the acquired service territory may be supplied by such current power supplier for so long as is required under the terms of such acquisition agreement. Until such supply from the current power supplier is terminated, the load of such acquired service territory shall not be included in the calculations of the 5% and 15% limitations set forth below in this Section 3 applicable to the Owner Member that acquired the service territory or any other Owner Member. From and after the termination of such supply from the current power supplier, the load of such acquired service territory (including such load during the three (3) twelve-month (12-month) periods immediately preceding the date of termination of such supply from the current power supplier) shall be included in calculations of the 5% and 15% limitations set forth below in this Section 3 applicable to the Owner Member or any Other Member.



- (iii) If, at the time the Owner Member submits an election notice pursuant to Section 4, the aggregate amount of all Owner Members' loads being served with Alternate Sources (including the load proposed to be served by the Owner Member's new Alternate Source) would be less than two and one half percent (2.5%) of the rolling average of EKPC's coincident peak demand for the single calendar month with the highest peak demand occurring during each of the three (3) twelve-month (12-month) periods immediately preceding the date the Owner Member delivers such election notice, the Owner Member's aggregate demand reduction from Alternate Sources (including the demand reduction from the proposed new Alternate Source) may not exceed 15% of the rolling average of the Owner Member's coincident peak demand for the single calendar month with the highest average peak demand occurring during each of the three (3) twelve-month (12-month) periods immediately preceding the date the Owner Member delivers such election notice. If this 15% threshold would be exceeded, the Alternate Source shall not be permitted unless the load proposed to be served by it is reduced such that this 15% threshold is not exceeded.
- (iv) If, at the time the Owner Member submits an election notice pursuant to Section 4, the aggregate amount of all Owner Members' loads being served with Alternate Sources (including the load proposed to be served by the Owner Member's new Alternate Source) would be equal to or greater than two and one half percent (2.5%) of the rolling average of EKPC's coincident peak demand for the single calendar month with the highest peak demand occurring during each of the three (3) twelve-month (12-month) periods immediately preceding the date the Owner Member delivers such election notice, the Owner Member's aggregate demand reduction from Alternate Sources (including the demand reduction from the proposed new Alternate Source) may not exceed five percent (5%) of the rolling average of the Owner Member's coincident peak demand for the single calendar month with the highest average peak demand occurring during each of the three (3) twelve-month (12-month) periods immediately preceding the date the Owner Member delivers such election notice. If this five percent (5%) threshold would be exceeded, the Alternate Source shall not be permitted unless the load proposed to be served by it is reduced such that this five percent (5%) threshold is not exceeded.
- (v) If, at the time the Owner Member submits an election notice pursuant to Section 4, the aggregate amount of all Owner Members' loads being served with Alternate Sources (including the load proposed to be served by the Owner Member's new Alternate Source) would be greater than five percent (5%) of the rolling average of EKPC's coincident peak demand for the single calendar month with the highest peak demand occurring during each of the three (3) twelve-month (12-month) periods immediately preceding the date the Owner Member delivers such election notice, the

Alternate Source shall not be permitted unless the load proposed to be served by it is reduced such that this five percent (5%) threshold is not exceeded.

- (vi) The term of any Alternate Source (inclusive of any renewal options), whether the Alternate Source is a generating facility owned or controlled by the Owner Member or a contract with a third party, shall not exceed twenty (20) years.
- (a) Any Alternate Source that is a contract in effect at the time when the 2.5% threshold defined in Section 3(A)(iii) is reached will be honored for the remaining term of the contract (without exercise of any renewal option). However, if at the end of the existing contract's term that was in effect when the 2.5% threshold was reached, the 2.5% threshold continues to be reached or is exceeded, and the Owner Member's aggregate amount of Alternate Source elections then exceeds the 5% threshold defined in Section 3(A)(iv), then the Alternate Source contract may not be renewed unless the Owner Member reduces the aggregate amount of the Owner Member's load served by Alternate Sources such that the aggregate amount of the Owner Member's load served by Alternate Sources (taking into account the renewal of the contract) does not exceed the 5% threshold set forth in Section 3(A)(iv). The Owner Member may meet this requirement by using demand reduction available to another Owner Member, in accordance with Section 3(B).
- (b) Any Alternate Source that is a generating facility owned or controlled by the Owner Member that is in effect when the 2.5% threshold defined in Section 3(A)(iii) is reached will be honored for the remaining term of the Alternate Source as set forth in the notice provided under Section 4(A).

(B) Demand reduction available to one Owner Member may be used by another Owner Member if those two Owner Members so agree; provided, however, that in no event may a new Alternate Source proposed by an Owner Member in an election notice pursuant to Section 4 be approved if:

- (i) the aggregate amount of all Owner Members' loads being served with Alternate Sources (including the load proposed to be served by the Owner Member's new Alternate Source) would be greater than five percent (5%) of the rolling average of EKPC's coincident peak demand for the single calendar month with the highest peak demand occurring during each of the three (3) twelve-month (12-month) periods immediately preceding the date the Owner Member delivers such election notice; or

(ii) the aggregate amount of the Owner Member's load being served by Alternate Sources (including the load proposed to be served by the Owner Member's new Alternate Source) would be greater than fifteen percent (15%) of the rolling average of the Owner Member's coincident peak demand for the single calendar month with the highest average peak demand occurring during each of the three (3) twelve-month (12-month) periods immediately preceding such notice.

4. Alternate Source Notices

(A) In order for an Owner Member to reduce its purchases from EKPC by using electric power and energy from an Alternate Source, that Owner Member shall have provided EKPC with prior written notice of such reduction in accordance with the procedures and requirements set forth herein. Each such notice hereunder (an "Alternate Source Notice") shall set forth the following information regarding the subject Alternate Source:

- (i) the term during which the Alternate Source will be used to reduce the Owner Member's purchases from EKPC under the Wholesale Power Contract, including the date on which such use will begin, and the length of time during which such use will continue, which length may not exceed 20 years (including any renewal options for an Alternate Source that is a contract with a third party);
- (ii) the maximum electrical capacity, in kW, to be available from the Alternate Source and the corresponding amount of reduction in demands to be served by EKPC as a result of the use of the Alternate Source, appropriately taking into account expected losses, if any;
- (iii) a general description of the nature of the Alternate Source and the primary generating facilities from which the subject electric power and energy will be produced;
- (iv) the approximate, expected pattern of use or dispatching of the Alternate Source and the corresponding pattern of hourly reductions in energy to be purchased by the Owner Member from EKPC; and
- (v) a designation of whether the Alternate Source will be:
  - (a) interconnected to the Owner Member's distribution system (and not to any transmission system) and will not produce energy in any hour in excess of the Owner Member's load at the Related EKPC Point of Delivery. Such Alternate Sources are referred to in this MOU&A as "Behind the Meter Sources". The "Related EKPC Point of Delivery" with respect to any Alternate Source is the point of delivery under the Owner Member's Wholesale

Power Contract through which energy purchased from EKPC would be used to serve the load served by the Alternate Source if the Alternate Source did not exist;

(b) interconnected or delivered to EKPC's or another entity's transmission system; or

(c) interconnected to the Owner Member's distribution system and will produce energy that exceeds the Owner Member's load at the Related EKPC Point of Delivery.

(B) Except as provided in Section 4(C) below, each Alternate Source Notice shall be provided to EKPC in writing at least eighteen (18) months prior to the date on which the use of the subject Alternate Source is to begin.

(C) For each Alternate Source having a noticed demand reduction of 5,000 kW or less, the required prior written notice may be provided to EKPC up to, but not later than ninety (90) days prior to the date on which the Owner Member intends to begin using that Alternate Source.

(D) An Owner Member may change or cancel an Alternate Source Notice only by providing to EKPC prior written notice of such change or cancellation, as follows: If after three years of operation an Alternate Source has a three-year rolling average peak capacity less than the maximum capacity set forth in the initial Alternate Source Notice, the Owner Member may reduce the maximum capacity of such Alternate Source by providing written notice to EKPC. Any such reduction shall not change the term or other characteristics of the Alternate Source. Ninety (90) days' prior written notice of any other change or any cancellation shall be required for an Alternate Source having an associated demand reduction of 5,000 kW or less. Otherwise, eighteen (18) months' prior written notice to EKPC of a change or cancellation shall be required. If any change is made to the demand reduction amount of an Alternate Source, the thresholds provided in Section 3 will be re-calculated as of the date the notice of change is submitted.

(E) If the Owner Member does not implement an Alternate Source within six (6) months after the date set forth in its notice for commencement of deliveries from the Alternate Source, the Owner Member may not implement the Alternate Source without re-submitting the notice required under this Section 4 and such notice shall be subject to re-calculation of the thresholds provided in Section 3 as of the date of such re-submitted notice. During the six (6) month period described in this Section (E), EKPC shall continue to serve the load intended to be served by the Alternate Source through sales of power and energy to the Owner Member under its Wholesale Power Contract.

