

AGREEMENT

Between

EAST KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

and

KENTUCKY UTILITIES COMPANY

Made as of 1963

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THIS AGREEMENT, made as of _____, 1963, between EAST KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION (East Kentucky), and KENTUCKY UTILITIES COMPANY (Kentucky Utilities),

WITNESSETH:

WHEREAS, pursuant to an agreement entered into between the parties on February 1, 1954, the electric systems of the parties have been interconnected and it is desirable that such interconnection be continued; and

WHEREAS, the parties have been unable to agree upon provisions relative to competition between the parties in various phases of their operations, but have reached agreement relative to engineering, financial and other details concerning the continued operation of their interconnected systems, without prejudice to their respective positions as to competition, leaving questions relative to competition for determination by the Public Service Commission of Kentucky and the Courts,

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

ARTICLE I

TERM

1.01. This agreement shall be binding upon the parties hereto for a period of ten (10) years beginning February 1, 1964, and thereafter for additional terms of ten (10) years each until written notice of intent to terminate is given, by either party to the other, three (3) years prior to the expiration date of the original term, or any subsequent term.

ARTICLE II

DEFINITIONS

2.01. For the purposes of this agreement, and of the Exhibits and Service Schedule, which are a part hereof, the following definitions shall apply.

2.02. The Pool shall mean the interconnected systems of the parties.

2.03. The Peak System Load of a party shall mean the highest hourly demand during the current month and the eleven immediately preceding months expressed in kilowatt-hours per clock hour attributable to energy required by such party during such hour to supply its own loads and firm sales to other parties, including system losses but excluding generating station use.

ARTICLE III

ADMINISTRATION AND ORGANIZATION

3.01. The coordination of all pool activities of the parties, pursuant to this agreement, shall be carried on by or under the direction of an Administrative Committee and an Operating Committee.

3.02. The Administrative Committee shall consist of three representatives of each party, designated by each party as its authorized representatives, on such committee. The duties of the Administrative Committee shall include the following:

- (a) Review periodically the plans of the parties for the construction of generating, transmission, communication, control, and metering facilities, and, as a result of these reviews, make recommendations to the respective managements of the parties regarding the coordination of such facilities.
- (b) Establish operating and maintenance procedures for the parties, as required by this agreement.
- (c) Study and make recommendations to the respective managements, regarding the reserve requirements of the pool.
- (d) Review engineering and operating matters related to interconnections of either party with other systems and make recommendations to the respective managements.
- (e) Establish policies and practices for the guidance of the Operating Committee.
- (f) Make such administrative arrangements as may be required to carry out the intent hereof.
- (g) Perform such other services as herein set out.

The Administrative Committee shall appoint one of its members as chairman each year and shall alternate chairmen between the parties. The Committee shall meet at least semiannually or on call of the chairman at a time and place mutually agreeable to the members of the Committee. The Committee shall keep written minutes of all meetings and provide copies to each party. All decisions, agreements or recommendations made by the Committee shall be reduced to writing. If the Administrative Committee is unable to agree unanimously on any matter coming under its jurisdiction, such matter shall be referred to the respective managements of the parties for decision. Each party shall supply to the Administrative Committee at least one month in advance of each regularly scheduled committee meeting, a monthly load and capability forecast for its system in such form as the Administrative Committee may specify, for a period of at least 36 months in advance or for such longer period in advance as may be agreed upon.

3.03. The Operating Committee shall consist of one representative and an alternate representative of each party. Each representative and alternate shall be a responsible person connected with day-to-day operations of the respective party. The duties of the Operating Committee shall include the following:

- (a) Prepare the details of operating and maintenance schedules, control and operating procedures and interchange accounting procedures to implement the provisions of this agreement.
- (b) Make available to the Administrative Committee operating information related to interconnections with other systems and coordination of facilities related thereto.
- (c) Such other duties as may be required of it by the Administrative Committee.

If the Operating Committee is unable to agree unanimously on any matter coming under its jurisdiction, such matter shall be referred to the Administrative Committee. The Operating Committee shall meet as often as may be mutually agreed upon and at such times and places as may be agreed upon. All decisions or agreements of the Operating Committee shall be reduced to writing.

3.04. Each party shall pay its own committee expense, unless it has been agreed by the Administrative Committee, in advance, to share costs in a specified manner.

3.05. Costs for joint planning studies or other costs shall be shared in a manner agreed to in advance by the Administrative Committee.

