(2) Number of account to which funds are to be deposited.

(3) Type of depositor account 'C' for checking, 'S' for savings).

(4) If Corporation is a new enrollee to the ACH system, a 'Payment Information Form,' SF 3881, must be completed before payment can be processed.

"(c) In the event Corporation, during the performance of this Agreement, elects to designate a different financial institution for the receipt of any payment made using electronic funds transfer procedures, notification of such change and the required information specified above must be received by the appropriate Government official 30 days prior to the date of such change is to become effective.

"(d) The documents furnishing the information required in this clause must be dated and contain the signature, title, and telephone number of the Corporation official authorized to provide it, as well as Corporation's name and contract number.

"(e) Corporation's failure to properly designate a financial institution or to provide appropriate payee bank account information may delay payments of amounts otherwise properly due."

46. A new Section 7.38 is to be inserted after Section 7.37 as follows:

"SECTION 7.38 - Payment of Interest.

"(a) Notwithstanding any other clause of this Agreement, all amounts that become payable by Corporation to the Government under this Agreement (net of any applicable tax credit under the Internal Revenue Code (26 U.S.C. 1481)) shall bear simple interest from the date due until [illegible] as paid within 30 days of becoming due. The [illegible] rate shall be the interest rate established by the Secretary of the Treasury as provided in Section 12 of the Contract Disputes Act of 1978 (Public Law 95-563), which is applicable to the period in which the amount becomes due, as provided in paragraph (b) of this clause, and then at the rate applicable for each six-month period as fixed by the Secretary until the amount is paid.

"(b) Amounts shall be due at the earliest of the following dates:

(1) The date fixed under this Agreement.

(2) The date of the first written demand for payment consistent with this Agreement.

"(c) The interest charge made under this clause may be reduced under the procedures prescribed in 32.614-2 of the Federal Acquisition Regulation in effect on the date of this Agreement."

47. A new Section 7.39 is to be inserted after Section 7.38 as follows:

"SECTION 7.39 - FAR 52.203-10 Price or Fee Adjustment for Illegal or Improper Activity (SEP 1990).

"(a) The Government, at its election, may reduce the price of a fixed-price type contract or contract modification and the total cost and fee under a cost-type contract or contract modification by the amount of profit or fee determined as set forth in paragraph (b) of this clause if the head of the contracting activity or his or her designee determines that there was a violation of subsection 27(a) of the Office of Federal Procurement Policy Act, as amended (41 U.S.C. 423), as implemented in the FAR. In the case of a contract modification, the fee subject to reduction is the fee specified in the particular contract modification at the time of execution, except as provided in subparagraph (b)(5) of this clause.

"(b) The price or fee reduction referred to in paragraph (a) of this clause shall be --

(1) For cost-plus-fixed-fee contracts, the amount of the fee specified in the contract at the time of award;

(2) For cost-plus-incentive-fee contracts, the target fee specified in the contract at the time of award, notwithstanding any minimum fee or 'fee floor' specified in the contract;

(3) For cost-plus-award-fee contracts --

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(i) The base fee established in the contract at the time of contract award;

(ii) If no base fee is specified in the contract, 30 percent of the amount of each award fee otherwise payable to the Contractor for each award fee evaluation period or at each award fee determination point.

(4) For fixed price incentive contracts, the Government may --

(i) Reduce the contract target price and contract target profit both by an amount equal to the initial target profit specified in the contract at the time of contract award; or

(ii) If an immediate adjustment to the contract target price and contract target profit would have a significant adverse impact on the incentive price revision relationship under the contract, or adversely affect the contract financing provisions, the Contracting Officer may defer such adjustment until establishment of the total final price of the contract. The total final price established in accordance with the incentive price revision provisions of the contract shall be reduced by an amount equal to the initial target profit specified in the contract at the time of contract award and such reduced price shall be the total final contract price.

(5) For firm-fixed-price contracts or contract modifications, by 10 percent of the initial contract price; 10 percent of the contract modification price; or a profit amount determined by the Contracting Officer from records or documents in existence prior to the date of the contract award or modification.

"(c) The Government may, at its election, reduce a prime contractor's price or fee in accordance with the procedures of paragraph (b) of this clause for violations of the Act by its subcontractors by an amount not to exceed the amount of profit or fee reflected in the subcontract at the time the subcontract was first definitively priced.

"(d) In addition to the remedies in paragraphs (a) and (c) of this clause, the Government may terminate this contract for default. The rights and remedies of the Government specified herein are not exclusive and are in addition to any other rights and remedies provided by law or under this contract.

"(e) Notwithstanding the provisions of paragraphs (a), (b), (c) and (d) of this Section 7.39:

(1) The cumulative total of all reductions, made pursuant to this Section 7.39, in price, profit, fee or other compensation shall not exceed $140,000; and

(2) If, pursuant to this section, DOE elects, in whole or in part, to cancel, terminate, annul or suspend this Agreement, to terminate the right of Corporation to proceed or to suspend contract payments, such action by DOE may only be taken by delivering to Corporation a notice in writing of DOE's election to terminate not less than three years prior to the effective date of termination pursuant to Section 6.02 of this Agreement."

48. The term "indebtedness" referred to in the DOE Power Agreement shall include any indebtedness of Corporation for borrowed money incurred in connection with the acquisition, financing, construction and completion of the project generating stations, or the project transmission facilities, and shall include any indebtedness (including, without limitation any indebtedness relating to the interest component, the principal or amortization component and any other component of any purchase price, amortization, rental or other payment under an installment sale, loan, lease or similar agreement) relating to the purchase, lease or acquisition by Corporation of additional facilities under Section 3.06 and replacements under Section 3.07.

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49. Appendix II is amended in its entirety to read as follows:

"APPENDIX II

"DEFINITION OF OUT-OF-POCKET COSTS

OF SUPPLEMENTAL ENERGY

"Out-of-pocket costs associated with the furnishing of supplemental energy mean such operating and tax expenses incurred that would not have been otherwise incurred if such supplemental energy had not been furnished.

