

AGREEMENT FOR TIER 3 ENERGY  
BETWEEN  
KENERGY CORP.  
AND  
CITY OF HENDERSON UTILITY COMMISSION

ARTICLE I

PARTIES

The Parties to this Agreement, dated as of the 30<sup>th</sup> day of September, 2004, are KENERGY CORP., a Kentucky corporation organized under KRS Chapter 279 ("Kenergy") and CITY OF HENDERSON UTILITY COMMISSION (d/b/a/ Henderson Municipal Power and Light), a body corporate and politic organized pursuant to KRS 96.530 ("Supplier"). Kenergy and Supplier are each referred to individually as a "Party" and collectively as "Parties." It is recognized by the Parties that Alcan Primary Products Corporation ("Alcan") is a third-party beneficiary under this Agreement. Pursuant to the attached Form of Consent, Alcan consents to this Agreement.

ARTICLE II

RECITALS

Section 2.01 Supplier is engaged primarily in the business of selling electric power at retail and also sells to others certain electric Capacity and Energy that is surplus to the electric requirements of the City System Load.

Section 2.02 Kenergy is an electric cooperative that provides electric energy at retail to Alcan pursuant to an agreement entitled "Agreement for Electric Service between Kenergy Corp. and Alcan Aluminum Corporation" dated July 15, 1998 (the "Alcan Power Agreement").

Section 2.03 The Alcan Power Agreement was assigned by Alcan Aluminum Corporation to Alcan on July 31, 2003.

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Section 2.04 Alcan owns and operates an aluminum reduction plant in Sebree, Henderson County, Kentucky (the "Sebree Facility").

Section 2.05 Pursuant to Section 9.2 of the Alcan Power Agreement and upon the request of Alcan, Kenergy shall contract with one or more third party suppliers for certain quantities of Energy at prices, terms and conditions that respond to Alcan's requirements. Upon acceptance by the Kentucky Public Service Commission, Kenergy shall then make a corollary sale of such Energy, denominated as "Tier 3 Energy," to Alcan in a dollar amount that is equal to the dollar amount that Kenergy is required to pay to each third party supplier.

Section 2.06 Alcan has a need for up to eight (8) MW of Tier 3 Energy and a potential need for up to an additional forty-two (42) MW of Tier 3 Energy .

Section 2.07 Supplier has available to meet the requirements of the City System Load Capacity and Energy from Units 5 and 6 at Station One and certain reserved Capacity and associated Energy from Units 1 and 2 at Station Two. Supplier also purchases an allotment of Energy from the Southeastern Power Administration ("SEPA Power"). Supplier desires to sell and deliver Excess Energy to Kenergy as set forth in this Agreement.

Section 2.08 The Parties recognize that the Capacity and associated Energy of Station Two that is surplus to the Supplier's reserved Station Two Capacity and associated Energy have been sold under the terms of the Power Contracts and that the Supplier's reserved Station Two Capacity and the remaining Capacity of the City Electric System, including the Capacity of Station One, is committed to meeting the electric requirements of the City System Load and therefore is not available for sale under this Agreement. Energy from the City Electric System other than that associated with the surplus Station Two Capacity sold under the Power Contracts, that would be available at any time is limited to the Energy that at the time is in

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excess of the Energy used to meet the City System Load in a manner consistent with Prudent Utility Practice and the requirements of the Power Contracts and that is available as provided in Section 5.04. The Parties intend that nothing in this Agreement interfere with the performance by Supplier of its obligations under the Power Contracts.

Section 2.09 Alcan has therefore made a request to Kenergy for up to 50 MW of Excess Energy on the terms and conditions herein contained commencing on the Beginning Delivery Date, as hereafter defined.

Section 2.10 Kenergy therefore desires to enter into an agreement with Supplier to purchase for resale to Alcan, and Supplier desires to enter into an agreement with Kenergy to sell and deliver up to 50 MW of Excess Energy, denominated as Block A Energy ( 8 MW) and Block B Energy (up to 42 MW), during the term of this Agreement as hereafter set forth, including any renewal term pursuant to Section 4.02, at the rates and under the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants set forth below, the Parties agree as follows.

### ARTICLE III

#### DEFINITIONS:

The following terms, when used in this Agreement, including the Recitals, with initial capitalization, whether in the singular or the plural, shall have the meanings specified:

Section 3.01 Agreement: This Agreement together with any amendments to which the Parties may agree in writing from time to time.

Section 3.02 Alcan: Alcan Primary Products Corporation, a Texas Corporation, its successors and assigns.

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Section 3.03 A.M.: Means A.M., Central Standard Time or Central Daylight Time, as applicable.

Section 3.04 Beginning Delivery Date: The time and date on which Supplier is first obligated to deliver Block A Energy or Block B Energy to Kenergy in accordance with Section 4.04.

Section 3.05 Billing Month: Each calendar month during the term of this Agreement in which Block A Energy and/or Block B Energy is provided to Kenergy by Supplier.

Section 3.06 Block A Energy: The Excess Energy to be sold by Supplier to Kenergy as described in Section 5.01.

Section 3.07 Block B Energy: The Excess Energy to be sold by Supplier to Kenergy as described in Section 5.01.

Section 3.08 Capacity: The load-carrying capability of electric generation for extended periods, net of station service or auxiliary needs, denominated in megawatts (MW).

