

THIS AGREEMENT, made and entered into this 30th day of September, 1988, by and between LOUISVILLE GAS AND ELECTRIC COMPANY, a Kentucky corporation, hereinafter referred to as "Company," and CARBON/GRAPHITE, INC., a Delaware corporation, hereinafter referred to as "Customer,"

W I T N E S S E T H

WHEREAS, Company owns and operates an electric generating, transmission, and distribution system in and about the City of Louisville and Jefferson County, Kentucky; and

WHEREAS, Customer owns and operates a plant used for the manufacture of calcium carbide, acetylene, etc. (hereinafter referred to as Carbide Plant), located on a site adjacent to Company's Paddy's Run Station; and

WHEREAS, Company is presently supplying the electric power requirements of Customer's Carbide Plant under the terms of an agreement, with Airco Carbide a division of the BOC Group, Inc., dated December 28, 1973, as amended January 8, 1985 and May 30, 1985 and further amended by Order of the Public Service Commission of Kentucky, prescribing revised rates applicable to said agreement; and

WHEREAS, said agreement expires on December 31, 1990, and the parties desire to enter into a new agreement incorporating the provisions of the present agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties hereto covenant and agree as follows:

1. Sale of Electric Power. Beginning October 1, 1988, and in accordance with the rates, terms and conditions hereinafter set forth, Company will sell and deliver and Customer will take and purchase all of Customer's electric power requirements for the operation of its existing Louisville Carbide Plant up to a maximum of 60,000 kilowatts, exclusive of the requirements of Customer's Ohio River water pumping station and barge station facilities now being supplied under Company's Industrial Power Rate Schedule LP and of any other facilities which Customer might hereafter construct apart from its aforesaid Carbide Plant.

2. Form of Service. The electric power supplied hereunder shall be in the form of three-phase alternating current having a frequency of approximately 60 cycles per second and nominal potential of 13,800 volts.

3. Point of Delivery. Point of delivery shall be the 13,800 volt bus of Company's electric generating station at Paddy's Run. Company shall furnish all facilities for delivering electric power to the point of delivery to Customer, including such circuit breaker and protective equipment as in Company's opinion is necessary for the protection of Company's apparatus and service, and such metering

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BY: *Shawn D. Hall*  
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auxiliary equipment as it deems necessary. Customer shall provide, operate and maintain all necessary facilities and equipment on its side of the point of delivery.

4. Conditions of Kilowatt-Hour Usage. Customer agrees to take and use electric power in such manner that the number of kilowatt-hours taken between 6 PM and 6 AM of each 24-hour period is approximately equal to the number of kilowatt-hours taken between 6 AM and 6 PM.

5. Primary Power. Company will furnish a quantity of power to be designated as Primary Power. Such quantity, unless and until increased as herein provided, shall be 28,500 kilowatts.

5(a) The first 4,000 kilowatts of Primary Power, unless and until revised as provided herein, shall be designated as Primary Firm Power and the amount of Primary Power in excess of Primary Firm Power shall be designated as Primary Interruptible Power.

5(b) Primary Firm Power shall be supplied on a firm basis in accordance with the provisions set forth in Paragraph 6 of this Agreement. Primary Interruptible Power shall be supplied on an interruptible basis and shall be subject to the same provisions regarding interruption or curtailment of service as that provided for Secondary Power, as set forth in Paragraph 7 of this Agreement.

5(c) If, at any time, Company directs Customer to completely interrupt its taking of Primary Interruptible Power and Customer during any 30-minute interval within the period of such directed interruption takes in excess of the established quantity of Primary Firm Power, then the quantity of power actually taken by Customer during such 30-minute interval shall become the newly established quantity of Primary Firm Power for the monthly billing period during which Customer fails to interrupt its taking of Primary Interruptible Power and for the 11 subsequent monthly billing periods unless and until further increased in like manner.

