

**CONTRACT FOR ELECTRIC SERVICE FOR
CONTRACT SERVICE-INTERRUPTIBLE POWER BETWEEN
KENTUCKY POWER COMPANY
AND
KES ACQUISITION COMPANY**

THIS CONTRACT, is made and entered into February 17, 2011, by and between the **KENTUCKY POWER COMPANY**, a Kentucky corporation (the **Company**), and **KES ACQUISITION COMPANY**, a Delaware corporation (the **Customer**),

WITNESSETH:

WHEREAS, the Company is a corporation organized and existing under the laws of the Commonwealth of Kentucky with its principal place of business at Frankfort, Kentucky, and owns and operates facilities for the generation, transmission and distribution of electric power and energy in the Commonwealth of Kentucky; and

WHEREAS, the Customer is a corporation chartered and existing under the laws of the State of Delaware with one place of business in Ashland, Kentucky; and

WHEREAS, in recognition of the need for the efficient use of existing utility generation and transmission facilities, and to assist the Company with its peak load management, the Company and the Customer agree to implement an innovative interruptible rate design; and

WHEREAS, the service the Company is to provide the Customer pursuant to this Contract will provide benefits to the Customer, the Company, ~~the Company's ratepayers,~~ and the Commonwealth of Kentucky.

**KENTUCKY
PUBLIC SERVICE COMMISSION**

**JEFF R. DEROUEN
EXECUTIVE DIRECTOR**

TARIFF BRANCH

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PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

NOW THEREFORE, in consideration of the promises and the mutual covenants herein contained, and subject to the terms and conditions herein contained, the Parties hereby agree as follows:

ARTICLE 1

DEFINITIONS

1.1 Whenever used herein, the following terms shall have the respective meanings set forth below, unless a different meaning is plainly required by the context:

- A. "AEP System" shall mean the integrated, interconnected electric system operated and owned by the operating company subsidiaries of American Electric Power Company, Inc. who are parties to the AEP-East Interconnection Agreement as it may be restated and amended from time to time.
- B. "Commission" shall mean the Commonwealth of Kentucky Public Service Commission, the regulatory agency having jurisdiction over the retail electric service of the Company in Kentucky, including the electric service covered by this Contract, or any successor thereto.
- C. "Contract" shall mean this Contract for Electric Service between the Company and the Customer, as the same may, from time to time, be amended. Said Contract is set forth in its entirety herein.
- D. "Parties" shall mean the Company and the Customer.
- E. "Party" shall mean either the Company or the Customer.

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- F. "Tariff C.I.P. – T.O.D." shall mean the Company's Commercial and Industrial Power Tariff, or any successor thereto, approved by the Commission.
- G. "On-Peak Period" shall be defined as 7 AM to 6 PM, local time, for all weekdays Monday through Friday.
- H. "Off-Peak Period" shall be defined as 6 PM to 7 AM, local time, for all weekdays and all hours of the day on Saturdays and Sundays.
- I. "Customer Communications System" shall mean the computerized system allowing the exchange of information between the Company and the Customer, or any successor thereto.

1.2 Unless the context plainly indicates otherwise, words importing the singular number shall be deemed to include the plural number (and vice versa); terms such as "hereof," "herein," "hereunder" and other similar compounds of the word "here" shall mean and refer to the entire Contract rather than any particular part of the same. Certain other definitions, as required, appear in subsequent parts of this Contract.

ARTICLE 2

DELIVERY POINT

2.1 Subject to the terms and conditions specified herein, the Company agrees to furnish to the Customer, during the term of this Contract, and the Customer agrees to take and pay for, all of the electric capacity and energy that shall be purchased by the Customer for consumption at the premises located at 2704 S Big Run Road, West Ashland, Kentucky, 41102.

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2.2 The Delivery Point for electric power and energy delivered hereunder shall be the connection to the Customer's dead-ends located on the Customer's structure in the Customer's 138 kV substation, from the Company's metering station served by pole #C-KES-51.

2.3 The Customer shall own, operate and maintain all necessary substation and transformation equipment and appurtenances thereto required for receiving and purchasing all electric energy at the delivery voltage and at the Delivery Point designated herein.

