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Tennessee Valley Authority, 1101 Market Street, Chattanooga, Tennessee 37402-2801

William J. Museler
Executive Vice President
Transmission/Power Supply Group

TV-11505A
Supp. 39

January 2, 1998

Mr. Floyd Ellis, President
Warren Rural Electric Cooperative Corporation
Bowling Green, Kentucky 42101

Mr. Michael R. Whitley, President
Kentucky Utilities Company
One Quality Street
Lexington, Kentucky 40507

Gentlemen:

This will confirm the agreement reached among representatives of Warren Rural Electric Cooperative Corporation (hereinafter called "WRECC"), Kentucky Utilities Company (hereinafter called "KU"), and the Tennessee Valley Authority (hereinafter called "TVA") with respect to TVA's purchasing non-firm transmission service from KU to enable KU to provide WRECC with a backup feed on a non-firm basis to supply certain WRECC loads that are normally supplied by TVA through WRECC's Aberdeen 161-69-kV Substation.

It is understood and agreed that:

1. At its expense, WRECC will construct a tap structure at a point mutually agreed upon by WRECC and KU in or adjacent to KU's Ohio County-Leitchfield 69-kV Transmission Line and will construct a circuit approximately 2 miles in length extending from said tap structure to WRECC's Prentiss 69-13-kV Substation. Said tap structure shall include a 69-kV switch on the substation side of the tap structure. WRECC will also install a 69-kV switch on the Aberdeen 161-69-kV Substation side of its Perdue 69-13-kV Substation. WRECC shall provide, operate, and maintain the necessary facilities (which facilities shall be acceptable to KU and TVA) to provide to KU and TVA the power and energy readings for the power and energy taken by WRECC hereunder. The metered amounts of power and energy shall be appropriately adjusted for losses to reflect delivery at

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the delivery point described in section 2 below. It is estimated, for convenience only, that the facilities provided by WRECC under this section 1 shall be completed and ready for service by May 1, 1998.

2. KU will connect WRECC's circuit to KU's Ohio County-Leitchfield 69-kV Transmission Line. The point of connection is hereinafter called the "Aberdeen Backup Delivery Point." WRECC will reimburse KU for its costs, including applicable overheads, of making said connection promptly after receipt of an invoice covering such costs. Said reimbursement is estimated, for convenience only, to be approximately \$50,000.
3. The Aberdeen Backup Delivery Point shall be open or disconnected during normal operating conditions and shall be closed or connected only during emergencies or outages of facilities in the area. As a result of relay protection considerations and transmission capacity limitations, an operating procedure will be developed by the parties prior to placing the Aberdeen Backup Delivery Point in service. Power supplied by KU to TVA at the Aberdeen Backup Delivery Point will be treated as power delivered under section 1 of Article III of Interconnection Agreement TV-11505A, dated March 22, 1951, as previously supplemented and amended (hereinafter called the "Interconnection Agreement").
4. During any month in which WRECC imposes a load upon KU at the Aberdeen Backup Delivery Point, TVA will purchase non-firm transmission service from KU under KU's then-applicable Open Access Transmission Tariff to cover the transmission service being provided by KU for the delivery of power and energy to the Aberdeen Backup Delivery Point. The monthly charge for such transmission service shall be calculated by applying the then-current rate for hourly non-firm transmission service under KU's then-applicable Open Access Transmission Tariff to the energy delivered during the month by KU to the Aberdeen Backup Delivery Point.
5. This agreement shall become effective as of the date first above written. The Interconnection Agreement, as further supplemented by this agreement, is hereby ratified and confirmed as the continuing obligation of the respective parties thereto.

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If the foregoing satisfactorily states our understandings, please have duly authorized representatives execute six counterparts of this letter on behalf of WRECC and KU and return them to H. Dieter Waffel, Manager of Power Business, 1101 Market Street, MR-BA, Chattanooga, Tennessee 37402-2801. Upon completion by TVA, two fully executed copies will be returned to each of the parties hereto.

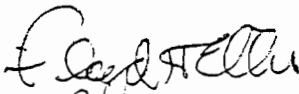
Sincerely,



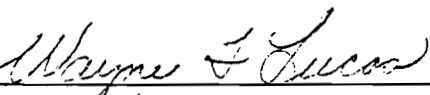
William J. Museler

Accepted and agreed to as of
the date first above written.

WARREN RURAL ELECTRIC COOPERATIVE CORPORATION

By 
Title: Pres + CEO

KENTUCKY UTILITIES COMPANY

By 
Title: Sr VP

January 2, 1998

Operating Procedure
Between KU and WRECC

Aberdeen Backup Delivery Point

1. When due to an emergency or facility outage, WRECC needs to close-in (energize) the Aberdeen Backup Delivery Point, WRECC will contact KU's Dix System Control Center to request permission to close this normally open delivery point.
2. Upon receiving permission from KU, WRECC will open switch #F10-725 and lock it in the open position. WRECC will then close-in the normally open switch #E10-715 to take backup service from the KU System. Meter readings for all load stations taking backup service shall be read immediately after repositioning the above switches and these readings reported to the Dix System Control Center at 606-748-5221.
3. WRECC will notify KU when they are ready to return switch #E10-715 to its normally open position, and upon receiving permission from KU, will reverse the above procedure. Meter readings for all load stations shall be read immediately after repositioning the switches and reported to the Dix System Control Center.

NOTE: In the event KU requires clearance on WRECC switch #E10-715, the Dix System Control Center will notify WRECC of the situation and KU personnel will hold card switch #E10-715 open for the Dix System Control Center. Upon completion of KU's work, the KU Dix System Control Center will notify WRECC of the removal of the hold card on switch #E10-715.

Signed for WRECC by:

Jon Martin
Name

Mgr. of Engr.
Title

1-23-78
Date

Signed for KU by:

Gary Haidley
Name

V. President
Title

12-15-97
Date

The above is in accord with Agreement TV-11505A, Supp. 39, Item 3., dated January 2, 1998, among Warren Rural Electric Cooperative Corporation (WRECC), Kentucky Utilities Company (KU), and Tennessee Valley Authority.