

THIS AGREEMENT, made and entered into as of this first day of October, 1955, by and between The Union Light, Heat and Power Company, hereinafter sometimes called "Power Company" and East Kentucky Rural Electric Cooperative Corporation, hereinafter sometimes called "East Kentucky":

WITNESSETH, in consideration of the mutual agreements hereinafter listed the parties contract as follows:

ARTICLE I

FACILITIES

Section 1. The present interconnection point between Power Company and East Kentucky near Devon shall be maintained and, for the purpose of this agreement, shall be called the "interconnection point at Devon". Power Company shall install, at its own expense by October 1, 1956, facilities necessary to transmit to and receive power and energy from East Kentucky at this interconnection point at a nominal voltage of 69 kv, including suitable standard type electric metering equipment. The aforesaid metering equipment shall give for each direction of flow a record of the kilowatt-hours for each fifteen (15) minute period in each clock hour, and a continuous integrating record of kilowatt-hours. East Kentucky shall provide space at its Devon Switching Station at no cost to Power Company for these metering facilities. If Power Company's facilities should include power transformers to effect the initial interconnection at 69 kv, East Kentucky shall provide space, at no cost to Power Company, at its switching station at the interconnection point at Devon for such facilities. Upon

completion of conversion of 33 kv transmission line from Devon to Williamstown, or upon termination of this contract, whichever is earlier, Power Company shall remove, at no cost to East Kentucky, its transformation facilities from the Devon Switching Station.

Power Company shall provide a 69 kv transmission line from Florence to Devon by July 1, 1958.

Section 2. East Kentucky shall provide at its own expense a 69 kv transmission line extending from its transmission system at Berlin to its 69 kv transmission line at Grant's Lick together with a suitable 69 kv air break switch at the point where such new transmission line connects to the present transmission line at Grant's Lick. For the purpose of this agreement this point will be called the "interconnection point at Grant's Lick".

Section 3. Power Company shall convert its 33 kv transmission line for 69 kv operation from the interconnection point at Devon to a point of interconnection between the facilities of Power Company and the facilities of East Kentucky at Williamstown load center of East Kentucky, such point, for the purpose of this agreement, to be called the "interconnection point at Williamstown". The arrangement of the interconnection point at Williamstown shall be determined by agreement between Power Company and East Kentucky. The time of conversion of the 33 kv transmission line for 69 kv operation shall be at the option of Power Company.

Section 4. At such time as Power Company provides such 69 kv facilities to the interconnection point at Williams-town, East Kentucky shall install a 69 kv air break switch and suitable standard electric metering equipment thereat. Such metering equipment shall give for each direction of flow a record of kilowatt-hours for each fifteen (15) minute period of each clock hour and a continuous integrating record of kilowatt-hours.

Section 5. At such time as the facilities described in Section 1 and Section 2 above are in operation, East Kentucky shall operate its transmission line from the interconnection point at Grant's Lick to Union load center at a nominal voltage of 69 kv.

Section 6. All facilities described in Sections 1 through 4 of this article shall be of good standard engineering design and construction. Power Company and East Kentucky shall cooperate with each other so as to assure the maximum practicable coordination of the design and installation of the above described facilities.

ARTICLE II

POWER PURCHASES UNTIL OCTOBER 1, 1959
OR UNTIL THE FOURTH GENERATING UNIT IS PLACED
IN COMMERCIAL OPERATION IN EAST KENTUCKY'S
DALE STATION, WHICHEVER IS EARLIER

Section 1. East Kentucky shall purchase and Power Company shall furnish the full power and energy requirements of Union and Grant's Lick load centers and of any future load centers

on its Grant's Lick to Union transmission line from the date of this contract until October 1, 1959 or until a fourth generating unit is placed in commercial operation in East Kentucky's Dale Station, whichever is earlier, which date is hereinafter referred to as The Earlier Date.

