

THIS AGREEMENT, made as of January 13, 1970, between EAST KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION (East Kentucky) and KENTUCKY UTILITIES COMPANY (Kentucky Utilities),

W I T N E S S E T H:

WHEREAS, pursuant to an agreement entered into between East Kentucky and Kentucky Utilities (sometimes severally referred to herein as "Party" and collectively as "Parties") on February 1, 1954, and a subsequent agreement entered into between the Parties on August 7, 1963, with the Supplemental Agreement dated October 27, 1964, the electric systems of the Parties have been interconnected and

WHEREAS it is desirable that such interconnection be continued,

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 Except as hereinafter provided, this agreement shall be binding upon the Parties hereto for a period of ten (10) years beginning February 1, 1974, 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, four (4) years prior to the expiration date of the original term, or any subsequent term.

1.02 Section 4.03 shall become effective upon execution of this agreement.

ARTICLE II

DEFINITIONS

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

2.02 Party(ies) means either and/or East Kentucky and Kentucky Utilities.

2.03 Combined System(s) means the interconnected transmission systems of the Parties.

2.04 KIP Agreement means the Kentucky-Indiana Pool Planning and Operating Agreement by and among Indianapolis Power & Light Company, Kentucky Utilities Company and Public Service Company of Indiana, Inc., dated September 5, 1968, as amended from time to time.

2.05 Contract Power is power and energy reserved for periods of 12 months, as near firm capacity which one Party has requested the other Party to supply, and the other Party has agreed to sell four (4) years in advance of any delivery thereof, as set forth in Service Schedule A.

2.06 Short Term Power is the power purchased by one Party from the other for periods of not less than one calendar week when scheduled as set forth in Service Schedule B.

2.07 Firm Power Sale means sale and delivery of power in kilowatt hours per hour by one Party to the other Party or to a third Party, pursuant to contract requiring the supplying Party at all times to provide reserve capacity equal to that normally provided for its own customers, exclusive of customers with interruptible service contracts.

2.08 Firm Power Purchase means purchase and receipt of power in kilowatt hours per hour by one Party from the other Party or from a third party, pursuant to contract requiring the supplier at all times to provide reserve capacity equal to that normally provided for its customers, exclusive of customers with interruptible service contracts.

2.09 Near Firm Power Sale is comparable to Firm Power Sale except that the reliability is that normally expected of a single generating unit.

2.10 Near Firm Power Purchase is comparable to Firm Power Purchase except that the reliability is that normally expected of a single generating unit.

2.11 Coordination Power is the power which Kentucky Utilities must purchase from or sell to the other companies in accordance with the KIP Agreement wherein such exchange is the method of equalizing reserves.

2.12 Peak System Load of a Party means 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 each hour to supply its own loads and firm power sales to others, including system losses but excluding generating station use. The purchase and sale of Coordination Power will not be considered as firm sale or firm purchase for the purpose of determining the Peak System Load.

2.13 Minimum Capacity Requirement is the Party's Peak System Load, less firm power purchases from others, plus the Party's reserve capacity responsibility.

2.14 Net Generating Capability means, when applied to any thermal electric generating unit (or combination of units), the maximum dependable load carrying ability in kilowatt hours per hour (excluding capacity required for station use) of such unit (or combination of units) as determined by mutual agreement of the

Administrative Committee, applying generally accepted engineering principles, and means when applied to any hydroelectric generating unit (or combination of units) the dependable load carrying ability in kilowatt hours per hour (excluding capacity required for station use) of such unit (or combination of units) on the appropriate load curve as determined by mutual agreement of the Administrative Committee, applying generally accepted engineering principles.

2.15 System Capability of a Party means the total of the net capabilities of its generating units (as defined in Section 2.14) plus the capacity of near firm purchases adjusted for Coordination Power (as provided in Section 5.03), or its equivalent.

2.16 Spinning Reserve is defined as the excess of net generating and purchase capability in kilowatts in operation on the combined systems at any time (including quick start generation and loads which can be promptly interrupted in accordance with contractual arrangements) over the load in kilowatts supplied by the combined system at that time. The criteria for quick start generation and loads which can be promptly interrupted shall be established by the Administrative Committee.

2.17 Unintentional Energy is the energy which may be exchanged between the systems of the Parties as a result of inherent limitations of the equipment used to control the supply of energy to the combined system.

