

**KENTUCKY MUNICIPAL ENERGY AGENCY**

450 South Third Street  
Louisville, Kentucky 40202

April 26, 2017

Mr. Gary Zheng  
General Manager  
Paducah Power System  
P.O. Box 180  
1500 Broadway  
Paducah, Kentucky 42002-0180

Re: Agreement for the Purchase and Sale of Peaking Capacity and Energy between the Electric Plant Board of the City of Paducah, Kentucky d/b/a/ Paducah Power System and the Kentucky Municipal Energy Agency, dated July 13, 2016

Dear Mr. Zheng:

In accordance with Section 3.3 of the above referenced Agreement (the "Agreement"), the Kentucky Municipal Energy Agency ("KyMEA") is pleased to inform you of the following:

1. KyMEA has obtained firm transmission service to support the delivery to KyMEA's loads of Peaking Energy purchased from the Electric Plant Board of the City of Paducah, Kentucky d/b/a Paducah Power System ("PPS") as a new Network Resource through network integrated transmission service on the Kentucky Utilities Company/Louisville Gas and Electric transmission system. By obtaining this transmission service, the contingency in Section 3.1(a) of the Agreement is satisfied.
2. Because KyMEA has obtained firm delivery service for Peaking Energy purchased under the Agreement, KyMEA does not elect to defer the Service Commencement Date or to reduce the Peaking Capacity pursuant to Section 3.1(b) of the Agreement.
3. KyMEA has entered into All Requirements Power Sales Contracts (the "AR Contracts") with a portion of its Members with a reasonably projected collective annual peak demand in 2019 of approximately 300 MW. Having entered into the AR

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Contracts, KyMEA is informing you that the contingency in Section 3.2 of the Agreement is deemed satisfied.

KyMEA also wishes to inform you that it has received an Investment Grade Rating of "A" from FitchRatings. A copy of the FitchRatings Credit Report for KyMEA, dated April 14, 2017, is attached for your review and files. Pursuant to Section 9.2 of the Agreement, the issuance of the "A" rating from FitchRatings satisfies KyMEA's requirements of credit support under the Agreement.

If you have any questions or need any additional information, please let us know.

Sincerely,

Kentucky Municipal Energy Agency

Ronald W. Herd  
Chairman

cc: Mr. G. Kent Price  
McMurry & Livingston, PLLC