

1 **SECURITY DEPOSIT AGREEMENT**

2 **THIS SECURITY DEPOSIT AGREEMENT** made and entered into this
3 the 6th day of June, 2002, by and between **KENERGY CORP.**, Post Office Box 18,
4 Henderson, Kentucky 42419-0018 ("Kenergy") and **COMMONWEALTH ALUMINUM**
5 **LEWISPORT, LLC**, 500 West Jefferson Street, Citizens Plaza-19th Floor, Louisville, Kentucky
6 40202-2823 ("Commonwealth");

7 **WHEREAS:**

8 (1) Kenergy provides retail electric service to Commonwealth at its Lewisport Aluminum Mill
9 located in Hancock County, Kentucky, but presently there is no written agreement in effect for this
10 service and Kenergy and Commonwealth are negotiating a written service agreement;

11 (2) Kenergy and Commonwealth have reached agreement regarding the terms and conditions
12 of a security deposit which shall apply regardless of whether a written service agreement is in effect
13 between the parties; and

14 (3) The parties desire to set forth in writing their agreement concerning said security deposit.

15 **NOW**, therefore, for good and valuable consideration, the receipt and
16 sufficiency of which is acknowledged, the parties mutually **AGREE** as follows:

17 1. Commonwealth has this day delivered to Kenergy a certified or cashier's
18 check, or has made wire transfer, in the amount of \$1,000,000.00 to be applied as a security deposit
19 and Kenergy hereby acknowledges receipt of the aforementioned \$1,000,000.00 which shall be held

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SECTION 9 (1)

BY Stephen Bell
SECRETARY OF THE COMMISSION

1 as a cash deposit to secure payment of bills for electric service. The cash deposit shall also secure
2 payment of contractual obligations, if any, as set forth below in paragraph 4.

3 2. The \$1,000,000.00 cash deposit represents approximately 2/12ths of
4 Commonwealth's average bill for the most recent 12 month period at its Lewisport Aluminum Mill.
5 At least annually from and after date hereof the average bill for the most recent 12 month period shall
6 be determined by Kenergy and the amount of the cash deposit shall be increased or decreased so that
7 said deposit will equal 2/12ths of said average bill. If the deposit is required to be increased,
8 Commonwealth agrees to promptly pay the additional amount; if the deposit is required to be
9 decreased, Kenergy shall promptly make a refund of the excess amount.

10 3. Interest shall accrue on the cash deposit at the rate prescribed by law which
11 currently is 6% annually. The amount of the earned interest shall be paid to Commonwealth annually
12 within 45 days after the end of the calendar year.

13 4. In the event the parties enter into a written service agreement, the
14 aforementioned cash deposit shall also secure payment of all of Commonwealth's contractual
15 obligations thereunder. Moreover, if Commonwealth incurs charges under the service agreement
16 such as termination charges or charges for replacement power in excess of contract rates, the amount
17 of the required cash deposit shall be increased to cover said charges, if Kenergy requests such
18 increase.

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BY Stanford Bell
SECRETARY OF THE COMMISSION

1 5. The cash deposit shall be retained as long as Kenergy is providing retail
2 electric service to Commonwealth at its Lewisport Aluminum Mill, regardless of whether a written
3 service agreement is in effect between the parties; provided, however, upon at least 90 day written
4 notice Commonwealth may avail itself of the other methods of meeting deposit requirement as set
5 forth in Schedule 117 of Kenergy's approved tariff, or any duly approved successor schedule.

6 6. This agreement shall inure to the benefit of the parties hereto, their
7 respective successors and permitted assigns.

8 7. Commonwealth understands that the Kentucky Public Service Commission
9 ("KPSC") must accept or approve this agreement. Upon execution of this agreement by both parties
10 Kenergy shall promptly submit same to KPSC for such acceptance or approval. If KPSC has not
11 provided written acceptance or approval within 45 days of date hereof, Kenergy shall refund the
12 \$1,000,000.00 deposit, with accrued interest, and this agreement shall be deemed null and void.

13 **IN TESTIMONY HEREOF**, witness the hands of the parties hereto by and
14 their duly authorized representatives this day and date first above written

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KENERGY CORP.

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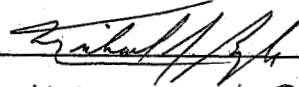
By Dean Stanley BY Richard Bell
SECRETARY OF THE COMMISSION

Printed Name: Dean Stanley

Title: Pres. & CEO

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**COMMONWEALTH ALUMINUM
LEWISPORT, LLC**

By 

Printed Name: Michael J. Boyle

Title: Vice President Materials