ARTICLE IV

OPERATION AND MAINTENANCE OF SYSTEMS

4.01. The parties shall operate their systems in parallel at all times during the term of this agreement. The parties hereto agree to coordinate their operations to assure maximum continuity of service to their respective customers, and with relation thereto shall cooperate with one another in the establishment of schedules for maintenance and operation of equipment and shall cooperate in the coordination of relay protection, frequency and load control, and communications and telemetering systems, through the activities of the Administrative and Operating Committees.

4.02. Each party hereto shall maintain and operate all facilities owned and constructed by it in such a way as to minimize interruptions to service, except that:

- (a) Kentucky Utilities shall be responsible through its system load dispatcher for the over-all supervision of the dispatching of the pool transmission system, including facilities of Kentucky Utilities and certain facilities of East Kentucky in accordance with procedures and practices as determined by the Operating Committee. Kentucky Utilities shall use its best efforts to dispatch the pool transmission system so as to equitably maintain high standards of continuity and service to the load centers of both parties. The system load dispatcher of Kentucky Utilities shall issue all switching orders and, in the event of an emergency, and in the further event that one party's personnel are not available for promptly executing said switching orders, the other party's personnel may execute said orders. The Operating Committee shall develop, and each party shall adopt and adhere to, suitable operating rules and procedures consistent with the provisions of this agreement, with reference to the lines and associated facilities of the pool.
- (b) In the event of delay by the party owning a transmission facility in locating the cause of a service disruption and/or making emergency repairs to the facility, the other party

hereto, except in the case of facilities serving solely the owner's load, may, after notice to the other party, make the necessary repairs and charge the cost thereof to the party owning the transmission facility to which the repair is made. The term "notice" as used herein shall be considered as having been given the owner of the facility in need of repair when the other party hereto shall have advised the load dispatcher of Kentucky Utilities, in the case of facilities owned by it, or East Kentucky's load dispatcher, in the case of facilities owned by it, that the other party is proceeding to locate the cause of service disruption and/or making necessary repairs, and will continue therewith until relieved by the owner's personnel.

4.03. Each party agrees to operate its generating facilities and schedule its transactions with the other party and with other systems in such a manner that its total deliveries of power and energy to the pool will, within the capability of its metering and control facilities, at all times, equal the sum of the requirements of that party's load centers plus its deliveries to other systems less its purchases from other systems, not parties to this agreement, both adjusted for pool power and energy losses and for regulating bias. Transactions with other systems, not parties to this agreement, shall be arranged by each party's load dispatcher and scheduled through Kentucky Utilities' load dispatcher. The power requirements of East Kentucky's load centers shall be the totalized sum of the requirements of a representative sample of its transmission system load, including losses, as determined by the Administrative Committee, times a multiplier, which multiplier shall, as nearly as practicable relate that sample to the total East Kentucky system requirement. Each party's total energy requirements for each accounting period shall be the total of deliveries to its load centers plus its net deliveries to other systems, not parties to this agreement, adjusted for losses. During any accounting period, any inadvertent excess or deficiency in East Kentucky's energy supplied to the pool, as related to its total energy requirements during said period, shall be classed as unintentional energy and shall be disposed of pursuant to Section 6.07 hereof. Unless otherwise agreed, each party shall install suitable metering equipment to correctly measure (a) the net output of its generators, (b) the power and energy flowing on its interconnections with others, and (c) its deliveries from the pool transmission system to its load centers.

4.04. Each party shall schedule outages of its generating or transmission facilities for maintenance at times to be agreed upon by the Operating Committee. Any period of outage of facilities not scheduled as provided above shall not, unless otherwise agreed, be considered a maintenance outage for the purpose of this agreement but shall be considered an emergency outage. In the event that a party is deficient in capacity during such a scheduled maintenance outage, upon request of that party, power and energy shall be supplied to the deficient party by the other. The maximum amount of power which a deficient party may schedule from the other to provide for such deficiency during scheduled maintenance outage, shall be the difference between the other party's operable generating capacity plus firm purchases and its load plus required spinning reserve during the scheduled maintenance period, provided however, that neither party shall be obligated to provide such power for more than six weeks in any six (6) month period beginning January 1 and July 1.

