

TRANSACTION AGREEMENT

This Transaction Agreement (this "Transaction Agreement") is made and entered into by and between LG&E Energy Marketing Inc. ("LEM") and Kenergy Corp. ("Kenergy") as of December 7, 2005. This Transaction Agreement is entered into pursuant to, and shall be considered one agreement with, the Master Power Purchase and Sale Agreement (the "Master Agreement") between the Parties dated of even date herewith.

In consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions. For purposes of this Transaction Agreement, the following definitions shall apply. Any other capitalized terms used but not defined in this Transaction Agreement shall have the meaning set forth in the Master Agreement.
 - a. LEM Century Obligation shall mean the obligation of LEM to sell and deliver Block A Energy and Block B Energy to Kenergy for resale by Kenergy to Century, subject to Permitted Curtailments, as set forth in this Agreement.
 - b. LEM Resources shall mean the net energy produced and delivered to LEM in each hour of the Transaction Term from the following generating units owned or controlled by Big Rivers and operated by affiliates of LEM (the "LEM Generation"): (a) the three (3) Coleman units, the Wilson unit, the two (2) Green units, and the Reid coal fired unit, but excluding the Reid combustion turbine; and (b) the two (2) Station Two units; provided, however, that the LEM Resources in each hour shall be subject to change from time to time based on the operational, maintenance, and business decisions of LEM and/or LEM's affiliates on the dispatch of the LEM Generation, including without limitation decisions by LEM to not dispatch any unit based on the economics of operating such unit.
 - c. Net Generation Deficiency shall mean the circumstance whereby, in any hour of the Transaction Term, the amount of the LEM Resources less 1295 MWh is insufficient, in whole or in part, to satisfy the LEM Century Obligation.
 - d. Off-Peak Hours shall mean all hours that are neither On-Peak Hours nor Weekend Hours, specifically the six hour period beginning at midnight and ending at 6:00 AM c.p.t. and the two hour period beginning at 10:00 PM c.p.t. and ending at midnight on every day of the Transaction Term.
 - e. On-Peak Hours shall mean the sixteen hour period beginning at 6:00 A.M. c.p.t. and ending at 10:00 P.M. c.p.t., on Mondays through Fridays of each week, but excluding NERC holidays, during the Transaction Term.

- f. Permitted Curtailment shall mean the right of LEM, as defined and within the maximum hour limitations set forth in Section 5 of this Transaction Agreement, to curtail, or deem after the fact as curtailed, the delivery of Block A Energy and/or Block B Energy in any hour when a Net Generation Deficiency exists but only to the extent of that Net Generation Deficiency; provided, however, that LEM may in its sole discretion elect not to implement a Permitted Curtailment during a Net Generation Deficiency.
 - g. Point of Delivery: The point(s) at which the LEM Generation is interconnected with the Big Rivers transmission system.
 - h. Weekend Hours: The sixteen hour period beginning at 6:00 a.m. c.p.t. and ending at 10:00 p.m. c.p.t., on Saturdays and Sundays of each week and on the NERC holidays during the Transaction Term.
2. Energy Volumes. LEM shall sell and deliver to Kenergy, and Kenergy shall purchase and accept from LEM, the following volumes of System Firm Energy at the Point of Delivery during the Transaction Term, provided however that LEM's obligation to sell and deliver, and Kenergy's corresponding obligation to purchase and accept, System Firm Energy shall be relieved to the extent of a Permitted Curtailment as described in Section 5 below:
- a. Block A Energy, which shall consist of the following components:
 - i. Block A-1, which shall be 60 MWh per hour of System Firm Energy in all On-Peak hours during the Transaction Term
 - ii. Block A-2, which shall be 60 MWh per hour of System Firm Energy in all Off-Peak hours during the Transaction Term
 - iii. Block A-3, which shall be 60 MWh per hour of System Firm Energy in all Weekend hours during the Transaction Term
 - b. Block B Energy, which shall consist of 25 MWh per of System Firm Energy in all On-Peak Hours during the Transaction Term
3. System Firm Energy. The energy sold hereunder shall be System Firm Energy, which shall mean electric energy of the stated volumes in every hour to the extent that LEM does not utilize a Permitted Curtailment. System Firm Energy shall be firm energy, subject to the limitations and conditions of this Agreement, provided, however, that LEM shall be relieved of its obligation to deliver System Firm Energy hereunder during (a) implementation of a Permitted Curtailment by LEM (but only to the extent of the Net Generation Deficiency) or (b) any redispatch of the LEM Generation by the Big Rivers transmission operators and/or any relevant reliability coordinator or similar authority that results in a Net Generation Deficiency. The foregoing definition of System Firm Energy shall apply instead of any separate definition thereof in the Master Agreement.
4. Pricing. The pricing for the System Firm Energy sold hereunder shall be as follows:

a. January 1 to 31, 2006

- i. Block A-1 shall be priced at \$92.55 per MWh; provided, however, that the price paid by Kenergy for Block A-1 energy in January 2006 shall in no event exceed the price cap for sales within the Big Rivers control area as such cap is defined in the tariff to be filed by LEM with FERC and as approved by FERC.
- ii. Block A-2 shall be priced at \$45.00 per MWh; provided, however, that the price paid by Kenergy for Block A-2 energy in January 2006 shall in no event exceed the price cap for sales within the Big Rivers control area as such cap is defined in the tariff to be filed by LEM with FERC and as approved by FERC.
- iii. Block A-3 shall be priced at \$55.00 per MWh; provided, however, that the price paid by Kenergy for Block A-3 energy in January 2006 shall in no event exceed the price cap for sales within the Big Rivers control area as such cap is defined in the tariff to be filed by LEM with FERC and as approved by FERC.
- iv. Block B shall be priced at \$92.55 per MWh; provided, however, that the price paid by Kenergy for Block B energy in January 2006 shall in no event exceed the price cap for sales within the Big Rivers control area as such cap is defined in the tariff to be filed by LEM with FERC and as approved by FERC.

b. February 1 to 28, 2006

- i. All energy shall be priced at the Midwest ISO real-time LMP published for the Midwest ISO/Big Rivers interface for the hour in which LEM delivered such System Firm Energy hereunder.

5. **Permitted Curtailments.** Without limiting any other provision of this Agreement, the LEM Century Obligation shall be subject to the following conditions:

- a. Except with respect to hours when the LEM Generation has been redispatched by the Big Rivers transmission operators and/or the applicable reliability coordinator or similar authority, causing a Net Generation Deficiency (in which case LEM shall have no obligation to sell and deliver energy hereunder for those hours), LEM shall be obligated to sell and deliver Block A Energy and Block B Energy on a firm basis in every applicable hour during the Transaction Term except to the extent that LEM has implemented a Permitted Curtailment.
- b. With respect to any hour when a Net Generation Deficiency exists or existed, LEM may in its sole discretion (i) implement a full or partial Permitted

Curtailment of either Block A Energy or Block B Energy, or both, or (ii) decline to implement a Permitted Curtailment.

- c. LEM may after the fact determine that a Net Generation Deficiency existed in a prior hour or hours, and upon such determination, LEM may, in its sole discretion, after the fact implement a Permitted Curtailment of Block A Energy or Block B Energy, or both. However, in the situation whereby a Permitted Curtailment is implemented by LEM after the fact with respect to any hour or hours, LEM shall be allowed to implement the Permitted Curtailment of Block A Energy or Block B Energy, or both, only to the extent of the number of MWh of the Net Generation Deficiency.
 - d. LEM's right to implement a Permitted Curtailment is subject to a maximum of 1,488 hours and 704 hours during the Transaction Term with respect to Block A Energy and Block B Energy, respectively. The Parties agree that any of such hours of Permitted Curtailment implemented by LEM shall reduce the number of hours of Permitted Curtailments available to LEM under that separate Agreement for Electric Service (2006) (the "2006 Term Agreement"), if any, that the Parties may enter into for identical volumes of energy throughout the calendar year at negotiated rates for filing at FERC. In its sole discretion, in any hour LEM may implement a Permitted Curtailment of only Block A Energy, only Block B Energy, or both Block A Energy and Block B Energy. The hours of Permitted Curtailment for each of Block A Energy and Block B Energy shall be separately tracked. Every hour in which LEM has implemented either a full or partial curtailment of either Block A Energy or Block B Energy shall be deemed an hour of Permitted Curtailment of the applicable Block of energy for purposes of calculating the maximum number of hours that a Permitted Curtailment may be implemented.
 - e. Kenergy will separately arrange and pay the applicable transmission provider for transmission services in transporting the Block A Energy and Block B Energy from the Point of Delivery to the point at which Kenergy delivers such Energy to Century. Kenergy shall also be responsible for all losses from the Point of Delivery and for all ancillary services.
6. Transaction Term and Termination. The Transaction Term shall begin on the later of the following dates (the "Commencement Date"): (i) the beginning of hour ending 0100 c.p.t. on January 1, 2006 or (ii) the beginning of hour ending at 0100 c.p.t of the day following acceptance by the Kentucky Public Service Commission ("KPSC") of the aforesaid terms and conditions with respect to Kenergy's resale of Block A Energy and Block B. Energy to Century. Unless earlier terminated pursuant to this Transaction Agreement or the Master Agreement, the Transaction Term shall terminate at the end of the hour ending 2400 c.p.t on February 28, 2006. Notwithstanding the foregoing, the Transaction Term may terminate earlier as follows:

- a. Upon at least five (5) days prior notice from Kenergy to LEM of termination, which notice shall specify a date upon which the termination will be effective, which date shall not be more than five (5) days following the giving of the notice; provided, however, such a notice shall not be effective if FERC has already determined that the 2006 Term Agreement has become effective.
- b. At the beginning of hour ending 0100 c.p.t. on the effective date (if any), as determined by FERC, of the 2006 Term Agreement, this Transaction Agreement shall automatically terminate (and/or be deemed to have terminated) without further action by either Party. For purposes of clarity with respect to the preceding sentence, if FERC provides for an effective date of the 2006 Term Agreement that precedes the date of such order from FERC, this Transaction Agreement shall be deemed to have terminated on the effective date given by FERC to the 2006 Term Agreement.
- c. In the event of an unplanned outage or deration of more than 150 MW of capacity of the LEM Generation (for these purposes, "unplanned" shall mean that the outage is not for maintenance as scheduled prior to the commencement of this Agreement) and that outage or deration is reasonably anticipated by LEM to last for more than fifteen (15) calendar days, LEM may, effective upon ten (10) days prior notice to Kenergy, terminate this Agreement.

7. Effect of Termination.

- a. An early termination of this Transaction Agreement pursuant to Section 6(a) or (c) of this Transaction Agreement shall not trigger a breach or any other liability between the parties, other than liabilities that existed under this Transaction Agreement for deliveries and/or breaches prior to the date of early termination. Furthermore, in the event of early termination of this Transaction Agreement pursuant to Section 6(a) or (c) of this Transaction Agreement, the Parties agree that the 2006 Term Agreement shall be deemed to be terminated without further action by the Parties, notwithstanding any other provision of the 2006 Term Agreement. Accordingly, the Parties shall thereafter collectively withdraw any filings at FERC related to the approval of the 2006 Term Agreement, otherwise take any requisite steps at FERC to effect termination of the 2006 Term Agreement immediately, and execute such other documents and assurances as each of them shall reasonably request to effect such termination of the 2006 Term Agreement.
- b. For purposes of clarity, in the event of a termination of this Transaction Agreement pursuant to Section 6(b) of this Transaction Agreement, Kenergy is intended to pay for all energy delivered by LEM, and the prices intended to apply to such energy shall be the pricing under this Transaction Agreement up to the date of the effectiveness of the 2006 Term Agreement and the pricing

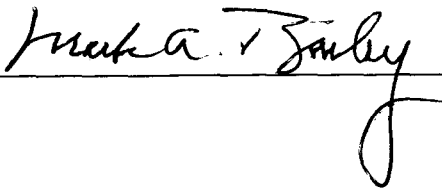
under the 2006 Term Agreement for all energy delivered following the effectiveness of the 2006 Term Agreement.

IN WITNESS WHEREOF, the Parties have entered into this Transaction Agreement on the date set forth above.

LG&E ENERGY MARKETING INC.

By: 
Martin Gallus, President

KENERGY CORP.

By: 

MASTER POWER PURCHASE AND SALE AGREEMENT

COVER SHEET

This *Master Power Purchase and Sale Agreement* ("Master Agreement") is made as of the following date: December 7, 2005 ("Effective Date"). The *Master Agreement*, together with the exhibits, schedules and any written supplements hereto, the Party A Tariff, if any, the Party B Tariff, if any, any designated collateral, credit support or margin agreement or similar arrangement between the Parties and all Transactions (including any confirmations accepted in accordance with Section 2.3 hereto) shall be referred to as the "Agreement." The Parties to this *Master Agreement* are the following:

Name: LG&E Energy Marketing Inc. ("LEM" or "Party A")

All Notices:

Street: 220 West Main Street, 7th Floor

City: Louisville, KY Zip: 40202

Attn: Contract Administration

Phone: (502) 627-4251 or 4197

Facsimile: (502) 627-4222

Duns: 11-906-0473

Federal Tax ID Number: 73-1226067

Invoices:

Attn: Energy Marketing Accounting

Phone: (502) 627-2922

Facsimile: (502) 627-3800

Scheduling:

Attn:

Phone: (502) 627-4276

Facsimile: (502) 627-4177

Payments:

Attn: Energy Marketing Accounting

Phone: (502) 627-2922

Facsimile: (502) 627-3800

Wire Transfer:

BNK: Bank of America, Dallas, TX

ABA: 111-0000-12

ACCT: 3756299366

Credit and Collections:

Attn: Credit Manager

Phone: (502) 627-4253

Facsimile: (502) 627-3950

With additional Notices of an Event of Default or Potential Event of Default to:

Attn: General Counsel

Phone: (502) 627-3665

Facsimile: (502) 627-3950

Name Kenergy Corp. "Kenergy" or "Party B")

All Notices:

Street: 6402 Old Corydon Road

City: Henderson Zip: 42420

Attn: Mark A. Bailey, President and CEO

Phone: (270)-826-3991

Facsimile: (270) - 826-3999

Duns: N/A

Federal Tax ID Number: 61-1345109

Invoices:

Attn: Steve Thomson

Phone: (270)-826-3991

Facsimile: (270)-826-2270

Scheduling: Big Rivers Electric Corporation

Attn: Travis Housley

Phone: (270)-826-2561; (270)-826-0907 (cell)

Facsimile: (270)-827-0183

Payments:

Attn: Steve Thomson

Phone: : (270)-826-3991

Facsimile: (270)-826-2270

Wire Transfer:

BNK: AREA Bank (BB&T)

ABA: 083900428

ACCT: 119695

Credit and Collections:

Attn: Steve Thomson

Phone: (270)-826-3991

Facsimile: : (270)-826-2270

With additional Notices of an Event of Default or Potential Event of Default to:

Century Aluminum of Kentucky, LLC

Attn: Peter McGuire

Phone: (831)-648-9359

Facsimile: (831)-648-9328

The Parties hereby agree that the General Terms and Conditions are incorporated herein, and to the following provisions as provided for in the General Terms and Conditions:

Party A Tariff: Rate Sch. FERC #1

Dated 8/24/94

Docket Number: ER94-1188

Party B Tariff Not Applicable

Dated _____ Docket Number _____

Article Two

Transaction Terms and Conditions Optional provision in Section 2.4. If not checked, inapplicable.

Article Four

Remedies for Failure to Deliver or Receive Accelerated Payment of Damages. If not checked, inapplicable.

Article Five

Events of Default; Remedies

Cross Default for Party A:

Party A: Cross Default Amount \$ _____

Other Entity: Cross Default Amount \$ _____

Cross Default for Party B:

Party B: _____ Cross Default Amount \$ _____

Other Entity: Cross Default Amount \$ _____

5.6 Closeout Setoff

Option A (Applicable if no other selection is made.)

Option B - Affiliates shall have the meaning set forth in the Agreement unless otherwise specified as follows: _____

Option C (No Setoff)

Article 8

Credit and Collateral Requirements

8.1 Party A Credit Protection:

(a) Financial Information:

Option A

Option B Specify: Century Aluminum of Kentucky, LLC

Option C Specify: _____

(b) Credit Assurances:

Not Applicable

Applicable

(c) Collateral Threshold:

Not Applicable

Applicable

If applicable, complete the following:

Party B Collateral Threshold: \$ 8,000,000; provided, however, that Party B's Collateral Threshold shall be zero if an Event of Default or Potential Event of Default with respect to Party B has occurred and is continuing.

