

CONFORMED COPY

EXCHANGE AGREEMENT

Between

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COMMISSION

TEXAS GAS TRANSMISSION CORPORATION

And

FILED  
FEB 11 1958  
PUBLIC SERVICE  
COMMISSION

WESTERN KENTUCKY GAS COMPANY

And

LOUISVILLE GAS & ELECTRIC COMPANY

Dated:

March 27, 1957

Shelbyville, Kentucky

(See Western Kentucky Gas Company (Zone 4)  
Service Agreement dated March 1, 1957)

THIS AGREEMENT, made and entered into this 27th day of March, 1957, by and between Texas Gas Transmission Corporation, herein called "Texas Gas", Western Kentucky Gas Company, herein called "Western" and Louisville Gas and Electric Company, herein called "Louisville".

WITNESSETH:

WHEREAS, Texas Gas has been authorized by the Federal Power Commission to sell natural gas to Western for resale in Shelbyville, Kentucky, and its environs; and

WHEREAS, Louisville owns and operates a natural gas pipeline (hereinafter referred to as its "East Kentucky 12-inch pipeline"), which passes within three miles of Shelbyville, Kentucky; and

WHEREAS, Texas Gas is interconnected with Louisville at several points, hereinafter referred to as their "interconnection", at which points Texas Gas is currently rendering natural gas service to Louisville; and

WHEREAS, Louisville is willing to enter into an arrangement whereby Louisville will deliver volumes of natural gas near Shelbyville and receive from Texas Gas near Louisville volumes of natural gas equivalent in aggregate heat content to those delivered; and

WHEREAS, Western has entered into a service agreement with Texas Gas (hereinafter referred to as the "service agreement"), for the purchase of its natural gas requirements up to the volumes set forth in the service agreement for resale in Shelbyville, Kentucky, and its environs, which service agreement is attached hereto as Item I and in such service agreement has caused Texas Gas to deliver the natural gas it purchases thereunder to Louisville; and

WHEREAS, under the provisions of said service agreement Texas Gas has agreed to sell and deliver to Western and Western has agreed to purchase and receive from Texas Gas in the manner and at the rate set forth in said service agreement, all of the natural gas required by Western for resale in Shelbyville, Kentucky, and its environs, up to a maximum of 1,360 Mcf per day;

NOW, THEREFORE, in consideration of the mutual covenants and premises herein contained, the parties hereto do contract and agree with each other as follows:

#### ARTICLE I

##### Quantity and Manner of Delivery

1. Texas Gas agrees to deliver the gas to be sold to Western under the afore-mentioned service agreement between said companies, to Louisville at their interconnection, as provided in Exhibit A of Item 1.

2. Louisville agrees to deliver from its East Kentucky 12-inch pipeline at its side valves located at a mutually acceptable site near Shelbyville, Kentucky, such daily volumes of natural gas as required for resale in Shelbyville, Kentucky, and its environs, up to 91% of 1,360 Mcf per day.

3. This Exchange Agreement is predicated upon the assumption that the gas which Louisville will deliver for Shelbyville will have a heating value approximating 1,140 Btu, and that the gas which Texas Gas will deliver to Louisville will have a heating value approximating 1,035 Btu per cubic foot, but the aforesaid heating values are not guaranteed by or to any of the parties to this Exchange Agreement.

4. It is agreed between the parties hereto that deliveries hereunder by Texas Gas to Louisville during any 24-hour period shall be as nearly equivalent to 110% of deliveries by Louisville for Shelbyville during the same 24-hour period as normal prudent operation will permit; provided, however, that this paragraph shall not affect Texas Gas' maximum daily delivery obligation to Western set forth in Item 1. It is agreed that differences in deliveries shall be adjusted and corrected in gas as soon as possible after they have occurred.

5. It is agreed by the parties hereto that should there be any material change in the thermal content of the gas delivered from the values assumed in Paragraph 3 of this Article I, then the percentages specified in Paragraphs 2 and 4 of this Article I shall be recalculated, to the end that the volume of gas delivered by Texas Gas to Louisville hereunder shall contain as nearly

as practicable, an equivalent number of Btu's as the volume of gas delivered by Louisville for Shelbyville. Provided, however, that in no event shall Texas Gas deliver to Louisville a lesser volume of gas than that delivered hereunder by Louisville for Shelbyville, irrespective of thermal content. Provided, however, that this paragraph shall not affect Texas Gas' maximum daily delivery obligation to Western as set forth in Item 1.