Section 2. The point of delivery for this service shall be the high voltage bus of East Kentucky at Devon Switching Station. Until Power Company provides 69 kv service from Florence to Devon it will meter on the low voltage side of its interconnection transformer and will make appropriate adjustments of 1.5 per cent to the meter readings to determine the quantity of power and energy delivered.

ARTICLE III

POWER PURCHASES AFTER OCTOBER 1, 1959
OR AFTER THE FOURTH GENERATING UNIT IS PLACED
IN COMMERCIAL OPERATION IN EAST KENTUCKY'S
DALE STATION, WHICHEVER IS EARLIER

Section 1. After The Earlier Date East Kentucky shall purchase from Power Company and Power Company shall furnish at Devon such amounts of firm power and energy as may be determined by the following Sections 2 and 3.

Section 2. On or before each April 1 after The Earlier Date East Kentucky shall advise Power Company of the expected maximum demand of the load centers it serves, hereinafter called Load Centers, within the following twelve (12) months and of its firm net generating capability. Whenever such analysis indicates deficiency of generating capability to meet such demand,

both demand and generating capability determined as hereinafter provided, East Kentucky will transfer to Power Company's facilities, in a practicable order, one or more load centers served from the Union-Grant's Lick transmission line as nearly as possible to offset the deficiency. Such transfer is to be made on or before May 1 of each year.

If, subsequent to the determination made on or before April 1, it is found that a deficiency not anticipated has occurred or that a deficiency greater than anticipated has occurred, East Kentucky shall transfer to Power Company one or more load centers served from the Union-Grant's Lick transmission line as nearly as possible to offset the deficiency.

East Kentucky shall purchase, for a period of not less than twelve (12) months, the full requirements of any load center or load centers transferred.

Section 3. The determination of the maximum demand of Load Centers shall be made by finding their highest simultaneous demand in any calendar month from recording demand meters at Load Centers. The maximum demand of Load Centers shall include adjustment for system losses as determined by the method set forth in Section 11 of the Agreement between East Kentucky and Kentucky Utilities Company dated February 1, 1954.

The basis for determination of East Kentucky's firm net generating capability shall be the maximum amount of load, excluding station auxiliaries, that can be carried

for three (3) hours by the Dale Station under normal operating conditions.

Before the 20th day of each month East Kentucky shall furnish Power Company the maximum demand, for the next preceding calendar month, of Load Centers.

ARTICLE IV

RATE FOR POWER PURCHASES

Section 1. All power and energy purchases under Article II and Article III shall be at the following monthly rate:

A demand charge of \$1.15 per kw of demand, plus an energy charge of .42¢ per kwh.

Plus or minus an amount per kwh equal to a pro rata portion of any charge or credit to Power Company's cost of power in the next preceding calendar month due to the application of the fuel adjustment clause in Power Company's purchase power agreement. The amount of charge or credit per kwh will be determined by dividing the total fuel adjustment as billed Power Company by the kwh sales in the applicable period.

The monthly minimum charge shall be \$1.15 per kw demand which, for billing purposes, shall be not less than 500 kw. The demand for the month as used for billing purposes shall be the highest average load in kw occurring during any 15 minute interval in the month as determined from Power Company's meters.

East Kentucky shall take and use energy in such a manner that the power factor at the time of maximum demand shall be as near 100% as is consistent with good engineering practice, but when such power factor is determined to be less than 85% the maximum demand used for billing purposes shall be determined by multiplying the demand as shown by the meter at the time of maximum demand by 85% and dividing the product thus obtained by the actual power factor at the time of such maximum demand.

It is understood that these rates are in turn based upon rates for purchased power and energy submitted by Power Company's supplier April 27, 1954, and approved by the Federal Power Commission. Should the demand or energy components of this supplier's rates be increased or decreased in accordance with the provisions of the Federal Power Act, Power Company may, subsequent to The Earlier Date, adjust its rates to East Kentucky in corresponding proportions. If the provision of this paragraph becomes operative either Power Company or East Kentucky shall have the right, upon six (6) months' written notice, to discontinue power sales or purchases provided for in Article III.

