Chris Hermann
Vice President & General Manager
Wholesale Electric Business

Louisville Gas and Electric Company
220 West Main Street
P.O. Box 32010
Louisville, Kentucky 40232
502-627-2703

October 27, 1994

Roy M. Palk
President and Chief Executive Officer
East Kentucky Power Cooperative, Inc.
4758 Lexington Road
P.O. Box 707
Winchester, KY 40392-0707

Dear Mr. Palk:

This letter confirms our respective companies' agreement for Louisville Gas & Electric Company (LG&E) to sell, and for East Kentucky Power Cooperative, Inc. (EKPC) to purchase, power and energy in the form of interruptible system capacity. In consideration of the mutual agreements set forth herein, and subject to the provisions of the Limited Term Schedule of the Interconnection Agreement between LG&E and EKPC dated August 14, 1968, as supplemented by Supplement No. 7 to the Interconnection Agreement dated April 17, 1989, and as may be further supplemented or amended ("Interconnection Agreement"), it is understood and agreed that:

1. All references in this Agreement to the "Gallatin Service Agreement" refer to an Agreement between EKPC, Owen Electric Cooperative, and Gallatin Steel Company ("Gallatin") dated October 27, 1994 for the provision of electric service to Gallatin's plant in Gallatin County, Kentucky. All definitions contained in the Gallatin Service Agreement shall apply to any relevant terms contained in this Agreement.

2. During Phase I of the Gallatin Service Agreement, LG&E will sell and EKPC will purchase the power required to meet fifty percent (50%) of the electric arc furnace load in Phase I, which will be up to fifty thousand kilowatts (50,000) of demand and associated energy. Such power shall be fully interruptible as set forth in sections seven (7) and eight (8) of this Agreement. The minimum monthly demand for billing purposes will be fifty percent (50%) of the maximum demand established for the duration of the contract.

3. If there is a Phase II of the Gallatin Service Agreement, LG&E will sell and EKPC will purchase the power required to meet fifty percent (50%) of the electric arc furnace load in Phase II, which will be up to an additional fifty thousand kilowatts (50,000) of demand and associated energy. Such power shall be fully interruptible as set forth in sections seven (7) and eight (8) of this Agreement. The minimum monthly demand for billing purposes will be fifty percent (50%) of the maximum demand established for the duration of the contract.

APPENDIX I — LG&E AGREEMENT

4. The Billing Demand will be computed based on the meter readings recorded during on-peak and off-peak periods defined as follows:

   - **Summer Peak Period** is defined as weekdays from 9:00 a.m. ET to 11:00 p.m. ET during the months June through August.

   - **Winter Peak Period** is defined as weekdays from 6:00 a.m. ET to 10:00 p.m. ET during the months December through February.

   - **Spring and Fall Peak Periods** are defined as weekdays from 9:00 a.m. ET to 10:00 p.m. ET during the months of March through May and September through November.

   - **Off-Peak Period** is defined as all hours not defined as peak hours.

   * ET Eastern Time is defined as the prevailing time for designated period.

   The Billing Demand will be equal to the greater of the on-peak demand or 83.33% of the off-peak demand.

   Under normal LG&E operating conditions, EKPC may exceed the peak period demand by 20 percent during off-peak periods. During unusual utility operating conditions, LG&E will notify EKPC with as much advance notice as is practicable, but at least 48 hours in advance if possible, if LG&E cannot supply the 20 percent off-peak increment. During those times when LG&E has notified EKPC of such operating condition, EKPC will maintain its loads within the previously established peak period amount.