"Such operating expenses, under usual circumstances, include the incremental production expenses incurred in the production of the energy so furnished. Incremental production expenses associated with the production of such energy will be influenced by the type or class of generating station used for such purpose. If the station used is normally operating and carrying load, the incremental production expenses will include, without limitation, the fuel expense normally charged at the time in question by the producer of the power plus an appropriate allowance for maintenance, plus, in the case of supplemental energy scheduled to be delivered to Corporation from the Sponsoring Companies for redelivery to DOE, 0.5 mills per kwh for incremental operating labor. The appropriate unit allowance for maintenance shall be one-half of the weighted average unit cost (expressed in mills per kwh of net generation) normally charged at the time in question by the producer of the power. If the station or part thereof used is normally held in reserve as standby, all expenses incurred that are in excess of the expenses that would have been incurred for standby operation of such station or part thereof will be considered incremental production expenses. Incremental production expenses associated with fuel for each kwh of supplemental energy not scheduled for redelivery to DOE from the Sponsoring Companies shall be an amount determined by dividing (i) the total amount determined under Section 3.03 of this Agreement, by (ii) the billing kwh of permanent power for such month, plus the transmission losses thereon from the 345 kv buses of the project generating stations to the point of delivery.

"To the operating expenses as hereinabove determined there will be added a charge of 0.7 mills per

kwh to cover accounting, administration and billing expenses. Tax expenses will be the expenses that are payable as taxes either in connection with the sale or production of such energy.

"The above-described charges for operating labor and for accounting, administration and billing shall be adjusted in the following manner:

(i) Operating Labor. Effective January 1 of each year, commencing January 1, 1989, the value for average hourly earnings of production or nonsupervisory workers in electric services (1972 SIC Code 491) published by the U.S. Department of Labor, Bureau of Labor Statistics for the month of August in the preceding calendar year shall be compared to the March 1988 base value of such average hourly earnings of $14.28 per hour. The percentage change thereof (carried out four decimal places, e.g., 6.124% shall be .0612) in such average hourly earnings shall be multiplied by the initial charge for operating labor of 0.5 mills per kwh. The amount of increase or decrease shall be added to or subtracted from, as the case may be, the initial charge for operating labor; and the amount obtained in this manner (carried out four decimal places) shall become the then effective charge for operating labor.

(ii) Accounting, Administration and Billing. Effective January 1 of each year, commencing January 1, 1989, the value for average hourly earnings of production or nonsupervisory workers in accounting, auditing and bookkeeping services (1972 SIC Code 893) published by the U.S. Department of Labor, Bureau of Labor Statistics for the month of August in the preceding calendar year shall be compared to the March 1988 base value of such average hourly earnings of $10.26 per hour. The percentage change thereof (carried out four decimal places, e.g., 6.124% shall be .0612) in such average hourly earnings shall be multiplied by the initial charge for accounting, administration and billing of 0.7 mills per kwh. The amount of increase or decrease shall be added to or subtracted from, as the case may be, the initial charge for accounting, administration and billing; and the amount obtained in this manner (carried out four decimal places) shall become the then effective charge for accounting, administration and billing.

"Should publication of average hourly earnings be discontinued for either or both of the above-referenced statistical codes, a statistical code or codes which is or are, as nearly as practicable, equivalent shall be substituted by mutual agreement of the parties hereto."

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50. This Modification No. 14 to the DOE Power Agreement shall become effective at 12:00 Midnight on the date on which Corporation shall deliver to DOE a written notice to the effect that:

(a) All applicable requirements as to approval by or filings with regulatory agencies having jurisdiction in respect of the transactions constituting the subject matter of this Modification No. 14 (including expiration of any specified period after the date of any filing) have been complied with and all requisite approvals of such regulatory agencies are in full force and effect and none is the subject of attack on appeal by direct proceeding or otherwise, and (except to the extent that Corporation shall waive such condition) any requisite approvals of regulatory agencies having such jurisdiction have become final and not subject to judicial review in any court; and

(b) All applicable requirements as to approval by or filings with regulatory agencies having jurisdiction in respect of a modification, if any of the Inter-Company Power Agreement dated July 10, 1953, as amended (including expiration of any specified period after the date of any filing) have been complied with and all requisite approvals of such regulatory agencies are in full force and effect and none is the subject of attack on appeal by direct proceeding or otherwise, and (except to the extent that Corporation shall waive such condition) any requisite approvals of regulatory agencies having such jurisdiction have become final and not subject to judicial review in any court; and

(c) The General Counsel of DOE shall have delivered to Corporation an opinion satisfactory to Corporation that the Agreement as modified herein constitutes a valid and legally binding obligation of the United States of America enforceable in accordance with its terms.

51. The DOE Power Agreement, as modified by Modifications No. 1 through No. 13, both inclusive, and by this Modification No. 14, is hereby in all respects confirmed.

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IN WITNESS WHEREOF, the parties hereto have executed this Modification No. 14 as of the date and year first above written.

OHIO VALLEY ELECTRIC CORPORATION

By _____

UNITED STATES OF AMERICA

By: SECRETARY OF ENERGY

By Willis Davis
Authorized Contracting Officer

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EXHIBIT B

Summary of Mod. No. 14
to the DOE Power Agreement

Summary of Mod. No. 14
to the DOE Power Agreement

I. BACKGROUND

During the early 1950's the United States Atomic Energy Commission (the "AEC") began to plan the construction of a uranium enrichment plant in Pike County, Ohio. The AEC projected that the plant would need more electricity than was used by New York City. Because the amount of capacity required was so large, the AEC concluded that it could not rely upon existing sources of supply and requested help from utilities in Ohio and nearby states.

On October 1, 1952, 15 utilities from the surrounding area organized OVEC and a wholly-owned subsidiary, Indiana-Kentucky Electric Corporation ("IKEC"), for the purpose of providing electric service to this uranium enrichment plant. In the months thereafter, OVEC made the contractual arrangements necessary to effect this purpose, including a Power Agreement dated October 15, 1952 between OVEC and the United States of America, then acting by and through the AEC (the "Agreement").

Subsequently, OVEC and IKEC constructed two generating stations (one in Ohio and one in Indiana), and in 1955 OVEC began to serve the AEC. OVEC continues today to supply electric service to the uranium enrichment plant, which is now operated by the AEC's successor, the United States Department of Energy ("DOE").

II. OVERVIEW OF THE AGREEMENT

The Agreement sets forth the terms on which OVEC supplies electricity to DOE's uranium enrichment plant. Originally the

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Agreement was to terminate 25 years after its execution in 1952, but it has been extended several times and is currently scheduled to expire on October 14, 1992.