4.05. During outages of generating facilities not scheduled as provided in Section 4.04 hereof and in an emergency due to an actual or imminent failure, or breakdown of facilities or any emergency resulting from or by reason of injunction, strike, riot, invasions, fire, accident, floods, backwater caused by floods, acts of God, or from any other causes beyond the reasonable control of the owner, whether similar or dissimilar, occurring on the system of one of the parties, and, as a result thereof, said party's facilities are, or are about to become inadequate to meet that party's obligations to the system, the other will, so far as practicable in its sole judgment without hazard to its property or operation and within the limitations of capacity available on its system in excess of that required for supplying its other load, supply power and energy to the party suffering such emergency, in a manner necessary to meet the needs of the situation.

4.06. Each party shall install, operate and maintain the necessary equipment at its generating stations to insure that each shall make its proportionate contribution to the regulation of time and frequency on the interconnected system of which East Kentucky and Kentucky Utilities are a part.

4.07. Each party shall be responsible for the reactive kilovolt ampere (kilovar) requirements of its system but kilovars may be interchanged between the systems from time to time, subject to agreement between the parties, when benefit to one system may be gained thereby without causing hardship to the other.

4.08. As the systems of the parties may be indirectly connected at times through other systems, it is recognized that because of the physical characteristics of the facilities involved, there may be power flows through such other systems and part of the power being transferred from one party to the other may flow through such other systems rather than through points of interconnection of the systems of the parties. In such case, the Administrative Committee shall determine methods of ascertaining the actual deliveries of power and energy made both directly and indirectly and the best means to insure deliveries between the parties. The parties shall at all times cooperate in the development of arrangements with other interconnected systems which may be necessary to prevent the interconnection with such other systems from interfering with the deliveries of power and energy herein contemplated, and to provide a basis for accounting for power flows between the parties.

4.09. In order to promote economy of power supply and to achieve efficient utilization of production capacity, the parties shall each offer to the other any surplus energy which is available in the sole judgment of the supplying party. Each party shall promptly inform the other of the extent to which it desires to use such surplus energy and schedules shall be mutually agreed upon.

4.10.

(a) Facilities to perform the following functions shall be installed on the systems of the parties only upon agreement by the parties as to the necessity and feasibility thereof, and the schedule upon which the installation is to be made:

- (1) Voice communication between a point on the system of one party and a point on the system of the other.
- (2) Telemetry of information from a point on the system of one party to a point on the system of the other.
- (3) Supervisory control of the facilities of one party by the other party.
- (4) Generator load control from a point on the system of one party to a point on the system of the other and control of the generation of one party by the other.

- (b) Except where the above referred to voice communication and telemetry facilities are provided as a component of a supervisory control installation, each party shall install, operate and maintain, at its own expense, the required communication, telemetry and load control equipment.
- (c) Supervisory control equipment referred to above, with or without associated communication and/or telemetry, shall be furnished and owned by the party whose facilities are to be controlled. Equipment owned by one party and installed on the other party's system shall be operated and maintained by the other party.
- (d) In their performance of said operating and maintenance responsibilities, the parties shall coordinate their respective activities, and perform such work with qualified personnel and in accordance with good engineering practice.

ARTICLE V

RESERVE REQUIREMENTS

5.01. It shall be the responsibility of each party to provide the pool at all times its minimum capacity requirement which is defined for the purpose of this agreement as the party's peak system load plus the party's reserve capacity responsibility.

The reserve capacity responsibility for East Kentucky shall initially be 15 percent of its peak system load and the reserve capacity responsibility for Kentucky Utilities Company shall initially be 10 percent of its peak system load, or such percentages as may be subsequently agreed upon by the Administrative Committee from time to time.

5.02. For the purpose of this agreement, the net capability of each of the parties' generators shall be the generator nameplate rating, in kilowatts, until the net unit capability is determined in accordance with procedures to be specified by the Administrative Committee. Thereafter, the net unit capability, as so determined from time to time, shall be used as the capacity of the generator. It is the intent of the parties that said procedures to be specified by the Administrative Committee shall establish unit capabilities for each party corresponding with the two-hour net peak capability of the unit under plant and transmission operating conditions, which may be logically anticipated as prevailing at such times as the party's peak system load may occur.

Net capabilities shall be the capability remaining after station service requirements are supplied.

5.03. In the event the load and capability forecast of a party indicates that during some month such party will not have adequate generating capability and firm purchases to meet its minimum capacity requirement as set forth in Section 5.01, such party shall make arrangements for the purchase of Contract Power from the other party or power from other sources or both, in such an amount that it will then have sufficient capacity to meet its minimum capacity requirement. In the case said month is twelve (12) months or less following the submission of said forecast, said arrangements shall be made concurrently with the submission of said forecast.

