

From: Carol Wright
To: Mark Stallons
Cc: Debbie Martin; Mike Williams; Tim Sharp; Joni Hazelrigg; Chris Brewer
Subject: Re: A3 Path Forward
Date: Saturday, February 10, 2018 5:53:00 PM

I will be calling into the BROC meeting on Monday and not be there in person.

I can meet after the EKPC Board meeting Tuesday and I do suggest we meet somewhere other than EKPC.

Carol

Sent from my iPad

On Feb 10, 2018, at 4:33 PM, Mark Stallons <mstallons@owenelectric.com> wrote:

All,

I can meet Monday at lunch between Committee Meeting with whoever would like to talk. Meeting Tuesday at Clark after the EKPC board meeting sounds like a very good idea and works with my schedule.

Thanks,

Mark Stallons
Sent from my iPhone

On Feb 10, 2018, at 4:12 PM, Debbie Martin <debbiem@shelbyenergy.com> wrote:

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I like the suggestion of meeting after we have the EKPC board meeting on Tuesday. Also, if agreeable with the group, Chris's idea of meeting someplace other than EKPC may be good.

*Debra J. Martin
President & CEO
Shelby Energy Cooperative
Office: (502) 633- 4163
Fax: (502) 633-2387*

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On Feb 10, 2018, at 3:49 PM, Mike Williams <mikew@bgenergy.com> wrote:

Would it be better to wait and see what options are presented during

board meeting on Tuesday and we could afterwards or latter in the week to discuss next step?

Thanks,
Mike Williams

On Feb 10, 2018, at 9:19 AM, Mark Stallons
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All,

Below please find an email string between Mike McNalley and me earlier in the week. Mike & I have had several phone calls as well. Based on conversations with all of you and EKPC the past few weeks , I suggest we consider the following as a possible path forward:

1. We approve S Kentucky's notice - to not approve would invite and basically guarantee a lawsuit battle much worse than Grayson
2. We form a special committee comprised of interested CEO's/Manager's; EKPC key staff including Tony, Mike, Don & David; and Board Representation to accomplish the following:
 - a. Agree to Identify possible pathways to move our portfolio in a financially prudent manner away from carbon risk assets by a defined time and present to the EKPC Board for further discussion and hopefully an agreement.
 - b. Provide a pathway for Member Owners to move to an increasing market based alternate source power supply portfolio without shifting costs. I believe we need to do this to give SKY reason to talk. They have spent considerable funds to secure market power and they will not simply give it up.
 - c. Based on January 2018 Amendment 3 (A3) load Allocation calculations, EKPC agrees to use the Jan 2018 method resulting in 161.9 MW to allocate present and future A3 market based power available to Member Owners.

d. Member Owner's agree that no one can exceed 5% of their cooperative's rolling 36 month coincident peak as identified by A3 and in the MOU and at present totals 161.9 MW.

e. S KY agrees to reduce their A3 percentage to 5% and assigns Morgan Stanley agreement to EKPC as an A3 noticed project.

f. The Kentucky Group of 7 agrees to work with EKPC and open their RFP process to any EKPC member owner.

g. Member Owner's have a defined x day window to join the S KY Morgan Stanley Agreement up to 58MW or join the Kentucky Group and purchase up to their full 5% allocation as defined above.

3. If item 2 above fails, then we are left with intervention at the PSC and/or moving forward with the Kentucky Group RFP process.

Can we discuss either in person or by phone Monday, after BROCC and before SI

in between Committee Meetings during lunch.

Your thoughts,

Mark

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

From: Mark Stallons

Sent: Wednesday, February 07, 2018 6:11 AM

To: Mike McNalley
<Michael.McNalley@ekpc.coop>

Subject: Re: A3 Cost Shift Spreadsheet

Mike,

Thanks for taking a look. Your comments are spot on. I kept it simple and that does compromise accuracy.

I have capacity as well as energy pricing in the short term. We should have escalators in the next few weeks.

In regards to a twenty year NPV I have that in a different model with Owen alone. To improve accuracy, I need a more recent or adjusted EKPC financial forecast. I have the 2015 in my files. However, it is obviously dated.