Section 3.09 City Electric System: The electric utility system owned by the City of Henderson and operated by or under the control of Supplier, the primary purpose of which is to serve the City System Load and includes, without limitation, the generating facilities of Station One and Station Two and SEPA Power.

Section 3.10 City System Load: The demand on Supplier for Capacity and Energy, as it may exist from time to time, to supply the electric requirements of Supplier's retail customers of the City Electric System, but excluding Capacity or Energy sold or contracted to be sold to wholesale purchasers.

Section 3.11 Effective Date: The date specified in Section 4.01.

Section 3.12 Energy: The flow of electricity denominated in megawatt-hours.

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Section 3.13 Excess Energy: During any period the total Energy from all the power resources of the City Electric System (exclusive of Units 1, 2, 3 and 4 at Station One), exclusive of the Energy associated with the surplus Capacity of Station Two sold under the Power Contracts, that is in excess of the Energy used to supply the electric requirements of the City System Load in a manner consistent with Prudent Utility Practice and the requirements of the Power Contracts and available for sale by Supplier during such period as provided in Section 5.04. Excess Energy includes Block A Energy and Block B Energy sold pursuant to Section 5.01.

Section 3.14 Kenergy: Kenergy Corp., its successors and assigns.

Section 3.15 KPSC: The Kentucky Public Service Commission, or any successor agency.

Section 3.16 Monthly Charge: The total charge in each Billing Month for Block A Energy and/or Block B Energy computed in accordance with this Agreement.

Section 3.17 P.M.: Means P.M., Central Standard Time or Central Daylight Time, as applicable.

Section 3.18 Point of Delivery: The existing set of meters at Big Rivers' Reid Substation or such other point of delivery to which the Parties mutually agree.

Section 3.19 Power Contracts: (i) the Power Sales Contract, dated as of September 1, 1970, between the City of Henderson, Kentucky, the City of Henderson Utility Commission and Big Rivers Electric Corporation, as amended (the "Power Sales Contract"), and (ii) the Agreement and Amendments to Agreements, dated as of July 15, 1998, between the City of Henderson, Kentucky, the City of Henderson Utility Commission, Big Rivers Electric Corporation, WKE Station Two Inc., LG&E Energy Marketing Inc., and Western Kentucky

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Energy Corp., as amended (the "Station Two Agreement"). Rights, interests and obligations of Big Rivers Electric Corporation under the Power Sales Contract have been assigned to WKE Station Two Inc. and LG&E Energy Marketing Inc. under the terms of the Station Two Agreement.

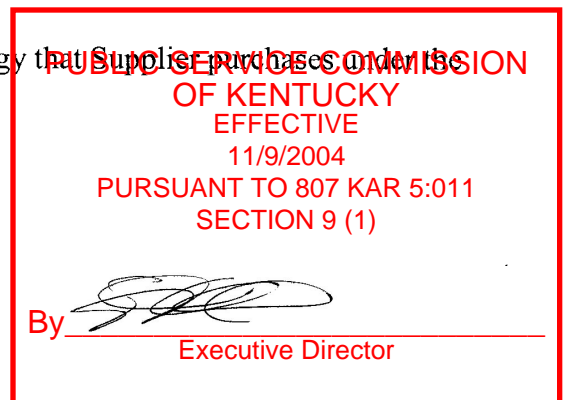
Section 3.20 Prudent Utility Practice: Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period; or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time a decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Prudent Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

Section 3.21 Rate: The rates for Block A Energy and Block B Energy as set forth in Section 5.03.

Section 3.22 Sebree Facility: The aluminum reduction plant located in Henderson County, Kentucky, and any expansions, additions, improvements and replacements thereof or thereto at the existing site.

Section 3.23 SEPA Contract: The Contract dated as of June 30, 1998, by and between The United States of America acting by and through the Southeastern Power Administration and the City of Henderson Utility Commission.

Section 3.24 SEPA Power: The allotment of Energy that Supplier purchases under the SEPA Contract.



Section 3.25 Station One: Units 5 and 6 and attendant facilities of the electric generating plant designated as Station One owned by the City of Henderson and operated and controlled by Supplier and located in the City of Henderson, Kentucky.

Section 3.26 Station Two: The electric generating plant owned by the City of Henderson and located in Henderson County, Kentucky, consisting of Units 1 and 2 and attendant facilities from which Supplier is entitled to a prescribed amount of reserved Capacity and the Energy associated with such Capacity as provided in the Power Contracts.

Section 3.27 Supplier: City of Henderson Utility Commission, a body corporate and politic, its successors and assigns.

Section 3.28 Tier 3 Energy: The Energy acquired by Kenergy from third party suppliers at the request of and for resale to Alcan.

Section 3.29 Transmission Provider: Big Rivers Electric Corporation ("Big Rivers"), its successors and assigns, or any other owner or lessee of transmission facilities directly interconnected with Kenergy over which Kenergy may contract for the delivery of electric power to Kenergy for resale to Alcan.

