

AGREEMENT

THIS AGREEMENT dated February 15, 1991, between the UTILITY COMMISSION FOR THE CITY OF HENDERSON, KENTUCKY, a public entity established and existing under the laws of the Commonwealth of Kentucky, hereinafter referred to as "Utility Commission", and BIG RIVERS ELECTRIC CORPORATION, a corporation organized under the laws of the Commonwealth of Kentucky, hereinafter referred to as "Big Rivers", both parties with principal offices at Henderson, Kentucky.

RECITALS

A. The Utility Commission manages an electric utility known as the Henderson Municipal Power & Light System ("HMP&L") serving the City of Henderson, Kentucky and its inhabitants. Big Rivers is an electric utility owning and operating electric generating plants and facilities in western Kentucky.

B. The Utility Commission has statutory control over an electric generating plant and facilities owned by the City of Henderson located in Webster County, Kentucky, referred to herein as "Station Two".

C. Big Rivers operates Station Two and takes surplus capacity and energy therefrom pursuant to various contracts between the parties hereto and the City of Henderson.

D. Burns & McDonnell Engineering Co. and Arthur Andersen & Co. have performed a study allocating administrative and general costs incurred by the parties in the operation of their respective utilities to the operation of Station Two.

E. The parties wish to adopt and implement the study subject to certain modifications.

NOW, THEREFORE, in consideration of the premises, the parties agree as follows:

1. The REPORT ON HMP&L STATION TWO ADMINISTRATIVE AND GENERAL COSTS ALLOCATION FOR HENDERSON MUNICIPAL POWER & LIGHT AND BIG RIVERS ELECTRIC CORPORATION dated November 2, 1989 (the "Report") prepared by Burns & McDonnell Engineering Co. and Arthur Andersen & Co., is hereby approved and confirmed except as modified by this agreement. A copy of the Report is attached hereto and incorporated herein by reference.

2. The parties acknowledge that Big Rivers has heretofore maintained Station Two parts inventory at its sole expense. Big Rivers' cost of acquisition of Station Two parts inventory as of December 31, 1990 is One Million Five Hundred Ten Thousand Six Hundred Sixty-Nine Dollars and 86/100 (\$1,510,669.86). On or before February 21, 1991, the Utility Commission shall purchase Station Two parts inventory by payment to Big Rivers of One Million Five Hundred Ten Thousand Six Hundred Sixty-Nine Dollars and 86/100 (\$1,510,669.86) from either the Station Two Account of the Operation and Maintenance Fund or the Station Two Account of the Renewals and Replacement Fund established and maintained by the Utility Commission pursuant to the Electric Light & Power Revenue Bond Ordinance of the City of Henderson, Kentucky, adopted August 27, 1970. The parties shall restore the minimum balances required for the aforesaid funds in compliance with Section 509 of the Bond Ordinance in the manner prescribed by Section 6 of the Power Sales Contract between the parties dated August 1, 1970 and the Agreement dated April 8, 1980.

The cost to maintain Station Two parts inventory after January 1, 1991 shall be allocated between the parties on an annual basis in direct proportion to the generation capacity of Station Two reserved by the Utility Commission and allotted to Big Rivers pursuant to the Power Sales Contract.

The following additional terms shall apply with respect to Station Two inventory:

(a) The carrying cost of Station Two parts inventory shown on Schedule 3D of the report shall not be allocated under this Agreement.

(b) Payment shall be made at time of purchase for all additions and replacements to Station Two parts inventory after January 1, 1991.

(c) Parts issued for use at Station Two from other warehouses maintained by Big Rivers will be charged to Station Two at time of issue.

(d) Station Two shall receive credit at time of issue for parts taken from Station Two inventory for use at Big Rivers' separate facilities.

(e) Additions and replacements to Station Two parts inventory shall continue to be made in accordance with applicable competitive bidding laws and approved by the Utility Commission.

