**MASTER POWER PURCHASE AND SALE AGREEMENT
CONFIRMATION LETTER**

This confirmation letter shall confirm the Transaction agreed to on \_\_\_\_\_\_\_\_\_\_\_, 2018 between Kentucky Municipal Energy Agency (“KyMEA”) and the City of Berea, Kentucky (“Berea”) regarding the sale/purchase of the Product under the terms and conditions as follows:

**Seller**: Kentucky Municipal Energy Agency

**Buyer**: City of Berea, Kentucky

**Product**: Seasonal Capacity Sale – Winter Peak Planning Reserves. The capacity for this product is sourced from KyMEA’s agreement with the Electric Plant Board of the City of Paducah, Kentucky dba Paducah Power System (“PPS”) for the purchase of capacity and energy from the PPS gas-fired peaking generation facility (the “Facility”) located on Schneidman Road in the City of Paducah, Kentucky. Said agreement between KyMEA and PPS is referred to herein as the “PPA.” This product also includes the opportunity for Berea to schedule and purchase energy sourced from KyMEA’s portfolio of energy resources (including but not limited to the PPA) and/or available market purchases, pursuant to the terms of this Confirmation.

**Term**: One (1) Contract Years, beginning May 1, 2019, annually renewable for successive one year terms for an additional four (4) years, each succeeding Contract Year commencing on May 1, and the final Contract Year ending on April 30, 2024. The Contract Year shall automatically renew for a successive one year term, unless on or before 60 days prior to the end of a Contract Year Berea provides written notification to KyMEA of its intent to terminate the Transaction and the Master Agreement.

**Contract Quantity**: Ten megawatts (10 MW) of planning reserve capacity (as described above) to be provided in the months of January, February and March (each, a “Delivery Month”) of each Contract Year.

**Delivery Point**: PPS interconnection with the transmission system of Louisville Gas & Electric/Kentucky Utilities.

**Capacity Charge and Billing**: The capacity charge shall be $115,500 for each of the first three Contract Years. The capacity charges for Contract Years four and five shall be determined as follows:

3 \* 10,000 kW \* adjusted capacity price

where the “adjusted capacity price” is $3.85 kW/month adjusted in accordance with Attachment A to this Confirmation.

One-twelfth of the capacity charge shall be invoiced and paid in each month of a Contract Year.

**Energy Provisions**: The parties anticipate that all of Berea’s energy requirements in each Delivery Month will normally be supplied by its supplier under its existing five-year all-requirements agreement with American Municipal Power, Inc. If Berea wishes to schedule and purchase energy hereunder during a Delivery Month, the following provisions shall apply.

1. Berea shall submit an energy schedule to KyMEA in an agreed-to format, specifying for each hour of the applicable day(s) the amount of energy (in whole megawatts) that Berea wishes to purchase (the “Day-Ahead Schedule”). The Day-Ahead Schedule shall be submitted to KyMEA via email or other mutually agreeable method, no later than [0700] Central Prevailing Time on the last scheduling day prior to the day of delivery. Scheduling days shall be Monday through Friday, excluding New Year’s Day.
2. KyMEA shall inform Berea no later than [0730] whether KyMEA can honor the energy schedule through resources available to KyMEA other than scheduling energy from the Facility under the PPA. If KyMEA must schedule energy from the Facility under the PPA in order to provide some or all of the energy scheduled by Berea hereunder, the following additional requirements shall apply:
	* Berea’s energy schedule must be at least two (2) full hours, consistent with the energy scheduling requirements applicable to KyMEA under Exhibit A of the PPA.
	* As part of its notice to be provided by [0730], KyMEA shall inform Berea whether KyMEA has elected, in its sole discretion, to schedule an amount of energy from the Facility for delivery to KyMEA’s other wholesale purchasers that would, together with the amount of energy scheduled by Berea in each hour, satisfy the minimum hourly schedule quantity of 15 MW applicable under Exhibit A of the PPA. If KyMEA’s separate scheduling requirements, together with Berea’s schedules, do not satisfy the minimum schedule quantity in any hour, Berea shall elect whether to (a) schedule and purchase such additional energy hereunder as is necessary to satisfy the minimum schedule or (b) rescind its energy schedule hereunder. Berea’s notice of such election shall be provided to KyMEA no later than [0745].
3. As part of its notice to be provided pursuant to (2) above, KyMEA shall provide to Berea a good-faith estimate of the PPA energy price, in $/MWh, that will be binding on the parties as the Energy Price Floor for energy provided hereunder for each day of the scheduling period. For each hour in which energy is provided to Berea hereunder, the energy price per megawatt-hour shall be equal to the higher of (a) KyMEA’s incremental cost incurred in the hour the energy was delivered, including transaction costs, or (b) the Energy Price Floor applicable to the scheduling period. If Berea wishes to rescind or reduce its schedule based on the notice of the Energy Price Floor, Berea’s notice of such election shall be provided to KyMEA no later than [0745].
4. All charges for energy provided hereunder will be invoiced and paid in the month following the Delivery Month in which the energy was provided.

