

AGREEMENT FOR ELECTRIC SERVICE

AGREEMENT made October 1st, 2004, between **KENERGY CORP**, 6402 Old Corydon Road, Henderson, Kentucky 42420 (hereinafter called the "Seller"), and **OHIO COUNTY COAL COMPANY**, a corporation, with a service location as described below in section 2.A., known as Dyson Creek Mine, and corporate address at 19070 State Route 1078, Henderson, Kentucky 42420, (hereinafter called the "Consumer");

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 said service location, up to 8,000 kilowatts, upon the following terms:

1. FACILITIES TO BE PROVIDED BY CONSUMER

- A. 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.
- B. Except as provided below in section 2., Consumer shall furnish and install, or cause to be furnished to installed, such facilities and equipment as may be necessary to enable it to receive and use electric power and energy purchased hereunder, 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.

2. FACILITIES TO BE PROVIDED BY SELLER

- A. 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(s) of delivery ("service location"), including the following facilities.

LINE 1 - 69,000 volt electric transmission line extending from Big Rivers Electric Corporation's transmission line system (line 18-B near Dixon substation) to Consumer's dead-end structure near Consumer's substation yard (known as East Portal Site of former customer Lodestar Energy, Inc.).

LINE 2 - 69,000 volt electric transmission line approximately 1.7 miles in length that extends from Consumer's aforementioned dead-end structure to Consumer's dead-end structure at Asher Fan Substation. (By agreement line has been retired and removed.)

LINE 3 - 69,000 volt electric transmission line approximately 1.5 miles in length that extends from a point on the aforementioned First Line to Consumer's substation located at Watson bleeder shaft of former Consumer Lodestar Energy, Inc.

LINE 4 - 69,000 volt electric transmission line approximately 1.3 miles in length that extends from a point on First Line to Mooney substation of former consumer Lodestar Energy, Inc.

LINE 5 - 69,000 volt electric transmission line extending from Big Rivers Electric Corporation's transmission line system (line 18-B near Dixon substation) to Highway 1063 bleeder shaft of former consumer Lodestar Energy, Inc.

LINE 1 is referenced in agreement between Henderson Union Rural Electric Cooperative Corporation and Constain Coal, Inc. dated May 28, 1993. LINE 3 is referenced in Amendment No. 1 between Henderson Union Electric Cooperative and Costain Coal, Inc. dated February 28, 1995. LINE 4 is referenced in Amendment No. 3 between Henderson Union Electric Cooperative and Lodestar Energy, Inc. dated June 2,

**PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
10/27/2004
SUBSEQUENT TO 805 KAR 5-011
SECTION 411**

By 
Executive Director

1999. LINE 5 is referenced in agreement between Big Rivers Electric Corporation and Lodestar Energy, Inc. dated June 13, 2001. Attached hereto as "Exhibit A" is a map depicting the aforementioned lines.

- B. Seller also shall furnish and install, or cause to be furnished and installed, 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.

3. 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.
- C. The Consumer shall not use the energy delivered under this Agreement in such manner as to cause a system disturbance or phase unbalance which may be reasonably expected to cause damage to or interference with Seller's system, systems connected with Seller's system, or facilities or other property in proximity to Seller's system; or which prevents Seller from serving other consumers satisfactorily.

A system disturbance includes but is not limited to: (a) Harmonic Distortion: a level of current harmonic total demand distortion (TDD) measured at a customer'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.

4. 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 of Seller's filed tariff, attached to and made a part of this Agreement as "Exhibit B," as it may be amended from time to time. Notwithstanding any provision of said Schedule 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 1,000 kilowatts per month for any billing period. In any event the Consumer shall pay the Seller not less than \$10,250.00 per month for service or for having service available hereunder during the term hereof.
- B. The initial billing period shall start on the first day of the month immediately following approval or acceptance of this Agreement by the Kentucky Public Service Commission as required under section 10.B. below.
- C. Bills for service hereunder shall be paid at the office of the Seller at Kenergy Corp, 6402 Old Corydon Rd., Henderson, Kentucky 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.

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 a corresponding modification in the rate for service hereunder

5. 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.

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10/27/2004
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)**

By 
Executive Director

6. **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.

7. **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.

8. **TERM**

This Agreement shall become effective on the date first above written, subject to the conditions of section 10.B. below, and shall remain in effect until one (1) year following the start of the initial billing period, and shall remain in effect thereafter until terminated by either party giving to the other three (3) months' notice in writing.

9. **CONSUMER DEPOSIT**

As security for payment of its monthly billing obligations, Consumer shall be required to provide Seller a cash deposit or other sufficient guaranty in a sum representing two (2) months' estimated billing, initially being the amount of \$120,000.00. Annually the parties shall adjust the amount of the deposit or guaranty to reflect current billing. Seller hereby acknowledges receipt of a guaranty from Peabody Holding Company, Inc. in satisfaction of the initial security deposit, being attached as "Exhibit C."

10. **SUCCESSION AND APPROVAL**

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

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

SELLER:

KENERGY CORP.

