

MODIFICATION No. 1

to

INTERCONNECTION AGREEMENT

Dated May 14, 1963

between

KENTUCKY POWER COMPANY

and

EAST KENTUCKY POWER COOPERATIVE, INC.

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Dated as of March 1, 1977

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THIS AGREEMENT, dated as of March 1, 1963, between Kentucky Power Company (Kentucky Company), a Kentucky Corporation and East Kentucky Power Cooperative, Inc. (East Kentucky), (formerly known as East Kentucky Rural Electric Cooperative Corporation), also a Kentucky Corporation;

W I T N E S S E T H,

WHEREAS, Kentucky Company and East Kentucky each owns electric facilities and is engaged in the generation, transmission, distribution and sale of electric power and energy within the state of Kentucky, and

WHEREAS, the parties entered into an Interconnection Agreement dated as of May 14, 1963 (1963 Agreement); and

WHEREAS, the parties desire to modify the 1963 Agreement as hereinafter set forth;

NOW, THEREFORE, in consideration of the promises and of mutual covenants herein set forth, the parties agree as follows:

Section 1. Section 3.03 of Article 3 of the 1963 Agreement is hereby modified to read:

" 3.03 The following Services Schedules are agreed to and hereby made a part of this Agreement:

Service Schedule A - Concurrent Exchange Service

Service Schedule B - Emergency Service

Service Schedule C - Coordination of Scheduled Maintenance of Generating Facilities

Service Schedule D - Interchange Power

Service Schedule E - Short Term Power

Service Schedule F - Energy Transfer

Service Schedule G - Limited Term Power

Service Schedules E and G are attached hereto as Appendix I and II. For purposes of Service Schedules E and G, where reference is made to any interconnected company such reference shall not be deemed to include any member company of the American Electric Power System, but otherwise shall be deemed to include any interconnected with that System.

Section 2. Service Schedule E - Short Term Power which was agreed to and made a part of the 1963 Agreement is cancelled and a new Service Schedule E - Short Term Power, attached hereto as Appendix I, is substituted therefor as of the effective date specified in Section 3 below.

Section 3. This Agreement shall be effective as of the day and year first above written and shall remain in effect until the termination of the 1963 Agreement.


Section 4. The 1963 Agreement as hereinabove modified and supplemented and as it may at any time hereafter be modified and supplemented by the parties, is made subject to the jurisdiction of any governmental authority or authorities having jurisdiction in the premises. Nothing contained in the 1963 Agreement shall be construed as effecting in any way the right of the party furnishing service under the rate schedules attached to the 1963 Agreement to unilaterally make application to the Federal Power Commission for a change in rates, charges, classification or service, or any rule, regulation or contract relating thereto, under Section 205 of the Federal Power Act and pursuant to the Commission's Rules and Regulation promulgated thereunder.

Section 5. Except as hereinabove modified and supplemented, all the terms and conditions of the 1963 Agreement shall remain in full force and effect.


Section 6. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the respective parties.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed by their duly authorized officers.

KENTUCKY POWER COMPANY

By   
Vice President

EAST KENTUCKY POWER COOPERATIVE

BY   
Ronald L. Rainson,  
President and General Manager

SERVICE SCHEDULE E  
SHORT TERM POWERSection 1 - Services to be Rendered

1.1 Either party may arrange to reserve from the other party, for periods of one or more weeks, electric power ("Short Term Power") whenever, in the sole judgment of the supplying party, such power is available. As used herein the term "week" shall mean any seven consecutive days.

1.11 Prior to each reservation of Short Term Power, the number of kilowatts to be reserved, the period of the reservation, and the source of the power if the supplying party is purchasing such power from a third party, shall be determined by the parties. Such determination shall be confirmed in writing. If during such period conditions arise that could not have been reasonably foreseen at the time of the reservation and thus cause the reservation to be burdensome to the supplying party or its System, the supplying party may by written notice to the reserving party, or oral notice later confirmed in writing, reduce the number of kilowatts reserved by such amount and for such time as it shall specify in such notice, but kilowatts reserved hereunder which the supplying party is in turn reserving from a third party may be reduced only to the extent they are reduced by such third party.