The Agreement entitles DOE to all of the generating capability of OVEC's and IKEC's power plants, minus an amount set aside for reserve capacity. It also obligates OVEC in certain situations to attempt to arrange for third parties to deliver power and energy needed to meet DOE's load when that load is in excess of the amount of power which OVEC itself is required to supply.

The Agreement makes reference to four classes of power and energy: permanent power, supplemental power, arranged power and occasional energy. Permanent power can be characterized as the amount of power and accompanying energy to which DOE is entitled from OVEC's or IKEC's generating stations. Supplemental power is power in excess of permanent power and may come either from OVEC's and IKEC's generating stations ("OVEC supplemental") or from the Sponsoring Companies ("Sponsor supplemental"). Arranged power is power in excess of DOE's entitlement obtained by OVEC from third parties and delivered to DOE at its request. Occasional energy is energy delivered to DOE from sources other than OVEC's or IKEC's generating stations when such energy is available at a cost lower than the energy charge associated with permanent power.

For permanent power, DOE pays a demand charge equal to OVEC's fixed charges and nonfuel operating expenses, including a return on OVEC's equity, while the energy charge is equal to OVEC's fuel

expenses associated with generating and delivering permanent power. For supplemental power, arranged power and occasional energy, DOE pays OVEC its costs. The Agreement also obligates DOE to pay for certain additions to, and replacements of, OVEC's and IKEC's facilities.

These arrangements under the Agreement have enabled OVEC to finance its capital expenditures at the lowest possible cost. The result has been reliable and low-cost electric service to DOE.

III. SUMMARY OF DOE MOD. NO. 14

The Agreement expires on October 14, 1992. Accordingly, DOE and OVEC have negotiated the terms under which OVEC would continue to supply power to DOE after that date.[1] The result of these negotiations is Modification No. 14, dated as of January 15, 1992, to

[1] At the same time, and in connection with such extension, OVEC and the 15 utilities that formed OVEC have agreed on the terms under which they would continue to engage in certain wholesale power supply transactions under an Inter-Company Power Agreement dated June 10, 1953 among OVEC and those 15 utilities (the "Inter-Company Power Agreement"). The result of those negotiations is Modification No. 7, dated as of January 15, 1992, to the Inter-Company Power Agreement ("Inter-Company Mod. No. 7").

The Inter-Company Power Agreement governs, among other things, certain wholesale power and energy sales that complement OVEC's supply of power and energy to DOE under the Agreement. Inter-Company Mod. No. 7 primarily provides for changes to the Inter-Company Power Agreement so it will correlate with the Agreement as amended by DOE Mod. No. 14. A copy of Inter-Company Mod. No. 7 is attached as Exhibit C to the Application to which this exhibit is attached.

the Agreement ("DOE Mod. No. 14"). The alterations that DOE Mod. No. 14 would make to the Agreement include:

(1) the extension of the Agreement through December 31, 2005 (DOE Mod. No. 14 para. 13);

(2) the recognition of the sale by Louisville Gas and Electric Company to American Electric Power Co., Inc., of an amount of OVEC's common stock (DOE Mod. No. 14 para. ?

(3) a clarification of the method of determining the amount of supplemental power that OVEC can provide to DOE (DOE Mod. No. 14. para. 2);

(4) changes relating to the extent to which DOE can (a) supply DOE's tenants, contractors, vendors and concessionaires with electric power from OVEC and (b) transfer power from OVEC to another governmental facility (DOE Mod. No. 14 para. 4);

(5) the addition of provisions concerning OVEC's receipt of transmission service revenues (DOE Mod. No. 14 paras. 5 and 7);

(6) the addition of provisions concerning the payment by DOE to OVEC for transmission service charges that other parties have billed to OVEC (DOE Mod. No. 14 paras. 6 and 12);

(7) changing to $2.089 per month per share of issued OVEC stock the return on equity component of the permanent power demand charge. This results in a 14.20% rate of return on OVEC's equity (DOE Mod. No. 14 para. 7);

(8) changes to the section concerning OVEC's purchase and installation of additional facilities and spare parts, thereby (a)

clarifying that certain types of facilities are included within the term "additional facilities and/or spare parts," (b) clarifying DOE's obligation to pay for certain expenses related to additional facilities and (c) increasing the monetary thresholds used to determine when OVEC must (i) obtain DOE's approval of an additional facility and (ii) attempt to finance an additional facility (DOE Mod. No. 14 para. 9);

(9) changes to the section concerning replacements, thereby (a) clarifying DOE's obligation to pay for certain expenses related to replacements and (b) increasing the monetary thresholds used to determine when OVEC must (i) obtain DOE's approval of a replacement and (ii) attempt to finance a replacement (DOE Mod. No. 14 para. 10);

(10) the addition of language concerning billing for certain charges paid solely by DOE and related to the purchase of additional facilities, spare parts or replacements (DOE Mod. No. 14 para. 11);

(11) a change that would shorten to three years from five years the minimum period between DOE's delivery of a notice of termination of the DOE Power Agreement and the effective date of such termination (DOE Mod. No. 14 para. 14);

(12) the deletion of an out-dated section and, in its place, the addition of a section concerning the funding by DOE on or before the termination of the Agreement of amounts required to pay certain employee-related expenses of OVEC (DOE Mod. No. 14 para. 15);

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(13) the addition of language concerning circumstances in which OVEC would be allowed to terminate the Agreement (DOE Mod. No. 14 paras. 3 and 16);

(14) the addition of a section concerning the payment by DOE of a pro-rata share of certain expenses related to the decommissioning, shutdown, demolition, and closing of OVEC's and IKEC's generating stations (DOE Mod. No. 14 para. 17);

(15) changes that would (a) reiterate and clarify that the Uniform System of Accounts to which the Agreement refers is the Federal Power Commission Uniform System of Accounts of 1937 and (b) add language concerning DOE's consent to OVEC's keeping of books in accordance with systems of accounts prescribed by other governmental authorities (DOE Mod. No. 14 para. 18);

(16) changes relating to DOE's right to assign the Agreement (DOE Mod. No. 14 paras. 4, 8 and 21);

( ) changes to the standard government contracting clauses already in the Agreement (DOE Mod. No. 14 paras. 19, 20 and 22-36);