(f) Station Two parts inventory in existence at the time of termination of the power plant construction and operating agreement between Big Rivers and the City of Henderson, Kentucky dated August 1, 1970 and any extensions or renewals thereof, shall become the property of the City of Henderson, Kentucky.

3. The parties stipulate that the Report allocated Ninety-Three Thousand Six Hundred Eighty-Eight Dollars and 12/100 (\$93,688.12) as Station Two administrative and general costs incurred in the operation of Big Rivers' electronic data processing department and publication department for the 1987-1988 fiscal year.

The following is the derivation of the electronic data processing and publication departments costs:

|                  |                            |
|------------------|----------------------------|
| \$17,896.29      | Print Shop Payroll 3B      |
| <u>8,757.73</u>  | Expenses 3C                |
| \$26,654.02      | TOTAL                      |
| <br>             |                            |
| \$42,871.72      | Electronic Data Processing |
| <u>24,162.38</u> | Payroll 3B                 |
| \$67,034.10      | Expenses 3C                |
| <u>26,654.02</u> | TOTAL                      |
| \$93,688.12      | TOTAL Print Shop and EDP   |

4. The parties stipulate that the Report allocated the sum of Two Hundred Fifty-Nine Thousand Nine Hundred Eighty-Eight Dollars and 00/100 (\$259,988.00) as Station Two administrative and general costs, except labor, for the 1987-1988 fiscal year (the "Base Cost"). The Base Cost will be adjusted for all fiscal years subsequent to 1988-1989 according to the Producer's Price Index, Table 6, All Commodities, published by the Bureau of Labor Statistics of the United States Department of Labor.

The following is the derivation of the administrative costs (the "Base Cost"):

|               |                                       |
|---------------|---------------------------------------|
| \$204,349     | Administrative from Study 3C          |
| 720           | Administrative Supplies from Study 3A |
| <u>38,224</u> | Depreciation & Taxes from Study 3E    |
| \$243,293     | BREC Cost                             |
| <br>          |                                       |
| <u>16,695</u> | HMP&L Administrative Cost             |
| \$259,988     | (includes \$200 for supplies)         |
|               | TOTAL                                 |

5. The parties stipulate that the Report as modified allocated the sum of Three Hundred Forty-Three Thousand Seven Hundred Eighty-Two Dollars and 00/100 (\$343,782.00) for Big Rivers' executive administrative nondirect labor costs (the "Base Cost") and the sum of One Hundred Seventy-Four Thousand Nine Hundred Thirty-Seven Dollars and 00/100 (\$174,937.00) for Big Rivers' administrative support nondirect labor costs (the "Base Cost") and the sum of Thirty-Seven Thousand Six Hundred Eight-Seven Dollars and 00/100 (\$37,687.00) for HMP&L's executive administrative nondirect labor costs (the "Base Cost"). The Base Cost for fiscal years subsequent to 1988-1989 shall be adjusted according to indices developed from the Employment and Earnings Annual Average published by the Bureau of Labor Statistics of the United States Department of Labor. Two (2) indices will be used, one for executive administrative and one for administrative support. Attachment B will replace Schedule 3B in the G&A study.

The following is the derivation of the nondirect labor costs (the "Base Cost"):

|         |     |                |  |
|---------|-----|----------------|--|
| 326,181 | — [ | 138,540        | Table SC-2 3A (Previously Paid G&A Administrative Salaries)                                    |
|         | — ] | 187,641        | Schedule 3B or New Attachment B highlighted numbers equal 187,648 (Difference due to rounding) |
|         |     |                | Support areas charged before to Production Accounts; now charged to G&A Accounts               |
| 108,204 |     |                | From Attachment B, Also Schedule 3A  |
|         |     | 146,300        | - Additional Administrative Cost   |
|         |     | (36,160)       | - Energy Control   |
|         |     | (1,936)        | - Production Salary  |
|         |     | <u>108,204</u> |  |
| 679     |     |                | Workers Comp. Schedule 3A  |
|         |     |                | 679 is from 79,220 which is total Workers Comp. Attachment C                                   |