Party B Independent Amount: \$4,000,000; provided, however, that such Independent Amount shall be paid to Party A by Party B in 4 weekly installments of \$1,000,000, the first such installment to be paid on January 3, 2006 and the remaining installments to be paid on January 9, 2006, January 16, 2006, and January 23, 2006

Party B Rounding Amount: \$100,000

(d) Downgrade Event:

- Not Applicable
 Applicable

If applicable, complete the following:

- It shall be a Downgrade Event for Party B if Party B's Credit Rating falls below _____ from S&P or _____ from Moody's or if Party B is not rated by either S&P or Moody's

- Other:
Specify: _____

(e) Guarantor for Party B: None

Guarantee Amount: _____

8.2 Party B Credit Protection:

(a) Financial Information:

- Option A
 Option B Specify: _____
 Option C Specify: No financial information

(b) Credit Assurances:

- Not Applicable
 Applicable

(c) Collateral Threshold:

- Not Applicable
 Applicable

If applicable, complete the following:

Party A Collateral Threshold: \$ _____; provided, however, that Party A's Collateral Threshold shall be zero if an Event of Default or Potential Event of Default with respect to Party A has occurred and is continuing.

Party A Independent Amount: \$ _____

Party A Rounding Amount: \$ _____

(d) Downgrade Event:

Not Applicable

Applicable

If applicable, complete the following:

It shall be a Downgrade Event for Party A if Party A's Credit Rating falls below BBB- from S&P or Baa3 from Moody's or if Party A is not rated by either S&P or Moody's

Other:

Specify: _____

(e) Guarantor for Party A: None

Guarantee Amount: _____

Article 10

Confidentiality

Confidentiality Applicable

If not checked, inapplicable.

Schedule M

Party A is a Governmental Entity or Public Power System

Party B is a Governmental Entity or Public Power System

Add Section 3.6. If not checked, inapplicable

Add Section 8.6. If not checked, inapplicable

Other Changes

Specify, if any: _____

1. Replace Section 1.12 Credit Rating with the following:

"Credit Rating" means, with respect to any entity, the rating then assigned to such entity's unsecured, senior long-term debt obligations (not supported by third party credit enhancements) by S&P, or Moody's or if such entity does not have a rating for its senior unsecured long-term debt, then the rating then assigned to such entity as its "corporate credit rating" assigned by S&P, or the "long-term issuer rating" assigned by Moody's.

2. In Section 1.23 "Force Majeure" replace (iii) of the second sentence with the following:

"(iii) the loss, failure, or increase in cost of Seller's supply;"

3. Section 1.24 "Gains" shall be amended by adding the following sentence at the end thereof:

"(including without limitation by using a commercially reasonable discount rate such as London Interbank Offered Rate or "LIBOR")"

4. Replace Section 1.28 "Losses" with the following:

"1.28 Losses means the definition contained in Section 5.3(A)(a)."

5. Add at the end of Section 1.45 after "Requesting Party" the phrase "in its reasonable discretion"

6. Replace in Section 1.50 the reference to "Section 2.4" with "Section 2.5"

7. Replace Section 1.51 "Replacement Price" with the following:

"1.51 Replacement Price" means the price at which Buyer, acting in a commercially reasonable manner, purchases at the Delivery Point a replacement for any Product specified in a Transaction but not delivered by Seller, plus (i) costs reasonably incurred by Buyer in purchasing such substitute Product and (ii) additional transmission charges, if any, reasonably incurred by Buyer to the Delivery Point, or if Buyer elects not to make such a purchase as described above, the market price at the Delivery Point for such Product not delivered as determined by Buyer in a commercially reasonable manner; provided, however, in no event shall such price include any penalties, ratcheted demand or similar charges, nor shall Buyer be required to utilize or change its utilization of its owned or controlled assets or market positions to minimize Seller's liability and further provided that, if Buyer at its sole option, elects to utilize or change its utilization of its owned or controlled assets or market positions to replace any Product specified in a Transaction but not delivered by Seller, then the Replacement Price shall be determined with reference to the market price at the Delivery Point for such Product not delivered as determined by Buyer in a commercially reasonable manner, instead of the actual purchase price. For the purposes of this definition, Buyer shall be considered to have purchased replacement Product to the extent Buyer shall have entered into one or more arrangements in a commercially reasonable manner whereby Buyer repurchases its obligation to sell and deliver the Product to another party at the Delivery Point."

8. Replace Section 1.53 "Sales Price" with the following:

"Sales Price" means the price at which Seller, acting in a commercially reasonable manner, resells at the Delivery Point any Product not received by Buyer, deducting from such proceeds any (i) costs reasonably incurred by Seller in reselling such Product and (ii) additional transmission charges, if any, reasonably incurred by Seller in delivering such Product to the third party purchasers, or to the extent Seller does not resell any product (a) if Seller is unable after using commercially reasonable efforts to resell all or a portion of the Product not received by Buyer, the Sales Price with respect to such unsold Product shall be deemed equal to zero (0) or (b) if Seller otherwise does not resell (including without limitation by electing to not resell) the Sales Price shall be the market price at the Delivery Point for such product as determined by Seller in a commercially reasonable manner; provided, however, in no event shall such price include any penalties, ratcheted demand or similar charges, nor shall Seller be required to utilize or change its utilization of its owned or controlled assets, including contractual assets, or market positions to minimize Buyer's liability and further provided that, if Seller at its sole option, elects to utilize or change its utilization of its owned or controlled assets or market positions to deliver any Product specified in a Transaction but not received by Buyer, then the Sales Price shall be determined with reference to the market price at the Delivery Point for such Product not received as determined by Seller in a commercially reasonable manner, instead of the actual sales price. For purposes of this definition, Seller shall be considered to have resold such Product to the extent Seller shall have entered into one or more arrangements in a commercially reasonable manner whereby Seller repurchases its obligation to purchase and receive the Product from another party at the Delivery Point."

9. The following shall be added to the end of Section 2.2 Governing Terms:

"Any inconsistency between this Master Agreement and any collateral, credit, netting, or margin agreement shall be resolved in favor of such collateral, credit support, netting, or margin agreement.

10. Section 2.3 Confirmation shall be replaced by the following:

"2.3 Confirmation. Either Party (the "Sending Party") may confirm a Transaction by forwarding to the other (the "Receiving Party") by facsimile within two (2) Business Days after the Transaction is entered into a confirmation ("Confirmation") substantially in the form of Exhibit A. If the Receiving Party objects to any term(s) of such Confirmation, the Receiving

Party shall notify the Sending Party in writing of such objections within two (2) Business Days of the Receiving Party's receipt thereof, failing which the Receiving Party shall be deemed to have accepted the terms as sent. If Seller and Buyer each send a Confirmation and neither Party objects to the other Party's Confirmation within two (2) Business Days of receipt, Seller's Confirmation shall be deemed to be accepted and shall be the controlling Confirmation, unless (i) Seller's Confirmation was sent more than two (2) Business Days after the Transaction was entered into and (ii) Buyer's Confirmation was sent prior to Seller's Confirmation, in which case Buyer's Confirmation shall be deemed to be accepted and shall be the controlling Confirmation. Failure by either Party to send or either Party to return an executed Confirmation or any objection by either Party shall not invalidate the Transaction agreed to by the Parties."

11. Delete the following from the first line of Section 2.5 Recording

"Unless a Party expressly objects to a Recording (defined below) at the beginning of a telephone conversation,"

12. Replace Section 3.3 Force Majeure with the following:

" 3.3 Force Majeure. To the extent either Party is prevented by Force Majeure from carrying out, in whole or part, its obligations under the Transaction and such Party (the "**Claiming Party**") gives notice and details of the Force Majeure to the other Party (the "**Non-Claiming Party**") as soon as practicable, then, unless the terms of the Product specify otherwise, the Claiming Party shall be excused from the performance of its obligations with respect to such Transaction (other than the obligation to make payments then due or becoming due with respect to performance prior to the Force Majeure) while such Force Majeure is in effect. The Claiming Party shall remedy the Force Majeure with all reasonable dispatch and promptly respond to any request by the Non-Claiming Party for information related to the cause and duration of the Force Majeure. When the Force Majeure ceases, the Claiming Party shall give prompt notice thereof to the Non-Claiming Party. Any Transaction(s) pursuant to this Master Agreement and affected by an event of Force Majeure may be terminated by the Non-Claiming Party without either Party having further liability to the other for unaccrued performance obligations under such Transactions (including without limitation for any payments as described in Section 5.3) if such event of Force Majeure continues for a period of thirty (30) continuous days. The Non-Claiming Party shall not be required to perform or resume performance of its obligations to the Claiming Party corresponding to the obligations of the Claiming Party excused by Force Majeure, but the Non-Claiming Party shall resume performance when the Claiming Party notifies the Non-Claiming Party that Force Majeure is no longer in effect. Notices given by telephone under the provision of this Section 3.3 shall be confirmed in writing as soon as reasonably possible."

13. Insert in Section 5.1(c) the phrase "by such Party" between "the failure" and "to perform" in the first line.

14. Section 5.2 shall be deleted and in lieu thereof the following new Sections 5.2(A) and 5.2(B) shall be substituted:

"Section 5.2 (A) Remedies. If an Event of Default with respect to a Defaulting Party shall have occurred and be continuing, the other Party (the "**Non-Defaulting Party**") may, in its sole discretion accelerate all amounts owing between the Parties and (i) seek enforcement of the terms of the Transaction at law or in equity, (ii) terminate the Transaction in accordance with the Section 5.2(B) below, (iii) withhold any payments due to the Defaulting Party under this Agreement and (iv) suspend performance of the Transaction. Remedies provided in this Agreement are cumulative. Subject to Section 7.1, 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.

Section 5.2 (B) Termination of the Transaction. The Non-Defaulting Party may terminate the Transaction (upon such event, the "Terminated Transaction") upon notice to the Defaulting Party that designates a date of termination (the "Early Termination Date"), which shall be no earlier than the date such notice is effective and no later than 20 days after such notice is effective. As soon as is reasonably practicable after the Early Termination Date, the Non-Defaulting Party shall calculate, in a commercially reasonable manner and consistent with Section 5.3 (A) below, the Settlement Amount, if any, that is due to the Non-Defaulting Party from the Defaulting Party with respect to the Terminated Transaction."

15. Section 5.3 shall be deleted and in lieu thereof the following new Section 5.3(A) and 5.3(B) shall be substituted:

"Section 5.3 (A) Determination of the Settlement Amount. Upon termination of the Transaction in accordance with Section 5.2 (B) above, the Non-Defaulting Party shall determine the amount of damages, if any, that are due from the Defaulting Party with respect to the Terminated Transaction (the "Settlement Amount"), which shall be the sum of Costs and Losses; provided, however, that if the calculation of the Settlement Amount results in an amount that is less than zero, the Settlement Amount shall be deemed to be zero. For purposes of determining the Settlement Amount:

(1) Losses shall be defined as the present value, as of the Early Termination Date, of the difference to the Non-Defaulting Party in the stream of cash flows, based on the remaining term of and the amount of electric energy that would have been purchased and sold under the Terminated Transaction, arising from the difference between the Contract Price under the Terminated Transaction and the price(s) for replacement transactions.

(2) The price(s) for replacement transactions shall be the Sales Price if Party A is the Non-Defaulting Party or the Replacement Price if Party B is the Non-Defaulting Party, whichever is applicable.

(3) The discount rate to be used in determining the present value of the cash flows shall be the observed yield to maturity, as of the Early Termination Date, of marketable direct obligations of the United States Treasury bearing a maturity date of February 28, 2006 (or as close to such date as possible).

Section 5.3 (B) Determination of the Termination Payment. Upon the determination of the Settlement Amount in accordance with Section 5.3(A) above, the Non-Defaulting Party shall further determine a single liquidated amount (the "Termination Payment") by aggregating the Settlement Amount and all other amounts that are due between the Parties with respect to the Transaction as of the date of termination of the Transaction. Subject to Section 5.6 of this Agreement, the Termination Payment shall be due to or due from the Non-Defaulting Party as appropriate."

16. Amend Section 5.4 Notice of Payment of Termination by (a) inserting the following between "as practicable" and "after a liquidation" in the first sentence "but no later than ten (10) Business Days"; and (b) adding the following sentence at the end thereof:

"Notwithstanding any provision to the contrary contained in this Agreement, the Non-Defaulting Party shall not be required to pay to the Defaulting Party any amount under Article 5 until the Non-Defaulting Party receives confirmation satisfactory to it in its reasonable discretion (which may include an opinion of its counsel and which the Non-Defaulting Party agrees to use reasonable efforts to obtain) that all other obligations of any kind whatsoever of the Defaulting Party to make any payments to the Non-Defaulting Party or any amounts under this Agreement which are due and payable as of the Early Termination Date (including for these purposes amounts payable pursuant to excluded transactions) have been fully and finally performed."

17. Add the following as new Section 5.8

5.8 No Cross Default. An Event of Default by either Party shall not cause or create an Event of Default with respect to the Agreement for Electric Service dated July 15, 1998, as amended, between LEM and Kenergy for resale to Century of energy denominated as Tier 1 and Tier 2 Energy.

18. The first sentence of Section 6.2 is hereby replaced with the following:

All invoices under this Master Agreement shall be due and payable in accordance with the sending Party's invoice instructions no later than the tenth (10th) day after the end of each month, provided, however, that such time period shall be extended day for day for any delay in the sending Party's delivery of an invoice past the fifth (5th) day after the end of such month.

19. Replace Section 6.3 Disputes and Adjustments of Invoices with the following:

6.3 Disputes and Adjustments of Invoices. A Party may, in good faith, dispute the correctness of any invoice or any adjustment to an invoice, rendered under this Agreement or adjust any invoice for any arithmetic or computational error within **twenty-four (24)** months of the date the invoice, or adjustment to an invoice, was rendered. In the event an invoice or portion thereof, or any other claim or adjustment arising hereunder, is disputed in **good faith**, payment of the undisputed portion of the invoice shall be required to be made when due, with notice of the objection given to the other Party. Any invoice dispute or invoice adjustment shall be in writing and shall state the basis for the dispute or adjustment. **Provided that the Party disputing the invoice complies with the foregoing requirements**, payment of the disputed amount shall not be required until the dispute is resolved. Upon resolution of the dispute, any required payment shall be made within two (2) Business Days of such resolution along with interest accrued at the Interest Rate from and including the due date to but excluding the date paid. Inadvertent overpayments shall be returned upon request or deducted by the Party receiving such overpayment from subsequent payments, with interest accrued at the Interest Rate from and including the date of such overpayment to but excluding the date repaid or deducted by the Party receiving such overpayment. Any dispute with respect to an invoice is waived unless the other Party is notified in accordance with this Section 6.3 within **twenty-four (24)** months after the invoice is rendered or any specific adjustment to the invoice is made. If an invoice is not rendered within **twenty-four (24)** months after the close of the month during which performance of a Transaction occurred, the right to payment for such performance is waived."

20. Section 6.8 "Transaction Netting" shall be deleted.

21. Delete from Section 7.1 the phrase "UNLESS EXPRESSLY HEREIN PROVIDED," from the beginning of the fifth (5th) sentence.

22. In Section 8.1 Party A Credit Protection subsection (b), all references such subsection to Party B shall be deemed to be references to "Century Aluminum of Kentucky, LLC" and insert the following at the end of the first sentence after the phrase "commercially reasonable manner":

"(which may include an amount up to the Termination Payment that would be owed)"

23. Delete in Section 8.1 Party A Credit Protection subsection (c) all references to "three (3) Business Days" and replace with references to "two (2) Business Days"

24. Replace Section 8.1 Party A Credit Protection subsection (d) with the following:

(d) Downgrade Event. If at any time there shall occur a Downgrade Event in respect of Party B, then Party A may require Party B to provide Performance Assurance in an amount determined by Party A in a commercially reasonable manner (which may include an amount up to the Termination Payment that would be owed). In the event Party B shall fail to provide such Performance Assurance or other credit assurance acceptable to Party A within three (3) Business Days of receipt of written notice or fails to maintain such Performance Assurance or other

credit assurance so long as the Downgrade Event is continuing, then an Event of Default shall be deemed to have occurred and Party A will be entitled to the remedies set forth in Article Five of this Master Agreement.”

25. Insert in Section 8.2 Party B Credit Protection subsection (b) the following at the end of the first sentence after the phrase “commercially reasonable manner”:

“(which may include an amount up to the Termination Payment that would be owed)”

26. Delete in Section 8.2 Party B Credit Protection subsection (c) all references to “three (3) Business Days” and replace with references to “two (2) Business Days”

27. Replace Section 8.2 Party B Credit Protection subsection (d) with the following:

“(d) Downgrade Event. If at any time there shall occur a Downgrade Event in respect of Party A, then Party B may require Party A to provide Performance Assurance in an amount determined by Party B in a commercially reasonable manner (which may include an amount up to the Termination Payment that would be owed). In the event Party A shall fail to provide such Performance Assurance or other credit assurance acceptable to Party B within three (3) Business Days of receipt of written notice or fails to maintain such Performance Assurance or other credit assurance so long as the Downgrade Event is continuing, then an Event of Default shall be deemed to have occurred and Party B will be entitled to the remedies set forth in Article Five of this Master Agreement.”

28. The following shall be added as a new Section 8.4 to the Master Agreement:

“Section 8.4 Distribution of Interest on Performance Assurance. A Party supplying Performance Assurance in the form of cash that is held by the other Party pursuant to Sections 8.1(c) and 8.2(c) shall be entitled to interest at the Performance Assurance Interest Rate on such Performance Assurance. The “Performance Assurance Interest Rate” will be, for any day, (a) the “Federal Funds Effective” rate in effect for such day, as published by *The Wall Street Journal* under “Money Rates” for such day (or if such day is not a Business Day, then the preceding Business Day) or if such rate is not published then (b) the “Federal Funds Effective” rate in effect for such day, as published in the most recent weekly statistical release designated as H.15(519), or any successor publication, published by the Board of Governors of the Federal Reserve System.”