ARTICLE 3

DELIVERY

3.1 The electric energy delivered hereunder shall be three-phase alternating current having a frequency of approximately 60 cycles per second at approximately 138,000 volts and shall be delivered at the Delivery Point specified in Article 2.2. The said electric energy shall be delivered and maintained reasonably close to constant potential and frequency and shall be measured by meters owned and installed by the Company and located at the Company's metering station served by pole #C-KES-51.

ARTICLE 4

CAPACITY RESERVATIONS

4.1 The Total Capacity Reservation contracted for by the Customer is hereby fixed at 31,000 kW for both the On-Peak and Off-Peak Period. The Total Capacity Reservation shall refer to the maximum monthly demand in kW the C to

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place on the facilities of the Company during the term of this Contract. The Customer's Metered Demand shall not exceed, and the Company shall not be required to supply capacity in excess of, the Total Capacity Reservation except by mutual agreement of the Parties.

4.2 The Customer designates the first 10,000 kW of the Total Capacity Reservation as the Firm Service Capacity Reservation, not subject to interruption as specified in Article 5.

4.3 The Interruptible Capacity Reservation shall be the remaining 21,000 kW, which is equal to the Total Capacity Reservation less the Firm Service Capacity Reservation.

4.4 The Customer may change the Total Capacity Reservation and Firm Service Capacity Reservation contracted for by providing the Company with one year's written notice or lesser period by mutual agreement. A change in the Total Capacity Reservation shall not modify the Interruptible Capacity Reservation as specified in Article 4.3 unless otherwise agreed between the Parties.

ARTICLE 5

INTERRUPTIBILITY OF SERVICE

5.1 The Company reserves the right to interrupt service to the Customer's interruptible load when, in the Company's sole judgment, an interruption is necessary to reduce the Company's load. Interruption requests can be made at any time of day and on any day of the week. In no event shall the Customer be subject to more than ten (10)

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interruption events per year. Each interruption event shall last no more than six (6) hours.

5.2 The Company will endeavor to provide the Customer with as much advance notice as possible, through the Customer Communications System, of an Interruption of service as described in Article 5.1. The Company shall provide notice at least 120 minutes prior to the commencement of an Interruption. Interruptions shall begin and end on the clock hour.

5.3 If the Customer fails to interrupt load as requested by the Company, the uninterrupted demand shall be billed, as liquidated damages and not as a penalty, at a rate equal to the Interruptible Demand Credit for that billing month. The uninterrupted demand will be calculated as the difference between the maximum 15-minute integrated demand during each Interruption and the Firm Service Capacity Reservation, but not less than zero (0). In addition, the Company and the Customer will discuss methods to comply during future events. If the problem cannot be resolved to the Company's satisfaction, the Company reserves the right to discontinue service to the Customer under this Contract.

5.4 The Customer shall own and maintain all computer hardware and communication equipment required to meet the specifications of the Customer Communications System. Computer hardware shall include any communication equipment required between the Customer's computer(s) and the Company's metering and/or central computer. All commercially available software installed on the Customer's hardware associated with the Customer Communications System will be provided by the Customer. Any AEP proprietary software will be provided by the Company.

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AEP will maintain exclusive rights to maintain and distribute this software. This software may not be duplicated or distributed by the Customer or used for any other purpose. All additional or ongoing charges for software and or communication services will be the Customer's responsibility.

5.5 No responsibility or liability of any kind shall attach to or be incurred by the Company for, or on account of, any loss, cost, expense or damage caused by or resulting from, either directly or indirectly, any interruption or curtailment of service under this Article and/or Article 15.

ARTICLE 6

DETERMINATION OF MONTHLY BILLING ENERGY

6.1 Monthly Billing Energy shall be measured as the sum of the kWh registered during the month by the Company's energy meter at the Delivery Point.

ARTICLE 7

DETERMINATION OF MONTHLY BILLING DEMAND

7.1 The On-Peak Demand in kW shall be taken each month as the single highest 15-minute integrated peak in kW as registered by a demand meter during the On-Peak Period.

7.2 The Off-Peak Demand in kW shall be taken each month as the single highest 15-minute integrated peak in kW as registered by a demand meter during the Off-Peak Period.