5.04. It is the intent of the parties hereto that each party will provide the capacity as set out in Section 5.01 hereof, as a minimum by the installation of generating capacity on its own system or by purchase of Contract Power from the other party or firm power from others. Each party will plan its additional capacity so as to minimize the overall pool reserve capacity, but at the same time adequately provide for its responsibility as stated in Section 5.01 above.

5.05. Spinning reserve shall be defined for the purpose of this agreement as the excess of net generating and purchase capability in kilowatts in operation on the pool at any time over the load in kilowatts supplied by the pool at that time. The spinning reserve requirement for the pool shall be determined and agreed upon from time to time by the Administrative Committee. It is the intent that the proportionate share of spinning reserve for each party shall be determined by multiplying the spinning reserve requirement for the pool by the ratio which each party's load bears to the total load of both parties; however, variations in a party's share of spinning reserve may occur from time to time by agreement of the Operating Committee. As soon as practicable after the occurrence of an emergency, the party experiencing such emergency shall restore its proportionate share of the spinning reserve. A party shall not be relieved of any portion of its spinning reserve obligation by reason of receiving or supplying economy energy.

ARTICLE VI

INTERCHANGE OF POWER AND ENERGY

6.01. Each party agrees upon request, to sell and deliver, purchase and receive, transmit and interchange, one with the other, electric power and energy in the manner, at the time, and under the

circumstances hereinafter set forth. It is, however, expressly understood and agreed that any party may refuse to deliver power and energy hereunder, or having begun such delivery, may curtail, restrict, or discontinue such delivery, except with respect to Contract Power as hereinafter defined, whenever in such party's sole judgment such refusal, curtailment, restriction or discontinuance shall be necessary or desirable in order to prevent impairment of or jeopardy to service on its own system, to prevent or relieve overloading its facilities, or to prevent overloading of transmission capacity available in system interconnections after allowing for other transactions simultaneously scheduled over such interconnections. Notice of each such request, refusal, curtailment, restriction or discontinuance must be made by telephone to the other party's dispatcher as far in advance as practicable.

6.02. For the purpose of this agreement, the interchange power and energy is classified and defined as set forth in the following Sections: 6.03, 6.04, 6.05, 6.06, and 6.07.

6.03. Contract Power. Contract Power is power and energy which is reserved on an annual basis, or for shorter periods by mutual agreement, and which may be requested by one party from the other for the following purposes:

- (1) Power and energy necessary to comply with the reserve capacity requirements as set forth in Article V of this agreement.
- (2) Power and energy necessary to supply a party's anticipated peak system load whenever said load shall exceed the net capability of its generating equipment plus other purchases.

The rate for Contract Power shall be as set forth in Service Schedule A.

6.04. The amount of Contract Power to be purchased by one party from the other in any year, or for a shorter period by mutual agreement, shall be determined as follows:

- (1) On or before the day of each semiannual meeting of the Administrative Committee, each party shall estimate its expected minimum capacity requirement for the following year as provided in Section 5.01.
- (2) In the event the minimum capacity requirement of one party is in excess of that party's operable generating

capability, plus capacity available from other sources, the deficient party shall notify the other as to the expected deficiency in kilowatts and offer to purchase Contract Power in an amount equal to such deficiency.

- (3) Upon acceptance by the party so notified of this offer to purchase, this deficiency shall be considered the amount of Contract Power purchase in kilowatts for the year and the selling party shall bill and be paid by the purchasing party each month for the demand charges on such amount.

6.05. Economy Energy. Economy energy is energy which can be supplied at a saving from one party's generating facilities which would not otherwise be fully utilized, but which can be utilized by the other party to reduce generation from units having higher operating costs or to avoid starting or operating generating units. The party receiving economy energy shall pay the supplying party for economy energy supplied each month an amount equal to the incremental cost of the energy so supplied. Incremental costs shall be determined in accordance with principles set forth in Exhibit B.

6.06. Energy. Energy supplied during scheduled maintenance outages pursuant to Section 4.04 shall be paid for by the receiving party at the incremental cost of the supplying party determined in accordance with the principles set forth in Exhibit B. Energy supplied in emergencies as provided in Section 4.05 shall be paid for by the receiving party at the incremental cost of the supplying party determined in accordance with principles set forth in Exhibit B.