The ES and base rate 2018 EKPC budget numbers by Cooperative is necessary to finish the model. Without that I can not accurately show the impact on a Cooperative basis.

Would also like to see present capacity and energy costs by generating unit for all of EKPC's units compared to market. In addition a range of expected market selling price and revenue, the remaining depreciation and resulting annual regulatory asset cost for each of EKPC's generating assets.

In other words what is the cost of our steel hedge compared to market and what if any possible pathways do we have to lessen our stranded costs. What is our enterprise risk associated with Dems regaining control of the EPA, house and or Senate? What is our risk mitigation plan if Bevin and the Republicans deregulate Kentucky?

The S KY Amendment 3 move highlights a handful of questions that I am sure the EKPC staff understand, have thought about, and have concluded that staying with a steel hedge is our best response. In the last few weeks I have found that most board of directors and CEO's can not explain the value or risk of a steel hedge at \$15 to \$25 per MWh above the PJM market.

I found this simple spreadsheet to be a useful tool to educate my board concerning the impact of SKY's actions as well as a means to explain the possible outcomes associated with a variety of mitigation strategies. If we work together, I believe we can develop a more accurate model to educate all stakeholders including the PSC.

I can talk about the above anytime this morning.

Thanks,

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Mark Stallons

Sent from my iPhone

On Feb 6, 2018, at 5:25 PM,
Mike McNalley
<Michael.McNalley@ekpc.coop>
wrote:

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Second is that there is no capacity cost. I don't know what is being quoted, but I do know that it follows market so could escalate quite dramatically. Might erase all remaining savings.

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Mike McNalley

EVP & CFO

East Kentucky Power
Cooperative, Inc.

859-745-9209 office

859-595-3897 cell

michael.mcnalley@ekpc.coop<<mailto:michael.mcnalley@ekpc.coop>>

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Mark A. Stallons
President & CEO

Owen Electric Cooperative
8205 Hwy 127N; PO Box 400
Owenton, KY 40359

* Direct Line: 502-563-3500

*Mobile: 502-514-1650

*Email:
mstallons@owenelectric.com<<mailto:mstallons@owenelectric.com>>

<image001.jpg>

"One of your goals for the future is for you to identify and solve your own problems. But since you are new, come on up and we'll talk."

Source: The One Minute Manager, Page 30.

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<Cost Shift 020318.xlsx>

From: Elaine Johns
To: mstallons@owelectric.com; Tim_Sharp; Carol_Wright; Mike_Williams; debbiem@shelbyenergy.com; Joni_Hazelrigg; cbrewer@clarkenergy.com
Cc: mmoore@owelectric.com; Mary_Ellen_Cole; Barry_Birkett
Subject: Round 2 Meeting
Date: Sunday, February 11, 2018 9:35:36 PM

With Round 2 pricing due in thIs Weds., 2/14, we were wondering if a Friday 2/16 afternoon meeting could work?

I have down Blue Grass Board on 2/19. Is there another before then?

Please let me know if you can make a joinme meeting on Friday 2/16 at 2:30pm. If not, let us know what works for you —

Thanks,
Elaine

Sent from my iPhone

From: [Mike Williams](#)
To: [Mark Stallons](#)
Cc: [Carol Wright](#); [Tim Sharp](#); [Joni Hazelrigg](#); [Debbie Martin](#); [Chris Brewer](#)
Subject: Re: A3 Path Forward
Date: Saturday, February 10, 2018 3:49:47 PM

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>>> Mike McNalley
>>> EVP & CFO
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>>> 859-745-9209 office
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>>> michael.mcnalley@ekpc.coop<<mailto:michael.mcnalley@ekpc.coop>>
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>>>
>>>
>>> <Cost Shift 020318.xlsx>

From: [Joni Hazelrigg](#)
To: [Mark Stallons](#)
Cc: [Mike Williams](#); [Carol Wright](#); [Tim Sharp](#); [Debbie Martin](#); [Chris Brewer](#)
Subject: Re: A3 Path Forward
Date: Saturday, February 10, 2018 6:06:55 PM

I am available after the board meeting on Tuesday also. I plan to attend the S.I. meeting Monday afternoon as well.

Thanks Mark for the spreadsheet and sharing your information.

