

RECEIVED

MAY 5 4 22 PM '93

SPECIAL INTERRUPTIBLE GAS TRANSPORTATION AGREEMENT

PUBLIC SERVICE COMMISSION

This Special Interruptible Gas Transportation Agreement entered into this 29th day of April, 1993 between Columbia Gas of Kentucky, Inc. (Columbia), a Kentucky corporation with a mailing address of P.O. Box 117 Columbus, OH 43216-0117 and Kentucky Electric Steel Corporation (KES), a Kentucky corporation with a mailing address of P.O. Box 3500, Ashland, Kentucky 41105.

Whereas, Columbia is a natural gas utility authorized to provide natural gas sales and transportation service pursuant to tariffs approved by the Kentucky Public Service Commission (PSC); and

Whereas, pursuant to an Order of the PSC, Columbia received authority to acquire certain facilities of the Inland Gas Company (Inland) and to provide service to customers of Inland served from those facilities; and

Whereas, KES is a steel manufacturer with a steel manufacturing plant located in Coalton, Boyd County, Kentucky, and whereas the plant facility utilizes natural gas; and

Whereas, KES currently receives interruptible gas transportation service at its Coalton steel manufacturing facility through the Inland facilities which Columbia acquired; and

PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE

JUN 4 1993

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

BY: [Signature] PUBLIC SERVICE COMMISSION MANAGER

Whereas, KES wishes to have Columbia provide interruptible gas transportation service to the aforementioned plant facility under terms and conditions which differ from those contained in Columbia's gas transportation tariffs and from those contained in the August 3, 1989 Gas Transportation Agreement between KES and Inland;

NOW THEREFORE, in consideration of the mutual promises contained herein, Columbia and KES agree to the following terms and conditions:

1. Conditions Precedent. PSC approval of the terms and conditions of this Agreement is a condition precedent to its enforcement.

2. Deliveries. For purposes of this Agreement, the unit of volumetric measurement shall be a standard cubic foot of gas at a pressure of 14.73 pounds per square inch absolute. The term "Mcf" as used herein shall mean one thousand (1,000) standard cubic feet of gas.

Subject to limitations in the pipeline capacity of Columbia's distribution system and to Columbia's service obligations to its other customers, Columbia will accept deliveries of KES' gas at the point(s) of receipt listed in Section 21 hereof, for redelivery in Mcf to KES' facility, also listed in Section 21.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

JUN 4 1993

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

BY: Sharon L. Miller
PUBLIC SERVICE COMMISSION MANAGER

The volume levels specified in Section 21 shall represent the actual expected requirements of KES' facility for gas delivered pursuant to this agreement and may be exceeded only with the prior consent of Columbia, which shall not be unreasonably withheld. If in any billing month the volume of gas redelivered to KES by Columbia exceeds the volume of gas delivered by or on behalf of KES to Columbia at the delivery point(s) specified in Section 21, hereof, without the prior consent of Columbia, such excess gas shall be considered tariff sales by Columbia to KES and shall be billed to KES at the rate specified in Columbia's Rate Schedule IS-Interruptible Service.

KES will attempt to have the volumes delivered to Columbia at the point(s) of receipt listed in Section 21 match the volumes being redelivered to KES' facility.

It is agreed that of all volumes of gas delivered by Columbia to KES at its facility during each monthly billing period, the first gas through the meter shall be volumes of retail sales gas, if any, purchased by KES. The last gas through the meter shall be volumes of gas delivered pursuant to this agreement.

Due to the variety of meter reading dates possible at KES' facilities, the meter reading dates at the point of receipt used to determine KES' delivered volumes to Columbia may not match the meter reading cycle at KES' facility where the gas is being

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

JUN 4 1993

PURSUANT TO 807 KAR 5:011.

SECTION 9 (1)

BY: George D. Baker
PUBLIC SERVICE COMMISSION MANAGER

redelivered by Columbia. However, Columbia's accounting system used for crediting KES' gas to KES' account will be applied on a consistent basis, and will be used by Columbia in determining deliveries, volume bank levels and deficiencies in deliveries.

3. Heat Content Adjustment. Columbia will use the heating value of all gas delivered to it in the Ashland Kentucky market as measured or calculated by the Tennessee Gas Pipeline Company to make a monthly heat content adjustment (to be used for billing purposes) to convert the volume of gas delivered to Columbia on a one million btu basis for the account of KES to its volumetric equivalent expressed in Mcf. The heating value of gas determined pursuant to this paragraph shall be conclusive for purposes of billing under this Agreement.

4. Measurement at Point(s) of Receipt with an Interstate Pipeline. When Columbia receives KES' gas at point(s) of receipt with an interstate pipeline, all measurement shall be performed in accordance with the terms of Columbia's agreement with that interstate pipeline and shall be conclusive for purposes of this Agreement.