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7.3 Metered Demand shall be determined each month as the greater of the On-Peak Demand and the Off-Peak Demand for the month.

7.4 The Minimum Demand shall be the greater of (a) 60% of the Total Capacity Reservation or (b) 60% of the Customer's highest billing demand, on-peak or off-peak, recorded during the previous eleven (11) months.

7.5 The Interruptible Demand shall be the amount by which the On-Peak Demand exceeds the Firm Service Capacity Reservation.

ARTICLE 8

DETERMINATION OF MONTHLY REACTIVE BILLING DEMAND

8.1 The Reactive Demand in kVAR shall be taken each month as the single highest 15-minute integrated peak in kVAR, leading or lagging, as registered during the month by a demand meter.

8.2 The Reactive Billing Demand shall be determined each month as the maximum Reactive Demand in excess of fifty percent (50%) of the monthly Metered Demand.

ARTICLE 9

DETERMINATION OF MONTHLY INTERRUPTIBLE ON-PEAK LOAD FACTOR

9.1 Interruptible On-Peak kWh shall be taken as one-quarter of the sum of the metered On-Peak Demands in excess of the Firm Service Capacity Reservation, not to exceed the Interruptible Service Capacity Reservation in any 15-minute interval, during the On-Peak Period.

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The Interruptible On-Peak Load Factor shall be derived from the following formula, rounded to the nearest .0001:

Monthly Interruptible On-Peak kWh

(Interruptible Demand) x (Number of On-Peak Hours)

ARTICLE 10

RATES

10.1 The Customer agrees to pay for all electric service supplied hereunder in accordance with the following provisions:

- A. The Monthly Service Charge shall be equal to the Tariff C.I.P. – T.O.D. Transmission Service Monthly Service Charge (currently \$1,353.00 per month).
- B. The Energy Charge shall be equal to the Tariff C.I.P. – T.O.D. Transmission Service Energy Charge (currently \$0.02880 per kWh).
- C. The On-Peak Demand Charge shall be equal to the Tariff C.I.P. – T.O.D. Transmission Service On-Peak Demand Charge (currently \$10.98 per kW).
- D. The Off-Peak Demand Charge shall be equal to the Tariff C.I.P. – T.O.D. Transmission Service Off-Peak Demand Charge (currently \$1.10 per kW).
- E. The Reactive Demand Charge shall be equal to the Tariff C.I.P. – T.O.D. Reactive Demand Charge (currently \$0.69 per kVAR).
- F. The Minimum Demand Charge shall be equal to the Tariff C.I.P. – T.O.D. Transmission Service Minimum Demand Charge (currently \$11.09 per kW).

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G. The Interruptible Demand Credit shall be as specified in Appendix I (which is incorporated herein by reference).

H. The Fuel Adjustment Clause, System Sales Clause, Demand-Side Management Adjustment Clause, Environmental Surcharge and Capacity Charge shall be equal to those applicable to Transmission Service under Tariff C.I.P.-T.O.D. and any additional adjustment clauses which may be approved by the Commission in the future.

10.2 The Company will adjust the rates contained in Article 10.1 to reflect changes to the Tariff C.I.P. – T.O.D. Transmission Service Monthly Service, Demand and Energy Charges, as approved by the Commission.

ARTICLE 11

DETERMINATION OF MONTHLY BILL

11.1 The Monthly Bill shall be the sum of the following:

- A. The Monthly Service Charge;
- B. The product of the Monthly Billing Energy and the Energy Charge;
- C. The Monthly Demand Charge which shall be the greater of:
 - 1. The product of the On-Peak Demand and the On-Peak Demand Charge plus the product of the Off-Peak Demand and the Off-Peak Demand Charge or
 - 2. The product of the Minimum Demand and the Minimum Demand Charge;

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- D. The product of the Reactive Billing Demand and the Reactive Demand Charge;
- E. The product of the Interruptible Demand, the Interruptible On-Peak Load Factor and the Interruptible Demand Credit;
- F. Any charges specified in Article 5.3 resulting from the failure of the Customer to interrupt load when requested by the Company;
- G. The Fuel Adjustment Clause, System Sales Clause, Demand-Side Management Adjustment Clause, Environmental Surcharge, Capacity Charge and any additional adjustment clauses which may be approved by the Commission in the future; and
- H. Any applicable taxes, assessments and/or franchise fees.