6 In scheduling its daily take from Texas Gas (which includes gas purchased by Louisville from Texas Gas as well as gas delivered under this agreement) Louisville shall not be obligated or expected to exercise more than reasonable diligence in balancing the take under this agreement with deliveries for Shelbyville. The parties will cooperate in the formulation of any procedures or methods which will enable Louisville to more accurately and effectively balance such take against such deliveries. In accordance with Section 4.10 of its FPC Gas Tariff, Texas Gas agrees that no unauthorized overrun penalty or its equivalent nor any demand charge component, as incorporated in Texas Gas' legally effective FPC Gas Tariff, and as related to sales by Texas Gas to Louisville under valid and effective Service Agreements, shall be imposed on Louisville if such penalty or demand charge would be applicable by reason of operations under this agreement.

## ARTICLE II

### Delivery Pressure

The gas to be delivered by Texas Gas to Louisville hereunder shall be delivered in accordance with Exhibit A of Item 1 at Texas Gas'

pipeline pressure, which pressure will not be less than 300 psig. The gas to be delivered by Louisville for Shelbyville hereunder shall be delivered at Louisville's pipeline pressure, which pressure will not be less than 75 psig.

### ARTICLE III

#### Measurements

1. The unit of volume for gas delivered hereunder shall be a cubic foot at a temperature of 60<sup>0</sup> F. and at a pressure of 15.025 psia.

2. All gas delivered hereunder shall be measured according to Boyle's Law with deviations therefrom. In measuring the gas and computing the volume of gas delivered the physical characteristics of the natural gas which affect such computations shall each be given its due consideration and the determination of such physical characteristics shall be made by standard apparatus and methods and at such time and places as in accordance with good practice may be agreed upon from time to time between the parties hereto

### ARTICLE IV

#### Metering Equipment

1. Western shall install maintain and operate the metering and regulating equipment used in connection with deliveries of gas by Louisville for Shelbyville. Neither Louisville nor Texas Gas shall have any responsibility for ownership, maintenance or operation of such equipment, but such equipment shall be subject to approval and acceptance by Louisville and Texas Gas.

2. Louisville and Texas Gas shall have the right to have representatives present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with Western's measuring equipment described in Paragraph 1 of this Article IV

3. Western will test, or cause to be tested, its measuring equipment used in connection with deliveries by Louisville for Shelbyville at reasonable intervals. In the event such meter is found to be in error not more than two per cent, the previous recording shall be considered accurate in computing deliveries hereunder, but meters shall be promptly adjusted to record correctly. If, upon test, meters are found to be in error more than two per cent appropriate corrections, as mutually agreed upon, shall be made in computing the volume of gas delivered for Shelbyville and accordingly in the volume of gas deliverable by Texas Gas to Louisville hereunder.

## ARTICLE V

### Kind and Quality of Gas

The kind and quality of gas to be delivered by Texas Gas to Louisville hereunder shall be that available in Texas Gas' main pipeline at their interconnection but consistent with the specifications of Item 1. The kind and quality of gas to be delivered by Louisville for Shelbyville hereunder shall be that available in Louisville's East Kentucky 12-inch pipeline at the time of delivery.

## ARTICLE VI

### Monthly Statements of Account

On or before the 5th day of each month Western shall report to Louisville and to Texas Gas the daily and monthly quantities of gas delivered by Louisville for Shelbyville hereunder during the preceding calendar month. On or before the 10th day of each month Texas Gas shall report to Louisville the daily and monthly quantities of gas delivered to Louisville hereunder during the preceding calendar month. Louisville and Texas Gas shall have the right to examine at any reasonable time the books, records and charts of Western to the extent necessary to verify the accuracy of any statement made hereunder.

