

Duke Energy Kentucky, Inc.
Backup Delivery Point Capacity Agreement

This Backup Delivery Point Capacity Agreement ("Agreement") is made and entered into as of the 21 day of December 2009 ("Effective Date") by and between **Duke Energy Kentucky, Inc.**, ("Company"), a corporation organized and existing under the laws of the Commonwealth of Kentucky, and the **Sanitation District No. 1** ("Customer"), a sanitation District organized pursuant to Kentucky Revised Statutes, Chapter 220, whose address is 1045 Eaton Drive, Ft. Wright, Kentucky 41017 with facilities at 392 Madison Pike, Ft. Wright Kentucky (Lakeview Pump Station) ("Facility") (each a "Party" and collectively the "Parties").

WHEREAS, Customer is being provided electric service by Company through an electric service connection pursuant to Company's KY. P.S.C. Electric No. 4, on file with the Kentucky Public Service Commission ("KyPSC") and as amended from time to time ("Electric Tariff"); and

WHEREAS, Customer desires that Company provide Customer with an additional electric service connection of 12,400 volts (Supplemental Service) pursuant to the terms and conditions of the Company's Backup Delivery Point Capacity Rider (Rider BDP); and

WHEREAS, Customer and Company are contemporaneously entering into a Supplemental Service Agreement under which Company shall construct and maintain the Company's facilities to enable the Company to provide reserve capacity service to the Facility; and

WHEREAS, the Customer desires that Company reserve 2,800 kilowatts ("kW") of capacity on its distribution facilities that will provide such reserve capacity service ("Reserve Capacity Service"); and

WHEREAS, the purpose of the Supplemental Service and Reserve Capacity Service is to provide an alternate source of electric service to Customer in the event of the failure of the Company's primary source of supply to Customer; and

WHEREAS, Company is willing to provide such limited Reserve Capacity Service to Customer, subject to the terms and conditions of this Agreement;

NOW THEREFORE, the Parties agree as follows:

1. **Reserve Capacity.** Company shall reserve on Customer's behalf 2,800 kW of distribution (12.47 kV) capacity that are interconnected to the Primary Service and Supplemental Service facilities in accordance with the terms, conditions and limitations set forth herein ("Reserve Capacity Amount").
2. **Fees.** In addition to the Company's regular monthly charges pursuant to service to the Facility under the Electric Tariff, The Customer shall also pay a monthly fee of ~~\$10,556.00~~ **\$3.77** per kW ("Monthly Fee") applied to the monthly electric utility bill for the Term of

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this Agreement or until such time, if any, that Customer determines that additional Reserve Capacity is required. The Monthly Fee shall be subject to change if and when a change in Company's retail electric base rates is approved by the KyPSC. In such event, Company will notify Customer of the new monthly fee thirty (30) days prior to imposing the new fee. The Monthly Fee shall become effective either on the date that the Supplemental Service meter is installed by the Company or 60 days after the Company has completed the installation of the Supplemental Service facilities, whichever date occurs first.

