

**FULL REQUIREMENTS INTERRUPTIBLE
NATURAL GAS TRANSPORTATION CONTRACT**

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

BETWEEN

NEWPORT STEEL CORPORATION

SEP 04 1997

AND

PURSUANT TO 807 KAR 5.011,
SECTION 9 (1)

THE UNION LIGHT, HEAT AND POWER COMPANY

BY: Jordan C. Neal
FOR THE PUBLIC SERVICE COMMISSION

This AGREEMENT is made and entered into this 24th day of July, 1997, 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.

WITNESSETH

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, 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- NEWPORT, either acting on its own or through its designated supplier/agent, agrees to nominate its gas deliveries into ULH&P's system in accordance with the procedures that ULH&P may establish from time to time. ULH&P has the right to set the point(s) on its system where the gas will be received and the nomination schedule process to be used for such deliveries. 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.

Article II. Transportation of Gas. ULH&P's transportation obligation hereunder is expressly conditioned upon NEWPORT's compliance with the nomination/allocation schedules and procedures as directed by ULH&P, and is fully interruptible, at ULH&P's sole discretion, if NEWPORT has not nominated its gas deliveries as specified in Articles I and II. If NEWPORT has nominated its deliveries in accordance with ARTICLES I and II, ULH&P's transportation obligation hereunder is fully interruptible only in the event of force majeure or an emergency requiring the utilization of all available capacity in order to serve human needs customers and/or other firm gas loads, however, provided Newport's gas arrives at ULH&P's city gate, ULH&P will not interrupt service to NEWPORT unless it cannot maintain deliveries to the aforementioned

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BY C. Reed
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human needs and firm gas customers without such service interruption. ULH&P reserves the right to enforce interruption requests.

ULH&P and NEWPORT agree to coordinate nominations and deliveries during critical flow periods in order to assure the receipt and delivery of NEWPORT's gas. However, if nominations exceed physical capacity at specific receipt points on any day, such available capacity will be allocated, first to meet system supply requirements, then to firm gas customers, and then to NEWPORT on the same basis as similarly situated customers. The delivery obligations delineated herein by ULH&P are specifically contingent upon NEWPORT's commitment to honor and respond as directed by ULH&P to "operational matching orders" during critical flow periods.

Notification of operational matching orders and requests or directives for interruption by ULH&P to NEWPORT, and communications 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 of interruption, 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. Similarly, ULH&P will attempt to notify the designated individual at NEWPORT of the issuance of operational matching orders at least 24 hours in advance. NEWPORT agrees to comply with such orders until it is notified that such orders have been rescinded.

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 operational matching order or requests for interruption. ULH&P reserves the right to enforce interruption requests. If

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BY: [Signature]
FOR THE PUBLIC SERVICE COMMISSION

NEWPORT should fail to comply with such interruption requests, ULH&P may bill NEWPORT and NEWPORT must pay for such excess gas usage, or over/under deliveries, at the unauthorized overrun/underrun rate of ULH&P's pipeline suppliers 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.

Article V. Full Requirements. Pursuant to this Agreement NEWPORT shall be a "full requirements" customer of ULH&P. For purposes of this agreement, "full requirements customer" 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 and 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 X hereof.

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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.

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FOR THE PUBLIC SERVICE COMMISSION

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

Article VIII. 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 balancing requirements and charge imbalance charges and penalties on NEWPORT's daily or monthly imbalances to the same extent, and in the same manner, as specified in the current Rate IT Tariff, KyPSC Gas No. 5, Sheet 50.2, attached. ULH&P shall also have the right 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 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 monthly transportation imbalances delivered to ULH&P's city gate, shall be billed pursuant to Article IV hereof.

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FOR THE PUBLIC SERVICE COMMISSION

Article IX. 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 X. 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, extreme or prolonged cold, 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.

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 obligation 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.

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Article XI. 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 XII. 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 XIII 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 XIII. 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 Agreement 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.

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Article XIV. 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 NEWPORT's gas deliveries. NEWPORT 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.

