

FULL REQUIREMENTS INTERRUPTIBLE  
NATURAL GAS TRANSPORTATION CONTRACT

BETWEEN

NEWPORT STEEL CORPORATION

AND

THE UNION LIGHT, HEAT AND POWER COMPANY

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

MAR 01 1996

PURSUANT TO 807 KAR 5.011,  
SECTION 9 (1)

BY: James C. Neal  
FOR THE PUBLIC SERVICE COMMISSION

This AGREEMENT, made and entered into this 1st day of March 1991, by and between THE UNION LIGHT, HEAT AND POWER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky with general offices at 107 Brent Spence Square, Covington, Kentucky, hereinafter referred to as ULH&P, and NEWPORT STEEL CORPORATION, A corporation organized and existing under the laws of the Commonwealth of Kentucky with general offices at Ninth & Lowell Streets, Newport, Kentucky, hereinafter referred to as NEWPORT.

W I T N E S S E T H

WHEREAS, NEWPORT is an existing industrial entity receiving gas from ULH&P; and

WHEREAS, NEWPORT has access to available quantities of natural gas from an independent source(s) other than ULH&P; and

WHEREAS, NEWPORT has made either the necessary arrangements to have transported the gas it has purchased, or has requested ULH&P to act as agent in arranging such purchase and transportation on various interstate and/or intrastate pipelines to ULH&P's existing city gate metering stations; and

WHEREAS, NEWPORT desires to have such quantities of natural gas transported by ULH&P through ULH&P's facilities to NEWPORT's existing receipt points; and

WHEREAS, ULH&P is willing to receive, transport, and deliver, on an interruptible basis, quantities of natural gas equivalent to receipts at ULH&P's city gate to points of delivery serving NEWPORT, and NEWPORT is willing to receive said gas, all in accordance with the terms and conditions hereinafter set forth.

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

Article I. Notice of Deliveries. At least one day preceding the day transportation nominations are due to the interstate pipeline(s) transporting NEWPORT's gas, NEWPORT's supplier agrees to inform ULH&P in writing of ULH&P's discretion, verbally, and confirm in writing within seven (7) days thereafter, the quantities of gas it desires to have transported during the upcoming month, along with all other necessary information. NEWPORT agrees upon request by ULH&P to produce, in a timely manner, proof of the purchase of the natural gas transported, any necessary regulatory approvals, and any and all transportation arrangements with all interstate pipelines, intrastate pipelines, or others involved in transporting NEWPORT's gas.

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EFFECTIVE

MAR 01 1996

PURSUANT TO 807 KAR 5.011,  
SECTION 9 (1)

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Article II. Transportation of Gas. ULH&P's transportation obligation hereunder is totally interruptible, at any time, and NEWPORT hereby expressly acknowledges that it has been apprised of this condition and hereby expressly agrees thereto.

ULH&P may request NEWPORT to reduce or discontinue its use of natural gas until further notice whenever in the opinion of ULH&P it cannot transport NEWPORT's total gas supply without impairing service to its sales and transportation customers receiving firm service hereinafter referred to as non-interruptible service. ULH&P reserves the right to enforce interruption requests.

Notification of the request for interruption by ULH&P to NEWPORT, and communication with reference thereto, shall be made by and to the individuals as may be designated by the respective parties from time to time. Said notification may be accomplished verbally or in writing at ULH&P's option. Within twelve (12) hours of said notification, ULH&P will discontinue transportation service to NEWPORT pursuant to the terms of this Agreement, and NEWPORT shall cease from using gas under the terms of this Agreement until notified by ULH&P that such service has been restored.

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EFFECTIVE

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Article III. Failure to Interrupt. NEWPORT agrees that representatives of ULH&P may enter the premises of NEWPORT at any time for the purpose of ascertaining, through meter readings and visual inspection, if NEWPORT is complying with the request for

interruption. If NEWPORT should fail to comply with such interruption request, ULH&P may bill NEWPORT and NEWPORT must pay for such excess gas usage at the unauthorized overrun rate of ULH&P's pipeline supplier (currently at \$10.00 per DTH) plus the cost of the gas charged by the pipeline suppliers in addition to the net monthly billing as determined in Article VI hereof.

Article IV. Supplemental Service. ULH&P will supplement NEWPORT's gas supply on a best efforts basis for gas delivered through NEWPORT's meter in excess of NEWPORT's monthly transported volumes including prior months transportation imbalances volumes if applicable. The price charged to NEWPORT for this supplemental gas supply will be determined based on the marginal cost of the supply so that it will not be detrimental to ULH&P's sales service customers. In the event NEWPORT fails to interrupt transportation deliveries at ULH&P's request, or ULH&P is unable to provide supplemental supplies for NEWPORT, any excess deliveries through NEWPORT's meter will be considered unauthorized deliveries.

