

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

ADJUSTMENT OF RATES OF)
BEREA COLLEGE ELECTRIC UTILITY) CASE NO. 8297
A DEPARTMENT OF BEREA COLLEGE)

O R D E R

On July 30, 1981, Berea College Electric Utility ("Berea") filed an application with this Commission requesting authority to increase its rates for electric service effective September 1, 1981. The proposed rates would produce additional revenue of \$42,598 annually, an increase of 1.3 percent based on normalized revenue. By Commission Order, the effective date of the proposed tariffs was suspended until February 1, 1982, pursuant to the provisions of KRS 278.190.

Motions to intervene were filed by the Consumer Protection Division of the Attorney General's Office ("Attorney General"), the City of Berea ("City") and Berea Manufacturing Society ("Berea Manufacturing"), and sustained by the Commission.

Hearings were held by the Commission on September 10, 1981, and November 17, 1981. All briefs were filed with the Commission by December 14, 1981. The entire record is now submitted for final determination.

Commentary

Berea is a department of Berea College which is a non-profit educational institution. Berea provides electric service

to approximately 3,250 consumers in and around Berea, Kentucky. Kentucky Utilities Company is the sole supplier of electric energy to Berea.

Test Period

Berea proposed and the Commission has adopted the 12-month period ending April 30, 1981, as the test period for determining the reasonableness of the proposed rates. In utilizing the historic test period, the Commission has given full consideration to known and measurable changes where found reasonable.

Valuation

Net Investment

Berea proposed in Exhibit 6 a net investment rate base of \$2,016,739 as of April 30, 1981. The Commission has accepted this proposal with two modifications.

The Commission has reduced Berea's proposed rate base by \$83,608 for accumulated deferred income taxes. Deferred taxes represent income taxes which have previously been included in Berea's cost of service and will not be paid to the taxing authorities until some future time. Therefore, the Commission had deducted deferred taxes from the rate base in order that the consumer will not pay a return on funds previously invested.

The allowance for working capital has been adjusted to include the pro forma level of operating expenses allowed herein.

Thus, the Commission has determined Berea's net investment rate base to be as follows:

Plant in Service	\$ 2,633,357
Construction Work in Progress	2,489
Total Utility Plant	<u>\$ 2,635,846</u>
Add:	
Materials and Supplies	\$ 149,501
Working Capital	28,764
Subtotal	<u>\$ 178,265</u>
Less:	
Accumulated Depreciation	\$ 799,540
Accumulated Deferred Taxes	83,608
Subtotal	<u>\$ 883,148</u>
Net Investment	<u><u>\$ 1,930,963</u></u>

Capital Structure

The Commission finds from the evidence of record that Berea's capital structure at the end of the test period was \$1,550,000 and consisted of \$400,000 in equity and \$1,150,000 in long-term debt.

The Commission has given due consideration to these and other elements of value in determining the reasonableness of the rate increase requested herein.

Revenues and Expenses

Berea proposed several adjustments to revenues and expenses as reflected on its statement of income on page 1 of Exhibit 5 to the application. The Commission finds that these adjustments are generally acceptable for rate-making purposes with the following modifications:

Fuel Clause Adjustment

Berea proposed an adjustment to exclude the fuel revenue and cost actually incurred during the test year and to include an adjustment to fuel revenue and cost based on the increased purchased power costs allowed herein. The Commission accepts the proposed adjustment to exclude the actual fuel clause credits during the test year. The fuel adjustment clause presently in effect for

Berea provides for monthly rate adjustments based on the fuel cost from its power supplier. Therefore, it is not necessary to estimate the effects of fluctuations in fuel costs on revenues and expenses in determining Berea's revenue requirements. Accordingly, the Commission has disallowed the proposed adjustment based on the projected fuel clause revenue and cost.

Rate Case Expenses

Berea proposed an adjustment for rate case expenses of \$7,000. This was based on an estimated cost of \$21,000 to be amortized over 3 years. The Commission has increased this expense by \$11,746 based on a 3-year amortization of the actual expenses incurred in this case.