#### 5. Development and Use of Alternate Sources

(A) During the noticed term of use of that Alternate Source, it shall be the responsibility of the Owner Member to use commercially reasonable efforts to develop or otherwise acquire the subject Alternate Source so that such source may be used to supply a portion of the Owner Member's requirements beginning on the noticed date. EKPC shall use

commercially reasonable efforts to cooperate with and assist the Owner Member in its development or acquisition; provided that EKPC shall not be required to make out-of-pocket expenditures or provide or facilitate financing for any Alternate Source.

(B) Except as otherwise agreed to by EKPC and an Owner Member, the owning Owner Member shall use commercially reasonable efforts to operate, maintain, and dispatch the facilities comprising each of its Alternate Sources (or to cause such operation, maintenance, and dispatching) so as to reduce the maximum electrical demand placed on EKPC's system by the corresponding noticed demand reduction.

(C) With respect to each noticed Alternate Source of an Owner Member, the obligations set forth in the foregoing two paragraphs shall continue until the end of the noticed term of the Alternate Source; provided, however, that such term may be shortened or lengthened at any time by the Owner Member by providing to EKPC prior written notice of such change, as follows: For each such change, ninety (90) days' prior written notice of such change shall be required for an Alternate Source having an associated demand reduction of 5,000 kW or less. Otherwise, eighteen (18) months' prior written notice to EKPC of such change shall be required.

(D) Other requirements for Behind the Meter Sources are as follows:

(i) To the extent that the Alternate Source does not deliver capacity or energy sufficient to serve the actual load of the Owner Member intended to be served by the Alternate Source, EKPC will charge the Owner Member for capacity and energy at the rates for electric service provided under the Wholesale Power Contract.

(ii) The Owner Member must provide to EKPC information regarding the expected generation from the Behind the Meter Source, including planned and unplanned outages, as needed by EKPC so that EKPC can include such information in its schedules of load submitted to PJM and minimize to the extent reasonably practicable any PJM penalties for deviations in load attributable to differences between the estimated and actual generation from the Behind the Meter Source.

(iii) The Alternate Sources will be metered with revenue class meters.

(E) Other requirements for Alternate Sources interconnected or delivered to EKPC's or another entity's transmission system are as follows:

(i) To the extent that the Alternate Source does not deliver capacity or energy sufficient to serve the actual load of the Owner Member intended to be served by the Alternate Source, EKPC will charge the Owner Member for capacity and energy as provided in this MOU&A, and not at the rates for electric service provided under the Wholesale Power Contract. EKPC will purchase amounts of replacement capacity and energy based on the historical amounts of capacity and energy provided by the Alternate Source.

(ii) The Owner Member must provide to EKPC a day-ahead schedule of generation. EKPC will work with the Owner Member to develop the day-ahead schedule.

(iii) The day-ahead schedule of load to be served by the Alternate Source will be deemed to equal the day-ahead generation schedule of the Alternate Source.

(iv) EKPC will pass through to the Owner Member all revenues, credits and charges from PJM associated with the Alternate Source, including without limitation PJM day-ahead and real-time energy market revenues, charges and credits, PJM capacity market revenues, charges and credits, PJM operating reserve revenues, credits and charges, and PJM operating services necessary to serve the load served by the Alternate Source (i.e. capacity, energy, ancillary services (including operating reserves), NITS transmission, RTEP, etc.).

(v) The Alternate Sources will be metered with revenue class meters.

(vi) The Owner Member will pay an administrative fee to EKPC to cover the increased operation and administrative costs.

(vii) PJM market participant activities for the Alternate Source and related load will be managed by EKPC or EKPC's agent. The Owner Member shall pay EKPC a non-discriminatory, cost-based fee for such PJM market participant services, which shall be performed in accordance with good utility practices. Any dispute regarding such fee shall be submitted to the Kentucky Public Service Commission for a determination of the appropriate fee.

(F) Other requirements for Alternate Sources interconnected to an Owner Member's distribution system that produce energy that exceeds the Owner Member's load at the Related EKPC Point of Delivery shall be developed based on the requirements set forth above in Sections 5(D) and 5(E).

#### 6. Other Matters.

(A) EKPC shall not be entitled to charge any Owner Member for so-called "stranded costs" related to the Owner Member's implementation of its rights to use Alternate Sources. As a result, to the extent that an Owner Member's use of Alternate Sources reduces its billing demands under EKPC's rates under the Wholesale Power Contract as in effect from time to time, EKPC shall not be entitled to charge any special rate or charge to the Owner Member attributable to such billing demand reduction. EKPC will, however, be entitled to continue to set its rates for all Owner Members under the Wholesale Power Contracts to produce revenues that are sufficient to cover all of its costs, in accordance with the Wholesale Power Contracts.

(B) EKPC covenants and agrees to revise or rescind existing Board Policies so that its Board Policies are consistent with this MOU&A.

(C) This Agreement may be executed in counterpart, which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Reference to Pages 8 and 9  
Attachment #2

<u>Big Sandy Rural Electric Cooperative Corporation</u>	<u>Date</u>
<u>Blue Grass Energy Cooperative Corporation</u>	<u>Date</u>
<u>Clark Energy Cooperative, Inc.</u>	<u>Date</u>
<u>Cumberland Valley Electric</u>	<u>Date</u>
<u>Farmers Rural Electric Cooperative Corporation</u>	<u>Date</u>
<u>Fleming-Mason Energy Cooperative</u>	<u>Date</u>
<u>Grayson Rural Electric Cooperative Corporation</u>	<u>Date</u>
<u>Inter-County Energy Cooperative Corporation</u>	<u>Date</u>
<u>Jackson Energy Cooperative Corporation</u>	<u>Date</u>
<u>Licking Valley Rural Electric Cooperative Corporation</u>	<u>Date</u>
<u>Nolin Rural Electric Cooperative Corporation</u>	<u>Date</u>
<u>Owen Electric Cooperative, Inc.</u>	<u>Date</u>
<u>Salt River Electric Cooperative Corporation</u>	<u>Date</u>
<u>Shelby Energy Cooperative, Inc.</u>	<u>Date</u>

Reference to Pages 8 and 9  
Attachment #2


\_\_\_\_\_  
South Kentucky Rural Electric Cooperative Corporation      Date

\_\_\_\_\_  
Taylor County Rural Electric Cooperative Corporation      Date





**OWEN Electric**

A Touchstone Energy Cooperative 

February 2, 2018

Mr. Anthony S. Campbell  
President and CEO  
East Kentucky Power Cooperative  
4775 Lexington Road  
P.O. Box 707  
Winchester, KY 40392-0707

Dear Mr. Campbell,

Pursuant to the provisions of the Amendment No. 3 to the Wholesale Power Contract between East Kentucky Power Cooperative, Inc. ("EKPC"), and Owen Electric Cooperative Inc. ("Owen Electric") dated October 23, 2003 ("Amendment 3"), and the Memorandum of Understanding and Agreement regarding Alternate Power Sources, between EKPC and the 16 Owner Members of EKPC including Owen Electric, dated July 16, 2015 ("MOU"), Owen Electric does hereby provide the following notice of its election to reduce its purchases of electric power from EKPC and replace same with electric power furnished from an Alternate Source.

According to the provisions of Section 4(A) of the MOU there are five (5) primary procedures and requirements for the content of this notice; in compliance with these provisions, Owen Electric provides the required information with respect to its Alternate Source election immediately following each listed item.

- (i) *the term during which the Alternate Source will be used to reduce the Owner Member's purchases from EKPC under the Wholesale Power Contract, including the date on which such use will begin, and the length of time during which such use will continue, which length may not exceed 20 years (including any renewal options for an Alternate Source that is a contract with a third party)*

**The Alternate Source (which is further described below) will be used to supply Owen Electric's power requirements outside of and separate from the Wholesale Power Contract between Owen Electric and EKPC for a term of 5-20 years commencing at 12:00 a.m. (EST) on September 1, 2019.**

- (ii) *the maximum electrical capacity, in kW, to be available from the Alternate Source and the corresponding amount of reduction in demands to be served by EKPC as a result of the Alternate Sources, appropriately taking into account expected losses, if any*

**The maximum electrical capacity to be available from the Alternate Source, and the corresponding amount of reduction in demands to be served by EKPC as a result of the use of the Alternate Source, is to be calculated at the level equal to five percent (5%) of the rolling average of Owen Electric's coincident peak demand for the single calendar month with the highest average peak demand occurring during each of the three (3) twelve-month (12-month) periods immediately preceding this notice, less previously-noticed 2MW Bromley DG Unit upon calculation of the five percent (5%)**

level as defined by the A3 Allotment spreadsheet by EKPC which includes the month of January 2018 in the calculation.