29. The following shall be added as a new Section 8.5 to the Master Agreement:

“Section 8.5 Transfer of Performance Assurance Interest Amount On the first Business Day of each calendar month that Performance Assurance in the form of cash is held by a Party, any Party (the “First Party”) that is owed the Performance Assurance interest amount under Section 8.4 (the “Performance Assurance Interest Amount”) shall determine the Performance Assurance Interest Amount due and owing from the other Party (the “Second Party”) as of the last day of the preceding calendar month that Performance Assurance in the form of cash is held by the Second Party. The Performance Assurance Interest Amount shall be calculated for each day that Performance Assurance in the form of cash is held by the Second Party as follows: (x) the principal amount of cash held as Performance Assurance by the Second Party; multiplied by (y) the Performance Assurance Interest Rate; divided by (z) 360. Such aggregate sum of the amounts of the Performance Assurance Interest Amount calculated for each day during such calendar month shall be the “Total Performance Assurance Interest Amount”. The First Party shall issue an invoice (the “Performance Assurance Interest Invoice”) to the Second Party setting forth the Total Performance Assurance Interest Amount that is owed under Section 8.4. The Second Party shall transfer the Total Performance Assurance Interest Amount to the First Party on the later of (i) the third local Business Day of such calendar month; or (ii) two (2) Business Days after receipt of the Performance Assurance Interest Invoice; provided however that when Performance Assurance in the form of cash is returned to a Party the Performance Assurance Interest Amount calculations shall be performed on the same local Business Day of such return and payment shall be due for such Total Performance Assurance Interest Invoice as set-forth in 8.5 (ii). Any Party may dispute a Performance Assurance Interest Invoice as provided for in Section 6.3.”

30. Insert at the beginning of Section 10.2(ii) Representations and Warranties subsection (ii) the following phrase:

"Upon acceptance by the Kentucky Public Service Commission of the rates, terms and conditions of the retail sale by Party B to Century,"

31. Insert at the beginning of Section 10.2 Representations and Warranties subsection (vi) the following phrase:

"except for those legal proceedings that have been or may be disclosed by a Party or its Affiliates in any of its filings with the Securities and Exchange Commission"

32. Replace Section 10.5 Assignment with the following:

"10.5 Assignment. Neither Party shall assign this Agreement or its rights hereunder without the prior written consent of the other Party, which consent **shall not be unreasonably withheld, conditioned, or delayed**; provided, however, either Party may, without the consent of **but upon advance notice** to the other Party (and without relieving itself from liability hereunder), (i) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial arrangements, (ii) transfer or assign this Agreement to an affiliate of such Party which affiliate's creditworthiness is equal to or higher than that of such Party **in the other Party's reasonable opinion**, or (iii) transfer or assign this Agreement to any person or entity succeeding to all or substantially all of the assets whose creditworthiness is equal to or higher than that of such Party **in the other Party's reasonable opinion**; provided, however, that in each such case, any such assignee shall agree in writing to be bound by the terms and conditions hereof and so long as the transferring Party delivers such tax and enforceability assurance as the non-transferring Party may reasonably request. Notwithstanding the foregoing, Party A may assign or delegate all or any portion of its rights or obligations under this Agreement to E.ON U.S. Energy LLC ("EEC") or any other entity controlled by EEC without the prior consent of Party B."

33. Replace in Section 10.9 the phrase " twelve (12) months" with "twenty-four (24) months"

34. Insert "Affiliates," between "employees," and "lenders," in the first sentence of Section 10.11 Confidentiality and at the end of the same parenthetical clause insert the phrase "and other than the Kentucky Public Service Commission"; and add the following to the end of this section:

"Notwithstanding the foregoing, nothing herein shall prevent either Party from disclosing simple price and volume terms to a third party solely for the purposes of it being used in conjunction with other similar information for establishing electric price indices by a qualified independent entity provided that such information is only published in aggregate form with other data such that it cannot be used to identify the parties to a Transaction."

35. Add the following to the end of Section 10.10:

Each Party further agrees that, for purposes of this Agreement, the other Party is not a "utility" as such term is used in 11 U.S.C. Section 366, and each Party waives and agrees not to assert the applicability of the provisions of 11 U.S.C. Section 366 in any bankruptcy proceeding wherein such Party is a debtor. In any such proceeding, each Party further waives the right to assert that the other Party is a provider of last resort."

36. Add the following as Section 10.12:

37. "10.12 Compliance with Law and Other Requirements. Each Party shall be responsible for its own compliance with all applicable laws and regulations, including those relating to the environment, and each Party shall hold the other Party harmless from any liability, loss, cost, or expense arising out of its failure to comply with such laws and regulations. Each Party shall adhere to accepted electric industry practice and without limiting the foregoing, to the applicable operating policies, criteria, and/or guidelines of the North American Electric Reliability Council ("NERC") and any regional or sub regional requirements."

38. Add the following as Section 10.13:

"10.13 Imaged Agreement. The Parties acknowledge and agree that either Party may maintain this executed Master Agreement and any executed Confirmation as "imaged agreements" in an electronic format, and that, so long as the imaged agreement bears the signature of the Party against whom enforcement is sought if there is a space or line for such signature on the agreement, in the absence of evidence of fraud or irregularity in the imaging or computer retention process relating to the agreement, and the original document(s) is/are unobtainable, neither Party will object to the introduction and acceptance of such imaged agreements as evidence in any proceeding between the Parties before any court, arbitration panel, regulatory commission or similar body on the basis that such imaged agreements are not original agreements or do not comply with the best evidence rule."

39. Add the following as Section 10.14:

"10.14 Standard of Review. Absent the agreement of all parties to the change, the standard of review for changes to this Master Agreement (including all Transactions and Confirmations) proposed by a party, a non-party or the Federal Energy Regulatory Commission acting sua sponte shall be the "public interest" standard of review set forth in United Gas Pipeline Co. v. Mobile Gas Service Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956) (the "Mobile-Sierra" doctrine)."

40. Add the following as Section 10.15:

"10.15 Index Transactions. If the Contract Price for a Transaction is determined by reference to a third-party information source, then the following provisions shall be applicable to such Transaction.

- (a) **Market Disruption**. If a Market Disruption Event occurs during a Determination Period, the Floating Price for the affected Trading Day(s) shall be determined by reference to the Floating Price specified in the Transaction for the first Trading Day thereafter on which no Market Disruption Event exists; provided, however, if the Floating Price is not so determined within three (3) Business Days after the first Trading Day on which the Market Disruption Event occurred or existed, then the Parties shall negotiate in good faith to agree on a Floating Price (or a method for determining a Floating Price), and if the Parties have not so agreed on or before the fifth Business Day following the first Trading Day on which the Market Disruption Event occurred or existed, then the Floating Price shall be determined in good faith by **each Party obtaining a quote from a leading dealer in the relevant market; and the Floating Price shall be the arithmetic average of the two dealer quotes obtained.**

"Determination Period" means each calendar month a part or all of which is within the Delivery Period of a Transaction.

"Exchange" means, in respect of a Transaction, the exchange or principal trading market specified in the relevant Transaction.

"Floating Price" means a Contract Price specified in a Transaction that is based upon a Price Source.

"Market Disruption Event" means, with respect to any Price Source, any of the following events: (a) the failure of the Price Source to announce or publish the specified Floating Price or information necessary for determining the Floating Price; (b) the failure of trading to commence or the permanent discontinuation or material suspension of trading in the relevant options contract or commodity on the Exchange or in the market specified for determining a Floating Price; (c) the temporary or permanent discontinuance or unavailability of the Price Source; (d) the temporary or permanent closing of any Exchange specified for determining a Floating Price; or (e) a material change in the formula for or the method of determining the Floating Price.

"Price Source" means, in respect of a Transaction, the publication (or such other origin of reference, including an Exchange) containing (or reporting) the specified price (or prices from which the specified price is calculated) specified in the relevant Transaction.

"Trading Day" means a day in respect of which the relevant Price Source published the Floating Price.

- (b) **Corrections to Published Prices.** For purposes of determining a Floating Price for any day, if the price published or announced on a given day and used or to be used to determine a relevant price is subsequently corrected and the correction is published or announced by the person responsible for that publication or announcement within two (2) years of the original publication or announcement, either Party may notify the other Party of (i) that correction and (ii) the amount (if any) that is payable as a result of that correction. If, not later than thirty (30) calendar days after publication or announcement of that correction, a Party gives notice that an amount is so payable, the Party that originally either received or retained such amount will, not later than three (3) Business Days after the effectiveness of that notice, pay, subject to any applicable conditions precedent, to the other Party that amount, together with interest at the Interest Rate for the period from and including the day on which payment originally was (or was not) made to but excluding the day of payment of the refund or payment resulting from that correction. **If a Party fails to give notice within thirty (30) calendar days after the publication or announcement of the correction that an amount is payable, then right to payment is waived for such correction.**
- (c) **Calculation of Floating Price.** For the purposes of the calculation of a Floating Price, all numbers shall be rounded to three (3) decimal places. If the fourth (4th) decimal number is five (5) or greater, then the third (3rd) decimal number shall be increased by one (1), and if the fourth (4th) decimal number is less than five (5), then the third (3rd) decimal number shall remain unchanged.

41. Insert into the related definition of "Firm Transmission Contingent – Contract Path" of Schedule P: Products and Related Definitions the word "only" between "excuse performance" and "for the duration" in the last sentence.

42. Add the following to the end of Schedule P: Products and Related Definitions:

"INTO Cinergy". The parties agree that the definitions and provisions contained in the Edison Electric Institute's ("EEI") "Conversion Convention For an INTO Cinergy Product" (the "Conversion Convention") as published on its website (www.eei.org) as of the Effective Date are incorporated into and apply to Transactions under this Master Agreement that have a delivery point of "into Cinergy".

"Regional Transmission Organization ("RTO") and Additional Assumptions. The Parties acknowledge that neither the creation of regional transmission organizations or similar bodies to operate or otherwise control electricity transmission facilities nor the implementation of new governing laws and other rules related to electricity transmission (a "Transmission Assumption Change") shall operate to void, terminate or cancel any Transaction entered into between the Parties, be deemed to impair the performance of any obligation under this Master Agreement, or provide a basis for the suspension of performance by either Party under this Master Agreement. However, following the effectiveness of a Transmission Assumption Change that has a material effect on the obligations of the Parties or creates a material ambiguity about the obligations of the Parties as to outstanding Transactions, the Parties hereto agree to diligently negotiate in good faith to modify the definitions of the Products for such Transactions with a goal of preserving an economic result for each of the Parties as close as possible to that existing prior to the effectiveness of such change; provided, however, that until such mutually agreed modification is effective this Master Agreement and any outstanding Transactions shall remain in full force and effect in accordance with their terms."

IN WITNESS WHEREOF, the Parties have caused this Master Agreement to be duly executed as of the date first above written.

Party A: LG&E ENERGY MARKETING INC.

Party B KENERGY CORP.

By: *M. Bellus*
Name: *Martyn Bellus*
Title: *President*

By: *Mark A. T. Bailey*
Name: *Mark A. T. Bailey*
Title: *President & CEO*

DISCLAIMER: This Master Power Purchase and Sale Agreement was prepared by a committee of representatives of Edison Electric Institute ("EEI") and National Energy Marketers Association ("NEM") member companies to facilitate orderly trading in and development of wholesale power markets. Neither EEI nor NEM nor any member company nor any of their agents, representatives or attorneys shall be responsible for its use, or any damages resulting therefrom. By providing this Agreement EEI and NEM do not offer legal advice and all users are urged to consult their own legal counsel to ensure that their commercial objectives will be achieved and their legal interests are adequately protected.

REQUEST FOR POWER

Century Aluminum of Kentucky, LLC ("Century") hereby requests Kenergy Corp. ("Kenergy") to purchase the following volumes of Tier 3 Energy from LG&E Energy Marketing Inc. ("LEM") in accordance with the rates, terms and conditions set forth in one or more agreements for Tier 3 Energy between Kenergy and LEM (the "Tier 3 Agreement"):

60 MW of System Firm Tier 3 Energy around-the-clock for two months of 2006 (Block A Energy)

25 MW of System Firm Tier 3 Energy during on-peak hours for two months of 2006 (Block B Energy)

In consideration thereof, Century agrees to purchase from Kenergy at retail the delivered amounts of such Tier 3 Energy on the same terms and conditions and at the same rates contained in the Tier 3 Agreement plus the applicable distribution fee included in Kenergy's smelter tariff plus charges for transmission and ancillary services, if any, with respect to such Tier 3 Energy.

The terms and conditions of the Agreement for Electric Service between Kenergy and Century dated July 15, 1998 (the "Century Power Agreement") are, to the extent applicable, incorporated herein by reference.

This the 7th day of December, 2005.

CENTURY ALUMINUM OF KENTUCKY, LLC

By: _____

Gerald J. Kitchen

Title: Vice President

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By: _____

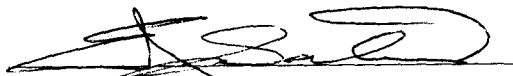
Executive Director

CONSENT

Century Aluminum of Kentucky, LLC ("Century") hereby agrees with Kenergy Corp. ("Kenergy") and LG&E Energy Marketing Inc. ("LEM") that Century has reviewed the Agreement for Tier 3 Energy dated December 7, 2005 ("Agreement") and hereby consents to the execution, delivery and performance of the Agreement by Kenergy and Big Rivers for all purposes.

Dated: December 7, 2005

CENTURY ALUMINUM OF KENTUCKY, LLC

By: 
E. Jack Gates
President

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By: 
Executive Director

Master Power Purchase & Sale Agreement



Version 2.1 (modified 4/25/00)
©COPYRIGHT 2000 by the Edison Electric Institute and National Energy Marketers Association

ALL RIGHTS RESERVED UNDER U.S. AND FOREIGN LAW, TREATIES AND CONVENTIONS. NO AUTOMATIC LICENSE – PERMISSION OF THE COPYRIGHT OWNERS IS GRANTED FOR REPRODUCTION OF THIS DOCUMENT FROM A COMPUTER AND PRINTING ELECTRONIC COPIES OF THE WORK. NO AUTHORIZED COPY MAY BE SOLD TO THE INDUSTRY IS ENCOURAGED TO USE THIS MASTER POWER PURCHASE AND SALE AGREEMENT IN ITS TRANSACTIONS. ATTRIBUTION TO THE COPYRIGHT OWNERS IS REQUESTED.



PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By  EXECUTIVE DIRECTOR

MASTER POWER PURCHASE AND SALES AGREEMENT

TABLE OF CONTENTS

COVER SHEET.....1

GENERAL TERMS AND CONDITIONS6

ARTICLE ONE: GENERAL DEFINITIONS6

ARTICLE TWO: TRANSACTION TERMS AND CONDITIONS.....11

 2.1 Transactions11

 2.2 Governing Terms11

 2.3 Confirmation11

 2.4 Additional Confirmation Terms.....12

 2.5 Recording.....12

ARTICLE THREE: OBLIGATIONS AND DELIVERIES.....12

 3.1 Seller’s and Buyer’s Obligations12

 3.2 Transmission and Scheduling12

 3.3 Force Majeure13

ARTICLE FOUR: REMEDIES FOR FAILURE TO DELIVER/RECEIVE13

 4.1 Seller Failure13

 4.2 Buyer Failure13

ARTICLE FIVE: EVENTS OF DEFAULT; REMEDIES.....13

 5.1 Events of Default13

 5.2 Declaration of an Early Termination Date and Calculation of Settlement
 Amounts.....15

 5.3 Net Out of Settlement Amounts.....15

 5.4 Notice of Payment of Termination Payment15

 5.5 Disputes With Respect to Termination Payment15

 5.6 Closeout Setoffs.....16

 5.7 Suspension of Performance.....16

ARTICLE SIX: PAYMENT AND NETTING16

 6.1 Billing Period16

 6.2 Timeliness of Payment.....17

 6.3 Disputes and Adjustments of Invoices.....17

 6.4 Netting of Payments.....17


 6.5 Payment Obligation Absent Netting17

 6.6 Security18

 6.7 Payment for Options18

 6.8 Transaction Netting.....18

**PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5:018
SECTION 9 (1)**

By 
Executive Director

ARTICLE SEVEN: LIMITATIONS.....18
7.1 Limitation of Remedies, Liability and Damages18

ARTICLE EIGHT: CREDIT AND COLLATERAL REQUIREMENTS19
8.1 Party A Credit Protection.....19
8.2 Party B Credit Protection21
8.3 Grant of Security Interest/Remedies.....22

ARTICLE NINE: GOVERNMENTAL CHARGES.....23
9.1 Cooperation.....23
9.2 Governmental Charges.....23

ARTICLE TEN: MISCELLANEOUS23
10.1 Term of Master Agreement.....23
10.2 Representations and Warranties.....23
10.3 Title and Risk of Loss25
10.4 Indemnity25
10.5 Assignment25
10.6 Governing Law25
10.7 Notices26
10.8 General.....26
10.9 Audit26
10.10 Forward Contract27
10.11 Confidentiality27

SCHEDULE M: GOVERNMENTAL ENTITY OR PUBLIC POWER SYSTEMS28

SCHEDULE P: PRODUCTS AND RELATED DEFINITIONS.....32

EXHIBIT A: CONFIRMATION LETTER.....39

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 
Executive Director

MASTER POWER PURCHASE AND SALE AGREEMENT

COVER SHEET

This *Master Power Purchase and Sale Agreement* ("Master Agreement") is made as of the following date: _____ ("Effective Date"). The *Master Agreement*, together with the exhibits, schedules and any written supplements hereto, the Party A Tariff, if any, the Party B Tariff, if any, any designated collateral, credit support or margin agreement or similar arrangement between the Parties and all Transactions (including any confirmations accepted in accordance with Section 2.3 hereto) shall be referred to as the "Agreement." The Parties to this *Master Agreement* are the following:

Name ("_____ " or "Party A")
All Notices:
Street: _____
City: _____ Zip: _____
Attn: Contract Administration
Phone: _____
Facsimile: _____
Duns: _____
Federal Tax ID Number: _____

Invoices:
Attn: _____
Phone: _____
Facsimile: _____

Scheduling:
Attn: _____
Phone: _____
Facsimile: _____

Payments:
Attn: _____
Phone: _____
Facsimile: _____

Wire Transfer:
BNK: _____
ABA: _____
ACCT: _____

Credit and Collections:
Attn: _____
Phone: _____
Facsimile: _____

With additional Notices of an Event of Default or Potential Event of Default to:
Attn: _____
Phone: _____
Facsimile: _____

Name ("Counterparty" or "Party B")
All Notices:
Street: _____
City: _____ Zip: _____
Attn: Contract Administration
Phone: _____
Facsimile: _____
Duns: _____
Federal Tax ID Number: _____

Invoices:
Attn: _____
Phone: _____
Facsimile: _____

Scheduling:
Attn: _____
Phone: _____
Facsimile: _____

Payments:
Attn: _____
Phone: _____
Facsimile: _____

Wire Transfer:
BNK: _____
ABA: _____
ACCT: _____

Credit and Collections:
Attn: _____
Phone: _____
Facsimile: _____

With additional Notices of an Event of Default or Potential Event of Default to:
Attn: _____
Phone: _____
Facsimile: _____

**PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)**

By 
Executive Director

The Parties hereby agree that the General Terms and Conditions are incorporated herein, and to the following provisions as provided for in the General Terms and Conditions:

Party A Tariff Tariff _____ Dated _____ Docket Number _____

Party B Tariff Tariff _____ Dated _____ Docket Number _____

Article Two

Transaction Terms and Conditions Optional provision in Section 2.4. If not checked, inapplicable.

Article Four

Remedies for Failure to Deliver or Receive Accelerated Payment of Damages. If not checked, inapplicable.

Article Five

Events of Default; Remedies Cross Default for Party A:
 Party A: _____ Cross Default Amount \$ _____
 Other Entity: _____ Cross Default Amount \$ _____
 Cross Default for Party B:
 Party B: _____ Cross Default Amount \$ _____
 Other Entity: _____ Cross Default Amount \$ _____

5.6 Closeout Setoff

- Option A (Applicable if no other selection is made.)
- Option B - Affiliates shall have the meaning set forth in the Agreement unless otherwise specified as follows: _____
- Option C (No Setoff)

Article 8

Credit and Collateral Requirements 8.1 Party A Credit Protection:
(a) Financial Information:
 Option A
 Option B Specify: _____
 Option C Specify: _____
(b) Credit Assurances:
 Not Applicable
 Applicable
(c) Collateral Threshold:
 Not Applicable
 Applicable

**PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)**

By  _____
Executive Director

If applicable, complete the following:

Party B Collateral Threshold: \$ _____; provided, however, that Party B's Collateral Threshold shall be zero if an Event of Default or Potential Event of Default with respect to Party B has occurred and is continuing.

Party B Independent Amount: \$ _____

Party B Rounding Amount: \$ _____

(d) Downgrade Event:

- Not Applicable
- Applicable

If applicable, complete the following:

- It shall be a Downgrade Event for Party B if Party B's Credit Rating falls below _____ from S&P or _____ from Moody's or if Party B is not rated by either S&P or Moody's

- Other:
Specify: _____

(e) Guarantor for Party B: _____
 Guarantee Amount: _____

8.2 Party B Credit Protection:

(a) Financial Information:

- Option A
- Option B Specify: _____
- Option C Specify: _____

(b) Credit Assurances:

- Not Applicable
- Applicable

(c) Collateral Threshold:

- Not Applicable
- Applicable


If applicable, complete the following:

Party A Collateral Threshold: \$ _____; provided, however, that Party A's Collateral Threshold shall be zero if an Event of Default or Potential Event of Default with respect to Party A has occurred and is continuing.

Party A Independent Amount: \$ _____

Party A Rounding Amount: \$ _____

**PUBLIC SERVICE COMMISSION
 OF KENTUCKY
 EFFECTIVE
 1/1/2006
 PURSUANT TO 807 KAR 5:011
 SECTION 9 (1)**

By  _____
Executive Director

(d) Downgrade Event:

- Not Applicable
- Applicable

If applicable, complete the following:

- It shall be a Downgrade Event for Party A if Party A's Credit Rating falls below _____ from S&P or _____ from Moody's or if Party A is not rated by either S&P or Moody's
- Other:
Specify: _____

(e) Guarantor for Party A: _____
Guarantee Amount: _____

Article 10

Confidentiality Confidentiality Applicable If not checked, inapplicable.

Schedule M

- Party A is a Governmental Entity or Public Power System
- Party B is a Governmental Entity or Public Power System
- Add Section 3.6. If not checked, inapplicable
- Add Section 8.6. If not checked, inapplicable

Other Changes

Specify, if any: _____

**PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)**

By  _____
Executive Director

IN WITNESS WHEREOF, the Parties have caused this Master Agreement to be duly executed as of the date first above written.

Party A Name

Party B Name

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

DISCLAIMER: This Master Power Purchase and Sale Agreement was prepared by a committee of representatives of Edison Electric Institute (“EEI”) and National Energy Marketers Association (“NEM”) member companies to facilitate orderly trading in and development of wholesale power markets. Neither EEI nor NEM nor any member company nor any of their agents, representatives or attorneys shall be responsible for its use, or any damages resulting therefrom. By providing this Agreement EEI and NEM do not offer legal advice and all users are urged to consult their own legal counsel to ensure that their commercial objectives will be achieved and their legal interests are adequately protected.

**PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)**

By  _____
Executive Director

GENERAL TERMS AND CONDITIONS

ARTICLE ONE: GENERAL DEFINITIONS

1.1 "Affiliate" means, with respect to any person, any other person (other than an individual) that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such person. For this purpose, "control" means the direct or indirect ownership of fifty percent (50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.

1.2 "Agreement" has the meaning set forth in the Cover Sheet.

1.3 "Bankrupt" means with respect to any entity, such entity (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it, (ii) makes an assignment or any general arrangement for the benefit of creditors, (iii) otherwise becomes bankrupt or insolvent (however evidenced), (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets, or (v) is generally unable to pay its debts as they fall due.

1.4 "Business Day" means any day except a Saturday, Sunday, or a Federal Reserve Bank holiday. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. local time for the relevant Party's principal place of business. The relevant Party, in each instance unless otherwise specified, shall be the Party from whom the notice, payment or delivery is being sent and by whom the notice or payment or delivery is to be received.

1.5 "Buyer" means the Party to a Transaction that is obligated to purchase and receive, or cause to be received, the Product, as specified in the Transaction.


1.6 "Call Option" means an Option entitling, but not obligating, the Option Buyer to purchase and receive the Product from the Option Seller at a price equal to the Strike Price for the Delivery Period for which the Option may be exercised, all as specified in the Transaction. Upon proper exercise of the Option by the Option Buyer, the Option Seller will be obligated to sell and deliver the Product for the Delivery Period for which the Option has been exercised.

1.7 "Claiming Party" has the meaning set forth in Section 3.3.

1.8 "Claims" means all third party claims or actions, threatened or filed and, whether groundless, false, fraudulent or otherwise, that directly or indirectly relate to the subject matter of an indemnity, and the resulting losses, damages, expenses, attorneys' fees and court costs, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement.

1.9 "Confirmation" has the meaning set forth in Section 2.3.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 
Executive Director

1.10 "Contract Price" means the price in \$U.S. (unless otherwise provided for) to be paid by Buyer to Seller for the purchase of the Product, as specified in the Transaction.

1.11 "Costs" means, with respect to the Non-Defaulting Party, brokerage fees, commissions and other similar third party transaction costs and expenses reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its obligations or entering into new arrangements which replace a Terminated Transaction; and all reasonable attorneys' fees and expenses incurred by the Non-Defaulting Party in connection with the termination of a Transaction.

1.12 "Credit Rating" means, with respect to any entity, the rating then assigned to such entity's unsecured, senior long-term debt obligations (not supported by third party credit enhancements) or if such entity does not have a rating for its senior unsecured long-term debt, then the rating then assigned to such entity as an issues rating by S&P, Moody's or any other rating agency agreed by the Parties as set forth in the Cover Sheet.

1.13 "Cross Default Amount" means the cross default amount, if any, set forth in the Cover Sheet for a Party.

1.14 "Defaulting Party" has the meaning set forth in Section 5.1.

1.15 "Delivery Period" means the period of delivery for a Transaction, as specified in the Transaction.

1.16 "Delivery Point" means the point at which the Product will be delivered and received, as specified in the Transaction.

1.17 "Downgrade Event" has the meaning set forth on the Cover Sheet.

1.18 "Early Termination Date" has the meaning set forth in Section 5.2.

1.19 "Effective Date" has the meaning set forth on the Cover Sheet.


1.20 "Equitable Defenses" means any bankruptcy, insolvency, reorganization and other laws affecting creditors' rights generally, and with regard to equitable remedies, the discretion of the court before which proceedings to obtain same may be pending.

1.21 "Event of Default" has the meaning set forth in Section 5.1.

1.22 "FERC" means the Federal Energy Regulatory Commission or any successor government agency.

1.23 "Force Majeure" means an event or circumstance which prevents one Party from performing its obligations under one or more Transactions, which event or circumstance was not anticipated as of the date the Transaction was agreed to, which is not within the reasonable control of, or the result of the negligence of, the Claiming Party, and which, by the exercise of due diligence, the Claiming Party is unable to overcome or avoid or cause to be avoided. Force Majeure shall not be based on (i) the loss of Buyer's markets; (ii) Buyer's inability economically

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/11/2006
PURSUANT TO 807 KAR 5.011
SECTION 9(1)

By 
Executive Director

to use or resell the Product purchased hereunder; (iii) the loss or failure of Seller's supply; or (iv) Seller's ability to sell the Product at a price greater than the Contract Price. Neither Party may raise a claim of Force Majeure based in whole or in part on curtailment by a Transmission Provider unless (i) such Party has contracted for firm transmission with a Transmission Provider for the Product to be delivered to or received at the Delivery Point and (ii) such curtailment is due to "force majeure" or "uncontrollable force" or a similar term as defined under the Transmission Provider's tariff; provided, however, that existence of the foregoing factors shall not be sufficient to conclusively or presumptively prove the existence of a Force Majeure absent a showing of other facts and circumstances which in the aggregate with such factors establish that a Force Majeure as defined in the first sentence hereof has occurred. The applicability of Force Majeure to the Transaction is governed by the terms of the Products and Related Definitions contained in Schedule P.

1.24 "Gains" means, with respect to any Party, an amount equal to the present value of the economic benefit to it, if any (exclusive of Costs), resulting from the termination of a Terminated Transaction, determined in a commercially reasonable manner.

1.25 "Guarantor" means, with respect to a Party, the guarantor, if any, specified for such Party on the Cover Sheet.

1.26 "Interest Rate" means, for any date, the lesser of (a) the per annum rate of interest equal to the prime lending rate as may from time to time be published in *The Wall Street Journal* under "Money Rates" on such day (or if not published on such day on the most recent preceding day on which published), plus two percent (2%) and (b) the maximum rate permitted by applicable law.

1.27 "Letter(s) of Credit" means one or more irrevocable, transferable standby letters of credit issued by a U.S. commercial bank or a foreign bank with a U.S. branch with such bank having a credit rating of at least A- from S&P or A3 from Moody's, in a form acceptable to the Party in whose favor the letter of credit is issued. Costs of a Letter of Credit shall be borne by the applicant for such Letter of Credit.


1.28 "Losses" means, with respect to any Party, an amount equal to the present value of the economic loss to it, if any (exclusive of Costs), resulting from termination of a Terminated Transaction, determined in a commercially reasonable manner.

1.29 "Master Agreement" has the meaning set forth on the Cover Sheet.

1.30 "Moody's" means Moody's Investor Services, Inc. or its successor.

1.31 "NERC Business Day" means any day except a Saturday, Sunday or a holiday as defined by the North American Electric Reliability Council or any successor organization thereto. A NERC Business Day shall open at 8:00 a.m. and close at 5:00 p.m. local time for the relevant Party's principal place of business. The relevant Party, in each instance unless otherwise specified, shall be the Party from whom the notice, payment or delivery is being sent and by whom the notice or payment or delivery is to be received.

PUBLIC SERVICE COMMISSION
OFFICE OF THE CLERK
EFFECTIVE 1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 
Executive Director

1.32 “Non-Defaulting Party” has the meaning set forth in Section 5.2.

1.33 “Offsetting Transactions” mean any two or more outstanding Transactions, having the same or overlapping Delivery Period(s), Delivery Point and payment date, where under one or more of such Transactions, one Party is the Seller, and under the other such Transaction(s), the same Party is the Buyer.

1.34 “Option” means the right but not the obligation to purchase or sell a Product as specified in a Transaction.

1.35 “Option Buyer” means the Party specified in a Transaction as the purchaser of an option, as defined in Schedule P.

1.36 “Option Seller” means the Party specified in a Transaction as the seller of an option, as defined in Schedule P.

1.37 “Party A Collateral Threshold” means the collateral threshold, if any, set forth in the Cover Sheet for Party A.

1.38 “Party B Collateral Threshold” means the collateral threshold, if any, set forth in the Cover Sheet for Party B.

1.39 “Party A Independent Amount” means the amount, if any, set forth in the Cover Sheet for Party A.

1.40 “Party B Independent Amount” means the amount, if any, set forth in the Cover Sheet for Party B.

1.41 “Party A Rounding Amount” means the amount, if any, set forth in the Cover Sheet for Party A.

1.42 “Party B Rounding Amount” means the amount, if any, set forth in the Cover Sheet for Party B.

1.43 “Party A Tariff” means the tariff, if any, specified in the Cover Sheet for Party A.

1.44 “Party B Tariff” means the tariff, if any, specified in the Cover Sheet for Party B.

1.45 “Performance Assurance” means collateral in the form of either cash, Letter(s) of Credit, or other security acceptable to the Requesting Party.

1.46 “Potential Event of Default” means an event which, with notice or passage of time or both, would constitute an Event of Default.

1.47 “Product” means electric capacity, energy or other product specified in a Transaction by reference to a Product listed in Schedule P hereto or as otherwise specified by the Parties in the Transaction.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
4/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 
Executive Director

1.48 "Put Option" means an Option entitling, but not obligating, the Option Buyer to sell and deliver the Product to the Option Seller at a price equal to the Strike Price for the Delivery Period for which the option may be exercised, all as specified in a Transaction. Upon proper exercise of the Option by the Option Buyer, the Option Seller will be obligated to purchase and receive the Product.

1.49 "Quantity" means that quantity of the Product that Seller agrees to make available or sell and deliver, or cause to be delivered, to Buyer, and that Buyer agrees to purchase and receive, or cause to be received, from Seller as specified in the Transaction.

1.50 "Recording" has the meaning set forth in Section 2.4.

1.51 "Replacement Price" means the price at which Buyer, acting in a commercially reasonable manner, purchases at the Delivery Point a replacement for any Product specified in a Transaction but not delivered by Seller, plus (i) costs reasonably incurred by Buyer in purchasing such substitute Product and (ii) additional transmission charges, if any, reasonably incurred by Buyer to the Delivery Point, or at Buyer's option, the market price at the Delivery Point for such Product not delivered as determined by Buyer in a commercially reasonable manner; provided, however, in no event shall such price include any penalties, ratcheted demand or similar charges, nor shall Buyer be required to utilize or change its utilization of its owned or controlled assets or market positions to minimize Seller's liability. For the purposes of this definition, Buyer shall be considered to have purchased replacement Product to the extent Buyer shall have entered into one or more arrangements in a commercially reasonable manner whereby Buyer repurchases its obligation to sell and deliver the Product to another party at the Delivery Point.

1.52 "S&P" means the Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.) or its successor.