2.18 Economic Dispatch Program means a computerized program which dispatches on-line electric generating units so as to supply the combined system demand plus spinning reserve at the lowest cost for the combined system.

2.19 Unit Commitment Program means a computerized program which schedules the running of the electric generating units available to the combined system so as to provide for the supply of the forecast power and energy requirements plus spinning reserve at the lowest cost for the combined system.

2.20 Uncontrollable Forces for the purpose of this agreement mean earthquake, storm, lightning, flood, backwater caused by flood, fire, explosion, epidemic, accident, failure of facilities not due to lack of proper care or maintenance, war, riot, civil disturbances, strike, labor disturbances, sabotage, national emergency, restraint by court or public authority, or other similar or dissimilar causes beyond the control of the Party affected, which causes such Party could not have avoided by exercise of reasonable care and foresight and by provisions of reserve facilities in accordance with good practice.

ARTICLE III

ADMINISTRATION AND ORGANIZATION

3.01 The coordination of all combined system 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 combined system.
- (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.
- (h) Agree on the determination of resources acceptable for computation of minimum capacity requirement of the Parties.

The Administrative Committee shall appoint one of its members as chairman each year and shall alternate chairmen between the Parties. Unless otherwise agreed by the Committee, the meetings shall be held at least four times each calendar year 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.

The Administrative Committee shall regularly review predicted combined system capacity, reserve margins and adequacy of generation and transmission facilities of the Parties in the light of long range load forecasts, and make recommendations to the respective managements of the Parties as to the best means of achieving an adequate margin of reserve capacity for the combined system and providing necessary interconnected system transmission facilities. The recommendations for generating or purchase capacity additions or retirements on the system of Kentucky Utilities must have prior approval of the other parties to the "KIP Agreement."

Administrative Committee, applying generally accepted engineering principles, and means when applied to any hydroelectric generating unit (or combination of units) the dependable load carrying ability in kilowatt hours per hour (excluding capacity required for station use) of such unit (or combination of units) on the appropriate load curve as determined by mutual agreement of the Administrative Committee, applying generally accepted engineering principles.

2.15 System Capability of a Party means the total of the net capabilities of its generating units (as defined in Section 2.14) plus the capacity of near firm purchases adjusted for Coordination Power (as provided in Section 5.03), or its equivalent.

2.16 Spinning Reserve is defined as the excess of net generating and purchase capability in kilowatts in operation on the combined systems at any time (including quick start generation and loads which can be promptly interrupted in accordance with contractual arrangements) over the load in kilowatts supplied by the combined system at that time. The criteria for quick start generation and loads which can be promptly interrupted shall be established by the Administrative Committee.

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2.18 Economic Dispatch Program means a computerized program which dispatches on-line electric generating units so as to supply the combined system demand plus spinning reserve at the lowest cost for the combined system.

2.19 Unit Commitment Program means a computerized program which schedules the running of the electric generating units available to the combined system so as to provide for the supply of the forecast power and energy requirements plus spinning reserve at the lowest cost for the combined system.

2.20 Uncontrollable Forces for the purpose of this agreement mean earthquake, storm, lightning, flood, backwater caused by flood, fire, explosion, epidemic, accident, failure of facilities not due to lack of proper care or maintenance, war, riot, civil disturbances, strike, labor disturbances, sabotage, national emergency, restraint by court or public authority, or other similar or dissimilar causes beyond the control of the Party affected, which causes such Party could not have avoided by exercise of reasonable care and foresight and by provisions of reserve facilities in accordance with good practice.

ARTICLE III

ADMINISTRATION AND ORGANIZATION

3.01 The coordination of all combined system 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.

Each Party shall supply to the Administrative Committee at least one month in advance of the last quarterly meeting each year, monthly load and capability forecast for its system in such form as the Administrative Committee may specify, for a period of forty-eight (48) months in advance or for such other period in advance as may be agreed upon by said Committee.

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 another 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 overall supervision of the dispatching of the combined 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 combined transmission system so as to equitably maintain high standards of continuity and service to 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 combined system.
- (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 In order to achieve satisfactory operation of the combined systems under the principles of interconnected system operation set forth by national and regional groups with which the Parties are interconnected, the Parties agree to operate their combined generation and transmission facilities as one control area, with each system supplying an amount equal to its own requirements and contributing jointly the generator regulation necessary for the correction of load and frequency variations. The combined systems shall be operated under automatic control of a common dispatch facility which, unless otherwise agreed, will be the Kentucky Utilities existing facility at Dix Dam, expanded as necessary to provide control of the East Kentucky units.