- (iii) *a general description of the nature of the Alternate Source and the primary generating facilities from which the subject electric power and energy will be produced*

The Alternate Source shall be in the form of Owen Electric becoming a PJM member and purchasing energy, capacity, transmission and services required by PJM policies from the PJM Market.

- (iv) *the approximate, expected pattern of use or dispatching of the Alternate Source and the corresponding pattern of the hourly reductions in energy to be purchased by the Owner Member from EKPC*

The Alternate Source will provide for delivery of the capacity designated above in every hour of the term of the Alternate Source.

- (v) *a designation of whether the Alternate Sources will be:*

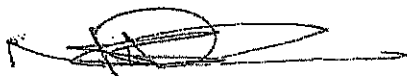
- (a) *interconnected to the Owner Member's distribution system (and not to any transmission system) and will not produce energy in any hour in excess of the Owner Member's load at the Related EKPC Point of Delivery. Such Alternate Sources are referred to in the MOU&A as "Behind the Meter Sources". The "Related EKPC Point of Delivery" with respect to any Alternate Sources is the point of delivery under the Owner Member's Wholesale Power Contract through which energy purchased from EKPC would be used to serve the load served by the Alternate Source if the Alternate Source did not exist;*
- (b) *interconnected or delivered to EKPC's or another entity's transmission system; or*
- (c) *interconnected to the Owner Member's distribution system and will produce energy that exceeds the Owner Member's load at the Related EKPC Point of Delivery.*

The Alternate Source will be: (b) interconnected or delivered to EKPC's or another entity's transmission system.

Owen Electric will provide additional detail regarding the Alternate Source when it is available and looks forward to work with EKPC on implementation.

Please let me know if you have any questions regarding this Alternate Source.

Sincerely,



Mark A. Stallons  
President and CEO  
Owen Electric Cooperative



**OWEN Electric**

A Touchstone Energy Cooperative 

February 2, 2018

Mr. Anthony S. Campbell  
President and CEO  
East Kentucky Power Cooperative  
4775 Lexington Road  
P.O. Box 707  
Winchester, KY 40392-0707

Dear Mr. Campbell,

Pursuant to the provisions of the Amendment No. 3 to the Wholesale Power Contract between East Kentucky Power Cooperative, Inc. ("EKPC"), and Owen Electric Cooperative Inc. ("Owen Electric") dated October 23, 2003 ("Amendment 3"), and the Memorandum of Understanding and Agreement regarding Alternate Power Sources, between EKPC and the 16 Owner Members of EKPC including Owen Electric, dated July 16, 2015 ("MOU"), Owen Electric does hereby provide the following notice of its election to reduce its purchases of electric power from EKPC and replace same with electric power furnished from an Alternate Source.

According to the provisions of Section 4(A) of the MOU there are five (5) primary procedures and requirements for the content of this notice; in compliance with these provisions, Owen Electric provides the required information with respect to its Alternate Source election immediately following each listed item.

- (i) *the term during which the Alternate Source will be used to reduce the Owner Member's purchases from EKPC under the Wholesale Power Contract, including the date on which such use will begin, and the length of time during which such use will continue, which length may not exceed 20 years (including any renewal options for an Alternate Source that is a contract with a third party)*

**The Alternate Source (which is further described below) will be used to supply Owen Electric's power requirements outside of and separate from the Wholesale Power Contract between Owen Electric and EKPC for a term of 5-20 years commencing at 12:00 a.m. (EST) on September 1, 2019.**

- (ii) *the maximum electrical capacity, in kW, to be available from the Alternate Source and the corresponding amount of reduction in demands to be served by EKPC as a result of the Alternate Sources, appropriately taking into account expected losses, if any*

**The maximum electrical capacity to be available from the Alternate Source, and the corresponding amount of reduction in demands to be served by EKPC as a result of the use of the Alternate Source, is to be calculated at the level equal to five percent (5%) of the rolling average of Owen Electric's coincident peak demand for the single calendar month with the highest average peak demand occurring during each of the three (3) twelve-month (12-month) periods immediately preceding this notice, less previously-noticed 2MW Bromley DG Unit upon calculation of the five percent (5%)**

level as defined by the A3 Allotment spreadsheet by EKPC which includes the month of January 2018 in the calculation.

- (iii) *a general description of the nature of the Alternate Source and the primary generating facilities from which the subject electric power and energy will be produced*

The Alternate Source shall be in the form of Owen Electric becoming a PJM member and purchasing energy, capacity, transmission and services required by PJM policies from the PJM Market.

- (iv) *the approximate, expected pattern of use or dispatching of the Alternate Source and the corresponding pattern of the hourly reductions in energy to be purchased by the Owner Member from EKPC*

The Alternate Source will provide for delivery of the capacity designated above in every hour of the term of the Alternate Source.

- (v) *a designation of whether the Alternate Sources will be:*

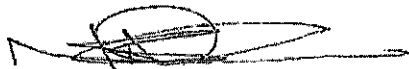
- (a) *interconnected to the Owner Member's distribution system (and not to any transmission system) and will not produce energy in any hour in excess of the Owner Member's load at the Related EKPC Point of Delivery. Such Alternate Sources are referred to in in the MOU&A as "Behind the Meter Sources". The "Related EKPC Point of Delivery" with respect to any Alternate Sources is the point of delivery under the Owner Member's Wholesale Power Contract through which energy purchased from EKPC would be used to serve the load served by the Alternate Source if the Alternate Source did not exist;*
- (b) *interconnected or delivered to EKPC's or another entity's transmission system; or*
- (c) *interconnected to the Owner Member's distribution system and will produce energy that exceeds the Owner Member's load at the Related EKPC Point of Delivery.*

The Alternate Source will be: (b) interconnected or delivered to EKPC's or another entity's transmission system.

Owen Electric will provide additional detail regarding the Alternate Source when it is available and looks forward to work with EKPC on implementation.

Please let me know if you have any questions regarding this Alternate Source.

Sincerely,



Mark A. Stallons  
President and CEO  
Owen Electric Cooperative

**EKPC A3 Allotments, Based on Data Through October 2017 (per Sally Witt)**

Owner-Member Cooperative	EKPC CP (MW) for Month of			Average	Load Ratio Share of the 5% Cap	15% Election	5% Election	Existing Projects	Noticed Projects	Remaining MW Share	All In	RFP Election	Percent
	Feb. 2015	Jan. 2016	Jan. 2017										
Blue Grass	410.92	315.86	324.44	350.40	17.52	53.37	17.80	0.00	0.00	17.80	11.33	11.30	63.48%
Owen	347.37	313.05	350.69	337.03	16.85	61.71	20.60	2.00	0.00	18.60	11.84	11.80	63.44%
Salt River	314.39	248.65	262.00	275.01	13.75	41.79	13.90	2.00	0.00	11.90	7.57	7.60	63.87%
Jackson	325.61	241.36	230.23	265.73	13.29	40.06	13.40	2.60	2.64	8.16	5.19	5.10	62.50%
Nolin	211.10	188.12	199.11	199.44	9.97	31.08	10.40	0.00	0.00	10.40	6.62	6.60	63.46%
Fleming Mason	196.87	179.19	166.89	180.98	9.05	27.41	9.10	0.00	0.00	9.10	5.79	5.80	63.74%
Inter-County	171.14	126.10	134.05	143.76	7.19	21.83	7.30	0.00	0.00	7.30	4.65	4.60	63.01%
Taylor	159.42	126.55	139.07	141.68	7.08	21.36	7.10	0.00	0.00	7.10	4.52	4.50	63.38%
Cumberland Valley	158.27	120.75	109.65	129.55	6.48	19.45	6.50	0.00	0.00	6.50	4.14	4.10	63.08%
Clark	153.99	114.84	113.62	127.48	6.37	19.14	6.40	0.00	0.00	6.40	4.07	4.00	62.50%
Shelby	120.51	102.00	99.56	107.35	5.37	16.27	5.40	0.00	0.00	5.40	3.44	3.40	62.96%
Big Sandy	89.48	64.77	56.94	70.40	3.52	10.65	3.50	0.00	0.00	3.50	2.23	2.20	62.86%
Licking Valley	88.57	62.72	58.66	69.98	3.50	10.64	3.50	0.00	0.00	3.50	2.23	2.20	62.86%
Grayson	85.17	62.79	57.65	68.53	3.43	10.30	3.40	0.00	0.00	3.40	2.16	2.10	61.76%
Farmers	136.36	120.49	115.85	124.23	6.21	18.81	6.30	4.60	0.00	1.70	1.08	1.00	58.82%
South Kentucky	458.91	352.24	353.44	388.20	19.41	58.46	19.50	0.00	58.00	0.46	0.00	0.00	
<b>Total</b>	<b>3428.06</b>	<b>2739.47</b>	<b>2771.82</b>	<b>2979.79</b>	<b>148.99</b>	<b>462.32</b>	<b>154.10</b>	<b>11.20</b>	<b>60.64</b>	<b>121.22</b>	<b>76.86</b>	<b>76.30</b>	
<b>Remaining Notice Amount</b>										<b>77.15</b>			