(18) the deletion of certain language concerning the protection of the security of the holders of indebtedness issued by OVEC (DOE Mod. No. 14 para. 37);

(19) the addition of new standard government contracting clauses (DOE Mod. No. 14 paras. 38-47);

(20) clarification that the term "indebtedness", for purposes of the Agreement, includes indebtedness relating to additional

facilities, spare parts and replacements (DOE Mod. No. 14 para. 48); and

(21) changes to the Agreement's definition of the out-of-pocket costs of supplemental energy, to the effect that (a) the incremental operating labor expense component added for Sponsor supplemental energy would increase from .3 mills per Kwh to .5 mills per Kwh, (b) the accounting, administration and billing expense component added for both Sponsor and OVEC supplemental energy would increase from .45 mills per Kwh to .7 mills per Kwh, and (c) both components would be adjusted annually pursuant to a procedure that would involve the use of statistics published by the U.S. Department of Labor, Bureau of Labor Statistics (DOE Mod. No. 14 para. 49).

EXHIBIT C

Mod. No. 7 to the
Inter-Company Power Agreement

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MODIFICATION NO. 7

TO

INTER-COMPANY POWER AGREEMENT

DATED JULY 10, 1953

AMONG

OHIO VALLEY ELECTRIC CORPORATION,
APPALACHIAN POWER COMPANY,
THE CINCINNATI GAS & ELECTRIC COMPANY,
COLUMBUS SOUTHERN POWER COMPANY (formerly
COLUMBUS AND SOUTHERN OHIO ELECTRIC COMPANY),
THE DAYTON POWER AND LIGHT COMPANY,
INDIANA MICHIGAN POWER COMPANY (formerly
INDIANA & MICHIGAN ELECTRIC COMPANY),
KENTUCKY UTILITIES COMPANY,
LOUISVILLE GAS AND ELECTRIC COMPANY
MONONGAHELA POWER COMPANY,
OHIO EDISON COMPANY,
OHIO POWER COMPANY,
PENNSYLVANIA POWER COMPANY,
THE POTOMAC EDISON COMPANY,
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY,
THE TOLEDO EDISON COMPANY, and
WEST PENN POWER COMPANY.

Dated as of January 15, 1992

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MODIFICATION NO. 7

TO

INTER-COMPANY POWER AGREEMENT

THIS AGREEMENT dated as of the 15th day of January, 1992, by and among OHIO VALLEY ELECTRIC CORPORATION (herein called "OVEC" or "Corporation"), APPALACHIAN POWER COMPANY (herein called "Appalachian"), THE CINCINNATI GAS & ELECTRIC COMPANY (herein called "Cincinnati"), COLUMBUS SOUTHERN POWER COMPANY (formerly COLUMBUS AND SOUTHERN OHIO ELECTRIC COMPANY) (herein called "Columbus"), THE DAYTON POWER AND LIGHT COMPANY (herein called "Dayton"), INDIANA MICHIGAN POWER COMPANY (formerly INDIANA & MICHIGAN ELECTRIC COMPANY) (herein called "Indiana"), KENTUCKY UTILITIES COMPANY (herein called "Kentucky"), LOUISVILLE GAS AND ELECTRIC COMPANY (herein called "Louisville"), MONONGAHELA POWER COMPANY (herein called "Monongahela"), OHIO EDISON COMPANY (herein called "Ohio Edison"), OHIO POWER COMPANY (herein called "Ohio Power"), PENNSYLVANIA POWER COMPANY (herein called "Pennsylvania"), THE POTOMAC EDISON COMPANY (herein called "Potomac"), SOUTHERN INDIANA GAS AND ELECTRIC COMPANY (herein called "Southern Indiana"), THE TOLEDO EDISON COMPANY (herein called "Toledo"), and WEST PENN POWER COMPANY (herein called "West Penn"), all of the foregoing, other than OVEC, being herein sometimes collectively referred to as the Sponsoring Companies and individually as a Sponsoring Company.

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WITNESSETH THAT

WHEREAS, Corporation and the United States of America have heretofore entered into Contract No. AT-(40-1)-1530 (redesignated Contract No. E-(40-1)-1530, later redesignated Contract No. EY-76-C-05-1530 and later redesignated Contract No. DE-AC05-76OR01530), dated October 15, 1952, providing for the supply by Corporation of electric utility services to the United States Atomic Energy Commission (hereinafter called "AEC") at AEC's project near Portsmouth, Ohio (hereinafter called the "Project"), which Contract has heretofore been modified by Modification No. 1, dated July 23, 1953, Modification No. 2, dated as of March 15, 1964, Modification No. 3, dated as of May 12, 1966, Modification No. 4, dated as of January 7, 1967, Modification No. 5, dated as of August 15, 1967, Modification No. 6, dated as of November 15, 1967, Modification No. 7, dated as of November 5, 1975, Modification No. 8, dated as of June 23, 1977, Modification No. 9, dated as of July 1, 1978, Modification No. 10, dated as of August 1, 1979, Modification No. 11, dated as of September 1, 1979, Modification No. 12, dated as of August 1, 1981, and Modification No. 13, dated as of September 1, 1989 (said Contract, as so modified, is hereinafter called the DOE Power Agreement"); and

WHEREAS, pursuant to the Energy Reorganization Act of 1974, the AEC was abolished on January 19, 1975 and certain of its functions, including the procurement of electric utility services for the Project, were transferred to and vested in the Administrator of Energy Research and Development; and

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WHEREAS, pursuant to the Department of Energy Organization Act, on October 1, 1977, all of the functions vested by law in the Administrator of Energy Research and Development or the Energy Research and Development Administration were transferred to, and vested in, the Secretary of Energy, the statutory head of the Department of Energy (hereinafter called "DOE"); and

WHEREAS, OVEC and DOE propose to execute and deliver Modification No. 14, dated as of January 15, 1992, to the DOE Power Agreement, and the parties hereto hereby consent to the execution and delivery thereof by OVEC; and

WHEREAS, the parties hereto have entered into a contract, herein called the "Inter-Company Power Agreement," dated July 10, 1953, governing, among other things, (a) the supply by the Sponsoring Companies of Supplemental Power in order to enable Corporation to fulfill its obligations under the DOE Power Agreement, and (b) the rights of the Sponsoring Companies to receive Surplus Power (as defined in the Agreement identified in the next clause in this preamble) as may be available at the Project Generating Stations and the obligations of the Sponsoring Companies to pay therefor; and

