

FULL REQUIREMENTS INTERRUPTIBLE
NATURAL GAS TRANSPORTATION CONTRACT

BETWEEN

INTERNATIONAL PERMALITE INC.

AND

THE UNION LIGHT, HEAT AND POWER COMPANY

RECEIVED

AUG 27 1991

PUBLIC SERVICE
COMMISSION

This AGREEMENT, made and entered into this 1st day of July 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 INTERNATIONAL PERMALITE INC., A corporation organized and existing under the laws of the State of California with offices at 7125 Industrial Road, Florence, Kentucky, 41042, hereinafter referred to as CUSTOMER.

W I T N E S S E T H

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

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

WHEREAS, CUSTOMER 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 ^{PUBLIC SERVICE COMMISSION} ^{OF KENTUCKY} and ^{EFFECTIVE} transportation on various interstate and/or intrastate pipelines to ULH&P's existing city gate metering stations; and ^{SEP 26 1991}

PURSUANT TO 807 KAR 5.011.
SECTION 9 (1)

BY: Chauhalla
PUBLIC SERVICE COMMISSION MANAGER

WHEREAS, CUSTOMER desires to have such quantities of natural gas transported by ULH&P through ULH&P's facilities to CUSTOMER'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 CUSTOMER, and CUSTOMER 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. Definitions:

- A. "Contract Demand" shall mean the maximum volume of gas which CUSTOMER may use daily, and pay for under the "Firm Use" as prescribed under Article VII A. hereof. It is mutually agreed that the Contract Demand of CUSTOMER shall be zero (0) Mcfd, but may be changed once a year during the term hereof by mutual agreement. In the event of CUSTOMER's "Failure to Interrupt" as described in Article IV hereunder, ULH&P may increase CUSTOMER's Contract Demand if CUSTOMER cannot demonstrate that its daily gas usage will not exceed the Contract Demand stated herein.

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- B. "Firm Use" shall mean the Contract Demand, as defined above, multiplied by thirty (30).
- C. "Transportation Gas" shall mean those quantities of gas over the Contract Demand, as defined above, that the CUSTOMER purchases either directly or through ULH&P acting as its agent and arranges to have delivered by displacement to the mutually agreed upon point(s) of delivery where CUSTOMER's supplier's and/or transporter's facilities interconnect with ULH&P's gas system.

Article II. Notice of Deliveries. At least one day preceding the day transportation nominations are due to the interstate pipeline(s) transporting CUSTOMER's "transportation gas," CUSTOMER or CUSTOMER's supplier agrees to inform ULH&P in writing or, at 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. CUSTOMER 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 CUSTOMER's transportation gas.

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

ULH&P may request and CUSTOMER agrees to reduce or discontinue its use of transportation gas until further notice whenever in the opinion of ULH&P it cannot transport CUSTOMER's total transportation 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 CUSTOMER, 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 three (3) hours of said notification, ULH&P will discontinue transportation service to CUSTOMER pursuant to the terms of this Agreement, and CUSTOMER shall cease from using gas under the terms of this Agreement until notified by ULH&P that such service has been restored.

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

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for interruption. If CUSTOMER should fail to comply with such interruption request, ULH&P may bill CUSTOMER and CUSTOMER 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 VII hereof.

Article V. Supplemental Service. ULH&P will supplement CUSTOMER's transportation gas on a best efforts basis for gas delivered through CUSTOMER's meter in excess of CUSTOMER's monthly transported gas volumes including prior months transportation gas imbalances volumes if applicable. The price charged to CUSTOMER 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 CUSTOMER fails to interrupt its transportation gas at ULH&P's request, or ULH&P is unable to provide supplemental supplies for CUSTOMER, any excess deliveries through CUSTOMER'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 of CUSTOMER's transportation 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 PUBLIC SERVICE COMMISSION OF KENTUCKY respond to any emergency.

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

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 VIII. Minimum Bill. CUSTOMER agrees to pay ULH&P the charges, in accordance with rate schedule stated in Article VII, for a minimum monthly volume of ten thousand Mcf (10,000 Mcf) each month during the term of this Agreement, notwithstanding the provisions of any other article herein, provided CUSTOMER is not interrupted by ULH&P. CUSTOMER also agrees to pay ULH&P the charges, in accordance with the rate schedule (annualized) stated in Article VII, for a minimum of five hundred thousand Mcf (500,000 Mcf) for each twelve month period beginning with the first month billed under this Agreement for the term of this Agreement. The twelve month "Minimum bill" (dollar amount charged) will be reduced by any "monthly minimum bill" incurred by CUSTOMER during said twelve month period. If there is interruption by ULH&P during a monthly billing period, the Minimum Bill (both monthly and twelve months) shall be prorated for each day that service is interrupted. If the annual minimum volume of 500,000 Mcf is satisfied by the CUSTOMER, then

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BY: *[Signature]*

ULH&P will refund to CUSTOMER any monthly minimum bill charged during the said twelve month period and collected by ULH&P. Both ULH&P and CUSTOMER agree to reduce monthly and annual minimum volumes on a prorated basis in the event of force-majeure as defined in Article XII of this agreement.