EKPC will pay the following charges for service pursuant to this Agreement.

a. Demand charges will be based on an integrated clock-hour, and the demand charges per kilowatt month for each year of service shall be as follows:

   Phase I

1995 -- $3.75	2000 -- $5.37
1996 -- 4.03	2001 -- 5.77
1997 -- 4.33	2002 -- 6.19
1998 -- 4.65	2003 -- 6.65
1999 -- 5.00	2004 -- 7.15

b. During the operation of Phase II, should it come on line, the demand charges, as outlined above, associated with the Phase II incremental interruptible load will be allocated on a split demand/energy basis. During Phase II, the split allocation will apply only to the demand and associated energy related to the Phase II incremental interruptible load, i.e., any demand in excess of the highest peak demand established during Phase I.

   For these increments, the demand charges as outlined above will be reduced by fifty percent, and the remaining fifty percent will be allocated as an adder to the energy charge for the energy associated with this incremental demand. For billing purposes, the energy charge adder for the Phase II increment will be determined assuming a monthly load factor equal to the average monthly load factor for the Gallatin Steel mill for the preceding twelve (12) months times seventy percent (70%).

c. In addition to the above charges, the energy charge per kilowatt hour shall be LG&E's incremental system costs plus ten percent (10%).

5. The point of delivery for the power and energy sold under this Agreement shall be the LG&E/Kentucky Utilities Company ("KU") interface and/or the LG&E/EKPC interface. EKPC shall arrange and pay all charges if any for the wheeling of such power and energy over the KU transmission system from the LG&E/KU interface to the Gallatin Steel substation.

6. LG&E will be responsible for following one-half (1/2) of Gallatin's furnace load during both Phase I and Phase II of the Gallatin Service Agreement. In following this load LG&E shall receive information regarding the furnace load provided by EKPC, and shall utilize this information in the process of regulating the production of its generating facilities. LG&E's one-half (1/2) share of the furnace load shall be determined by measurements made by telemetry equipment jointly selected by the parties and installed by EKPC for the purpose of monitoring and measuring the Gallatin furnace load. LG&E shall be responsible for one-half (1/2) of the costs of purchasing, installing, and maintaining the telemetry equipment, and for all costs of providing the required communications between the Gallatin' Steel substation and LG&E's energy control center.

7. Interruptions of service shall not exceed five hundred (500) hours in any calendar year, or more than fourteen (14) hours duration per interruption. Interruptions shall be as called for at LG&E's option, including but not limited to such reasons as: when interruption is necessary to prevent an interruption of service to firm, native load customers or current firm off-system customers; when circumstances exist whereby LG&E's system security, integrity or reliability could be affected;

or for any economic or business reasons. LG&E shall give EKPC no less than ten (10) minutes prior notice of an interruption.

Should EKPC not interrupt service when or to the extent called for, EKPC shall be billed for each such occurrence a penalty of $17.88 per kilowatt of demand in excess of the amount not interrupted at the time of such occurrence. Failure to interrupt may result in LG&E's sole option in the termination of this Agreement.

8. Whenever it becomes necessary for LG&E to interrupt EKPC's load pursuant to this Agreement, LG&E shall at EKPC's request use its best efforts to obtain replacement power and to offer EKPC replacement power for the load that would have otherwise been interrupted. The price of the replacement power shall be based on LG&E's out-of-pocket costs of either generating the replacement power on its system or purchasing it from another utility, plus transmission, administration and other costs at the time EKPC purchases replacement power. If EKPC is offered the option and elects to purchase replacement power rather than be interrupted, LG&E will still be responsible for the load following for that portion of the Gallatin electric arc furnace load so provided. The hours that such replacement power is purchased will be considered a period of interruption for determining the maximum hours of interruption permitted.

   LG&E's electric load dispatcher will, at the time of the notice to interrupt, notify EKPC's electric load dispatch office as to the availability of replacement power and, if replacement power is available, will quote a firm price for replacement power in dollars per MWH. An assessment of the availability of replacement power will be made each hour thereafter, and a new price quotation will be given for any hours that replacement power is available. The price quoted for replacement power will apply to all energy consumed for that hour above the level of interruption.