WHEREAS, the Inter-Company Power Agreement has heretofore been amended by Modification No. 1, dated as of June 3, 1966, Modification No. 2 dated as of January 7, 1967, Modification No. 3, dated as of November 15, 1967, Modification No. 4, dated as of November 5, 1975, Modification No. 5, dated as of September 1, 1979, and Modification No. 6, dated as of August 1,

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1981 (said contract so amended and as modified and amended by this Modification No. 7 being herein and therein sometimes called the "Agreement"); and

WHEREAS, OVEC and the Sponsoring Companies desire to enter into this Modification No. 7 to reflect in the Agreement the provisions of the DOE Power Agreement in effect after modification by Modification No. 14 thereto and certain other purposes as more particularly hereinafter provided;

NOW, THEREFORE, the parties hereto agree with each other as follows:

1. In the first sentence of Section 2.03 of Article 2, delete the words "Section 2.02 and 12.13" and substitute therefor the words "Section 2.02."

2. In Article 4, delete Section 4.01, and substitute therefor the following:

"4.01 Supply of Supplemental Power. Paragraph 1 and the first sentence of Paragraph 2 of Section 2.04 of the DOE Power Agreement read as follows:

'1. Whenever, for any clock hour, the aggregate amount of permanent power and the energy associated therewith furnished by Corporation to DOE pursuant to Section 2.03 and the scheduled kwh of occasional energy for which provision has been made by Corporation pursuant to Section 2.09 is insufficient to supply the part of the DOE contract demand which is then being demanded by DOE, Corporation shall, unless Corporation shall be excused as a result of conditions contemplated by Section 7.05 of this Agreement or DOE shall have otherwise excused Corporation from meeting such demand, furnish additional generating capacity and the energy associated therewith to DOE at the point of delivery to make up for such insufficiency in any amount necessary up to a number of kilowatts which will equal the Applicable Percentage (which percentage, for purposes of this Section 2.04, shall not exceed thirty percent) of the sum of (i) the DOE contract demand and (ii) the transmission losses thereon from the 345 kv busses of

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the project generating stations. At the request of DOE, during any clock hour Corporation may, at its option, furnish to DOE supplemental power which, when added to the permanent power and occasional energy then being furnished, shall exceed the DOE contract demand; provided that, in such event, DOE shall, if requested to do so by Corporation, forthwith take action to reduce its power and energy requirements to an amount not exceeding the aggregate amount which Corporation would otherwise be obligated to supply. Notwithstanding the foregoing, the aggregate amount of supplemental power and energy Corporation shall be obligated to furnish to DOE pursuant to this paragraph 1 during any calendar year shall not exceed the product of 900,000,000 kwh multiplied by the average DOE capacity ratio of such calendar year, weighted with respect to the periods of time during which DOE capacity ratios were in effect.

'2. The additional generating capacity and the energy associated therewith furnished to DOE pursuant to paragraph 1. above is called "supplemental power."'

. . .

"In order to enable Corporation to fulfill its obligation under the DOE Power Agreement to supply Supplemental Power to DOE, each Sponsoring Company shall stand ready to supply, either from its own capacity, capacity to which it is entitled at the Project Generating Stations or through arrangements with other companies, its Power Participation Ratio of the amounts of power and energy required for such supply of Supplemental Power plus its Power Participation Ratio of the aggregate of all electrical losses incurred by all Sponsoring Companies in so supplying required amounts of power and energy. It is understood, however, that Corporation shall endeavor to obtain such power from the most economical source without respect to Power Participation Ratios, including power classified as Surplus Power to which the Sponsoring Companies are entitled but which they are not utilizing."

3. In Article 6, delete the portion of the first paragraph of subsection 6.031 which quotes clauses (c) and (d) of paragraph 3 of Section 3.04 of the DOE Power Agreement, and substitute therefor the following:

"(c) Component (C) shall consist of the total expenses for taxes, including all taxes on income (other than (i) Federal income taxes, (ii) any taxes that are now or may

hereafter be levied based on revenue, energy generated or sold or on any other basis capable of direct distribution, the cost of which taxes shall be allocated directly to DOE and Corporation in amounts reflecting the proper share of each, and DOE shall pay to Corporation its share thereof, (iii) taxes arising from payments received by Corporation for difficult to quantify costs under Section 2.08 and (iv) taxes arising from payments received by Corporation for use of Corporation's transmission facilities under Section 2.10), properly chargeable to Account 507 of the Uniform System of Accounts; provided, however, that any taxes for which DOE reimburses Corporation under Sections 1.05, 3.06, 3.07, 4.02, and 4.08 shall not be included in Component (C).

"(d) Component (D) shall consist of an amount equal to the product of $2.089 multiplied by the total number of shares of capital stock of the par value of $100 per share of Ohio Valley Electric Corporation which shall have been issued and which are outstanding on the last day of such month."

4. In Article 6, delete the first sentence of the second paragraph of subsection 6.031, and substitute therefor the following:

"The amount specified in the computation of Component (D) in subparagraph (d) of paragraph 3 of Section 3.04 of the DOE Power Agreement is subject to modification or adjustment as provided in the DOE Power Agreement."

5. Change the title of Article 9 so that it reads "COSTS OF REPLACEMENTS AND ADDITIONAL FACILITIES; ADVANCE PAYMENTS FOR ENERGY CHARGES."

6. In Article 9, delete the first sentence of Section 9.01, and substitute therefor the following:

"The Sponsoring Companies shall reimburse Corporation for the difference between (a) the total cost of replacements chargeable to property and plant (other than facilities described in Section 2.02) made by Corporation during any month prior thereto (and not previously reimbursed) and (b) the amounts received by Corporation from DOE as reimbursement for the cost of replacements under the provisions of the DOE Power Agreement, or paid for out of proceeds of fire or other applicable insurance protection,

or out of amounts recovered from third parties responsible for damages requiring replacement."