6.07. Unintentional Energy. As used herein, unintentional energy shall mean energy which may exchange between the systems of the parties as a result of inherent limitations of the equipment used to control the supply of energy to the pool in accordance with the provisions hereof. Unintentional energy shall be returned by the receiving party to the supplying party as soon as practicable in accordance with procedures as determined by the Operating Committee.

ARTICLE VII

TRANSMISSION FACILITIES

7.01. Each party shall make available for the supply of power to the pool such of its transmission, substation, control and communication facilities as are required for interconnected operation and will operate such facilities on an interconnected and coordinated basis, to

the end that the mutual benefits attainable through such operation may be realized as fully as practicable. The points of interconnection of the transmission systems shall be at points shown on Exhibit A and at such additional points as hereafter may be mutually agreed upon.

7.02. Each party will provide transmission facilities necessary to connect its generating stations to the pool transmission system, to connect its new or increased loads to the pool transmission system and to interconnect its system with other utilities with which it has arranged interconnection agreements. Each party will provide its fair share of the additional transmission facilities required to provide adequate capacity in the transmission system.

Annually, each party shall make available to the Administrative Committee its proposed plans for construction of such facilities for study and coordination by the Committee.

7.03. During the term of this agreement, power and energy shall be supplied to the load centers shown on Exhibits C and D hereto attached, as these lists shall be modified from time to time, to provide for additional East Kentucky's or Kentucky Utilities' loads in the area, under the following terms and conditions:

- (a) For the duration of this agreement, Kentucky Utilities shall supply to East Kentucky, at points of interconnection shown on Exhibit A and at such additional points as hereafter may be mutually agreed upon, power and energy, including losses, necessary to supply the Kentucky Utilities' load centers connected to East Kentucky's transmission lines as shown in Exhibit C and for the transmission of such energy to such load centers, Kentucky Utilities will pay to East Kentucky a rate of 1.0 mill per kilowatthour so delivered. Said payments by Kentucky Utilities shall be based upon the registration of kilowatthour meters located at Kentucky Utilities' load centers, without adjustment for transmission losses.
- (b) For the duration of this agreement, East Kentucky shall supply to Kentucky Utilities, at points of interconnection shown on Exhibit A and at such additional points as hereafter may be mutually agreed upon, power and energy, including losses, necessary to supply the East Kentucky load centers connected to Kentucky Utilities' transmission lines as shown in Exhibit D and for the transmission

of such energy to such load centers, East Kentucky will pay to Kentucky Utilities a rate of 1.0 mill per kilowatt-hour so delivered. Said payments by East Kentucky shall be based upon the registration of the kilowatt-hour meters located at East Kentucky load centers, without adjustment for transmission losses.

7.04. Until the Administrative Committee shall agree otherwise, the kilowatt-hour losses referred to in this contract and exhibits attached hereto shall be determined from the combination of the monthly operating reports of transmission loss on the systems of Kentucky Utilities and East Kentucky for the twelve month period ended with the second month preceding the month for which losses are to be applied. The percent kilowatt-hour losses to be used herein is the total kilowatt-hour loss divided by total net kilowatt-hour input to the pool system times 100.

The Administrative Committee shall devise suitable means for determining appropriate power loss adjustments as required by this agreement.

ARTICLE VIII

METERING

8.01. The metering equipment required herein shall be installed, operated and maintained by the owner in accordance with good engineering practice. Meters owned by the parties at points of interconnection with each other or with other systems, meters at generators and at loads of 10,000 kilowatts or more, hereafter designated as Class A meters, shall be tested and inspected semiannually. Other meters, hereafter designated as Class B meters, shall be tested and inspected annually. Both Class A and Class B meters shall be inspected and tested within 60 days after installation and after a change of instrument transformers. The owner of the meter shall bear the expense of the meter test and inspection. Additional tests and inspection of meters shall be made whenever requested by the other party. The party owning the meter shall give reasonable advance notice of all tests and inspections so that representatives of the other party may be present. If any test or inspection of a Class A meter shows it to be inaccurate by more than one percent (1%) fast or slow, or of a Class B meter shows it to be inaccurate by more than two percent (2%) fast or slow, an adjustment in deliveries shall be made during the following month to adjust for amounts by which the meters were shown to have been in error for the preceding period of inaccuracy. If the period of inaccuracy

is not known, it shall be assumed to be one-half the interval since the last preceding test. The meter or other equipment found to be inaccurate or defective shall be promptly repaired, adjusted or replaced.