1.53 "Sales Price" means the price at which Seller, acting in a commercially reasonable manner, resells at the Delivery Point any Product not received by Buyer, deducting from such proceeds any (i) costs reasonably incurred by Seller in reselling such Product and (ii) additional transmission charges, if any, reasonably incurred by Seller in delivering such Product to the third party purchasers, or at Seller's option, the market price at the Delivery Point for such Product not received as determined by Seller in a commercially reasonable manner; provided, however, in no event shall such price include any penalties, ratcheted demand or similar charges, nor shall Seller be required to utilize or change its utilization of its owned or controlled assets, including contractual assets, or market positions to minimize Buyer's liability. For purposes of this definition, Seller shall be considered to have resold such Product to the extent Seller shall have entered into one or more arrangements in a commercially reasonable manner whereby Seller repurchases its obligation to purchase and receive the Product from another party at the Delivery Point.

1.54 "Schedule" or "Scheduling" means the actions of Seller and/or their designated representatives, including each Party's Transmission Providers, if applicable, of notifying, requesting and confirming to each other the quantity and type of Product to be delivered on any given day or days during the Delivery Period at a specified Delivery Point.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE 1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 
Executive Director

1.55 "Seller" means the Party to a Transaction that is obligated to sell and deliver, or cause to be delivered, the Product, as specified in the Transaction.

1.56 "Settlement Amount" means, with respect to a Transaction and the Non-Defaulting Party, the Losses or Gains, and Costs, expressed in U.S. Dollars, which such party incurs as a result of the liquidation of a Terminated Transaction pursuant to Section 5.2.

1.57 "Strike Price" means the price to be paid for the purchase of the Product pursuant to an Option.

1.58 "Terminated Transaction" has the meaning set forth in Section 5.2.

1.59 "Termination Payment" has the meaning set forth in Section 5.3.

1.60 "Transaction" means a particular transaction agreed to by the Parties relating to the sale and purchase of a Product pursuant to this Master Agreement.

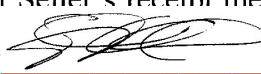
1.61 "Transmission Provider" means any entity or entities transmitting or transporting the Product on behalf of Seller or Buyer to or from the Delivery Point in a particular Transaction.

ARTICLE TWO: TRANSACTION TERMS AND CONDITIONS

2.1 Transactions. A Transaction shall be entered into upon agreement of the Parties orally or, if expressly required by either Party with respect to a particular Transaction, in writing, including an electronic means of communication. Each Party agrees not to contest, or assert any defense to, the validity or enforceability of the Transaction entered into in accordance with this Master Agreement (i) based on any law requiring agreements to be in writing or to be signed by the parties, or (ii) based on any lack of authority of the Party or any lack of authority of any employee of the Party to enter into a Transaction.

2.2 Governing Terms. Unless otherwise specifically agreed, each Transaction between the Parties shall be governed by this Master Agreement. This Master Agreement (including all exhibits, schedules and any written supplements hereto), , the Party A Tariff, if any, and the Party B Tariff, if any, any designated collateral, credit support or margin agreement or similar arrangement between the Parties and all Transactions (including any Confirmations accepted in accordance with Section 2.3) shall form a single integrated agreement between the Parties. Any inconsistency between any terms of this Master Agreement and any terms of the Transaction shall be resolved in favor of the terms of such Transaction.

2.3 Confirmation. Seller may confirm a Transaction by forwarding to Buyer by facsimile within three (3) Business Days after the Transaction is entered into a confirmation ("Confirmation") substantially in the form of Exhibit A. If Buyer objects to any term(s) of such Confirmation, Buyer shall notify Seller in writing of such objections within two (2) Business Days of Buyer's receipt thereof, failing which Buyer shall be deemed to have accepted the terms as sent. If Seller fails to send a Confirmation within three (3) Business Days after the Transaction is entered into, a Confirmation substantially in the form of Exhibit A, may be forwarded by Buyer to Seller. If Seller objects to any term(s) of such Confirmation, Seller shall notify Buyer of such objections within two (2) Business Days of Seller's receipt thereof, failing

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EXECUTIVE DIRECTOR
PURSUANT TO 807 KAR 5-014
SECTION 9(1)
By 
Executive Director

which Seller shall be deemed to have accepted the terms as sent. If Seller and Buyer each send a Confirmation and neither Party objects to the other Party's Confirmation within two (2) Business Days of receipt, Seller's Confirmation shall be deemed to be accepted and shall be the controlling Confirmation, unless (i) Seller's Confirmation was sent more than three (3) Business Days after the Transaction was entered into and (ii) Buyer's Confirmation was sent prior to Seller's Confirmation, in which case Buyer's Confirmation shall be deemed to be accepted and shall be the controlling Confirmation. Failure by either Party to send or either Party to return an executed Confirmation or any objection by either Party shall not invalidate the Transaction agreed to by the Parties.


2.4 Additional Confirmation Terms. If the Parties have elected on the Cover Sheet to make this Section 2.4 applicable to this Master Agreement, when a Confirmation contains provisions, other than those provisions relating to the commercial terms of the Transaction (e.g., price or special transmission conditions), which modify or supplement the general terms and conditions of this Master Agreement (e.g., arbitration provisions or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 2.3 unless agreed to either orally or in writing by the Parties; provided that the foregoing shall not invalidate any Transaction agreed to by the Parties.

2.5 Recording. Unless a Party expressly objects to a Recording (defined below) at the beginning of a telephone conversation, each Party consents to the creation of a tape or electronic recording ("Recording") of all telephone conversations between the Parties to this Master Agreement, and that any such Recordings will be retained in confidence, secured from improper access, and may be submitted in evidence in any proceeding or action relating to this Agreement. Each Party waives any further notice of such monitoring or recording, and agrees to notify its officers and employees of such monitoring or recording and to obtain any necessary consent of such officers and employees. The Recording, and the terms and conditions described therein, if admissible, shall be the controlling evidence for the Parties' agreement with respect to a particular Transaction in the event a Confirmation is not fully executed (or deemed accepted) by both Parties. Upon full execution (or deemed acceptance) of a Confirmation, such Confirmation shall control in the event of any conflict with the terms of a Recording, or in the event of any conflict with the terms of this Master Agreement.

ARTICLE THREE: OBLIGATIONS AND DELIVERIES

3.1 Seller's and Buyer's Obligations. With respect to each Transaction, Seller shall sell and deliver, or cause to be delivered, and Buyer shall purchase and receive, or cause to be received, the Quantity of the Product at the Delivery Point, and Buyer shall pay Seller the Contract Price; provided, however, with respect to Options, the obligations set forth in the preceding sentence shall only arise if the Option Buyer exercises its Option in accordance with its terms. Seller shall be responsible for any costs or charges imposed on or associated with the Product or its delivery of the Product up to the Delivery Point. Buyer shall be responsible for any costs or charges imposed on or associated with the Product or its receipt at and from the Delivery Point.

3.2 Transmission and Scheduling. Seller shall arrange and be responsible for transmission service to the Delivery Point and shall Schedule or arrange for Scheduling services

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9(7)
By 
Executive Director

with its Transmission Providers, as specified by the Parties in the Transaction, or in the absence thereof, in accordance with the practice of the Transmission Providers, to deliver the Product to the Delivery Point. Buyer shall arrange and be responsible for transmission service at and from the Delivery Point and shall Schedule or arrange for Scheduling services with its Transmission Providers to receive the Product at the Delivery Point.

3.3 Force Majeure. To the extent either Party is prevented by Force Majeure from carrying out, in whole or part, its obligations under the Transaction and such Party (the "Claiming Party") gives notice and details of the Force Majeure to the other Party as soon as practicable, then, unless the terms of the Product specify otherwise, the Claiming Party shall be excused from the performance of its obligations with respect to such Transaction (other than the obligation to make payments then due or becoming due with respect to performance prior to the Force Majeure). The Claiming Party shall remedy the Force Majeure with all reasonable dispatch. The non-Claiming Party shall not be required to perform or resume performance of its obligations to the Claiming Party corresponding to the obligations of the Claiming Party excused by Force Majeure.

ARTICLE FOUR: REMEDIES FOR FAILURE TO DELIVER/RECEIVE

4.1 Seller Failure. If Seller fails to schedule and/or deliver all or part of the Product pursuant to a Transaction, and such failure is not excused under the terms of the Product or by Buyer's failure to perform, then Seller shall pay Buyer, on the date payment would otherwise be due in respect of the month in which the failure occurred or, if "Accelerated Payment of Damages" is specified on the Cover Sheet, within five (5) Business Days of invoice receipt, an amount for such deficiency equal to the positive difference, if any, obtained by subtracting the Contract Price from the Replacement Price. The invoice for such amount shall include a written statement explaining in reasonable detail the calculation of such amount.

4.2 Buyer Failure. If Buyer fails to schedule and/or receive all or part of the Product pursuant to a Transaction and such failure is not excused under the terms of the Product or by Seller's failure to perform, then Buyer shall pay Seller, on the date payment would otherwise be due in respect of the month in which the failure occurred or, if "Accelerated Payment of Damages" is specified on the Cover Sheet, within five (5) Business Days of invoice receipt, an amount for such deficiency equal to the positive difference, if any, obtained by subtracting the Sales Price from the Contract Price. The invoice for such amount shall include a written statement explaining in reasonable detail the calculation of such amount.

ARTICLE FIVE: EVENTS OF DEFAULT; REMEDIES

5.1 Events of Default. An "Event of Default" shall mean, with respect to a Party (a "Defaulting Party"), the occurrence of any of the following:


- (a) the failure to make, when due, any payment required pursuant to this Agreement if such failure is not remedied within three (3) Business Days after written notice;

PUBLIC SERVICE COMMISSION
ORDER
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 
Executive Director

- (b) any representation or warranty made by such Party herein is false or misleading in any material respect when made or when deemed made or repeated;
- (c) the failure to perform any material covenant or obligation set forth in this Agreement (except to the extent constituting a separate Event of Default, and except for such Party's obligations to deliver or receive the Product, the exclusive remedy for which is provided in Article Four) if such failure is not remedied within three (3) Business Days after written notice;
- (d) such Party becomes Bankrupt;
- (e) the failure of such Party to satisfy the creditworthiness/collateral requirements agreed to pursuant to Article Eight hereof;
- (f) such Party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all of its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee entity fails to assume all the obligations of such Party under this Agreement to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other Party;
- (g) if the applicable cross default section in the Cover Sheet is indicated for such Party, the occurrence and continuation of (i) a default, event of default or other similar condition or event in respect of such Party or any other party specified in the Cover Sheet for such Party under one or more agreements or instruments, individually or collectively, relating to indebtedness for borrowed money in an aggregate amount of not less than the applicable Cross Default Amount (as specified in the Cover Sheet), which results in such indebtedness becoming, or becoming capable at such time of being declared, immediately due and payable or (ii) a default by such Party or any other party specified in the Cover Sheet for such Party in making on the due date therefor one or more payments, individually or collectively, in an aggregate amount of not less than the applicable Cross Default Amount (as specified in the Cover Sheet);
- (h) with respect to such Party's Guarantor, if any:
 - (i) if any representation or warranty made by a Guarantor in connection with this Agreement is false or misleading in any material respect when made or when deemed made or repeated;
 - (ii) the failure of a Guarantor to make any payment required or to perform any other material covenant or obligation in any guaranty made in connection with this Agreement and such failure shall not be remedied within three (3) Business Days after written notice;

PUBLIC SERVICE COMMISSION
 OF KENTUCKY
 EFFECTIVE 1/1/2006
 PURSUANT TO 807 KAR 5-011
 SECTION 9 (1)

By  _____
 Executive Director

- (iii) a Guarantor becomes Bankrupt;
- (iv) the failure of a Guarantor's guaranty to be in full force and effect for purposes of this Agreement (other than in accordance with its terms) prior to the satisfaction of all obligations of such Party under each Transaction to which such guaranty shall relate without the written consent of the other Party; or
- (v) a Guarantor shall repudiate, disaffirm, disclaim, or reject, in whole or in part, or challenge the validity of any guaranty.


5.2 Declaration of an Early Termination Date and Calculation of Settlement Amounts. If an Event of Default with respect to a Defaulting Party shall have occurred and be continuing, the other Party (the "Non-Defaulting Party") shall have the right (i) to designate a day, no earlier than the day such notice is effective and no later than 20 days after such notice is effective, as an early termination date ("Early Termination Date") to accelerate all amounts owing between the Parties and to liquidate and terminate all, but not less than all, Transactions (each referred to as a "Terminated Transaction") between the Parties, (ii) withhold any payments due to the Defaulting Party under this Agreement and (iii) suspend performance. The Non-Defaulting Party shall calculate, in a commercially reasonable manner, a Settlement Amount for each such Terminated Transaction as of the Early Termination Date (or, to the extent that in the reasonable opinion of the Non-Defaulting Party certain of such Terminated Transactions are commercially impracticable to liquidate and terminate or may not be liquidated and terminated under applicable law on the Early Termination Date, as soon thereafter as is reasonably practicable).

5.3 Net Out of Settlement Amounts. The Non-Defaulting Party shall aggregate all Settlement Amounts into a single amount by: netting out (a) all Settlement Amounts that are due to the Defaulting Party, plus, at the option of the Non-Defaulting Party, any cash or other form of security then available to the Non-Defaulting Party pursuant to Article Eight, plus any or all other amounts due to the Defaulting Party under this Agreement against (b) all Settlement Amounts that are due to the Non-Defaulting Party, plus any or all other amounts due to the Non-Defaulting Party under this Agreement, so that all such amounts shall be netted out to a single liquidated amount (the "Termination Payment") payable by one Party to the other. The Termination Payment shall be due to or due from the Non-Defaulting Party as appropriate.

5.4 Notice of Payment of Termination Payment. As soon as practicable after a liquidation, notice shall be given by the Non-Defaulting Party to the Defaulting Party of the amount of the Termination Payment and whether the Termination Payment is due to or due from the Non-Defaulting Party. The notice shall include a written statement explaining in reasonable detail the calculation of such amount. The Termination Payment shall be made by the Party that owes it within two (2) Business Days after such notice is effective.

5.5 Disputes With Respect to Termination Payment. If the Defaulting Party disputes the Non-Defaulting Party's calculation of the Termination Payment, in whole or in part, the Defaulting Party shall, within two (2) Business Days of receipt of Non-Defaulting Party's calculation of the Termination Payment, provide to the Non-Defaulting Party a detailed written

PUBLIC SERVICE COMMISSION
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 3:011
SECTION 9 (1)

By 
Executive Director

explanation of the basis for such dispute; provided, however, that if the Termination Payment is due from the Defaulting Party, the Defaulting Party shall first transfer Performance Assurance to the Non-Defaulting Party in an amount equal to the Termination Payment.

5.6 Closeout Setoffs.

Option A: After calculation of a Termination Payment in accordance with Section 5.3, if the Defaulting Party would be owed the Termination Payment, the Non-Defaulting Party shall be entitled, at its option and in its discretion, to (i) set off against such Termination Payment any amounts due and owing by the Defaulting Party to the Non-Defaulting Party under any other agreements, instruments or undertakings between the Defaulting Party and the Non-Defaulting Party and/or (ii) to the extent the Transactions are not yet liquidated in accordance with Section 5.2, withhold payment of the Termination Payment to the Defaulting Party. The remedy provided for in this Section shall be without prejudice and in addition to any right of setoff, combination of accounts, lien or other right to which any Party is at any time otherwise entitled (whether by operation of law, contract or otherwise).

Option B: After calculation of a Termination Payment in accordance with Section 5.3, if the Defaulting Party would be owed the Termination Payment, the Non-Defaulting Party shall be entitled, at its option and in its discretion, to (i) set off against such Termination Payment any amounts due and owing by the Defaulting Party or any of its Affiliates to the Non-Defaulting Party or any of its Affiliates under any other agreements, instruments or undertakings between the Defaulting Party or any of its Affiliates and the Non-Defaulting Party or any of its Affiliates and/or (ii) to the extent the Transactions are not yet liquidated in accordance with Section 5.2, withhold payment of the Termination Payment to the Defaulting Party. The remedy provided for in this Section shall be without prejudice and in addition to any right of setoff, combination of accounts, lien or other right to which any Party is at any time otherwise entitled (whether by operation of law, contract or otherwise).


Option C: Neither Option A nor B shall apply.

5.7 Suspension of Performance. Notwithstanding any other provision of this Master Agreement, if (a) an Event of Default or (b) a Potential Event of Default shall have occurred and be continuing, the Non-Defaulting Party, upon written notice to the Defaulting Party, shall have the right (i) to suspend performance under any or all Transactions; provided, however, in no event shall any such suspension continue for longer than ten (10) NERC Business Days with respect to any single Transaction unless an early Termination Date shall have been declared and notice thereof pursuant to Section 5.2 given, and (ii) to the extent an Event of Default shall have occurred and be continuing to exercise any remedy available at law or in equity.

ARTICLE SIX: PAYMENT AND NETTING

6.1 Billing Period. Unless otherwise specifically agreed upon by the Parties in a Transaction, the calendar month shall be the standard period for all payments under this Agreement (other than Termination Payments and, if "Accelerated Payment of Damages" is specified by the Parties in the Cover Sheet, payments pursuant to Section 4.1 or 4.2 and Option premium payments pursuant to Section 6.7). As soon as practicable after the end of each month,

PUBLIC SERVICE COMMISSION
OF THE STATE OF KANSAS
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5-011
SECTION 9 (1)

By 
Executive Director

each Party will render to the other Party an invoice for the payment obligations, if any, incurred hereunder during the preceding month.

