



March 2, 2018

Mr. Patrick Wilson
International Paper Company
Senior Energy Buyer/Global Sourcing
6400 Poplar Avenue
Memphis, Tennessee 38197

Re: Facilities charge associated with EKPC reboiler improvements

Dear Mr. Wilson:

In accordance with our email exchanges this week and phone conversations, and in order to comply with the notice provisions of Amendment No. 1 ("Amendment No. 1") to the November 12, 1990 Steam Service Agreement ("Steam Service Agreement") between East Kentucky Power Cooperative ("EKPC"), Fleming-Mason Energy Cooperative, and International Paper Company ("International Paper") (EKPC and International Paper collectively referred hereafter as the "Parties"), this letter will document and confirm the agreement from International Paper Company that it will assume the cost and attendant expenses incurred by EKPC resulting from the necessity to design and rework the reboiler and reboiler controls, the "Project" that will be initiated and expended by EKPC during the IP outage during the months of July and August of 2018 in order to satisfactorily provide steam service to International Paper.

As you know, Amendment No. 1 effectively extends the Term of the Steam Service Agreement until February 1, 2022. Amendment No. 1 also adopts, restates, and reiterates the terms, conditions, and provisions of the Steam Service Agreement. Article II of that latter agreement provides that EKPC will design and construct all necessary systems and control facilities required to deliver steam to International Paper. That same article requires EKPC to disclose the details of the design, construction, and financing of those facilities to International Paper, which includes the Project. Article V of the Steam Service Agreement provides for a fixed facilities charge to be paid by International Paper in order to reimburse EKPC for the facilities designed and constructed by EKPC at its plant site to satisfactorily and adequately serve International Paper.

In order to reimburse EKPC for the Project, the details of which International Paper has reviewed and hereby acknowledges is necessary for the provision of steam to its site, International Paper agrees to pay EKPC a fixed facilities charge. The total capital investment is estimated to be \$2,925,030 and yields an estimated facilities charge of \$77,100.53 per month. EKPC agrees that IP will not be responsible for capital investments in the Project that are greater than 120% of the estimate. The final fixed facilities charge shall include the monthly amount necessary to permit EKPC to recover all costs normally capitalized by EKPC in regard to the design and construction activities, which shall include but are not limited to: the actual design and construction costs, including direct contract cost, interest during construction, direct labor, material, and other items which are expended in the construction of the facilities, including the Project, and are provided by EKPC such as all applicable federal, state, and local taxes and insurance that are assessed or charged to EKPC directly as a result of the construction costs and actual facilities charge shall be determined by the Pa

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PUBLIC SERVICE COMMISSION**

**Cayeta R. Pinson
Executive Director**

Cayeta R. Pinson

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PURSUANT TO 807 KAR 5:011 SECTION 9.11

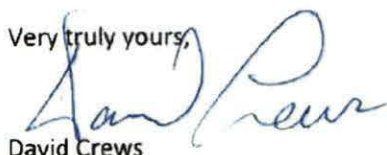
4775 Lexington Road 40391 Tel. (859) 744-4812
P.O. Box 707, Winchester. Fax: (859) 744-6008
Kentucky 40392-0707 <http://www.ekpc.coop>

the Project. The Parties agree that the monthly fixed facilities charge for the Project shall be determined by amortizing the total costs described above with a 4.5% interest rate over a period, beginning September 1, 2018 and ending on January 1, 2022. Said charges shall be paid in accordance with the terms and conditions of the Steam Service Agreement. The Parties agree that any future maintenance, local property taxes and insurance costs associated with the Project will be billed and paid annually on an as-occurrence basis.

Please confirm your understanding and agreement to the foregoing terms by having and authorized representative from International Paper sign below.

Thank you for your consideration and commitment to the above.

Very truly yours,



David Crews

Sr. Vice President, Power Supply

International Paper Understands and Agrees to the Foregoing terms set forth in this letter:

By:



Its: DIRECTOR, ENERGY & RAW MATERIALS

Date:

3/4/18

cc:

Mr. Metrick Houser
International Paper Company
Director, Raw Materials and Energy Sourcing
6400 Poplar Avenue
Memphis, Tennessee 38197

Mr. Doug Wadley
International Paper Company
Maysville Mill Manager
1241 West 2nd Street
Maysville, Kentucky 41056



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Gwen R. Pinson
Executive Director



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A Touchstone Energy Cooperative 