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

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BY: *Jordan C. Hill*

date of the inaccurate meter, or for a period of 365 days prior to the date the inaccuracy is corrected, whichever is less.

Article XV. Term. Except as otherwise provided herein, this Agreement shall be in effect for a period of ten (10) years beginning on July 1, 1997 and shall continue in full force and effect until June 30, 2007. After June 30, 2007, this Agreement shall be automatically renewed on July 1 of each year for another twelve months unless a party notifies the other at least twelve months in advance of the renewal date of its intent to cancel the Agreement.

Article XVI. 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 are on file with the KPSC and also subject to the Rules, Orders and Regulations of other governmental authorities having jurisdiction.

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BY: *Gordon C. Neal*
FOR THE PUBLIC SERVICE COMMISSION

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. In the event that any required approvals or authorizations are made contingent on any additional terms or conditions which are not expressly set forth in this Agreement, either of the parties hereto may rescind this Agreement within thirty (30) days of the date the additional terms or conditions are promulgated. This Agreement shall be governed by the laws of the Commonwealth of Kentucky. This Agreement shall 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.

Article XVII. 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 XVIII. 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 XIX. Successors and Assigns. This Agreement shall be binding upon, and inure to, the successors and assigns of ULH&P and NEWPORT, and shall supersede ^{PUBLIC SERVICE COMMISSION} ~~and all other~~ ^{and all other} all previous gas service agreements, except for obligations incurred by NEWPORT to make payment of amounts due in respect to gas heretofore delivered thereunder. ^{EFFECTIVE}

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BY: Jordan C. Neal
FOR THE PUBLIC SERVICE COMMISSION

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

Dean A. Sprague

By J. C. Randolph Jr.

WITNESS:

NEWPORT STEEL CORPORATION

Thomas L. Golatzki

By Ronald R. Noel

Ronald R. Noel, President

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PURSUANT TO 807 KAR 501.1,
SECTION 9 (1)

By Gordon C. Noel
FOR THE PUBLIC SERVICE COMMISSION

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

Ky.P.S.C. Gas No. 5
Sheet No. 50.2
Cancelling and Superseding
Sheet No. 50.1
Page 1 of 3

BILL NOS. 266 - Transport only
267 - Both

RATE IT

INTERRUPTIBLE TRANSPORTATION SERVICE

APPLICABILITY

Applicable to curtailable transportation service and available to any customer who: (1) signs a contract with the Company for service under Rate IT; (2) utilizes a minimum of 10,000 CCF per month during the seven consecutive billing periods commencing with customer's first meter reading taken on or after April 1; and (3) has arranged for the delivery of gas into the Company's system, or requests Company to purchase and deliver gas, for customer's sole use at one point of delivery where distribution mains are adjacent to the premise to be served. Any service provided hereunder shall be by displacement and on a "best efforts" basis. The Company reserves the right to decline requests to initiate or continue such service whenever, in the Company's judgment, rendering the service would be detrimental to the operation of the Company's system or its ability to supply gas to customers receiving service under the provisions of Rate RS, Rate GS, Rate FT, and Rate SS.

This tariff schedule shall not preclude the Company from entering into special arrangements with Commission approval, which are designed to meet unique circumstances.

NET MONTHLY BILL

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

Administrative Charge per month: \$250.00

Commodity Charge per CCF:

Company will deliver the arranged-for gas, less shrinkage which is equal to the Company's system average unaccounted for percentage, at a rate of \$0.075 per CCF except as specified in the "Alternate Fuels" provision;

(R)

Plus a take-or-pay recovery charge as set forth on Sheet No. 71 Rider T-O-P, as competitive conditions allow;

Plus, if purchased by Company, an agency fee of \$0.005 per CCF and a gas cost per CCF based on that supply purchased on customer's behalf which will not be detrimental to sales service customers

If the Company is required to install remote meter reading equipment on customer's meter in order to monitor customer usage on a daily basis, customer will be responsible for the cost of such equipment either through a lump sum payment or monthly facilities charge designed to reimburse the Company for the cost of such equipment.

