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PUBLIC SERVICE
COMMISSION

AGREEMENT FOR ASSIGNMENT OF RESPONSIBILITY
FOR COMPLYING WITH RELIABILITY STANDARDS
BETWEEN
Jackson Purchase Energy Corporation
AND
Big Rivers Electric Corporation

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
12/5/2008
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 
Executive Director

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Exhibits

Exhibit A Functions and/or Reliability Standards and Requirements for which BREC has Assumed Compliance Responsibility on Behalf of JPEC

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Exhibit B Additional Parties for which Notice, Acceptance, and/or Approval of this Agreement is Required or Deemed Needed

Exhibit C Allocation of Responsibilities and Duties for Complying with Applicable Reliability Standards

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AGREEMENT FOR ASSIGNMENT OF RESPONSIBILITY
FOR COMPLYING WITH RELIABILITY STANDARDS

THIS AGREEMENT FOR ASSIGNMENT OF RESPONSIBILITY FOR COMPLYING WITH RELIABILITY STANDARDS (“Agreement”) is entered into this 10th day of July, 2008, by and between: (a) Jackson Purchase Energy Corporation (“JPEC”), a Kentucky rural electric cooperative, having its registered and principal executive office at 2900 Irvin Cobb Drive, Paducah, Kentucky, and (b) Big Rivers Electric Corporation (“BREC”), a Kentucky rural electric cooperative, having its registered and principal executive office at 201 Third Street, Henderson, Kentucky. JPEC and BREC are hereinafter referred to as the “Parties.”

WITNESSETH

WHEREAS, JPEC is engaged in substantial part in the retail sale and/or distribution of electric power;

WHEREAS, BREC is engaged in substantial part in the wholesale sale and transmission of electric power;

WHEREAS, JPEC obtains electric power, transmission, and/or other electric-power related services from or through BREC;

WHEREAS, JPEC would, absent this Agreement, be directly responsible for complying with Reliability Standards established, administered, and/or enforced by the Electric Reliability Organization (“ERO”) and/or SERC, the Regional Entity (the “RE”), subject to the approval and/or oversight of the Federal Energy Regulatory Commission (“FERC”) pursuant to Section 215 of the Federal Power Act (“FPA”) as amended by Section 1211 of the Energy Policy Act of 2005; and

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WHEREAS, JPEC desires to assign to BREC, and BREC is willing to accept assignment of, responsibility for JPEC's compliance with various Reliability Standards on the terms specified herein;

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, the Parties hereby agree as follows:

1 Definitions

1.1 General

Except as defined below, terms and expressions used in this Agreement shall have the same meanings as those contained in the FPA, the Reliability Standards, and other agreements to which BREC and JPEC are both parties, including any power supply or transmission agreements.

2 Term and Termination

2.1 Effective Date and Term

This Agreement shall be effective as of the later of (a) the date that the ERO and the RE accept BREC's registration to comply with the Reliability Standards specified in Exhibit A (the "Applicable Reliability Standards") on behalf of JPEC, and (b) the date that notification has been given to or approval or acceptance has been received from any other entities [such as the Rural Utilities Service (RUS), the Kentucky Public Service Commission (KPSC) or FERC] as specified in Exhibit B, whose notification, acceptance, or approval is necessary or deemed needed for this Agreement to take effect.

2.2 Term

Once entered into, the term of this Agreement shall continue indefinitely until terminated

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pursuant to 2.3.

2.3 Termination

2.3.1 Termination Option

Either Party may terminate this Agreement for any reason upon written notice to the other Party. Unless otherwise agreed to by the Parties, the Party seeking to terminate shall provide at least 90 days of notice to the other Party, except where such advance notice is not commercially reasonable, in which event the terminating Party shall provide as much notice as is reasonably possible.