The Parties agree to install the following equipment as a condition to the joint operation of the combined system, unless, prior to July 1, 1970, the Parties reach agreement on an alternate arrangement of equipment to accomplish the intended purpose of the following:

- (a) Each Party shall install, operate and maintain the necessary equipment at its generating stations and interconnections with third parties to measure the net kilowatt output of its generators and the kilowatt flow in each direction at said interconnections and to transmit to Dix Dam the results of said measurements as required for automatic system control, and shall provide control facilities between Dix Dam and each of its generating units.
- (b) East Kentucky will provide necessary equipment to meter and transmit to the Dix Dam Dispatching Center a continuous indication of its kilowatt loads connected to the Kentucky Utilities transmission system, and an hourly indication of the kilowatt hours per clock hour of those loads.
- (c) Kentucky Utilities will provide necessary equipment to meter and transmit to the Dix Dam Dispatching Center a continuous indication of its kilowatt loads connected to the East Kentucky transmission system, and an hourly indication of the kilowatt hours per clock hour of those loads.
- (d) East Kentucky and Kentucky Utilities shall share equally all cost and expenses to provide the necessary equipment to meter and transmit to the Dix Dam Dispatching Center a continuous measure of the kilowatt power flows through all interconnecting points between the two systems, and an hourly integrated kilowatt interchange at those points.

East Kentucky shall furnish, install and own such new equipment at the Dix Dam Dispatch Center, together with any computer programming cost, that is required for the purpose of automatically controlling East Kentucky's generators in the absence of economic dispatch. East Kentucky shall also pay for such revisions and/or modifications to Kentucky Utilities existing equipment which are required for East Kentucky purposes. Kentucky Utilities shall pay for such revisions and/or modifications to its existing equipment which are required for their purposes. Any cost for the expansion of the Dix Dam Dispatch Center building shall be shared equally by both parties.

4.04 Each Party agrees that its obligation to the combined system will be such that its total deliveries of power and energy to the combined system 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 receipts from other systems not parties to this agreement, both adjusted for combined system power and energy losses and spinning reserves, as agreed to by the Operating Committee.

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. If, and until such time as an economic dispatch program is adopted, the 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. Unless otherwise agreed, each Party shall install suitable metering equipment adjusted to correctly measure:

- (a) The net output of its generators.
- (b) The power and energy flowing on its interconnections with others.
- (c) Its delivery from the combined transmission system to its respective load centers.

4.05 Each Party shall schedule outages of its generating or transmission facilities for maintenance at times to be agreed upon by the Operating Committee. It is recognized that, before Kentucky Utilities can make a definite commitment to a specific generating unit maintenance schedule, Kentucky Utilities must, as a party to the KIP Agreement, secure concurrence thereon from the other parties to that agreement. 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, near firm and Coordination Power purchases and its load (including sales to others) 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.

4.06 During outages of generating facilities not scheduled as provided in Section 4.05 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 uncontrollable forces 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 (including sales to others), supply power and energy to the Party suffering such emergency in a manner necessary to meet the needs of the situation.

Neither Party shall be obligated to deliver emergency power or energy, if in its sole judgment it cannot do so without interposing a hazard to or an economic burden upon its operations and without impairing or jeopardizing

the other load requirements of its system; and furthermore, neither Party shall be obligated to deliver emergency energy to the other Party for a period in excess of forty-eight (48) consecutive hours during any single emergency.

Emergency energy shall be settled for by the return of equivalent energy, at such time as the load condition of the Party receiving it is equivalent to the load condition of the Party at the time the emergency energy was delivered. The Party receiving the equivalent energy may elect to have it returned under different conditions, or in different amounts, with the conditions to be agreed upon by the Operating Committee.

In lieu of return of equivalent energy, the Party receiving same may, with the approval of the other Party, pay for such emergency energy at out-of-pocket cost in accordance with Service Schedule C.

4.07 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.

4.08 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.

4.09 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 flows between the Parties.