Section 3.30 Uncontrollable Force: Any cause beyond the control of the Party unable, in whole or in part, to perform its obligations under this Agreement which, despite exercise of due diligence and foresight, such Party could not reasonably have been expected to avoid and which, despite the exercise of due diligence, it has been unable to overcome. Such causes include, but are not limited to: acts of God; strikes, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of the Government, whether Federal, State or local, civil disturbances, explosions, breakage of or accident to machinery, equipment or transmission lines,

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inability of either Party hereto to obtain necessary materials, supplies or permits due to existing or future rules, regulations, orders, laws or proclamations of governmental authorities, whether Federal, State or local, civil or military, and any other forces which are not reasonably within the control of the Party claiming suspension. A forced outage of a generating unit or units of the City Electric System shall be considered an Uncontrollable Force to the extent it prevents the physical delivery of Excess Energy to Kenergy for resale to Alcan. Uncontrollable Force shall not include Alcan's inability to economically use the Tier 3 Energy or market conditions relating to Alcan's business or the products produced at the Sebree Facility.

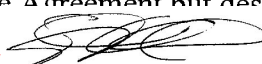
Section 3.31 Working Days: Mondays through Fridays of each week except legal holidays established by law in the United States of America or the Commonwealth of Kentucky.

ARTICLE IV

TERM AND INITIAL CONDITIONS

Section 4.01 This Agreement shall become effective on the date it is executed and delivered by the Parties (the "Effective Date"). Subject to the provisions of Section 4.02 providing for renewals of the Agreement, the term of this Agreement shall terminate when all obligations of the Parties have been satisfied with respect to the purchase and delivery of Block A Energy and Block B Energy through December 31, 2004, unless earlier terminated by either Party pursuant to Section 4.05 (failure of KPSC initial approval), Section 7.01 (breach in default) or by mutual agreement of the Parties and Alcan.

Section 4.02 This Agreement shall be automatically renewed for successive one (1) year terms commencing on January 1, 2005 and each succeeding January 1 unless either party notifies the other by November 1, 2004 and each succeeding November 1 of the election to terminate the Agreement or, if the other party notifies the first party, of its election not to renew in which case the Agreement shall terminate at midnight on December 31 of that year. If the Parties desire not to terminate the Agreement but desire to

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amend a Rate for any renewal year, the Parties (with Alcan's written consent) shall execute an appropriate amendment to this Agreement by November 1, 2004 and any succeeding November 1. No later than November 30 prior to each renewal year Kenergy shall file the amendment with the KPSC requesting its acceptance of the revised Rate to become effective on January 1 of the renewal year.

Section 4.03 Notwithstanding the Effective Date of this Agreement, the delivery obligation of Supplier and the purchase obligation of Kenergy pursuant to Section 5.01 are subject to the condition that the Parties have received KPSC acceptance of the Rate for and other terms and conditions applicable to the sale by Kenergy to Alcan of Block A Energy and Block B Energy, as required by Section 9.2 of the Alcan Power Agreement.

Section 4.04 As soon as the condition set forth in Section 4.03 has been satisfied, Kenergy shall promptly provide written notice to Alcan and Supplier that the condition has been satisfied. The delivery obligation of Supplier and the purchase obligation of Kenergy shall commence at 12:01 A.M. on the day following receipt by Supplier and Alcan of such notice ("Beginning Delivery Date"). Unless waived by Supplier in writing, the condition contained in Section 4.03 shall not be deemed satisfied until Supplier has received such notice.

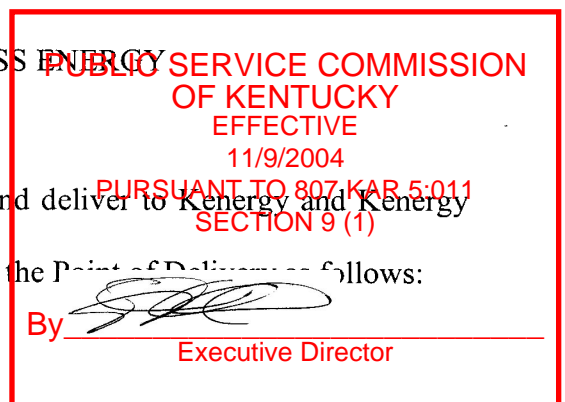
Section 4.05 Each Party agrees to use reasonable diligence to satisfy the condition described in Section 4.03. If the condition has not been satisfied by November 30, 2004 either Party may terminate this Agreement upon written notice to the other Party and Alcan.

## ARTICLE V

### PURCHASE AND SALE OF EXCESS ENERGY

Section 5.01 Volume and Rate.

(a) Subject to Section 5.04, Supplier shall sell and deliver to Kenergy and Kenergy shall purchase from Supplier two blocks of Excess Energy at the Point of Delivery as follows:



Block A Energy: Excess Energy associated with eight (8) MW around the clock, subject to such rights, conditions, limitations and requirements as provided in Section 5.04; and

Block B Energy: Excess Energy associated with up to forty-two (42) MW, as scheduled from time to time by Kenergy, upon the request of Alcan and subject to such rights, conditions, limitations and requirements as provided in Section 5.04.

Section 5.02 Scheduling.

