

AGREEMENT FOR TIER 3 ENERGY
BETWEEN
KENERGY CORP.
AND
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY

ARTICLE I

PARTIES

The Parties to this Agreement, dated as of the 28th day of September, 2004, are KENERGY CORP., a Kentucky corporation organized under KRS Chapter 279 ("Kenergy") and SOUTHERN INDIANA GAS AND ELECTRIC COMPANY, an Indiana corporation ("Supplier"). Kenergy and Supplier are each referred to individually as a "Party" and collectively as "Parties." Pursuant to the attached Form of Consent, Alcan consents to this Agreement.

ARTICLE II

RECITALS

Section 2.01 Supplier is engaged in the business of selling electric power at wholesale.

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 Primary Products Corporation" dated July 15, 1998 (the "Alcan Power Agreement").

Section 2.03 Alcan owns and operates an aluminum reduction plant in Sebree, Henderson County, Kentucky (the "Sebree Facility").

Section 2.04 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

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quantities of energy denominated as "Tier 3 Energy" at prices, terms and conditions which respond to Alcan's requirements. Upon acceptance by the Kentucky Public Service Commission, Kenergy shall then make a corollary sale of 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 2.05 Alcan has made a request for 25 megawatts (MW) of System Firm Energy, deliverable in 2005, subject to Supplier's right of limited interruption based on transmission contingencies hereafter described.

Section 2.06 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, 25 MW of such Energy as 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 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.

Section 3.03 Alcan Corp.: Alcan Corporation, a Texas corporation and the parent corporation of Alcan.

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Section 3.04 A.M.: Means A.M., Central Standard Time or Central Daylight Time, as applicable.

Section 3.05 Billing Period: Each biweekly period during the term of this Agreement in which System Firm Energy is provided to Kenergy by Supplier.

Section 3.06 Charge: The total charge in each Billing Period for the Rate and the Incremental Congestion Charge, if applicable, for the delivery of System Firm Energy computed in accordance with this Agreement.

Section 3.07 Congestion Charge: As defined in Section 5.06(b).

Section 3.08 Effective Date: The date specified in Section 4.01.

Section 3.09 Energy: The flow of electricity denominated in megawatt-hours.

Section 3.10 FERC: The Federal Energy Regulatory Commission or any successor agency.

Section 3.11 Guaranty: The Guaranty of Alcan Corp. dated August 1, 2003 in favor of Supplier, guaranteeing the obligations of Alcan with respect to the sale of Tier 3 Energy to Kenergy for resale to Alcan.

Section 3.12 Incremental Congestion Charge: As defined in Section 5.06(b).

Section 3.13 Kenergy: Kenergy Corp., its successors and assigns.

Section 3.14 KPSC: The Kentucky Public Service Commission, or any successor agency.

Section 3.15 MISO: The Midwest Independent Transmission System Operator, its successors and assigns.

Section 3.16 Open Access Transmission Tariff. Any transmission tariff approved by FERC following filing by a public utility pursuant to 18 C.F.R. § 35.28(c) or approved by FERC

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as constituting reciprocal transmission service following a submittal by a non-public utility pursuant to 18 C.F.R. § 35.28(e).

Section 3.17 Point of Delivery: The MISO/Big Rivers Interface Commercial Pricing Node or other mutually agreed-upon delivery point. At such point(s), title to the Energy transfers from Supplier to Kenergy.

Section 3.18 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 3.19 Rate: The rate for System Firm Energy as set forth in Section 5.03.

Section 3.20 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 3.21 Supplier: Southern Indiana Gas and Electric Company, its successors and assigns.

Section 3.22 System Firm Energy: The Tier 3 Energy to be delivered and purchased hereunder as defined in Article V.

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Section 3.23 Tier 3 Backup Energy: Load following Tier 3 Energy provided by LG&E Energy Marketing Inc. to Kenergy for resale to Alcan load at the rate set forth in the Alcan Power Agreement and Schedule A attached thereto.


Section 3.24 Tier 3 Energy: The energy acquired by Kenergy from third party suppliers at the request of Alcan, including System Firm Energy, as further described in section 2.05.

Section 3.25 TLR Procedures: Transmission loading relief procedures implemented by MISO that are designed to relieve congestion on its transmission system or to avoid impairment or degradation of the reliability of the transmission system.

Section 3.26 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 Supplier or Kenergy may contract for the delivery of electric power to Kenergy for resale to Alcan.