3. Additional Reserve Capacity. In the event that either Party reasonably determines that Customer requires additional Reserve Capacity above the Reserve Capacity Amount, such Party may terminate this Agreement in accordance with Paragraph 8 herein. In the event of such termination, the Parties shall work in good faith to develop a replacement agreement that reflects the total increased level of desired reserve capacity (Increased Reserve Capacity) and the appropriate facilities required to provide the service. At its sole discretion, the Company may elect to amend this agreement per Addendum "A" attached hereto to reflect a change in the Reserve Capacity quantity and adjusted applicable Monthly Fee.
4. Limitations on Service. Company shall make reasonable provisions to supply Reserve Capacity Service, but does not guarantee a constant or uninterrupted supply of electricity from the primary or Supplemental Service sources. Moreover, Company shall not be liable for any damage or claim of damage attributable to any interruption or reversal of service caused by accident or casualty, extraordinary action of the elements, action of any governmental authority, or by any other cause which Company could not have reasonably foreseen and made provisions against, unless due to the gross negligence or intentional misconduct of Company.
5. Excess Demand. Company does not guarantee or warranty that the Reserve Capacity Service will be available beyond the Reserve Capacity Amount level. If Customer's Supplemental Service demand exceeds the Reserve Capacity Amount, Customer shall immediately implement a curtailment plan to reduce its peak electric demand by curtailing non-essential load or by utilizing some other means to obtain an imposed loading of the Reserve Capacity Amount or less.
6. Limitation of Liability / Indemnification. The Company shall not be held responsible by the Customer for any interruption or damages attributed to the Customer's failure to conform to the Reserve Capacity Amount demand limit. Moreover, the Customer shall be held responsible for damages to Company property in the event Customer fails to conform to the Reserve Capacity Amount limit. Further, Customer shall hold Company harmless and shall indemnify Company from and against any and all damage to adjacent customers' property supplied from the same facilities as Customer, to the extent such damage results from Customer's failure to conform to the Reserve Capacity Amount demand limit. In the event Company finds that Customer is not complying with the terms of this Agreement, Company reserves the right to terminate this Agreement, disable the Reserve Capacity Service and/or remove the Supplemental Service facilities. Company will send written notice thirty (30) days prior to such action being taken.



7. **Changes in Facilities.** If during the Term of this Agreement, Customer requests Company to temporarily or permanently relocate, rearrange, or alter any or all of the facilities required to provide Reserve Capacity Service, and Company agrees to do so, which agreement shall not be unreasonably withheld, Customer shall reimburse Company for all reasonable, necessary and documented costs associated therewith.
8. **Term and Termination.** The term of this Agreement shall begin on the Effective Date and be for a period of five (5) years therefrom and shall remain in force, thereafter, until terminated by either Party giving the other Party sixty (60) days advanced written notice of its intent to terminate the Agreement or both Parties mutually renew the Agreement. Notwithstanding the foregoing, this Agreement shall terminate upon the termination, cancellation or expiration of the Supplemental Service Agreement between the Company and the Customer executed contemporaneously with this Agreement ("Supplemental Service Agreement"). Upon termination of this Agreement, the Company may remove any affected facilities at Company's cost.
9. **Tariffed Electric Service.** Company shall provide electric service to Customer in accordance with the Company's Electric Tariff(s) on file with the KyPSC and as amended from time to time, except as otherwise set forth in this Agreement and the Supplemental Service Agreement.
10. **Regulatory Approvals.** This Agreement is subject to KyPSC jurisdiction. Any petitions and filings shall be the responsibility of the Company. Company shall notify the Customer when Company makes the required filing at the KyPSC, and shall notify the Customer of any KyPSC Order issued with respect to this Agreement. If the KyPSC issues any Order rejecting this Agreement or which materially affects the terms and conditions of Company's service rendered pursuant to this Agreement, Company reserves the right to terminate this Agreement upon thirty (30) days' written notice to Customer.
11. **Assignment.** Neither Party shall assign any of its rights nor delegate any of its duties under this Agreement without the prior written consent of the other Party, such consent not to be unreasonably withheld. The terms and conditions of this Agreement shall be binding upon and inure to the benefit of any and all successors or assigns of the Parties.



12. **Entire Agreement.** This Agreement constitutes the entire agreement between the Parties related to the subject matter hereof and supersedes all prior or contemporaneous understandings, statements or agreements between the Parties on such subject matter with the exception of the Supplemental Service Agreement (together with this Agreement, the "Agreements"). In the event of any conflict between this Agreement and the Supplemental Service Agreement, the Supplemental Service Agreement shall control. Each Party acknowledges and agrees that no employee, officer, agent or representative of the other Party has the authority to make any representation, statements or promises in addition to or in any way different than those contained in the Agreements, and that it is not entering into the Agreements in reliance upon any representation, statements or promises in addition to or in any way different than those contained in the Agreements, and that it is not entering into the Agreements in reliance upon any representation, statement or promise of the other Party except as expressly stated in the Agreements.
13. **Governing Law.** This Agreement, the construction of this Agreement, all rights and obligations between the Parties to this Agreement, and any and all claims arising out of or relating to the subject matter of this Agreement (including tort claims), shall be governed by and construed in accordance with the substantive laws of the Commonwealth of Kentucky without giving any effect to any conflict of law doctrine.
14. **Interpretation.** Both Parties have had the opportunity to have this Agreement reviewed by counsel; therefore, neither Party hereto shall be construed as the drafter hereof.
15. **Amendments.** No modification, amendment, supplement to or waiver of this Agreement or any of its provisions shall be binding unless made in writing and duly signed by the Party to be obligated by, or to perform, such modification.
16. **No Waiver of Rights.** A failure or delay of either Party to exercise any right or remedy under this Agreement shall not operate to impair, limit, preclude, cancel, waive or otherwise affect such right or remedy.
17. **Severability.** If any provision under this Agreement shall be invalid or unenforceable with respect to either Party, the remainder of this Agreement shall not be affected and each provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.



