

ELECTRIC SERVICE AGREEMENT

JUN 14 1996
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THIS AGREEMENT made and entered into this 1st day of June, 1996, by and between HENDERSON UNION ELECTRIC COOPERATIVE, P.O. Box 18, Henderson, Kentucky 42420 (hereinafter called the "Seller"), and WEBSTER COUNTY COAL CORPORATION with principal offices at 1951 Barret Court, Post Office Box 911, Henderson, Kentucky 42420 (hereinafter called the "Customer").

WITNESSETH: That for and in consideration of the premises and the mutual covenants herein contained, the parties do hereby agree as follows:

1. GENERAL OBLIGATIONS

Seller shall make available, sell, and deliver to the Customer, and Customer shall take and pay for the electric power and energy as specified herein and used by Customer in the operation of its facilities described upon Exhibit A hereto, at the rates and upon the terms and conditions herein specified.

2. MEMBERSHIP

Customer shall become a member of Seller, shall pay the membership fee of \$25.00, and shall be bound by such rules and regulations as may be adopted by Seller.

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3. SERVICE CHARACTERISTICS

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3.01 Type. Service hereunder shall be alternating current, three-phase, four-wire, 60 hertz, at approximately 69,000 volts, as described upon Exhibit A and otherwise of a quality consistent with prudent operating practices and Service Commission standards in order that service provided hereunder will not have an adverse effect on Customer's facilities.

PURSUANT TO 807 KAR 5:011,
SECTION 9(1)
BY William H. Thomas
ELECTRICITY RESEARCH DIV.

3.02 Delivery Point. The point of delivery of the power and energy made available hereunder shall be at the 69,000 volt side of Customer's substation, as described upon Exhibit A.

3.03 Maximum Demand. The maximum instantaneous demand of Customer during the term of this agreement, or any extension hereof, shall be 10,000 kW.

3.04 Electric Disturbance and Phase Balancing.

(a) Customer shall not use the energy delivered hereunder in such a manner as to cause electric disturbances which may reasonably be expected to (i)

cause damage or interference with Seller's system, systems connected with Seller's system, or facilities or other property in proximity to Seller's system, or (ii) prevent Seller from serving other customers satisfactorily.

(b) Seller may require Customer, at Customer's expense, to make such changes in its system as may be necessary to reasonably limit such interferences and disturbances.

(c) Customer shall take and use the power and energy hereunder in such a manner that the load at that point of delivery shall not cause an imbalance between phases of more than 15%. Should the load be imbalanced so as to cause interference with the Seller's system or to systems connected to Seller's system, Seller reserves the right to require Customer, at Customer's expense, to make necessary changes to correct such condition. In addition to any other remedies the Seller may have hereunder, should Customer fail to make such changes, Seller may in its determination of billing demand, assume the load on each phase is equal to the greatest load on any phase.

3.05 Power Factor. Power factor requirements are as described upon Exhibit B, however, the power factor requirements will not be enforced until the first month, after the completion of two full months, after the effective date of this agreement.

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3.06 Metering.

(a) The metering equipment necessary to register the electric demand and energy for this service shall be furnished, installed, owned, operated and maintained by Seller and shall be and remain the property of Seller. Upon written request of Customer, Seller shall provide, at the expense of the Customer, instantaneous readout KYZ impulses.

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BY: Phyllis Lammie
DIRECTOR, RATES & RESEARCH DIV.

(b) For billing purposes, the meters shall store Customer's demand and energy information for the current month at midnight of the last day of the month and be read on or about the first day of each month.

(c) The metering point shall be in Seller's substation as described upon Exhibit A.

3.07 Facilities and Services Provided by Customer.

(a) Customer shall furnish and install, or cause to be furnished or installed, at no expense to the Seller, such facilities and equipment as may be necessary to enable it to receive and use electric power and energy purchased hereunder at 69,000 volts.

(b) Customer shall furnish at no cost to Seller, right-of-ways or easements across Customer's property sufficient to place the required transmission equipment to provide electric service described in this agreement. All such rights-of-ways shall be located at mutually agreeable routes.