Administrative Charge

Berea included in its test year expenses administrative charges of \$36,626. These expenses represent the allocation of administrative expenses shared jointly between the electric department and the other college operations. In support of the actual test year expense, Berea supplied a calculation of the 1981 budgeted administrative charge of \$37,000 but made no pro forma adjustment to reflect the increased cost. In calculating the budgeted administrative charge, Berea reduced the total budgeted expenses of the college and the electric department by \$1,300,000 to exclude purchased power costs in arriving at the allocation factor for the administrative charge. The purchased power costs included in the budgeted electric expenses were \$1,746,800. Berea offered no support for the use of the \$1,300,000 figure in the calculation.

The Commission is of the opinion that the method used to allocate the administrative charge is not unreasonable. However, it is inappropriate to use a meaningless number in the calculation to represent the purchased power costs when the budgeted cost is \$1,746,800. Therefore, we have modified the calculation to include the budgeted power cost of \$1,746,800. This modification results in a pro forma expense of \$19,282.

The Commission finds that Berea's adjusted test period operations are as follows:

	<u>Actual Test Period</u>	<u>Pro Forma Adjustments</u>	<u>Adjusted Test Period</u>
Operating Revenue	\$2,483,634	\$743,613	\$3,227,247
Operating Expenses	2,260,629	758,471	3,019,100
Operating Income	<u>\$ 223,005</u>	<u>\$(14,858)</u>	<u>\$ 208,147</u>
Other Deductions	1,644	-0-	1,644
Interest Expense	136,517	-0-	136,517
Net Income	<u><u>\$ 84,844</u></u>	<u><u>\$(14,858)</u></u>	<u><u>\$ 69,986</u></u>

Rate of Return

Berea recommended a rate of return on net investment rate base of 11.81 percent. Berea Manufacturing's witness, Mr. Humphries, testified that this return was excessive because it generated a return on equity of 25 percent. Mr. Humphries recommended a 16 percent return on equity with a 9.94 percent return on net investment.^{1/} However, upon cross-examination, he acknowledged that Berea should be able to earn a return on property devoted to public service and that a return on net investment is a reasonable approach due to the characteristics of the relationship between Berea and Berea College.^{2/}

^{1/} Humphries prepared testimony, Exhibit I.

^{2/} Transcript of Evidence, November 17, 1981, pages 148-56.

The Commission is of the opinion that the return on net investment rate base method is the fair, just and reasonable method to use in this instance in that it will allow Berea to pay its operating expenses, service its debt, and provide an adequate surplus for equity growth. Therefore, Berea should be allowed to increase its revenue by \$42,598 annually. Moreover, there should be no additional income tax based on the revenue award due to the additional expenses that are to be deducted for tax purposes that are not included for rate-making purposes.^{3/} The additional revenues granted herein should allow Berea to earn a return on net investment of approximately 13.0 percent.

In its brief, City recommended that the Commission exclude interest expense on short-term debt or consider the total return to Berea [including interest on short-term debt as a part of that return] in determining a reasonable rate. The Commission is of the opinion that short-term borrowings are essential to the operation of a utility as well as any other business entity and that the interest cost associated with these borrowings is a legitimate expense for rate-making purposes.

Rate Design and Revenue Allocation

Berea proposed a new rate design incorporating a monthly customer charge for the residential and commercial rate classes, and a reduction in the number of rate block steps in each rate class. Berea proposed the following percentage allocation of the total revenue requirement to rate classes:

^{3/} Response to staff request #2, Item 3a(7).

4/

Revenue Distribution in Percentage of Total

<u>Class</u>	<u>Existing</u>	<u>Proposed</u>
Residential	34.5%	29.6%
Commercial	23.3%	26.5%
Industrial	36.6%	38.4%
Special Contracts	3.5%	3.6%
Security Lights	2.1%	1.9%

The rationale employed by Berea to reallocate revenue responsibility among customer classes can be summarized as follows:

A test year consumption frequency analysis was performed to determine the existing relationships between use by customer class and revenues. A determination was made based on the annualized summary which results in some shifting of revenue responsibility between customer classes.