It is understood also that the rates provided above include no allowance for any new Federal, State, or Municipal Tax which may be imposed subsequent to October 1, 1955, on the generation, transmission, or sale of electrical energy on a kilowatt-hour basis, or which may be imposed on gross revenues of Power Company derived from rendition of electric service to East Kentucky. In the event of the imposition of any Federal, State, or Municipal Tax on the generation of electrical energy subsequent to October 1, 1955, Power Company shall have the right to increase the energy charges as provided in the energy rate above, in an amount equivalent to the amount of such tax collected on the basis of the total number of kilowatt-hours supplied to East Kentucky subsequent to the effective date of such tax; and, in the event of the imposition of any new Federal, State, or Municipal Tax on the transmission or sale of electrical energy on the kilowatt-hour basis or on the gross revenues of Power Company derived from rendition of electric service to East Kentucky, Power Company shall have the right to increase the rates for service, as provided above, in an amount equivalent to the total amount of such new kilowatt-hour taxes on the transmission or sale of electrical energy or on the gross revenues of Power Company derived from rendition of electric service supplied to East Kentucky subsequent to the effective date of such new taxes.

The special rate contained herein is made in view of the statements of policy of the Public Service Commission of Kentucky in its Administrative Order No. 22 to the effect that it desires to "insure the maximum developments of rural electrification in this State at the lowest possible rates." Such special rate is not to be used as a basis for the determination of the adequacy or reasonableness of any other rate in Power Company's filed tariff.

ARTICLE V

EMERGENCY AND SHORT TERM PURCHASES

Section 1. Throughout the term hereof, in the event of breakdown in the system of either party involving its sources of power or transmission facilities and impairing or jeopardizing its ability to meet the loads of its system, the other party will deliver emergency power and energy within the limits of the capacity of its transmission facilities without causing undue interference with service to its own customers, and to the extent that it has power and energy available (of which it shall be the sole judge) from its own sources or from interconnected systems. Notwithstanding the foregoing, neither party will be obligated to furnish emergency power and energy to the other party for more than two days in any consecutive seven day period. If either party requires emergency power and energy for periods in excess of two days the other party will endeavor to supply it from its generating facilities or from other sources. Such extended supply will be classified as "short term power" and will be charged for at a rate to be established at the time of such request for such short term power.

Section 2. The receiving party shall pay for emergency power and energy the out-of-pocket costs of generating or purchasing such power and energy plus twenty per cent (20%).

ARTICLE VI

OPERATION

Section 1. To coordinate the operation of their respective transmission and substation facilities in order that the advantages to be derived under this agreement may be realized by the parties hereto to the fullest practicable extent, Power Company and East Kentucky shall appoint a committee of authorized representatives, to be known as the "Operating Committee".

Section 2. Each of the parties shall designate in writing, delivered to the other party, the person who is to act as its representative on said committee (and the person or persons who may serve as alternate whenever such representative is unable to act). Such representative and alternate or alternates shall each be a person familiar with the generation, transmission, and substation facilities of the system of such party by which he has been so designated, and each shall be fully authorized (a) to cooperate with the other representatives (or alternates) and (b) from time to time as the need arises, subject to the declared intentions of the parties herein set forth and to the term hereof and the terms of any other agreements subsequently arrived at between the parties, to determine and agree upon the following:

- (a) All matters pertaining to the coordination of maintenance of the transmission and substation facilities of the parties.
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(b) Such other matters not specifically covered herein on which cooperation, coordination, and agreement as to quantity, time, method, terms, and conditions are necessary in order that the operation of the transmission systems and substations of the parties may be coordinated to the fullest practicable extent that is agreed upon by the parties. The parties recognize that from time to time special conditions may arise which make it necessary, in order that reliable and economical service may be provided, that power and energy be sold to, purchased from, interchanged between one another, of classes and under conditions which are not specifically provided for in this agreement. When such conditions arise and it is mutually found desirable to sell, purchase, or interchange power and energy to meet these conditions, their respective representatives shall be authorized (1) to cooperate and arrange for the sale, purchase, or interchange of such power and energy as is required to meet and take care of the special conditions in an economical manner, and (2) to agree upon the rates and charges

for power and energy so furnished
and for other items of value incident
thereto.