**Noticed Projects**

Owner-Member	Project	MW	Delivery Date	
Jackson	Irvine LFGTE	1.60	10/2013	
Jackson	Dupree Energy Sys	1.00	9/2015	
Farmers	Federal Mogul DG	3.60	2005	
Farmers	Glasgow LFGTE	1.00	11/2015	
Salt River	Lock 7	2.00	2013	
Owen	Bromley DG Unit	2.00	2016	
South Kentucky	PPA	58.00	6/2019	
Jackson	Hydro	2.64	1/2019	Not yet Noticed
<b>Total Projects</b>		<b>71.84</b>		



### Amendment 3 Impact on EKPC (DRAFT)

<i>Notice</i>	<i>MW</i>	<i>MWh/Year</i>	<i>ES \$ Shift</i>	<i>ES %</i>	<i>Base \$ Shift</i>	<i>Total \$ Shift</i>
South Kentucky	58.0	508,080	\$ 4,100,000.00	100.00%	\$ 13,000,000.00	\$ 17,100,000.00
Blue Grass	0.0	-	\$ -	0.00%	\$ -	\$ -
Owen	0.0	-	\$ -	0.00%	\$ -	\$ -
Salt River	0.0	-	\$ -	0.00%	\$ -	\$ -
Jackson	0.0	-	\$ -	0.00%	\$ -	\$ -
Nolin	0.0	-	\$ -	0.00%	\$ -	\$ -
Fleming Mason	0.0	-	\$ -	0.00%	\$ -	\$ -
Inter-County	0.0	-	\$ -	0.00%	\$ -	\$ -
Taylor	0.0	-	\$ -	0.00%	\$ -	\$ -
Cumberland Valley	0.0	-	\$ -	0.00%	\$ -	\$ -
Clark	0.0	-	\$ -	0.00%	\$ -	\$ -
Shelby	0.0	-	\$ -	0.00%	\$ -	\$ -
Big Sandy	0.0	-	\$ -	0.00%	\$ -	\$ -
Licking Valley	0.0	-	\$ -	0.00%	\$ -	\$ -
Grayson	0.0	-	\$ -	0.00%	\$ -	\$ -
Farmers	0.0	-	\$ -	0.00%	\$ -	\$ -
<b>Member Owner Total</b>	<b>58.0</b>	<b>508,080</b>	<b>\$ 4,100,000.00</b>		<b>\$ 13,000,000.00</b>	<b>\$ 17,100,000.00</b>
 EKPC 2018 Budget	 29,194	 13,534,101	 EKPC Pass Thru		 EKPC Rate Increase	

### Cost Shift Percentages

<i>EKPC Base Rate Impact</i>	<i>EKPC 2018 Budget (pgA2)</i>	<i>Base Shift</i>	<i>Percent Increase</i>	<i>SKY Alone</i>
Base Rate	\$ 777,941,988.00	\$ 13,000,000.00	1.67%	1.67%
EKPC ES Revenue	\$ 109,603,865.00	\$ 4,100,000.00	3.74%	3.74%

**A3 Cost Shift**

		3.74%		1.67%			
<u>Member Owner</u>	<u>Member Owner ES Power Bill</u>	<u>ES Cost Increase</u>	<u>Member Owner Base Rate Power Bill</u>	<u>Base Rate Increase</u>	<u>Base Rate Savings</u>	<u>Net Base Rate Savings (Loss)</u>	<u>Net Member Savings (Loss)</u>
Blue Grass							
Owen	\$ 10,178,329.52	\$ 380,745.25	\$ 79,426,899.01	\$ 1,327,283.66	\$	\$ (1,327,283.66)	\$ (1,708,028.91)
Salt River							
Jackson							
Nolin							
Elmington							
Inter-County							
Taylor							
Cumberland Valley							
Clark							
Shelby							
Big Sandy							
Licking Valley							
Grayson							
Farmers							
South Kentucky							
<b>Total</b>	<b>\$ 10,178,329.52</b>	<b>\$ 380,745.25</b>	<b>\$ 79,426,899.01</b>	<b>\$ 1,327,283.66</b>	<b>\$</b>	<b>\$ (1,327,283.66)</b>	



**A3 Allotments, Based on Data Through January 2018**

Owner-Member Cooperative	Owner-Member Peak (MW)			Average	5% Election	15% Election
	Feb 2015-	Feb 2016-	Feb 2017-			
	Jan 2016	Jan 2017	Jan 2018			
Big Sandy	89.5	58.8	74.3	74.2	3.7	11.1
Blue Grass	410.9	324.4	383.2	372.8	18.6	55.9
Clark	154.0	113.6	140.1	135.9	6.8	20.4
Cumberland Valley	158.3	110.0	141.3	136.5	6.8	20.5
Farmers	136.8	115.9	138.4	130.3	6.5	19.6
Fleming Mason	198.0	179.7	189.1	188.9	9.4	28.3
Grayson	85.2	58.3	72.7	72.1	3.6	10.8
Inter-County	171.1	134.4	158.6	154.7	7.7	23.2
Jackson	327.7	232.2	293.6	284.5	14.2	42.7
Licking Valley	88.6	60.6	76.6	75.3	3.8	11.3
Nolin	230.4	199.1	216.1	215.2	10.8	32.3
Owen	430.9	401.5	447.5	426.6	21.3	64.0
Salt River	316.1	262.0	306.4	294.8	14.7	44.2
Shelby	120.5	101.6	113.9	112.0	5.6	16.8
South Kentucky	458.9	353.4	426.2	412.9	20.6	61.9
Taylor	160.2	139.1	157.0	152.1	7.6	22.8
<b>Total</b>	<b>3,537.0</b>	<b>2,844.5</b>	<b>3,335.0</b>	<b>3,238.8</b>	<b>161.9</b>	

Dennis Holt  
President & CEO  
Phone (606) 678-4121



200 Electric Avenue  
P. O. Box 910  
Somerset KY 42502

February 12, 2018

Dear Fellow Managers,

As you are all aware South Kentucky gave notice to East Kentucky Power (EKPC) on November 28, 2017 to exercise our Amendment Three Privileges. South Kentucky is aware of the concerns of other EKPC Member Cooperatives that the cumulative effect of all Amendment Three elections could be significant cost-shifting between and among us. Because of South Kentucky's recognition of this fact we are willing to work with the other distribution cooperatives to help mitigate these concerns.

South Kentucky has contracted with Morgan Stanley for a 58 Megawatt fixed energy product, and a 68 Megawatt Financial Capacity Hedge product. While South Kentucky remains obligated under this contract to take 58 Megawatts from Morgan Stanley, we are open to reasonable options to reduce the impact on the other distribution cooperatives.

During the due diligence phase of this transaction leading up to our Amendment Three notification to EKPC we have been very careful to meet all legal requirements outlined in Amendment Three and the corresponding Memorandum of Understanding agreed to by all of us, and approved by the Kentucky Public Service Commission. However, South Kentucky values its relationship to each of its sister cooperatives too much to allow disunity at EKPC. Because of this, at its recent monthly meeting, South Kentucky's Board of Directors voted and directed me to investigate ways in which we can reduce our election of 15% by 1/3, to a 10% election instead.

I am sure each of you understands that South Kentucky cannot now directly reduce the amount of power being procured in the contract with Morgan Stanley due to contractual obligations; however, we believe there may be other ways to transfer and/or assign a portion of our contracted amount so as to benefit other cooperatives and flatten out the effect of cost-shifting. We will all probably need EKPC's expertise in determining ways to achieve this transfer and/or assignment.

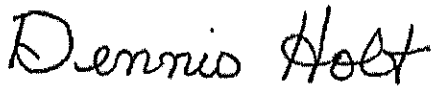
South Kentucky has expended significant expense in staff time, consultants and attorneys to reach this point in the process. We would hope that whoever ultimately benefits from

this transfer will recognize this fact and South Kentucky would expect some reasonable mitigation of its financial outlay from the participant(s).

South Kentucky stands ready to work with our sister distribution cooperatives to develop a plan to achieve the objective of mitigation of cost-shifting to the degree possible. I'm sure that we will all need to rely on EKPC's assistance as we move forward to accomplish this goal.

We can discuss this matter in greater detail at tomorrow's EKPC Board of Directors meeting.

Sincerely Yours,

A handwritten signature in cursive script that reads "Dennis Holt".

