

AGREEMENT BETWEEN EAST KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION
AND LOUISVILLE GAS AND ELECTRIC COMPANY

THIS AGREEMENT, made as of August 14, 1968 between EAST KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION, a corporation organized and existing under the laws of the State of Kentucky (hereinafter called "East Kentucky"), and LOUISVILLE GAS AND ELECTRIC COMPANY, a corporation organized and existing under the laws of the State of Kentucky (hereinafter called "LG&E"),

W I T N E S S E T H:

WHEREAS, East Kentucky owns and operates electric generating plants, transmission lines, and other facilities and supplies electric power and energy to certain member cooperatives; and

WHEREAS, under a certain "Wholesale Power Contract" dated October 1, 1964, between East Kentucky and Salt River Rural Electric Cooperative Corporation, a member of East Kentucky (hereinafter called "Salt River"), East Kentucky supplies certain substations of Salt River and Salt River has contracted to purchase the power and energy requirements of all of its substations from East Kentucky under specified conditions; and

WHEREAS, LG&E owns and operates electric generating plants, transmission lines, and other facilities and has for a number of years supplied power and energy to Salt River's substations located in Bullitt County, Kentucky (presently four substations designated Shepherdsville, Mt. Washington, Brooks and Pleasant Grove) and wishes to continue to supply Salt River's substations in Bullitt County for a period of five years; and

WHEREAS, East Kentucky, under the terms and conditions hereinafter set forth, is willing to release Salt River from its obligations under the afore-said Wholesale Power Contract of October 1, 1964, to the extent necessary to

allow LG&E to continue to supply Salt River's Bullitt County substations for a period of five years; and

WHEREAS, the parties desire to enter into an arrangement whereby LG&E will transmit power and energy for East Kentucky to Salt River's Bullitt County substations at such time as East Kentucky becomes the supplier of such substations; and

WHEREAS, the transmission systems of both East Kentucky and LG&E interconnect with the system of Kentucky Utilities Company, and said Kentucky Utilities Company has indicated its willingness to transmit power and energy between the systems of East Kentucky and LG&E for the purposes of this agreement.

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

ARTICLE I

INITIAL AGREEMENT

1.01 Upon execution of this agreement, East Kentucky will undertake to amend the aforesaid Wholesale Power Contract with Salt River to authorize Salt River to enter into a service agreement with LG&E (hereinafter called LG&E Service Agreement) for the continued supply by LG&E to Salt River of the power and energy requirements of Salt River's aforesaid four substations and such additional substations as Salt River may construct in Bullitt County, Kentucky, for a period of five years from the date said LG&E Service Agreement is approved by the Administrator of the Rural Electrification Administration.

1.02 LG&E will with reasonable expediency construct such transmission lines as are necessary to provide two-way service to Salt River's Mt. Washington, Pleasant Grove and Brooks Substations.

1.03 The period during which the LG&E Service Agreement is in effect shall hereinafter be referred to as the "LG&E Supply Period", and the period within the term hereof subsequent to such LG&E Supply Period shall hereinafter be referred to as the "Transmission Service Period".

ARTICLE II

TRANSMISSION SERVICE

2.01 The parties agree that they will proceed at an appropriate time to make such arrangements as might be necessary with Kentucky Utilities Company to provide upon expiration of the LG&E Supply Period for the transmission of power and energy between East Kentucky's and LG&E's systems.

2.02 Should Kentucky Utilities Company at any time be unwilling to transmit power and energy between East Kentucky's and LG&E's systems without a transmission charge or should the parties subsequently desire to provide a direct interconnection between their respective systems, such interconnection shall be made near Salt River's Mt. Washington Substation by connection of a 69,000 volt line of East Kentucky extending from its Bloomfield-Taylorsville Station with a similar line of LG&E extending from its Watterson Substation or at such other location as may be agreed upon between the parties.

2.03 During the Transmission Service Period, power and energy (including losses and reactive power) necessary to supply Salt River's substations then connected to LG&E's transmission system or extensions thereto will be supplied by East Kentucky as specified in Section 2.01 or 2.02. LG&E agrees to transmit such power and energy during the Transmission Service Period to the aforesaid substations of Salt River for the account of East Kentucky. For the transmission of such energy to said substations East Kentucky will pay LG&E a transmission charge at the rate of 0.8 mill per kilowatt-hour so transmitted. Said payments

by East Kentucky shall be based upon the registration of the kilowatt-hour meters located at Salt River's substations. If such meters are placed on the low voltage side of such substations, adjustment will be made (as agreed upon by the Operating Committee) to convert the readings of such meters to reflect deliveries to the high voltage side of such substations.