Joni

Sent from my iPhone

On Feb 10, 2018, at 9:19 AM, Mark Stallons <mstallons@owenelectric.com> wrote:

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Date: Saturday, February 10, 2018 5:55:01 PM

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*Debra J. Martin
President & CEO
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Office: (502) 633- 4163
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Mark A. Stallons
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<image001.jpg>

"One of your goals for the future is for you to identify and solve your own problems. But since you are new, come on up and we'll talk."

Source: The One Minute Manager, Page 30.

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<Cost Shift 020318.xlsx>

From: Carol Wright
To: Mark Stallons
Cc: Debbie Martin; Mike Williams; Tim Sharp; Joni Hazelrigg; Chris Brewer
Subject: Re: A3 Path Forward
Date: Saturday, February 10, 2018 5:53:00 PM

I will be calling into the BROC meeting on Monday and not be there in person.

I can meet after the EKPC Board meeting Tuesday and I do suggest we meet somewhere other than EKPC.

Carol

Sent from my iPad

On Feb 10, 2018, at 4:33 PM, Mark Stallons <mstallons@owenelectric.com> wrote:

All,

I can meet Monday at lunch between Committee Meeting with whoever would like to talk.
Meeting Tuesday at Clark after the EKPC board meeting sounds like a very good idea and works with my schedule.

Thanks,

Mark Stallons
Sent from my iPhone

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Your thoughts,

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Sent: Wednesday, February 07, 2018 6:11 AM

To: Mike McNalley
<Michael.McNalley@ekpc.coop>

Subject: Re: A3 Cost Shift Spreadsheet

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From: [Debbie Martin](#)
To: [Mike Williams](#)
Cc: [Mark Stallons](#); [Carol Wright](#); [Tim Sharp](#); [Joni Hazelrigg](#); [Chris Brewer](#)
Subject: Re: A3 Path Forward
Date: Saturday, February 10, 2018 4:12:27 PM

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From: [Chris Brewer](#)
To: [Mark Stallons](#); [Mike Williams](#); [Carol Wright](#); [Tim Sharp](#); [Joni Hazelrigg](#); [Debbie Martin](#)
Subject: RE: A3 Path Forward
Date: Saturday, February 10, 2018 3:44:18 PM

To All

I'm fine to meet on Monday. I would like to offer that we can meet at our office if the group prefers rather than meeting at EKP. Just let me know the plans.

Chris

From: Mark Stallons [mstallons@owenelectric.com]
Sent: Saturday, February 10, 2018 9:19 AM
To: Mike Williams; Carol Wright; Tim Sharp; Joni Hazelrigg; Debbie Martin; Chris Brewer
Subject: Fwd: A3 Path Forward

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>> On Feb 6, 2018, at 5:25 PM, Mike McNalley <Michael.McNalley@ekpc.coop> wrote:
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>> EVP & CFO
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>> 859-745-9209 office
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>> 8205 Hwy 127N; PO Box 400
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>>
>> * Direct Line: 502-563-3500
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all copies of the original message.
>>
>>
>> <Cost Shift 020318.xlsx>

From: Mark Stallons
To: Mike Williams; Carol Wright; Tim Sharp; Joni Hazelrigg; Debbie Martin; Chris Brewer
Subject: Fwd: A3 Path Forward
Date: Saturday, February 10, 2018 9:19:36 AM

> All,
>
> Below please find an email string between Mike McNalley and me earlier in the week. Mike & I have had several phone calls as well. Based on conversations with all of you and EKPC the past few weeks, I suggest we consider the following as a possible path forward:
>
> 1. We approve S Kentucky's notice - to not approve would invite and basically guarantee a lawsuit battle much worse than Grayson
> 2. We form a special committee comprised of interested CEO's/Manager's; EKPC key staff including Tony, Mike, Don & David; and Board Representation to accomplish the following:
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> a. Agree to Identify possible pathways to move our portfolio in a financially prudent manner away from carbon risk assets by a defined time and present to the EKPC Board for further discussion and hopefully an agreement.
> b. Provide a pathway for Member Owners to move to an increasing market based alternate source power supply portfolio without shifting costs. I believe we need to do this to give SKY reason to talk. They have spent considerable funds to secure market power and they will not simply give it up.
> c. Based on January 2018 Amendment 3 (A3) load Allocation calculations, EKPC agrees to use the Jan 2018 method resulting in 161.9 MW to allocate present and future A3 market based power available to Member Owners.
> d. Member Owner's agree that no one can exceed 5% of their cooperative's rolling 36 month coincident peak as identified by A3 and in the MOU and at present totals 161.9 MW.
> e. S KY agrees to reduce their A3 percentage to 5% and assigns Morgan Stanley agreement to EKPC as an A3 noticed project.
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> g. Member Owner's have a defined x day window to join the S KY Morgan Stanley Agreement up to 58MW or join the Kentucky Group and purchase up to their full 5% allocation as defined above.
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> 3. If item 2 above fails, then we are left with intervention at the PSC and/or moving forward with the Kentucky Group RFP process.