The test year consumption frequency data was analyzed with respect to the KWH, KW demand and revenue by customer class. The measured industrial and commercial KW demand was subtracted from the total purchased and the remaining 22 percent was assigned to the residential and security light accounts. The KWH's and revenues were taken directly from the records.^{5/}

Mr. A. R. Humphries, a Utility Consultant, Georgetown, Kentucky, and Mr. Jack Farmer, Plant Engineer for Parker Seal Company, Berea, Kentucky, testified on behalf of Berea Manufacturing regarding Berea's proposed shifting of revenue responsibility. They criticized the methodology employed by Berea to allocate revenue requirements to rate classes and the lack of information Berea supplied to support the proposed allocation of revenues. Mr. Humphries, in his prefiled testimony, prepared exhibits to support

^{4/} Response to Commission Order of August 31, 1981, Item 12, "Memo for file from Don Bewley, dated August 26, 1981."

^{5/} Ibid.

his testimony that the industrial classification's revenue was at least \$80,777 too high. Mr. Humphries used Berea's proposed net revenue requirement, including fuel clause effects, of \$3,010,064 and compared the result with Berea's net results of the industrial classification. The total revenue requirement in Berea's proposal was \$3,269,845 which included electric sales and other income in the amount of \$80,926.

To arrive at the revenue responsibility for industry, Mr. Humphries factored approximately 86 percent of Berea's net revenue requirement by 40 percent and the balance of approximately 14 percent was allocated on a "per customer or per bill basis weighted by a factor to take into account the size and character of the customer." ^{6/} City opposed Berea's rate design concept, specifically the monthly service charge for the residential customers. Additionally, City opposed the increase to class 6, street lighting and proposed a decrease to the existing street lighting rates.

The Commission is of the opinion that the rate design proposed by Berea has merit and should be accepted. In addition, the monthly customer charge proposed by Berea should be accepted. Regarding the allocation of revenue to the rate classes, Berea offered little documentation to support a shift of revenue allocation of this magnitude. In the absence of a cost of service study or a coincidental peak demand study to support the allocation of the demand charge, and methods of allocating depreciation

^{6/} Humphries prepared testimony, page 4.

and other expenses to the rate classes, the Commission is of the opinion that the revenue allocation method proposed by Berea should not be accepted. However, the Commission agrees with Berea that some revenue inequities exist among the rate classes. Therefore, the Commission has allocated only the revenue increases in Case No. 8296 and this case by the method proposed by Berea. All revenues prior to these increases of \$917,877 are to remain in the existing proportions. Mr. Farmer was questioned by Commissioner Carrigan concerning the possibility of Parker Seal Company utilizing a third shift, if there was an incentive to do so. Mr. Farmer testified that if Parker Seal Company added a third shift this could improve Berea's load factor. The Commission is of the opinion that load management is of great importance to all electric utilities and that in this instance industry and other customers of Berea would benefit. Therefore, the Commission wishes to be advised of any arrangements between Berea and Berea Manufacturing in the area of load management.

Berea proposed additions, deletions and amendments to its existing rules and regulations. The Commission is of the opinion that these changes in Berea's rules and regulations should be accepted.

Summary

The Commission having considered the evidence of record and being advised is of the opinion and finds that:

(1) The rates and charges in Appendix A, attached hereto and made a part hereof, will produce gross annual operating revenues of approximately \$3,269,845 and are the fair, just and reasonable rates and charges in that they will allow Berea to pay its operating expenses, service its debt and provide a reasonable amount of surplus for equity growth.

(2) The proposed rate design of Berea should be accepted.

(3) The proposed allocation of revenue by Berea is unjust and should be rejected.

IT IS THEREFORE ORDERED that the rates and charges in Appendix A, attached hereto and made a part hereof, are approved for service rendered on and after February 1, 1982.

IT IS FURTHER ORDERED that the rates proposed by Berea are hereby denied.

IT IS FURTHER ORDERED that Berea shall file with this Commission within 30 days from the date of this Order its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 1st day of February, 1982.