2.3.2 Effectiveness of Termination

Termination shall be effective only when the ERO and/or the RE acknowledge, through their Compliance Registry (or through other means agreeable to JPEC, BREC, and the ERO and/or RE) that BREC is no longer registered to perform compliance with any Reliability Standards on behalf of the JPEC. In addition, the terminating Party (or both Parties in the case of termination by mutual agreement) shall be responsible for providing any necessary notification to, and obtaining any required approval or acceptance, from other entities as may be required or deemed needed for such termination as specified in Exhibit B.

2.3.3 Survival of Obligations

Except as BREC and JPEC may otherwise agree in writing, the obligations, duties, and powers specified in 3.1 and 3.2 shall survive termination of this Agreement for events occurring prior to termination.

2.3.4 Interim Compliance with Reliability Standards

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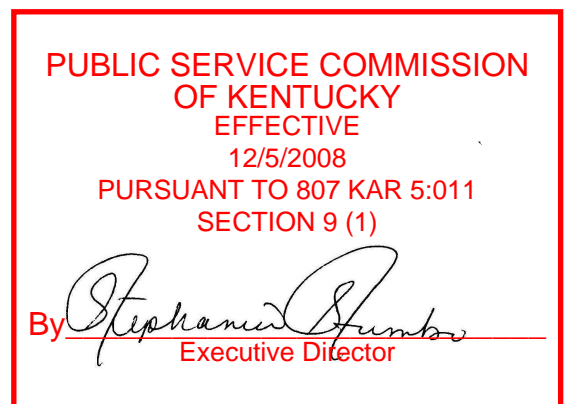
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From the time that notice of termination is given (or the Parties agree to terminate) through the time that the termination becomes effective under 2.3.2, the Parties shall continue to abide by the terms of this Agreement, including terms for JPEC to reimburse and/or compensate BREC; provided, however, that if JPEC refuses or fails to follow instructions given by BREC for compliance with the Applicable Reliability Standards, JPEC shall, in addition to its other obligations under this Agreement, be required to reimburse, hold harmless, and indemnify BREC for all costs (including fines and other penalties) incurred by BREC in a commercially reasonable manner resulting from JPEC's failure to follow BREC's instructions for complying with the Applicable Reliability Standards.

- 3 Duties and Obligations of the Parties
- 3.1 Basic Scope of Duties, Obligations, and Powers
- 3.1.1 BREC Obligations

Subject to the other terms of this Agreement, BREC shall (a) register with the ERO and the RE to be responsible for JPEC's compliance with the Applicable Reliability Standards, (b) monitor, certify, and be responsible for JPEC's compliance with the Applicable Reliability Standards, and (c) pay penalties, fines, or other costs imposed by the ERO, RE, or FERC arising from non-compliance on JPEC's behalf with the Applicable Reliability Standards, subject to reimbursement from JPEC as specified herein.

- 3.1.2 JPEC Authorization of BREC



JPEC authorizes BREC to register with the ERO and/or the RE and appear before the ERO, the RE, FERC, and reviewing or enforcing courts of competent jurisdiction on behalf of and represent JPEC with respect to JPEC's compliance with the Reliability Standards, including with respect to, but not limited to, any inquiries, audits, investigations, penalties, sanctions, or remedial action directives.

3.1.3 JPEC Obligations

JPEC shall follow BREC's instructions for complying with the applicable Reliability Standards and shall otherwise cooperate with and assist BREC in matters pertaining to compliance with the Applicable Reliability Standards. JPEC's duty to cooperate with and assist BREC in BREC's performance of BREC's obligations under this Agreement shall include, without limitation, the obligations to (a) exchange information related to compliance with the Applicable Reliability Standards, and (b) to provide books, records, and other information as to JPEC's actions and inactions for purposes of responding to any inquiries, audits, investigations, enforcement actions, or claims from the ERO, the RE, the FERC and/or other entities relating to compliance with the Applicable Reliability Standards.