5. Quality of Gas Delivered to Columbia. PUBLIC SERVICE COMMISSION OF KENTUCKY on behalf of KES to Columbia shall conform to interstate pipeline gas quality standards.

JUN 4 1993

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

BY: Sharon D. Hester
PUBLIC SERVICE COMMISSION MANAGER

6. **Delivery Charges.** For all KES' gas delivered by Columbia to KES' facility pursuant to this Agreement, KES will pay to Columbia a per Mcf delivery charge of twenty-eight cents (28¢). This rate is inclusive of all costs for the interruptible transportation of gas and of any allowance for lost or unaccounted for gas.

If furnishing service to KES pursuant to this agreement requires Columbia to use transportation service provided by another Company, any cost incurred by, or billed to, Columbia with regard thereto, shall be billed to KES by Columbia and paid by KES. Such costs include, but are not limited to, transportation or delivery charges, gas volumes retained for company use and unaccounted-for gas, filing fees, and penalties incurred as a result of gas volume imbalances or other factors set forth in the applicable rate schedule of such other transporting company. KES shall also reimburse Columbia for any filing fees paid by Columbia to an entity other than those considered above when necessary to commence or continue gas transportation service to KES. Columbia will receive KES' approval before taking any action that results in either the initiation of said transportation service or the incurrence of the filing fees set forth in this paragraph.

7. **Payment.** Columbia shall bill and KES shall pay all charges on a Net 30 day basis, i.e., payment in full shall be made 30 days following the date on which Columbia issues a bill to KES.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

JUN 4 1993

PURSUANT TO 807 KAR 5.011,
SECTION 9 (1)

BY: Charles H. Miller
PUBLIC SERVICE COMMISSION MANAGER

Late penalty charges and other terms of payment not inconsistent with this Agreement as set forth in the general terms and conditions of Columbia's tariff applicable to Rate Schedule IS, as that Rate Schedule may from time to time be amended, are incorporated herein by reference and shall be applicable to service rendered hereunder. At each redelivery point identified in Section 21, hereof, KES shall be subject to a separate monthly customer service charge as set forth in Rate Schedule IS, as amended from time to time, which charge is currently \$135.79 per redelivery point.

8. Columbia's Delivery Obligation; KES' Obligation to Reduce Consumption. KES' Authorized Daily Volume on any day consists of the sum of KES' transported volumes (as determined herein) for which KES has contracted, plus any additional volumes that Columbia, in its sole discretion, authorizes KES to use on that day. Delivery of KES' Authorized Daily Volume is firm, with no planned interruption, except as provided in Section 9 hereof. Upon notice to KES, Columbia may require KES to reduce consumption to KES' Authorized Daily Volume whenever Columbia, in its discretion, deems it necessary to do so.

For purposes of this Section, the portion of KES' Authorized Daily Volume attributable to transported gas delivered to Columbia shall consist of two parts. The first part shall consist of

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

JUN 4 1993

SECTION 9 (1)
BY: *[Signature]*
PUBLIC SERVICE COMMISSION MANAGER

volumes delivered at receipt points where the upstream transporter, producer, or other delivering entity does not report deliveries to Columbia on a daily basis. The portion of KES' Authorized Daily Volume attributable to this part shall be determined by dividing the volume of gas delivered to KES in the most recent month for which information is available by the number of days in that month.

The second part shall consist of volumes delivered by upstream transporters which report KES' deliveries to Columbia on a daily basis. If the upstream transporter's reporting system is acceptable to Columbia, Columbia may, at its option, utilize such system to determine KES' deliveries on any day. If Columbia elects not to utilize such reporting system, it shall determine KES' deliveries using the best information available, as determined by Columbia.

9. **Interruption.** Notwithstanding the provisions of Section 8 hereof, all deliveries by Columbia to KES, including KES' Authorized Daily Volumes, are subject to partial or complete interruption during force majeure situations, (herein defined to mean acts of God, strikes, lockouts or other labor disturbances, acts of a public enemy, war, blockages, ~~public service~~ ^{PUBLIC SERVICE COMMISSION} riots, epidemics, fire, storms, floods, washouts, ~~civil~~ ^{OF KENTUCKY} disturbances, explosion, breakage or accidents to machinery or pipelines, freezing of wells or pipelines, partial or ~~entire~~ ^{SECTION 101} failure of such wells, or any other cause not otherwise provided for herein,

JUN 4 1993
 PURSUANT TO 807 KAR 5:011,
 SECTION 101
 BY: [Signature]
 PUBLIC SERVICE COMMISSION MANAGER

whether of the kind herein enumerated or otherwise), not reasonably within the control of Columbia. All deliveries are also subject to complete or partial interruption whenever service to residential and other high priority customers is threatened.

