

INDUSTRIAL POWER AGREEMENT

THIS AGREEMENT, made and entered into this 31 day of August, 2004, by and between BLUE GRASS ENERGY COOPERATIVE CORPORATION, a Kentucky corporation with its principal offices at 1201 Lexington Road, Nicholasville KY. 40340 hereinafter referred to as "Cooperative", and BAY WEST PAPER CORPORATION, a Wisconsin Corporation, with its principal offices at 1150 Industry Road, PO Box 189, Harrodsburg, KY 40330 hereinafter referred to as "Customer".

WITNESSETH:

WHEREAS, Cooperative is an energy cooperative providing retail electric service in Mercer County, Kentucky and

WHEREAS, Cooperative is a member of East Kentucky Power Cooperative, Inc., hereinafter referred to as "EKPC", and purchases all of its wholesale electric power and energy from EKPC, and


WHEREAS, Customer is a member of Cooperative and purchases or desires to purchase retail electric power and energy needs from Cooperative, under the terms and conditions contained herein, to serve its Harrodsburg, KY plant (hereinafter referred to as its "plant"), and

WHEREAS, this agreement supersedes all previous agreements between the cooperative and the customer.

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions contained herein, the parties agree as follows:

- 1. Term. This Agreement shall become effective as of September 1, 2004, subject to the provisions of Section 14 herein below. This agreement shall continue in effect for a term of one (1) year from said date (hereinafter referred to as the "Initial Term") and shall terminate at the end of such Initial Term, or any year of contract renewal as provided herein (the "termination date"), unless Customer provides written notice to Cooperative at least six (6) months prior to such termination date of its desire to renew the Agreement for an additional one (1) year term. Unless Cooperative provides written notice to Customer at least four (4) months prior to such termination date of its election to reject such renewal of the Agreement, the Agreement will be renewed for an additional one (1) year from such termination date. If Cooperative provides such a rejection notice in a timely manner, the Agreement shall terminate on the termination date.**

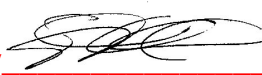
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SECTION 9 (1)

By 
Executive Director

2. **Availability of Power.** Subject to the other provisions of this Agreement, Cooperative shall make available to Customer, and Customer shall take and purchase from Cooperative, all of Customer's requirements for electric power and energy and related services for the operation of Customer's said plant. The "contract demand" for service under this Agreement shall be set at 2,900 kW for the balance of 2004; 2,700 kW for 1st quarter 2005; 3,000 kW for 2nd quarter of 2005; and 3,100 kW for 3rd quarter of 2005. Customer shall have the right to increase said contract demand, upon one-month advance written notice to Cooperative. Contract demand may be decreased, in increments not to exceed 1000kW, upon three months advance written notice to Cooperative, except contract demand shall not be reduced below 500 kW nor increased above 4,999kW.
3. The power and energy made available to Customer hereunder shall be delivered, taken, and paid for in accordance with the terms hereof and the applicable tariffs of Cooperative, Schedules B1 for the Fox Creek District, as approved by the Kentucky Public Service Commission ("PSC), and as modified from time to time by appropriate authority, copies of which are attached hereto and hereby made a part hereof. Customer shall comply with all requirements of such tariffs. In the event of any conflict between the provisions of this agreement and said tariffs, the latter shall control.
4. **Conditions of Delivery.** The point of delivery for power and energy made available hereunder shall be the point at which Customer's facilities connect to Cooperative's facilities. The power and energy made available hereunder shall be in the form of 3-phase alternating current at a frequency of approximately 60 hertz and at a nominal voltage of 12,470. Regulation of voltage shall be within such limits as prescribed by the applicable rules and regulations of the PSC. Maintenance by Cooperative at said point of delivery of the above-styled frequency and voltage within the above-stated limits shall constitute availability of power for purposes of this Agreement. The power and energy taken by Customer hereunder shall be measured by meters and associated metering equipment to be, or caused to be installed, operated, and maintained by Cooperative or EKPC at its own cost. None of such electric power and energy shall be resold to third parties.