4.10

- (a) With the exception of facilities to be installed pursuant to the provisions of Section 4.03 of this Article IV, 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 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.
- (e) In the event of the determination of need for installation of facilities to be used by both Parties, then by mutual consent the Parties will share equally in the cost of such joint facilities.

4.11 The spinning reserve requirement for the combined system shall be determined and agreed upon from time to time by the Administrative Committee. The proportionate share of spinning reserve for each Party shall be determined by the Administrative Committee. In such determinations said Committee shall take into consideration idle generating capacity of the Parties which can be quickly started and their loads which can be promptly interrupted, in accordance with contractual arrangements, in emergencies so requiring, giving consideration to criteria adopted by such regional coordination groups to which the Parties belong. 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.

4.12 The Parties acknowledge that the operation of the production facilities of the Parties should be explored to provide the most efficient utilization of the generating units without regard to ownership, so as to produce and transmit the power and energy requirements of the combined system at the lowest practical overall cost. The Administrative Committee shall undertake suitable studies to determine the savings which may be realized by an economic dispatch program.

If it is agreed by the Parties that economic dispatch is to be instituted, then the Administrative Committee, after receiving direction from their respective Chief Executive Officers, shall proceed to implement the agreeable plan.

ARTICLE V

RESERVE REQUIREMENTS

5.01 It shall be the responsibility of each Party to provide its minimum capacity requirement to the combined system at all times, except as to a period referred to in the second succeeding paragraph.

The reserve capacity responsibility for East Kentucky shall be 15 percent of the net difference between its Peak System Load and its firm power purchases and the reserve capacity responsibility for Kentucky Utilities shall be 10 percent of the net difference between its Peak System Load and its firm power purchases, or such percentages as may be subsequently agreed upon by the Administrative Committee from time to time.

During the period following the scheduled commercial operating date of a Party's generating unit and before the actual date of commercial operation thereof, the said Party will be temporarily relieved of its obligation to provide the amount of reserve capacity required by the preceding paragraph of this Section 5.01. For the purpose of this paragraph, the parties generating unit as applied to Kentucky Utilities shall mean a generating unit on the system of Kentucky Utilities and such other systems as the City of Owensboro, Public Service of Indiana and Indianapolis Power & Light Company as these systems continue to operate under contracts which obligate Kentucky Utilities to purchase certain capacity and as these agreements are expanded to include additional parties or reduced below the above mentioned parties; the Party's generating unit as applied to East Kentucky shall mean a generating unit on the system of East Kentucky or such other systems with which East Kentucky may be connected and have contractual arrangements similar to those of Kentucky Utilities referred to in this paragraph.

Irrespective of the foregoing provisions of the preceding paragraph, during the period following the scheduled commercial operating date of a Kentucky Utilities generating unit and before the actual date of commercial operation thereof, Kentucky Utilities will offer to purchase from East Kentucky, during that period, such capacity as East Kentucky may have in excess of its minimum capacity requirement and as may be necessary to provide Kentucky Utilities' minimum capacity requirement.

5.02 In the event the load and capability forecast of a Party indicates that during some month such Party will not have adequate generating capability, plus near firm and Coordination Power purchases to meet its minimum capacity requirement as set forth in Section 5.01, such Party shall make arrangements for the installation of additional generation or 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.

5.03 From time to time it will be necessary for Kentucky Utilities to either purchase or sell Coordination Power. The Parties agree that Coordination Power which is purchased by Kentucky Utilities will be added to Kentucky Utilities' system capability and the capacity sold by Kentucky Utilities will be deducted from Kentucky Utilities' system capability as recognized by this agreement.

The Parties agree that in the event that East Kentucky enters into agreements involving the purchase or sale of capacity which would be classified as comparable to Coordination Power, that the capacity purchased by East Kentucky will be added to East Kentucky's system capability and the capacity sold by East Kentucky will be deducted from East Kentucky's system capability as recognized by this agreement.

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, 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 said 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, 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 The amount of Contract Power to be purchased by one Party from the other in any year shall be determined as follows:

- (a) On or before the day of the last quarterly meeting of the Administrative Committee each year, each Party shall estimate its expected minimum capacity requirement for the ensuing four (4) years as provided in Section 5.01.
- (b) In the event the minimum capacity requirement of one Party is in excess of that Party's projected net 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 or power from other sources in an amount equal to such deficiency.
- (c) In the event an offer is made to purchase Contract Power to satisfy all or a part of the anticipated deficiency, 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 a period of twelve months.