1.12 During each period that Short Term Power has been reserved, the party which has agreed to supply such power shall upon call deliver or hold available electric energy ("Short Term Energy") to the reserving party in amounts up to and including the number of kilowatts then reserved.

Section 2 - Compensation

2.1 The reserving party shall pay the supplying party

2.11 for any week that Short Term Power is reserved, \$0.60 per kilowatt reserved less, for each day (other than Sunday) during any part of which the amount of such Short Term Power is reduced by the supplying party, one-sixth of said \$0.60 per kilowatt of the reduction; plus

2.12 for each kilowatt of the reserved Short Term Power that is purchased by the supplying party from another system, (a) the excess, if any, of the amount paid therefor by the supplying party over the charge therefore under Section 2.11 of this Service Schedule (or, if such amount is less than

such charge, minus the deficiency) plus (b) for each week such Short Term Power is reserved, \$0.15 per kilowatt less, for each day (other than Sunday) during any part of which any of such Short Term Power is not received from such other system, \$0.025 per kilowatt not received; plus

- 2.13 110% of the out-of-pocket cost of supplying or holding available Short Term Energy called for during such period under subsection 1.12 of this Service Schedule that comes from the supplying party's own system and 115% of the out-of-pocket cost of supplying all other such Short Term Energy.

Section 3 - Termination

3.1 Either party upon one year prior written notice to the other may terminate this Schedule.

SERVICE SCHEDULE G  
LIMITED TERM POWERSection 1 - Services to be Rendered

1.1 Either party may arrange to reserve from the other party, for periods of not less than one or more than 12 months, such electric power ("Limited Term Power") whenever, in the sole judgment of the party requested to reserve the same, such power is available.

- 1.11 Prior to each reservation of Limited Term Power, the number of kilowatts to be reserved, the period of the reservation, and the source of the power if the supplying party is purchasing such power from a third party, shall be determined by the parties. Such determination shall be confirmed in writing.
- 1.12 During each period that Limited Term Power has been reserved, the party that has agreed to supply such power shall deliver upon call or hold available electric energy ("Limited Term Energy") to the reserving party in amounts up to and including the number of kilowatts then reserved to the reserving party except when such deliveries would in the judgment of the supplying parties have to be interrupted or reduced to preserve the integrity of, or to prevent or limit any instability on the American Electric Power System or the East Kentucky Power Cooperative System.

Section 2 - Compensation

- 2.1 The reserving party shall pay the supplying party
- 2.11 for any month that Limited Term Power is reserved, \$3.25 per kilowatt reserved; plus
- 2.12 for each kilowatt of the reserved Limited Term Power purchased by the supplying party from a third party (a) the excess, if any, of the amount paid therefor by the supplying party in excess of the charge therefor under Section 2.11 of this Service Schedule (or, if such amount is less than such charge, minus the deficiency) plus (b) for each month such Limited Term Power is reserved, \$0.65 per kilowatt; plus
- 2.13 110% of the out-of-pocket cost of supplying or holding available Limited Term Energy called for during such period under subsection 1.12 of this Service Schedule that comes from the supplying party's own system and 115% of the out-of-pocket cost of supplying all other such Limited Term Energy.
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Section 3 - Termination

3.1 Either party upon one year prior written notice to the other may terminate this Service Schedule.

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SHORT TERM DEMAND RATE COST-ANALYSIS BASE ON FPC-1 DATA AS OF DEC. 31, 1975