ARTICLE IX

RECORDS

9.01. In addition to meter records, the parties shall keep such log sheets and other records as, in the opinion of the Operating Committee, may be needed to afford a clear history of the various movements of power and energy between the systems of the parties in transactions hereunder. The originals of all such meter records and other records shall be open to inspection by representatives of the parties and by the Operating Committee.

9.02. Each party shall furnish to the Operating Committee appropriate data from meter registrations and from other sources on such time bases as are established by the Operating Committee when such data are needed for settlement, special tests, operating records, or other purposes consistent with the objectives hereof. As promptly as practicable after the end of each month, each party shall render to the other party, statements setting forth appropriate data from meter registrations and other sources in such detail and with such segregation as may be needed for operating records and for settlements hereunder.

ARTICLE X

BILLINGS AND PAYMENTS

10.01. All bills for services supplied pursuant to this agreement shall be rendered monthly by the supplying party to the purchasing party not later than 15 days after the end of the period to which such bills are applicable. Unless otherwise agreed by the Operating Committee, such periods shall be from 12:01 a.m. of the first day of one month to 12:01 a.m. of the first day of the succeeding month. Bills shall be due and payable within 10 days from the date such bills are rendered and payments shall be made when due and without deduction. Interest on any unpaid amount from the date due until the date upon which payment is made shall accrue at the rate of one-half percent per month or fraction thereof.

10.02. In the event a party desires to dispute all or any part of the charges submitted by the other party, it shall nevertheless pay the

full amount of the charges when due and give notification in writing within 60 days from the date of the statement, stating the grounds on which the charges are disputed, and the amount in dispute; provided, however, no dispute as to the accuracy of the charges will be entertained or considered unless written complaint with respect thereto is submitted by the complaining party to the party making such charges within 60 days from the date upon which this statement for charges is presented, and the complaining party will not be entitled to any adjustment on account of any disputed charges which are not brought to the attention of the party making such charges, within the time and in the manner herein specified.

ARTICLE XI

UNCONTROLLABLE FORCES

11.01. A party hereto shall not be considered to be in default in respect of any obligation hereunder if prevented from fulfilling such obligation by reason of uncontrollable forces. The term "uncontrollable forces" shall be deemed for the purposes hereof to mean storm, flood, lightning, earthquake, fire, explosion, failure of facilities not due to lack of proper care or maintenance, civil disturbance, labor disturbance, sabotage, war, national emergency, restraint by court or public authority, or other causes beyond the control of the party affected which such party could not reasonably have been expected to avoid by exercise of due diligence and foresight and by provision of reserve facilities in accordance with good practice. Any party unable to fulfill any obligation by reason of uncontrollable forces will exercise due diligence to remove such disability with reasonable dispatch.

ARTICLE XII

NOTICES

12.01. Any formal notice, demand, or request required or authorized by this agreement shall be deemed properly given if mailed, postage prepaid, to the officer signing this agreement for the party concerned, at the address shown on the signature page hereof. The designation of the person to be notified or the address of such person may be changed at any time by similar notice.

12.02. Any notice or request of a routine character in connection with delivery of power or energy or in connection with operation of facilities shall be given in such manner as the Operating Committee from time to time shall arrange.

ARTICLE XIII

SUCCESSORS AND ASSIGNS

13.01. No party hereto can assign this agreement without the consent, in writing, of the other party hereto, except in connection with the sale of a substantial portion of its properties including its high-voltage transmission facilities.

13.02. The several provisions of this agreement are not intended to and shall not create rights of any character whatsoever in favor of any persons, corporations, or associations other than the parties to this agreement, and the obligations herein assumed are solely for the use and benefits of the parties to this agreement.

ARTICLE XIV

APPROVALS

14.01. This agreement and the binding effect thereof are subject to the approval by the Public Service Commission of Kentucky and the Administrator of REA.

IN WITNESS WHEREOF, the parties hereto have caused their names to be hereunto subscribed by their representatives thereunto duly authorized as of the day and year first written above.