7. In Article 9, delete in its entirety the last sentence of Section 9.01.

8. In Article 9, renumber Section 9.02 as Section 9.03, and then insert a new Section 9.02 after Section 9.01 as follows:

"9.02 Additional Facility Costs. The Sponsoring Companies shall reimburse Corporation for the difference between (a) the total cost of additional facilities and/or spare parts (other than facilities described in Section 2.02) purchased and/or installed by Corporation during any month prior thereto (and not previously reimbursed) and (b) the amounts received by Corporation from DOE as reimbursement for the cost of additional facilities and/or spare parts under the provisions of the DOE Power Agreement. If Corporation is unable to secure a satisfactory ruling to the effect that amounts paid by the Sponsoring Companies in reimbursement of additional facility and/or spare part costs do not constitute taxable income to Corporation, or in case such ruling once obtained shall be reversed or rescinded, then the Sponsoring Companies shall pay to Corporation such amount, in lieu of the amounts to be paid as above provided, which, after provision for all taxes on income, shall equal the costs of the additional facilities and/or spare parts reimbursable by the Sponsoring Companies to Corporation as above provided. Each Sponsoring Company's share of such payment shall be the percentage of such difference represented by its Power Participation Ratio."

9. In Article 10, delete Section 10.04 in its entirety, and substitute therefor the following:

"10.04 Replacement and Additional Facility Costs. As soon as practicable after the end of each month Corporation shall render to each Sponsoring Company a separate statement indicating the appropriate charge against such Sponsoring Company for reimbursement for the cost of replacements and additional facilities and/or spare parts incurred during such month as provided in Article 9 above. Such Sponsoring Company shall make payment therefor promptly upon receipt of such statement."

10. Delete Article 11, and substitute therefor the following:

"11.01 DOE Requirements for Service Following Termination of the DOE Power Agreement. The last two sentences of Section 6.01 of the DOE Power Agreement read as follows:

> 'The parties recognize that the project generating stations were constructed to service the United States of America's load requirements at the Project, and therefore recognize the principle that power and associated energy produced by the project generating stations beyond the term of this Agreement are to be made available, at least to the extent of DOE's contract demand as in effect on December 31, 2005, to serve such load, provided Corporation's equipment is then serviceable and mutually agreeable arrangements can be evolved by the parties hereto. Accordingly, Corporation and DOE agree to review the possibility of negotiating power supply arrangements for the delivery of power and associated energy produced by the project generating stations to DOE subsequent to December 31, 2005, at least two years in advance of such date.'

"In the event the said last two sentences of Section 6.01 result in Corporation's and DOE's reaching agreement for the supply of service to DOE following termination of the DOE Power Agreement, the provisions of this Agreement shall be appropriately amended and modified, consistently with the principles herein, to conform with any agreement so reached."

11. In Article 12, delete Section 12.13 in its entirety.

12. In Article 12, delete Section 12.15, and substitute therefor the following:

"12.15 Certain Provisions of the DOE Power Agreement. The parties hereto each agree that the clauses specified (a) in paragraph 4 of Section 7.04, (b) in paragraph (b)(10) of Section 7.13, (c) in paragraph 9 of Section 7.14, (d) in paragraph 5 of Section 7.15, (e) in clause (f) of Section 7.22, (f) in paragraph (a)(iv) of Section 7.23, (g) in paragraph (m) of Section 7.24, (h) in paragraph (c)(5) of Section 7.33, and/or (i) in paragraph (d)(9) of Section 7.34, of the DOE Power Agreement, shall (i) to the extent required to be included in a subcontract or a purchase order, and (ii) to the extent that this Agreement constitutes a subcontract or a purchase order, as the case may be, be deemed, unless exempted by applicable rules, regulations or orders, to be included herein as if set forth in full herein; provided, however, that the parties hereto do

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not concede by the inclusion of this Section 12.15 in this Agreement that either the United States of America or OVEC intended by their execution and delivery of the DOE Power Agreement, or any modification thereof, to include contractual arrangements such as this Agreement within the concept of a subcontract or purchase order as such terms are used in the DOE Power Agreement."

13. Delete APPENDIX I, and substitute therefor the following:

"APPENDIX I

"DEFINITION OF OUT-OF-POCKET COSTS

OF SUPPLEMENTAL ENERGY

"Out-of-pocket costs associated with the furnishing of supplemental energy mean such operating and tax expenses incurred that would not have been otherwise incurred if such supplemental energy had not been furnished.

"Such operating expenses, under usual circumstances, include the incremental production expenses incurred in the production of the energy so furnished. Incremental production expenses associated with the production of such energy will be influenced by the type or class of generating station used for such purpose. If the station used is normally operating and carrying load, the incremental production expenses will include, without limitation, the fuel expense normally charged at the time in question by the producer of the power plus an appropriate allowance for maintenance, plus, in the case of supplemental energy scheduled to be delivered to Corporation from the Sponsoring Companies for redelivery to DOE, 0.5 mills per kwh for incremental operating labor. The appropriate unit allowance for maintenance shall be one-half of the weighted average unit cost (expressed in mills per kwh of net generation) normally charged at the time in question by the producer of the power. If the station or part thereof used is normally held in reserve as standby, all expenses incurred that are in excess of the expenses that would have been incurred for standby operation of such station or part thereof will be considered incremental production expenses. Incremental production expenses associated with fuel for each kwh of supplemental energy not scheduled for redelivery to DOE from the Sponsoring Companies shall be an amount determined by dividing (i) the total amount determined under Section 3.03 of the DOE Power Agreement, by (ii) the billing kwh of permanent power for such month, plus the transmission losses thereon from the 345 kv busses of the project generating stations to the point of delivery.

"To the operating expenses as hereinabove determined, there will be added a charge of 0.7 mills per kwh to cover accounting, administration and billing expenses. Tax expenses will be the expenses that are payable as taxes either in connection with the sale or production of such energy.

"The above-described charges for operating labor and for accounting, administration and billing shall be adjusted in the following manner:

(i) Operating Labor. Effective January 1 of each year, commencing January 1, 1989, the value for average hourly earnings of production or nonsupervisory workers in electric services (1972 SIC Code 491) published by the U.S. Department of Labor, Bureau of Labor Statistics for the month of August in the preceding calendar year shall be compared to the March 1988 base value of such average hourly earnings of $14.28 per hour. The percentage change thereof (carried out four decimal places, e.g., 6.124% shall be .0612) in such average hourly earnings shall be multiplied by the initial charge for operating labor of 0.5 mills per kwh. The amount of increase or decrease shall be added to or subtracted from, as the case may be, the initial charge for operating labor; and the amount obtained in this manner (carried out four decimal places) shall become the then effective charge for operating labor.