5(d) An Interruptible Demand Credit shall be applicable to all kilowatts of Primary Interruptible Power as set forth in Exhibit A attached hereto and made a part hereof. Primary Interruptible Power billing demand shall be the quantity of Primary Interruptible Power established for such month by or in accordance with Paragraph 5(a) of this Agreement. All provisions governing proration of demand charges, as specified in Paragraph 12 of this Agreement, shall likewise apply to interruptible demand credits.

6. Conditions of Delivery of Primary Power. Except as provided for in this paragraph and in Paragraph 19 of this Agreement, deliveries of Primary Firm Power shall be firm. In the event of an emergency on or involving Company's system of such a nature that it can

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SECTION 9 (1)

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be wholly or partially alleviated by interrupting or reducing deliveries of Primary Firm Power to Customer, Company may interrupt deliveries of Primary Firm Power or may direct Customer to reduce its Primary Firm Power load in quantities designated by Company. Customer will promptly comply with any such directive by Company. If and to the extent practicable, Company will give Customer notice of any such interruption or curtailment of power supply.

7. Secondary Power. All power in excess of the Primary Power delivered in accordance with the above shall be called Secondary Power. Secondary Power shall be supplied on an interruptible basis. Company shall have the same right to interrupt or to require Customer to reduce its taking of Secondary Power as it has with respect to Primary Interruptible Power. In addition, Customer agrees to reduce or to discontinue its taking of Secondary Power in such quantities, at any time, and for any reason, as Company may direct, such reduction or discontinuance to be effected within five (5) minutes from the time Customer receives the Company's directive so to do. Each such period of interruption or curtailment directed by Company shall not exceed six hours in any one calendar day, nor shall the total amount of interruption in any one calendar year be greater than the equivalent of 300 hours' use of the maximum quantity of Secondary Power which Customer has taken up to the time of the last interruption in such calendar year.

8. Replacement Power

8(a) Whenever it becomes necessary to curtail or interrupt Customer's load, LG&E may, but is not obligated to, offer Customer replacement power for the interruptible load that would have otherwise been interrupted. The price of replacement power shall be based on LG&E's out-of-pocket costs of either generating the replacement power on its system or purchasing it from another utility, plus transmission, administration and other costs.

8(b) LG&E's electric load dispatcher will, at the time of the notice to interrupt, notify Customer as to the availability of replacement power and, if replacement power is available, will quote a firm price for replacement power energy in mills per KWH. An assessment of the availability of replacement power will be made each hour thereafter, and a new price quotation will be given for any hours that replacement power is available. Any hour that replacement power is available, Customer will have the option of either being interrupted or purchasing the replacement power at the price quoted for that hour. The price quoted for replacement power will apply to all energy consumed for that hour above the level of interruption for Primary Interruptible and Secondary Power.

8(c) If Customer is offered the option and elects to purchase replacement power rather than be interrupted, the hours that replacement power is purchased will be considered a

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JUN 7 1991

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SECTION 9 (1)

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period of interruption for determining the maximum hours of interruption permitted under paragraph 7.

9. Increase in Primary Power. If at any time within the limitations set forth in Paragraph 7, above, Company directs Customer to completely interrupt its taking of Secondary Power and Customer during any 30-minute interval within the period of such directed interruption takes in excess of the established quantity of Primary Power, then the quantity of power actually taken by Customer during such 30-minute interval shall become the newly established quantity of Primary Power for the monthly billing period during which Customer fails to interrupt its taking of Secondary Power and for the 11 subsequent monthly billing periods unless and until further increased in like manner.

10. Rate. The charges at which power and energy shall be sold and purchased hereunder shall be as set forth in Exhibit A attached hereto and made a part hereof. Provided, however, such charges shall at all times be subject to the jurisdiction of the Public Service Commission of Kentucky and to such changes therein as lawfully may be made effective under such jurisdiction. In the event of such change or changes, Exhibit A will be amended to reflect the lawfully effective charges. Company agrees that it will not seek to place into effect a greater percentage increase in the rate level hereunder than it seeks to place into effect with respect to its Industrial Power Rate LP.