Dennis Holt  
President & CEO  
South Kentucky RECC  
200 Electric Avenue  
Somerset, Kentucky 42503

[COOPERATIVE]

RESOLUTION

APPROVAL OF POWER SUPPLY REQUEST FOR PROPOSALS

[DATE]

**WHEREAS**, East Kentucky Power Cooperative ("EKPC") has implemented Amendment 3 and the corresponding Memorandum of Understanding ("MOU") to allow the EKPC members flexibility in pursuing wholesale power supply options; and

**WHEREAS**, South Kentucky RECC ("SKRECC") has already noticed EKPC of their intent to implement its 15% flexibility allotment as defined by Amendment 3 and the MOU which results in \$ \_\_\_ in cost shifting to [Cooperative];

**WHEREAS**, Owen Electric Cooperative, Salt River Electric, Jackson Energy Cooperative and Blue Grass Energy have an informal alliance ("the Kentucky Group") and issued a Request for Proposals ("RFP") for power supply following Amendment 3 and the MOU; and further, have invited [Cooperative] to participate in their existing RFP that could possibly dilute SKRECC cost shifting; and

**WHEREAS**, with SKRECC's notice, the remaining EKPC members are only allowed 5% flexibility allotment as defined by Amendment 3 and the MOU until EKPC's total allotment pool is taken (at which time, no other allotments will be allowed); and

**WHEREAS**, the [Title of Executive] has recommended to the Board of Directors of [Cooperative] that in order for [Cooperative] to receive any flexibility allotment, [Cooperative] be allowed to participate with the Kentucky Group, contract with the Kentucky Group's consultant (EnerVision), and share in the transactional costs of the RFP and subsequent contractual negotiations, if any; and

**WHEREAS**, the Board of Directors has determined that it is in the best interest of the [Cooperative] to participate with the Kentucky Group.

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Directors hereby authorizes and approves this recommendation by staff to participate with the Kentucky Group in its power supply RFP.

**RESOLVED FURTHER** that the [Title of Executive] of [Cooperative] is hereby authorized, empowered and directed for and on behalf of [Cooperative] to negotiate any resulting agreements as [he/she] determines is in the best interest of [Cooperative].

**CERTIFICATE**

I, \_\_\_\_\_, Secretary/Treasurer of [Cooperative], do hereby certify that the above is a true and correct copy of a certain resolution of the Board of Directors of [Cooperative], duly adopted at a regular meeting of said Board after due and proper notice held on the \_\_\_\_ day of \_\_\_\_\_, 2018.

This \_\_\_\_ day of \_\_\_\_\_, 2018.

\_\_\_\_\_  
\_\_\_\_\_, Secretary/Treasurer



**EnerVision, Inc.**  
**Professional Services Agreement**

**Fleming-Mason Energy Cooperative, Inc.**  
P.O. Box 328, 1449 Elizaville Road.  
Flemingsburg, KY 41041

("Client")

**EnerVision, Inc.**  
4170 Ashford Dunwoody Road, Suite 550  
Atlanta, GA 30319

("EnerVision")

**THIS PROFESSIONAL SERVICES AGREEMENT ("Agreement")** is entered into by and between EnerVision and the above referenced Client, and is effective on the date it is executed by Client and accepted by EnerVision. EnerVision hereby agrees to perform and provide Client with the services described herein below ("Services"), on the terms and conditions set forth on the face page of this Agreement and the following page hereof.

**Description of Services – Power Supply**

Provide consulting support related to both economic and operational viability, as well as possible deal structures, of a potential third-party alternate source power supply project authorized and governed under Amendment 3 of Client's requirements contract with East Kentucky Power Cooperative, and a subsequent Memorandum of Understanding interpreting same. This support shall include the following Three Phases of work with Fleming-Mason Energy Staff and Board of Director updates as milestones are achieved:

- Phase 1: Estimated \$10,000-\$15,000
  - MOU/Amendment 3 review
  - Confirm EKPC calculation of available volume for Alternate Source
  - RFP development/Distribution to Pre-Selected Marketers
  - Confidentiality Agreements with Marketers
- Phase 2: Estimated \$50,000-\$75,000
  - RFP evaluation
  - Assistance with development of a Shortlist
  - Contract negotiations, typically with two Marketers
- Phase 3: Estimated \$15,000-\$25,000
  - Implementation of Executed Contract(s)
  - Assistance with obtaining PJM Membership
  - Assistance with PSC/RUS approvals

Additional services outside of this scope shall be performed by EnerVision upon the request of Fleming-Mason Energy staff.

**AGREED TO BY:**

**ACCEPTED BY:**

**Fleming-Mason Energy Cooperative, Inc.**

**EnerVision, Inc.**

("Client")

("EnerVision")

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Name typed or printed)

\_\_\_\_\_  
Elaine Johns

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

Title: \_\_\_\_\_  
President/CEO

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Term.** The term of this Agreement shall commence on the date executed by EnerVision, and may be terminated by either party upon giving thirty (30) days' notice in writing to the other party. In the event of such cancellation, all compensation earned and expense incurred through the date of cancellation and any expenses incurred by EnerVision attributable to the cancellation of the Services shall be payable in full to EnerVision.

**Payment.** EnerVision will charge for Services on an hourly basis (2018 Professional Rate Schedule - Attachment 1). In addition to the fees earned, EnerVision shall also be entitled to reimbursement for all expenses reasonably incurred. Client shall pay the amounts due on each invoice within thirty (30) days after receipt of same. All amounts past due shall be subject to interest at the lesser of one and one-half percent (1.5%) per month or the maximum amount allowed by law. If any invoice becomes past due by sixty (60) days or more, EnerVision may immediately cease performance of any and all Services being performed under this Agreement until the Client pays all invoices then due. All costs of collection, including reasonable attorney's fees, shall be paid by Client.

**Ownership of Work Product.** Specific project deliverables such as reports, recommendations, specifications, drawings, and technical data generated by EnerVision in connection with its performance under this Agreement shall be the property of Client. EnerVision shall retain all right, title, and interest, including U.S. and foreign copyrights, in and to any computer software or any processes, including but not limited to, computer software or any processes, which are developed, modified or created by EnerVision or by third parties on behalf of EnerVision.

**Confidentiality.** During the term of this Agreement each party may disclose to the other certain confidential, proprietary or non-public information (the "Confidential Information"). The term "Confidential Information" shall not include any information which (a) is already in the recipient's possession, provided that such information is not subject to another confidentiality agreement with, or other obligation of secrecy to, the provider; (b) becomes generally available to the public other than as a result of an unauthorized disclosure by the recipient; or (c) becomes available to the recipient on a non-confidential basis. Each party agrees not to use or disclose the other's Confidential Information except as contemplated by this Agreement or as compelled by legal process. The obligations under this paragraph shall survive the termination of the Agreement for a period of two years thereafter; provided that insofar as this paragraph relates to any information which may be a "trade secret" under applicable law, this paragraph shall continue indefinitely without any durational limit to such matter, but only so long as such matter retains its secrets as a "trade secret" under such law.

**Limitation of Liability.** EnerVision will rely on the accuracy and currency of information supplied by the Client or by any of the Client's contractors or consultants or available from generally accepted, reputable sources. In the performance of any service pursuant to the terms of this Agreement, EnerVision shall exercise that degree of skill and care which professional peers would exercise in like circumstances. If Services performed by EnerVision fail to meet this standard, Client may elect to have EnerVision reperform at no additional cost to the Client any of the Services which fail to meet the standard where: (a) such failure appears during the performance of EnerVision's services within one (1) year from the date of completion of EnerVision's services and (b) Client notifies EnerVision in writing of any such failure within sixty (60) days of the time that the failure becomes apparent. This paragraph shall in no way be interpreted to limit the right of the Client to pursue remedies at law or in equity in the event EnerVision fails to perform its obligations; provided, however, that EnerVision's liability to Client resulting from defects in performance of the Services or any aspect thereof shall be limited to the amount actually paid by Client to EnerVision for the specific service that is the subject of this dispute. In no event shall EnerVision be liable to the Client for any indirect, special or consequential damages (including lost profits) arising from the performance or non-performance of any of the authorized Services. During the performance of Services under this Agreement, EnerVision will maintain a level of liability (including professional errors and omission coverage) and other insurance coverage which it reasonably believes is appropriate under the circumstances.

**Independent Contractor.** EnerVision shall be deemed to be an independent contractor in the performance of the Services hereunder and shall not be considered or permitted to be an agent, servant, joint venturer or partner of Client. All persons furnished, used, retained or hired by or on behalf of EnerVision shall be considered to be solely the employees or agents of EnerVision.

**Indemnification.** Client shall and hereby does indemnify and hold harmless EnerVision, its officers, directors, employees and agents, from and against any and all losses, damages, injuries, causes of action, claims, demands and expenses (whether based upon tort, breach of contract, product liability, infringement, and other liability arising out of or based upon the Services and Client's use of the same, or otherwise), including reasonable legal fees and expenses, of whatsoever kind and nature arising out of or on account of, or resulting from, the existence of this Agreement or the parties' performance of activities conducted under this Agreement. Notwithstanding the above, EnerVision shall not be entitled to indemnification for the case of negligence by its officers, directors, employees, or agents.

