RECE[illegible]

FEB 27 [illegible]

PUBL[illegible]
COMM[illegible]

SPECIAL CONTRACT
for
GAS TRANSPORTATION SERVICE

This Special Contract for Gas Transportation Service (the "Contract") made and entered into on this 23rd day of February, 1995, by and between LOUISVILLE GAS AND ELECTRIC COMPANY, a subsidiary of LG&E Energy Corp., a Kentucky corporation (the "Company"), and the UNITED STATES OF AMERICA (the "Customer").

WITNESSETH

WHEREAS, Company owns and operates a gas distribution system in Kentucky; and

WHEREAS, Customer owns a Defense Department Military Reservation known as Fort Knox located in and about Hardin, Meade and Bullitt counties in Kentucky (the "Facility"); and

WHEREAS, Company is presently providing transportation service for the delivery of natural gas to Customer under the terms, conditions and pricing contained in the Company's standard Gas Transportation Rate T schedule; and

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

WHEREAS, the parties desire to enter into a special contract whereunder natural gas transportation service shall be provided by Company to Customer;

MAR 31 1995

NOW THEREFORE, the parties agree as follows:

PURSUANT TO 807 KAR 5:011,
SECTION 9(1)
BY: [signature]
FOR THE PUBLIC SERVICE COMMISSION

1. <u>TERMINATION OF RATE T SERVICE</u>. Service to Customer under the Company's standard Uncommitted Gas Service Rate G-7 schedule, Gas Transportation Rate T schedule, and the Transportation Service Agreement applicable to Rate T dated October 1, 1994 shall be terminated effective the day before the effective date of this Contract as set forth in Section 4 hereof.

2. <u>GENERAL</u>. Company will provide to the Customer gas transportation services under all the terms and conditions of this Contract including those set forth on Appendix A and Appendix B which are attached hereto and incorporated herein by reference.

3. <u>SOLE DISTRIBUTOR</u>. During the term of this Contract, Company will distribute to Customer, and Customer will take from Company, all of Customer's natural gas requirements for the use and operation of the Facility. All natural gas sold to Customer by third parties shall be transported by Company.

4. <u>EFFECTIVE DATE</u>. The effective date of this Contract is the date of the first monthly billing rendered at least thirty (30) days after the date this Contract is actually executed by the last party to execute this Contract. Such billing shall reflect the new rates, terms, and conditions established hereunder. Notwithstanding the foregoing, if the Kentucky Public Service

Commission ("PSC") initially suspends this Contract for further review and subsequently approves it or allows the PSC review period to expire without PSC rejection of this Contract, then the effective date of this Contract shall be the date of the first monthly billing rendered at least ten days after the date of such PSC approval or such expiration of the PSC review period; and such billing shall reflect the new rates, terms, and conditions established hereunder.

5. TERM. The initial term of this Contract shall begin on the effective date and shall extend until October 31, 1997. After such initial term, this Contract automatically shall continue in full force and effect from year to year (from November 1 to October 31), except that it may be terminated effective October 31 of any year after 1996 by either party hereto for any reason or no reason pursuant to a written notice of termination given to the other party by the April 30 preceding the effective termination date.

6. TERMINATION. Subject to Company's termination rights in case of Customer's violation of an Operational Flow Order set forth in Appendix A, if either Company or Customer breaches or fails to perform any of the covenants or obligations imposed upon it hereunder, then the other party may, at its option, terminate this Contract upon thirty (30) days prior written notice during which period of time the breaching party may cure the failure to perform (if curable) and in such event this Contract shall continue in effect and the notice of termination shall be of no force and effect. Any termination under this section shall be without prejudice to and in addition to any other rights and remedies of the terminating party.

7. REGULATORY COMMISSION JURISDICTION. It is mutually understood and agreed that the rates, terms, and conditions applicable to service furnished to Customer under this Contract are at all times subject to abrogation or modification by PSC order including orders issued pursuant to proceedings initiated by Company. No such abrogation or modification of any rate, term, or condition of this Contract shall affect or limit Customer's sole distributor obligations set forth in section 3 of this Contract during the entire term of this Contract.

8. ENTIRE AGREEMENT. This is the final and entire agreement between the parties relating to the subject matter hereof and shall supersede all prior or contemporaneous oral or written statements, promises, and understandings between the parties relating thereto.