(ii) Accounting, Administration and Billing. Effective January 1 of each year, commencing January 1, 1989, the value for average hourly earnings of production or nonsupervisory workers in accounting, auditing and bookkeeping services (1972 SIC Code 893) published by the U.S. Department of Labor, Bureau of Labor Statistics for the month of August in the preceding calendar year shall be compared to the March 1988 base value of such average hourly earnings of $10.26 per hour. The percentage change thereof (carried out four decimal places, e.g., 6.124% shall be .0612) in such average hourly earnings shall be multiplied by the initial charge for accounting, administration and billing of 0.7 mills per kwh. The amount of increase or decrease shall be added to or subtracted from, as the case may be, the initial charge for accounting, administration and billing; and the amount obtained in this manner (carried out four decimal places) shall become the then effective charge for accounting, administration and billing.

"Should publication of average hourly earnings be discontinued for either or both of the above-referenced statistical codes, a statistical code or codes which is or are, as nearly as practicable, equivalent shall be substituted by mutual agreement of the parties hereto."

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14. This Modification No. 7 shall become effective at 12:00 o'clock Midnight on the day on which Corporation shall advise the other parties to this Modification No. 7 (to be later confirmed in writing) that all conditions precedent to the effectiveness of this Modification No. 7 shall have been satisfied including the conditions precedent set forth below:

(a) Modification No. 14 to the DOE Power Agreement shall have been executed and delivered; and

(b) Corporation shall be in a position to deliver to DOE the notice described in Paragraph 49 of Modification No. 14 to the DOE Power Agreement.

15. The Inter-Company Power Agreement, as modified by Modifications Nos. 1, 2, 3, 4, 5, and 6 and as hereinbefore provided, is hereby in all respects confirmed.

16. This Modification No. 7 may be executed in any number of copies and by the different parties hereto on separate counterparts, each of which shall be deemed an original but all of which together shall constitute a single agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Modification No. 7 as of the day and year first written above.

OHIO VALLEY ELECTRIC CORPORATION

By: D. L. Hart

APPALACHIAN POWER COMPANY

By: _____

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OHIO VALLEY ELECTRIC CORPORATION

By: _____

APPALACHIAN POWER COMPANY

By: [signature]

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THE CINCINNATI GAS & ELECTRIC COMPANY

By: _____
President & CEO

COLUMBUS SOUTHERN POWER COMPANY

By: _____

THE DAYTON POWER AND LIGHT COMPANY

By: _____

INDIANA MICHIGAN POWER COMPANY

By: _____

KENTUCKY UTILITIES COMPANY

By: _____

LOUISVILLE GAS AND ELECTRIC COMPANY

By: _____

MONONGAHELA POWER COMPANY

By: _____

OHIO EDISON COMPANY

By: _____

OHIO POWER COMPANY

By: _____

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THE CINCINNATI GAS & ELECTRIC COMPANY

By: _____

COLUMBUS SOUTHERN POWER COMPANY

By: _____

THE DAYTON POWER AND LIGHT COMPANY

By: _____

INDIANA MICHIGAN POWER COMPANY

By: _____

KENTUCKY UTILITIES COMPANY

By: _____

LOUISVILLE GAS AND ELECTRIC COMPANY

By: _____

MONONGAHELA POWER COMPANY

By: _____

OHIO EDISON COMPANY

By: _____

OHIO POWER COMPANY

By: _____

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THE CINCINNATI GAS & ELECTRIC COMPANY

By: _____

COLUMBUS SOUTHERN POWER COMPANY

By: _____

THE DAYTON POWER AND LIGHT COMPANY

By: _____

INDIANA MICHIGAN POWER COMPANY

By: _____

KENTUCKY UTILITIES COMPANY

By: _____

LOUISVILLE GAS AND ELECTRIC COMPANY

By: _____

MONONGAHELA POWER COMPANY

By: _____

OHIO EDISON COMPANY

By: _____

OHIO POWER COMPANY

By: _____

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THE CINCINNATI GAS & ELECTRIC COMPANY

By: _____

COLUMBUS SOUTHERN POWER COMPANY

By: _____

THE DAYTON POWER AND LIGHT COMPANY

By: _____

INDIANA MICHIGAN POWER COMPANY

By: _____

KENTUCKY UTILITIES COMPANY

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LOUISVILLE GAS AND ELECTRIC COMPANY

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OHIO EDISON COMPANY

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THE CINCINNATI GAS & ELECTRIC COMPANY

By: _____

COLUMBUS SOUTHERN POWER COMPANY

By: _____

THE DAYTON POWER AND LIGHT COMPANY

By: _____

INDIANA MICHIGAN POWER COMPANY

By: _____

KENTUCKY UTILITIES COMPANY

By: John F. Newton

LOUISVILLE GAS AND ELECTRIC COMPANY

By: _____

MONONGAHELA POWER COMPANY

By: _____

OHIO EDISON COMPANY

By: _____

OHIO POWER COMPANY

By: _____

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THE CINCINNATI GAS & ELECTRIC COMPANY

By:_____

COLUMBUS SOUTHERN POWER COMPANY

By:_____

THE DAYTON POWER AND LIGHT COMPANY

By:_____

INDIANA MICHIGAN POWER COMPANY

By:_____

KENTUCKY UTILITIES COMPANY

By:_____

LOUISVILLE GAS AND ELECTRIC COMPANY

By: Fred Wright

MONONGAHELA POWER COMPANY

By:_____

OHIO EDISON COMPANY

By:_____

OHIO POWER COMPANY

By:_____

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THE CINCINNATI GAS & ELECTRIC COMPANY

By:_____

COLUMBUS SOUTHERN POWER COMPANY

By:_____

THE DAYTON POWER AND LIGHT COMPANY

By:_____

INDIANA MICHIGAN POWER COMPANY

By:_____

KENTUCKY UTILITIES COMPANY

By:_____

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MONONGAHELA POWER COMPANY

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OHIO EDISON COMPANY

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OHIO POWER COMPANY

By:_____

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THE CINCINNATI GAS & ELECTRIC COMPANY