3.1.4 Method of Compliance with Applicable Reliability Standards

Exhibit C reflects the agreement between BREC and JPEC as to the allocation of responsibilities and duties for achieving compliance with the requirements of the Applicable Reliability Standards as to whether those responsibilities and duties are performed more efficiently or effectively by BREC or JPEC or some combination thereof. If the ERO, the RE, and/or FERC require that additional or specific actions be

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taken to achieve compliance with, or in response to a violation of, one or more Applicable Reliability Standards, BREC and JPEC shall: (a) agree on how Exhibit C is to be amended; (b) agree that JPEC shall be exclusively responsible for compliance with the one or more Applicable Reliability Standards; (c) agree on any appropriate changes in BREC's compensation under this Agreement associated with (a) or (b); and/or (d) initiate termination of this Agreement.

3.2 BREC Cost Recovery from JPEC

3.2.1 General Cost Recovery

BREC shall not recover from JPEC the amount of the costs incurred by BREC in fulfilling its obligations under this Agreement .

Recovery of Fines and Penalties

BREC shall be entitled to recover from JPEC any penalties, fines, or claims (whether imposed by the ERO, the RE, or FERC) or other related costs, including costs for BREC to defend itself or JPEC, resulting or arising from possible, alleged, or actual non-compliance with the Applicable Reliability Standards. Notwithstanding the prior sentence, BREC shall not be entitled to recover such amounts to the extent they result solely from negligence of BREC or BREC's failure to take commercially reasonable efforts to achieve compliance with the Applicable Reliability Standards without any contributory involvement, action, or inaction by JPEC.

New or Modified Reliability Standards and Updating of Exhibit B

BREC shall undertake commercially reasonable efforts to stay aware of and shall inform

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JPEC in writing of any new or modified Reliability Standards that may be established by the ERO and/or RE that would be directly applicable to JPEC in the absence of this Agreement. In addition, if JPEC should become aware of new or modified Reliability Standards that may be established by the ERO and/or RE that would be directly applicable to JPEC in the absence of this Agreement, JPEC shall promptly inform BREC of such Reliability Standards. The Parties shall discuss in good faith modifying Exhibits A and C to include such new or modified Reliability Standards of which they become aware and also to remove any Reliability Standards that are eliminated or cease to have potential applicability to JPEC. The Parties shall also act in good faith to update Exhibit B to keep it current.

3.3 JPEC Option to Assume Direct Responsibility for Compliance

JPEC shall have the option to assume responsibility for its direct compliance (as opposed to compliance through BREC) with some and/or all of the Reliability Standards that may be applicable to JPEC, effective upon appropriate registration with the ERO and the RE and appropriate notification, approval, and/or acceptance of BREC and applicable entities as specified in Exhibit B, and, if applicable, appropriate revision of Exhibits A and C and/or termination of this Agreement.

3.4 Potential Joint Compliance with Applicable Reliability Standards by BREC and JPEC

Subject to the acceptance of the ERO and the RE to be reflected in the Compliance Registry, BREC and JPEC may each register to be responsible for compliance with one or more of the Applicable Reliability Standards, subject to having the ERO, the RE, or FERC determine whether BREC, JPEC, or both is or are responsible for any non-

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compliance with the Applicable Reliability Standards under this Agreement.

4 Representations and Covenants

Each Party represents and covenants to the other Party that it is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relevant to this Agreement, that it has undertaken all actions required to enter into this Agreement, that it is subject to no restrictions that prevents it from entering into and performing under and pursuant to this Agreement, and that it will use commercially reasonable efforts to remedy any future matters that might otherwise restrict it from performing under and pursuant to this Agreement in the future.

5 No Rights Created for the Benefit of Third Party Beneficiaries


Except as otherwise expressly provided herein, nothing in this Agreement shall be construed or deemed to confer any right or benefit on, or create any duty to, or standard of care with reference to, any third party.

6 Indemnification

6.1 Liability Between the Parties

The Parties' duties and standard of care with respect to each other, and the benefits and rights conferred on each other, shall be no greater than as explicitly stated herein.