Neither Cooperative nor EKPC shall be obligated to provide, or be responsible for providing, protective equipment for Customer's line facilities, and equipment to protect against single phase, low voltage, short circuits, or any other abnormal system conditions, but Cooperative or EKPC, as the case may be, may provide such protective equipment as is reasonably necessary for the protection of its own property and operations. The electrical equipment installed by Customer shall be

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capable of satisfactory coordination with any protective equipment installed by Cooperative or EKPC.

5. **Electric Disturbances.** Customer shall not use the energy delivered under this Agreement in such manner as to cause electric disturbances which may be reasonably expected to (a) cause damage to or interference with Cooperative's system, systems connected with Cooperative's system, or facilities or other property in proximity to Cooperative's system, or (b) prevent Cooperative from serving other purchasers satisfactorily.

Cooperative may, at any time during the term of this Agreement, notify Customer of any such electrical disturbances and, before attempting to take any other action, shall afford Customer a reasonable time and opportunity, under the circumstances involved, to correct or suppress the disturbances. If Customer does not so correct or suppress the disturbances, then Cooperative may suspend or discontinue service.

Any interruption of service which may become necessary by reason of this Section shall not relieve Customer from its obligation to pay Cooperative the minimum monthly charge as specified in the attached rate schedule.

5. **Right of Access.** Subject to twenty-four (24) hours prior notice (except in cases of emergency, in which case right of entry shall be granted immediately) duly authorized representatives of Cooperative and/or EKPC shall be permitted to enter Customer's premises at all reasonable times in order to carry out the provisions hereof.
6. **Right of Removal.** Any and all equipment, apparatus, devices, or facilities placed or installed, or caused to be placed or installed, by either of the parties hereto or by EKPC on or in the premises of the other party shall be and remain the property of the party owning and installing such equipment, apparatus, devices, or facilities regardless of the mode or manner of annexation or attachment of real property of the other. Upon the termination of this Agreement, or any extension thereof, the owner thereof shall have the right to enter upon the premises of the other and shall within a reasonable time upon notice and approval of other party remove all or any portion of such equipment, apparatus, devices, or facilities, unless otherwise agreed by the parties, or either party and EKPC, as applicable, at the time of such termination, provided the owner shall perform whatever restoration which is required for damage caused by said removal.
7. **Rates and Charges.** Customer shall pay Cooperative monthly for power and energy made available under this Agreement in accordance with the rates, charges, and provisions of Cooperative's effective standard tariffs


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applicable to consumers of the same class as Customer, Schedules B1 for the Fox Creek District as approved by the PSC and as modified, replaced, or adjusted from time to time and approved by the PSC. The minimum monthly bill will be equal to the consumer charge, plus the product of the contract demand multiplied by the contract demand charge, plus the product of the demand in excess of the contract demand multiplied by the in excess of contract demand charge. And product of contract demand multiplied by 425 hours and the energy charge per kwh In addition to contract provisions that reflect special facilities requirements.

8. **Payment of Bills.** Payment for electric power and energy furnished hereunder, shall be due and payable at the office of Cooperative monthly in accordance with the applicable provisions of said Schedules B-1 for the Fox Creek District. If Customer shall fail to pay any such bill as provided in said Schedule, B-1 Cooperative may discontinue delivery of electric power and energy hereunder ten (10) days following written notice to Customer of its intention to do so. Such discontinuance for non-payment shall not in any way affect the obligations of Customer to pay the minimum monthly charge provided in the attached rate schedule. All amounts unpaid when due shall be subject to a charge for late payment, as provided in the attached rate schedules, as applicable.
9. **Primary Service.** Since service is furnished at primary distribution voltage, a discount of five percent (5%) shall apply to the energy charges. Additionally, Customer agrees to have responsibility for operating and maintaining the underground service between the meter and the distribution transformers.
10. **Reduction in Cost of Service.** Cooperative is a not-for-profit Kentucky Corporation and Customer will benefit from any savings or reductions in cost-of-service in the same manner as any comparable customer as authorized by the Kentucky Revised Statutes, and by Cooperative's Articles of Incorporation and Bylaws as now in effect; provided, however, Cooperative's board of director's may defer retirement of so much of the capital credited to patrons for any year which reflects capital credited to Cooperative by EKPC until EKPC shall have retired such capital credited to Cooperative. Customer shall participate in capital credits in accordance with the Kentucky Revised Statutes and Cooperative's Articles of Incorporation and Bylaws.
11. **Notices.** Any written notice, demand, or request required or authorized under this Agreement shall be deemed properly given to or served on Customer if mailed to:

