



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

December 6, 2007

Mr. Sandy Novick
Kenergy Corp.
P.O. Box 18
Henderson, KY 42419-0018

Re: Retail Electric Service Agreement
Armstrong Coal Company, Inc.

Dear Sandy:

This letter agreement ("Letter Agreement") will evidence Big Rivers' concurrence with the terms of Kenergy's electric service agreement with Armstrong Coal Company, Inc. (the "Retail Customer") dated December 6, 2007, a copy of which is attached hereto as Exhibit 1 (the "Retail Agreement"), and the agreement between Big Rivers and Kenergy with respect thereto.

- (1) **Existing Agreement and Tariffs.** The terms and conditions of the June 11, 1962, wholesale power agreement, as amended, and Big Rivers' filed tariffs shall continue in full force and effect except as expressly modified by this Letter Agreement.
- (2) **Additional Rights and Obligations of Big Rivers.** Big Rivers shall make available to Kenergy the electric power required during the term of the Retail Agreement to perform the power supply obligations assumed by Kenergy in the Retail Agreement and Big Rivers shall have the benefit of Retail Customer's covenants in such agreement. Big Rivers will supply the facilities required to deliver power to the delivery point, as defined in the Retail Agreement, and to meter electrical usage by Retail Customer.
- (3) **Obligations of Kenergy.** Kenergy shall take and pay for electric power and energy delivered by Big Rivers in accordance with Big Rivers' Rate Schedule 7, with demand and energy being measured in accordance with the Retail Agreement.
- (4) **Obligation of Kenergy for Minimum Billing Demand Charge.** Kenergy agrees to bill Retail Customer for any minimum billing demand charge measured demand, and agrees to pay over to Big Riv

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PURSUANT TO KYRS 201.0011

SECTIONS (f)

By

Executive Director

Your Touchstone Energy[®] Cooperative

Mr. Sandy Novick
December 6, 2007
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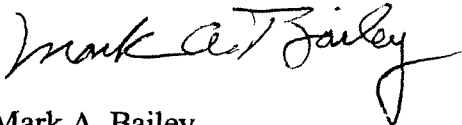
collected under such billings. The terms of this paragraph do not affect the obligation of Kenergy to pay Big Rivers as and when billed for the wholesale collected under such billings. The terms of this paragraph do not affect the charges for electric power and energy actually consumed by Retail Customer.

- (5) **Division of Any Partial Payments.** Kenergy will pay to Big Rivers a pro rata share of any partial payment made to Kenergy by or on behalf of Retail Customer.
- (6) **Effective Date.** This Letter Agreement will become effective upon approval or acceptance by the Public Service Commission of Kentucky.
- (7) **Entire Agreement and Amendment.** This Letter Agreement represents the entire agreement of the parties on the subject matter herein, and cannot be amended except in writing, duly authorized and signed by Big Rivers and Kenergy. The Retail Agreement cannot be amended without the written approval of Big Rivers.

If this Letter Agreement is acceptable to Kenergy, please indicate that acceptance by signing in the space provided and returning four copies to us.

Sincerely yours,

BIG RIVERS ELECTRIC CORPORATION

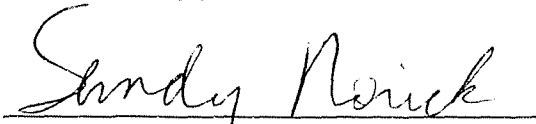


Mark A. Bailey
Executive Vice President

pm
Attachment

ACCEPTED:

KENERGY CORP.


Sandy Novick
President/CEO

Date: Jan 3, 2008

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OF KENTUCKY
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By 
Executive Director

AGREEMENT FOR ELECTRIC SERVICE

AGREEMENT made December 6, 2007, between KENERGY CORP, 6402 Old Corydon Road, Henderson, Kentucky 42420 (hereinafter called the "Seller"), and Armstrong Coal Company, Inc. with a service address at Midway Mine and Prep Plant., 1720 M2 Road, Centertown, Kentucky 42328 and corporate address at 407 Brown Road, Madisonville, Kentucky 42431, (hereinafter called the consumer"), a corporation.