Section 3.27 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 and labor disruptions, 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 or military, civil disturbances, explosions, breakage of or accident to machinery, equipment or transmission lines, inability of either Party hereto to obtain necessary materials, supplies or permits due to existing or future rules, regulations, orders, laws or proclamations of

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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 is not an Uncontrollable Force unless it prevents the physical delivery of power to Kenergy for resale to Alcan. Uncontrollable Force shall not include Alcan's inability to use the Tier 3 Energy at the Sebree Facility, including but not limited to market conditions relating to Alcan's business market conditions relating to the products produced at the Sebree Facility and operational and production schedules other than caused by a strike or labor disruption.

Section 3.28 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 Effective Date. This Agreement shall become effective on the date it is executed and delivered by the Parties. The term of this Agreement shall terminate when all obligations of the Parties have been satisfied with respect to the purchase and delivery of System Firm Energy through December 31, 2005, unless earlier terminated by either Party pursuant to Section 4.03 (failure of KPSC initial approval), Sections 7.01 and 7.02 (breach in default) or by mutual agreement of the Parties and Alcan.

Section 4.02 Commencement of Obligations to Purchase and Deliver. 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 and other terms and conditions for the resale of System Firm Energy by Kenergy to Alcan as required by Section 9.2 of the Alcan Power

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Agreement. As soon as the condition set forth in this Section 4.02 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 be binding on the day following receipt by Supplier and Alcan of such notice. Unless waived by Supplier in writing, the condition contained in this Section 4.02 shall not be deemed satisfied until Supplier has received such notice.

Section 4.03 Cooperation. Each Party agrees to use reasonable diligence to satisfy the condition described in Section 4.02. If the condition has not been satisfied by November 30, 2004 either Party may terminate this Agreement upon written notice to the other Party.

ARTICLE V

PURCHASE AND SALE OF SYSTEM FIRM ENERGY

Section 5.01 Delivery and Purchase Obligations. Notwithstanding the Effective Date of this Agreement, Supplier's obligation to deliver and Kenergy's obligation to purchase System Firm Energy pursuant to this Agreement will commence at 12:01 A.M. on January 1, 2005, and will terminate as of 12:00 midnight on December 31, 2005 ("Energy Delivery Period").

Section 5.02 Tier 3 Energy Volume. During the Energy Delivery Period, Supplier will sell and deliver to Kenergy and Kenergy shall purchase a block of twenty-five (25) MW of System Firm Energy around the clock at the Point of Delivery, subject however to Supplier's right to interrupt delivery or increase the cost of the Energy as set forth in Section 5.06 (hereafter referred to as "System Firm Energy").

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Section 5.03 Rate. For System Firm Energy supplied pursuant to this Agreement, Kenergy shall pay Supplier at the rate of \$30.50 per MWH (the "Rate"). This Rate is not subject to change over the term of this Agreement. Kenergy shall purchase and accept delivery of the full amount of System Firm Energy made available by Supplier. If Kenergy or Alcan does not accept delivery of the full amount of such energy, the Charge shall include the amount that would have been due had the full amount of such energy been accepted.

Section 5.04 Unless otherwise excused pursuant to Article XI (Uncontrollable Forces) or the result of a suspension of performance pursuant to Section 10 of the Assurances Agreement or subject to Supplier's right of limited interruption pursuant to Section 5.06 of this Agreement, in the event Supplier fails to deliver System Firm Energy to the Point of Delivery in accordance with the terms of this Agreement, Supplier shall be liable for 100% of the commercially reasonable costs incurred by Kenergy in obtaining replacement Tier 3 Energy from one or more other Third Party Suppliers less amount that Kenergy would have paid under this Agreement for the undelivered power had Supplier fulfilled its obligations hereunder. Supplier agrees that Kenergy's reliance on and purchase of Tier 3 Backup Energy shall be deemed commercially reasonable, unless lower replacement costs reasonably can be incurred by purchasing Tier 3 Interruptible Energy (if available) or power on the spot market, giving consideration to the notice provided and Kenergy's and Alcan's operational needs and circumstances.

Section 5.05 Transmission Service and Delivery to Alcan. Kenergy shall separately charge to Alcan (i) the charges incurred in obtaining transmission services from the Point of Delivery to Alcan, (ii) ancillary services, if any, and (iii) Kenergy's applicable distribution fee with respect to Kenergy's resale to Alcan of System Firm Energy purchased from Supplier.