PUBLIC SERVICE COMMISSION

Marlin M. Vohs
Chairman

Katharine Randall
Vice Chairman

Jim Carriague
Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8297 DATED
FEBRUARY 1, 1982

The following rates and charges are prescribed for the customers in the area served by Berea College Electric Utility. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the date of this Order.

<u>RESIDENCE SERVICE - CLASS I</u>		<u>RATE PER UNIT</u>
<u>Rates:</u> First	200 KWH per month	4.660¢/KWH
Next	300 KWH per month	4.460¢/KWH
All Over	500 KWH per month	3.670¢/KWH
<u>Service Charge:</u> \$2.50 per meter per month		

<u>COMMERCIAL LIGHTING AND POWER SERVICE - CLASS 3</u>		<u>RATE PER UNIT</u>
<u>Demand Rates:</u>	For service of each KW demand	\$1.50/KW
<u>Energy Rates:</u> First	500 KWH per month	5.140¢/KWH
Next	3,500 KWH per month	4.580¢/KWH
All Over	4,000 KWH per month	4.080¢/KWH
<u>Service Charge:</u> Per Month \$5.00 per meter		

<u>INDUSTRIAL USERS AND LARGE COMMERCIAL USERS - CLASS 4</u>		<u>RATE PER UNIT</u>
<u>Demand Rates:</u>	For service for each KW of demand per month	\$5.00/KW
<u>Energy Rates:</u>	All KWH	3.037¢/KWH
<u>Minimum Charge:</u> Per month \$800.00		

AREA LIGHTING SERVICE - CLASS 5

RATE
PER UNIT

Type of Service: One hundred seventy-five (175)
Watt Mercury Vapor Lumimairs

Rates: Per light, per month

\$6.00

STREET LIGHTING SERVICE - CLASS 6

RATE
PER UNIT

Rates Per Month:

Street Lighting 400 Watt M.V.

\$8.00

Street Lighting 175 Watt M.V.
(lights installed on existing poles)

\$5.00

Street Lighting 175 Watt M.V.
(installation of the light requires
setting a new pole)

\$6.00

ARTICLE I

ADMINISTRATIVE AND GENERAL PROVISIONS

.01 Commission's Rules and Regulations.

All services rendered by the Utility shall be in accordance with the Kentucky Public Service Commission and the acts, rules, regulations and forms which have been adopted by the Public Service Commission and all amendments thereto and modifications thereof which may be made by the Commission.

.02 Company's Rules and Regulations.

In addition to the rules and regulations prescribed by the Commission, all electric service rendered shall be in accordance with the following rules and regulations adopted by the Utility, provided the same do not conflict with those of the Public Service Commission.

.03 Filing of Rates, Rules and Regulations.

A copy of all schedules of rates, rules and regulations under which electrical service is rendered is on file for the public's benefit and review with the Public Service Commission and in the various offices of the Utility at Berea College Administration Building and in the office of the Business Vice President.

.04 Application for Service.

All applications for service shall be made on the Berea College Electric Utility Department's standard application or contract form, which shall be signed by the customer, or his duly authorized agent, and accepted by the Company before any service is rendered.

A separate application or contract shall be made for each class of service at each separate location.

In cases where unusual construction or equipment expense is necessary to furnish the service, the Company may require a contract for a minimum period of one (1) year.

.05 Security Deposits.

The Utility may require from all customers, as a guaranty or surety, a cash deposit equal to two-twelfths (2/12ths) of the estimated annual bill of such customer or applicant.

The minimum deposit shall be \$50.00 for residential customers and \$150.00 for industrial and commercial customers. Such deposit, less any unpaid amounts for services rendered, shall be returned upon the discontinuance of service.

Where the monthly bills are in excess of the deposit, or where the customer has delinquent bill(s), the Company may require the deposit to be increased; but such deposit shall not exceed the amount of two-twelfths (2/12ths) of the maximum estimated annual consumption of such customer or applicant.

Interest will be paid at the rate of six (6%) percent per annum upon demand or upon return of the deposit for the period between the deposit date and the date service is discontinued. The original security deposit receipt should be presented when demand is made for payment of interest and/or refund of deposit.