11. Determination of Billing Demand. Except as provided for in Paragraph 12 hereof, the Primary Power billing demand for any month shall be the quantity of Primary Power established for such month by or in accordance with Paragraphs 5 and 9 above. The Secondary Power billing demand for any month shall be the difference between (a) the highest 30-minute integrated demand in kilowatts recorded during such month by Company's integrating demand meter located at the point of delivery and (b) the Primary Power billing demand for such month.

12. Proration of Demand Charges

12(a) For any month during which Primary or Secondary Power is interrupted because of Company's inability to deliver Primary or Secondary Power for reasons set forth in Paragraph 19(b) of said Agreement, the monthly Primary and Secondary Power demand charges shall be prorated to give credit for the hours of such interruption or curtailment; except no prorate will be made under this Paragraph 12(a) for such interruptions of Customer's Primary Interruptible and Secondary Power as Company may direct pursuant to the interruptible service provisions set forth in Paragraph 7 of Agreement. Proration of demand charges under this Paragraph 12(a) shall be governed by the principle that no demand charges will be applicable to those quantities and for those periods by which and during which Customer's Primary or Secondary Power take is reduced because of Company's inability to deliver, except pursuant to said interruptible service provisions.

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JUN 7 1991

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SECTION 9 (1)

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12(b) In addition to proration of demand charges as set forth in Paragraph 12(a), monthly Primary and Secondary Power demand charges shall be prorated to allow credit for any number of full calendar days within a calendar month during which Customer's use of power is suspended or reduced by reason of Uncontrollable Forces (as defined in Paragraph 19(a) of this agreement) at Customer's Plant. Provided, however, in no event shall the Primary Power billing demand for any period be reduced by proration under this Paragraph 12(b) to less than 10,000 kw.

12(c) Company agrees to prorate Primary and Secondary demand charges for one period of scheduled major overhaul of Customer's furnace during each calendar year of the term hereof; provided (1) such period shall not be in excess of 30 days, (2) such period shall fall between July 1 and September 15 of the year, (3) Customer shall give Company at least 60 days' notice of the period during which such major maintenance is scheduled and, if requested to do so by Company, shall use its best efforts to adjust the timing of such period to one better suited to Company's operations, and (4) no prorate will be made under this Paragraph 12(c) for unscheduled maintenance outage nor for any maintenance other than the major furnace overhaul described herein.

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SECTION 9 (1)

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13. Power Factor. Customer agrees to utilize the Company's power service in such manner as to result in a power factor both during times of peak demand and throughout each month of not less than 85% lagging and shall install any corrective equipment which may be necessary to maintain such power factor.

14. Payment of Bills. On or before the fifth day of each calendar month Company shall render to Customer a bill covering electric power delivered during the previous calendar month. Customer shall pay each bill on or before the fifteenth day of the month in which it is rendered or within ten (10) days after it is rendered, whichever date last occurs. Should Customer fail to pay any bill before expiration of the above-mentioned time limit, Company shall have the right to discontinue the supply of electric power after first giving Customer twenty-four (24) hours written notice of such intention and may refuse the resumption of electric power delivery so long as any past due account remains unpaid, but such discontinuance shall not relieve Customer of any of the other obligations imposed on it by this agreement.

15. Phase Balancing. Customer shall at all times take and use energy in such manner that the currents shall be balanced between phases to within 10%. In the event of polyphase loads unbalanced in excess of 10%, Company reserves the right to require Customer on sixty (60) day's written notice at Customer's own expense to make the necessary changes to correct such unbalancing, and if such unbalancing is not then corrected, to compute the demand on the assumption that the currents of each phase are equal to that on the greatest phase.

16. Resale of Electric Power. The electric power supplied hereunder is for use of Customer only and Customer shall not resell such electric power to any other person, firm or corporation on the Customer's premises or for use on any other premises.