Section 3. The Operating Committee shall be governed by the following principles in arranging for and carrying out the coordination of facilities under this agreement:

- (a) The transmission systems of Power Company and East Kentucky normally shall not be operated directly in parallel.
- (b) Any transfer of load from the system of one party to that of the other shall be accomplished by transferring one or more load centers in blocks of not less than one load center from the transmission system of one party to that of the other.

Section 4. The parties shall each keep, throughout the period hereof, the portions of the interconnecting facilities and their appurtenances owned by them in a good and suitable condition of repair at all times, each at its own expense, so that they will operate in a safe and reliable manner and provide the maximum practicable interconnecting capacity between the systems of the parties.

Section 5. In case of a breakdown or failure on the system of either party preventing or jeopardizing the fulfillment

of obligations to the other party, as outlined in this agreement, the party on whose system such breakdown or failure occurs shall remove the cause of and repair such failure or breakdown with reasonable dispatch.

Section 6. Dispatching of the systems to accomplish the operations intended in this agreement shall take place between the System Load Dispatcher for East Kentucky and the Power Supervisor for Power Company.

Section 7. The electric meters provided by each party as described in Article I shall be tested at suitable intervals as determined by the Operating Committee, and the accuracy of registration shall be maintained in accordance with good practice. The tests shall be made by and at the expense of the party providing the facilities. The other party shall be notified in reasonable time of such tests and shall be afforded opportunity to have representatives present at such tests. Special tests of meters may be requested by either party and the expense of such special tests shall be borne by the party requesting the tests. Authorized representatives of either party shall have access at all reasonable hours to the premises where the meters are located and to the records made by the meters.

ARTICLE VII

GENERAL

Section 1. Meters shall be read for billing purposes by the respective owners as near the last day of the calendar month

as practicable and meter reading data from each metering point will be made available to both parties each month.

If at any test of metering equipment an inaccuracy shall be disclosed exceeding two per cent (2%), the account between the parties for service theretofore delivered shall be adjusted to correct for the inaccuracy disclosed, over a period of thirty (30) days prior to the date of the test, but not for a longer period than such inaccuracy may be determined to have existed. Should the metering equipment at any time fail to register, the power and energy delivered shall be determined from the best available data.

Section 2. Bills for service from one party to the other will be rendered for approximately thirty (30) day periods and will be due and payable within twenty (20) days from the date thereof. Interest on unpaid amounts shall accrue at six per cent (6%) per annum from the date due until the date upon which payment is made. Unless otherwise agreed upon, a calendar month shall be the standard monthly period for the purpose of settlement hereunder.

Section 3. It is agreed by the parties that (a) neither Power Company nor East Kentucky (including member cooperative Owen County Rural Electric Cooperative Corporation, hereinafter called "Owen") shall solicit customers from the lines of the other or make service available to such customers, or to customers who have terminated service from one system and who apply for connection with the other; (b) neither Power

Company nor East Kentucky (including member cooperative Owen) shall make service available to a prospective customer located nearer the lines of the other and whom it would be logical, practical, and feasible for the other to serve, except by agreement between the parties, provided, however, that no such prospective customer shall be served by East Kentucky (including its member cooperative Owen) which is of a type inconsistent with the principles of the Rural Electrification Act.