**Force Majeure.** EnerVision shall not be deemed to be in default of any provision of this Agreement or liable for failures in performance resulting from acts or events beyond the reasonable control of EnerVision. Such acts shall include but not be limited to acts of God, civil or military authority, civil disturbance, war, strikes, fires, other catastrophes, or other "force majeure" events beyond EnerVision's reasonable control.

**Governing Law.** This Agreement shall be governed by, subject to, and construed in all respects in accordance with the laws of the Commonwealth of Kentucky, U.S.A.

**Entire Agreement.** This Agreement contains the entire agreement of the parties and there are no oral or written representations, understandings or agreements between the parties respecting the subject matter hereof that are not fully expressed herein. This Agreement may not be modified except by a written instrument signed by both parties.



**Attachment 1  
2018 Professional Rates**

<b>EnerVision 2018 Professional Rates</b>	
<b>Position</b>	<b>Hourly Rate</b>
President / CEO	\$260.00
Vice President	\$230.00
Managing Principal	\$220.00
Principal	\$205.00
Lead Consultant	\$185.00
Senior Consultant	\$165.00
Consultant	\$135.00
Technical	\$100.00
Administrative	\$60.00





**EnerVision, Inc.**  
**Professional Services Agreement**

**Shelby Energy Cooperative**  
**620 Old Finchville Road**  
**Shelbyville, KY 40065**

**("Client")**

**EnerVision, Inc.**  
**4170 Ashford Dunwoody Road, Suite 550**  
**Atlanta, GA 30319**

**("EnerVision")**

**THIS PROFESSIONAL SERVICES AGREEMENT ("Agreement")** is entered into by and between EnerVision and the above referenced Client, and is effective on the date it is executed by Client and accepted by EnerVision. EnerVision hereby agrees to perform and provide Client with the services described herein below ("Services"), on the terms and conditions set forth on the face page of this Agreement and the following page hereof.

**Description of Services – Power Supply**

Provide consulting support related to both economic and operational viability, as well as possible deal structures, of a potential third-party alternate source power supply project authorized and governed under Amendment 3 of Client's requirements contract with East Kentucky Power Cooperative, and a subsequent Memorandum of Understanding interpreting same. This support shall include the following Three Phases of work with Fleming-Mason Energy Staff and Board of Director updates as milestones are achieved:

- Phase 1: Estimated \$10,000-\$15,000
  - MOU/Amendment 3 review
  - Confirm EKPC calculation of available volume for Alternate Source
  - RFP development/Distribution to Pre-Selected Marketers
  - Confidentiality Agreements with Marketers
- Phase 2: Estimated \$50,000-\$75,000
  - RFP evaluation
  - Assistance with development of a Shortlist
  - Contract negotiations, typically with two Marketers
- Phase 3: Estimated \$15,000-\$25,000
  - Implementation of Executed Contract(s)
  - Assistance with obtaining PJM Membership
  - Assistance with PSC/RUS approvals

Additional services outside of this scope shall be performed by EnerVision upon the request of Fleming-Mason Energy staff.

**AGREED TO BY:**

**ACCEPTED BY:**

**Shelby Energy Cooperative**  
**("Client")**

**EnerVision, Inc.**  
**("EnerVision")**

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Name typed or printed)

\_\_\_\_\_  
Elaine Johns

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

Title: \_\_\_\_\_  
President/CEO

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Term.** The term of this Agreement shall commence on the date executed by EnerVision, and may be terminated by either party upon giving thirty (30) days' notice in writing to the other party. In the event of such cancellation, all compensation earned and expense incurred through the date of cancellation and any expenses incurred by EnerVision attributable to the cancellation of the Services shall be payable in full to EnerVision.

**Payment.** EnerVision will charge for Services on an hourly basis (2018 Professional Rate Schedule –Attachment 1). In addition to the fees earned, EnerVision shall also be entitled to reimbursement for all expenses reasonably incurred. Client shall pay the amounts due on each invoice within thirty (30) days after receipt of same. All amounts past due shall be subject to interest at the lesser of one and one-half percent (1.5%) per month or the maximum amount allowed by law. If any invoice becomes past due by sixty (60) days or more, EnerVision may immediately cease performance of any and all Services being performed under this Agreement until the Client pays all invoices then due. All costs of collection, including reasonable attorney's fees, shall be paid by Client.

**Ownership of Work Product.** Specific project deliverables such as reports, recommendations, specifications, drawings, and technical data generated by EnerVision in connection with its performance under this Agreement shall be the property of Client. EnerVision shall retain all right, title, and interest, including U.S. and foreign copyrights, in and to any computer software or any processes, including but not limited to, computer software or any processes, which are developed, modified or created by EnerVision or by third parties on behalf of EnerVision.

**Confidentiality.** During the term of this Agreement each party may disclose to the other certain confidential, proprietary or non-public information (the "Confidential Information"). The term "Confidential Information" shall not include any information which (a) is already in the recipient's possession, provided that such information is not subject to another confidentiality agreement with, or other obligation of secrecy to, the provider; (b) becomes generally available to the public other than as a result of an unauthorized disclosure by the recipient; or (c) becomes available to the recipient on a non-confidential basis. Each party agrees not to use or disclose the other's Confidential Information except as contemplated by this Agreement or as compelled by legal process. The obligations under this paragraph shall survive the termination of the Agreement for a period of two years thereafter; provided that insofar as this paragraph relates to any information which may be a "trade secret" under applicable law, this paragraph shall continue indefinitely without any durational limit to such matter, but only so long as such matter retains its secrets as a "trade secret" under such law.

**Limitation of Liability.** EnerVision will rely on the accuracy and currency of information supplied by the Client or by any of the Client's contractors or consultants or available from generally accepted, reputable sources. In the performance of any service pursuant to the terms of this Agreement, EnerVision shall exercise that degree of skill and care which professional peers would exercise in like circumstances. If Services performed by EnerVision fail to meet this standard, Client may elect to have EnerVision reperform at no additional cost to the Client any of the Services which fail to meet the standard where: (a) such failure appears during the performance of EnerVision's services within one (1) year from the date of completion of EnerVision's services and (b) Client notifies EnerVision in writing of any such failure within sixty (60) days of the time that the failure becomes apparent. This paragraph shall in no way be interpreted to limit the right of the Client to pursue remedies at law or in equity in the event EnerVision fails to perform its obligations; provided, however, that EnerVision's liability to Client resulting from defects in performance of the Services or any aspect thereof shall be limited to the amount actually paid by Client to EnerVision for the specific service that is the subject of this dispute. In no event shall EnerVision be liable to the Client for any indirect, special or consequential damages (including lost profits) arising from the performance or non-performance of any of the authorized Services. During the performance of Services under this Agreement, EnerVision will maintain a level of liability (including professional errors and omission coverage) and other insurance coverage which it reasonably believes is appropriate under the circumstances.

**Independent Contractor.** EnerVision shall be deemed to be an independent contractor in the performance of the Services hereunder and shall not be considered or permitted to be an agent, servant, joint venturer or partner of Client. All persons furnished, used, retained or hired by or on behalf of EnerVision shall be considered to be solely the employees or agents of EnerVision.

**Indemnification.** Client shall and hereby does indemnify and hold harmless EnerVision, its officers, directors, employees and agents, from and against any and all losses, damages, injuries, causes of action, claims, demands and expenses (whether based upon tort, breach of contract, product liability, infringement, and other liability arising out of or based upon the Services and Client's use of the same, or otherwise), including reasonable legal fees and expenses, of whatsoever kind and nature arising out of or on account of, or resulting from, the existence of this Agreement or the parties' performance of activities conducted under this Agreement. Notwithstanding the above, EnerVision shall not be entitled to indemnification for the case of negligence by its officers, directors, employees, or agents.