By Mark A Bailey
President and CEO

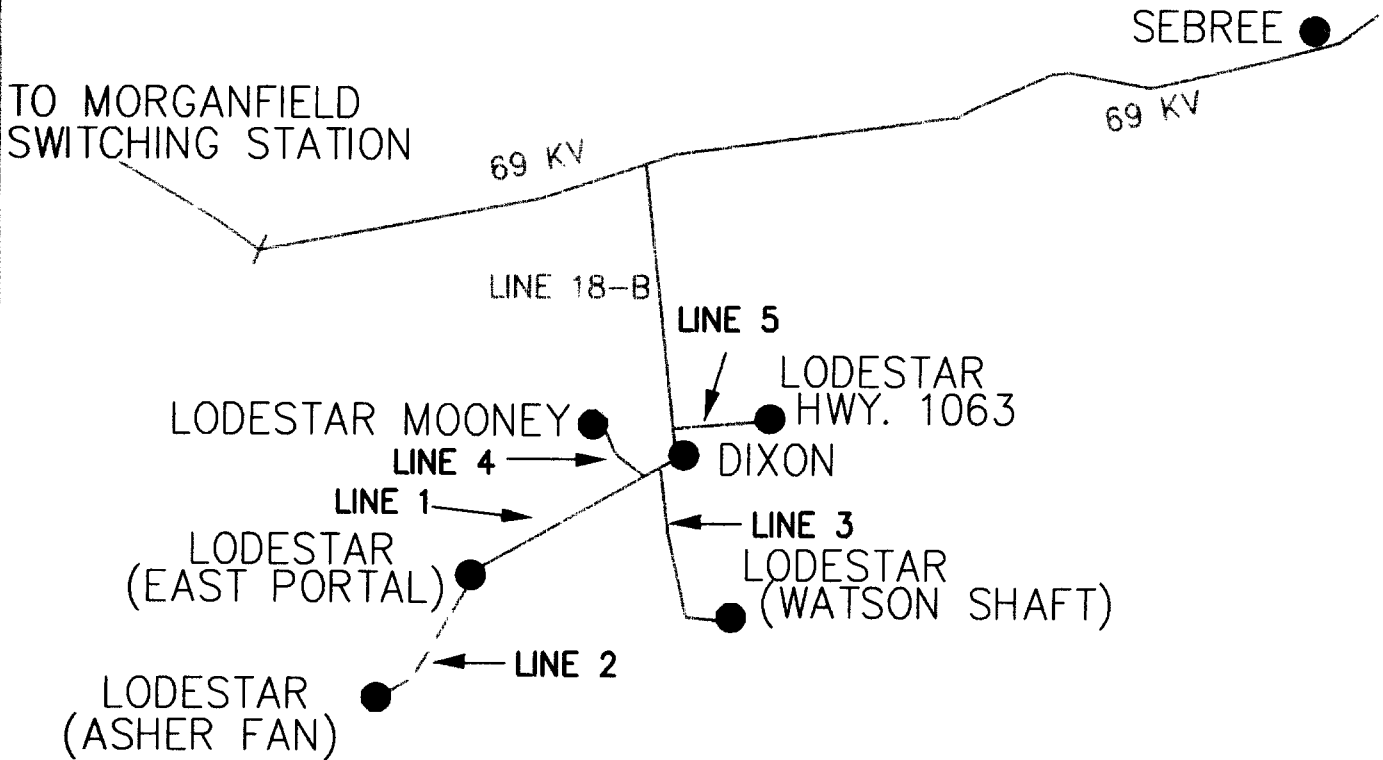
CONSUMER:

OHIO COUNTY COAL COMPANY
By Kenneth E. Allen
President

PUBLIC SERVICE COMMISSION
 OF KENTUCKY
 EFFECTIVE
 10/27/2004
 PURSUANT TO 807 KAR 5.011
 SECTION 9 (1)

By [Signature]
Executive Director

EXHIBIT "A"



PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
10/27/2004
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By

Executive Director

EXHIBIT



Henderson, Kentucky

FOR ALL TERRITORY SERVED
Community, Town or City
PSC NO. 1
Original SHEET NO. 31
CANCELLING PSC NO.
SHEET NO.

CLASSIFICATION OF SERVICE
Schedule 31 – Dedicated Delivery Point or 2,001 KW and Above

AVAILABLE

This rate shall apply to: 1) Large customers whose load requirements exceed 500 KW and where service is provided through a dedicated substation connected to the 69 kv. transmission system of Big Rivers or other accessible system; 2) any large power customer (non-dedicated) contracting for not less than 2001 KW; and 3) any large power customer formerly served under special contract whose load requirements exceed 2,001 KW.

CONDITIONS OF SERVICE

An "Agreement for Purchase of Power" shall be signed by any new customer prior to service under this rate.

CHARACTER OF SERVICE

Service shall be the 60 Hz, 3-phase, at voltage as mutually agreed by the Seller.