2.04 East Kentucky shall furnish to LG&E an estimate of power and energy to be delivered by LG&E to Salt River's substations in accordance with practice and procedures to be established by the Operating Committee and shall schedule the delivery of such power and energy to LG&E, plus an adjustment for losses, in accordance with such estimates. For the purpose of determining the quantity of power and energy to be supplied by East Kentucky to LG&E, and for the purpose of subsequent settlements of energy transactions (but not for the purpose of calculating monetary compensation as provided in Section 2.03 above), transmission losses shall be assumed to be equal to one percent (1%) of the total kilowatt-hours delivered to the East Kentucky member substations, or such other percentage as shall be agreed upon by the Operating Committee. Any deviation between estimated deliveries and actual deliveries within a month shall be corrected by compensating adjustments in this schedule for the following month.

ARTICLE III

ORGANIZATION

3.01 Coordination of all the activities of the parties, pursuant to this Agreement, shall be carried on by, or under the direction of, the Operating Committee.

3.02 The Operating Committee shall consist of one representative and an alternate representative of each party. Each representative and alternate shall be a responsible person involved 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. Such other duties as may be necessary in the conduct of the Agreement and by the mutual agreement of the managements of the parties to this contract.

The Operating Committee shall meet as often as may be mutually agreed upon and at such time and places as may be agreed upon. All decisions or agreements of the Operating Committee shall be reduced to writing. Should the Operating Committee be unable to agree on any matter coming under its jurisdiction, such matter shall be referred to the managements of the parties for determination.

ARTICLE IV

FACILITIES

4.01 Should the parties interconnect their systems as provided for in section 2.02, East Kentucky shall install at its own expense, or reimburse LG&E its expense for installing, all necessary structures, oil circuit breakers, relaying, metering, communication and other equipment necessary to effect the interconnection of the systems.

4.02 LG&E will construct such extensions of its own transmission system as by mutual agreement may be reasonably necessary to serve additional substations of Salt River located within Bullitt County. In the event the parties cannot agree on the necessity or feasibility of such an extension, East Kentucky

may construct the extension at its own expense (and LG&E will permit the connection of such extension to its transmission lines) in which case East Kentucky will be relieved of 50% of the transmission charge as specified in Section 2.03 hereof, insofar as it pertains to the kilowatt-hours of energy delivered to that substation.

4.03 Upon termination of this agreement, LG&E may offer for sale and East Kentucky agrees to purchase, if offered, any of LG&E's facilities previously used to serve the substations of Salt River, which facilities are not otherwise required for the operation of its system. The price to be paid for such facilities shall be the depreciated net book value of such facilities on the records of LG&E.

ARTICLE V

OPERATIONS

5.01 During the LG&E Supply Period, should LG&E desire to take any of its facilities used directly for delivery of power and energy to Salt River out of service for maintenance or repair, it shall coordinate such outages directly with Salt River, and in such manner as to cause the least practical disturbance. During the Transmission Service Period LG&E shall coordinate such outages directly with East Kentucky.

5.02 During the Transmission Service Period, East Kentucky shall furnish to LG&E annually, on or before the anniversary date of such Transmission Service Period its projection of load requirements to be supplied over the LG&E transmission system for the succeeding three-year period.

5.03 During the Transmission Service Period each party will provide generating capacity on its own system or purchase capacity from other parties to maintain adequate capacity and reserves to supply its respective requirements.

ARTICLE VI

EMERGENCY SERVICE

6.01 During the Transmission Service Period, if a breakdown or other emergency in or on the system of either party involving either sources of power or transmission facilities, or both, impairs or jeopardizes the ability of the party suffering the emergency to meet the loads of its system, the other party shall, upon request, deliver such amounts of power and energy as may be required, if it can do so, in its sole judgement, without imposing a hazard to or economic burden upon its operations and without impairing or jeopardizing other load requirements of its system; and provided, further, that neither party shall be obligated to deliver energy for a period in excess of 48 consecutive hours during each single emergency.

6.02 Energy delivered under Section 6.01 above shall be settled for either by the return of equivalent energy or, at the option of the party that supplied such energy, by payment of the out-of-pocket cost to the supplying party plus 10% of such cost. If equivalent energy is returned, it shall be returned at times when the load conditions of the party receiving it are substantially equivalent to the load conditions of such party at the time the energy was delivered or, if such party elects to have such energy rendered under different conditions it shall be rendered in such amounts to be agreed upon by the Operating Committee as will compensate for the difference in conditions.

6.03 If the period of emergency extends beyond 48 hours or if requested by either party prior thereto, the supplier, at its sole option, may supply power in the amount requested to the extent that the other load requirements of its system are not impaired or jeopardized. The receiving party shall pay the supplying party for such power and energy at a rate of \$0.06 (6¢) per week

day (Monday through Friday) per kilowatt of capacity so scheduled plus a rate per kilowatt-hour of energy supplied equal to out-of-pocket cost plus 10% of such cost.