The Company will supplement the customer's gas supply on a best efforts basis for gas delivered through customer's meter in excess of customer's daily and/or monthly transported volumes including prior months transportation imbalances and Standby Service volumes if applicable. The cost of this supplemental gas supply will not be detrimental to the Company's sales service customers. In the event customer fails to interrupt transportation deliveries at Company's request, or Company is unable to provide supplemental supplies for customer, any excess deliveries through customer's meter will be considered unauthorized deliveries. However, Company shall not be precluded from physically discontinuing service to the customer, if the customer refuses to interrupt service when requested by the Company.

Issued by authority of an Order of the Kentucky Public Service Commission dated August 31, 1993 in Case No. 92-346.

Issued: September 9, 1993

Issued by J. H. Randolph, President

PUBLIC SERVICE COMMISSION
Effective: August 31, 1993
OF KENTUCKY
EFFECTIVE

SEP 04 1997

PURSUANT TO 807 KAR 50.11
SECTION 9 (1)

BY: Jordan C. Neal
FOR THE PUBLIC SERVICE COMMISSION

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

Ky.P.S.C. Gas No. 5
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NET MONTHLY BILL (Cont'd.)

Minimum: The monthly Administrative Charge shown above, and, in addition thereto during the seven consecutive billing periods beginning in April, the 10,000 CCF volume minimum.

If customer fails to take delivery of 10,000 CCF per month during the months of April through October, customer will be charged, in addition to the Administrative Charge and the charges for the delivered volumes, an amount equal to the difference between 10,000 CCF and the delivered volumes billed at Rate GS.

ALTERNATIVE FUELS

The Company may charge a rate lower than that specified in the "Net Monthly Bill" provision, to meet competition from alternative fuels without prior Commission approval. The decision to charge a lower rate will be made on a case-by-case basis, supported by a statement in the customer's affidavit that absent such lower rate, customer would utilize an alternative fuel source. The lower rate shall not be less than one-half the commodity rate specified in the "Net Monthly Bill" provision.

The Company may also charge a rate higher than that specified in the "Net Monthly Bill" provision if such rate remains competitive with the price of energy from customer's alternative fuel source. The higher rate shall not exceed 150 percent of the commodity rate specified in the "Net Monthly Bill" provision.

Once a customer receives a flexible transportation rate, as described in the preceding paragraphs, the customer must continue to pay a flexible rate as determined by the Company for a period of three months. After three months, the customer may, upon written notification to the Company, apply for a flexible rate for another three months. Absent such notification, customer's rate will convert to the fixed rate established herein.

GAS COST CREDIT

A gas cost credit (GCC) based upon a rate of \$0.005 per CCF, shall be calculated monthly based on the agency volumes purchased by Company on customer's behalf and credited to the Company's booked cost of gas. The GCC shall be included in the determination of the gas cost adjustment rate provision set forth on Sheet No. 70 of this tariff.

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.

UNAUTHORIZED DELIVERIES

All unauthorized deliveries shall be billed at a rate charged by the Company's interstate pipeline supplier(s) for such unauthorized deliveries in addition to the charges set forth under the Net Monthly Bill provision of this tariff.

TERMS AND CONDITIONS

The customer shall enter into a written agreement with the Company. Such agreement shall set forth specific arrangements as to the transportation services provided, as well as, any other circumstances relating to the individual customer.

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

Where customer or customer's designated agent (supplier) owns the gas to be transported, customer shall be responsible to make all necessary arrangements and secure all requisite regulatory or governmental approvals, certificates or permits to enable the gas to be delivered to the Company's system.

Issued by authority of an Order of the Kentucky Public Service Commission dated August 31, 1993 in Case No. 92-346.

Issued: September 9, 1993

Issued by J. H. Randolph, President

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OF KENTUCKY
EFFECTIVE August 31, 1993

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BY: Jordan C. Neal
FOR THE PUBLIC SERVICE COMMISSION