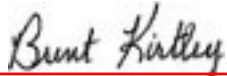
11.2 Service under this Contract is subject to a monthly Minimum Charge equal to the sum of the Monthly Service Charge, the product of the Minimum Demand and the Minimum Demand Charge, and the charges pursuant to Articles 11.1.E, 11.1.F, 11.1.G, and 11.1.H.

ARTICLE 12

BILLING AND PAYMENT

12.1 Bills computed under this Contract are due and payable in full on or before the due date stated on the bill. On accounts not so paid, an additional charge of five percent (5%) of the unpaid balance will be imposed.

12.2 This Contract specifically incorporates the Utility Deposit Agreement signed between the parties in 2005. To the extent that the agreement's conflict regarding payment or deposit issues, the Utility Deposit Agreement controls.

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ARTICLE 13

EFFECTIVE DATE AND TERM OF CONTRACT

13.1 The effective date of this Contract shall be the first day of the first billing month following the approval of this Contract by the Commission.

13.2 The initial term of this Contract shall be for one (1) year. The period shall commence on the effective date of this Contract as established under Article 13.1.

13.3 This Contract shall remain in effect, after the initial term, until either Party shall give the other not less than one (1) year's written notice of its intention to discontinue service under this Contract.

ARTICLE 14

SERVICE CONDITIONS

14.1 Each Party shall exercise reasonable care to maintain and operate, or to cause to be maintained and operated, their respective facilities in accordance with good engineering practices.

14.2 To the extent not specifically modified by this Contract, the Company's Terms and Conditions of Service, as regularly filed with the Commission, are incorporated herein by reference and made a part hereof. The Customer acknowledges receipt of the currently approved Terms and Conditions of Service. In the event of a conflict between the provisions of this Contract and the provisions of the Company's Terms and Conditions of Service, the provisions of this Contract shall control.

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14.3 In addition to the interruptibility provisions set forth in Article 5, any service being provided under this Contract may be interrupted or reduced (a) by operation of equipment installed for power system protection, (b) after adequate notice to and consultation with the Customer for routine installation, maintenance, inspection, repairs, or replacement of equipment or (c) when, in the Company's sole judgment, such action is necessary to preserve the integrity of, or to prevent or limit any instability or material disturbance on, or to avoid a burden on, its electric system or an interconnected system.

14.4 The Company reserves the right to disconnect from its system the Customer's conductors or apparatus without notice when, in the exercise of reasonable care, the Company determines that it is necessary in the interest of preserving or protecting life and/or property.

14.5 During the term hereof, the Customer's plant shall not be connected to any outside source of electric power other than the Delivery Point described in Article 2.2, without written notice and mutual agreement between the Parties.

14.6 The Company will have the right of access at the Delivery Point, at all reasonable times, for the purposes of reading meters or installing, maintaining, changing or removing any property it owns or for any other proper purpose required to carry out the provisions of this Contract.

14.7 The Customer shall promptly notify the Company of any impairment of or defect in the Company's service that significantly disrupts the Customer's operations, and the Customer shall confirm such notice in writing within a reasonable time frame under the circumstances but not to exceed three (3) business days. The Company shall not be

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liable for any loss, injury or damage that could have been prevented by timely notice of a defect or impairment of service.

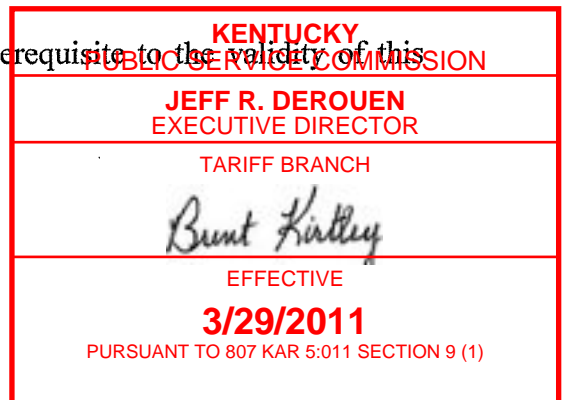
14.8 The Customer shall notify the Company in advance of any changes to be made to the Customer's plant that have the potential of materially affecting the Company's system.