- (a) Block A Energy shall be delivered around the clock for the term of this Agreement or as otherwise agreed to by the Parties and is not required to be scheduled.
- (b) Kenergy shall schedule or cause to be scheduled all deliveries of Block B Energy by 9 A.M. on the Working Day immediately preceding the day or days of delivery, or as otherwise mutually agreed to by the Parties. Unless otherwise agreed, Kenergy shall schedule a specific quantity of Block B Energy in increments of one (1) MW for each hour of each day. Kenergy shall make reasonable efforts to minimize changes in its schedule but such changes shall be accommodated by Supplier to the extent reasonably possible up to 30 minutes prior to the hour of delivery.
- (c) In order to accommodate the load following responsibilities of LG&E Energy Marketing Inc. ("LEM") to Kenergy for the benefit of Alcan, Kenergy shall promptly advise LEM of (1) any revision in the terms for delivery of Block A Energy, and (2) all schedules for the delivery of Block B Energy

Section 5.03 Rate. For Energy supplied pursuant to this Agreement, Kenergy shall pay Supplier at the following unadjusted rates:

Block A Energy - \$24.00 per MWH

Block B Energy - \$25.50 per MWH

For each MWh of Block A Energy and Block B Energy delivered and measured at the Pont of Delivery, the unadjusted rates set forth in this Section shall be adjusted by dividing the

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rate by a factor, with such factor to be calculated as (One minus the applicable transmission system energy loss rate as determined under the Transmission Provider's Open Access Transmission Tariff).

Subject to the provisions of Section 4.02, the foregoing Rates are not subject to change over the term of this Agreement. Kenergy shall purchase and accept delivery of the full amount of Block A Energy and the scheduled amount of Block B Energy made available by Supplier. If Kenergy or Alcan does not accept delivery of the full amount of such Energy, the Monthly Charge shall include the amount that would have been due had the full amount of such Energy been accepted.

Section 5.04 Rights, Conditions and Limitations to the Delivery of Energy. The Parties agree that Supplier's obligation to deliver Block A Energy and scheduled Block B Energy is subject to the following rights, conditions, limitations and requirements applicable to the Parties:

(a) Supplier is obligated hereunder to sell and deliver Block A Energy and Block B Energy only from Station One and only with respect to Energy available from Station One, to the extent provided in Section 5.04(g), after Supplier, utilizing all its available power resources (exclusive of Units 1 – 4 at Station One) in a manner consistent with Prudent Utility Practice and the requirements of the Power Contracts, meets the City System Load; provided, however, that in the event of an insufficiency of Block A Energy and/or Block B Energy from Station One, Supplier shall use reasonable commercial efforts to ascertain whether any of the other parties to the Power Contracts will exercise any of their rights under the Power Contracts to purchase any Energy available to Supplier from Station Two that is in excess of the Energy required to meet the City System Load, and shall thereby determine the availability for sale under this Agreement

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of any such Station Two Energy as well as any SEPA Power in excess of the Energy required to meet the City System Load (but only if and to the extent so available under the SEPA Contract); and to the extent of such available Excess Energy, Supplier shall endeavor to deliver Block A Energy and/or Block B Energy so as to make up for such insufficiency.


(b) Kenergy understands and agrees that Block A Energy and scheduled Block B Energy are subject to interruption, other than due to an Uncontrollable Force as provided in Article XI, at any time when necessary for scheduled maintenance of any of the Supplier's generating facilities or for Supplier to meet City System Load or otherwise comply with Section 5.04(a), and Supplier understands and agrees that, absent an Uncontrollable Force, Block A Energy and scheduled Block B Energy may not be interrupted by Supplier except as hereinabove provided;

(c) Block B Energy shall be fully interrupted before any portion of Block A Energy is subject to interruption.

(d) In scheduling its generation to meet City System Load and the deliveries required by this Agreement, Supplier will include all of its available generation capacity in a manner consistent with Prudent Utility Practice and the requirements of the Power Contracts, including SEPA Power but excluding Units 1, 2, 3 and 4 at Station One;

(e) Supplier shall satisfy its City System Load first from all of the Energy associated with its system power resources other than Station One before utilizing Energy associated with Station One capacity to satisfy its City System Load. Supplier agrees to give LEM, Kenergy and Alcan thirty (30) minutes notice by telephone or facsimile of any interruption of the delivery of Block A Energy and scheduled Block B Energy or of an adjustment to an existing interruption. Verbal notice by telephone shall be followed up by facsimile;

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(f) Supplier is not obligated to acquire Energy on the wholesale market to maintain delivery of Energy pursuant to this Agreement;

(g) Supplier agrees to operate Station One, and not to cease or decrease generation from Station One, to the extent such operation is necessary to make Excess Energy available to Kenergy; provided, however, operation of Station One shall not be required and Energy from Station One shall not be deemed available for purposes of this Agreement in the event of (i) any unit outage due to Uncontrollable Forces as provided in Article XI, (ii) an insufficiency of NOx allowances or emission credits available (other than through purchase by Supplier) to Supplier for Station One and required for operation of one or more units of Station One under the Federal Environmental Protection Agency's 1998 NOx SIP Call implemented in Kentucky by Regulation 401 KAR 51:160, unless Kenergy shall agree, with the consent of Alcan, to reimburse Supplier for its cost of purchasing such required NOx allowances or emissions credits, or (iii) the scheduled maintenance of a unit or if Supplier determines, using Prudent Utility Practice, that operation of either unit at Station One poses a threat to the safety of persons or of damage to property or equipment, the resulting shut down or limitation of load as to such Unit;

(h) Subject to Supplier's obligations under the Power Contracts relating to Excess Energy from Station Two, Supplier hereby grants to Kenergy a first call on Excess Energy up to the Energy associated with fifty (50) MW and will not cause deliveries hereunder to be interrupted in order to make wholesale sales to other third parties.

(i) Supplier agrees that absent Uncontrollable Force, interruptions shall be denominated in increments of one (1) MW.