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By 
Executive Director

Bay West Paper Corporation

ATTN: Mr. Richard W. Early

1150 Industry Road

PO Box 189

Harrodsburg, KY 40330

Copy to:

Mr. Danny Byrd

Bay West Paper Corporation

1150 Industry Road

PO Box 189

Harrodsburg, KY 40330

Mr. Steven E. Smith

Wausau-Mosinee Paper Corporation

1244 Kronenwetter Drive

Mosinee, WI 54455-9099

Any such notice, demand, or request shall be deemed properly given or served on Cooperative if mailed to:

Blue Grass Energy Cooperative Corporation

PO Box 990

1201 Lexington Road

Nicholasville, KY 40340-0990

Attn: Harold Cornett

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By 
Executive Director

Each party shall have the right to change the name of the person to whom, or the location where the notices are to be given or served by notifying the other party, in writing, of such change.

12. **Successors in Interest.** The terms and conditions of this Agreement shall inure to and be binding upon the parties, together with their respective successors in interest. Neither party may assign this Agreement to any other party without the express written consent of the other party, which consent may not be unreasonably withheld except that Cooperative may assign the Agreement to Rural Utilities Service and/or any other lenders to Cooperative without such consent.
13. **Force Majeure.** The obligations of either party to this Agreement shall be suspended during the continuance of any occurrence, beyond the affected Party's control (a "force majeure"), which wholly or partially prevents the affected party from fulfilling such obligations, provided that the affected party gives notice to the other party of the reasons for its inability to perform within a reasonable time from such occurrence, is diligently seeking to cure said force majeure, and gives notice to the other party within a reasonable time after said cure. As used in this Section, the term force majeure shall include, but is not limited to: acts of God; strikes; wars; acts of public enemy; riots; storms; floods; civil disturbances; explosions; failures of machinery or equipment; interruptions in power deliveries from Cooperative's supplier; or actions of federal, state, or local governmental authorities, which are not reasonably within the control of the party claiming relief.

Notwithstanding the above provisions, no event of force majeure shall relieve Customer of the obligation to pay the minimum monthly charge provided herein or in the attached rate schedules.

14. **Approvals.** This Agreement is subject to the approval of EKPC and any necessary approvals of Rural Utilities Service ("RUS"), any other lenders to Cooperative, and the PSC.
15. **Modifications.** Any future revisions or modifications of this Agreement shall require the advance approval of EKPC, an any necessary approvals by RUS, any other lenders to Cooperative, and the PSC. In the event of a full shutdown of the customer's facility, customer shall have the right to terminate this agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed, in six original counterparts, by their respective officers, thereunto duly authorized, as of the day and year first above written.

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10/18/2004
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SECTION 9 (1)

By 
Executive Director

Blue Grass Energy Cooperative Corporation

By: [Signature]
President/CEO
Date 9/2/04

COMMONWEALTH OF KENTUCKY, COUNTY OF MERCER
Subscribed, sworn to and acknowledged before me by Dan Brewer, on
this the ___ day of _____, 2004
My Commission Expires _____

NOTARY PUBLIC STATE-AT-LARGE

Bay West Paper Corporation

By: [Signature]
Title: Vice President, Operations
Date 8-31-4

COMMONWEALTH OF KENTUCKY, COUNTY OF MERCER
Subscribed, sworn to and acknowledged before me by
[Signature] on this the 31st day of August, 2004
My Commission Expires 4/03/06

NOTARY PUBLIC STATE-AT-LARGE

PUBLIC SERVICE COMMISSION
OF KENTUCKY
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By: [Signature]
Executive Director