The Seller shall sell and deliver to the Consumer, and the Consumer shall purchase all of the electric power and energy, which the Consumer may need at the aforementioned location, up to 5,000 kilowatts, upon the following terms:

1. SERVICE CHARACTERISTICS

- A. Service hereunder shall be alternating current, 3 phase, sixty cycles, 69,000 volts.
- B. The Consumer shall not use the electric power and energy furnished hereunder as an auxiliary or supplement to any other source of power and shall not sell electric power and energy purchased hereunder.

2. PAYMENT

- A. The Consumer shall pay the Seller for service hereunder at the rates and upon the terms and conditions set forth in Schedule 31, as it may be amended from time to time. A copy of Seller's current Schedule 31 is attached to and made a part of this Agreement as Exhibit "A." Notwithstanding any provision of the Schedule 31 and irrespective of Consumer's requirements for or use of electric power and energy, the demand for billing purposes hereunder shall be not less than 200 kilowatts per billing period (per month) through June, 2008, and 3,000 kilowatts for any billing period (per month) thereafter. In any event, based upon Seller's current rates the Consumer shall pay the Seller not less than \$2,130 per month through June, 2008 and not less than \$30,550 per month for service or for having service available hereunder during the remainder of the term hereof.
- B. The initial billing period shall start when Consumer begins using electric power and energy, or 30 days after the Seller notifies the Consumer in writing that service is available hereunder, whichever shall occur first; subject, however, to conditions of section 8.B., below.
- C. Bills for service hereunder shall be paid at the office of the Seller at Kenergy Corp, 6402 Old Corydon Rd., Henderson, KY 42420.

Such payments shall be due on the 25th day of each month for service furnished during the preceding monthly billing period.

If the Consumer shall fail to make any such payment within fifteen (15) days after such payment is due, the Seller may discontinue service to the Consumer upon giving fifteen (15) days' written notice to the Consumer of its intention so to do, provided, however, that such discontinuance of service shall not relieve the Consumer of any of its obligations under this Agreement.

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D. The Consumer agrees that if, at any time, the rate under which the Seller purchases electric service at wholesale is modified, the Seller may make an equivalent modification in the rate for service hereunder.

3. **MEMBERSHIP**

The Consumer shall become a member of the Seller, shall pay the membership fee and be bound by such rules and regulations as may from time to time be adopted by the Seller.

4. **CONTINUITY OF SERVICE**

The Seller shall use reasonable diligence to provide a constant and uninterrupted supply of electric power and energy hereunder. If the supply of electric power and energy shall fail or be interrupted, or become defective through act of God, Governmental authority, action of the elements, public enemy, accident, strikes, labor trouble, required maintenance work, inability to secure right-of-way, or any other cause beyond the reasonable control of Seller, the Seller shall not be liable therefore or for damages caused thereby.

5. **RIGHT OF ACCESS**

Duly authorized representatives of the Seller shall be permitted to enter the Consumer's premises at all reasonable times in order to carry out the provisions hereof.

6. **TERM**

This Agreement shall become effective upon the approval or acceptance referred to below in section 8.B. and shall remain in effect until ten (10) years following the start of the initial billing period and thereafter until terminated by either party giving to the other three (3) months notice in writing.

7. **CONSUMER DEPOSIT**

As security for payment of its monthly billing obligations and termination charges, Consumer shall be required to provide Seller a cash deposit or other sufficient guaranty in a sum representing two (2) months' estimated billing and projected termination charges, initially being the total amount of \$390,000 and Seller hereby acknowledges receipt of same. The portion of the deposit or guaranty representing termination charges estimated to be \$300,000, but actual costs shall be applied and shall be reduced by \$.90 per kw of demand the Consumer is billed and pays for each month beginning with the initial billing period (see attached Addendum 2), and annually the parties shall adjust the deposit or guaranty accordingly.

8. **SUCCESSION AND APPROVAL**

This Agreement shall be binding upon and inure to the benefit of the successors, legal representatives and assigns of the respective parties hereto. This contract shall not be effective unless approved or accepted in writing by the Kentucky Public Service Commission.