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Technical	\$100.00
Administrative	\$60.00



# Introduction to EnerVision and Power Supply Discussion



Shelby Energy Cooperative

A Touchstone Energy Cooperative 

January 31, 2018

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Attachment #2A  
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Witness: Debra Martin  
Reference to Pages 34  
Attachment #2

# Agenda

- Introduction to EnerVision
- EKPC Alternate Source
- The Power Supply Procurement Process
- The Active RFP Status

## EnerVision Background

- Incorporated in 1997 as OPC subsidiary
- Employees bought company in October 1998
- Located in Atlanta, GA
- Have served 120+ clients in 30+ states

# Markets We Serve

- **Electric Cooperatives (Primary)**
  - Distribution
  - G&Ts
  - Statewide Organizations
  - Affiliated Organizations (NRECA, CFC, etc.)
- **Municipal Utilities**
- **Renewable Resource Developers**
- **Other Select Clients**
  - Government Groups
  - Private Entities
  - Large Power Users

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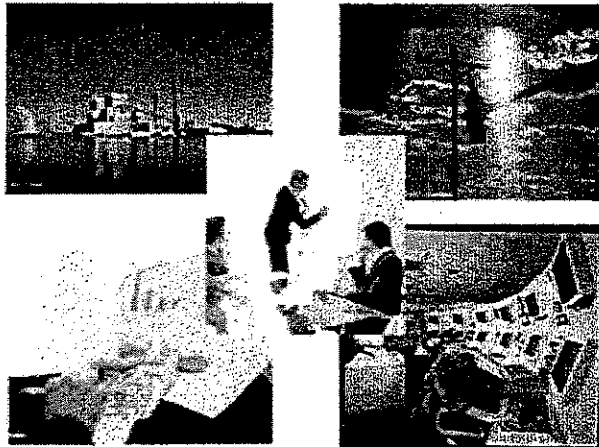
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# Services / Business Lines



**Management Consulting**

**Emerging Energy  
Solutions**

**Power Supply**

# Management Consulting

**EnerVision offers a set of Management Consulting services to address changing business needs and effectively meet customers' future requirements**

- Strategic Planning
- Business Planning
- Organizational Design
- Succession Planning
- Board Self-Assessments / Policies Review
- Mergers & Acquisitions
- Emergency Restoration Planning (ERP)



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# Emerging Energy Solutions

The Emerging Energy Solutions business line focuses on a utility's ability to meet future goals and requirements by leveraging its distribution system and end users



## Demand Side Management (DSM)

- Energy Efficiency / Conservation
- Demand Response
- Direct Load control
- Consumer Engagement

## Renewables / DERs

### Smart Grid

- Technology
- Strategic Planning

## Wholesale & Retail Rates Services

- Rate and Pricing Strategy
- Cost of Service Studies
- Rate Design
- Innovative Pricing Structures
- Cost Recovery Mechanisms

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# Power Supply

**EnerVision offers a wide range of Power Supply consulting services which can assist the electric utility with all aspects of power supply planning**

## **Power Supply Services**

- Traditional Generation Sources
- Purchase Power Opportunities
- Alternate Energy Options
- New Technologies

## **Supply Side Services**

- Planning
- Contracting
- Contract Administration
- Hedging & Risk Management

## **Renewable Energy & Energy Innovation Services**

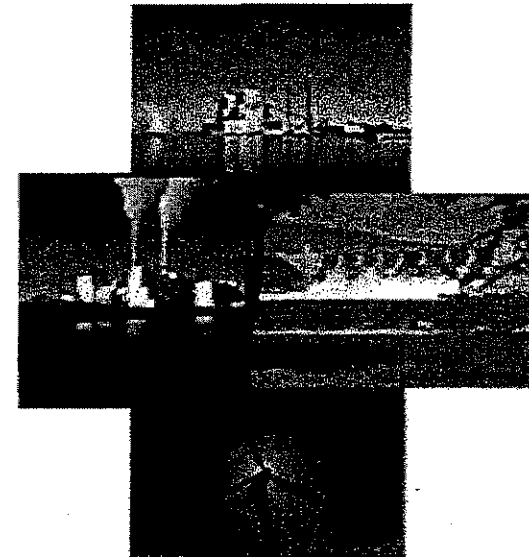
- Total Energy Planning
- Renewable Resources
- DERs

## **Load Management / Demand Response**

## **Energy Efficiency / Evaluation Tools**

## **Compliance Services**

- Integrated Resource Plans (IRP)
- Renewable Portfolio Standards (RPS)
- FERC / NERC Compliance



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# EKPC Alternate Source

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## Original Purpose of Amendment 3

**“The Owner Members each have a keen interest in pursuing or investigating opportunities to develop or otherwise obtain and use sources of electric power and energy other than EKPC.” - MOU, Section 0.6**

# EKPC Alternate Source Opportunity

- **Amendment 3 and MOU**

- 15% individual load, up to 2.5% of EKPC's total system load. Then,
- 5% individual load, up to 5% of EKPC's total system load.

- **Key Requirements**

- Notice: 18 months prior to delivery; 18 months prior to exit
- Term start date (18 months +); term duration (max. 20 years)
- Quantity (max. based on 3 year average CP, other member elections)
- General description of Source
- Approximate Expected Pattern of energy delivery; based on PPA parameters not necessarily profile of actual generation asset
- Designate behind the meter or Related EKPC Point of Delivery

## **EKPC Remaining Opportunity (approx.)**

- **5% of EKPC total system = 149.0 MW**
- **Already noticed by others = 69.2 MW**
- **Remaining = 79.8 MW**
- **Based on rolling 3-year CP average**
  - Will be adjusted with new January 2018 peak data



# Power Supply Procurement Process

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# Determining Buyer Preferences

- **Wants:**

- “Hands-on” or more “turnkey”?
- Do economics trump all other considerations?
- Cost-based (formula rate) or market price?
- Pricing structure – fixed, indexed to fuel, energy only, flat/escalation?
- Other contractual terms (e.g., preferred term, evergreen provision)?
- Steel in the ground?
- Any providers they will not consider, or with which they’ve had a bad experience?

# RFP Development

- Request for Proposals
  - Definition of what we're seeking – quantity; delivery point; term
- Schedule
  - Key milestone dates – RFP Release; Notice of Intent; Response Date (proposal deadline); Short List; Contract Execution (perhaps); Delivery Commencement
- Proposal Requirements
  - Elements that must be included for proposal to be compliant
  - Often extends beyond power supply particulars to counterparty information (qualifications, financial information, references)

## RFP Development (Cont'd.)

- Additional Information
  - Buyer preferences, if any, that can be shared at time of distribution
  - Criteria upon which proposals will be evaluated – may be general or specific
  - Legal disclaimers – confidentiality, no representation/warranty, no obligation
  - Contact information – Buyer (if applicable), Legal (if applicable)
  - Next Steps. Reminder to provide Notice of Intent and to initiate confidentiality process
  - Buyer Information. Any background Buyer may wish to provide, including territory map
- Confidentiality Agreement (separate document). Sometimes will send this out with RFP or may wait for notice of intent to respond
- Load and Resource Data (separate documents). Not distributed until Confidentiality Agreement has been executed

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## RFP Distribution

- Determine if public distribution or selected audience
  - If public distribution:
    - Consider whether to publish in an industry publication
    - Consider which website(s) on which to post
  - If selected audience:
    - Identify those marketers able to provide
    - Personally contact all capable marketers

# Evaluating Buyer's Preferences

Kepner-Tregoe (K-T) decision-making approach of assigning weights and scores to subjective factors/preferences

- **Must Have's:**
  - Economics (equal to or better than the Base Case)
  - Reliability (ability to provide Firm power to appropriate delivery points)
  - Creditworthiness (able to meet minimum counterparty credit standard of investment grade rating)
- **Want's:**
  - Desired objectives, weighted and scored
- **Risk Assessment: potential adverse consequences associated with top 2 alternatives**
  - Plot on a grid according to probability of occurrence and magnitude of impact
  - Potential impact of adverse consequences may trump everything else (i.e., the downside would be too great to bear)

## Scoring the K-T (Wants & Weightings)

Factor	What it Means	Weight	Proposal A	Proposal B	Proposal C
Economics	All-in expected cost, including congestion	10			
Term	Minimum 10 year deal (or with extension = ten)	9			
Credit Assurances	Acceptable level of credit assurance (credit rating, provisions to post credit upon downgrade, etc.)	9			
Structure	Cost versus Market-based	7			
Price Stability	Willing to pay higher rate now for level price path; ability to maintain an escalation path similar to other regional players	6			
Load Management	Cooperative maintains controls of load management program and associated decisions	5			
Regulation	Prefer regulated over non-regulated entities	4			
Source of Power	Steel in the ground; green power/RPS alternatives; defined contracts for purchased power	2			
Comfort Level	Knowledge / experience with supplier; comfortable with customer service aspects of supplier	1			

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## Develop Base Case; Compare Proposals

- The Base Case represents the amount Buyer would continue to pay under status quo
- All components of power supply are calculated for each proposal to ensure apples-to-apples comparison (see next slide)
- Comparing the Base Case and the marketers' proposals shows possible savings
- Present value analysis is used to equate proposals with different year-to-year savings



## Apples-to-Apples Comparisons

- Most proposals do not include all power supply components in their fixed price
- Evaluation needs to calculate values for all individual components of power supply in order to calculate an all-in cost for each proposal:
  - Capacity
  - Energy
  - Scheduling Agent Services
  - Transmission/Ancillary Services
  - Other