(j) Unless otherwise excused pursuant to Article XI or unless service is interrupted pursuant to Section 5.04(b) or (g), in the event that Supplier fails to deliver Block A Energy or

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scheduled Block B Energy to the Point of Delivery in accordance with the terms of this Agreement, Supplier will be liable for 100% of the costs incurred by Kenergy in obtaining Energy in a commercially reasonable manner to replace the Energy not delivered less the amount that Kenergy would have owed to Supplier had Supplier fulfilled its obligation to deliver Block A Energy and Block B Energy hereunder.

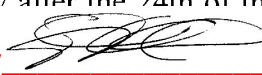
(k) In the event that Supplier is required to pay imbalance charges or similar charges to any other provider of generating services within the control area of the Transmission Provider arising from Supplier's failure to deliver Energy in an amount sufficient to satisfy its obligations to deliver Block A Energy and scheduled Block B Energy, and further provided that Supplier has timely fulfilled its notice obligations under Section 5.04(e) to provide notice of any interruption or adjustment to an existing interruption, then Kenergy shall reimburse Supplier for such charges, less the amount that Kenergy is required to pay to Supplier for the delivery of Block A Energy or Block B Energy that resulted in such imbalance charges or similar charges.

Section 5.05 Transmission Service and Delivery to Alcan. Kenergy shall separately charge to Alcan the charges incurred in obtaining transmission services, generation-based ancillary services and Kenergy's applicable distribution fee related to Kenergy's sale to Alcan of Block A Energy and Block B Energy purchased by Kenergy from Supplier.

## ARTICLE VI

### BILLING

Section 6.01 Supplier shall bill Kenergy on a monthly basis for the Monthly Charge based on the Block A Energy and Block B Energy provided or made available during the most recently ended Billing Month. Supplier shall issue its bill as soon after the Billing Month's end as detailed information is available. Kenergy shall pay Supplier the Monthly Charge in immediately available funds on or before the first Working Day after the 24th of the month in

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which the bill is issued. For the convenience of the Parties, and to facilitate satisfaction of Kenergy's obligation to Supplier, Kenergy hereby assigns to Supplier all of its right to receive the corollary payment from Alcan under the Alcan Power Agreement with respect to the Block A Energy and Block B Energy sold by Supplier and purchased by Kenergy for resale to Alcan under this Agreement. Kenergy also hereby assigns to Supplier all of its rights to collect and enforce collection of such amounts due from Alcan. Supplier releases Kenergy from further liability under this Agreement for amounts paid by Alcan to Supplier pursuant to such assignment, provided that such release does not relieve Kenergy of its other liabilities under this Agreement. Kenergy agrees to cooperate with and assist Supplier at its request with respect to any collections of amounts due from Alcan to Kenergy which are assigned to Supplier pursuant to this Section, provided that Supplier will reimburse Kenergy for any expenses Kenergy incurs in providing such cooperation and assistance. Pursuant to a Security and Lockbox Agreement of even date herewith by and among Supplier, Kenergy, Alcan and the depository bank ("Lockbox Agreement"), the Parties have established an account to be used exclusively for receiving Alcan's payments and from which disbursements will be made (to the extent that funds are available) to Supplier for the amounts due. The rights and obligations of each of Kenergy and Supplier with respect to assignment of the account receivable and the disbursement account have been established by the Lockbox Agreement.

Section 6.02 If Kenergy shall fail to pay any bill rendered by Supplier within the time prescribed in Section 6.01, Supplier may discontinue delivery of Block A Energy and Block B Energy hereunder upon five (5) days' written notice to Kenergy and Alcan of its intention to do so. Such discontinuance for non-payment shall not in any way affect the obligation of Kenergy

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to pay the Monthly Charge for Block A Energy and Block B Energy set forth in Section 5.03, which Monthly Charge shall be calculated assuming that such Energy had been delivered.

Section 6.03 In the event any bill rendered by Supplier is not paid on the due date, interest will accrue and become payable by Kenergy to Supplier on all unpaid amounts at a rate of 4 percentage points over the then-effective prime commercial lending rate per annum published in the Money Rates section of The Wall Street Journal commencing on the first Working Day after the due date. Should The Wall Street Journal discontinue publication of the prime commercial lending rate, the Parties shall agree on a mutually acceptable alternative source for that rate.

Section 6.04 In the event any portion of any bill is disputed by Kenergy or Alcan, the disputed amount shall be paid, under protest, when due. If the protested portion of the payment is found to be incorrect, Supplier shall promptly cause to be refunded to Kenergy (or to Alcan on behalf of Kenergy, as applicable) the amount that was not then due and payable, together with interest accrued on each calendar day from the date of payment by Kenergy to the date the refund is made at the then effective prime lending rate determined as provided in Section 6.03.

Section 6.05 No payment made by Kenergy pursuant to this Article VI shall constitute a waiver of any right of Kenergy or Alcan to contest the correctness of any charge or credit.

## ARTICLE VII

### BREACH AND DEFAULT

Section 7.01 The occurrence of any of the following events, unless otherwise excused pursuant to the terms of this Agreement, constitutes a breach by the relevant Party under this Agreement and if not curable or not cured within the applicable cure period (indicated in parenthesis) shall constitute a default:

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(a) Failure by a Party to make any payment as and when due hereunder (curable within 3 days following notice of default from the non-defaulting party to the defaulting party and Alcan);

(b) Failure of a Party to perform any material duty imposed on it by this Agreement (curable within 10 days following notice of default from the nondefaulting party to the defaulting party and Alcan);

(c) Any attempt by a Party to transfer an interest in this Agreement other than as permitted pursuant to Article XII of this Agreement (not curable);

(d) Any filing of a petition in bankruptcy or insolvency, or for reorganization or arrangement under any bankruptcy or insolvency law, or voluntarily taking advantage of any such laws by answer or otherwise or the commencement of involuntary proceedings under any such laws by a Party (curable by withdrawing the petition or dismissing the proceeding within 30 days after filing).