10. Volume Bank Columbia has established a system to account for KES' volumes received by Columbia but not delivered to KES at its facility during the same monthly billing cycle. Such undelivered volumes shall be called a volume bank and KES shall be permitted to receive such banked volumes at a later date.

The total volume bank of KES shall not at any time exceed a "bank tolerance" of five percent (5%) of the annual transportation volume listed in Section 21. If at any time KES' volume bank exceeds the bank tolerance, Columbia may require KES to immediately reduce or stop deliveries until its volume bank of gas is equal to or less than the bank tolerance.

In the event KES' volume bank at the start of any November billing period, as reported to KES with its October transportation invoice, exceeds the bank tolerance, KES agrees to pay Columbia fifty cents (\$.50) per Mcf or any increase in public service commission rate of Columbia's pipeline supplier, whichever is greater, for all banked volumes in excess of the bank tolerance. Columbia may, at its option, offer to purchase that portion of KES' volume bank that exceeds the bank tolerance, at a price solely determined by

PUBLIC SERVICE COMMISSION
OF KENTUCKY
JUN 4 1993
PURSUANT TO 807 KAR 5:011,
SECTION 5
BY: Charles H. [Signature]
PUBLIC SERVICE COMMISSION MANAGER

Columbia. If such an offer is made and accepted, KES shall be credited any payments already made with respect to any such volumes sold to Columbia.

Annually, Columbia will review the operation of all volume banks on its system to determine the effect of said banks on the cost of gas to non-transportation class customers. Thereafter, Columbia may take such further action as it deems appropriate to correct any adverse effect it believes may have been experienced by non-transportation class customers, including, but not limited to, levying a surcharge on all transportation customers (including KES) calculated to offset said adverse effect. If such a surcharge is levied, KES shall have thirty (30) days from the notice of the imposition of such surcharge to terminate this Agreement. However, in the event KES acts to terminate this Agreement following said notice, KES shall be liable for an amount equal to the surcharge multiplied by the volume of gas in KES' volume bank during the annual period in which operation of volume banks on Columbia's system resulted in increasing the cost of gas to non-transportation customers which is identified by Columbia as having contributed to said adverse effect.

PUBLIC SERVICE COMMISSION
OF KENTUCKY

EFFECTIVE

In the event this agreement is terminated for any reason, Columbia will deliver to KES volumes of KES' gas which Columbia is holding pursuant to this Volume Bank Section during the three monthly billing cycles following the date of termination. However,

JUN 4 1993

PURSUANT TO ORDER OF THE
SECTION 9 (1)

By: [Signature]
PUBLIC SERVICE COMMISSION MANAGER

should KES fail to take delivery of its entire Volume Bank within such three-month period, Columbia may, at its option, retain and purchase the undelivered banked volumes. In addition, if KES owes Columbia any outstanding gas transportation charges, or other charges which are due (including surcharge payments resulting from adverse volume bank operations), Columbia may, at its option, offset said unpaid charges by retaining, as necessary, banked volumes that would have otherwise been delivered to KES upon termination of this agreement. The value assigned to such retained bank volumes which are purchased or retained will be the cost of Columbia's least expensive gas supply at the time the gas was delivered to Columbia.

At Columbia's request, KES will use its best efforts to notify Columbia of a planned or expected significant change in its volume bank level before that change occurs.

The availability of banking under this Section is contingent upon the policies, practices, and procedures of Columbia's interstate pipeline suppliers. Columbia reserves the right to modify the banking system, to the extent it is reasonably necessary to do so, if the policies, practices, or procedures of one or more of such interstate pipeline suppliers make it impractical for Columbia to continue the banking system established herein.

JUN 4 1993

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

BY: Clayton L. Miller
PUBLIC SERVICE COMMISSION MANAGER

11. Deliveries in Excess of Authorized Volumes During Interruption or Curtailment. In the event actual gas deliveries to KES are in excess of the amount authorized by Columbia on any day on which interruption or curtailment of KES' transported gas is required and requested by Columbia, all such unauthorized volumes delivered to KES shall be considered tariff or contract gas volumes and KES shall pay Columbia, in addition to the cost of such tariff or contract gas, such liquidated damages per Mcf as are set forth in the Columbia's Rate Schedule IS - Interruptible Service for all deliveries in excess of the authorized volumes specified by Columbia.

KES shall reimburse Columbia for any additional costs or penalties incurred by Columbia as a result of KES' use of the tariff sales rate gas to make up a Deficiency in Deliveries to Columbia.