ARTICLE 15

REGULATORY AUTHORITIES

15.1 The Parties hereto recognize that this Contract is subject to the jurisdiction of the Commission, and is also subject to such lawful action, as any regulatory authority having jurisdiction shall take hereafter with respect thereto. The performance of any obligation of either Party hereto shall be subject to the receipt from time to time as required of such authorizations, approvals or actions of regulatory authorities having jurisdiction as shall be required by law.

15.2 The Company and the Customer agree that this Contract reflects the steps required to insure adequate service to the Customer and that the Company will file this Contract with the Commission. This Contract is expressly conditioned upon Commission acceptance without change or condition. In the event that the Commission does not accept this Contract without change or condition, then this Contract shall not become effective, unless the Parties agree otherwise in writing, it being the intent of the Parties that such findings, without change or condition, are prerequisite to the validity of this Contract.



15.3 The Parties agree to use their best efforts to seek and obtain the prompt approval of this Contract by the Commission.

15.4 The Parties expressly agree and understand that the Commission has jurisdiction over the rates and charges contained herein.

ARTICLE 16

GENERAL

16.1 Any waiver at anytime of any rights as to any default or other matter arising hereunder shall not be deemed a waiver as to any subsequent default or matter. Any delay, short of the statutory period of limitation, in asserting or enforcing any right hereunder shall not be deemed a waiver of such right.

16.2 In the event that any of the provisions, or portions thereof, of this Contract is held to be unenforceable or invalid by any court of competent jurisdiction, the validity and enforceability of the remaining provisions, or portions thereof, shall not be affected thereby.

16.3 All terms and stipulations made or agreed to regarding the subject matter of this Contract are completely expressed and merged in this Contract, and no previous promises, representations or agreements made by the Company's or the Customer's officers or agents shall be binding on either Party unless contained herein, except as provided in Article 14.2.

16.4 The rights and remedies granted under this Contract shall not be exclusive rights and remedies but shall be in addition to all other rights and remedies available at law or in equity.

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16.5 The validity and meaning of this Contract shall be governed by the laws of the Commonwealth of Kentucky.

ARTICLE 17

ASSIGNMENT

17.1 This Contract shall inure to the benefit of and be binding upon the successors and assigns of the Parties.

17.2 This Contract shall not be assigned by either Party without the written consent of the other Party. Such consent shall not be unreasonably withheld.

17.3 Any assignment by one Party to this Contract shall not relieve that Party of its financial obligation hereunder unless the other Party to this Contract so consents in writing. Such consent shall not be unreasonably withheld.

ARTICLE 18

LIABILITY

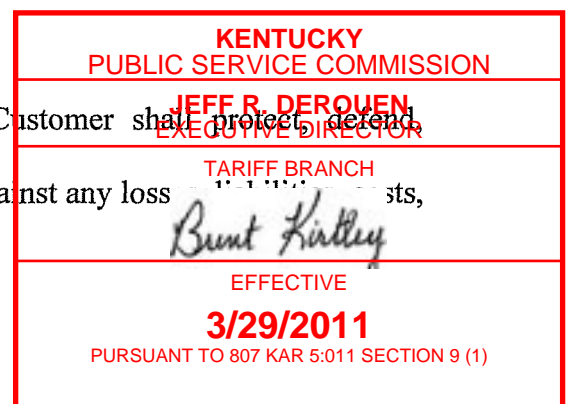
18.1 Neither the Company nor the Customer shall be liable to the other for damages caused by the interruption, suspension, reduction or curtailment of the delivery of electric energy hereunder due to, occasioned by or in consequences of, any of the following causes or contingencies, viz: acts of God, the elements, storms, hurricanes, tornadoes, cyclones, sleet, floods, backwaters caused by floods, lightning, earthquakes, landslides, washouts or other revulsions of nature, epidemics, accidents, fires, failures of facilities, collisions, explosions, strikes, lockouts, differences with workers and other labor disturbances, vandalism, sabotage, riots, inability to secure rail