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

Joyce D. Powers
ATTEST Notary at Large Commission Expires 5/10/95.

UNITED STATES OF AMERICA
By: Richard B. [illegible]
Title: Contracting Officer
Date: 17 Feb 95

PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE

LOUISVILLE GAS AND ELECTRIC COMPANY
By: [signature]
Title: President
Date: February 23, 1995

MAR 31 1995

[signature]
ATTEST Commission expires 1/22/98

PURSUANT TO 807 KAR 5:011, SECTION 9(1)
BY: [signature]
FOR THE PUBLIC SERVICE COMMISSION

APPENDIX A

To

SPECIAL CONTRACT

For

GAS TRANSPORTATION SERVICE

CHARACTER OF SERVICE:
Transportation Service under this Contract shall be considered firm from the receipt point at Company's interconnection with its pipeline transporter ("Receipt Point") to the Delivery Point (as defined in Appendix B), subject to paragraph 5 of the Special Terms and Conditions set forth in this Appendix A below.

The Company's sole obligation hereunder is to redeliver Customer's gas from the Receipt Point to the Delivery Point. Accordingly, Company has no obligation to deliver to the Customer a volume of gas, either daily or monthly, which differs from the volume delivered to the Customer at the Receipt Point.

Company will provide service to meet imbalances only on an as-available basis. For purposes used herein, "Imbalances" are defined as the difference between the volume of gas delivered by the Customer to the Receipt Point and the volume of gas taken by the Customer at the Delivery Point. When Company can provide such service, a Daily Utilization Charge shall apply to daily imbalances in excess of Acceptable Tolerances as set forth under the Utilization Charge for Daily Imbalances described herein. Company shall issue an Operational Flow Order as set forth under Operational Flow Orders described herein during periods when service cannot be provided to meet daily imbalances.

TRANSPORTATION RATE:
In addition to any and all charges billed directly to Company by other parties related to the transportation of Customer-owned gas, and any other charges set forth herein, the following charges shall apply:

Monthly Customer Charge	-	$ 180.00
Monthly Transportation Administrative Charge	-	90.00
Demand Charge per Mcf of Monthly Billing Demand	-	$ 2.75
Transportation Charge per Mcf delivered during Month (Applies to all deliveries to customer during the month, including any authorized overrun volumes.)	-	10.49¢
Authorized Overrun Charge per Mcf:	-	9.04¢

Authorized Overrun Charge - This charge is in addition to the Transportation Charge and applies to that portion of Customer's daily deliveries which exceed the Firm Transportation Service Demand of 9,200 Mcf per day. Customer may exceed the Firm Transportation Service Demand unless otherwise notified by Company. Customer will be notified of said limitations by the issuance of an Operational Flow Order ("OFO") as defined herein. Company will provide service in excess of the Firm Transportation Service Demand on an as-available basis.

Monthly Billing Demand - The monthly billing demand shall be the greater of; (1) 9,200 Mcf; or (2) the highest daily volume of gas used by Customer on any day during the month or any day during the previous 11 monthly billing periods when Company has notified Customer that it must limit its maximum transportation volumes to the Firm Transportation Service Demand. Under no circumstances shall the Monthly Billing Demand be less than 9,200 Mcf during the term of this Contract. The daily volume shall be the recorded Mcf deliveries in a 24-hour period ending at 9:00 A.M., Eastern Time.

TRANSPORTATION IMBALANCES:

Company will calculate on a daily and monthly basis the Customer's imbalance resulting from the difference between the metered usage of the Customer and the volumes that the Customer has delivered into the Company's system. This will be calculated as follows:

$$\text{Imbalance} = \text{Metered Usage} - \text{Delivered Volume}$$

The Company will also determine the imbalance percentage. This percentage will be calculated as follows:

$$\text{Imbalance \%} = \frac{(\text{Metered Usage} - \text{Delivered Volume})}{\text{Delivered Volume}}$$

The term daily shall mean the period of twenty-four (24) consecutive hours beginning at 9:00 A.M., Eastern Time.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

MAR 31 1995

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: [signature]
FOR THE PUBLIC SERVICE COMMISSION