Article IX. Payment. Payment by CUSTOMER 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 V, if applicable, and Article VII, 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 CUSTOMER after giving written notice of its intention to do so, but such suspension of delivery of gas shall not discharge CUSTOMER from its obligation to pay such bill or any 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 X. Account Balances. ULH&P will accept for billing purposes the transportation gas designated for CUSTOMER as stated on the interstate pipeline's monthly delivery reports if

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

ULH&P shall have the right to impose penalties on CUSTOMER's daily or monthly imbalances or to refuse to accept future nominations from CUSTOMER until imbalances are eliminated, if CUSTOMER'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 CUSTOMER's suppliers' over or under deliveries into the pipeline, or CUSTOMER's failure to take deliveries through CUSTOMER's meters for the exact amount of gas transported by the pipeline to ULH&P's city gate.

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

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Article XI. Title to Gas. CUSTOMER 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 XII. 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 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.

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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 CUSTOMER from its obligations to make payments of amounts due hereunder. In the event of force majeure affecting ULH&P, CUSTOMER 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 XIII. 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(s).

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BY: George H. Baker
PUBLIC SERVICE COMMISSION MANAGER

Article XIV. Delivery Pressure and Equipment. ULH&P will use reasonable efforts to deliver gas at pressures needed by CUSTOMER at the points of delivery specified in Article XV 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 XV. 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 CUSTOMER. Specifically, the points of delivery to which this contract applies are currently identified as meter numbers 122891, 122892 and 126659. Meters and regulating equipment shall be owned and installed by ULH&P in the above locations and shall have the right of access to meters and measuring equipment at all times.

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BY: *[Signature]*
PUBLIC SERVICE COMMISSION MANAGER

Article XVI. 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 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 CUSTOMER, and will test meters upon the written request of CUSTOMER. 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 CUSTOMER, with the result that such meter is found to be correct and accurate as defined above, ULH&P may charge CUSTOMER the expense of such test. If the meter is found to be registering more than two percent (2.0%) fast, ULH&P will refund any overcharges and CUSTOMER may be billed and will pay the undercharges if the meter is found to be registering more than two percent (2.0%) slow.

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BY: Sharon Keller
PUBLIC SERVICE COMMISSION MANAGER

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 CUSTOMER's metered consumption prior and/or subsequent to such period in accordance with the rates in effect during the period.

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 XVII. Term. This Agreement shall be for a period of five (5) years effective July 1, 1991 and shall continue in full force and effect until July 1, 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 July 1, 1995 for the sole purpose to negotiate a subsequent agreement.

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BY: Shawn Diller
PUBLIC SERVICE COMMISSION MANAGER

Article XVIII. 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.

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.

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

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BY: Chapman
PUBLIC SERVICE COMMISSION MANAGER

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

WITNESS:

Dean A. Squire
Transportation Rep.

WITNESS:

Dolores A. Murray

THE UNION LIGHT, HEAT AND
POWER COMPANY

BY George F. Johnson
VICE PRESIDENT OF GAS OPERATIONS

INTERNATIONAL PERMALITE INC

BY James S. Smith
PRESIDENT

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PURSUANT TO 807 KAR 5:011,
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BY: James S. Smith
PUBLIC SERVICE COMMISSION MANAGER

APPENDIX A

The Union Light, Heat and Power Company
107 Brent Spence Square
Covington, Kentucky 41011

Ky.P.S.C. Gas No. 5
Sheet No. 31.3
Cancelling and Superseding
Sheet No. 31.2
Page 1 of 1

BILL NO. 243

RATE GS

GENERAL SERVICE

APPLICABILITY

Applicable to gas service required for any purpose by an individual customer on one premise when supplied at one point of delivery where distribution mains are adjacent to the premise to be served. Company may decline requests for service under this tariff due to gas supply limitations.

NET MONTHLY BILL

The Net Monthly Bill is determined as follows:
All gas used by customer is billed in units of 100 cubic feet (CCF)

Customer Charge per month: \$12.00

	<u>Base Rate</u>		<u>Gas Cost Adjustment</u>		<u>Total Rate</u>
Plus a Commodity Charge for All CCF consumed at	16.64e	plus	28.08e	equals	44.72e

(R)

The "Gas Cost Adjustment," as shown above, is an adjustment per 100 cubic feet determined in accordance with the "Gas Cost Adjustment Clause" set forth on Sheet No. 70 of this tariff.

When bills are rendered less frequently than monthly the time related units such as cubic feet blocks, minimum or other charges, will be billed in accordance with the number of billing months in the meter reading interval.

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

TERM OF SERVICE

One year, terminable thereafter on ten (10) days written notice by either customer or Company.

SERVICE REGULATIONS

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission as provided by law.

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Issued by authority of an Order of the Kentucky Public Service Commission, dated May 30, 1991 in Case No. 90-041-C.

Issued: June 3, 1991

Effective: May 31, 1991
SEP 26 1991

Issued by J. H. Randolph, President

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

BY: *Sharon Staller*
PUBLIC SERVICE COMMISSION MANAGER