12. Warranty of Title. KES warrants that it will have good title to all natural gas delivered to Columbia for redelivery to KES' facility, that such gas will be free and clear of all liens, encumbrances and claims whatsoever, and that it will indemnify Columbia and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any and all persons to said gas.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
JUN 4 1993

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: Sharon Keller
PUBLIC SERVICE COMMISSION MANAGER

13. Assignment. Except for assignment to a wholly-owned subsidiary, a parent or an affiliate of the parties, this Agreement shall not be subject to assignment without the written consent of the other party.

14. Successors and Assigns. This Agreement shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns.

15. Notices. Any notices, except those relating to billing or interruption, required or permitted to be given hereunder shall be effective only if delivered personally to an officer or authorized representative of the party being notified, or if mailed by registered or certified mail to the address provided below:

If to Columbia:

Columbia Gas of Kentucky, Inc.
200 Civic Center Drive
Post Office Box 117
Columbus, Ohio 43216

Attention: Director Gas Transportation Marketing

If to KES:

Kentucky Electric Steel
c/o N S Group, Inc.
P.O. Box 1670
Newport KY 41072

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

JUN 4 1993

Attn: Thom Golatski

PURSUANT TO 807 KAR 5.011,
SECTION 9 (1)

Interruption notices may be given by Columbia to KES by telephone, telegraph or data facsimile transmission.
PUBLIC SERVICE COMMISSION MANAGER

16. **Term.** The term of this Agreement shall be from the date Columbia first delivers volumes of gas to KES at its facility pursuant to this agreement until the last day of KES' October 1995 billing cycle. During the term of this Agreement, Columbia will be the exclusive provider of natural gas sales or transportation service to the KES plant location identified in Section 21, hereof.

17. **Regulatory Approvals.** This Agreement shall be expressly contingent upon the receipt of such regulatory approvals or authorizations as may be required and, in the event such approvals or authorizations terminate or are withdrawn, then this Agreement shall terminate.

18. **Incorporation of Tariff Provision.** This Agreement expressly incorporates, by this reference, all of the terms and conditions governing Columbia's transportation service included in Columbia's approved tariff, as well as any general terms and conditions of that tariff applicable to, and consistent with, Columbia's Rate Schedule IS - Interruptible Service.

19. **Governing Law.** This Agreement shall be governed by the laws of the Commonwealth of Kentucky, including compliance with regulatory requirements.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

JUN 4 1993

20. **Cancellation of Prior Agreements.** This Agreement replaces and supersedes as of the effective date hereof the Gas

PURSUANT TO 807 KAR 8.011,
SECTION 9 (1)
BY: *Clayton S. Miller*
PUBLIC SERVICE COMMISSION MANAGER

Transportation Agreement between KES and the Inland Gas Company, dated August 3, 1989, as amended, and assigned to Columbia on October 1, 1992.

21. Contract Data.

Point(s) of Receipt into Columbia

Description of Delivery Points with Interstate Pipeline(s)

1) Tennessee Gas Pipeline Company, Mavity Station, Boyd County.

Meter No.	Line No.	Seller	Market Code*
1) <u>2-0045</u>	<u> </u>	<u> </u>	<u> A </u>

2) Columbia Gas Transmission Corp., Westwood Station, Ashland.

Meter No.	Line No.	Seller	Market Code*
1) <u>804319</u>	<u> </u>	<u> </u>	<u> A </u>

*Market Code "A" means that the point(s) of receipt is serving the market area in which Customer's facility are located. Market Code "B" means that the point of receipt is not serving the market area in which Customer's facility are located.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

JUN 4 1993

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

BY:
PUBLIC SERVICE COMMISSION MANAGER

Facility and Volume Detail: Points of Redelivery

		Maximum	
Delivery		Daily	Annual
Service		Trans-	Trans-
Rate		portation	portation
Schedule		Volume	Volume
<u>Customer Facility</u>	<u>(GS-FI-IS-IUS)</u>	<u>(Mcf)</u>	<u>(Mcf)</u>

1) Kentucky Electric Steel

Plant (main meter) IS 3,000 650,000

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date hereinabove first mentioned.

COLUMBIA GAS OF KENTUCKY, INC.

By: Mark S. Ward

Its: Director, Gas Transportation Mkt

KENTUCKY ELECTRIC STEEL CORPORATION

By: Frank H. Baker
 PUBLIC SERVICE COMMISSION
 OF KENTUCKY
 EFFECTIVE

Its: Secretary JUN 4 1993

PURSUANT TO 807 KAR 5.011.
 SECTION 9 (1)

BY: Charles H. Miller
 PUBLIC SERVICE COMMISSION MANAGER