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Section 5.06 Supplier's Right of Limited Interruption Due to MISO Action. The

Parties acknowledge that from time to time the MISO may exercise certain operating protocols if needed to relieve congestion on constrained facilities of the transmission system under MISO's control or to avoid impairment or degradation of the reliability of the transmission system. Such action shall not be deemed an Uncontrollable Force; provided, however, if such action prevents or restricts Supplier's ability to physically transport System Firm Energy from the generation source to the Point of Delivery or increases Supplier's cost of delivering System Firm Energy to the Point of Delivery, the Parties agree to the following provisions:

(a) To the extent the MISO exercises TLR procedures that prevent or restrict Supplier from transporting any volume of the System Firm Energy to the Point of Delivery or that increase Supplier's cost of delivering same (a "MISO Interruption"), Supplier shall have the right to interrupt delivery of the corresponding volume of System Firm Energy for the period of the MISO Interruption by providing notice to Alcan ("Notice of Interruption") within ten (10) minutes of Supplier's receipt of notice of the interruption from MISO. The right of Supplier under this Agreement to interrupt deliveries due to a MISO Interruption shall be limited to 150 hours during the term of this Agreement after which Supplier shall be obligated to deliver System Firm Energy at the Rate during successive MISO Interruptions; provided, however, that in the Notice of Interruption Supplier may, in its sole discretion, request Alcan to replace System Firm Energy with Tier 3 Backup Energy during the period of the MISO Interruption in which case the period in which Kenergy purchases Tier 3 Backup Energy shall not be included in the computation of 150 hours. Upon the termination of any MISO Interruption Supplier shall recommence the delivery of System Firm Energy at the Rate. If the MISO Interruption applies to some but not all of the System Firm Energy, the hours of such

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interruption to be included in the computation of 150 hours shall be limited to a percentage calculated by dividing the volume subject to interruption by 25 MWH.

(b) It is anticipated by the Parties that in 2005 MISO will adopt a congestion pricing policy pursuant to which it may, from time to time, levy an additional transmission fee on the transportation of System Firm Energy to the Point of Delivery as a means of relieving congestion on the transmission system ("Congestion Charge"). So long as the Congestion Charge component of the locational marginal price at the Point of Delivery does not exceed \$5.00 per megawatt hour, Supplier's obligation to deliver System Firm Energy at the Rate shall remain unaffected. When the Congestion Charge component of the locational marginal price at the Point of Delivery is expected to exceed \$5.00 per megawatt hour (the "Incremental Congestion Charge"), Supplier may give notice thereof to Alcan, including Supplier's estimate of what the Incremental Congestion Charge will be ("Notice of Congestion Charge"), and Alcan shall have the option, exercisable within ten (10) minutes after receipt of the Notice of Congestion Charge, of electing on its behalf and on behalf of Kenergy (i) to accept delivery of the volume of System Firm Energy subject to the Incremental Congestion Charge at the Rate plus the Incremental Congestion Charge or (ii) not to accept delivery of that volume of System Firm Energy that is subject to the Incremental Congestion Charge. To the extent Alcan notifies Supplier that it elects not to accept delivery of the designated volume of System Firm Energy during the period the Incremental Congestion Charge is in effect, Supplier shall have no obligation to deliver and Kenergy shall have no obligation to purchase that volume of System Firm Energy during the period in question. Periods during which Alcan elects not to accept delivery due to a Notice of Congestion Charge pursuant to this Subsection (b) shall not count toward the 150 hours of TLR interruption permitted by Subsection (a) of this Subsection 5.6.

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Failure of Alcan to make an election within the ten (10) minute period shall be deemed to be on election not to accept delivery, unless the Parties mutually agree to an extension of the deadline.

(c) The Notice of Interruption, Notice of Congestion Charge and Notice of Alcan's election to accept Incremental Congestion Charges may be made orally, but shall be followed by immediate confirmation transmitted by facsimile or electronic transmission. The Notice of Interruption shall designate the volume of System Firm Energy to be interrupted, the time of interruption and the known or estimated duration of the interruption. The Notice of Congestion Charge shall designate the volume of System Firm Energy that will be subject to the Congestion Charge, the amount of the Congestion Charge and the Incremental Congestion Charge, if applicable, the time of day at which the Congestion Charge or Incremental Congestion Charge is to commence and the known or estimated period in which the Congestion Charge or Incremental Congestion Charge is to be in effect.