CASH-OUT PROVISION FOR MONTHLY IMBALANCES:
If the monthly imbalance is negative (an over-delivery into the Company's system), Company shall purchase the monthly imbalance from Customer at a price which is determined by multiplying the appropriate percentage specified below times the currently effective Gas Supply Cost Component (GSCC) minus the currently effective Pipeline Suppliers Demand Component (PSDC). The appropriate percentage shall be dependent on the Customer's monthly imbalance percentage to be applied as follows:

When Total Net Negative Imbalance Percentage is:	The following Percentage Shall be multiplied by the difference between the GSCC and PSDC:
0% to ≤5%	100%
> 5% to ≤10%	90%
>10% to ≤15%	80%
>15% to ≤20%	70%
>20%	60%

PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE

MAR 31 1995

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

BY: Gordon C. Neel
FOR THE PUBLIC SERVICE COMMISSION

If the monthly imbalance is positive (an under-delivery into the Company's system), Customer shall be billed for the monthly imbalance from Company at a price which is determined by multiplying the appropriate percentage specified below times the currently effective Gas Supply Cost Component (GSCC) minus the currently effective Pipeline Suppliers Demand Component (PSDC). The appropriate percentage shall be dependent on the Customer's monthly imbalance percentage to be applied as follows:

When Total Net Positive Imbalance Percentage is:	The following Percentage Shall be multiplied by the difference between the GSCC and PSDC:
0% to ≤5%	100%
> 5% to ≤10%	110%
>10% to ≤15%	120%
>15% to ≤20%	130%
>20%	140%

The monthly imbalance percentage stated above will be used to calculate the cash-out price for imbalances that fall within each category. For example, if Customer's monthly imbalance percentage is 9%, Customer will cash-out at the 0% to 5% price for 5% of the imbalance and at the 5% to 10% price for 4% of the imbalance.

Variations in MMBtu Content:
Changes in billings and the "cash-out" provision caused by variations in the MMBtu content of the gas shall be corrected on the following month's bill.

UTILIZATION CHARGE FOR DAILY IMBALANCES:
Should an imbalance exceed the Acceptable Tolerance on any day when an Operational Flow Order (as described below) has not been issued, then the Company shall charge the Utilization Charge for Daily Imbalances times the recorded imbalance greater than the Acceptable Tolerance for each occurrence. The Acceptable Tolerance is ±5% of the delivered volume during the Winter season from November 16 through March 15, and ±10% of the delivered volume during the period from March 16 through November 15.

PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE

Utilization Charge for Daily Imbalances:

Daily Demand Charge:	$0.2524 per Mcf
Daily Storage Charge:	.1200
Utilization Charge for Daily Imbalances	$0.3724 per Mcf

MAR 31 1995

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

BY: Gordon C. Neel
FOR THE PUBLIC SERVICE COMMISSION

Note: The Daily Demand Charge may change with each filing of the GSCC.

These charges are in addition to any other charges set forth herein. The Utilization Charge for Daily Imbalances will not be applied to daily imbalances which do not exceed the Acceptable Tolerances as defined above. The Company shall not have an obligation to provide balancing service for any volumes of gas hereunder.

OPERATIONAL FLOW ORDER:
Company shall have the right to issue an Operational Flow Order (OFO) during the five (5) winter months of November through March, which will require actions by Customer to alleviate conditions that, in the sole judgement of Company, jeopardize the operational integrity of Company's system required to maintain system reliability. Except for an emergency, Company will make a reasonable effort to provide Customer with a 24 hour notice prior to implementation of an OFO.

Before the issuance of an OFO, Company will attempt to identify specific Customer(s) served with transportation-only service whose actions potentially jeopardize operational integrity and direct such Customer(s) through an OFO to correct those actions as described below.

Upon issuance of an OFO, Company will direct Customer to comply with one of the following conditions: (a) Customer must take delivery of an amount of natural gas from Company that is no more than the daily amount that is being delivered by the pipeline transporter to Company for Customer; or (b) Customer must take delivery of an amount of natural gas from Company that is no less than the daily amount that is being delivered by the pipeline transporter to Company for Customer. Oral notice by telephone from Company to Customer shall be deemed as proper notice of an OFO. Customer shall respond to an OFO by either adjusting its deliveries to Company's system or its gas consumption at the Facility, All volumes taken by Customer in excess of volumes delivered by pipeline transporter to Company for Customer in violation of the above "condition (a)" OFO shall constitute an unauthorized receipt by Customer from Company. All volumes taken by Customer less than volumes delivered by pipeline transporter to Company for Customer in violation of the above "condition (b)" OFO shall constitute an unauthorized delivery by Customer to Company. Customer shall be charged $15.00 per Mcf plus any other charges applicable under this Contract for such unauthorized receipts or deliveries. In addition, if Customer fails to comply strictly with the provisions of an OFO, then Company may in its sole discretion do one or both of the following immediately upon delivering oral or written notice to Customer: (1) suspend all service under this Contract, and/or (2) terminate this Contract. Any suspension or termination under this section shall be without prejudice to and in addition to any other rights and remedies of the Company.