9. LG&E shall be responsible for compliance with all applicable environmental regulations relevant to the production of the power and energy that is the subject of this Agreement, including the provision of any necessary emission allowances required by potential reauthorizations of the Clean Air Act without substantive changes.

10. Duties and obligations regarding billing, payment and billing disputes shall be as described in the Interconnection Agreement.

11. The Force Majeure Section 6.F of the Gallatin Service Agreement, and all "Force Majeure" and "Uncontrollable Forces" provisions of the Interconnection Agreement shall apply in full to this Agreement.

12. This Agreement shall commence upon notice by Gallatin Steel that commercial operation of the Gallatin Plant has been accomplished, but in no event shall that be later than June 1, 1995. The Agreement shall be in effect for an initial term of ten (10) years from the date of commercial operation. This Agreement shall continue in full force and effect thereafter unless LG&E or EKPC provides the other party with twenty-four (24) months written notice of its intent to terminate this Agreement at the expiration of such twenty-four (24) month period. During the eighth year of this Agreement LG&E and EKPC shall enter into good-faith negotiations regarding the extension of this Agreement beyond the calendar year 2004.

13. LG&E and EKPC shall use their best efforts to expeditiously obtain all necessary regulatory approvals for this Agreement that may be required by law. EKPC shall have the right to terminate this agreement with no further liability except for payment for services received prior to such termination in the event that Gallatin Steel exercises its right pursuant to Section 24 of the Gallatin Service Agreement to terminate that agreement for lack of necessary approvals.

If the foregoing satisfactorily states the understandings between our respective companies, please have all enclosed copies of this letter executed on behalf of EKPC and return two fully executed copies to the undersigned.

Sincerely,

Chris Hermann
Vice President and General Manager,
Wholesale Electric Business

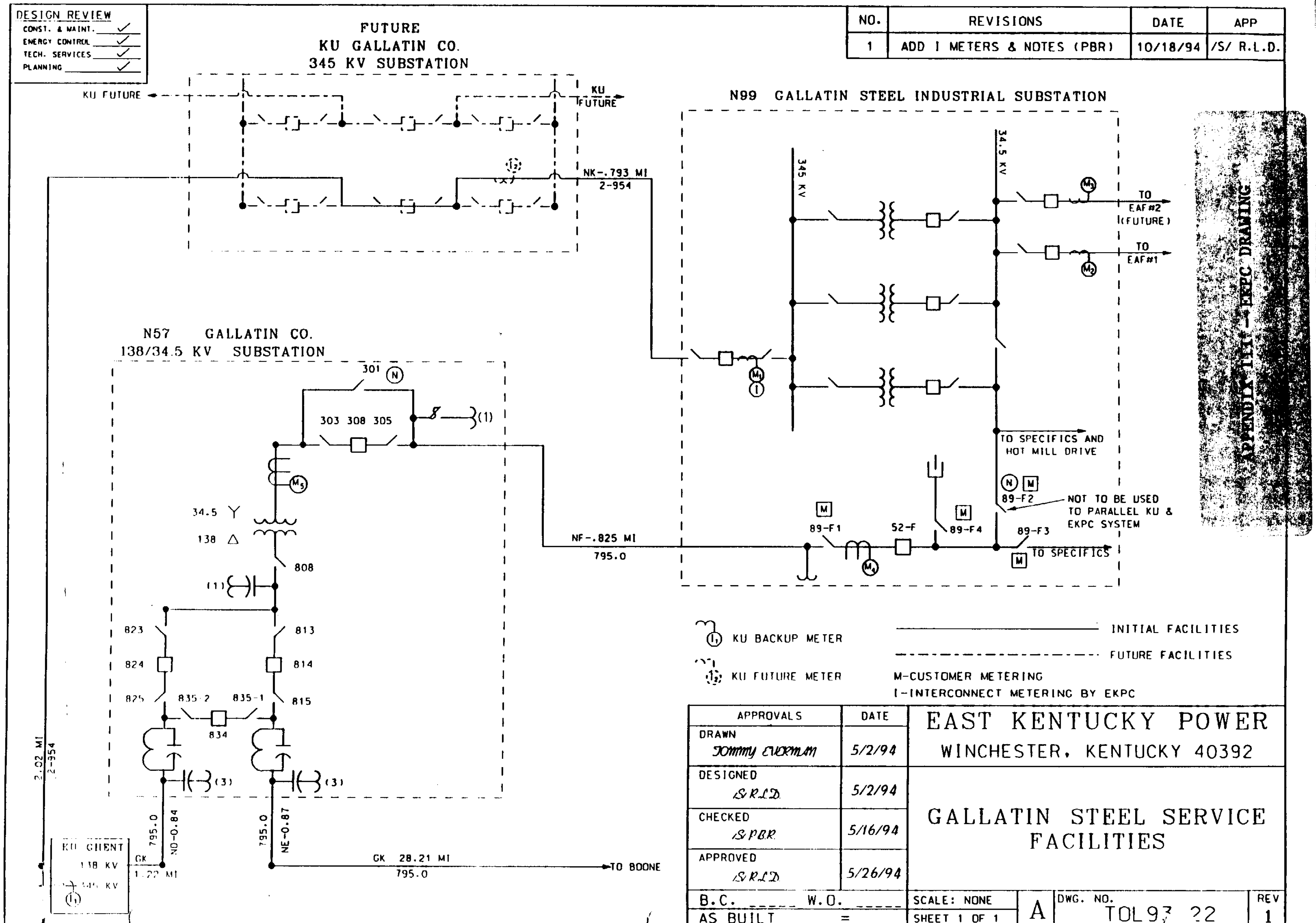
Accepted and agreed to as of the date first above written.