|   |   |              |
|---|---|--------------|
| 49,387                                      | Employee Benefits Schedule 3A<br>49,387 is from 407,700<br>which is total Employee Benefits | Attachment D |
| 34,267                                      | Payroll taxes Schedule 3A<br>34,267 is from 264,311<br>which is total Payroll Taxes         | Attachment E |
| <hr style="width: 100px; margin-left: 0;"/> |   |              |
| 518,718                                     | From Attachment A   |              |

|                   |                          |
|-------------------|--------------------------|
| 343,782.00        | Executive Administrative |
| <u>174,936.83</u> | Administrative Support   |
| 518,718.83        |                          |

37,687      HMP&L Executive Administrative adjusted Schedule 3A

6. The respective shares of the Utility Commission and Big Rivers in allocated Station Two administrative and general base costs, as adjusted, shall be determined for the 1988-1989 fiscal year and annually for all subsequent fiscal years in direct proportion to the generation capacity of Station Two reserved by the Utility Commission and allotted to Big Rivers pursuant to the Power Sales Contract between the parties dated August 1, 1970. The Base Cost stipulated in the foregoing paragraphs 4 and 5 shall not be increased or decreased except by mutual agreement of the parties, or by arbitration award or Court order to fairly and equitably reflect actual administrative and general costs. The method devised by the Report and this agreement for the allocation and sharing of Station Two administrative and general costs shall be utilized during the balance of the term of the Power Plant Construction and Operating Agreement dated August 1, 1970 and any extensions or renewals thereof.

7. On or before February 21, 1991, the Utility Commission shall pay to Big Rivers the following amounts:

Fourteen Thousand Eight Hundred Seventy-One Dollars and 13/100 (\$14,871.13) representing the Utility Commission's net additional share of Station Two administrative and general costs incurred in the operation of Big Rivers' electronic data processing and publication departments for the 1987-1988 fiscal year; Forty-Nine Thousand Three Hundred Sixty-Eight Dollars and 01/100 (\$49,368.01) representing the Utility Commission's net additional share of Station Two administrative and general costs for the 1988-1989 fiscal year; and Forty-One Thousand Six Hundred Eighty Dollars and 48/100 (\$41,680.48) representing the Utility Commission's net additional share of the Station Two administrative and general costs for the 1989-1990 fiscal year.

8. The allocation to Station Two of HMP&L additional administrative payroll costs shown on Schedule F of the Report will be automatically increased to reflect services attributable to Station Two performed by a proposed new HMP&L employee whose duties will include acting as liaison with Big Rivers on Station Two matters.

9. The allocation to Station Two of HMP&L's administrative and other expenses shown on Schedule G of the Report shall be automatically increased to reflect that portion of the cost of operational costs of a new office building utilized for Station Two purposes.

10. In addition to the foregoing adoption and implementation of the Report, Big Rivers will reconnect its Zion 69KV transmission line to HMP&L's substation upon written request of the Utility Commission.

11. The parties stipulate that execution of this agreement constitutes a mutual release of all claims, causes of action or demands that each party may now have against the other party with respect to the operation, control and fiscal management of Station Two.

12. This agreement may be modified only in writing executed by the parties or as specified in Section 24 of the Power Plant Construction and Operation Agreement.

13. This agreement is binding upon the parties, their successors in interest and assigns.

WITNESS the signatures of the duly authorized officers of the Utility Commission for the City of Henderson, Kentucky and Big Rivers Electric Corporation made pursuant to the attached resolutions this day and date first above written.

UTILITY COMMISSION FOR  
THE CITY OF HENDERSON

By:

B. E. Higgins  
Chairman

ATTEST:

Dudley H. Everson

BIG RIVERS ELECTRIC CORPORATION

By:

Morton Henshaw  
President

ATTEST:

William B. Brusca