Neither Party, its directors, officers, employees, or agents, shall be liable to the other Party for any loss, damage, claim, cost, charge, or expense, whether direct, indirect, or consequential, or whether arising in tort, contract or other theory of law or equity, arising from the Party's performance or nonperformance under this Agreement, except as may be otherwise specified herein.

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6.2 No Liability for Electric Disturbances and Interruptions

Neither Party shall be liable under this Agreement to the other Party for any claim, demand, liability, loss, or damage, whether direct, indirect, or consequential, or whether arising in tort, contract or other theory of law or equity, incurred by the other Party or its customers, resulting from the separation of the Party's systems in an emergency or interruption. If a customer of a Party makes a claim or brings an action against the other Party for any death, injury, loss, or damage arising out of or in connection with electric service to such customer and caused by the other Party's performance or nonperformance under this Agreement, the first Party shall indemnify and hold harmless the other Party, its directors, officers, and employees from and against any liability for such death, injury, loss, or damage.

7 Miscellaneous Matters

7.1 Assignment

Neither Party to this Agreement may assign its obligations under this Agreement without the other Party's prior written consent, which consent may be withheld in the other Party's sole discretion. No assignment of this Agreement shall relieve the assigning Party from any obligation or liability under this Agreement arising or accruing prior to the date of assignment.

7.2 RUS Assignment

Consent shall not be required for any assignment by a Party of any and all of its rights hereunder to the United States Rural Utilities Service ("RUS") (and any other mortgages sharing security with the RUS) as security under the Party's RUS mortgage, or for any

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subsequent assignment by the RUS in exercise of its rights under the RUS mortgage; provided, however, registration with or notification of the ERO and/or the RE, and other parties identified in Exhibit B may still be required for such assignment to be effective.

7.3 Notices

Any notice, demand, or request which may be given to or made upon either Party regarding this Agreement shall be made in writing and shall be deemed properly served, given, or made: (a) upon delivery if delivered in person, (b) five (5) days after deposit in the mail if sent by first class United States mail, postage prepaid, (c) upon receipt of confirmation by return facsimile if sent by facsimile, or (d) upon delivery if delivered by prepaid commercial courier service. The initial contacts for the Parties are the executive offices specified in the first clause of this Agreement. A Party may update the information relating to its address as that information changes by providing notice to the other Party pursuant to this provision, and such changes shall not constitute an amendment to this Agreement.

7.4 Waivers

Any waiver at any time by either Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or matter arising in connection with this Agreement. Any delay short of the statutory period of limitations in asserting or enforcing any right under this Agreement shall not constitute or be deemed a waiver of such right.


7.5 Governing Law and Forum

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This Agreement shall be deemed to be a contract made under and for all purposes shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky where BREC has its principal place of business, except to the extent, if any, that this Agreement is governed by or preempted by federal law, including, if applicable, determinations relating to the construction of the Reliability Standards by the ERO, the RE, and/or FERC. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Agreement shall be brought in a court having competent jurisdiction or, if subject to its jurisdiction or authority, the FERC. No provision of this Agreement shall be deemed to waive the right of any Party to protest, or contend in any manner, whether this Agreement, or any action or proceeding arising hereunder, is subject to the jurisdiction of the FERC. No dispute arising under this Agreement shall be subject to trial before a jury, and the Parties hereby waive any rights to a jury trial for disputes arising under this Agreement that they might otherwise have.