No deposit shall be required of any receiver or trustee operating a business requiring utility service under an order of any court.

.06 Resell of Service:

Except in cases where the customer has a special contract with the Utility, no customer shall resale any service purchased from the Utility.

.07 Uniform Service:

The Company will endeavor to supply electric service continuously and without interruption; however, the company shall not be responsible in damages or otherwise for any of the supply when such a failure is without willful fault or neglect on its part.

.08 Monthly Bills:

(a) Bills for electric service will be rendered monthly unless otherwise specified. The term "month" for billing purposes shall mean the period between any two consecutive readings of the meter by the Company, such readings to be taken as near as practicable every thirty (30) days.

(b) Bills are due and payable within a period not exceeding ten (10) days.

(c) Failure to receive a bill does not exempt a customer from these rules and regulations.

(d) When the Utility is unable to read a meter after a reasonable effort or where the meter fails to operate, the customer will be billed on an estimated basis at the average of the three immediately preceding months, or similar months of utilization and the billing adjusted as necessary when the meter is read.

.09 Termination of Service for Non-payment.

Service shall be subject to discontinuance to any customer for non-payment of bills, including delayed charges. The Utility shall give the customer at least ten (10) days written notice, but the cut-off date shall not be effected before twenty-seven (27) days after the mailing date of the original bill. If prior to discontinuance of service, there is delivered to the Utility office or to its employee empowered to discontinue service, the payment of the amount in arrears, including delayed charges, then discontinuance of service shall not be made, or where a written certificate is filed signed by a physician, registered nurse or public health officer stating that, in the opinion of the person making the certification, discontinuance of service will aggravate an existing illness or infirmity of the affected premises. In such latter event, service shall not be discontinued until the affected resident can make other living arrangements or until thirty (30) days elapse from the time of the Utility's notification to the customer in writing of the existence of local, state and federal programs providing for payment of Utility bills under certain conditions and of the offices to contact for such possible assistance. Any written notice for discontinuance of service shall advise the customer of his rights and the reason for such discontinuance.

.10 Fraudulent or Illegal Use of Service:

When the Utility has discovered evidence that by fraudulent or illegal means a customer has obtained unauthorized service or has diverted the service for an unauthorized use, or has obtained service without same being properly measured, the service to the customer may be discontinued upon forty-eight (48) hours written notice. The Utility shall not be required to restore the service until the customer has complied with all of the rules of the Utility and regulations of the Commission and the Utility has been reimbursed for the estimated amount of services rendered and the cost to the Utility incurred by reason of the fraudulent use.

.11 Special Charges:

The Utility shall be entitled to the following special charges:

(a) A ten (10%) percent late payment charge will be added if any bill is not paid by the tenth (10th) day after billing date.

(b) In the event service is discontinued, an additional \$10.00 reconnect fee will be charged to any customer.

(c) A special charge of \$10.00 may be made for any check returned from any financial institution by reason of insufficient funds or otherwise.

.12 Point of Delivery. The point of delivery is the point as designated by the Utility on customer's premises where current is to be delivered to buildings or premises.

Any other point of delivery, requested by the customer, other than that designated by the Utility shall be at the additional cost borne by the customer.

.13 Customer's Wiring Standards.

All customer service connections and customer wiring must conform to the Utility's requirements and accepted modern standards as exemplified by the requirements of the National Electric Safety Code and the National Electric Code, and/or all other applicable standards.

.14 Customer liability.

The customer shall assume all responsibility for the electric service in or on the customer's premises at and from the point of delivery and for all wiring and appliances and equipment used in connection therewith which are not the property of the Utility, and will protect and save the Utility harmless from all claims for injury or damage to persons or property occurring on customer's premises or at or from the point of delivery occasioned by such service and equipment, except where said injury or damage will be shown to have been caused solely by the negligence of the company.

.15 Inspection.