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

6.04 Energy. Energy supplied during scheduled maintenance outages pursuant to Section 4.05 shall be paid for by the receiving Party at out-of-pocket cost in accordance with Service Schedule C.

Energy supplied during emergencies pursuant to Section 4.06 shall, if not settled for by return of equivalent energy, be paid for by the receiving Party at out-of-pocket cost in accordance with Service Schedule C.

6.05 Unintentional Energy shall be returned by the receiving Party to the supplying Party as soon as practicable in accordance with the procedures as determined by the Operating Committee.

6.06 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 or procuring equivalent energy from other available sources, and which energy the Party is willing and able to sell and deliver to the other Party. Prior to scheduling deliveries of economy interchange, the Parties shall agree upon the hour-by-hour amounts of energy to be delivered.

The Party receiving economy energy shall pay the supplying Party for economy interchange supplied each month in accordance with Service Schedule D hereof.

6.07 Short Term Power. The Parties hereto may from time to time purchase and sell to each other Short Term Power in accordance with the provisions of Service Schedule B hereof.

ARTICLE VII

TRANSMISSION FACILITIES

7.01 Each Party shall make available for the supply of power to the combined systems 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 combined transmission system, to connect its new or increased loads to the combined transmission system, and to connect 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 combined transmission system.

The Parties shall make available to the Administrative Committee on or before the first meeting in each calendar year, its proposed plan for construction of transmission and substation facilities for study and coordination by the Administrative Committee. At intervals not to exceed two years, detailed transmission planning studies of the combined system shall be arranged for by the Administrative Committee. These studies are to be reduced to a formal report including alternative plans for at least two future load levels (probably 5 and 10 years) or such comparable levels as may be determined by the Committee. The studies shall include analysis of normal and emergency power flows, generator and system stability, short circuit duties, relay coordination, generation reserve, interconnection capability, and additional items as deemed necessary and/or appropriate by the Administrative and/or Operating Committees. The costs for the studies shall be shared in a manner agreed to in advance by the Administrative Committee. In the event such studies indicate added transmission facilities and interconnections are desirable for future operations under this agreement, the Administrative Committee shall recommend in writing to the respective managements of the Parties the facilities to be provided, the in-service date and estimated cost of such facilities.

7.03 During the term of this agreement, power and energy shall be supplied to the load centers shown on Exhibits B and C hereto attached as these lists shall be modified from time to time, to provide for additional East Kentucky 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 B 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 kilowatt hour so delivered. Said payments by Kentucky Utilities shall be based upon the registration of kilowatt hour 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 C 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 combined 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 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 notices 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 if test or inspection 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.

9.03 If and when economic dispatch is adopted, the Administrative and/or Operating Committees shall have full access to all information applicable to the operation of the Dispatch Center.

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 Each Party shall exercise reasonable care and foresight to maintain continuity of service in the delivery and receipt of energy as provided under this agreement, but no Party shall be considered to be in default in respect of any obligation hereunder if prevented from fulfilling such obligation by reason of uncontrollable forces. Any Party unable to fulfill any obligation by reason of uncontrollable forces shall 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 affect thereof are subject to the approval of the Administrator of the REA and any regulatory bodies having jurisdiction.

IN WITNESS WHEREOF,

EAST KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION

By Albert S. Dickson

Title Vice-President

Address Winchester, Kentucky

Attest:

James S. Patton
Secretary

KENTUCKY UTILITIES COMPANY

By W. A. Duncan

Title PRESIDENT

Address 120 South Limestone Street
Lexington, Kentucky 40507

Attest:

John Newton
Secretary

Approved: Harold E. Kelley
PUBLIC SERVICE COMMISSION
OF KENTUCKY

Date 4-3-1970

Approved: _____
ADMINISTRATOR OF REA

Date _____

EXHIBIT B

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

Boston

Cave City

Columbia

Falmouth

Horse Cave

Hunters Bottom

Liberty

Mackville

Mundfordville

Owingsville

Russell Springs

Whitley City

EXHIBIT C

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

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

SERVICE SCHEDULE A

CONTRACT POWER

Under Agreement dated as of January 13, 1970, between
East Kentucky Rural Electric Cooperative Corporation
and
Kentucky Utilities Company

SECTION 1 - DURATION

- 1.1 This Service Schedule, a part of and under agreement (referred to in this Schedule as the Agreement), dated as of January 13, 1970, between East Kentucky Rural Electric Cooperative Corporation (East Kentucky), and Kentucky Utilities Company (Kentucky Utilities), shall become effective concurrently with the effective date of the agreement and shall continue in effect throughout its duration.