## ARTICLE VII

### Operating Information and Estimates

It is understood that the natural gas transported through Louisville's East Kentucky 12-inch pipeline and available for delivery by Louisville to Western under this Exchange Agreement is purchased by Louisville from Kentucky West Virginia Gas Company. In order to enable Louisville to comply with the terms relating to the scheduling of deliveries in the agreement under which Louisville purchases this gas, Western, at Louisville's request, will furnish to Louisville realistic and reasonably accurate estimates of Western's requirements by years, months and days for a period of not to exceed two years in advance, together with such other operating



data as Louisville may require in order to enable it to plan its operations and schedule its gas deliveries from Kentucky West Virginia Gas Company. In the event Western fails to comply with the provisions of this Article, the volume of gas delivered on any day by Louisville to Western under this Exchange Agreement may, at Louisville's discretion, be limited to the volume of gas purchased on that day by Louisville from Kentucky West Virginia Gas Company less the volumes required on that day for delivery to Louisville's customers then served from its East Kentucky 12-inch pipeline.

#### ARTICLE VIII

##### Term of Agreement

1. This agreement shall become effective May 1, 1957, and shall be in full force and effect for a period of time ending March 27, 1965. Provided, however, Western may terminate this agreement prior to the expiration of said ten-year term upon not less than 90 days' written notice of its intention to terminate. Provided, further, Louisville may terminate this agreement prior to the expiration of said ten-year term, upon not less than 18 months' written notice of its intention to terminate, in the event that Louisville shall abandon its East Kentucky 12-inch pipeline, or shall discontinue the purchase of natural gas from Kentucky West Virginia Gas Company. Provided, further, this agreement will be terminated in the event that Texas Gas terminates the sale of natural gas to Louisville, or Texas Gas terminates the sale of natural gas to Western for resale in Shelbyville.

2. This agreement is entered into subject to the express understanding of the parties that it (a) will not operate in any way to impair Louisville's natural gas supply for its own customers; (b) will not require any additional investment by Louisville in gas transmission or distribution facilities; (c) will not cause any increase whatsoever in Louisville's cost of natural gas supply; and (d) will not result in any material addition to Louisville's operating expenses. In the event that any of these conditions is not met to Louisville's satisfaction, then Louisville shall have the additional right to terminate this agreement prior to the expiration of the ten-year term hereof upon not less than 18 months' written notice to the others of its intention to terminate

#### ARTICLE IX

##### Transfer and Assignment

Any company which shall succeed by purchase merger or consolidation to the properties, substantially as an entirety, of Texas Gas, Western, or of Louisville, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this agreement. Any party may, without relieving itself of its obligations under this agreement, assign any of its rights hereunder to a company with which it is affiliated, but otherwise no assignment of this agreement or any of the rights or obligations hereunder shall be made unless

there first shall have been obtained the consent thereto of the other parties hereto. It is agreed, however, that the restrictions on assignments contained in this article shall not in any way prevent any party to this agreement from pledging or mortgaging its rights hereunder as security for its indebtedness.

#### ARTICLE X

##### Force Majeure

Louisville shall exercise reasonable care and diligence in the endeavor to make deliveries for Shelbyville as provided herein, but does not guarantee continuous service and shall not be liable for any loss or damage on account of any non-delivery or reduction in delivery not caused by its gross and willful negligence. Texas Gas shall make deliveries pursuant to its service agreement attached as Item 1.

#### ARTICLE XI

##### Cancellation of Prior Agreements

This agreement supersedes (as of the date of commencement of delivery of natural gas hereunder) the contract between the parties hereto dated October 28, 1954.

#### ARTICLE XII

##### Notices

Notices to Texas Gas under this contract shall be in writing and addressed to it at 416 West Third Street Owensboro, Kentucky.

Notices to Western under this contract shall be in writing and

addressed to it at 608 Frederica Street, Owensboro, Kentucky.

Notices to Louisville shall be in writing and addressed to it at 311 West Chestnut Street, Louisville, Kentucky. Either party may change its address under this article by notice to the other party.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be duly executed in several counterparts by their proper officers, thereto duly authorized, as of the date first above written.

TEXAS GAS TRANSMISSION CORPORATION

Attest:

/s/ R. E. Hermann  
Assistant Secretary

By /s/ A. L. Roberts  
Vice President

(SEAL)

WESTERN KENTUCKY GAS COMPANY

Attest:

/s/ Priscilla Head  
Secretary

By /s/ J. L. Bugg  
Vice Pres & Gen Mgr

(SEAL)

LOUISVILLE GAS AND ELECTRIC COMPANY

Attest:

/s/ W. J. Glover  
Secretary

By /s/ T. B. Wilson  
President

(SEAL)