9. **ADDENDA**

The addenda to this agreement are attached hereto and incorporated herein as a part of this agreement for electric service.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement all as of the day and year first above written.

KENERGY CORP

Seller

By

Sanford Novick
Printed Name **Sanford Novick**

Title President and CEO

ARMSTRONG COAL COMPANY, INC.

Consumer

By

Martin D. Wilson
Printed Name **Martin D. Wilson**

Title President

**PUBLIC SERVICE COMMISSION
OF KENTUCKY
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By

Stephanie Dumb
Executive Director

ADDENDA TO AGREEMENT FOR ELECTRIC SERVICE

ADDENDUM 1


1.10 Facilities to be Provided by Consumer.

1.11 Consumer will provide or cause to be provided (without cost to the Seller) permanent easements upon Consumer's property which in the opinion of the Seller are necessary for the construction of facilities which the Seller or its wholesale power supplier must furnish to provide electric service under this Agreement.

1.12 Except as provided in Section 1.20 of this Addendum, Consumer shall furnish and install, or cause to be furnished or installed, such facilities and equipment as may be necessary to enable it to receive and use electric power and energy purchased hereunder at and from the point of delivery, including such protective devices as may be reasonably necessary in the opinion of the Seller to protect the system of the Seller from disturbances caused by Consumer. Plans for equipment to be installed for such protection shall be submitted to Seller for prior approval.

1.20 **Facilities to be Provided by Seller.** Seller shall furnish and install, or cause to be furnished and installed, all of the facilities required for the delivery of electric power and energy to the point of delivery, including the following facilities:

1.21 Approximately 2.3 miles of 69,000 volt electric transmission line extending from Big Rivers Electric Corporation's existing transmission line

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system to Consumer's dead-end structure near Consumer's substation yard.

1.22 Metering, communications, relaying, and control circuits [as mutually agreed upon] and as necessary for proper measurement, control and coordination between Seller's and Consumer's facilities.

1.30 **Construction Standards.** Consumer shall construct and maintain any facilities it builds under an obligation created by this Agreement in accordance with applicable provisions of the National Electric Safety Code of the American National Standards Institute (ANSI C2), and other applicable laws, codes and regulations, provided however Seller shall have no duty to inspect those facilities for conformance with such standards or have any responsibility for the means, methods or techniques employed by Consumer or its contractor in the construction of these facilities. Each party shall own, maintain and operate the facilities it purchases and installs.

1.40 **Electric Disturbances and Phase Balancing.**

(a) Consumer shall not use the power and energy delivered under this Agreement in such manner as to cause a "System Disturbance." A System Disturbance is a use of electric power and energy which directly or indirectly results in a risk of harm to human beings or material damage to or interference with the transmission system of Seller's wholesale power supplier (the "Wholesale Transmission System"), a system connected with the Wholesale Transmission System, or facilities or other property in proximity to the Wholesale Transmission System, or the plant,

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facility, equipment or operations of any other customer served directly or indirectly from the Wholesale Transmission System. A System Disturbance includes, but is not limited to: (a) Harmonic Distortion: a level of current harmonic total demand distortion (TDD) measured at a consumer's point of delivery that exceeds the limits on TDD described in IEEE Standard 519, Section 10; and, (b) Phase Imbalance: a use of capacity and energy in such a manner that causes a current imbalance between phases greater than 5% at a retail customer's point of delivery.

(b) Seller may require Customer, at Customer's expense, to make such changes in its system as may be reasonably necessary to eliminate System Disturbances. If Customer's use of power and energy creates an imbalance between phases that causes a System Disturbance, and fails to make changes in its system requested by Seller to correct such condition, in addition to any other remedies it has Seller make, in its determination of billing demand, assume that the load on each phase is equal to the greatest load on any phase.

ADDENDUM 2

Termination. If termination of this Agreement is requested by the Consumer, and granted by the Seller, or if Seller terminates the Agreement for nonpayment by Consumer, a termination charge shall be paid to the Seller by the consumer equal to the actual investment made by Seller's wholesale power supplier to erect the


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transmission line facilities described in paragraphs 1.21 and 1.22 of this Addenda, reduced by \$.90 per kw of demand the Consumer is billed and pays for each month beginning with the initial billing period. Consumer's obligation under the terms of this Agreement shall cease upon such Termination and after reimbursement of termination charges.