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other materials, supplies or equipment from usual sources, breakage or failure of machinery, generating equipment, electrical lines or equipment, wars, insurrections, blockades, acts of public enemy, arrests and restraints of rulers and people, civil disturbances, acts or restraints of federal, state or other governmental authorities, and any other causes or contingencies not within the control of the Party whose performance is interfered with, whether of the kind herein enumerated or otherwise. Settlement of strikes and lockouts shall be wholly within the discretion of the Party having the difficulty. Such causes or contingencies affecting performance shall not relieve the Company or Customer of liability in the event of its concurring negligence or in the event of failure of either to use reasonable means to remedy the situation and remove the cause in an adequate manner and with reasonable dispatch, nor shall such causes, or contingencies of any thereof, relieve either from its obligation to pay amounts due hereunder.

18.2 The Company assumes no responsibility of any kind with respect to construction, maintenance or operation of the electric facilities or other property owned or used by the Customer and shall not be liable for any loss, injury (including death), damage to or destruction of property (including loss of use thereof) arising out of such installation, maintenance or operation or out of any use by the Customer or others, of said energy and/or capacity provided by the Company except to the extent such damage or injury shall be caused by the negligence or willful misconduct of the Company, its agents, or employees.

18.3 To the extent permitted by law, the Customer shall protect, defend, indemnify, and hold harmless the Company from and against any loss



expenses, suits, actions, claims, and all other obligations and proceedings whatsoever, including without limitation, all judgments rendered against and all fines and penalties imposed upon the Company, and any reasonable attorneys' fees and other costs of defense arising out of injuries to persons, including death, or damage to third-party property, to the extent caused by, or occurring in connection with any willful or negligent act or omission of the Customer, its employees, agents or contractors, or which are due to or arise out of defective electrical equipment belonging to the Customer. The Company shall not be liable for any indirect, special, incidental or consequential damages, including loss of profits due to business interruptions or otherwise, in connection with this Contract. To the extent permitted by law, the Company shall protect, defend, indemnify, and hold harmless the Customer from and against any losses, liabilities, costs, expense, suits, actions, claims and other obligations whatsoever, including, without limitation, all judgments rendered against and all fines and penalties imposed upon the Customer, any reasonable attorneys' fees and other costs of defense arising out of injuries to persons including death, or damages to third-party property, to the extent caused by or occurring in connection with any willful or negligent act or omission of the Company, its employees, agents or contractors.

18.4 Any indemnifications of the Parties or any limitation of the Parties' liability which is made or granted under this Contract shall to the same extent apply to the Party's directors, officers, employees and agents, and to the Party's affiliated companies, including any directors, officers, employees and agents thereof.



IN WITNESS WHEREOF, the Parties hereto have caused this Contract to be duly executed the day and year first above written.

KENTUCKY POWER COMPANY

KES ACQUISITION COMPANY

By Lila P. Munsey

By John H. Scheel

Title Manager Regulatory Services

Title CEO

Date 2-17-2011

Date 17 Feb 11

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APPENDIX I

Calculation of Interruptible Demand Credit

The Interruptible Demand Credit shall be based upon 35% of the four-year average of the Net Cost of New Entry (Net Cone) for the locational delivery area most representative for the Customer's load. The four-year average shall be based upon the values used in the base residual auction for the planning years ending in the current calendar year and subsequent three years. The Interruptible Demand Credit shall be calculated as follows:

Planning Year (1)	Net Cone Price ¹ (2) \$/MW-day	35% of Net Cone Price (3)=(2)x35% \$/MW-day	Interruptible Demand Credit ² (4)=[(3)x365] / [12 x 1,000 kW] \$/kW-month
2009/2010	172.27	60.29	1.83
2010/2011	174.29	61.00	1.86
2011/2012	171.40	59.99	1.82
<u>2012/2013</u>	276.09	96.63	<u>2.94</u>
Average			2.11

¹ For illustrative purposes, the Net Cone Price for planning years ending 2010 through 2013 are used to derive the Interruptible Demand Credit in this Appendix.

² For illustrative purposes, the Interruptible Demand Credit of \$2.11 is based upon a 100% load factor. For billing purposes, the Interruptible Demand will be adjusted by the monthly Interruptible On-Peak Load Factor and multiplied times the Interruptible Demand Credit.

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