17. Metering. Company shall at its own expense install and maintain suitable standard metering equipment of a type acceptable to both parties for determining the amounts of power delivered to Customer at the point of delivery. Customer shall have the right to install and maintain at its own expense additional metering equipment at the point of delivery for the purpose of checking the readings of the Company's meters.

Company agrees to maintain its metering equipment at the highest degree of accuracy practicable. Company shall at its own expense and in the presence of representatives of Customer, upon reasonable notice given to Customer, make regular tests of its metering equipment at periodic intervals of not to exceed one (1) year. Company shall make additional tests of its metering equipment upon request of Customer in the presence of Customer's representatives. If as a result of any such regular or request tests the metering equipment is found to be inaccurate it shall be promptly restored to a condition of accuracy. If any such tests show the meters to be in excess of 2% fast or slow appropriate adjustment shall be made in Customer's bill in accordance therewith over a period of not exceeding thirty (30) days prior to the date of such test.

The cost of all regular tests shall be borne by Company. In the event that any additional tests requested by Customer show Company's metering equipment to be accurate within two (2) per cent fast or slow, the cost of making such additional request tests shall be paid by Customer.

Should Company's meters at any time fail to register, the amount of power supplied during the period of failure shall be determined from Customer's check meters, if any, or by other mutually satisfactory means such as estimates based on the amounts of power previously delivered under substantially similar conditions.

Meters will be read at midnight or as nearly thereto as practicable of the last day of each calendar month.

18. Voltage Fluctuations Caused by Customer. Electric service must not be used in such manner as to cause fluctuations or disturbances to Company's system unusual to normal electric furnace operation, and Company may require Customer at Customer's own expense to install suitable apparatus to reasonably limit such fluctuations. Electric furnace operation is to include, in addition to normal operation, those occasional operations incidental to starting, and emergency conditions.

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SECTION 9 (1)

BY: *Sharon Fuller*  
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19. Uncontrollable Forces.

19(a). The term "Uncontrollable Forces" shall be deemed for the purpose of this agreement to mean earthquake, storm, lightning, flood, backwater caused by flood, fire, epidemic, accident, sudden failure of facilities, war, riot, civil disturbance, strike, labor disturbances, restraint by court or public authorities, or other such cause beyond the control of the party affected which cause such party could not have avoided by exercise of due diligence and reasonable care. Either party whose operations are affected by Uncontrollable Forces shall exercise due diligence to remove such disability with reasonable dispatch.

19(b). Company will exercise due diligence and reasonable care and foresight to maintain continuity of service as provided for herein, but shall not be liable for any loss or damage of any nature whatsoever resulting from interruption or failure of service by reason of Uncontrollable Forces or any cause other than the willful negligence of Company. Company will, however, pro-rate demand charges as provided in Paragraph 12(a) hereof when unable to deliver power for such causes.

19(c). Company will pro-rate demand charges as provided in Paragraph 12(b) hereof when Customer's use of power is suspended or reduced by reason of Uncontrollable Forces at Customer's plant.

20. Regulatory Jurisdiction. It is mutually understood that the rates, terms and conditions contained in this agreement are at all times subject to the regulatory jurisdiction of the Public Service Commission of Kentucky.

21. Duration of Agreement. This agreement shall become effective on October 1, 1988, and shall continue in full force and effect through December 31, 1995, and thereafter until terminated by either party at the end of such initial period or at the end of any calendar month thereafter, by written notice to the other party of not less than six months prior to date of termination.

22. Assignment. This agreement shall inure to the benefit of and be binding upon the successors and assigns of Company and Customer.

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SECTION 9 (1)

BY: Cheryl Latta  
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IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed by their duly authorized representatives as of the date first above written.

LOUISVILLE GAS AND ELECTRIC COMPANY *CGMTR*

By *Fred Wright*  
Title *SR. V.P. - OPERATIONS*

Attest:

*[Signature]*

CARBON/GRAPHITE, INC.

By *Paul Dawson*  
Title *Managing Director*

Attest:

*[Signature]*

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