**Transmission**: Berea shall be responsible for arranging for transmission service necessary for the delivery of all energy provided hereunder. For so long as the “Agency Agreement between City of Berea, Kentucky and Kentucky Municipal Energy Agency for Procurement of Berea Transmission Services,” dated as of September 6, 2016 (“Agency Agreement”), remains in effect, KyMEA, acting as Berea’s agent, shall arrange for such transmission service and Berea shall pay for such transmission service in accordance with the terms of the Agency Agreement.

**Firmness/Delivery Excuse**: Notwithstanding anything in the Master Agreement or Cover Sheet to the contrary,

1. KyMEA’s obligations to provide capacity to Berea hereunder shall be excused if (a) PPS fails to provide such capacity to KyMEA under the PPA with an availability factor of at least 95% in the three Delivery Months of any Contract Year and (b) such failure is excused under the terms of the PPA; and
2. KyMEA’s obligations to provide energy that Berea scheduled in accordance with the terms of this Confirmation shall be excused if KyMEA notified Berea that its schedule required KyMEA to schedule energy under the PPA, KyMEA’s scheduled energy was not delivered under the PPA, and such non-delivery was excused under the PPA. In any event, KyMEA shall have no liability to Berea for non-delivery of energy hereunder if, in any such hour, KyMEA also curtailed or interrupted deliveries to KyMEA’s other wholesale purchasers, unless KyMEA’s service to Berea hereunder is curtailed disproportionately to KyMEA’s curtailment of service to its other wholesale purchasers for reasons other than limitations on availability of transmission to Berea.

This confirmation letter is being provided pursuant to and in accordance with the Master Power Purchase and Sale Agreement dated \_\_\_\_\_\_\_\_\_\_, 2018 (the “Master Agreement”) between KyMEA and Berea, and constitutes part of and is subject to the terms and provisions of such Master Agreement. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

Kentucky Municipal Energy Agency City of Berea, Kentucky

Name: Name:

Title: Title:

Phone No.: Phone No.:

Fax: Fax:

ATTACHMENT A

**CPI Adjustment of Capacity Price**

For the fourth and fifth Contract Years (*i.e.*, commencing on June 1, 2022, and June 1, 2023), the capacity price to be used in calculating the capacity charge for each such Contract Year shall be $3.85 per kilowatt-month, adjusted by the percentage by which the final published annual “CPI-U Index” for the preceding calendar year is greater than or less than the final published annual “CPI-U Index” for calendar year 2020. In 2022 and 2023, after publication of the final annual “CPI-U Index” for the preceding calendar year, KyMEA shall calculate an updated capacity price using the change in such “CPI-U Index” compared to the 2020 annual “CPI-U Index.” For purposes of clarity, the capacity price to be so adjusted in 2023 shall be the initial price of $3.85 per kilowatt-month, excluding the effects of the previous adjustment in 2022 for annual “CPI-U Index” changes compared to 2020. KyMEA shall provide notice of the updated price to Berea with supporting documentation within 45 days of publication of the final annual “CPI-U Index.”

For purposes of adjusting the capacity price, the “CPI-U Index” shall be that index identified as Consumer Price Index for All Urban Consumers – U.S. city average, all items [1980-1982=100] determined and reported by the Bureau of Labor Statistics of the U.S. Department of Labor. The “CPI-U Index” shall be determined to the nearest three decimal places. The percentage change in the “CPI-U Index” for a given year compared to 2020 shall be calculated to the nearest one-tenth of one percent. The adjusted capacity price to be applied in a given period shall be rounded to the nearest one cent.

As an example, if the “CPI-U Index” for calendar year 2021 were 271.245, and the “CPI U Index” for 2020 were 259.188, the percentage adjustment of the capacity price as of June 1, 2022 would be 104.7%, and the adjusted capacity price would be $4.03 per kilowatt-month.