

AGREEMENT

FILED

SEP 23 1986

PUBLIC SERVICE
COMMISSION

THIS AGREEMENT made and entered into this 22nd day of September, 1986
by and between Kentucky Electric Steel Corporation and Kentucky Power Company:

W I T N E S S E T H:

WHEREAS, Kentucky Electric Steel has entered into an Agreement to acquire the steel mill at Coalton, Kentucky formerly operated by Kentucky Electric Steel Company; and

WHEREAS, Kentucky Electric Steel will be attempting to revitalize the operation of the steel mill; and

WHEREAS, Kentucky Power is the electric utility designated by the Kentucky Public Service Commission to serve the electric facility at Coalton, Kentucky; and

WHEREAS, renewed operation of the steel mill at Coalton will produce revenues for Kentucky Power which will be beneficial to all other present and future customers of Kentucky Power; and

WHEREAS, revitalization of the steel mill will serve the public interest by providing jobs for the northeastern part of Kentucky and steel to be used in industry across the nation; and

WHEREAS, the expense of electricity is an important component in the cost of production of steel and the reestablishment of a competitive market position for the Coalton, Kentucky locale; and

WHEREAS, Kentucky Electric Steel is concerned that its initial start-up operating patterns may result in costs that might hinder the reestablishment of the operation of the facility; and

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WHEREAS, Kentucky Electric Steel has requested Kentucky Power to seek approval from the Kentucky Public Service Commission for a special contract for electrical service as outlined below; and

WHEREAS, Kentucky Power is amenable to making such a request to the Commission upon certain and limited terms and conditions; and

WHEREAS, the sole purpose of this special contract is to address a unique circumstance by assisting one major customer to reestablish an operation which has been closed.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein below, the parties agree as follows, subject to the approval of the Kentucky Public Service Commission.

1. Kentucky Power will furnish electric service to Kentucky Electric Steel under its Standard Power Agreement, Form 3B, and the terms and conditions of the duly filed CIP-TOD tariff except as noted below. For the period of this contract, Kentucky Electric Steel will have the right to request a change to Tariff IRP by providing written notification of such request two months prior to the proposed change from CIP-TOD to IRP. Consent to such request will not be unreasonably withheld by Kentucky Power.

Exceptions to the Standard Power Tariffs for this agreement are as follows: (a) the terms of the Agreement and Tariff shall be for a period of three (3) years and shall not be cancellable by Kentucky Electric Steel during this period; (b) in the event Kentucky Electric Steel elects the IRP tariff, (1) the interruptible capacity (not less than 5000 KW) shall be billed under IRP and any firm capacity will be billed under the applicable tariff; (2) the minimum demand charge will be computed by adding: (i) the entire firm capacity times the rate per KW included in the applicable tariff and (ii) the remaining KW of minimum demand times the rate per KW included in the applicable tariff IRP.

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(c) the minimum demand (KW) of such agreement and tariff(s) shall be established as follows:

<u>Period</u>	<u>Modification</u>
First 8 Consecutive Billing Periods	<p>During periods billed under Tariff CIP-TOD, the minimum demand shall be the greater of 42% of the contract capacity or 42% of the highest billing demand, on-peak or off-peak, recorded during the previous eleven months.</p> <p>During periods billed under Tariff IRP, the minimum demand shall not be less than 42% of the contract capacity.</p>
Second 8 Consecutive Billing Periods	<p>During periods billed under Tariff CIP-TOD, the minimum demand shall be the greater of 48% of the contract capacity or 48% of the highest billing demand, on-peak or off-peak, recorded during the previous eleven months.</p> <p>During periods billed under Tariff IRP, the minimum demand shall not be less than 48% of the contract capacity.</p>
Third 8 Consecutive Billing Periods	<p>During periods billed under Tariff CIP-TOD, the minimum demand shall be the greater of 54% of the contract capacity or 54% of the highest billing demand, on-peak or off-peak, recorded during the previous eleven months.</p> <p>During periods billed under Tariff IRP, the minimum demand shall not be less than 54% of the contract capacity.</p>
Next 12 Consecutive Billing Periods	<p>During periods billed under Tariff CIP-TOD, the minimum demand shall be the greater of 60% of the contract capacity or 60% of the highest billing demand, on-peak or off-peak, recorded during the previous eleven months.</p> <p>During periods billed under Tariff IRP, the minimum demand shall not be less than 60% of the contract capacity.</p>

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be less than 60% of the contract capacity.

(d) Any minimum demand charges which would have otherwise been due under tariff CIP-TOD and IRP but not billed to or paid by Kentucky Electric Steel because of the modifications made during the first 24 billing periods shall be paid to Kentucky Power in 12 equal payments over the remaining 12 month period of the contract.

2. Kentucky Electric Steel agrees to comply with Kentucky Power's CIP-TOD and/or IRP tariffs, except as modified herein, and to pay on a monthly basis the charges billed by Kentucky Power for electric service provided, including the revised minimum demand charges. When taking service under Tariff IRP, if Kentucky Electric Steel fails to curtail load as requested, Kentucky Power reserves the right to deny service under Tariff IRP in the month of violation and require Kentucky Electric Steel to receive service under the terms of this agreement under the CIP-TOD tariff.

3. The parties have executed contemporaneously herewith the Company's standard Agreement, Form 3B, revised as set forth herein, and have attached said Agreement hereto, which shall become a part hereof.

4. The parties agree that at the completion of this Agreement, Kentucky Electric Steel shall receive electric service from Kentucky Power Company under a duly filed and approved tariff for which Kentucky Electric Steel qualifies.

5. The parties shall submit this proposal to the Kentucky Public Service Commission for its approval within five (5) working days after its execution.

6. This Agreement shall be in full force and effect on September 25, 1986 upon approval by the Commission.

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7. This Agreement constitutes the complete understanding and agreement of the parties hereto, and any oral or written representations, warranties or covenants made by either party which are not contained within the terms of this Agreement shall be void and of no effect.

8. This Agreement shall be binding upon the heirs, successors and assigns of the parties hereto.

KENTUCKY POWER COMPANY

By *D. E. G. Ginn*
Title *Division Manager*

KENTUCKY ELECTRIC STEEL CORPORATION

By *Jack W. Melillo*
Title *Vice President & General Manager*

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BY: *D. Ginn*