7.6 Mediation/Arbitration

If a dispute arises out of or relates to this Agreement, or the breach thereof, and if the dispute cannot be settled through negotiation, the Parties shall, upon request of either Party, first try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Procedures before resorting to arbitration, litigation, or some other dispute resolution procedure. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall, upon request of either Party, be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules, and Judgment on the

on administered by the American
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award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

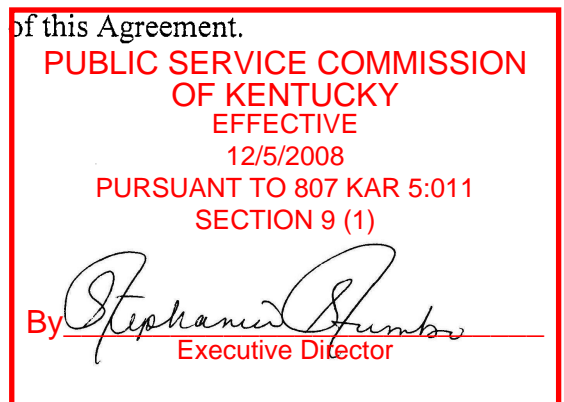
Consistency with Federal Laws and Regulations

Nothing in this Agreement shall compel either Party to violate federal statutes, regulations, or orders, including the Reliability Standards. If any provision of this Agreement is inconsistent with any obligation imposed on either Party by federal law, regulation, or order, or if either Party's performance of its obligations under any provision of this Agreement is prohibited by or would conflict with any federal law, regulation, or order, such provision shall be inapplicable to that Party to that extent. Neither Party shall incur any liability by failing to comply with any such provision; provided, however, that such Party shall use commercially reasonable efforts to comply with this Agreement to the extent that applicable federal laws, regulations, and orders lawfully promulgated thereunder permit it to do so.

7.7 Severability

If any term, covenant, or condition of this Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect, unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Agreement.

7.8 Section Headings



Section headings provided in this Agreement are for ease of reference and are not meant to interpret the text in each Section.

7.9 Meaning of Herein and Hereunder

As used in this Agreement, "herein" and "hereunder" refer to this Agreement in its entirety, and not any individual article, section, paragraph, sentence, or other portion.

7.10 Entire Agreement

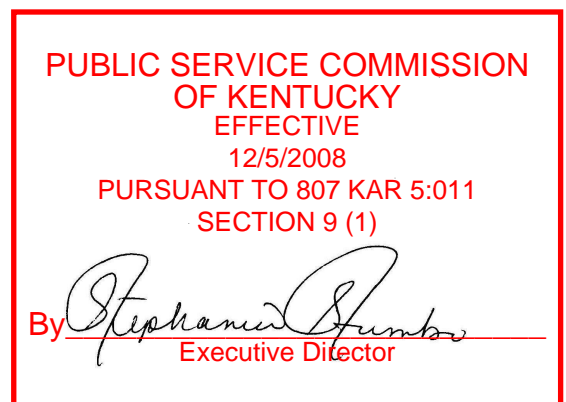
This Agreement constitutes the entire agreement between the Parties, and supersedes all prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter of this Agreement.

7.11 Amendments

This Agreement and any Exhibits may be amended from time to time by the mutual agreement of the Parties in writing, subject to any required notifications, approvals, and amendments as referenced in 2.1.

7.12 Counterparts

This Agreement may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Agreement.



IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed on behalf of each by and through their authorized representatives as of the date first written above.

Jackson Purchase Energy Corporation

By: *G. Kelly Nuckols*

Name: G. KELLY NUCKOLS

Title: PRESIDENT & CEO

Date: July 7, 2008

Big Rivers Electric Corporation

By: *Michael H. Core*

Name: Michael H. Core

Title: Pres/CEO

Date: 7/10/08

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By: *Stephanie Dumb*
Executive Director

Exhibit A

Functions and/or Reliability Standards and Requirements for which BREC has
Assumed Compliance Responsibility on Behalf of JPEC

All Functions and/or Reliability Standards and Requirements applicable to the Load Serving
Entity (LSE) and Distribution Provider (DP) as specified by NERC.

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Exhibit B

Additional Parties for which Notice, Acceptance, and/or Approval
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Exhibit C

Allocation of Responsibilities and Duties for Complying with Applicable Reliability Standards

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