By: _____

COLUMBUS SOUTHERN POWER COMPANY

By: _____

THE DAYTON POWER AND LIGHT COMPANY

By: _____

INDIANA MICHIGAN POWER COMPANY

By: _____

KENTUCKY UTILITIES COMPANY

By: _____

LOUISVILLE GAS AND ELECTRIC COMPANY

By: _____

MONONGAHELA POWER COMPANY

By: _____

OHIO EDISON COMPANY

By: D. W. Tuchappat

OHIO POWER COMPANY

By: _____

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COLUMBUS SOUTHERN POWER COMPANY

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INDIANA MICHIGAN POWER COMPANY

By: _____

KENTUCKY UTILITIES COMPANY

By: _____

LOUISVILLE GAS AND ELECTRIC COMPANY

By: _____

MONONGAHELA POWER COMPANY

By: _____

OHIO EDISON COMPANY

By: _____

OHIO POWER COMPANY

By: C. A. Heller

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PENNSYLVANIA POWER COMPANY

By: Robert L. Grainger

THE POTOMAC EDISON COMPANY

By: _____

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY

By: _____

THE TOLEDO EDISON COMPANY

By: _____

WEST PENN POWER COMPANY

By: _____

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PENNSYLVANIA POWER COMPANY

By: _____

THE POTOMAC EDISON COMPANY

By: _____

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY

By: _____

THE TOLEDO EDISON COMPANY

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WEST PENN POWER COMPANY

By: _____

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BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of OHIO VALLEY ELECTRIC CORPORATION, for	)	
(1) Approval of Modification No. 14 to a Power Agreement between Ohio Valley Electric Corporation and The United States of America and	)	Case No.
(2) Permission to File Modification No. 14 in the Commission's Tariff Files	)	

FINDING AND ORDER

The Commission finds that:

(1) Ohio Valley Electric Corporation ("OVEC") is a public utility as defined in Section 4905.02, Revised Code, and, as such, is subject to the jurisdiction of this Commission.

(2) By Order dated January 29, 1953, in Proceeding No. 23,719, and by Order dated July 21, 1953, in Proceeding No. 24,150, this Commission approved a contract between OVEC and The United States of America, then acting by and through the Atomic Energy Commission but now acting by and through the Secretary of Energy, the statutory head of the Department of Energy ("DOE"), (the "DOE Power Agreement"). The DOE Power Agreement is the agreement under which OVEC supplies electric power to DOE's uranium enrichment plant in Pike County, Ohio.

(3) By Order, this Commission has approved thirteen modifications to the DOE Power Agreement, namely:

Modification No. 1, approved by Order dated July 21, 1953, in Proceeding No. 24,150;

Modification No. 2, approved by Order dated April 27, 1964, in Proceeding No. 32,418;

Modification No. 3, approved by Order dated July 27, 1966, in Proceeding No. 34,029;

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Modification No. 4, approved by Order dated January 30, 1967 in Proceeding No. 34,346;

Modification No. 5, approved by Order dated August 22, 1967, in Proceeding No. 34,690;

Modification No. 6, approved by Order dated August 4, 1970, in Proceeding No. 36,636;

Modification No. 7, approved by Order dated June 16, 1976, in Proceeding No. 76-427-ATR;

Modification No. 8, approved by Order dated July 26, 1977, in Proceeding No. 77-924-EL-ATR;

Modification No. 9, approved by Order dated October 4, 1978, in Proceeding No. 78-1253-EL-ATR;

Modification No. 10, approved by Order dated November 14, 1979, in Proceeding No. 79-944-EL-AEC;

Modification No. 11, approved by Order dated March 19, 1980, in Proceeding No. 80-174-EL-ATR;

Modification No. 12, approved by Order dated September 30, 1981, in Proceeding No. 81-1062-EL-ATR; and

Modification No. 13, approved by Order dated November 21, 1989, in Proceeding No. 89-1596-EL-AEC.

4. The present expiration date of the DOE Power Agreement is October 14, 1992. DOE, however, desires to have OVEC continue to supply electric energy to its uranium enrichment plant in Pike County, Ohio after that date.

5. DOE and OVEC have agreed to amend the DOE Power Agreement as set forth in Modification No. 14, dated as of January 15, 1992, to the DOE Power Agreement ("DOE Mod. No. 14"). DOE Mod. No. 14 would extend the DOE Power Agreement from its present expiration date of October 14, 1992 through December 31, 2005 and would also make certain other changes to OVEC's and DOE's rights as to the continued supply of electric power by OVEC to DOE's uranium enrichment plant in Pike County, Ohio.

6. The Applicants now request from this Commission an order:

   (A) that grants a waiver of any filing requirement not met by this Application;

   (B) that approves, pursuant to Section 4905.31, Revised Code, DOE Mod. No. 14 and the arrangements, variable rates and financial devices contained in the DOE Power Agreement as it would be modified by DOE Mod. No. 14;

   (C) that allows DOE Mod. No. 14 to be filed in the tariff files of the Commission; and

   (D) that permits DOE Mod. No. 14, and the rates therein, to take effect on August 25, 1992.

7. DOE Mod. No. 14 should be approved in accordance with its terms as filed pursuant to Section 4905.31, Revised Code.

8. Our approval of DOE Mod. No. 14 does not constitute state action for the purpose of the antitrust laws and it is not our intent to insulate any party to an agreement approved by this Finding and Order from the provisions of any state or federal law which prohibit the restraint of trade.

It is, therefore,

ORDERED, that OVEC is granted a waiver of any filing requirement not met by its Application. It is, further,

ORDERED, that DOE Mod. No. 14 and the arrangements, variable rates and financial devices contained in the DOE Power Agreement as it would be modified by DOE Mod. No. 14 are approved. It is, further,

ORDERED, that two copies of DOE Mod. No. 14 shall be accepted for inclusion in the tariff files of this Commission. It is, further,

ORDERED, that DOE Mod. No. 14, and the rates therein, may take effect on August 25, 1992. It is, further,

ORDERED, that nothing herein contained shall be deemed to be binding upon this Commission in any subsequent investigation or proceeding involving the justness or reasonableness of any rate, charge, rule or regulation. It is, further,

ORDERED, that a copy of this Finding and Order shall be served upon the Applicant.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Craig A. Glazer, Chairman

J. Michael Biddison

Ashley C. Brown

Jolynn Barry Butler

Richard M. Fanelly

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