6.2 Timeliness of Payment. Unless otherwise agreed by the Parties in a Transaction, all invoices under this Master Agreement shall be due and payable in accordance with each Party's invoice instructions on or before the later of the twentieth (20th) day of each month, or tenth (10th) day after receipt of the invoice or, if such day is not a Business Day, then on the next Business Day. Each Party will make payments by electronic funds transfer, or by other mutually agreeable method(s), to the account designated by the other Party. Any amounts not paid by the due date will be deemed delinquent and will accrue interest at the Interest Rate, such interest to be calculated from and including the due date to but excluding the date the delinquent amount is paid in full.

6.3 Disputes and Adjustments of Invoices. A Party may, in good faith, dispute the correctness of any invoice or any adjustment to an invoice, rendered under this Agreement or adjust any invoice for any arithmetic or computational error within twelve (12) months of the date the invoice, or adjustment to an invoice, was rendered. In the event an invoice or portion thereof, or any other claim or adjustment arising hereunder, is disputed, payment of the undisputed portion of the invoice shall be required to be made when due, with notice of the objection given to the other Party. Any invoice dispute or invoice adjustment shall be in writing and shall state the basis for the dispute or adjustment. Payment of the disputed amount shall not be required until the dispute is resolved. Upon resolution of the dispute, any required payment shall be made within two (2) Business Days of such resolution along with interest accrued at the Interest Rate from and including the due date to but excluding the date paid. Inadvertent overpayments shall be returned upon request or deducted by the Party receiving such overpayment from subsequent payments, with interest accrued at the Interest Rate from and including the date of such overpayment to but excluding the date repaid or deducted by the Party receiving such overpayment. Any dispute with respect to an invoice is waived unless the other Party is notified in accordance with this Section 6.3 within twelve (12) months after the invoice is rendered or any specific adjustment to the invoice is made. If an invoice is not rendered within twelve (12) months after the close of the month during which performance of a Transaction occurred, the right to payment for such performance is waived.

6.4 Netting of Payments. The Parties hereby agree that they shall discharge mutual debts and payment obligations due and owing to each other on the same date pursuant to all Transactions through netting, in which case all amounts owed by each Party to the other Party for the purchase and sale of Products during the monthly billing period under this Master Agreement, including any related damages calculated pursuant to Article Four (unless one of the Parties elects to accelerate payment of such amounts as permitted by Article Four), interest, and payments or credits, shall be netted so that only the excess amount remaining due shall be paid by the Party who owes it.

6.5 Payment Obligation Absent Netting. If no mutual debts or payment obligations exist and only one Party owes a debt or obligation to the other during the monthly billing period, including, but not limited to, any related damage amounts calculated pursuant to Article Four, interest, and payments or credits, that Party shall pay such sum in full when due.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5.011
SECTION 9 (1)

By 
Executive Director

6.6 Security. Unless the Party benefiting from Performance Assurance or a guaranty notifies the other Party in writing, and except in connection with a liquidation and termination in accordance with Article Five, all amounts netted pursuant to this Article Six shall not take into account or include any Performance Assurance or guaranty which may be in effect to secure a Party's performance under this Agreement.

6.7 Payment for Options. The premium amount for the purchase of an Option shall be paid within two (2) Business Days of receipt of an invoice from the Option Seller. Upon exercise of an Option, payment for the Product underlying such Option shall be due in accordance with Section 6.1.

6.8 Transaction Netting. If the Parties enter into one or more Transactions, which in conjunction with one or more other outstanding Transactions, constitute Offsetting Transactions, then all such Offsetting Transactions may by agreement of the Parties, be netted into a single Transaction under which:

- (a) the Party obligated to deliver the greater amount of Energy will deliver the difference between the total amount it is obligated to deliver and the total amount to be delivered to it under the Offsetting Transactions, and
- (b) the Party owing the greater aggregate payment will pay the net difference owed between the Parties.

Each single Transaction resulting under this Section shall be deemed part of the single, indivisible contractual arrangement between the parties, and once such resulting Transaction occurs, outstanding obligations under the Offsetting Transactions which are satisfied by such offset shall terminate.

ARTICLE SEVEN: LIMITATIONS

7.1 Limitation of Remedies, Liability and Damages. EXCEPT AS SET FORTH HEREIN, THERE IS NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. THE PARTIES CONFIRM THAT THE EXPRESS REMEDIES AND MEASURES OF DAMAGES PROVIDED IN THIS AGREEMENT SATISFY THE ESSENTIAL PURPOSES HEREOF. FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, THE OBLIGOR'S LIABILITY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, THE OBLIGOR'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY PROVIDED HEREIN, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR

PUBLIC SERVICE COMMISSION
OPALINIGSKY
EFFECTIVE 1/1/2006
PURSUANT TO 807 KAR 5-011
SECTION 9 (1)

By 
Executive Director

OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

ARTICLE EIGHT: CREDIT AND COLLATERAL REQUIREMENTS


8.1 Party A Credit Protection. The applicable credit and collateral requirements shall be as specified on the Cover Sheet. If no option in Section 8.1(a) is specified on the Cover Sheet, Section 8.1(a) Option C shall apply exclusively. If none of Sections 8.1(b), 8.1(c) or 8.1(d) are specified on the Cover Sheet, Section 8.1(b) shall apply exclusively.

(a) Financial Information. Option A: If requested by Party A, Party B shall deliver (i) within 120 days following the end of each fiscal year, a copy of Party B's annual report containing audited consolidated financial statements for such fiscal year and (ii) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of Party B's quarterly report containing unaudited consolidated financial statements for such fiscal quarter. In all cases the statements shall be for the most recent accounting period and prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as Party B diligently pursues the preparation, certification and delivery of the statements.

Option B: If requested by Party A, Party B shall deliver (i) within 120 days following the end of each fiscal year, a copy of the annual report containing audited consolidated financial statements for such fiscal year for the party(s) specified on the Cover Sheet and (ii) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of quarterly report containing unaudited consolidated financial statements for such fiscal quarter for the party(s) specified on the Cover Sheet. In all cases the statements shall be for the most recent accounting period and shall be prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as the relevant entity diligently pursues the preparation, certification and delivery of the statements.

Option C: Party A may request from Party B the information specified in the Cover Sheet.

**PUBLIC SERVICE COMMISSION
OF KENTUCKY**
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 
Executive Director

(b) Credit Assurances. If Party A has reasonable grounds to believe that Party B's creditworthiness or performance under this Agreement has become unsatisfactory, Party A will provide Party B with written notice requesting Performance Assurance in an amount determined by Party A in a commercially reasonable manner. Upon receipt of such notice Party B shall have three (3) Business Days to remedy the situation by providing such Performance Assurance to Party A. In the event that Party B fails to provide such Performance Assurance, or a guaranty or other credit assurance acceptable to Party A within three (3) Business Days of receipt of notice, then an Event of Default under Article Five will be deemed to have occurred and Party A will be entitled to the remedies set forth in Article Five of this Master Agreement.

(c) Collateral Threshold. If at any time and from time to time during the term of this Agreement (and notwithstanding whether an Event of Default has occurred), the Termination Payment that would be owed to Party A plus Party B's Independent Amount, if any, exceeds the Party B Collateral Threshold, then Party A, on any Business Day, may request that Party B provide Performance Assurance in an amount equal to the amount by which the Termination Payment plus Party B's Independent Amount, if any, exceeds the Party B Collateral Threshold (rounding upwards for any fractional amount to the next Party B Rounding Amount) ("Party B Performance Assurance"), less any Party B Performance Assurance already posted with Party A. Such Party B Performance Assurance shall be delivered to Party A within three (3) Business Days of the date of such request. On any Business Day (but no more frequently than weekly with respect to Letters of Credit and daily with respect to cash), Party B, at its sole cost, may request that such Party B Performance Assurance be reduced correspondingly to the amount of such excess Termination Payment plus Party B's Independent Amount, if any, (rounding upwards for any fractional amount to the next Party B Rounding Amount). In the event that Party B fails to provide Party B Performance Assurance pursuant to the terms of this Article Eight within three (3) Business Days, then an Event of Default under Article Five shall be deemed to have occurred and Party A will be entitled to the remedies set forth in Article Five of this Master Agreement.

For purposes of this Section 8.1(c), the calculation of the Termination Payment shall be calculated pursuant to Section 5.3 by Party A as if all outstanding Transactions had been liquidated, and in addition thereto, shall include all amounts owed but not yet paid by Party B to Party A, whether or not such amounts are due, for performance already provided pursuant to any and all Transactions.

(d) Downgrade Event. If at any time there shall occur a Downgrade Event in respect of Party B, then Party A may require Party B to provide Performance Assurance in an amount determined by Party A in a commercially reasonable manner. In the event Party B shall fail to provide such Performance Assurance or a guaranty or other credit assurance acceptable to Party A within three (3) Business Days of receipt of notice, then an Event of Default shall be deemed to have occurred and Party A will be entitled to the remedies set forth in Article Five of this Master Agreement.

(e) If specified on the Cover Sheet, Party B shall deliver to Party A, prior to or concurrently with the execution and delivery of this Master Agreement a guarantee in an amount not less than the Guarantee Amount specified on the Cover Sheet and in a form reasonably acceptable to Party A.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5.011
SECTION 9(1)

By 
Executive Director

8.2 Party B Credit Protection. The applicable credit and collateral requirements shall be as specified on the Cover Sheet. If no option in Section 8.2(a) is specified on the Cover Sheet, Section 8.2(a) Option C shall apply exclusively. If none of Sections 8.2(b), 8.2(c) or 8.2(d) are specified on the Cover Sheet, Section 8.2(b) shall apply exclusively.

(a) Financial Information. Option A: If requested by Party B, Party A shall deliver (i) within 120 days following the end of each fiscal year, a copy of Party A's annual report containing audited consolidated financial statements for such fiscal year and (ii) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of such Party's quarterly report containing unaudited consolidated financial statements for such fiscal quarter. In all cases the statements shall be for the most recent accounting period and prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as such Party diligently pursues the preparation, certification and delivery of the statements.


Option B: If requested by Party B, Party A shall deliver (i) within 120 days following the end of each fiscal year, a copy of the annual report containing audited consolidated financial statements for such fiscal year for the party(s) specified on the Cover Sheet and (ii) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of quarterly report containing unaudited consolidated financial statements for such fiscal quarter for the party(s) specified on the Cover Sheet. In all cases the statements shall be for the most recent accounting period and shall be prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as the relevant entity diligently pursues the preparation, certification and delivery of the statements.

Option C: Party B may request from Party A the information specified in the Cover Sheet.

(b) Credit Assurances. If Party B has reasonable grounds to believe that Party A's creditworthiness or performance under this Agreement has become unsatisfactory, Party B will provide Party A with written notice requesting Performance Assurance in an amount determined by Party B in a commercially reasonable manner. Upon receipt of such notice Party A shall have three (3) Business Days to remedy the situation by providing such Performance Assurance to Party B. In the event that Party A fails to provide such Performance Assurance, or a guaranty or other credit assurance acceptable to Party B within three (3) Business Days of receipt of notice, then an Event of Default under Article Five will be deemed to have occurred and Party B will be entitled to the remedies set forth in Article Five of this Master Agreement.

(c) Collateral Threshold. If at any time and from time to time during the term of this Agreement (and notwithstanding whether an Event of Default has occurred), the Termination Payment that would be owed to Party B plus Party A's Independent Amount, if any, exceeds the Party A Collateral Threshold, then Party B, on any Business Day, may request that Party A provide Performance Assurance in an amount equal to the amount by which the Termination Payment plus Party A's Independent Amount, if any, exceeds the Party A Collateral

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
7/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 
Executive Director

Threshold (rounding upwards for any fractional amount to the next Party A Rounding Amount) (“Party A Performance Assurance”), less any Party A Performance Assurance already posted with Party B. Such Party A Performance Assurance shall be delivered to Party B within three (3) Business Days of the date of such request. On any Business Day (but no more frequently than weekly with respect to Letters of Credit and daily with respect to cash), Party A, at its sole cost, may request that such Party A Performance Assurance be reduced correspondingly to the amount of such excess Termination Payment plus Party A’s Independent Amount, if any, (rounding upwards for any fractional amount to the next Party A Rounding Amount). In the event that Party A fails to provide Party A Performance Assurance pursuant to the terms of this Article Eight within three (3) Business Days, then an Event of Default under Article Five shall be deemed to have occurred and Party B will be entitled to the remedies set forth in Article Five of this Master Agreement.


For purposes of this Section 8.2(c), the calculation of the Termination Payment shall be calculated pursuant to Section 5.3 by Party B as if all outstanding Transactions had been liquidated, and in addition thereto, shall include all amounts owed but not yet paid by Party A to Party B, whether or not such amounts are due, for performance already provided pursuant to any and all Transactions.

(d) Downgrade Event. If at any time there shall occur a Downgrade Event in respect of Party A, then Party B may require Party A to provide Performance Assurance in an amount determined by Party B in a commercially reasonable manner. In the event Party A shall fail to provide such Performance Assurance or a guaranty or other credit assurance acceptable to Party B within three (3) Business Days of receipt of notice, then an Event of Default shall be deemed to have occurred and Party B will be entitled to the remedies set forth in Article Five of this Master Agreement.

(e) If specified on the Cover Sheet, Party A shall deliver to Party B, prior to or concurrently with the execution and delivery of this Master Agreement a guarantee in an amount not less than the Guarantee Amount specified on the Cover Sheet and in a form reasonably acceptable to Party B.

8.3 Grant of Security Interest/Remedies. To secure its obligations under this Agreement and to the extent either or both Parties deliver Performance Assurance hereunder, each Party (a “Pledgor”) hereby grants to the other Party (the “Secured Party”) a present and continuing security interest in, and lien on (and right of setoff against), and assignment of, all cash collateral and cash equivalent collateral and any and all proceeds resulting therefrom or the liquidation thereof, whether now or hereafter held by, on behalf of, or for the benefit of, such Secured Party, and each Party agrees to take such action as the other Party reasonably requires in order to perfect the Secured Party’s first-priority security interest in, and lien on (and right of setoff against), such collateral and any and all proceeds resulting therefrom or from the liquidation thereof. Upon or any time after the occurrence or deemed occurrence and during the continuation of an Event of Default or an Early Termination Date, the Non-Defaulting Party may do any one or more of the following: (i) exercise any of the rights and remedies of a Secured Party with respect to all Performance Assurance, including any such rights and remedies under law then in effect; (ii) exercise its rights of setoff against any and all property of the Defaulting Party in the possession of the Non-Defaulting Party or its agent; (iii) draw on any outstanding

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 9:01
SECTION 9.1

By 
Executive Director

Letter of Credit issued for its benefit; and (iv) liquidate all Performance Assurance then held by or for the benefit of the Secured Party free from any claim or right of any nature whatsoever of the Defaulting Party, including any equity or right of purchase or redemption by the Defaulting Party. The Secured Party shall apply the proceeds of the collateral realized upon the exercise of any such rights or remedies to reduce the Pledgor's obligations under the Agreement (the Pledgor remaining liable for any amounts owing to the Secured Party after such application), subject to the Secured Party's obligation to return any surplus proceeds remaining after such obligations are satisfied in full.

ARTICLE NINE: GOVERNMENTAL CHARGES

9.1 Cooperation. Each Party shall use reasonable efforts to implement the provisions of and to administer this Master Agreement in accordance with the intent of the parties to minimize all taxes, so long as neither Party is materially adversely affected by such efforts.

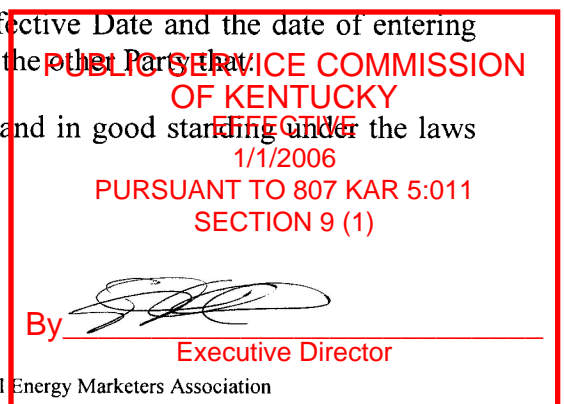
9.2 Governmental Charges. Seller shall pay or cause to be paid all taxes imposed by any government authority ("Governmental Charges") on or with respect to the Product or a Transaction arising prior to the Delivery Point. Buyer shall pay or cause to be paid all Governmental Charges on or with respect to the Product or a Transaction at and from the Delivery Point (other than ad valorem, franchise or income taxes which are related to the sale of the Product and are, therefore, the responsibility of the Seller). In the event Seller is required by law or regulation to remit or pay Governmental Charges which are Buyer's responsibility hereunder, Buyer shall promptly reimburse Seller for such Governmental Charges. If Buyer is required by law or regulation to remit or pay Governmental Charges which are Seller's responsibility hereunder, Buyer may deduct the amount of any such Governmental Charges from the sums due to Seller under Article 6 of this Agreement. Nothing shall obligate or cause a Party to pay or be liable to pay any Governmental Charges for which it is exempt under the law.