EAST KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION

By _____

Title _____

Attest:

Address _____

Secretary

KENTUCKY UTILITIES COMPANY

By _____

Title _____

Attest:

Address _____

Secretary

Approved: _____
PUBLIC SERVICE COM-
MISSION OF KENTUCKY







Date _____

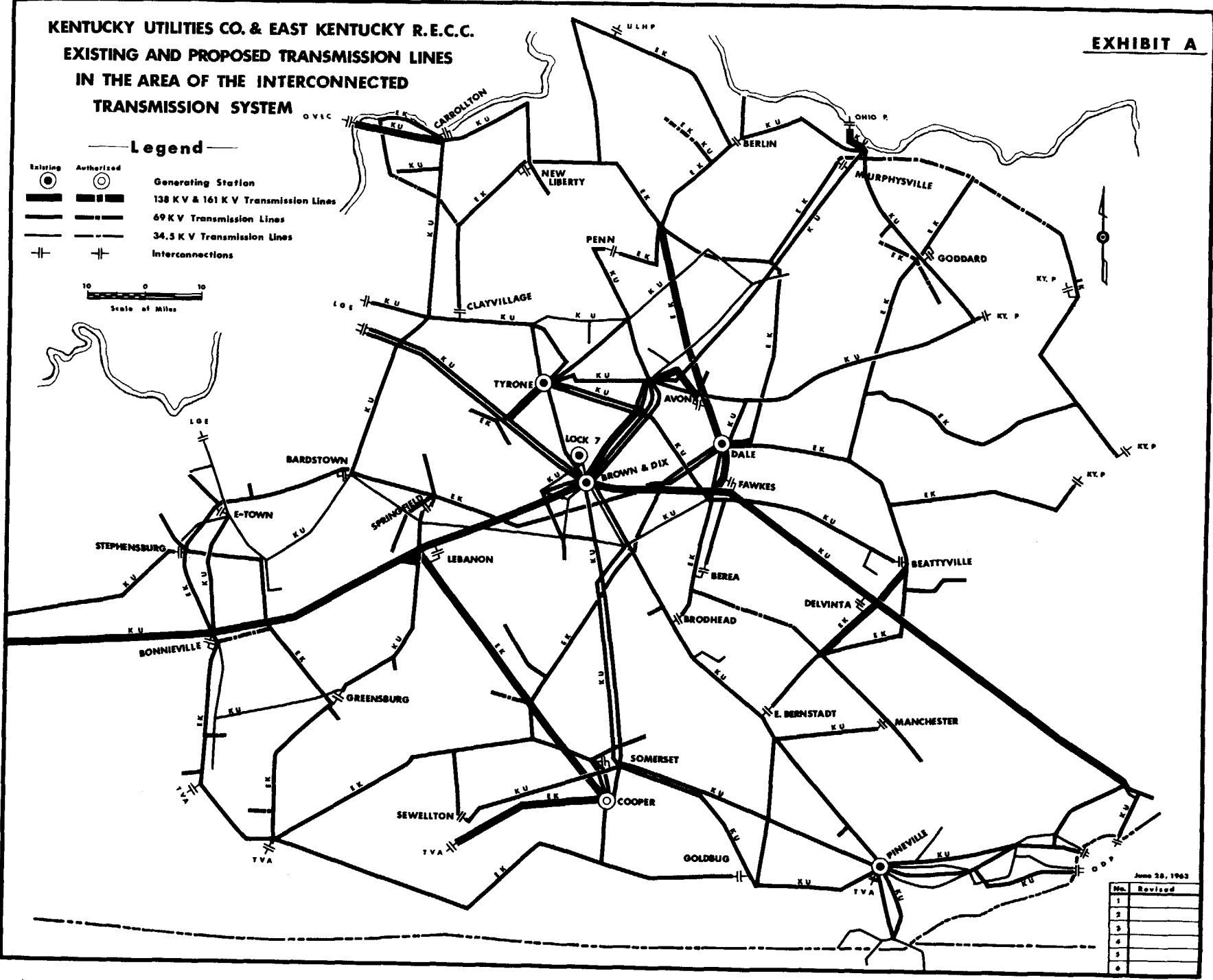
Approved: _____
ADMINISTRATOR OF REA

Date _____

**KENTUCKY UTILITIES CO. & EAST KENTUCKY R.E.C.C.
EXISTING AND PROPOSED TRANSMISSION LINES
IN THE AREA OF THE INTERCONNECTED
TRANSMISSION SYSTEM**

EXHIBIT A

- Legend**
- Existing  Authorized 
 -  138 KV & 161 KV Transmission Lines
 -  69 KV Transmission Lines
 -  34.5 KV Transmission Lines
 -  Interconnections



June 26, 1963

No.	Revised
1	
2	
3	
4	
5	
6	

EXHIBIT B

DEFINITION OF INCREMENTAL ENERGY COST

Incremental Energy Cost of the parties, as used in this agreement, is defined as follows:

The out-of-pocket costs associated with furnishing the energy such as the operating and tax (if any) expense incurred that would not have been otherwise incurred if such energy had not been furnished.