Optional Sales and Purchase Transaction:
Customer may agree to sell its natural gas supplies to Company, and Company may agree to purchase natural gas supplies from Customer under a written contract setting forth specific arrangements of the transaction. If the Company purchases natural gas from Customer, such gas will not be redelivered to Customer, and Customer shall discontinue or otherwise interrupt the usage of such natural gas.

RETURN TO FIRM SERVICE:
Return to firm sales service is contingent upon the ability of Company to secure the appropriate quantities of gas supply and transportation capacity with the Company's pipeline transporter, as determined solely by the Company.

SPECIAL TERMS AND CONDITIONS:
(1) At least ten days prior to the beginning of each month, Customer shall provide Company with a schedule setting forth daily volumes of gas to be delivered into Company's system for Customer's account. Customer shall give Company at least twenty-four hours written notice of any subsequent changes to scheduled deliveries of natural gas flow. Company will not be obligated to utilize its underground storage capacity for purposes of this service.

(2) In no case will Company be obligated to transport greater quantities hereunder than those specified hereunder.

(3) Volumes of gas transported hereunder will be determined in accordance with Company's measurement base as set forth in the General Rules of Company's Tariff.

(4) All volumes of natural gas transported hereunder shall be of the same quality and meet the same specifications as that delivered to Company by its pipeline transporter.

PUBLIC SERVICE COMMISSION OF KENTUCKY
EFFECTIVE

MAR 31 1995

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: Jordan C. Neel
FOR THE PUBLIC SERVICE COMMISSION

(5) Company will have the right to curtail or interrupt the transportation or delivery of gas to Customer when, in the Company's judgement, such curtailment is necessary to enable Company to respond to an emergency or force majeure condition.

(6) Should Customer be unable to deliver sufficient volumes of transportation gas to Company's system, Company will not be obligated hereunder to provide standby quantities for purposes of supplying such Customer requirements.

APPLICABILITY OF RULES:
Service under this Special Contract is subject to Company's Rules and Regulations Governing the Supply of Gas Service of the Company's tariff, to the extent that such rules and regulations are not in conflict with nor inconsistent with the specific provisions hereof.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

MAR 31 1995

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: [signature]
FOR THE PUBLIC SERVICE COMMISSION

APPENDIX B

To

SPECIAL CONTRACT

For

GAS TRANSPORTATION SERVICE

1. Customer represents that it has entered into an agreement with an alternative natural gas supplier for the purchase of natural gas which will be delivered into the pipeline transporter's system.

2. Customer represents that it has obtained or reasonably anticipates obtaining all requisite authority to transport such natural gas to Company's system through the system of pipeline transporter. Such natural gas will be transported to Company's gas distribution system by pipeline transporter pursuant to its effective and applicable Federal Energy Regulatory Commission ("FERC") tariff, and the applicable FERC regulations.

3. Customer represents that it has express authority, under applicable state and local law, to enter into this Contract with Company. Customer shall indemnify and relieve Company of any liability incurred because of Company's reliance upon Customer's representation that it has express authority to contract with Company.

4. Customer will arrange and pay for the transportation service necessary to deliver the transported gas to the system of pipeline transporter and over the system of pipeline transporter to Company in a manner which is acceptable to pipeline transporter. All gas delivered hereunder by Customer to pipeline transporter will meet all applicable standards of pipeline transporter for gas received into its system and will be free from PCB's and all other contaminants.

5. "Delivery Point", as used in this Contract, shall mean Fort Knox, Kentucky.

6. Customer shall submit in writing to Company the specific daily volumes and other information required to effectuate the transportation of natural gas by using the appropriate Nomination Schedule and by giving appropriate notice as set forth in this Contract.