3.08 Facilities and Services Provided by Seller.

Seller shall furnish, install and own, at no cost to the Customer, all of the facilities required for the delivery of electric power and energy to the Customer at 69,000 volts as described upon Exhibit A. All such facilities shall be at mutually agreeable locations.

3.09 Operation and Maintenance of Facilities.

(a) Seller shall operate, and maintain, all facilities and equipment owned by it or its power supplier and comply with all applicable laws, codes, and regulations.

(b) Customer shall operate and maintain all of the power distribution facilities and equipment owned by it in accordance with all applicable laws, codes and regulations. Seller may inspect such facilities for safety purposes upon reasonable notice to Customer.

4. PAYMENT

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4.01 Rates.

PURSUANT TO 807 KAR 5:011,
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(a) Customer shall pay Seller for service hereunder at the rates set forth upon Exhibit B attached hereto and made a part hereof, and changes as may become effective from time to time by operation of law or by order of the Kentucky Public Service Commission.

BY: *Shelli L. Scott*
DIRECTOR, RATES & RESEARCH DIV.
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(b) Seller shall revise said Exhibit B to reflect changes approved by the Kentucky Public Service Commission in rates, terms or conditions contained therein, and each revision shall automatically be incorporated into this agreement. Failure of Seller to promptly revise Exhibit B shall not affect Customer's duty to pay for service in accordance with any changed rates, terms, or conditions of service rendered on or after the effective date of such change.

(c) Should Seller or its power supplier file rates or provide benefits which would lower rates to customers similarly situated or otherwise benefit such customers, Customer's billing if Customer qualifies for such rate or benefits shall be lowered in accordance with such change.

4.02 Taxes. Customer shall pay all taxes, charges, or assessment now or hereafter applicable to electric service.

4.03 Billing Demand. Beginning with the initial billing period, the minimum billing demand of Customer shall be 501 kW.

4.04 Initial Billing Period. The effective date of the initial billing period hereunder shall be the first day of the first month after Seller delivers power and energy for Customer's use in accordance with this Agreement.

4.05 Terms of Payment. The terms of payment are as described upon Exhibit B, however, the demand ratchet will not be enforced until the first day of the month after the completion of two full months, after the effective date of this agreement.

4.06 Deposit. Customer shall provide, prior to the initial billing period, a guaranty satisfactory to Seller in an amount equal 2/12 of Customer's estimated annual bill, in order to secure payment of its obligations hereunder. Seller and Customer shall recalculate the amount of the deposit from time to time to reflect Customer's actual usage, and within 30 days after such recalculation, Seller shall refund to Customer any excess deposit or Customer shall make adjustments in its guaranty required to increase the guaranty to the newly determined amount.

5. CONTINUITY OF SERVICE

5.01 Seller shall use reasonable diligence to provide a constant and uninterrupted supply of electric power and energy hereunder. If the supply of electric power and energy shall fail or be interrupted, or becomes defective, by reason of force majeure, Seller shall not be liable therefor, or for damages caused thereby. Such event of force majeure shall not affect the obligation of Customer to pay for all power and energy actually used during each billing period.

5.02 The term "force majeure" as used herein, shall mean Acts of God, accidents, strikes or other labor troubles, 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 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 Seller, whether like or unlike those herein enumerated and which could not be avoided despite the exercise of due diligence by Seller.

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SECTION 9 (1)

BY: *Phillip L. L...*

6. TERM

6.01 Initial Term and Renewals. This agreement shall remain in full force and effect for an initial term of one (1) year from the beginning of the initial billing period as defined in paragraph 4.05 and shall automatically renew annually thereafter for successive one-year terms upon the same terms and conditions stated herein and in any amendment hereto, until terminated by either party giving the other party at least three (3) months written notice prior to the effective date of such termination.