	<u>KENTUCKY</u>	<u>SOURCE</u>
(1) Steam and Nuclear Production Plant (\$)	\$ 155,545,677	(A)
(2) Steam and Nuclear Prod. Plant Capability (MW)	1080	(B)
(3) Production Plant/KW (\$/KW)	\$ 144.02	
(4) 1975 Demand Related Steam and Nuclear Production Expense (\$)	\$ 4,326,513	(C)
(5) Steam and Nuclear Prod. Exp./KW (\$/KW-yr)	\$ 4.01	
(6) Transmission Plant (\$)	\$ 63,306,822	(D)
(7) Demonstrated Capability (MW)	686	(E)
(8) Trans. Plant/KW (\$/KW)	\$ 92.28	
(9) 1975 Transmission Expense (\$)	\$ 1,049,522	(F)
(10) Transmission Exp./KW (\$/KW)	\$ 1.53	
(11) Total Production and Trans. Plant/KW (3) + (8) (\$/KW)	\$ 236.30	
(12) Total Prod. and Trans. Expense/KW (5) + (10) (\$/KW)	\$ 5.54	
(13) Demand Rate/KW week (\$)	\$ 0.60	
(14) Demand Rate/KW year (\$)	\$ 31.20	
(15) Yearly Demand Rate less Prod. and Trans. Exp. (14) - (12) (\$)	\$ 25.66	
(16) Line (15) divided by line (11)	10.86%	
(17) Insurance and Taxes other than FIT	2.00%	
(18) Line (16) minus Line (17) = Remainder available to cover imbedded or incremental interest and preferred dividend costs, depreciation, Federal Income Taxes and return on Common Equity	8.86%	



LIMITED TERM DEMAND RATE COST-ANALYSIS BASED ON FPC-1 DATA AS OF DEC. 31, 1975

	<u>KENTUCKY</u>	<u>SOURCE</u>
(1) Steam and Nuclear Plant (\$)	\$ 155,545,677	(A)
(2) Steam and Nuclear Plant Capability (MW)	1080	(B)
(3) Production Plant/KW (\$/KW)	\$ 144.02	
(3a) Including 20% Reserve Allocable to the Service (\$/KW)	\$ 172.82	
(4) 1975 Demand Related Steam and Nuclear Production Expense (\$)	\$ 4,326,513	(C)
(5) Steam and Nuclear Prod. Exp./KW (\$/KW/yr)	\$ 4.01	
(5a) Including 20% Reserve Allocable to the Service (\$/KW/yr)	\$ 4.81	
(6) Transmission Plant (\$)	\$ 63,306,822	(D)
(7) Demonstrated Capability (MW)	686	(E)
(8) Trans. Plant/KW (\$/KW)	\$ 92.28	
(9) 1975 Transmission Expense (\$)	\$ 1,049,522	(F)
(10) Transmission Exp./KW (\$/KW)	\$ 1.53	
(11) Total Production and Trans. Plant/KW (3a) + (8) (\$/KW)	\$ 265.10	
(12) Total Prod. and Trans. Expense/KW (5a) + (10) (\$/KW)	\$ 6.34	
(13) Demand Rate/KW Month (\$)	\$ 3.25	
(14) Demand Rate/KW Year (\$)	\$ 39.00	
(15) Yearly Demand Rate less Prod. and Trans. Expense (14) - (12) (\$)	\$ 32.66	
(16) Line (15) divided by Line (11)	12.32%	
(17) Insurance and Taxes other than FIT	2.00%	
(18) Line (16) minus Line (17) = Remainder available to cover imbedded or incremental interest and preferred dividend cost, depreciation, Federal Income Taxes and Return on Common Equity	10.32%	

SOURCE FOR SHORT TERM AND LIMITED TERM SERVICE COST ANALYSIS

SOURCE

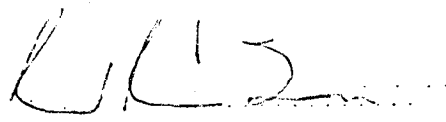
- (A) 1975 FPC-1 p. 401, line 15
- (B) 1975 FPC-1 p. 432 line 9
- (C) 1975 FPC-1 p. 417 line 20 (Total Production Expense) less line 5  
(Fuel) less one half line 19 (Total Maintenance).
- (D) 1975 FPC-1 p. 402, line 53
- (E) 1975 FPC-1 p. 431
- (F) 1975 FPC-1 p. 418

CERTIFICATE OF CONCURRENCE

THIS IS TO CERTIFY THAT EAST KENTUCKY POWER COOPERATIVE, INC., assents to, and concurs in, the filing made by Kentucky Power Company, regarding a modification number one to an interconnection contract dated May 14, 1963, among the undersigned, and Kentucky Power Company.

EAST KENTUCKY POWER COOPERATIVE, INC.

By

  
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Ronald L. Rainson, President  
and General Manager

Dated: March 1, 1977