ADDENDUM 3

Force Majeure. In the event performance of this Agreement is limited or prevented in whole or in part by Acts of God, strikes, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of the Government (whether federal, state, or local, civil or military), civil disturbances, explosions, breakage of or accident to machinery, equipment or transmission lines, or inability of either party hereto to obtain necessary materials, supplies, or permits due to existing or future rules, regulations, orders, laws or proclamations of governmental authorities (whether federal, state, or local, civil or military), upon such party's giving notice and reasonably full particulars of such force majeure or uncontrollable force, in writing or by telegraph to the other party within a reasonable time after the occurrence of the cause relied on, the party whose performance is so limited or prevented shall be excused, discharged and released from the performance to the extent such performance is limited or prevented, but only for the period when the performance is limited or prevented and thereafter all of the terms of this Agreement shall remain in effect except that the term of the agreement shall be extended for a period equal to the duration of the aforesaid force majeure. A minimum

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bill due during a billing period when a force majeure event occurs shall be prorated based upon the duration of the period of force majeure, but nothing contained herein shall excuse Consumer from the obligations of paying at the time provided herein, for any power consumed by it. In no event shall this Agreement subject either party to liability for consequential or incidental damages, or damages for loss of anticipated profits.

ADDENDUM 4

Successors in Interest. Consumer may with written approval of the Seller assign or transfer this Agreement and such approval shall not be unreasonably withheld. In such event such assignee or transferee shall assume all obligations or responsibilities of Consumer under this Agreement, and the consumer shall then become only secondarily liable for such obligations and responsibilities.

ADDENDUM 5

5.10 **Remedies of the Parties.** Waiver at any time by either party of rights with respect to a default or any other matter arising in connection with this Agreement shall not be deemed to be a waiver with respect to any subsequent default or matter. Except as specifically provided herein, this Agreement shall not be construed to abridge, limit, or deprive either party of any remedy for breach of the provisions herein which would otherwise be available at law or equity.

5.20 **Reports and Information.** Consumer shall furnish to the Seller such reports and information concerning its operations as the Seller may reasonably request from time to time.

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By Stephanie Dumb
Executive Director

5.30 **Notices.** Any written notice, demand or request required or authorized under this Agreement shall be deemed properly given to or served on Seller if mailed to:


Kenergy Corp.,
Attention: President & CEO
Post Office Box 18
Henderson, Kentucky 42419-0018

Any such notice, demand or request shall be deemed properly given to or served on Consumer if mailed to:

Armstrong Coal Company, Inc.
c/o David R. Cobb
407 Brown Road
Madisonville, KY 42431

5.40 **Jurisdiction and Venue.** The terms, covenants and conditions herein contained constitute the entire agreement between the parties and shall supersede all previous communications, representations, or agreements, either oral or written, between the parties hereto with respect to the subject matter hereof, provided, however, that service to the Consumer is subject to the provisions of the Articles of Consolidation and Bylaws of Seller and is subject to the lawful orders of the Kentucky Public Service Commission. All respective rights and obligations of the parties shall be governed by the laws of the State of Kentucky. Venue of any action, legal or equitable, having as its basis the enforcement or interpretation of this contract, shall be Henderson County, Kentucky.

5.50 **Severability.** Should any provision or provisions of this Agreement be declared void or illegal by any court of competent jurisdiction, then such void or illegal

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provision or provisions shall be severed from this Agreement, and all other provisions hereof shall remain in full force and effect.

KENERGY CORP.

Seller

By

Sanford Novick
Printed Name: Sanford Novick

Title: President & CEO

ARMSTRONG COAL COMPANY, INC.

Consumer

By

Martin D. Wilson
Printed Name: Martin D. Wilson

Title: President

**If other than president, vice president, partner or owner, a power of attorney must accompany contract.*

(7/14/00)

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By

Stephanie Dumbrowski
Executive Director