ARTICLE TEN: MISCELLANEOUS

10.1 Term of Master Agreement. The term of this Master Agreement shall commence on the Effective Date and shall remain in effect until terminated by either Party upon (thirty) 30 days' prior written notice; provided, however, that such termination shall not affect or excuse the performance of either Party under any provision of this Master Agreement that by its terms survives any such termination and, provided further, that this Master Agreement and any other documents executed and delivered hereunder shall remain in effect with respect to the Transaction(s) entered into prior to the effective date of such termination until both Parties have fulfilled all of their obligations with respect to such Transaction(s), or such Transaction(s) that have been terminated under Section 5.2 of this Agreement.


10.2 Representations and Warranties. On the Effective Date and the date of entering into each Transaction, each Party represents and warrants to the other Party that:

- (i) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;



- (ii) it has all regulatory authorizations necessary for it to legally perform its obligations under this Master Agreement and each Transaction (including any Confirmation accepted in accordance with Section 2.3);
- (iii) the execution, delivery and performance of this Master Agreement and each Transaction (including any Confirmation accepted in accordance with Section 2.3) are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any law, rule, regulation, order or the like applicable to it;
- (iv) this Master Agreement, each Transaction (including any Confirmation accepted in accordance with Section 2.3), and each other document executed and delivered in accordance with this Master Agreement constitutes its legally valid and binding obligation enforceable against it in accordance with its terms; subject to any Equitable Defenses.
- (v) it is not Bankrupt and there are no proceedings pending or being contemplated by it or, to its knowledge, threatened against it which would result in it being or becoming Bankrupt;
- (vi) there is not pending or, to its knowledge, threatened against it or any of its Affiliates any legal proceedings that could materially adversely affect its ability to perform its obligations under this Master Agreement and each Transaction (including any Confirmation accepted in accordance with Section 2.3);
- (vii) no Event of Default or Potential Event of Default with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Master Agreement and each Transaction (including any Confirmation accepted in accordance with Section 2.3);
- (viii) it is acting for its own account, has made its own independent decision to enter into this Master Agreement and each Transaction (including any Confirmation accepted in accordance with Section 2.3) and as to whether this Master Agreement and each such Transaction (including any Confirmation accepted in accordance with Section 2.3) is appropriate or proper for it based upon its own judgment, is not relying upon the advice or recommendations of the other Party in so doing, and is capable of assessing the merits of and understanding, and understands and accepts, the terms, conditions and risks of this Master Agreement and each Transaction (including any Confirmation accepted in accordance with Section 2.3);
- (ix) it is a "forward contract merchant" within the meaning of the United States Bankruptcy Code;

PUBLIC SERVICE COMMISSION
 OFFICE OF ENERGY
 EFFECTIVE
 1/1/2006
 PURSUANT TO 907 KAR 5:011
 SECTION 9 (1)

By 
 Executive Director

- (x) it has entered into this Master Agreement and each Transaction (including any Confirmation accepted in accordance with Section 2.3) in connection with the conduct of its business and it has the capacity or ability to make or take delivery of all Products referred to in the Transaction to which it is a Party;
- (xi) with respect to each Transaction (including any Confirmation accepted in accordance with Section 2.3) involving the purchase or sale of a Product or an Option, it is a producer, processor, commercial user or merchant handling the Product, and it is entering into such Transaction for purposes related to its business as such; and
- (xii) the material economic terms of each Transaction are subject to individual negotiation by the Parties.


10.3 Title and Risk of Loss. Title to and risk of loss related to the Product shall transfer from Seller to Buyer at the Delivery Point. Seller warrants that it will deliver to Buyer the Quantity of the Product free and clear of all liens, security interests, claims and encumbrances or any interest therein or thereto by any person arising prior to the Delivery Point.

10.4 Indemnity. Each Party shall indemnify, defend and hold harmless the other Party from and against any Claims arising from or out of any event, circumstance, act or incident first occurring or existing during the period when control and title to Product is vested in such Party as provided in Section 10.3. Each Party shall indemnify, defend and hold harmless the other Party against any Governmental Charges for which such Party is responsible under Article Nine.

10.5 Assignment. Neither Party shall assign this Agreement or its rights hereunder without the prior written consent of the other Party, which consent may be withheld in the exercise of its sole discretion; provided, however, either Party may, without the consent of the other Party (and without relieving itself from liability hereunder), (i) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial arrangements, (ii) transfer or assign this Agreement to an affiliate of such Party which affiliate's creditworthiness is equal to or higher than that of such Party, or (iii) transfer or assign this Agreement to any person or entity succeeding to all or substantially all of the assets whose creditworthiness is equal to or higher than that of such Party; provided, however, that in each such case, any such assignee shall agree in writing to be bound by the terms and conditions hereof and so long as the transferring Party delivers such tax and enforceability assurance as the non-transferring Party may reasonably request.

10.6 Governing Law. THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. EACH PARTY WAIVES ITS RESPECTIVE RIGHT TO ANY JURY TRIAL WITH RESPECT TO ANY LITIGATION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT.

PUBLIC SERVICE COMMISSION
 OF NEW YORK
 1/1/2005
 PURSUANT TO 807 KAR 5:011
 SECTION 9 (1)

By 
 Executive Director

10.7 Notices. All notices, requests, statements or payments shall be made as specified in the Cover Sheet. Notices (other than scheduling requests) shall, unless otherwise specified herein, be in writing and may be delivered by hand delivery, United States mail, overnight courier service or facsimile. Notice by facsimile or hand delivery shall be effective at the close of business on the day actually received, if received during business hours on a Business Day, and otherwise shall be effective at the close of business on the next Business Day. Notice by overnight United States mail or courier shall be effective on the next Business Day after it was sent. A Party may change its addresses by providing notice of same in accordance herewith.

10.8 General. This Master Agreement (including the exhibits, schedules and any written supplements hereto), the Party A Tariff, if any, the Party B Tariff, if any, any designated collateral, credit support or margin agreement or similar arrangement between the Parties and all Transactions (including any Confirmation accepted in accordance with Section 2.3) constitute the entire agreement between the Parties relating to the subject matter. Notwithstanding the foregoing, any collateral, credit support or margin agreement or similar arrangement between the Parties shall, upon designation by the Parties, be deemed part of this Agreement and shall be incorporated herein by reference. This Agreement shall be considered for all purposes as prepared through the joint efforts of the parties and shall not be construed against one party or the other as a result of the preparation, substitution, submission or other event of negotiation, drafting or execution hereof. Except to the extent herein provided for, no amendment or modification to this Master Agreement shall be enforceable unless reduced to writing and executed by both Parties. Each Party agrees if it seeks to amend any applicable wholesale power sales tariff during the term of this Agreement, such amendment will not in any way affect outstanding Transactions under this Agreement without the prior written consent of the other Party. Each Party further agrees that it will not assert, or defend itself, on the basis that any applicable tariff is inconsistent with this Agreement. This Agreement shall not impart any rights enforceable by any third party (other than a permitted successor or assignee bound to this Agreement). Waiver by a Party of any default by the other Party shall not be construed as a waiver of any other default. Any provision declared or rendered unlawful by any applicable court of law or regulatory agency or deemed unlawful because of a statutory change (individually or collectively, such events referred to as "Regulatory Event") will not otherwise affect the remaining lawful obligations that arise under this Agreement; and provided, further, that if a Regulatory Event occurs, the Parties shall use their best efforts to reform this Agreement in order to give effect to the original intention of the Parties. The term "including" when used in this Agreement shall be by way of example only and shall not be considered in any way to be in limitation. The headings used herein are for convenience and reference purposes only. All indemnity and audit rights shall survive the termination of this Agreement for twelve (12) months. This Agreement shall be binding on each Party's successors and permitted assigns.

10.9 Audit. Each Party has the right, at its sole expense and during normal working hours, to examine the records of the other Party to the extent reasonably necessary to verify the accuracy of any statement, charge or computation made pursuant to this Master Agreement. If requested, a Party shall provide to the other Party statements evidencing the Quantity delivered at the Delivery Point. If any such examination reveals any inaccuracy in any statement, the necessary adjustments in such statement and the payments thereof will be made promptly and shall bear interest calculated at the Interest Rate from the date the overpayment or underpayment was made until paid; provided, however, that no adjustment for any statement or payment will be

By 
Executive Director

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
7/7/2006
PURSUANT TO ORDER 5 AND
SECTION 2(1)

and Buyer purchases such Firm Transmission, then Seller shall deliver and Buyer shall receive the Product at the Designated Interface.


i. If the Firm Transmission purchased by Buyer within the Receiving Transmission Provider's transmission system from the Designated Interface ceases to be available to Buyer for any reason, or if Seller is unable to deliver the Product at the Designated Interface for any reason except Buyer's non-performance, then at Seller's choice from among the following, Seller shall: (a) to the extent Firm Transmission is available to Buyer from an ADI on a day-ahead basis, require Buyer to purchase such Firm Transmission from such ADI, and schedule and deliver the affected portion of the Product to such ADI on the basis of Buyer's purchase of Firm Transmission, or (b) require Buyer to purchase non-firm transmission, and schedule and deliver the affected portion of the Product on the basis of Buyer's purchase of non-firm transmission from the Designated Interface or an ADI designated by Seller, or (c) to the extent firm transmission is available on an hourly basis, require Buyer to purchase firm transmission, and schedule and deliver the affected portion of the Product on the basis of Buyer's purchase of such hourly firm transmission from the Designated Interface or an ADI designated by Seller.

ii. If the Available Transmission utilized by Buyer as required by Seller pursuant to Section 3A(i) ceases to be available to Buyer for any reason, then Seller shall again have those alternatives stated in Section 3A(i) in order to satisfy its obligations.

iii. Seller's obligation to schedule and deliver the Product at an ADI is subject to Buyer's obligation referenced in Section 4B to cooperate reasonably therewith. If Buyer and Seller cannot complete the scheduling and/or delivery at an ADI, then Buyer shall be deemed to have satisfied its receipt obligations to Seller and Seller shall be deemed to have failed its delivery obligations to Buyer, and Seller shall be liable to Buyer for amounts determined pursuant to Article Four.

iv. In each instance in which Buyer and Seller must make alternative scheduling arrangements for delivery at the Designated Interface or an ADI pursuant to Sections 3A(i) or (ii), and Firm Transmission had been purchased by both Seller and Buyer into and within the Receiving Transmission Provider's transmission system as to the scheduled delivery which could not be completed as a result of the interruption or curtailment of such Firm Transmission, Buyer and Seller shall bear their respective transmission expenses and/or associated congestion charges incurred in connection with efforts to complete delivery by such alternative scheduling and delivery arrangements. In any instance except as set forth in the immediately preceding sentence, Buyer and Seller must make alternative scheduling arrangements for delivery at the Designated interface or an ADI under Sections 3A(i) or (ii), Seller shall be responsible for any additional transmission purchases and/or associated congestion charges incurred by Buyer in connection with such alternative scheduling arrangements.


PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9(1)

By 
Executive Director

B. Timely Request for Firm Transmission Made by Buyer but Rejected by the Receiving Transmission Provider. If Buyer's Timely Request for Firm Transmission is rejected by the Receiving Transmission Provider because of unavailability of Firm Transmission from the Designated Interface, then Buyer shall notify Seller within 15 minutes after receipt of the Receiving Transmission Provider's notice of rejection ("Buyer's Rejection Notice"). If Buyer timely notifies Seller of such unavailability of Firm Transmission from the Designated Interface, then Seller shall be obligated either (1) to the extent Firm Transmission is available to Buyer from an ADI on a day-ahead basis, to require Buyer to purchase (at Buyer's own expense) such Firm Transmission from such ADI and schedule and deliver the Product to such ADI on the basis of Buyer's purchase of Firm Transmission, and thereafter the provisions in Section 3A shall apply, or (2) to require Buyer to purchase (at Buyer's own expense) non-firm transmission, and schedule and deliver the Product on the basis of Buyer's purchase of non-firm transmission from the Designated Interface or an ADI designated by the Seller, in which case Seller shall bear the risk of interruption or curtailment of the non-firm transmission; provided, however, that if the non-firm transmission is interrupted or curtailed or if Seller is unable to deliver the Product for any reason, Seller shall have the right to schedule and deliver the Product to another ADI in order to satisfy its delivery obligations, in which case Seller shall be responsible for any additional transmission purchases and/or associated congestion charges incurred by Buyer in connection with Seller's inability to deliver the Product as originally prescheduled. If Buyer fails to timely notify Seller of the unavailability of Firm Transmission, then Buyer shall bear the risk of interruption or curtailment of transmission from the Designated Interface, and the provisions of Section 3D shall apply.

C. Timely Request for Firm Transmission Made by Buyer, Accepted by the Receiving Transmission Provider and not Purchased by Buyer. If Buyer's Timely Request for Firm Transmission is accepted by the Receiving Transmission Provider but Buyer elects to purchase non-firm transmission rather than Firm Transmission to take delivery of the Product, then Buyer shall bear the risk of interruption or curtailment of transmission from the Designated Interface. In such circumstances, if Seller's delivery is interrupted as a result of transmission relied upon by Buyer from the Designated Interface, then Seller shall be deemed to have satisfied its delivery obligations to Buyer, Buyer shall be deemed to have failed to receive the Product and Buyer shall be liable to Seller for amounts determined pursuant to Article Four.

D. No Timely Request for Firm Transmission Made by Buyer, or Buyer Fails to Timely Send Buyer's Rejection Notice. If Buyer fails to make a Timely Request for Firm Transmission or Buyer fails to timely deliver Buyer's Rejection Notice, then Buyer shall bear the risk of interruption or curtailment of transmission from the Designated Interface. In such circumstances, if Seller's delivery is interrupted as a result of transmission relied upon by Buyer from the Designated Interface, then Seller shall be deemed to have satisfied its delivery obligations to Buyer, Buyer shall be deemed to have failed to receive the Product and Buyer shall be liable to Seller for amounts determined pursuant to Article Four.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)
By 
Executive Director

4. Transmission.

A. Seller's Responsibilities. Seller shall be responsible for transmission required to deliver the Product to the Designated Interface or ADI, as the case may be. It is expressly agreed that Seller is not required to utilize Firm Transmission for its delivery obligations hereunder, and Seller shall bear the risk of utilizing non-firm transmission. If Seller's scheduled delivery to Buyer is interrupted as a result of Buyer's attempted transmission of the Product beyond the Receiving Transmission Provider's system border, then Seller will be deemed to have satisfied its delivery obligations to Buyer, Buyer shall be deemed to have failed to receive the Product and Buyer shall be liable to Seller for damages pursuant to Article Four.

B. Buyer's Responsibilities. Buyer shall be responsible for transmission required to receive and transmit the Product at and from the Designated Interface or ADI, as the case may be, and except as specifically provided in Section 3A and 3B, shall be responsible for any costs associated with transmission therefrom. If Seller is attempting to complete the designation of an ADI as a result of Seller's rights and obligations hereunder, Buyer shall co-operate reasonably with Seller in order to effect such alternate designation.


5. Force Majeure. An "Into" Product shall be subject to the "Force Majeure" provisions in Section 1.23.

6. Multiple Parties in Delivery Chain Involving a Designated Interface. Seller and Buyer recognize that there may be multiple parties involved in the delivery and receipt of the Product at the Designated Interface or ADI to the extent that (1) Seller may be purchasing the Product from a succession of other sellers ("Other Sellers"), the first of which Other Sellers shall be causing the Product to be generated from a source ("Source Seller") and/or (2) Buyer may be selling the Product to a succession of other buyers ("Other Buyers"), the last of which Other Buyers shall be using the Product to serve its energy needs ("Sink Buyer"). Seller and Buyer further recognize that in certain Transactions neither Seller nor Buyer may originate the decision as to either (a) the original identification of the Designated Interface or ADI (which designation may be made by the Source Seller) or (b) the Timely Request for Firm Transmission or the purchase of other Available Transmission (which request may be made by the Sink Buyer). Accordingly, Seller and Buyer agree as follows:

A. If Seller is not the Source Seller, then Seller shall notify Buyer of the Designated Interface promptly after Seller is notified thereof by the Other Seller with whom Seller has a contractual relationship, but in no event may such designation of the Designated Interface be later than the prescheduling deadline pertaining to the Transaction between Buyer and Seller pursuant to Section 1.

B. If Buyer is not the Sink Buyer, then Buyer shall notify the Other Buyer with whom Buyer has a contractual relationship of the Designated Interface promptly after Seller notifies Buyer thereof, with the intent being that the party bearing actual responsibility to secure transmission shall have up to 30 minutes after receipt of the Designated Interface to submit its Timely Request for Firm Transmission.

**PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)**

By 
Executive Director

C. Seller and Buyer each agree that any other communications or actions required to be given or made in connection with this "Into Product" (including without limitation, information relating to an ADI) shall be made or taken promptly after receipt of the relevant information from the Other Sellers and Other Buyers, as the case may be.