ULH&P's "best efforts" basis is defined as the right, at any time, to curtail or interrupt the delivery or transportation of gas under this agreement when, in the judgment of ULH&P, such curtailment or interruption is necessary to enable ULH&P to maintain deliveries to higher priority customers or to respond to any emergency.

PUBLIC SERVICE COMMISSION  
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EFFECTIVE

MAR 01 1996

PURSUANT TO 807 KAR 5.011,  
SECTION 9 (1)

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Article V. Full Requirements. Pursuant to this Agreement, "full requirements" shall mean that NEWPORT shall utilize natural gas delivered through the ULH&P distribution system as its fuel of choice for all its non-electricity energy requirements. NEWPORT agrees solely to utilize natural gas as its fuel of choice. NEWPORT further agrees to utilize natural gas in lieu of all other fuel options during the term of this Agreement except in cases of interruption of natural gas deliveries by ULH&P, in instances to test the operation of equipment, or as provided in Article XI hereof. NEWPORT may use for deliveries into the ULH&P distribution system, any pipeline system which connects with such system as long as such use is consistent with ULH&P's operational and/or contractual limitations, as determined at ULH&P's sole discretion.

Article VI. Billing. In consideration for the transportation service provided by ULH&P for the quantities of gas delivered into its system in accordance with Article XIV hereof, NEWPORT shall be billed monthly and pay to ULH&P for all gas delivered a transportation charge hereunder in accordance with the following schedule:

First 30,000 MCF delivered per month @ \$0.70 per MCF  
Next 22,500 MCF delivered per month @ \$0.50 per MCF  
Additional MCF delivered per month @ \$0.32 per MCF

In addition, ULH&P will deliver NEWPORT's arranged-for gas, less shrinkage which is equal to ULH&P's system average unaccounted for percentage.

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

MAR 01 1996

PURSUANT TO 807 KAR 5011,  
SECTION 9(1)

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After January 1, 1993, the above rates shall be increased by the same percentage increase in total rate as authorized by the Kentucky Public Service Commission as a result of any general gas rate increase granted by the Commission after January 1, 1993.

Article VII. Minimum Bill. NEWPORT agrees to pay the transportation charge for a minimum monthly volume of thirty thousand MCF (30,000 MCF) each month during the term of this Agreement notwithstanding the provisions of any other article herein provided the customer is not interrupted by ULH&P. If there is interruption by ULH&P during a monthly billing period, the Minimum Bill shall be prorated for each day that service is interrupted. In the event NEWPORT permanently closes its operations, the Minimum Bill provision shall be waived.

Article VIII. Payment. Payment by NEWPORT must be received by ULH&P within twenty-one (21) days after the bill is mailed. If any bill is not paid within twenty-one (21) days following the date of mailing by ULH&P, a charge of five percent (5%) will be added to the charges determined in accordance with Article IV, if applicable, and Article VI, hereof. When a bill has remained unpaid for a period of thirty (30) days after rendition by ULH&P, and no other financial arrangements are agreed upon, ULH&P may, at its sole option, and without liability therefor, suspend service to NEWPORT after giving written notice of its intention to do so, but such suspension of delivery of gas shall not discharge NEWPORT from its obligation to pay such bill or any

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

MAR 01 1996

PURSUANT TO 807 KAR 5011,  
SECTION 9 (1)

BY: Jordan C. Neal  
FOR THE PUBLIC SERVICE COMMISSION

obligation under this Agreement, nor shall such suspension preclude ULH&P from any rights or remedies it does or may have at law or in equity to enforce any of the provisions of this Agreement.

Article IX. Account Balances. ULH&P will accept for billing purposes the transportation volumes designated for NEWPORT as stated on the interstate pipeline's monthly delivery reports if available at the time ULH&P calculates NEWPORT's monthly bill. If the interstate pipeline's monthly delivery report is not available at the time NEWPORT's bill is prepared, ULH&P will use the nomination submitted by NEWPORT to ULH&P for the billing month. Any differences in volumes between the nominations submitted by NEWPORT and the interstate pipeline's monthly delivery report will be reflected on NEWPORT's subsequent gas bill. If NEWPORT's delivered transportation volume exceeds NEWPORT's monthly metered volume used for billing, NEWPORT will have an imbalance which must be eliminated as soon as possible.