Section 4. East Kentucky shall indemnify and save harmless Power Company from any and all claims and demands of all persons whomsoever for loss, damage, injuries, or death arising out of or resulting from or in any way connected with the transmission, distribution, sale, and use of electrical energy on East Kentucky's side of the point of delivery, unless occasioned by the negligence of Power Company or its employees; and Power Company shall indemnify and save harmless East Kentucky from any and all claims and demands of all persons whomsoever from loss, damage, injuries, or death arising out of, resulting from, or in any way connected with the transmission or distribution of electrical energy upon the lines of Power Company up to the point of delivery, unless occasioned by the negligence of East Kentucky or its employees.

Section 5. East Kentucky will obtain from Owen a letter agreeing to the provisions of this contract which shall include a statement that Owen is transmitting to Power Company a release from the agreement for service existing between Owen and Power Company as of the date of this agreement.

Section 6. The parties hereto hereby agree to apply for (a) the entry of orders of dismissal of Public Service Commission of Kentucky Cases No. 2969 and 2996 and Franklin Circuit Court Case No. 51824; (b) the modification of the order of said Commission, dated July 22, 1955, granting a certificate of public convenience and necessity to East Kentucky in Cases No. 2013-2248 consolidated, by vacating and cancelling the certificate of convenience and necessity authorizing East Kentucky to construct a 69 kv transmission line from Union, in Boone County, to Williamstown, in Grant County, as therein described; and (c) approval of the provisions of this contract by the Public Service Commission of Kentucky and the Rural Electrification Administration.

Section 7. This agreement shall not become effective until the entry of appropriate orders effecting (a) the dismissal of Power Company's application in said Case No. 2969; (b) the dismissal of East Kentucky's and Owen County's Complaint in said Case No. 2996; (c) the dismissal of Power Company's Complaint in said Case No. 51824, without damages; (d) the modification of said order dated July 22, 1955 by vacating and cancelling the certificate of convenience and necessity authorizing East Kentucky to construct a 69 kv transmission line from Union, in Boone County, to Williamstown, in Grant County, as therein described and the modification of the findings therein accordingly; (e) the approval of its provisions by the Public Service Commission of Kentucky and the Rural Electrification Administration; and (f) receipt by

Power Company of the letter and release from Owen referred to in Section 5 of this article.

This agreement is made in all respects subject to the terms and provisions of the Public Service Commission Act of Kentucky and all Acts amendatory thereto, to the jurisdiction and authority of the Public Service Commission of Kentucky, and to the General Service Regulations of Power Company currently in effect from time to time as approved by the Public Service Commission.

Section 8. Neither East Kentucky nor member cooperative Owen nor any affiliated corporation or instrumentality shall take any step to obtain certification of, or construct, the transmission line from Union to Williamstown, or any line which would substantially duplicate Power Company's Devon to Williamstown line, for the term of this agreement.

Section 9. The term of this agreement shall be from October 1, 1955 to February 1, 1964. Unless cancelled as of the termination date on twelve months' written notice, the contract shall continue in full force and effect for a further period of twelve months and thereafter until cancelled by either party on ninety (90) days' written notice provided, however, that if a twelve months' purchase of power by East Kentucky as provided in Article III hereof is in effect and is of more than ninety (90) days' duration, then the contract shall terminate at the end of the said twelve months' period.

Section 10. When this agreement becomes effective it shall supersede in every respect the Memorandum of Agreement between The Union Light, Heat and Power Company and East Kentucky Rural Electric Cooperative Corporation, dated September 27, 1955, including the attached Attachment "A" and Schedule "B".

Section 11. This agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be signed by an appropriate officer this date above written.

THE UNION LIGHT, HEAT
AND POWER COMPANY

ATTEST: William B. Beckford By E. J. [Signature]
Vice President and General Manager

EAST KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION

ATTEST: James S. [Signature] By Alvin B. [Signature]

Approved: [Signature] Date: 12/27/55
Public Service Commission of Kentucky

Approved: _____ Date: _____
Administrator for Rural
Electrification Administration