> Can we discuss either in person or by phone Monday, after BROCC and before SI
> in between Committee Meetings during lunch.

> Your thoughts,
>
> Mark
>
>
>
> -----Original Message-----
> From: Mark Stallons
> Sent: Wednesday, February 07, 2018 6:11 AM
> To: Mike McNalley <Michael.McNalley@ekpc.coop>
> Subject: Re: A3 Cost Shift Spreadsheet
>
> Mike,
>
> Thanks for taking a look. Your comments are spot on. I kept it simple and that does compromise accuracy.
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> I have capacity as well as energy pricing in the short term. We should have escalators in the next few weeks.

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> In regards to a twenty year NPV I have that in a different model with Owen alone. To improve accuracy, I need a more recent or adjusted EKPC financial forecast. I have the 2015 in my files. However, it is obviously dated.
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> The S KY Amendment 3 move highlights a handful of questions that I am sure the EKPC staff understand, have thought about, and have concluded that staying with a steel hedge is our best response. In the last few weeks I have found that most board of directors and CEO's can not explain the value or risk of a steel hedge at \$15 to \$25 per MWh above the PJM market.
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> I found this simple spreadsheet to be a useful tool to educate my board concerning the impact of SKY's actions as well as a means to explain the possible outcomes associated with a variety of mitigation strategies. If we work together, I believe we can develop a more accurate model to educate all stakeholders including the PSC.
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>> * Direct Line: 502-563-3500

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>> * Email: mstallons@owenelectric.com<<mailto:mstallons@owenelectric.com>>

>> <image001.jpg>

>>

>> "One of your goals for the future is for you to identify and solve your own problems. But since you are new, come on up and we'll talk."

>> Source: The One Minute Manager, Page 30.

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>>

>>

>> <Cost Shift 020318.xlsx>

From: Carol Wright
To: Mark Stallons
Cc: Tim Sharp; Mike Williams; Alan Ahrman
Subject: Re: A3 Path Forward
Date: Saturday, February 10, 2018 7:24:40 AM

I think the whole group should be involved. I am fine to include them. We need all the support we can get.

Carol

Sent from my iPhone

> On Feb 9, 2018, at 8:06 PM, Mark Stallons <mstallons@owenelectric.com> wrote:

>

> Tim,

>

> I may be naive, but I am hopeful that our willingness to look at all of our assets, lessen our carbon risk in a financially prudent process and define a path to greater market opportunities for individual systems will entice SK back. EKPC and the other member owners have to give SK something and we can give this if we are willing. I think you are correct they will either say yes or no.

>

> Mike, are you ok with this? If yes, can you check with Chris and see if he is good with this?

>

> Or should I reforward this to all of you and add Joni, Chris and Debbie and continue the discussion with the broader group?

>

>

>

> Mark Stallons

> Sent from my iPhone

>

>> On Feb 9, 2018, at 7:37 PM, Tim Sharp <tjsharp@srelectric.com> wrote:

>>

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>>

>> I can work with this option as well, but it all revolves around SK being willing to step back. Seems like a yes or no option and I'm not sure how we negotiate off that position. The rest we should be able to work out, if they are willing to move.

>>

>> Sent from my iPhone

>>

>>> On Feb 9, 2018, at 7:18 PM, Mark Stallons <mstallons@owenelectric.com> wrote:

>>>

>>> *** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email! ***

>>>

>>>

>>> All,

>>>

>>> Something to think about. If this is something we could accept, then what position do we start with? Or, do we start here and simply hold? I typically start with something less desirable and have several moves before agreeing to a final position.