SECTION 2 - SERVICES TO BE RENDERED

- 2.1 Contract Power may be made available by one party to the other party in accordance with Article VI of this Agreement.

SECTION 3 - COMPENSATION

- 3.1 Payment for contract power shall be predicated upon the following rates:

- 3.11 Demand Charge
\$16.80 per kilowatt for a 12 consecutive month period payable at the rate of \$1.40 per kilowatt per month.
- 3.12 Energy Charge
2.5 mills per kilowatthour
- 3.13 Adjustments for
Fuel Cost
If the average cost of fuel consumed by the Supplying Party's steam generating stations is in excess of, or less than 21.0 cents per million BTU, as determined from the said Party's three most recent Monthly Operating Reports available, prior to the months of January, April, July, and October, an additional charge or credit at the rate of .0011 cent per kilowatt hour for each one-tenth cent or fraction thereof variation in the cost of fuel above or below 21.0 cents per one million BTU will be made on the kilowatt hours purchased by the Receiving Party during the month for which the billing is rendered.

3.14 Minimum Bill

The annual Minimum Bill payable during each of the 12-month periods established in accordance with Article VI shall be \$16.80 per kilowatt of capacity which each party agrees to purchase during each 12-month period.

SERVICE SCHEDULE B

SHORT TERM POWER

Under Agreement dated as of January 13, 1970, between
East Kentucky Rural Electric Cooperative Corporation
and
Kentucky Utilities Company

SECTION 1 - DURATION

- 1.1 This Service Schedule, a part of and under agreement (referred to in this Schedule as the Agreement), dated as of January 13, 1970, between East Kentucky Rural Electric Cooperative Corporation (East Kentucky), and Kentucky Utilities Company (Kentucky Utilities), shall become effective concurrently with the effective date of the Agreement and shall continue in effect throughout its duration.

SECTION 2 - SERVICES TO BE RENDERED

- 2.1 A Party by giving the other Party notice may reserve for periods of not less than one calendar week, if the reservation begins with Sunday or Monday, or for the balance of the calendar week if the reservation begins with any day subsequent to Monday, such electric power (herein called Short Term Power) as the other Party may at such time have and is willing to make available as Short Term Power. The Party asked to supply Short Term Power shall be the sole judge as to the amounts and periods that it has electric power available that may be reserved by the other party as Short Term Power.
- 2.11 To reserve Short Term Power, the Party desiring such power shall specify in its notice to the other Party the number of kilowatts and the period for which it desires to so reserve such power and the desired schedule of delivery of the power so reserved. The Party receiving such notice, in a prompt acknowledgment shall signify the extent of its ability and willingness to comply with the provisions of such notice. Any notice or any acknowledgment of such notice that may be given orally, if requested by either Party, shall be confirmed in writing and such confirmation shall be forwarded not later than the third day, excluding a Saturday, Sunday, and holidays, following the day such oral notice is given.
- 2.12 During the period that Short Term Power has been reserved as above provided, the Party having agreed to supply such power shall, upon call, deliver electric energy (herein called Short Term Energy) to the other Party at the delivery point or points and in amounts up to the number of kilowatts reserved. However, in the event conditions arise during such period which could not have been reasonably foreseen at the time said power was reserved and such conditions would cause the delivery of Short Term Energy to be burdensome to

the supplying Party, said Party shall have the right to request the other Party to reduce its take of such energy to any amount specified and for any portion of such period. The Party so requested shall promptly comply with the request of the other Party.

- 2.13 The Short Term Power billing demand for any period shall be taken as equal to the number of kilowatts reserved for such period as Short Term Power.

SECTION 3 - COMPENSATION

- 3.1 Payments for the supply of Short Term Power and Short Term Energy shall be predicated upon the following rates:

3.11 Demand Charge

For the billing demand for each week at the rate of \$0.35 per kilowatt for such week. In the event the amount of Short Term Energy taken is reduced upon request of the supplying Party, the demand charge for the period during which such reduction is made shall be reduced \$0.07 per kilowatt of reduction for each weekday (Monday through Friday) during which any reduction is in effect.