(d) In the event the MISO announces the adoption of a different policy or plan for relieving congestion on the transmission system that may affect Supplier's ability to physically transport System Firm Energy from the generation source to the Point of Delivery or increase Supplier's cost of delivery, the Parties shall negotiate in good faith prior to the effective date of such new plan and undertake to agree on an amendment to this Agreement that reflects the same risk sharing elements as set forth in this Section 5.06. The negotiation shall include no issues other than the impact of the MISO's new plan on Supplier or Kenergy. In the event the Parties are unable in good faith to come to an agreement, either Party may elect to terminate this Agreement on a date no sooner than the effective date of the new plan.

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ARTICLE VI
BILLING

Section 6.01 Supplier shall bill Kenergy on a biweekly basis for the Charge based on the System Firm Energy provided or made available during the most recently ended Billing Period. The first billing Period shall begin at 12:01 A.M. on Saturday, January 1, 2005 and end at midnight on Saturday, January 15, 2005. Supplier shall issue its bill as soon after the Billing Period's end as detailed information is available. The parties recognize that MISO settlements may be adjusted up to 105 days after the fact in order to reconcile scheduled with actual physical flows of power and that for purpose of Section 5.06(b) any adjustments of Incremental Congestion Charges for prior periods will be included in the current period's bill and shall be subject to the same terms and conditions of payments due under the Agreement. Kenergy shall pay Supplier the Charge in immediately available funds within three (3) working Days from the receipt of the bill. 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 System Firm 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 subject to such assignment to Supplier, provided that such release does not relieve Kenergy of its other liabilities under this Agreement. Kenergy agrees to cooperate with and assist Supplier 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 the Security and Lock Box Agreement dated October 6, 2000 by and among Supplier, Kenergy,

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Alcan and the depository bank (the "Lock Box 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 (or Alcan on behalf of Kenergy) shall fail to pay any bill rendered by Supplier within the time prescribed in Section 6.01, Supplier may discontinue delivery of System Firm Energy hereunder upon three (3) 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 to pay the charge for System firm Energy set forth in Section 5.03 which charge shall be calculated assuming that such System Firm 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

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date the refund is made. The same interest rate and computation method provided for in Section 6.03 shall be applied to the determination of interest due to Kenergy on the refund.

Section 6.05 No payment made by Kenergy (or Alcan) 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:


(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 other material duty imposed on it by this Agreement (curable within 30 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 (not curable).

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

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(f) Allowance by a Party of the appointment of a receiver or trustee of all or a material part of its property (curable).

(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 Additional Grounds For Termination By Supplier: Supplier may, in its sole discretion, elect to terminate this Agreement upon written notice to Kenergy and Alcan, in the event of the occurrence of any of the following events:

(a) Failure by Alcan to perform any material duty imposed on it by the Assurances Agreement including but not limited to failure to provide performance assurance pursuant to paragraph 10 thereof;

(b) Failure by Alcan to perform any material duty imposed on it by the Lock Box Agreement;

(c) Any filing by Alcan 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;

(d) Any assignment by Alcan for the benefit of creditors;

(e) Any allowance by Alcan of the appointment of a receiver or trustee of all or a material part of its property;

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(f) Any breach by Alcan Corp. of the Guaranty, any failure by Alcan Corp. to honor the Guaranty, any repudiation, disaffirmance or rejection by Alcan Corp. of the Guaranty, in whole or in part, or any challenge by Alcan Corp. to the validity of the Guaranty;

(g) Any breach by Alcan Corp. or any of its affiliates. of any additional guaranty providing additional security to Supplier, any failure by the maker to honor any such guaranty, any repudiation, disaffirmance or rejection by the maker of any such guaranty, in whole or in part, or any challenge by the maker to the validity of any such guaranty.

Section 7.03 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 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

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

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.