>>>

>>> Mark Stallons

>>> Sent from my iPhone

>>>

>>>> On Feb 9, 2018, at 5:54 PM, Carol Wright <carolwright@jacksonenergy.com> wrote:

>>>>

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>>>>

>>>> Ok. I would be interested in exploring that option.

>>>>

>>>> Carol

>>>>

>>>> Sent from my iPhone

>>>>

>>>>> On Feb 9, 2018, at 5:46 PM, Mark Stallons <mstallons@owenelectric.com> wrote:

>>>>>

>>>>> Carol,

>>>>>

>>>>> SK gives up 58MW agreement and assigns their contract to EKPC who then makes it available to all member owners. SKY would agree to move from 15% to 5% and most likely keep their 5% share with the Morgan Stanley agreement. The rest of us would have access to the remaining share of the Morgan Stanley agreement or could fully use or expand the 35-70 MW Kentucky Group RFP project. If the Kentucky Group assigned our PJM project to EKPC, then we would not need a financial hedge as we would use EKPC's existing steel in the ground hedge that we are already paying for.

>>>>>

>>>>> Mark

>>>>>

>>>>> -----Original Message-----

>>>>> From: Carol Wright [mailto:carolwright@jacksonenergy.com]

>>>>> Sent: Friday, February 09, 2018 5:29 PM

>>>>> To: Mark Stallons <mstallons@owenelectric.com>

>>>>> Cc: Tim Sharp <tjsharp@srelectric.com>; mikew@bgenergy.com; Alan Ahrman <alanahrman@gmail.com>

>>>>> Subject: Re: A3 Path Forward

>>>>>

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>>>>>

>>>>> Does SK get to keep their 15% while the remaining 15 are limited to 5%? Or are you saying SK let's others join their 58MW group? Confused on that one....

>>>>>

>>>>> I am available Monday after BROC meeting which should be finished around noon.

>>>>>

>>>>> Carol

>>>>>

>>>>> Sent from my iPhone

>>>>>

>>>>>> On Feb 9, 2018, at 5:17 PM, Mark Stallons <mstallons@owenelectric.com> wrote:

>>>>>>

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>>>>> 1. Based on January 2018 Amendment 3 (A3) load Allocation, EKPC assigns 161.9 MW of market based power available to any Member Owner who request access to A3 market power.

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>>>>>

>>>>>

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>>>>> From: Mark Stallons

>>>>> Sent: Wednesday, February 07, 2018 6:11 AM

>>>>> To: Mike McNalley <Michael.McNalley@ekpc.coop>

>>>>> Subject: Re: A3 Cost Shift Spreadsheet

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>>>>>> <Cost Shift 020318.xlsx>

>>>>>>

>>>>>

>

From: Mark Stallons
To: Debbie Martin
Cc: Mike Williams; Carol Wright; Tim Sharp; Joni Hazelrigg; Chris Brewer
Subject: Re: A3 Path Forward
Date: Saturday, February 10, 2018 4:33:50 PM

All,

I can meet Monday at lunch between Committee Meeting with whoever would like to talk. Meeting Tuesday at Clark after the EKPC board meeting sounds like a very good idea and works with my schedule.

Thanks,

Mark Stallons
Sent from my iPhone

On Feb 10, 2018, at 4:12 PM, Debbie Martin <debbiem@shelbyenergy.com> wrote:

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I like the suggestion of meeting after we have the EKPC board meeting on Tuesday. Also, if agreeable with the group, Chris's idea of meeting someplace other than EKPC may be good.

*Debra J. Martin
President & CEO
Shelby Energy Cooperative
Office: (502) 633- 4163
Fax: (502) 633-2387*

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On Feb 10, 2018, at 3:49 PM, Mike Williams <mikew@bgenergy.com> wrote:

Would it be better to wait and see what options are presented during board meeting on Tuesday and we could afterwards or latter in the week to discuss next step?

Thanks,
Mike Williams

On Feb 10, 2018, at 9:19 AM, Mark Stallons
<mstallons@owenelectric.com> wrote:

All,

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