# Round 1 Cuts and Subsequent Pricing Rounds

- Develop your own “cut list” going in (applies to every round)
  - Does proposal include must-have criteria?
  - Is Marketer creditworthiness acceptable?
  - Are the economics out of line with Base Case?
- Identify next steps for subsequent round(s)
  - Clarify any remaining uncertainties regarding proposal terms
  - Ask for refreshed pricing for remaining proposals
  - Clearly communicate competitive nature of process to marketers
  - Rinse and repeat with respect to evaluation, presentation, and future cuts
- Give remaining marketers one final shot before cutting to the short list

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## After Cutting to the Short List

- Refreshed term sheets from all remaining respondents
  - Ask for representative contract terms for issues that will be difference-makers for Buyer; perhaps:
    - Credit terms
    - Congestion
    - One-way termination
- Additional senior management and board presentations
- Cut to a “short-short-list” of two or three
  - Draft contracts from at least two (so one can’t leave you hanging)
  - Consider having Buyer’s team pull together the first draft
- Negotiations
  - If more than one Marketer is offering an excellent opportunity, it is recommended to negotiate with more than one until they separate themselves

## Mock Bills

- Obtain mock bills from both G&T and Marketer
  - Ensures that implementation will meet expectations and analyses
  - Includes all components of wholesale power costs:
    - Power supply
    - Transmission
    - RTO costs

## Negotiate Contract(s)

- **Final negotiations will begin at this point**
  - Negotiations will include attempts to further reduce price, as well as strengthen any part of the proposal that will provide extra benefits
  - All terms and conditions are established during the negotiations (more difficult than negotiating price)
  - If negotiating with more than one Marketer, negotiations are done in parallel (leverage)

## Contract Protections - Delivery

- **If seller fails to deliver as contracted, both reliability and economics are protected**
  - PJM market automatically provides replacement capacity and energy at market prices
  - Contract contains “replacement cost” provision requiring Seller to pay difference between PJM market price and price cooperative would have paid seller
- **EKPC continues to be party responsible, as it is today, for communicating load information to PJM and receiving capacity, energy & PJM billing information on behalf of cooperative**

## Contract Protections - Credit

- **Promise to deliver at contracted prices only as good as the creditworthiness of the seller making the promise**
- **Proposals will only be accepted from:**
  - Potential sellers with strong credit
  - Potential sellers with less than strong credit that provide a guarantee from a parent or other entity with strong credit
- **To protect against seller or guarantor credit that declines in quality over time**
  - Credit triggers will be included in contract and monitored throughout the term
  - Contract provisions will require seller to post letter of credit or other protection for cooperative if seller does not meet creditworthiness threshold

# Creditworthiness

- **Creditworthiness is crucial to both cooperative and seller, especially in longer-term transactions**
  - Cooperative needs assurance seller will be able to deliver at contract prices throughout the term
  - Seller needs assurance buyer will be able to pay for purchases throughout the term
- **Contracts include provisions for posting of collateral if agreed minimum credit thresholds are not maintained by either party**
- **Cooperatives (if not rated) typically insist marketers accept minimum TIER and/or DSC thresholds in debt covenants as indication of creditworthiness**
- **For sellers (or sellers' guarantors), creditworthiness based on credit ratings from agencies (S&P, Fitch, Moody's)**



# Early Termination

- **Early termination in most contracts is allowed only in the case of default when one party fails to meet a significant obligation**
  - Termination upon default is negotiated so neither party gets stuck in the contract should the other party fail to meet its obligations
  - Optional termination provisions not typically seen in marketers contracts
- **Protections against damages to cooperatives from seller default:**
  - Careful selection of potential sellers, keeping in mind financial strength and history with other transactions
  - Contract credit provisions as discussed in prior slides
  - Provisions to require posting of collateral prior to credit issues
- **Bottom line: there is no guarantee ANY seller will be there throughout a long term contract, but contract provisions can keep the cooperative whole should the seller fail**

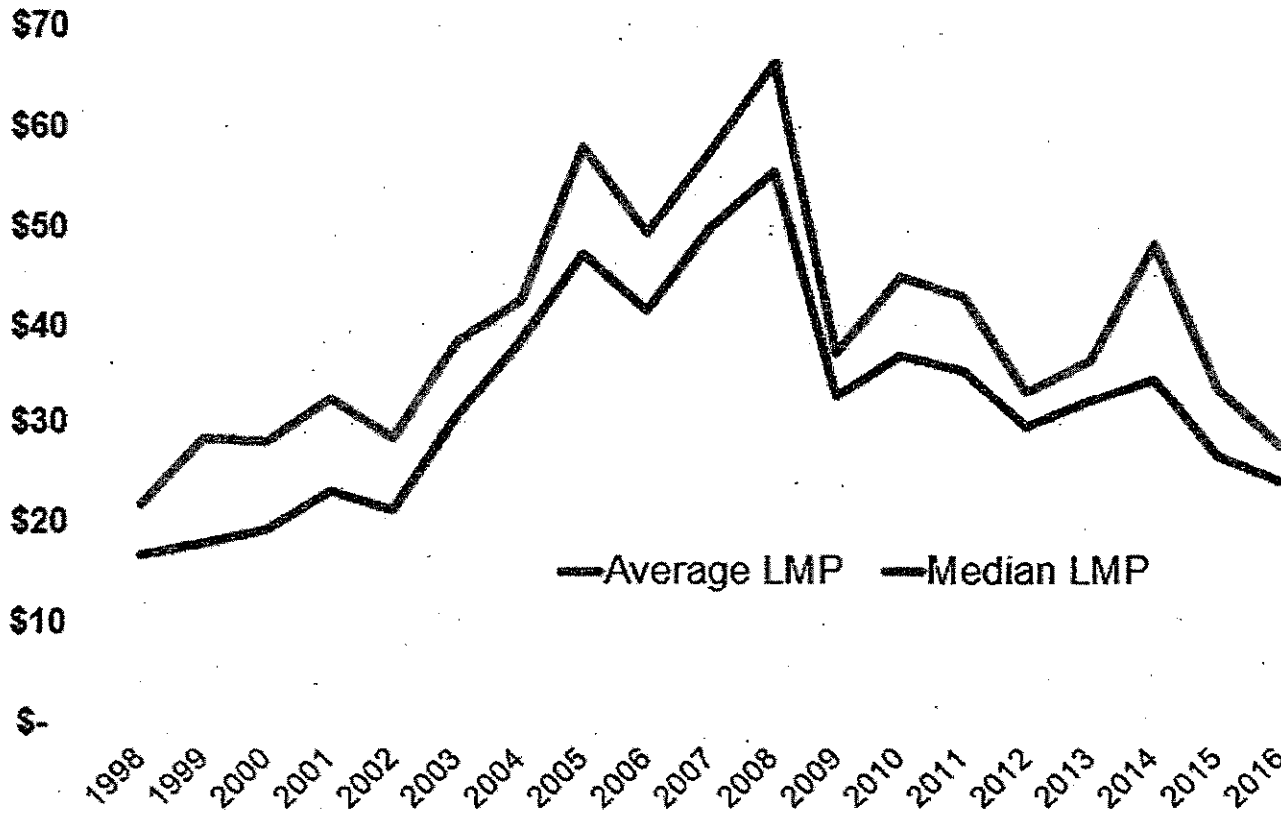
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## PJM Historical Market Prices 1998-2016



Data from  
PJM State of the  
Market Report - 2016

## Sign Most Attractive Contract(s)

- Once an agreement is reached on the terms and conditions of the contract, the contract and recommendations are presented to the Board of Directors
- Upon Board approval, the contract can be signed

## Approval and Implementation

- Transmission agreements, if applicable, are completed and signed with new supplier(s)
- Signed contract and transmission agreements are submitted to RUS and other regulatory agencies for approval
- Implementation arrangements are completed with incumbent supplier and new supplier(s)

## Then What?

- EnerVision develops process to check initial bills
- If desired, staff is trained, or
  - Coops with similar contracts can share in contract administration
- Contract administration includes
  - Monthly bill review (G&T, Marketer & RTO)
  - Budgets and forecasts

# Active RFP Status

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## Active RFP Status and Timeline

- **Published RFP (December 22)**
  - Directed to select potential providers and published publicly
  - Maximize savings versus EKPC all requirements supply
- **Received bids (January 19)**
- **Apples-to-Apples Evaluation (on-going)**
- **Shortlist created (Feb 5)**
- **Round 2 Evaluation and Negotiation**
- **Serve Notice to EKPC (Feb 23)**
- **Alternate Supply Delivery (target Aug 1, 2019)**

# Summary

- Introduction to EnerVision
- EKPC Alternate Source
- The Power Supply Procurement Process
- The Active RFP Status



## Next Steps

- **Board Resolution to proceed**
- **If affirmative**
  - NDA with Marketers
  - Share financial data for credit check
  - Review proposals