7. The transportation service provided hereunder by Company is subject to the provisions of all valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. Customer agrees to cooperate with Company in promptly filing all necessary notices and information with any agency or authority having jurisdiction.

8. All gas delivered by Company, including transportation gas, will be measured and billed on a Mcf basis. Because pipeline transporter delivers to and bills Company on a MMBtu basis, Company will divide the number of MMBtu's delivered to Company by pipeline transporter for Customer's account during any given month, by the average (per Mcf) heat content for the month of all gas received from pipeline transporter for Customer, in order to determine an equivalent number of Mcf to be delivered to Customer. Measurement of gas to be transported by pipeline transporter hereunder will be in accordance with the measurement provisions as provided in the General Terms and Conditions of the applicable FERC Gas Tariff of pipeline transporter.

9. All gas delivered by Company to Customer pursuant to this Contract, shall be measured by such gas meters as the Company deems appropriate, so as to readily enable the Company to determine the Customer's usage on a timely basis, including daily or hourly usages. Company shall own such metering equipment and facilities. No metering of any type owned or installed by Customer shall be used to determine such deliveries; except that in the event of a malfunction of Company's meters, Customer's meters may be used.

10. Customer recognizes and understands that Company is required to monitor its daily purchases from pipeline transporter to the end that they will not exceed allowable quantities or incur billing disadvantages. Customer agrees to maintain close liaison with Company's Gas Supply Department and to inform such Gas Supply Department of any changes in the delivery rate of gas transported hereunder or any other information with regard to scheduling of deliveries that said Gas Supply Department reasonably requests or as may be required by proper regulatory authorities. In addition, in the event that Customer is determined to be the cause of such billing disadvantages or other penalties, whether imposed on Company by pipeline transporter or if caused by Customer in transporting gas on Company's system, then Customer will pay such penalties, fees, or charges as determined by Company and in accordance with the payment provisions of this Contract.

11. Both parties recognize that the operation of this Contract will require extensive coordination and cooperation of the parties. The parties therefore agree to cooperate in the development and pursuit of such detailed procedures as may be necessary in order to carry out the purpose and intent of this Contract.

12. This Contract shall be binding upon the parties hereto and their respective successors and assigns. It is understood that this Contract may be submitted with, and made a part of, one or more applications to duly constituted authorities, and copies of this Contract may be submitted to any person dealing with the subject matter hereof.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

MAR 31 1995

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: [signature]
FOR THE PUBLIC SERVICE COMMISSION

13. All general contract notices relating to this Contract shall be in writing (unless otherwise specifically permitted herein) and shall be addressed as follows:

To Company: Manager, Product Management
Louisville Gas and Electric Company
P. O. Box 32010
Louisville, Kentucky 40232
Telecopier: (502) 627-2552

To Customer: Directorate of Contracting
Building 4022, Attn: ATZK-DC
Fort Knox, Kentucky 40121-5000
Telecopier: (502) 624-7165

To Customer: Directorate of Public Works
Building 77, Attn: ATZK-PWP
Energy Office
Fort Knox, Kentucky 40121-5000
Telecopier: (502) 624-3679

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

MAR 31 1995

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: Jordan C. Neel
FOR THE PUBLIC SERVICE COMMISSION

All notices relating to nominations under this Contract shall be in writing (unless otherwise specifically permitted herein) and shall be addressed as follows:

To Company: Gas Supply Analyst
Louisville Gas and Electric Company
P. O. Box 32020
Louisville, Kentucky 40232
Telecopier: (502) 627-3584

To Customer: Directorate of Public Works
Building 77, Attn: ATZK-PWP
Energy Office
Fort Knox, Kentucky 40121-5000
Telecopier: (502) 624-3679

All Notices relating to OFO (Operational Flow Orders) shall be made by Company to Customer by telephone and shall be followed in writing as follows:

To Customer: Directorate of Public Works
Building 77, Attn: ATZK-PWP
Fort Knox, KY 40121-5000
Telephone: (502) 624-2151

All such notices shall be deemed delivered as of the date the notice is telecopied or hand-delivered or one business day after it is placed in the U.S. mail, certified, first class, postage prepaid, or conveyed to a recognized delivery service for overnight delivery as applicable.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

MAR 31 1995

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: [signature]
FOR THE PUBLIC SERVICE COMMISSION