ULH&P shall have the right to impose penalties on NEWPORT's daily or monthly imbalances or to refuse to accept future nominations from NEWPORT until imbalances are eliminated, if NEWPORT's imbalances adversely affect the cost or flow of gas to ULH&P's other gas customers. ULH&P will not be liable for any penalties charged by interstate pipelines because of NEWPORT's suppliers' over or under deliveries into the pipeline, or NEWPORT's failure to take deliveries through NEWPORT's meters for

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

MAR 01 1996

PURSUANT TO 807 KAR 5011,  
SECTION 9(1)

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the exact amount of gas transported by the pipeline to ULH&P's city gate.

Any gas delivered through NEWPORT's meters in excess of NEWPORT's monthly transported volumes, which includes any prior month transportation imbalances delivered to ULH&P's city gate, shall be billed pursuant to Article IV hereof.

Article X. Title to Gas. NEWPORT warrants that it will have good title to all natural gas delivered to ULH&P for transportation hereunder, and that such gas will be free and clear of all liens, encumbrances, and claims whatsoever, and that it will indemnify ULH&P, and save it harmless from all suits, actions, debts, accounts, damages, costs, losses, and expenses arising from or out of a breach of such warranty.

Article XI. Force Majeure. Neither of the parties hereto shall be liable in damages to the other for any act, omission, or circumstance occasioned by or in consequence of any acts of God, strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, civil disturbances, explosions, breakage, or accident to machinery or lines of pipe, the binding order of any court or governmental authority which has been resisted in good faith by all reasonable legal means, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

MAR 01 1996

PURSUANT TO 807 KAR 5.01  
SECTION 9(1)

BY: Charles C. Neal  
FOR THE PUBLIC SERVICE COMMISSION



such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension.

Such causes or contingencies affecting the performance hereunder by either party hereto, however, shall not relieve it of liability in the event of its concurring negligence or in the event of its failure to use due diligence to remedy the situation and to remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies affecting such performance relieve NEWPORT from its obligations to make payments of amounts due hereunder. In the event of force majeure affecting ULH&P, NEWPORT will be permitted to do whatever is necessary to secure a supplemental gas supply until ULH&P can resolve the problem which caused the force majeure.

Article XII. Quality of Gas. The gas to be delivered pursuant to this Agreement shall be natural gas or its equivalent of the quality and characteristics as received by ULH&P from the interstate or intrastate pipeline companies from which it receives its supply for delivery to its customers with such odorants added as ULH&P may deem necessary, provided, however, that said gas may be augmented with propane-air gas or other gases as purchased or as produced in ULH&P's plant or plants.

Article XIII. Delivery Pressure and Equipment. ULH&P will use reasonable efforts to deliver gas at pressures needed by NEWPORT at the points of delivery specified in Article XIV

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
MAR 27 1996

PURSUANT TO 807 KAR 5.011,  
SECTION 9(1)  
BY: \_\_\_\_\_

hereof. It is mutually understood that in times of emergency, high demand delivery, or during periods of construction and maintenance, the delivery pressure may fall below the desired pressure; therefore, nothing herein shall be construed as implying a warranty by ULH&P as to gas pressure. The measurement of gas delivered at pressures in excess of ULH&P's standard four (4) ounce pressure requires volumetric corrections to standard conditions, and, it is agreed that ULH&P will correct the volume either mechanically, electronically or mathematically using correction factors in accordance with standard tables and where the installation of recording instruments is provided, the arithmetic average of the recorded data shall be used in computing the gas volumes.

Article XIV. Points of Delivery. The points of delivery shall be at the outlet of the metering and regulating devices in ULH&P's metering locations at the end of the gas services serving NEWPORT. Specifically, the points of delivery to which this contract applies are currently identified as meter numbers 159944, 164820 and 164823. Meters and regulating equipment shall be owned and installed by ULH&P in the above locations. ULH&P shall have the right of access to meters and measuring equipment at all times.

Article XV. Metering. ULH&P reserves the right to change its metering from time to time for maintenance purposes and also to add remote meter reading devices or other equipment as it may

PUBLIC SERVICE COMMISS  
OF KENTUCKY  
EFFECTIVE

MAR 27 1996

PURSUANT TO 807 KAR 5.011  
SECTION 9 (1)

BY: *James C. Neal*

desire for monitoring and measuring the Customer's gas deliveries. The Customer agrees to make appropriate electric and telephone service available to the gas meter location for this purpose, and to maintain and install adequate protection for the electric and telephone service so that ULH&P can receive continuous and dependable information on such metering. ULH&P will make periodic tests of meters used in measuring gas furnished to NEWPORT, and will test meters upon the written request of NEWPORT. The meter will be tested and, if found inaccurate, restored to an accurate condition or a new meter will be substituted. Any meter tested and found to be registering not more than two percent (2.0%) fast or slow will be considered to be correct and accurate.