6.04 For any period during which LG&E is supplying power and energy to East Kentucky under the provisions of this Article VI, East Kentucky shall continue to pay the transmission charge specified in Section 2.03 for deliveries to those Salt River Substations to which such transmission charge is applicable.

6.05 The term "out-of-pocket cost" as used herein shall have the following meaning: Out-of-pocket cost of generating energy in the generating stations of the system of either party consists of fuel, taxes, and other expenses which are incurred by the supplying system directly by reason of its generation of such energy and which otherwise would not have been incurred by such system. Such operating expenses, under usual circumstances, will include the incremental production expense incurred in the production of the energy so furnished. Incremental production expense associated with the production of such energy will be influenced by the class of generating station used for such purpose. If the station used is normally operating and carrying load, the incremental expense will be the fuel expense plus appropriate allowances for maintenance and for incremental operating labor. The appropriate per kilowatt-hour allowance for maintenance under such circumstances will be one-half of the weighted average per kilowatt-hour cost (expressed in mills per kilowatt-hour of net generation) incurred at such station for maintenance during a representative period such as an annual period next preceding the month that such production occurred. If the station or part thereof used would otherwise be 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. Out-of-pocket cost of energy purchased from a source outside the system of the supplying party consists of the total amount paid therefor by the supplying party which otherwise would not have been paid by such party. Tax expenses will be the expenses that are payable as taxes either in connection with the sale or production of such energy.

6.06 Except as otherwise agreed by the Operating Committee all transactions provided for under this Article VI shall be confirmed in writing between parties no later than three days following the end of the emergency.

ARTICLE VII

METERING

7.01 During the Transmission Service Period, electric power and energy supplied and delivered at any point of interconnection which may be established between the systems of the two parties hereto shall be measured by suitable metering equipment (including provision for telemetering as required) provided, owned and maintained by East Kentucky. Such metering will indicate for each direction of flow the following quantities:

- a. A continuous one-hour integrated kilowatt demand.
- b. A continuous record of the kilowatt-hours.

7.02 During the Transmission Service Period suitable metering equipment will be installed, operated, and maintained by East Kentucky at the distribution stations of Salt River.

7.03 Metering equipment will be tested by East Kentucky at suitable intervals to maintain accuracy in accordance with good practice. On request of LG&E special tests may be made at LG&E expense. Representatives of both parties shall be afforded the opportunity to be present at all tests. If any tests of the aforesaid metering equipment shall disclose an inaccuracy

exceeding 2%, adjustments to correct such inaccuracy shall be made by one of the two following methods:

- a. For the period that such inaccuracy may be determined to have existed; or
- b. If not known, such period of inaccuracy shall be assumed to be one-half of the interval since the last preceding test.

ARTICLE VIII

BILLINGS AND PAYMENTS

8.01 All bills for amounts owed by one party to the other shall be due and payable on the fifteenth day of the month next following the monthly or other period to which such bills are applicable, or on the tenth day following receipt of bill, whichever date be later. Interest on unpaid amounts shall accrue at the rate of six percent per annum from the date due until the date upon which payment is made. Unless otherwise mutually agreed upon, a calendar month shall be the standard monthly period for the purposes of settlements under this agreement.

ARTICLE IX

TERM

9.01 This agreement shall become effective on the date of approval by the Administrator of the Rural Electrification Administration of the United States of America, and shall extend for a period of 10 years from such date and for additional periods of one year each unless or until written notice of intent to terminate is given by one party to the other at least two years prior to the expiration of the aforesaid 10-year period or of any subsequent yearly period.

9.02 Nothing in this Agreement shall require or imply any obligation on the part of either party to generate or transmit any power for the benefit of the other party except as specifically provided for herein.

ARTICLE X

UNCONTROLLABLE FORCES

10.01 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, interference by third parties, 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 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 XI

NOTICES

11.01 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, or his successor, 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.

11.02 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 XII

SUCCESSORS AND ASSIGNS

12.01 This Agreement is not assignable by a party without the consent, in writing, of the other party hereto, except to the Government of the United States

or in connection with the sale of a substantial portion of its properties including its high-voltage transmission facilities.

12.02 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 XIII

APPROVALS AND REGULATORY JURISDICTION

13.01 This Agreement is made subject to the approval of the Rural Electrification Administration with respect to East Kentucky; and to the regulatory jurisdiction of any regulatory authority or authorities having jurisdiction in the premises.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers.

EAST KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

By Alvin B. Decker

Title President

Address P.O. Box 707

Winchester, Kentucky

Attest:

James Patterson
Secretary

LOUISVILLE GAS AND ELECTRIC COMPANY

By Baldwin Miller (RLP)

Title President

Address 311 West Chestnut Street

Louisville, Kentucky

Attest:

S. J. Co...
Secretary