(b) It will not resell any System Firm Energy purchased from Supplier under this Agreement to any user other than Alcan and will require that any System Firm Energy that Kenergy purchases from Supplier under this Agreement and resells to Alcan must be consumed by Alcan for its Sebree Facility except as expressly permitted with the written authorization of Supplier; provided, that in the event Alcan is 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

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(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 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 its own expense, at a mutually agreeable time, all information in the possession of Kenergy relating to its service to Alcan under the Alcan Power 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 System Firm Energy supplied by Supplier and delivered to Kenergy 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 will permit Kenergy or Alcan to audit, upon reasonable notice, at its own expense, at a mutually agreeable time, all information in the possession of

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Supplier relating to its service to Kenergy under this Agreement, including (for example, but not by way of limitation) deliveries, meter records and billing records and records related to payments made by Alcan to Supplier pursuant to the assignment described in Section 6.01 of this Agreement and such other documents related to payment for and determination of the amount of System Firm Energy supplied by Supplier and delivered to Kenergy for resale and delivery to Alcan. Supplier shall retain all documentation applicable to service to Kenergy under this Agreement for a period of three years.


Section 9.05 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 In addition to the obligation to negotiate in good faith pursuant to Section 5.06(d), 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 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 resolution mutually agreed upon by the Parties 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

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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 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

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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 negligence or willful 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.

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

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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, as specified in the Assurances Agreement, 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. 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. No Party is released from its obligations under this Agreement pursuant to any assignment, unless such release is granted in writing.

ARTICLE XIII

REPRESENTATIONS AND WARRANTIES:

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

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(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 pursuant to the Open Access Transmission Tariff of any Transmission Provider as reasonably required to deliver to Alcan the System Firm 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 corporation duly organized and validly existing and in good standing under the laws of the State of Indiana 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) The execution, delivery and performance of this Agreement by Supplier has been duly and effectively authorized by all requisite corporate action.

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

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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.


Section 14.02 The Rate shall not be subject to change through application to the FERC pursuant to the provisions of Section 205 of the Federal Power Act absent the agreement of each of the Parties to this Agreement. Accordingly, neither Party shall petition FERC or any other governmental agency pursuant to the provisions of Section 205 or 206 of the Federal Power Act or any other provision of law to amend any rate, methodology, or formula contained in this Agreement absent the agreement in writing of the other Party nor shall any Party cooperate with any other person(s), or request or encourage any other person(s) to make such petition; and each Party further agrees to oppose any action to change such rate, methodology or formula, including but not limited to pursuing appeals of any order or decision directing such change, and to bear all of its own costs of such opposition including attorneys' fees. Nothing in this Agreement limits the right of any Party to challenge any aspect of the Transmission Provider's Open Access Transmission Tariff, including the applicable loss factor, the transmission service rates or any other transmission or ancillary service issue presented to FERC.

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.

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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 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:

Southern Indiana Gas and Electric Company
20 N.W. Fourth Street
Evansville, Indiana 47741
Attention: Jeffrey Kessner, Director of Trading and Marketing
Facsimile (812) 452-3611

To Kenergy:

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

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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

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 System Firm Energy or related to remedies for default, damage claims, indemnification or payment of

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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, the related agreements mentioned herein and the Guaranty constitute the entire agreement and understanding of the parties hereto with respect to the subject matter addressed herein.

Section 15.08 The Parties acknowledge and agree that this Agreement and transaction hereunder constitute “forward contracts” and that Kenergy and Supplier are “forward contract merchants” under the United States Bankruptcy Code.

Section 15.09 It is recognized by the Parties that Alcan Primary Products Corporation (“Alcan”) is a third-party beneficiary under this Agreement but that Alcan may not make any claim against Supplier under or as a result of this Agreement except as brought pursuant to Section 2 of the Indemnification and Assignment Agreement of even date between Kenergy and Alcan (the “Indemnification Agreement”), the Assurances Agreement of even date between Supplier and Alcan (the “Assurances Agreement”) and the Security and Lock Box Agreement dated October 6, 2000 by and among Supplier, Kenergy, Alcan and the Depository Bank.

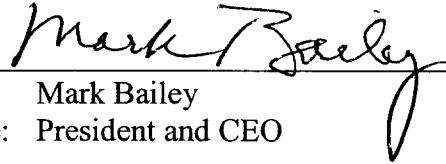
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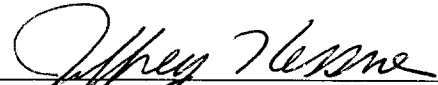
IN WITNESS WHEREOF, this Agreement is hereby executed as of the day and year first above written.

KENERGY CORP.



By: Mark Bailey
Title: President and CEO

SOUTHERN INDIANA GAS AND
ELECTRIC COMPANY



By: Jeffrey Kessner
Title: Director of Trading and Marketing

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