(e) Assignment by a Party for the benefit of creditors (not curable);

(f) Allowance by a Party of the appointment of a receiver or trustee of all or a material part of its property (curable by discharge of such receiver or trustee within 30 days after appointment).

(g) Failure, inability or refusal of Kenergy to cure a breach or default by Kenergy under the Alcan Power Agreement which gives rise to a termination of that agreement, or any termination by Kenergy of the Alcan Power Agreement in breach or default thereof (not curable).

Section 7.02 The waiver by either Party of any breach of any term, covenant or condition contained herein shall not be deemed a waiver of any other term, covenant or

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condition, nor shall it be deemed a waiver of any subsequent breach of the same or any other term, covenant or condition contained herein.

## ARTICLE VIII

### REMEDIES OF THE PARTIES

Section 8.01 Remedies, General: In event of a default by either Party, the non-defaulting Party may, in its sole discretion, elect to terminate this Agreement upon written notice to the other Party, or to seek enforcement of its terms at law or in equity.

Section 8.02 Remedies Scope: Remedies provided in this Agreement are cumulative, unless specifically designated to be an exclusive remedy. Nothing contained in this Agreement shall be construed to abridge, limit, or deprive either Party of any means of enforcing any remedy either at law or in equity for the breach or default of any of the provisions herein provided that:

(a) Neither Party is entitled to recover from the other Party any consequential, incidental or special damages including without limitation, lost profits; and

(b) Kenergy's sole and exclusive right to damages or other relief for a failure by Supplier to deliver Block A Energy or scheduled Block B Energy as required by this Agreement shall be as set forth in Section 5.04(j).


## ARTICLE IX

### ADDITIONAL COVENANTS OF THE PARTIES

Section 9.01 Kenergy covenants that:

(a) It will not intentionally take any action that would shorten the Term of this Agreement or otherwise adversely affect the economic value of this Agreement to Supplier or Alcan.

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(b) It will not resell any Block A Energy or Block B Energy purchased from Supplier under this Agreement to any user other than Alcan and will require that any Block A Energy and Block B Energy that Kenergy purchases from Supplier under this Agreement and resells to Alcan must be consumed by Alcan at its Sebree Facility except as expressly permitted with the written authorization of Supplier; provided, that in the event of an Uncontrollable Force that renders Alcan unable to receive and utilize power purchased by Kenergy from Supplier hereunder, Kenergy may resell that power to the extent contemplated in Section 26.6 of the Alcan Power Agreement.


(c) It will not take any action or support any action by others that in any manner would impede Kenergy's ability to fulfill its obligations to Supplier under this Agreement;

(d) It will not waive compliance by Alcan with any of its obligations under the Alcan Power Agreement or fail to fully enforce the Alcan Power Agreement against Alcan in any manner that would adversely affect Kenergy's ability to fulfill its obligations under this Agreement; and

(e) It will not assign or transfer (by operation of law or otherwise) any rights or interests that it may have in the Alcan Power Agreement to any party without causing the transferee of the Alcan Power Agreement to assume and agree to perform all of Kenergy's obligations under this Agreement which arise following that assignment or transfer and without complying with Article XII.

Section 9.02 Kenergy agrees that it will fully enforce all of Big Rivers' obligations pursuant to the contract between Kenergy and Big Rivers under which Big Rivers provides transmission and other services to Kenergy which are necessary for its performance under this

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Agreement, or which would adversely affect Supplier or Alcan's economic interest under this Agreement, unless Kenergy has first established an alternative means by which to receive such services (without reliance on Supplier, other than to the extent to which Supplier agrees in writing).

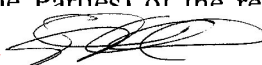
Section 9.03 Kenergy will permit Supplier and Alcan to audit, upon reasonable notice, at their own expense, at a mutually agreeable time, all information in the possession of Kenergy relating to its service to Alcan under this Agreement, including (for example, but not by way of limitation) usage, meter records and billing records and records related to power supplied hereunder as such records relate to a determination of the amount of Block A Energy and Block B Energy supplied by Supplier and delivered to or used by Alcan. Kenergy shall retain all documentation applicable to service to Alcan under the Alcan Power Agreement for a period of three years and consistent with the requirements of Section 25 of the Alcan Power Agreement.

Section 9.04 Supplier covenants that it will not take any action or support any action by others that in any manner would impede Supplier's ability to fulfill its obligations to Kenergy or Alcan under this Agreement and will not intentionally take any action that would diminish or otherwise adversely affect the economic value of this Agreement to Kenergy or Alcan.