EAST KENTUCKY POWER COOPERATIVE, INC.

By: Roy M. Palk

Title:

APPENDIX II – [illegible] DRAWING ← In Main Case File



DESIGN REVIEW
CONST. & MAINT.
ENERGY CONTROL
TECH. SERVICES
PLANNING
FUTURE
KU GALLATIN CO.
345 KV SUBSTATION
KU FUTURE
KU FUTURE
NK-.793 MI
2-954
NO. | REVISIONS | DATE | APP
1 | ADD I METERS & NOTES (PBR) | 10/18/94 | /S/ R.L.D.
N99 GALLATIN STEEL INDUSTRIAL SUBSTATION
345 KV
34.5 KV
TO EAF#2 (FUTURE)
TO EAF#1
TO SPECIFICS AND HOT MILL DRIVE
89-F2
NOT TO BE USED TO PARALLEL KU & EKPC SYSTEM
89-F1
52-F
89-F4
89-F3
TO SPECIFICS
N57 GALLATIN CO.
138/34.5 KV SUBSTATION
301
303 308 305
(1)
34.5
138
808
823
813
824
814
825
835-2
835-1
815
834
(3)
NF-.825 MI
795.0
2.02 MI
2-954
795.0
NO-0.84
795.0
NE-0.87
KU GHENT
138 KV
345 KV
GK
1.22 MI
GK 28.21 MI
795.0
TO BOONE
KU BACKUP METER
KU FUTURE METER
INITIAL FACILITIES
FUTURE FACILITIES
M-CUSTOMER METERING
I-INTERCONNECT METERING BY EKPC
APPROVALS | DATE
DRAWN Tommy Everman | 5/2/94
DESIGNED /S/ R.L.D. | 5/2/94
CHECKED /S/ PBR | 5/16/94
APPROVED /S/ R.L.D. | 5/26/94
EAST KENTUCKY POWER
WINCHESTER, KENTUCKY 40392
GALLATIN STEEL SERVICE FACILITIES
B.C. W.O.
AS BUILT =
SCALE: NONE
SHEET 1 OF 1
A
DWG. NO.
TOL93 22
REV
1
APPENDIX III — EKPC DRAWING