18. Notices. All notices to be given hereunder, unless expressly provided otherwise herein, shall be given in writing to the Parties at the addresses appearing herein below and will be effective upon actual receipt:

To Customer:
Sanitation District No. 1
Attn. General Manager
1045 Eaton Drive
Ft. Wright, KY 41017

To Company:
Duke Energy Kentucky, Inc.
Attn. Mike Heath
1262 Cox Road
Erlanger , Kentucky 41018

19. Headings. The headings used in the paragraphs in this Agreement are only for the reference of the Parties and shall have no meaning in the interpretation of any of the provisions herein.

20. Alternative Dispute Resolution. If a dispute arises between the Parties relating to this Agreement, the Parties agree to use the following Alternative Dispute Resolution ("ADR") procedure prior to either Party pursuing other available remedies:

- a) The aggrieved Party shall send a written notice to the other Party describing the dispute.
- b) Within fifteen (15) days after receipt of such notice, a meeting, teleconference or videoconference, upon agreement of the Parties, shall be held between the Parties, attended by individuals with decision-making authority regarding the dispute, to attempt in good faith to negotiate resolution of the dispute.
- c) If, within thirty (30) days after such meeting, the Parties have not succeeded in negotiating a resolution of the dispute, they will jointly appoint a mutually acceptable neutral person not affiliated with either of the Parties to act as a mediator ("Neutral"). If the Parties are unable to agree on the Neutral within ten (10) days after expiration of the thirty (30) day period, they shall seek assistance in such regard from CPR Institute for Dispute Resolution, Inc. ("CPR"). The fees of the Neutral and all other common fees and expenses shall be shared equally by the Parties.
- d) The mediation may proceed in accordance with CPR's Model Procedure for Mediation of Business Disputes, or the Parties may mutually establish their own procedure.
- e) The Parties shall pursue mediation in good faith and in a timely manner. In the event the mediation does not result in resolution of the dispute within twenty (20) days following the mediation, the, upon seven (7) days' written notice to the other Party, either Party may immediately seek other remedies available to it in law and equity.



- f) All ADR proceedings shall be strictly confidential and used solely for the purposes of settlement. Any materials prepared by one Party for the ADR proceedings shall not be used as evidence by the other Party in any subsequent litigation; provided, however, the underlying facts supporting such materials may be subject to discovery, and used as evidence in any subsequent litigation.
- g) Each Party fully understands its specific obligations under the ADR provisions of the Agreement. Neither Party considers such obligations to be vague or in any way unenforceable, and neither Party will contend to the contrary at any future time or in any future proceedings.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be signed by their respective representatives, thereunto duly authorized.

Duke Energy Kentucky, Inc.

By: _____

Signature: _____

Title: _____

KEITH L. DAVIS
KEITH L. DAVIS
MANAGER, LBC

Sanitation District No. 1

By: _____

Signature: _____

Title: _____

ROBERT N. ELLISON
Robert N. Ellison
President



ADDENDUM SHEET "A"

Total Reserve Capacity Quantity	Total Monthly Fee	Adjustment Date	Customer Approval	Company Approval
3,500 kW				
5,250 kW				
6,000 kW				
8,700 kW				

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