6.02 Assignment. This agreement shall not be assigned without the prior written consent of the nonassigning party, which consent will not be unreasonably withheld. The nonassigning party may withhold approval of a proposed assignment until, among other things, the nonassigning party has been provided with all information it may require regarding the proposed assignee, and until the proposed assignee has provided the nonassigning party with assurances, if any, required by the nonassigning party.

7. REMEDIES OF THE PARTIES

Except as specifically provided for herein, nothing contained in this agreement shall be construed to limit or deprive either party of any means of enforcing any remedy, either at law or equity for the breach of any of the provisions of this agreement. Waiver at any time by either party of rights with respect to a default or any other matter arising in connection with this agreement shall not be deemed to be a waiver with respect to any subsequent default or matter.

8. NOTICES

Any written notice, demand or request required or authorized under this agreement shall be deemed properly given to or served upon the other party if the notice is in writing and placed in the mail, postage prepaid, or delivered to the other party at the following address:

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PURSUANT TO 807 KAR 5:011,
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BY: Phyllis Lannin
DIRECTOR, RATES & RESEARCH DIV.

To the Seller: Henderson Union Electric Cooperative
Post Office Drawer 18
Henderson, Kentucky 42420
Attention: President

To the Customer: Webster County Coal Corporation
1951 Barret Court
Post Office Box 911
Henderson, Kentucky 42420

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Each party shall have the right to change the name of the person or location to whom or where the notice shall be given or served by notifying the other party in writing of such change.

9. SEVERABILITY

The invalidity of any portion of this agreement shall not affect the validity of the remainder thereof.

10. SUCCESSION, APPROVAL, AND EFFECTIVE DATE

10.01 This agreement shall be binding upon and inure to the benefit of the successors, legal representatives, and assigns of the respective parties hereto.

10.02 The effective date of this agreement shall be June 1, 1996.

11. ENTIRE AGREEMENT AND VENUE

The terms, covenants and conditions herein contained constitute the entire agreement between the parties and shall supersede all previous communications, representations, or agreements, either oral or written, between the parties hereto with respect to the subject matter hereof, provided, however, that service to the Customer shall be subject to the provisions of Seller's articles of incorporation and bylaws and subject to the lawful orders of the Public Service Commission, Rural Utilities Service, and the cooperative Finance Corporation. All respective rights and obligations of the parties hereto shall be governed by the laws of the Commonwealth of Kentucky.

12. SPECIAL PROVISIONS

This Agreement applies to power only at the new surface facilities for the ventilation fan, hoist, lighting, and related facilities at one site location at the Dotiki Mine as set forth in Exhibit A. Customer reserves any and all rights it may have with respect to securing a supply of temporary and permanent power to all other parts of the Dotiki Mine. The parties stipulate and agree that this Agreement shall not be

considered as a factor under KRS 278.016-278.018 for determining the appropriate supplier of permanent power with respect to any other part of the Dotiki Mine.

IN WITNESS WHEREOF, the parties hereto have executed this agreement, as of the date and year first herein written.

SELLER:

HENDERSON UNION ELECTRIC CORPORATION

By: John West

CUSTOMER:

WEBSTER COUNTY COAL CORPORATION

By: James B. Sill

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SECTION 9 (1)

BY: Phyllis Lannin
DIRECTOR, RATES & RESEARCH DIV.

HENDERSON UNION ELECTRIC
COOPERATIVE CORPORATION

P.S.C. 7

Sixth Revised SHEET NO. 8

CANCELLING P.S.C.

Fifth Revised SHEET NO. 8

CLASSIFICATION OF SERVICE

SCHEDULE "LP-3" - LARGE POWER (501 to 2000 KW) Dedicated Delivery Point

AVAILABILITY

This rate shall apply for large power consumers contracting for a demand of 501 to 2000 KW.

CONDITIONS OF SERVICE

An "Agreement for Purchase of Power" shall be signed by the consumer for service under this rate.

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CHARACTER OF SERVICE

Service shall be the 60 Hz, 3-phase, at voltage as mutually agreed by the seller and consumer.

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BY: Phyllis Lammie
DIRECTOR, RATES & RESEARCH DIV.

