

TO: EKPC Member System Managers
FROM: Roy M. Palk
DATE: April 28, 2003
SUBJECT: Wholesale Power Contract Extension

For clarification purposes, eleven of the sixteen members have expressed their intentions to extend the Wholesale Power Contract as currently written.

Because of some questions raised by some member systems related to the allowance to purchase a portion of their requirements from another supplier and the ability to totally exit the East Kentucky Power Cooperative (EKPC) system if they choose, EKPC has submitted draft contract language on both topics and the Rural Utilities Service (RUS) is currently reviewing our draft. A copy is enclosed with this memo for your information.

If you are one of the eleven systems who has already expressed an intention to extend the contract, you need do nothing at the present time unless you have questions about the enclosed document. If so, please send your questions or comments to me as soon as possible.

If you are one of the five systems who has requested consideration of an off-system purchase allowance and a possible exit policy or clause, please review the enclosed document and send me your comments as soon as possible, as well.

RUS has advised EKPC that the Gilbert loan will not go to the RUS Loan Committee for approval until such time as the Wholesale Power Contract has been extended by all 16 members.

All comments and questions will be compiled and these matters taken up with RUS. RUS will have to approve the changes to the contract. Then, we will mail a new set of amended documents to you with a request for your approval.

Please call me if you have any questions or need further information.

dd
Enclosure

DISCUSSION DRAFT

AMENDMENT NO. 3 TO
WHOLESALE POWER CONTRACT
BETWEEN
EAST KENTUCKY POWER COOPERATIVE, INC.
AND

This agreement dated the _____ day of _____, 2003, amends the Wholesale Power Contract dated _____ between said parties as follows:

- I. 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 the Member shall require for the operation of the Member's system.

Notwithstanding the provisions above, the Member may elect to receive electric power and energy other than from Seller provided that the aggregate amount so obtained under this paragraph shall not exceed 5% of the Member's highest historical monthly, uncontrolled demand. Member shall give Seller notice of not less than 12 months prior to this election. This election shall continue until 12 months after Member gives Seller notice of cancellation of the election. Energy from power supply under this paragraph will be required to be scheduled approximately on the basis of Member's most recent rolling three-year historical load profile at the time of the election.

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.

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

10. Withdrawal – A Member that decides to withdraw from Seller shall submit to Seller a resolution from its board of directors stating its intended course of action and specifying an effective date, which shall be no earlier than 12 months from the date of the resolution, unless the withdrawal action is a consolidation or merger which is designated a Permitted Transaction pursuant to Section 2(i) or (ii) of the Supplemental Agreement. Any withdrawal which is not a Permitted Transaction will require the approval of the Seller's board of directors and the Rural Utilities Service ("RUS").

Seller's management will recommend that their board of directors approve a withdrawal unless an analysis shows that, despite all relevant commitments agreed to by the Member as conditions for withdrawal, such actions would result in rate increases to other members, would impair Seller's ability to repay its secured loans in accordance with their terms, or would adversely affect system performance in a material way.

Any settlement due the Seller from the Member shall be determined at the time of the Member's withdrawal from the Seller and will be subject to the approval of the Seller's board of directors, RUS, and any other regulatory agencies as appropriate.

Seller's final approval will be conditioned upon the withdrawing Member's: (i) execution of all necessary documents to effect the withdrawal, including confidentiality agreements; (ii) compliance with other relevant provisions of the Seller's Articles, Bylaws, and Board Policies; (iii) and compliance with any relevant RUS, and other regulatory requirements related to such withdrawal. *requirements* → ~~Circumstances~~ may require the Board to prescribe additional terms and conditions for a Member withdrawal, consistent with terms hereinabove.

The rights of a withdrawing Member to the retirement of patronage capital of Seller credited to its account shall be governed by the Articles, Bylaws, and Board Policies of Seller, as amended from time to time, including any amendments subsequent to the date of this policy or the Member's withdrawal; provided, however, that no such amendments will discriminate against a withdrawn Member in this regard.

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 Article 1

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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.

EAST KENTUCKY POWER COOPERATIVE, INC.
Seller

By: _____
Chairman of the Board

ATTEST:

Secretary

Member

By: _____
Chairman of the Board

ATTEST:

Secretary

(FINDIV\FINANCE\GENERAL\WHOLESALE POWER CONTRACT-AMEND-W-CHANGES-4-28-03)