If a test of any meter is made at the request of NEWPORT, with the result that such meter is found to be correct and accurate as defined above, ULH&P may charge NEWPORT the expense of such test. If the meter is found to be registering more than two percent (2.0%) fast, to the extent the meter exceeds 2.0%, ULH&P will refund any overcharges and NEWPORT may be billed and will pay the undercharges if the meter is found to be registering more than two percent (2.0%) slow.

When a period of meter inaccuracy is discernible upon a review of the account history, or if a meter is found to register partially, or not at all, for any period, the overcharge or undercharge may be computed on the basis of NEWPORT's metered consumption prior and/or subsequent to such period in accordance with the rates in effect during the period.

PUBLIC SERVICE COMM  
OF KENTUCKY  
EFFECTIVE

MAR 01 1996

PURSUANT TO 807 KAR 5.011  
SECTION 9(1)

BY: \_\_\_\_\_

When a period of meter inaccuracy is unknown, except in cases of meter tampering, the overcharge will be determined on the basis of the meter test for the period since the installation date of the inaccurate meter, or for a period of 365 days prior to the date the inaccuracy is corrected, whichever is less.

Article XVI. Term. This Agreement shall be for a period of five (5) years effective March 1, 1991 and shall continue in full force and effect until February 28, 1996, unless extended by the written mutual agreement of both the parties hereto. This Agreement will also terminate if subsequent orders by any appropriate regulatory agency or the termination of any other agreements which pertain hereto, would eliminate the availability and/or deliverability of natural gas purchased or transported pursuant to this Agreement. The parties agree to open discussions on February 1, 1995 for the sole purpose to negotiate a subsequent agreement.

Article XVII. Regulatory Authority. This Agreement is made in all respects subject to the jurisdiction and authority of the Kentucky Public Service Commission (KPSC) and any other regulatory body having jurisdiction and to the general service rules and regulations of ULH&P currently in effect from time to time. Nothing herein contained shall be construed as divesting or attempting to divest any regulatory body of any of its rights, jurisdiction, powers or authority conferred by law.

PUBLIC SERVICE COMMISS  
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MAR 31 1996  
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Except as specifically provided herein, nothing in this Agreement shall be construed so as to alter, modify or change conditions of normal gas deliveries pursuant to other tariffs, contracts or curtailment priorities as is from time to time imposed upon ULH&P's customers pursuant to regulatory orders, laws, requirements or sanctions. All service provided hereunder shall be subject to ULH&P's current Rules and Regulations for Gas Service as on file with the KPSC and also subject to the Rules, Orders and Regulations of other governmental authorities having jurisdiction.

This Agreement shall be expressly contingent upon the receipt of such regulatory approvals or authorizations as may be required. The parties agree to cooperate to obtain all required approvals or authorizations. This Agreement shall be governed by the laws of the Commonwealth of Kentucky.

Article XVIII. Taxes. NEWPORT and ULH&P shall each be obligated to pay all taxes of every kind as respectively assessed to or levied on each, without right of contribution by the other. Neither the price to be paid nor any provision of this Agreement shall be affected by an increase or decrease in the rate or amount or the repeal of an existing tax imposed on either party hereto, by the enactment of a new tax, or by the subsequent application hereto of any existing tax.

Article XIX. Notice. Any notice required by this Agreement shall be deemed to have been given if given to any officer of the other party. However, specific individuals other than officers

PUBLIC SERVICE COMMISSION  
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EFFECTIVE

MAR 07 1996

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may, from time to time, be designated as authorized to receive notices. Notice of interruption or curtailment may be given orally, either in person or by telephone.

Article XX. Successors and Assigns. This Agreement shall be binding on, and inure to, the successors and assigns of ULH&P and NEWPORT, and shall supersede and cancel all previous gas service agreements, except for obligations incurred by NEWPORT to make payment of amounts due in respect to gas heretofore delivered thereunder.

IN WITNESS HEREOF, the parties hereto executed this Agreement on the day and year first above written.

WITNESS:

THE UNION LIGHT, HEAT AND POWER COMPANY

Thomas M. Lawson

By George H. Stinson  
Vice President,  
Gas Operations

WITNESS:

NEWPORT STEEL CORPORATION

Thomas J. Bolatzki

By Jack W. Mehalke

PUBLIC SERVICE COMMISSION  
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