DETERMINATION OF BILLING DEMAND

For all delivery points, the Billing Demand in kilowatts shall be Member's maximum integrated thirty-minute demand at such delivery point during each billing month, determined by meters which record at the end of each thirty-minute period the integrated kilowatt demand during the preceding thirty minutes, or such maximum integrated thirty-minute demand achieved during any one of the eleven preceding months, or the Contract Demand, whichever shall be greater.

POWER FACTOR ADJUSTMENT

The consumer agrees to maintain unity power factor as nearly as practicable. Demand charge will be adjusted for average power factor lower than 90%. Such adjustment will be made by increasing demand 1% for each 1% by which the average power factor is less than 90% leading or lagging.

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PURSUANT TO 807 KAR 5.011,
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BY: Phyllis Lammie
DIRECTOR, RATES & RESEARCH DIV.

DATE OF ISSUE April 11, 1996 DATE EFFECTIVE April 11, 1996

ISSUED BY John West TITLE President & CEO
Name of Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 94-474 Dated March 22, 1996

HENDERSON UNION ELECTRIC
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P.S.C. _____ 7

Seventh Revised SHEET NO. 9

CANCELLING P.S.C. _____

Sixth Revised SHEET NO. 9

CLASSIFICATION OF SERVICE

SCHEDULE "LP-3" Dedicated Delivery Point (cont'd)

METERING

Electrical usage will be metered at the transmission voltage supplied or at the consumer's secondary voltage with a 1.% adder to the metered KWH to account for transformer losses, as determined by the Seller.

MONTHLY RATE

Customer charge per delivery point..... \$17.20
Demand charge per KW - 100% Ratchet..... 10.15

*Energy charge per KWH - First 100,000..... .0307546 (R.
All over 100,000..... .0251606 (R.

School Taxes added to bill if applicable.
Kentucky Sales Taxes added to bill if applicable.

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*The monthly kilowatt hour usage shall be subject to plus or minus an adjustment per KWH determined in accordance with the "Fuel Adjustment Clause."

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FUEL ADJUSTMENT CHARGE

PURSUANT TO 807 KAR 5.011,
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In case for any month the rate under with Seller (Henderson-Union Rural Electric Cooperative Corporation) purchases power wholesale from its supplier (Big River Electric Corporation) is adjusted in accordance with any present or future fuel cost or surcharge provided for in Seller's wholesale power contract or by order of the Public Service Commission, then the foregoing monthly energy charges shall be adjusted for each kilowatt hour sold by dividing the total dollar amount of such fuel and surcharge cost adjustment to Seller attributable to each class

BY: Phyllis Lammie
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DIRECTOR, RATES & RESEARCH DIV.

DATE OF ISSUE April 11, 1996 DATE EFFECTIVE June 1, 1996

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Name of Officer

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HENDERSON UNION ELECTRIC
COOPERATIVE CORPORATION

P.S.C. _____ 7

Seventh Revised SHEET NO. 10

CANCELLING P.S.C. _____

Sixth Revised SHEET NO. 10

CLASSIFICATION OF SERVICE

SCHEDULE "LP-3" - LARGE POWER Dedicated Delivery Point(cont'd)

service by the total number of kilowatt hours sold by Seller for such class of service for the billing month.

(The above Fuel Adjustment Charge is subject to the provisions of and may be amended from time to time to conform to 807 KAR 5:056 and to any adjustment in the fuel clause or other increments which may be made in Big Rivers Electric Corporation's fuel charges under 807 KAR 5:056 by the Public Service Commission.)

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MINIMUM DEMAND CHARGE

The minimum monthly demand charge shall be no less than the amount as specified in the "Agreement for Purchase of Power."

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ECONOMIC DEVELOPMENT

To encourage better utilization of the existing system and to promote economic expansion within the service area, an Economic Development Rate (EDR) is available for industrial development purposes through special negotiated contracts as provided by the Public Service Commission Order dated September 24, 1990, to Administrative Case No. 327.