## ARTICLE X

### DISPUTE RESOLUTION AND CHOICE OF LAW

Section 10.01 Should any dispute arise between the Parties concerning the terms or conditions of this Agreement, the duties or obligations of the Parties under this Agreement, or the implementation, interpretation or breach of this Agreement, either Party may request in writing a meeting between an authorized representative of each of the Parties and Alcan to discuss and attempt to reach a resolution of the dispute. Such meeting shall take place within ten (10) days (or such shorter or longer time as agreed upon by the Parties) of the request. Any

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resolution mutually agreed upon by the Parties and consented to by Alcan shall be reduced to written form and signed by each Party, and thereafter shall be binding upon each Party to this Agreement. Absent such resolution, the Parties shall be entitled to pursue all rights and remedies that they may have at law, in equity or pursuant to this Agreement (subject to the limitations set forth in the Agreement) to resolve that dispute. Notwithstanding the provisions of this Section 10.01, each Party will at all times be free to seek injunctive relief, where its delay in doing so could result in irreparable injury.

Section 10.02 This Agreement shall be interpreted, governed by and construed under the laws of the Commonwealth of Kentucky, without regard to its conflicts of laws rules.


Section 10.03 The Parties hereby agree that the Courts of the Commonwealth of Kentucky will have exclusive jurisdiction over each and every judicial action brought under this Agreement to enforce this Agreement or for breach of this Agreement, provided that the subject matter of such dispute is not a matter reserved by law to the U.S. federal judicial system and provided further that the Parties are not precluded from filing actions in or removing actions to a federal district court under such court's diversity of citizenship jurisdiction. In any such federal district court action, venue shall lie with the U.S. District Court for the Western District of Kentucky. The Parties hereby agree to submit to the jurisdiction of such courts for such purposes. Nothing in this paragraph prohibits a Party from referring to FERC any matter properly within FERC's jurisdiction.

#### ARTICLE XI

#### UNCONTROLLABLE FORCES

Section 11.01 No Party shall be considered to be in breach or default in the performance of any of its obligations under this Agreement when a failure of performance is due to an

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Uncontrollable Force, except as enumerated in this Article XI. The Party claiming failure or inability to perform shall promptly contact the other Party and provide written notice that an Uncontrollable Force has caused failure of performance. In the event either Party shall be unable, in whole or in part, by reason of Uncontrollable Force to carry out its obligations, then the obligations of the Parties (other than obligations to make payments then due or becoming due with respect to performance prior to such period), to the extent that they are affected by such Uncontrollable Force, shall be suspended during the continuance of any inability so caused, but for no longer period. A Party shall not be relieved of liability for failing to perform if such failure is due to causes arising out of its own gross negligence or willful breaches (acts or omissions), or to removable or remediable causes which it fails to remove or remedy with reasonable dispatch.

Section 11.02 Either Party rendered unable to fulfill any obligation by reason of an Uncontrollable Force shall exercise due diligence to remove or remedy such inability with all reasonable dispatch.

Section 11.03 Kenergy and Supplier agree to notify the other Party at the earliest practicable time following (i) the occurrence of any Uncontrollable Force which renders such Party incapable of performing hereunder, or (ii) the time at which such Party has reason to expect that such an Uncontrollable Force is imminent. Kenergy also agrees to so notify Supplier in the event that Kenergy receives notice from Alcan or the Transmission Provider that such entity anticipates that it will be unable to perform its obligations to Kenergy (under any contract or agreement that affects Kenergy's performance under this Agreement) due to an Uncontrollable Force.

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Section 11.04 Nothing contained herein shall be construed to require a Party to prevent or to settle a labor dispute against its will.

## ARTICLE XII

### SUCCESSORS AND ASSIGNS

Section 12.01 This Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns. No interest in this Agreement may be transferred or assigned by either Party, in whole or in part, by instrument or operation of law, without the prior written consent of the other Party, except that (a) assignment may be made by either Party without the consent of the other Party to such person or entity as acquires all or substantially all the assets of the assigning Party or which merges with or acquires all or substantially all of the stock or other ownership interest of such Party, and (b) Supplier may assign or delegate all or any portion of its rights or obligations under this Agreement to any affiliate or entity controlled by Supplier without the prior consent of Kenergy. When consent is required, consent shall not be unreasonably withheld, conditioned or delayed. In no event shall either Party assign this Agreement to any third party that does not have adequate financial capacity or that would otherwise be unable to perform the obligations of the assigning Party pursuant to this Agreement, nor shall either Party assign this Agreement on any terms at variance from those set forth in this Agreement except as agreed to in writing by the Parties and Alcan. No permitted assignment or transfer shall change the duties of the Parties, or impair the performance under this Agreement except to the extent set forth in such permitted assignment and approved in writing by the Parties and Alcan. No Party is released from its obligations under this Agreement pursuant to any assignment, unless such release is granted in writing.

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ARTICLE XIII

REPRESENTATIONS AND WARRANTIES:

Section 13.01 Kenergy hereby represents and warrants to Supplier as follows:

(a) Kenergy is a electric cooperative corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Kentucky, and has the power and authority to execute and deliver this Agreement, to perform its obligations hereunder, and to carry on its business as such business is now being conducted and as is contemplated hereunder to be conducted during the term hereof.

(b) The execution, delivery and performance of this Agreement by Kenergy has been duly and effectively authorized by all requisite corporate action.

(c) Without further investigation, Supplier can rely upon any scheduling or other written notice from Kenergy.


(d) Kenergy has reserved network service or firm point-to-point transmission service on the transmission system of the Transmission Provider as is reasonably required to deliver to Alcan the Block A Energy and scheduled Block B Energy purchased by Kenergy from Supplier pursuant to this Agreement.