The Utility shall have the right to inspect, but shall not be obligated, for any installation before electricity is introduced or at any later time and reserves the right to reject any wiring or appliances not in accordance with the

Utility's standards. Such inspection or failure to inspect or reject shall not render the Utility liable or responsible for any loss or damage resulting from defects in the installation, wiring, equipment or appliances, or from violation of the Utility's rules, or from accidents which may occur upon the customer's premises. Further, if it is required, it shall be the responsibility of the customer to present to the Utility a certificate of inspection evidencing compliance with all state and local ordinances in effect at the time, before such connections are to be made.

.16 Protection of Company's Property.

All meters, service connections and other equipment furnished by the Utility, shall be and remain the property of the Utility. The customer shall provide a space for and exercise proper care to protect the property of the Utility on its premises and in the event of loss or damage arising from the neglect of customer to care for the same, the cost of necessary repairs or replacement shall be paid by customer.

.17 Right of Access.

The Utility's identified employees shall have access to customers' premises at all reasonable times for the purpose of reading meters, testing, repairing, removing or exchanging any and all equipment belonging to Utility.

.18 Failure of Meter to Register.

In the event a customer's meter should fail to register, the customer shall be billed from the date of such failure at the average consumption of the customer, based on like months.

.19 Termination of Contract by Customer.

Customers who have fulfilled their contract terms and wish to discontinue service must give at least three (3) days notice, either written or by telephone. Notice to discontinue service prior to expiration of contract term will not relieve customer from any minimum or guaranteed payment under any contract or rate.

.20 Service Charge for Temporary Service.

Customers requiring electric service for a period not exceeding ninety (90) days will be required by the Utility to pay all costs for connection and disconnection incidental to the supplying and removing of the service, and the Utility may estimate the amount of power to be used and charge for that amount, in advance.

.21 Bill Adjusting.

If the testing of any meter shows that the meter is accurate within 2% slow or fast, no adjustment will be made in the customer's bill. In any cases where the test shows the meter to be in excess of 2% slow or fast, an adjustment will be made in the customer's bill in accordance with the Public Service Commission regulation 807 KAR 2:010E, Section 9.

ARTICLE II

DISTRIBUTION LINES

.01 Normal Extension.

(a) An extension of one thousand (1,000) feet or less shall be made by the Utility from its existing distribution line without charge for a prospective customer who shall apply for and contract to use this service for one year or more and provides guarantee for such service.

(b) The "Service Drop" to the structure from the distribution line at the last pole shall not be included in the foregoing measurements.

.02 Extension to a Proposed Real Estate Subdivision.

(a) Deposit and Application. An applicant desiring an extension to a proposed Real Estate Subdivision shall be required to place on deposit with the Utility an amount equal to the entire cost of the extension, based on an estimate prepared by the Utility. Said deposit shall be adjusted to the actual cost of the extension at the time the extension has been completed.

(b) Service Drop. The "Service Drop" shall not be considered a part of the extension.

(c) Refund. Each year for a period of ten (10) years the Utility shall refund to the applicant a sum equivalent to the average cost of one thousand (1,000) feet of the extension installed for each additional customer connected during the year, whose service line is directly connected to the extension installed and not to extensions or laterals therefrom, but in no case shall the total amount refunded exceed the amount on deposit with the Utility. After the end of the refund period, no refund shall be made.

(d) Easements. The applicant shall furnish at no expense to the Utility all right-of-way and easements required to serve said proposed subdivisions.

.03 Other Extensions.

(a) When an extension of the Utility's line to serve an applicant or group of applicants amounts to more than one thousand (1,000) feet per customer, the applicant shall be required to place on deposit with the Utility an amount equal to the entire cost of the excessive footage over one thousand (1,000) per customer based on an estimate prepared by the Utility of the average cost per foot of the total extension. Said estimated cost per foot shall be adjusted to the actual cost per foot, at such time as the extension has been completed.

(b) Service Drop. The "Service Drop" shall not be considered a part of the extension.

(c) Refund. Each year for a period of ten (10) years, the Utility shall refund to the applicant or applicants who paid for the excessive footage the average cost of one thousand (1,000) feet of the extension for each additional customer connected during the year whose service line is directly connected to the extension installed and not to extensions or laterals therefrom, but in no case shall the total amount refunded exceed the amount of deposit with the Utility. After the end of the refund period, no refund shall be made.