D. Seller and Buyer each agree that in certain Transactions time is of the essence and it may be desirable to provide necessary information to Other Sellers and Other Buyers in order to complete the scheduling and delivery of the Product. Accordingly, Seller and Buyer agree that each has the right, but not the obligation, to provide information at its own risk to Other Sellers and Other Buyers, as the case may be, in order to effect the prescheduling, scheduling and delivery of the Product

"Native Load" means the demand imposed on an electric utility or an entity by the requirements of retail customers located within a franchised service territory that the electric utility or entity has statutory obligation to serve.

"Non-Firm" means, with respect to a Transaction, that delivery or receipt of the Product may be interrupted for any reason or for no reason, without liability on the part of either Party.

"System Firm" means that the Product will be supplied from the owned or controlled generation or pre-existing purchased power assets of the system specified in the Transaction (the "System") with non-firm transmission to and from the Delivery Point, unless a different Transmission Contingency is specified in a Transaction. Seller's failure to deliver shall be excused: (i) by an event or circumstance which prevents Seller from performing its obligations, which event or circumstance was not anticipated as of the date the Transaction was agreed to, which is not within the reasonable control of, or the result of the negligence of, the Seller; (ii) by Buyer's failure to perform; (iii) to the extent necessary to preserve the integrity of, or prevent or limit any instability on, the System; (iv) to the extent the System or the control area or reliability council within which the System operates declares an emergency condition, as determined in the system's, or the control area's, or reliability council's reasonable judgment; or (v) by the interruption or curtailment of transmission to the Delivery Point or by the occurrence of any Transmission Contingency specified in a Transaction as excusing Seller's performance. Buyer's failure to receive shall be excused (i) by Force Majeure; (ii) by Seller's failure to perform, or (iii) by the interruption or curtailment of transmission from the Delivery Point or by the occurrence of any Transmission Contingency specified in a Transaction as excusing Buyer's performance. In any of such events, neither party shall be liable to the other for any damages, including any amounts determined pursuant to Article Four.

"Transmission Contingent" means, with respect to a Transaction, that the performance of either Seller or Buyer (as specified in the Transaction) shall be excused, and no damages shall be payable including any amounts determined pursuant to Article Four, if the transmission for such Transaction is unavailable or interrupted or curtailed for any reason at any time a power flow from the Seller's proposed generating source to the Buyer's proposed ultimate sink, regardless of whether transmission, if any, that such Party is attempting to secure and/or has purchased for the Product is firm or non-firm. If the transmission (whether firm or non-firm) that Seller or Buyer is attempting to secure is from source to sink is unavailable, this contingency excuses performance for the entire Transaction. If the transmission (whether firm or non-firm) that Seller

By 
Executive Director

PUBLIC SERVICE COMMISSION
OF NEW JERSEY
EFFECTIVE 1/1/2006
PURSUANT TO 807 KAR 5:01-1
SECTION 9 (1)

or Buyer has secured from source to sink is interrupted or curtailed for any reason, this contingency excuses performance for the duration of the interruption or curtailment notwithstanding the provisions of the definition of "Force Majeure" in Article 1.23 to the contrary.

"Unit Firm" means, with respect to a Transaction, that the Product subject to the Transaction is intended to be supplied from a generation asset or assets specified in the Transaction. Seller's failure to deliver under a "Unit Firm" Transaction shall be excused: (i) if the specified generation asset(s) are unavailable as a result of a Forced Outage (as defined in the NERC Generating Unit Availability Data System (GADS) Forced Outage reporting guidelines) or (ii) by an event or circumstance that affects the specified generation asset(s) so as to prevent Seller from performing its obligations, which event or circumstance was not anticipated as of the date the Transaction was agreed to, and which is not within the reasonable control of, or the result of the negligence of, the Seller or (iii) by Buyer's failure to perform. In any of such events, Seller shall not be liable to Buyer for any damages, including any amounts determined pursuant to Article Four.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 
Executive Director

made unless objection to the accuracy thereof was made prior to the lapse of twelve (12) months from the rendition thereof, and thereafter any objection shall be deemed waived.

10.10 Forward Contract. The Parties acknowledge and agree that all Transactions constitute "forward contracts" within the meaning of the United States Bankruptcy Code.

10.11 Confidentiality. If the Parties have elected on the Cover Sheet to make this Section 10.11 applicable to this Master Agreement, neither Party shall disclose the terms or conditions of a Transaction under this Master Agreement to a third party (other than the Party's employees, lenders, counsel, accountants or advisors who have a need to know such information and have agreed to keep such terms confidential) except in order to comply with any applicable law, regulation, or any exchange, control area or independent system operator rule or in connection with any court or regulatory proceeding; provided, however, each Party shall, to the extent practicable, use reasonable efforts to prevent or limit the disclosure. The Parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 
Executive Director

SCHEDULE M

(THIS SCHEDULE IS INCLUDED IF THE APPROPRIATE BOX ON THE COVER SHEET IS MARKED INDICATING A PARTY IS A GOVERNMENTAL ENTITY OR PUBLIC POWER SYSTEM)

A. The Parties agree to add the following definitions in Article One.

“Act” means _____.¹

“Governmental Entity or Public Power System” means a municipality, county, governmental board, public power authority, public utility district, joint action agency, or other similar political subdivision or public entity of the United States, one or more States or territories or any combination thereof.

“Special Fund” means a fund or account of the Governmental Entity or Public Power System set aside and or pledged to satisfy the Public Power System’s obligations hereunder out of which amounts shall be paid to satisfy all of the Public Power System’s obligations under this Master Agreement for the entire Delivery Period.


B. The following sentence shall be added to the end of the definition of “Force Majeure” in Article One.

If the Claiming Party is a Governmental Entity or Public Power System, Force Majeure does not include any action taken by the Governmental Entity or Public Power System in its governmental capacity.

C. The Parties agree to add the following representations and warranties to Section 10.2:

Further and with respect to a Party that is a Governmental Entity or Public Power System, such Governmental Entity or Public Power System represents and warrants to the other Party continuing throughout the term of this Master Agreement, with respect to this Master Agreement and each Transaction, as follows: (i) all acts necessary to the valid execution, delivery and performance of this Master Agreement, including without limitation, competitive bidding, public notice, election, referendum, prior appropriation or other required procedures has or will be taken and performed as required under the Act and the Public Power System’s ordinances, bylaws or other regulations, (ii) all persons making up the governing body of Governmental Entity or Public Power System are the duly elected or appointed incumbents in their positions and hold such

¹ Cite the state enabling and other relevant statutes applicable to Governmental Entity or Public Power System.

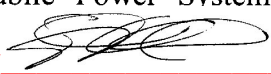
PUBLIC SERVICE COMMISSION
OF KENTUCKY
1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9(1)
By 
Executive Director

positions in good standing in accordance with the Act and other applicable law, (iii) entry into and performance of this Master Agreement by Governmental Entity or Public Power System are for a proper public purpose within the meaning of the Act and all other relevant constitutional, organic or other governing documents and applicable law, (iv) the term of this Master Agreement does not extend beyond any applicable limitation imposed by the Act or other relevant constitutional, organic or other governing documents and applicable law, (v) the Public Power System's obligations to make payments hereunder are unsubordinated obligations and such payments are (a) operating and maintenance costs (or similar designation) which enjoy first priority of payment at all times under any and all bond ordinances or indentures to which it is a party, the Act and all other relevant constitutional, organic or other governing documents and applicable law or (b) otherwise not subject to any prior claim under any and all bond ordinances or indentures to which it is a party, the Act and all other relevant constitutional, organic or other governing documents and applicable law and are available without limitation or deduction to satisfy all Governmental Entity or Public Power System' obligations hereunder and under each Transaction or (c) are to be made solely from a Special Fund, (vi) entry into and performance of this Master Agreement and each Transaction by the Governmental Entity or Public Power System will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any obligation of Governmental Entity or Public Power System otherwise entitled to such exclusion, and (vii) obligations to make payments hereunder do not constitute any kind of indebtedness of Governmental Entity or Public Power System or create any kind of lien on, or security interest in, any property or revenues of Governmental Entity or Public Power System which, in either case, is proscribed by any provision of the Act or any other relevant constitutional, organic or other governing documents and applicable law, any order or judgment of any court or other agency of government applicable to it or its assets, or any contractual restriction binding on or affecting it or any of its assets.

D. The Parties agree to add the following sections to Article Three:

Section 3.4 Public Power System's Deliveries. On the Effective Date and as a condition to the obligations of the other Party under this Agreement, Governmental Entity or Public Power System shall provide the other Party hereto (i) certified copies of all ordinances, resolutions, public notices and other documents evidencing the necessary authorizations with respect to the execution, delivery and performance by Governmental Entity or Public Power System of this Master Agreement and (ii) an opinion of counsel for Governmental Entity or Public Power System, in form and substance reasonably satisfactory to the other Party, regarding the validity, binding effect and enforceability of this Master Agreement against Governmental Entity or Public Power System in

29

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
7/12/08
PURSUANT TO ORDER 5:011
SECTION 9(1)
By 
Executive Director

respect of the Act and all other relevant constitutional organic or other governing documents and applicable law.

Section 3.5 No Immunity Claim. Governmental Entity or Public Power System warrants and covenants that with respect to its contractual obligations hereunder and performance thereof, it will not claim immunity on the grounds of sovereignty or similar grounds with respect to itself or its revenues or assets from (a) suit, (b) jurisdiction of court (including a court located outside the jurisdiction of its organization), (c) relief by way of injunction, order for specific performance or recovery of property, (d) attachment of assets, or (e) execution or enforcement of any judgment.


E. If the appropriate box is checked on the Cover Sheet, as an alternative to selecting one of the options under Section 8.3, the Parties agree to add the following section to Article Three:

Section 3.6 Governmental Entity or Public Power System Security. With respect to each Transaction, Governmental Entity or Public Power System shall either (i) have created and set aside a Special Fund or (ii) upon execution of this Master Agreement and prior to the commencement of each subsequent fiscal year of Governmental Entity or Public Power System during any Delivery Period, have obtained all necessary budgetary approvals and certifications for payment of all of its obligations under this Master Agreement for such fiscal year; any breach of this provision shall be deemed to have arisen during a fiscal period of Governmental Entity or Public Power System for which budgetary approval or certification of its obligations under this Master Agreement is in effect and, notwithstanding anything to the contrary in Article Four, an Early Termination Date shall automatically and without further notice occur hereunder as of such date wherein Governmental Entity or Public Power System shall be treated as the Defaulting Party. Governmental Entity or Public Power System shall have allocated to the Special Fund or its general funds a revenue base that is adequate to cover Public Power System's payment obligations hereunder throughout the entire Delivery Period.

F. If the appropriate box is checked on the Cover Sheet, the Parties agree to add the following section to Article Eight:

Section 8.4 Governmental Security. As security for payment and performance of Public Power System's obligations hereunder, Public Power System hereby pledges, sets over, assigns and grants to the other Party a security interest in all of Public Power System's right, title and interest in and to [specify collateral].

**PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)**

By 
Executive Director

G. The Parties agree to add the following sentence at the end of Section 10.6 -
Governing Law:

NOTWITHSTANDING THE FOREGOING, IN RESPECT OF THE
APPLICABILITY OF THE ACT AS HEREIN PROVIDED, THE LAWS
OF THE STATE OF _____² SHALL APPLY.

² _____
Insert relevant state for Governmental Entity or Public Power System.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 
Executive Director

SCHEDULE P: PRODUCTS AND RELATED DEFINITIONS

“Ancillary Services” means any of the services identified by a Transmission Provider in its transmission tariff as “ancillary services” including, but not limited to, regulation and frequency response, energy imbalance, operating reserve-spinning and operating reserve-supplemental, as may be specified in the Transaction.

“Capacity” has the meaning specified in the Transaction.

“Energy” means three-phase, 60-cycle alternating current electric energy, expressed in megawatt hours.


“Firm (LD)” means, with respect to a Transaction, that either Party shall be relieved of its obligations to sell and deliver or purchase and receive without liability only to the extent that, and for the period during which, such performance is prevented by Force Majeure. In the absence of Force Majeure, the Party to which performance is owed shall be entitled to receive from the Party which failed to deliver/receive an amount determined pursuant to Article Four.

“Firm Transmission Contingent - Contract Path” means, with respect to a Transaction, that the performance of either Seller or Buyer (as specified in the Transaction) shall be excused, and no damages shall be payable including any amounts determined pursuant to Article Four, if the transmission for such Transaction is interrupted or curtailed and (i) such Party has provided for firm transmission with the transmission provider(s) for the Product in the case of the Seller from the generation source to the Delivery Point or in the case of the Buyer from the Delivery Point to the ultimate sink, and (ii) such interruption or curtailment is due to “force majeure” or “uncontrollable force” or a similar term as defined under the applicable transmission provider’s tariff. This contingency shall excuse performance for the duration of the interruption or curtailment notwithstanding the provisions of the definition of “Force Majeure” in Section 1.23 to the contrary.

“Firm Transmission Contingent - Delivery Point” means, with respect to a Transaction, that the performance of either Seller or Buyer (as specified in the Transaction) shall be excused, and no damages shall be payable including any amounts determined pursuant to Article Four, if the transmission to the Delivery Point (in the case of Seller) or from the Delivery Point (in the case of Buyer) for such Transaction is interrupted or curtailed and (i) such Party has provided for firm transmission with the transmission provider(s) for the Product, in the case of the Seller, to be delivered to the Delivery Point or, in the case of Buyer, to be received at the Delivery Point and (ii) such interruption or curtailment is due to “force majeure” or “uncontrollable force” or a similar term as defined under the applicable transmission provider’s tariff. This transmission contingency excuses performance for the duration of the interruption or curtailment, notwithstanding the provisions of the definition of “Force Majeure” in Section 1.23 to the contrary. Interruptions or curtailments of transmission other than the transmission to or from immediately to or from the Delivery Point shall not excuse performance

“Firm (No Force Majeure)” means, with respect to a Transaction, that if either Party fails to perform its obligation to sell and deliver or purchase and receive the Product, the Party to which performance is owed shall be entitled to receive from the Party which failed to perform an

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
11/3/06
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 
Executive Director

amount determined pursuant to Article Four. Force Majeure shall not excuse performance of a Firm (No Force Majeure) Transaction.

“Into _____ (the “Receiving Transmission Provider”), Seller’s Daily Choice” means that, in accordance with the provisions set forth below, (1) the Product shall be scheduled and delivered to an interconnection or interface (“Interface”) either (a) on the Receiving Transmission Provider’s transmission system border or (b) within the control area of the Receiving Transmission Provider if the Product is from a source of generation in that control area, which Interface, in either case, the Receiving Transmission Provider identifies as available for delivery of the Product in or into its control area; and (2) Seller has the right on a daily prescheduled basis to designate the Interface where the Product shall be delivered. An “Into” Product shall be subject to the following provisions:


1. Prescheduling and Notification. Subject to the provisions of Section 6, not later than the prescheduling deadline of 11:00 a.m. CPT on the Business Day before the next delivery day or as otherwise agreed to by Buyer and Seller, Seller shall notify Buyer (“Seller’s Notification”) of Seller’s immediate upstream counterparty and the Interface (the “Designated Interface”) where Seller shall deliver the Product for the next delivery day, and Buyer shall notify Seller of Buyer’s immediate downstream counterparty.

2. Availability of “Firm Transmission” to Buyer at Designated Interface; “Timely Request for Transmission,” “ADI” and “Available Transmission.” In determining availability to Buyer of next-day firm transmission (“Firm Transmission”) from the Designated Interface, a “Timely Request for Transmission” shall mean a properly completed request for Firm Transmission made by Buyer in accordance with the controlling tariff procedures, which request shall be submitted to the Receiving Transmission Provider no later than 30 minutes after delivery of Seller’s Notification, provided, however, if the Receiving Transmission Provider is not accepting requests for Firm Transmission at the time of Seller’s Notification, then such request by Buyer shall be made within 30 minutes of the time when the Receiving Transmission Provider first opens thereafter for purposes of accepting requests for Firm Transmission.

Pursuant to the terms hereof, delivery of the Product may under certain circumstances be redesignated to occur at an Interface other than the Designated Interface (any such alternate designated interface, an “ADI”) either (a) on the Receiving Transmission Provider’s transmission system border or (b) within the control area of the Receiving Transmission Provider if the Product is from a source of generation in that control area, which ADI, in either case, the Receiving Transmission Provider identifies as available for delivery of the Product in or into its control area using either firm or non-firm transmission, as available on a day-ahead or hourly basis (individually or collectively referred to as “Available Transmission”) within the Receiving Transmission Provider’s transmission system.

3. Rights of Buyer and Seller Depending Upon Availability of Timely Request for Firm Transmission.

A. Timely Request for Firm Transmission made by Buyer, Accepted by the Receiving Transmission Provider and Purchased by Buyer. If a Timely Request for Firm Transmission is made by Buyer and is accepted by the Receiving Transmission Provider

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/1/2006
PURSUANT TO 807 KAR 6:011
SECTION 9 (1)
By 
Executive Director