3.12 Energy Charge

For the kilowatt hours of Short Term Energy taken, at a rate per kilowatt hour equal to the Out-of-Pocket Cost, determined as provided in Schedule C, hereof.

SERVICE SCHEDULE C

ENERGY CHARGE FOR SHORT TERM, MAINTENANCE AND EMERGENCY SERVICE

BASED ON OUT-OF-POCKET COST

Under Agreement dated as of January 13, 1970, between
East Kentucky Rural Electric Cooperative Corporation
and
Kentucky Utilities Company

SECTION 1 - DURATION

- 1.1 This Service Schedule, a part of and under agreement (referred to in this Schedule as the Agreement), dated as of January 13, 1970, between East Kentucky Rural Electric Cooperative Corporation (East Kentucky), and Kentucky Utilities Company (Kentucky Utilities), shall become effective concurrently with the effective date of the Agreement and shall continue in effect throughout its duration.

SECTION 2 - ENERGY CHARGE

- 2.1 Energy Charge shall be determined as the out-of-pocket cost of producing energy in the generating stations of either Party, including incremental fuel, incremental operation, maintenance, administrative, and tax expense, and any purchase energy cost incurred by a supplying Party for a specific delivery of energy.
- 2.11 Incremental fuel expense shall be the incremental fuel cost per kilowatt hour calculated for the generating plants then in operation on the system of the supplying Party, plus fuel expense incurred in starting any generating units required to effect the specific delivery.
- 2.12 Incremental operation expense shall be the increased operating labor and material expense, including startup expense of additional generating units incurred in effecting the specific delivery.
- 2.13 Maintenance expense shall be one-half of the weighted average system production maintenance expense per net kilowatt hour for the supplying Party during the preceding calendar year.
- 2.2 Administrative expense shall be an allocation of 0.3 mill per kilowatt hour to cover accounting, administration, and billing expense.
- 2.3 Tax expense shall include only Federal, state, and local taxes payable directly in connection with the sale or production of the specific energy delivered.

- 2.4 If the energy requested by a Party is not available from the other Party's generating facilities and the supplying Party purchases the energy in order to make the delivery, the cost to the receiving Party for such energy will be the actual cost to the delivering Party of such purchased energy plus 7 percent for accounting, administration, and billing.

SERVICE SCHEDULE D

ECONOMY ENERGY CHARGE

Under Agreement dated as of January 13, 1970, between
East Kentucky Rural Electric Cooperative Corporation
and
Kentucky Utilities Company

SECTION 1 - DURATION

This Service Schedule, a part of and under agreement (referred to in this Schedule as the Agreement), dated as of January 13, 1970, between East Kentucky Rural Electric Cooperative Corporation (East Kentucky), and Kentucky Utilities Company (Kentucky Utilities), shall become effective concurrently with the effective date of the Agreement and shall continue in effect throughout its duration or until such time as the Parties begin a program of economic dispatch for the combined system.

SECTION 2 - ENERGY CHARGE

- 2.1 Energy charge shall be based upon the principle that the economic benefits from the transaction shall be divided as equally as practicable between the two Parties, commonly known as the split-savings principle.
- 2.2 Rate for energy charge shall be computed for each hour of transaction prior to the beginning of the hour by the system dispatchers or other representative of each Party, and the rate agreed upon at that time shall be the billing rate, computed as follows:

$$R = \frac{ACR + ACS}{2} + K + T$$

Where

R - Rate in mills per kilowatt hour

ACS - Average fuel cost to the supplying Party of generating an increased block of energy, based on that Party's total system incremental cost for its system configuration of generators and load levels for that hour including unit start-up costs, if any, expressed in mills per kilowatt hour.

ACR - Average fuel cost to the receiving Party of generating an equivalent block of energy in the absence of the proposed purchase, based on that Party's total system incremental cost for its system configuration of generators and load levels for that hour, expressed in mills per kilowatt hour.

- K - A constant representing average increased operation (exclusive of fuel) and maintenance expense to the supplying Party, determined annually by the Operating Committee or more frequently as mutually agreed, expressed in mills per kilowatt hour.
 - T - Any Federal, State, and local taxes payable directly in connection with the sale or production of economy energy, expressed in mills per kilowatt hour.
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