|  | **Element** | **Contract Provision Concepts** |
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|  | Potential Functional Areas of Agreement | 1. Unit Power Sales – expected to be for a combined cycle resource
2. Power Pooling
3. Management Services
4. All Requirements Service
5. Unit Participation

The parties’ agreements in these areas could be contained on one or multiple contracts. If multiple contracts, the contracts would be interdependent to certain extents. For instance, an agreement addressing functional area 1 would make little sense from KyMEA’s perspective* Without an agreement in functional area 3 and
* Probably some form of an agreement in functional area 2.
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| **Unit Power Sales** |
| 1 | Term | The term would follow the term of any agreement entered into by KyMEA to obtain access to the resources on behalf of KyMEA (KyMEA’s PPA for OMU). Combined Cycle Proposer 1 has proposed a minimum term of 10 years commencing at some date between the commercial operation of the project and December 31, 2023. |
| 2 | Nature of service | A unit power sales agreement mirroring KyMEA’s PPA for OMU. |
| 3 | Rates and Charges | KyMEA would directly assign to OMU the actual costs of the capacity resources, energy, transmission and other costs incurred by KyMEA to deliver the resource capacity and energy to OMU load. |
| 4 | Billing and payment and other provisions | OMU’s obligations would mirror obligations under the KyMEA PPA for OMU.  |
| 5 | Special Considerations | The agreement would provide for KyMEA and OMU to exercise any option to purchase a share of the resource from which the power is provided. If OMU would be interested in continuing to use the capacity and energy from the resource, KyMEA would have the obligation to assign that right to OMU or KyMEA and OMU could enter a Unit Participation Agreement under which KyMEA could purchase the asset share and OMU could receive the capacity and energy and commit to a take or pay obligation for the resource.  |
| 6 | KyMEA covenants Unique to the Area |  |
| 7 | OMU Covenants and Credit Requirements Unique to this Area |  |
| **Pooling** |
| Please see the document titled “KyMEA Pool Concepts.” |
| **Management Services** |
| 1 | Term and Obligations to Provide Services | Obligations related to Management Services Agreement would be effective upon execution of the agreement. The agreement would specify that transitional activities would commence in FY2018 as deemed necessary by the Board to support staff development and organization effort. Services would begin as the organization is prepared to provide the services upon mutual agreement of the parties, but KyMEA would be obligated to be in a position to provide services no later than May 1, 2019. The term would extend for a minimum of 5 years after May 1, 2019 to June 1, 2024, but would follow the term of the any KyMEA Pooling or Unit Power Sales Agreements in effect with OMU. (Should this also apply to 3rd Party Services Agreement entered into by KyMEA to provide service to OMU?) |
| 2 | Nature of service | The services provided would include:1. Short term power supply planning and marketing;
2. Resource scheduling;
3. Billing and settlement; and
4. Potentially, long term power supply planning.
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| 3 | Rates and Charges | KyMEA would allocate to OMU the costs of KyMEA administrative and management functions in a manner consistent with Normal Ratemaking Practices. Accordingly, certain costs would be allocated based on:1. Capacity or demand managed;
2. Energy supplied; or
3. Direct assignment.

The KyMEA Board would establish allocation methods and rates and charges for Management Services. |
| 4 | Billing and payment and other provisions | Billing would be on a monthly basis following the same procedures for all KyMEA Members as established by the Board. |
| 5 | Special Considerations |  |
| 6 | KyMEA covenants Unique to the Area | Provide additional services as authorized by the Board and desired by OMU, such as planning, engineering, financing, project development and construction, and other member services. |
| 7 | OMU Covenants and Credit Requirements Unique to this Area |  |
| **All Requirements Services** |
| 1 | Term | Service would commence upon retirement of ESS 2. Cancelation provisions would be 10 years. Upon cancellation, OMU would be obligated to meet  |
| 2 | Nature of service | Same All Requirements Service contract provisions applicable to other KyMEA Members. |
| 3 | Rates and Charges |  |
| 4 | Billing and payment and other provisions |  |
| 5 | Special Considerations | OMU would be required to provide at least 4 years notice prior to commencing All Requirements Service from KyMEA. |
| 6 | KyMEA covenants Unique to the Area | Acquire and supply economical, dependable, and environmentally responsible resources  |
| 7 | OMU Covenants and Credit Requirements Unique to this Area |  |
| **Unit Participation** |
| 1 | Term | The term extend for the estimated useful life of the asset, but not less than the life of the Bonds issued by KyMEA to purchase the asset.  |
| 2 | Nature of service | Rights and obligations relative to the asset that are parallel to ownership rights and obligations. |
| 3 | Rates and Charges | KyMEA would directly assign to OMU the actual costs of the capacity resources, energy, transmission and other costs incurred by KyMEA to deliver the resource capacity and energy to OMU load. |
| 4 | Billing and payment and other provisions | Similar to obligations under the cost based unit power sales agreement.  |
| 5 | Special Considerations |  |
| 6 | KyMEA covenants Unique to the Area |  |
| 7 | OMU Covenants and Credit Requirements Unique to this Area | * OMU would commit to take or pay obligations with respect to its share of the resource.
* If KyMEA purchases a share of the asset for providing service to OMU, KyMEA would likely also do the same for service to the AR Group. According, OMU would commit to a step up to not more that 15% to 25% of its ownership share should another project participant default on payment of its obligations under the participations agreement. (Necessary for KyMEA to finance the project.)
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| **Provisions Applicable to All Agreements** |
| 1 | KyMEA covenants | Specifically provide no conflict with existing OMU Bond covenants |
| 2 | OMU Covenants and Credit Requirements | 1. OMU to maintain retail electric rates sufficient to meet its obligations to KyMEA, pay all other operating expenses, meet all other obligations payable from its net electric revenues, and make any other payments required by law.
2. OMU shall take no action that would interfere with KyMEA’s ability to meet its financing obligations or to qualify for tax-exempt financing.
3. OMU payment obligations to be treated as an operating expense to be paid from OMU’s utility’s revenues and other sources, but shall not constitute a general obligation of the OMU.
4. OMU’s debt and other obligations to third parties shall not be superior to its obligation to payment of operating expenses, except for existing superior obligations.
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| 3 | Amendment of contract | Only by written instrument signed by KyMEA and OMU. |
| 4 | Post-termination liability | OMU would remain liable for all unfulfilled obligations incurred prior to giving notice of termination. |
| 5 | Miscellaneous | * Metering
* Power factor
* Right of access
* Uncontrollable forces
* Operating standards
* Dispute resolution
* Cooperation and exchange of information
* Assignment of contract
* Representations as to validity and legality of contract
* Waiver
* Severability
* Applicable law (Kentucky)
* Non-discrimination among Members
* Indemnification and limitation on damages
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