DETERMINATION OF BILLING DEMAND

For all delivery points, the Billing Demand in kilowatts shall be the highest of: a) The customer's maximum integrated thirty-minute demand at such delivery point during each billing month, determined by meters which record at the end of each thirty-minute period the integrated kilowatt demand during the preceding thirty minutes; b) the Contract Demand; or c) 500 KW where service is provided through a dedicated substation and 2,001 KW for all other customers.

POWER FACTOR ADJUSTMENT

The customer agrees to maintain a power factor as nearly as practical to unity. The company will permit the use of apparatus that shall result, during normal operation, in a power factor not lower than 90%. At the Company's option, in lieu of the customers providing the above corrective equipment when power factor is less than 90%, the Company may adjust the maximum measured demand for billing purposes in accordance with the following formula:

$$\frac{\text{Max. Measured KW} \times 90\%}{\text{Power Factor (\%)}}$$

The power factor shall be measured at time of maximum load.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

JUN 29 2001
PUBLIC SERVICE COMMISSION
OF KENTUCKY
PURSUANT TO 807 KAR 5.011,
10/27 SECTION 9 (1)
PURSUANT TO 807 KAR 5.011
SECTION 9 (1)
SECRETARY OF THE COMMISSION

DATE OF ISSUE July 16, 2001 DATE EFFECTIVE 2001
ISSUED BY Dean Stanley TITLE By [Signature]
SIGNATURE OF OFFICER EXECUTIVE DIRECTOR

EXHIBIT



Henderson, Kentucky

FOR ALL TERRITORY SERVED
Community, Town or City
PSC NO. 1
First Revised SHEET NO. 31A
CANCELLING PSC NO.
Original SHEET NO. 31A

CLASSIFICATION OF SERVICE
Schedule 31 - Dedicated Delivery Point or 2,001 KW and Above

METERING

Electrical usage will be metered at the transmission voltage supplied or at the customer's secondary voltage with a 1.% adder to the metered KWH to account for transformer losses, as determined by Seller.

MONTHLY RATE

Customer Charge per delivery point.....\$100.00
Demand Charge per KW of Billing Demand\$ 10.15

Energy Charges:

First 5,000,000 KWH, per KWH..... 0.0182750
Over 5,000,000 KWH, per KWH..... 0.0167750

Monthly Facilities Charge per Assigned Dollar 1.35%
of Investment by Kenergy in substation,
transformer, feeder, etc.

(T) TAXES AND FEES

School Taxes added to bill if applicable.
Kentucky Sales Taxes added to bill if applicable.

(N) FRANCHISE CHARGE

The rate herein provided shall include, where applicable, an additional charge for local government franchise payment determined in accordance with the Franchise Billing Plan as set forth in the rules and regulations of this tariff.

MINIMUM DEMAND CHARGE

The minimum demand charge shall be no less than the amount as specified in the "Agreement for Purchase of Power."

TERMS OF PAYMENT

The above rates are net, the gross rate being five percent (5%) greater. In the event the current monthly bill is not paid within twenty (20) days from the date of the bill, the gross rate will apply.

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PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
PURSUANT TO 2001 KAR 5:011
SECTION 2(1)
BY SECTION 2(1)
EXECUTIVE DIRECTOR
20, 2002

DATE OF ISSUE September 10, 2002 DATE EFFECTIVE
ISSUED BY Dean Stanley TITLE By and CEO
SIGNATURE OF OFFICER Executive Director

LIMITED GUARANTY

This Limited GUARANTY made this 29th day of September 2004, by PEABODY HOLDING COMPANY, INC., a New York corporation with principal offices and place of business at 701 Market Street, Suite 701 Market Street, St. Louis, Missouri 63101 ("GUARANTOR") in favor of KENERGY CORP., a Kentucky corporation with principal offices and place of business at 6402 Old Corydon Road, Henderson, Kentucky 42420 ("OBLIGEE").

In consideration of OBLIGEE's entering into that certain Agreement for Electric Service dated 10-01, 2004, with GUARANTOR's subsidiary OHIO COUNTY COAL COMPANY, a Delaware corporation ("OBLIGOR") whereby OBLIGEE has undertaken to provide electrical service to OBLIGOR and OBLIGOR has undertaken to pay various fees and charges to OBLIGEE (the "AGREEMENT") and in further consideration of OBLIGEE's waiver of its right under the Agreement to require a cash security deposit from OBLIGOR, GUARANTOR hereby absolutely and unconditionally guarantees the payment, when due, of all fees charges and other sums payable by OBLIGOR to OBLIGEE under the AGREEMENT, including without limitation any fee due upon termination of the AGREEMENT, but not to exceed the limit set forth hereinbelow.

GUARANTOR's obligation under this Limited Guaranty shall not in the aggregate exceed the sum of One Hundred Twenty Thousand Dollars and No Cents (\$120,000.00)

This GUARANTY shall be governed by the laws of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, GUARANTOR has caused this Limited Guaranty to be executed by its duly authorized officer as of the date first written above.

PEABODY HOLDING COMPANY, INC.

By:

Walter Hawkins
Walter Hawkins, Vice President, Treasurer

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
10/27/2004
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By

[Signature]
Executive Director

EXHIBIT

C