Such operating expenses, under usual circumstances, consist of the incremental production expenses incurred in the production of the energy so furnished. If the station used to furnish the energy is normally operating and carrying load, the incremental production expense will be the sum of (1) fuel expense of that station in mills per kilowatthour (kwhr), plus (2) 0.2 mills per kwhr for incremental operating labor, plus (3) an appropriate allowance for maintenance equal to one-half of the weighted average cost (expressed in mills per kwhr of net generation) incurred at such station for maintenance during the twelve calendar month period next preceding the month that such production occurred. If the station or part thereof used is normally held in reserve as standby, all expense incurred that is in excess of the expense that would have been incurred for standby operation of such station or part thereof will be considered incremental expense. To the operating expenses as hereinabove determined there will be added a charge of 0.3 mills per kwhr to cover accounting, administration and billing.

Tax expenses will be limited to any new federal or state tax not levied at the date of this agreement and will be the expenses that are payable as tax either in connection with the sale or production of such energy.

If the energy requested by a party is not available from the other party's generating facilities and it is necessary for the supplying party to purchase the energy in order to make the delivery, in that event, the cost to the receiving party for such energy will be the actual cost to the delivering party of such purchased energy.

EXHIBIT C

KENTUCKY UTILITIES' LOAD CENTERS
CONNECTED TO EAST KENTUCKY'S TRANSMISSION LINES

Boston

Cave City

Columbia

Falmouth

Horse Cave

Liberty

Mackville

Munfordville

Owingsville

Whitley City

EXHIBIT D

EAST KENTUCKY'S LOAD CENTERS
CONNECTED TO KENTUCKY UTILITIES' TRANSMISSION SYSTEM

Athertonville	Lebanon
Bedford	Logan
Bridgeport	Mile Lane
Burnside	Milton
Campbellsburg	Nicholasville
Campbellsville	Ninevah
Camp Ground	Rice Station
Carpenter	Rockhold
Cumberland Falls	Scotia
East Ky. Office	Shelby City
Emanuel	Sinai
Fitchburg	Southville
Floyd	Taylorsville
Gordon	Van Arsdell

SERVICE SCHEDULE A

The rates applicable to Contract Power reserved pursuant to Article 6.03 shall be as follows:

1. For such power reserved on an annual basis the rate shall consist of a capacity charge and an energy charge as follows:
 - A. Capacity charge of \$1.10 per month for each kilowatt of power reserved.
 - B. Energy charge of 3.5 mills per kilowatthour of energy scheduled during a calendar month, plus a fuel adjustment as provided in Appendix A hereto.
2. For such power reserved on less than an annual basis the rate shall consist of a capacity charge and an energy charge as follows:
 - A. Capacity charge of \$0.30 per calendar week for each kilowatt of power reserved.
 - B. Energy charge of 3.5 mills per kilowatthour of energy scheduled during a calendar month plus a fuel adjustment as provided in Appendix A hereto.
3. Power in amounts not exceeding the amounts reserved, and energy, supplied as Contract Power, shall be supplied in accordance with scheduling procedures established by the Operating Committee which schedules, except upon agreement otherwise, shall set out hourly energy transactions at least 24 hours in advance. Billing for energy hereunder shall be based on said schedules.

APPENDIX A TO SERVICE SCHEDULE A

Fuel Adjustment

If the average cost of fuel consumed by the selling party's steam generating stations is in excess of 21 cents or less than 16 cents per million BTU, as determined from the selling party's three most recent monthly Operating Reports available, prior to the months of January, April, July and October, an additional charge or credit will be made on the kilowatthours purchased by the purchasing party at the rate of .0012 cent per kilowatt-hour for each .1 cent or fraction thereof variation in the cost of fuel above 21 cents or below 16 cents per 1,000,000 BTU, for the three months beginning with January, April, July and October each year.

This clause may be modified by mutual agreement of the parties to this agreement to reflect current generating efficiencies.