BY: Phyllis Lannin
DIRECTOR, RATES & RESEARCH DIV.

TERMS OF PAYMENT

Delinquent accounts are subject to a collection fee of \$10.00 or disconnection of service. The above rate net, the gross rate being five percent (5%) higher. In event the current monthly bill is not paid within fifteen (15) days from the date of the bill, the gross rate shall apply.

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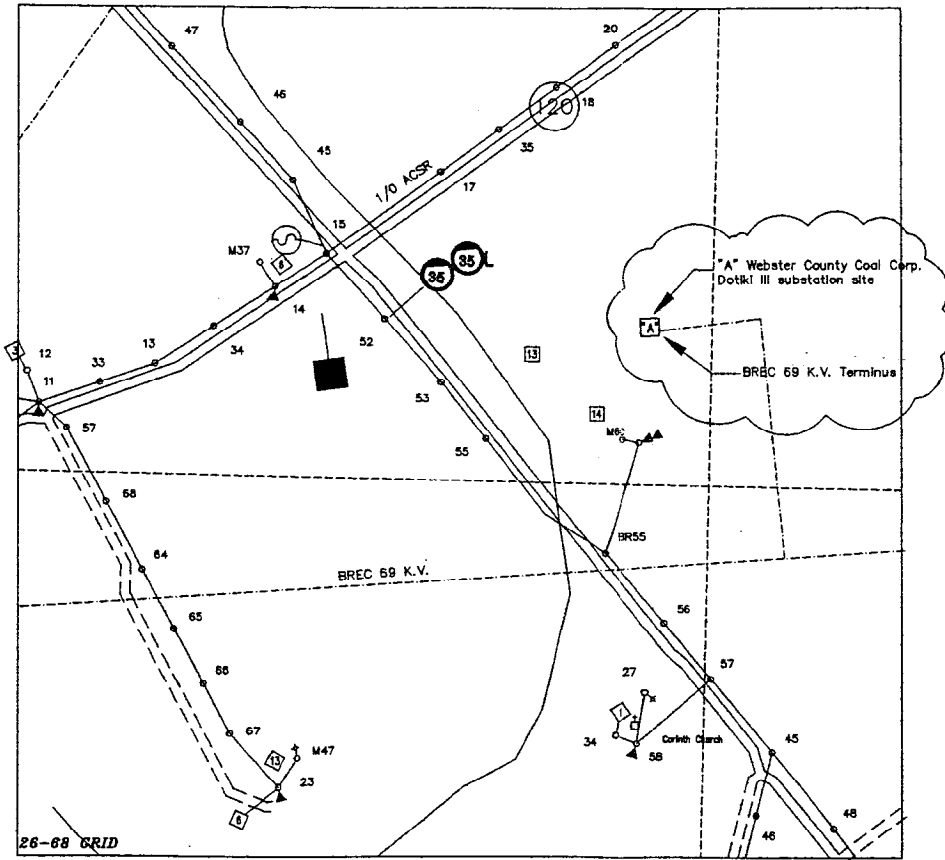
PURSUANT TO 807 KAR 5011,
SECTION 9 (1)

BY: Phyllis Lannin
DIRECTOR, RATES & RESEARCH DIV.

DATE OF ISSUE April 11, 1996 DATE EFFECTIVE June 1, 1996

ISSUED BY John West TITLE President & CEO
Name of Officer

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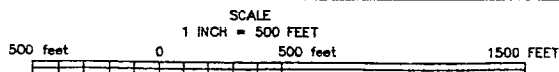


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PURSUANT TO 807 KAR 5.011,
SECTION 9 (1)

BY: *Phyllis Linn*
DIRECTOR, RATES & RESEARCH DIV.



HENDERSON-UNION ELECTRIC
COOPERATIVE
8402 OLD CORYDON ROAD
HENDERSON, KENTUCKY 40425

DATE	REVISIONS
00/00/00	TEXT TEXT TEXT

Exhibit A
HUEC - Webster County Coal Corp.
Dotiki III Agreement

Distances are approximate