Section 13.02 Supplier hereby represents and warrants to Kenergy as follows:

(a) Supplier is a body corporate and politic duly organized and validly existing and in good standing under the laws of the Commonwealth of Kentucky and has the power and authority to execute and deliver this Agreement, to perform its obligations hereunder, and to carry on its business as it is now being conducted and as it is contemplated hereunder to be conducted during the term hereof.

(b) None of Supplier's generating units are scheduled for maintenance in 2004 other than: None.

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(c) Supplier has no knowledge of any condition or event that would prevent its generating units from being fully operable for the balance of 2004 other than: None.

(d) Supplier has adequate facilities and interconnections with Big Rivers to meter and deliver the Block A Energy and Block B Energy to the transmission facilities of Big Rivers for further delivery to the Point of Delivery.

(e) The execution, delivery and performance of this Agreement by Supplier have been duly and effectively authorized by all requisite corporate action.

(f) Without further investigation, Kenergy can rely upon any written notice from Supplier.

#### ARTICLE XIV

#### AMENDMENTS

Section 14.01 This Agreement may be amended, revised or modified by, and only by, a written instrument duly executed by both Parties.

#### ARTICLE XV

#### GENERAL

Section 15.01 Good Faith Efforts: The Parties agree that each shall in good faith take all reasonable actions within their reasonable control as are necessary to permit the other Party to fulfill its obligations under this Agreement; provided, that no Party shall be obligated to expend money or incur material economic loss in order to facilitate performance by the other Party.

Where the consent, agreement, or approval of either Party must be obtained hereunder, such consent, agreement or approval shall not be unreasonably withheld, conditioned, or delayed.

Where either Party is required or permitted to act or fail to act based upon its opinion or judgment, such opinion or judgment shall not be unreasonably exercised. Where notice to the

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other Party is required to be given herein, and no notice period is specified, such notice will be given as far in advance as is reasonably practical.

Section 15.02 Information Exchange: The Parties shall cooperate in the exchange of information between themselves in order to further the purposes of this Agreement, to verify compliance with the terms of this Agreement and to keep each other fully informed of facts which could constitute a material change in any of the business or financial relationships contemplated by this Agreement.

Section 15.03 Notices: Except as herein otherwise expressly provided, any notice, demand or request provided for in this Agreement, or served, given or made in connection with it, shall be in writing and shall be deemed properly served, given or made if delivered in person or by any qualified and recognized delivery service, or sent by United States mail postage prepaid to the persons specified below unless otherwise provided for in this Agreement.

To Supplier:

Henderson Municipal Power & Light  
100 Fifth Street  
Henderson, Kentucky  
Attention: Jeff Garner  
Facsimile (270) 826-9650

To Kenergy:

Kenergy Corp.  
P.O. Box 18  
Henderson, KY 42419-0018  
Attention: Mark Bailey, President/CEO  
Facsimile: (270) 826-3999

To Alcan:

Alcan Primary Products Corporation  
Highway 2096, Near Sebree, Ky.  
P.O. Box 44  
Henderson, Kentucky 42419-0044  
Attn: Pam Schneider, Treasurer  
Facsimile (270) 521-7305

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Either Party may at any time, by written notice to the other Party, change the designation or address of the person specified to receive notices pursuant to this Agreement.


Section 15.04 Severability: If any clause, sentence, paragraph or part of this Agreement should for any reason be finally adjudged by any court of competent jurisdiction to be unenforceable or invalid, such judgment shall not affect, impair or invalidate the remainder of this Agreement but shall be confined in its operation to the clause, sentence, paragraph or any part thereof directly involved in the controversy in which the judgment is rendered, unless the loss or failure of such clause, sentence, paragraph or part of this Agreement shall materially adversely affect the benefit of the bargain to be received by either or both of the Parties, in which event the Parties shall promptly meet and use their good faith best efforts to renegotiate this Agreement in such a fashion as will restore the relative rights and benefits of both Parties or, absent such renegotiation, the Party(s) that was so materially adversely affected shall be entitled, in its discretion, to terminate this Agreement.

Section 15.05 Singular and Plural References: Unless the context plainly indicates otherwise, words importing the singular number shall be deemed to include the plural number and vice versa.

Section 15.06 Each provision of this Agreement providing for payment for Block A Energy or Block B Energy related to remedies for default, claims for damages, indemnification or payment of other liabilities will survive the termination of this Agreement to the full extent necessary for their enforcement and the protection of the Party in whose favor they run.

Section 15.07 This Agreement constitutes the entire agreement and understanding of the Parties hereto with respect to the subject matter addressed herein.

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ARTICLE XVI

OBLIGATIONS OF CITY ELECTRIC SYSTEM

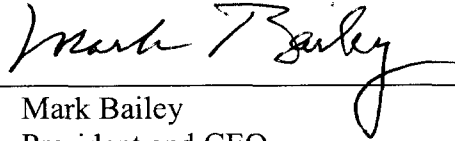
Section 16.01 The obligations of the Supplier under this Agreement shall be limited obligations payable solely from the revenues of the City Electric System and shall not constitute general obligations of the City of Henderson.

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IN WITNESS WHEREOF, this Agreement is hereby executed as of the day and year first above written.

KENERGY CORP.



By: Mark Bailey  
Title: President and CEO

CITY OF HENDERSON UTILITY  
COMMISSION



By: Jeff Garner  
Title: General Manager

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