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KENTUCKY POWER COMPANY

Supplement No. 1 to Vanceburg Rate Schedule

Effective August 1, 1965

Delete the third paragraph appearing after the word "WITNESSETH" on the first page of the Agreement of July 16, 1956 by and between Kentucky Power Company and, collectively, Vanceburg Electric Light, Heat and Power System and the City of Vanceburg, Kentucky, and substitute in place thereof the following language:

"The Company is to furnish and the Customer is to take electric energy under the terms of this agreement for a period of twenty (20) years from the time such service is commenced, and thereafter in successive periods of not less than three (3) years each, until either party shall give the other not less than three (3) years' notice in writing of its or his election to discontinue the service, provided that, notwithstanding the foregoing provisions of this paragraph, this agreement may be terminated by either party by written notice delivered to the other party on and after August 1, 1967 and not less than three (3) years prior to the proposed date of termination."

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Delete the fifth paragraph appearing after the word "WITNESSETH" on the first page of said Agreement which

paragraph continues on the second page of said Agreement and substitute in its place the following language:

"The Customer agrees to pay the Company monthly for electric energy delivered hereunder at the following rate:

RATE

Primary Portion:

For each KW of monthly billing demand as determined below.....\$2.60

The Customer shall be allowed 250 KWH for each KW of monthly billing demand billed hereunder.

Secondary Portion:

For energy in excess of 250 KWH per KW of monthly billing demand.....\$.00512 per KWH

Reactive Demand Charge:

For each KVAR of lagging reactive demand in excess of 50% of the KW of monthly billing demand.....\$.25 per KVAR.

FUEL CLAUSE

This rate is based upon the weighted average cost of fuel of the Company's Big Sandy Plant.

If during any monthly period during the term of this Agreement such average cost is above 16.1 cents per 1,000,000 British Thermal Units (BTU) by at least .5 cent, an additional charge during the second month thereafter will be made on the actual kilowatt-

hours used during said second month at the rate of .005 cent per kilowatt-hour for each full .5 cent increase in the cost of fuel above 16.1 cents per 1,000,000 BTU.

If during any monthly period during the term of this Agreement such average cost is less than 16.1 cents per 1,000,000 BTU, by at least .5 cent, the bill rendered to the Customer for the second succeeding month shall be decreased by an amount equal to the actual kilowatt-hours used during said second month multiplied by .005 cent per kilowatt-hour for each full .5 cent decrease in the cost of fuel below 16.1 cents per 1,000,000 BTU.

BILLING DEMAND

The billing demand in kilowatts shall be taken each month as the highest single 30-minute integrated peak in kilowatts as registered during the month by a demand meter or indicator, or, at the Company's option, as the highest registration of a thermal type demand meter or indicator, but the minimum monthly billing demand shall in no event be less than 60% of the contract capacity of the Customer nor less than 1,000 kilowatts.

The reactive demand in kilovars shall be taken each month as the highest single 30-minute

integrated peak in kilovars as registered during the month by a demand meter or indicator, or, at the Company's option, as the highest registration of a thermal type demand meter or indicator.

CONTRACT CAPACITY

The contract capacity in kilowatts shall be as follows: The contract capacity for the period from August 1 through December 31, 1965 shall be 1900 kilowatts. The contract capacity for each calendar year succeeding December 31, 1965, shall be the highest kilowatt billing demand established during the term of this Agreement up to the end of the preceding calendar year, adjusted to the nearest 100 kilowatts.

MINIMUM MONTHLY CHARGE

There shall be a minimum monthly charge equal to the sum of the primary portion of the rate, the reactive demand charge, and the applicable fuel clause adjustments.

DELAYED PAYMENT CHARGE

This rate is a net rate if each bill rendered monthly to the Customer by the Company is paid in full within fifteen (15) days of the date of the bill. On all bills not so paid, an

additional charge of two percent (2%) of the amount of such bill will be made.

The Company shall furnish and sell to the Customer and the Customer shall accept and pay for the entire electrical requirements of the Customer's distribution system under this rate. Either the Company or the Customer shall, upon delivery of prior written notice to the other party, be entitled to take such action before or make such filings with any regulatory authority having jurisdiction with respect to any term or condition of this Agreement as either party shall deem appropriate and, in the event of any such action by either party, the terms and conditions under which service shall be rendered by the Company to the Customer shall be the terms and conditions as so changed or as shall result from any ensuing action by or before any regulatory authority having jurisdiction."