(d) Easements. The applicant or applicants shall furnish at no expense to the Utility all right-of-way and easements required to serve area to be served.

.04 Distribution Line Extensions to Mobile Homes.

(a) All extensions of up to 150 feet from the nearest facility shall be made without charge.

(b) Extensions greater than 150 feet from the nearest facility and up to 300 feet shall be made provided the customers shall pay the Utility a "customer advance for construction" of fifty dollars (\$50) in addition to any other charges required by the Utility for all customers. This advance shall be refunded at the end of one (1) year if the service to the mobile home continues for that length of time.

(c) For extensions greater than 300 feet and less than 1,000 feet from the nearest facility, the Utility may charge an advance equal to the reasonable costs incurred

by it for that portion of the service beyond 300 feet plus fifty dollars (\$50). Beyond 1,000 feet the extension policies set forth in 807 KAR 5:030E, Section 10, apply.

(i) This advance shall be refunded to the customer over a four (4) year period in equal amounts for each year the service is continued.

(ii) If the service is discontinued for a period of sixty (60) days, or should the mobile home be removed and another not take its place within sixty (60) days, or be replaced by a permanent structure, the remainder of the advance shall be forfeited.

(iii) No refunds shall be made to any customer who did not make the advance.

.05 Underground Policy:

The Berea College Electric Utility Department will install underground distribution lines to a residential subdivision under the following conditions: for established residential areas, and individuals paragraphs (c) through (h) apply.

(a) The subdivision being developed must consist of a tract of land which is divided into ten (10) or more lots for the construction of new residential buildings or the land on which is constructed two (2) or more new multiple occupancy buildings. (807 KAR 5:030E, Section 10).

(b) The developer or owner of subdivision shall be required to advance to the Utility an amount equal to an "estimated average cost differential" between the average or representative cost of underground distribution systems in residential subdivision and equivalent overhead distributions systems in residential subdivisions and areas. If the amount deposited exceeds the normal charge for underground extensions, the amount in excess shall be refunded immediately after work is completed and actual cost has been established.

(c) The Utility will construct underground distribution facilities in the subdivision adequate to render single phase 120/240 volt service. All electrical devices such as transformers, switching equipment and metering devices shall be above ground.

(d) Three (3) phase primary mains or feeders required within a subdivision to supply local distribution or to serve three phase loads shall be overhead unless underground is required by governmental authorities or requested

by the applicant, in either of which case the differential cost of underground shall be borne by the applicant. All primary circuits shall be encased in suitable conduit.

(e) Developer or successor in title shall grant a right-of-way satisfactory to the Utility for the installation, operation and maintenance of its underground facilities.

(f) Point of service shall be that point where the facilities of the Utility join the customer's facilities, irrespective of the location of the meter. If the Utility installs underground cable from an easement to the residence the customer shall be required to furnish the ditch and suitable backfill for the proper installation of the service.

(g) Subject to the judgment of the Utility, the developer may be required to deposit with the Utility the entire cost of the extension. If this is done the amount deposited in excess of the normal charge for underground extensions shall be refunded to the developer over a ten year period as provided in 807 KAR 5:030E, Section 10.

(h) The cost to the developer for the underground electric distribution system shall be the actual difference in cost between standard overhead construction based on the Utility estimate and the actual cost of the underground system in place exclusive of trenching, bedding, backfill, conduit and rock costs.

The estimated average cost differential in 1981 is one dollar and sixty cents (\$1.60) per lineal foot, including street crossing. The actual cost will be established on an individual project basis at the then current prices.

The average cost is based on the developer furnishing all trenching, bedding, backfill, conduit and rock costs.

The actual cost per lot is to be established based on current prices by dividing total lineal feet required by total number of lots.

.06 Relocation of Lines.

The Utility will cooperate with all parties in the construction, improvements, or rehabilitation of public streets and highways. It is expected that these parties will give reasonable notice to permit the Utility to relocate its lines to permit the necessary road construction. If the Utility's poles, anchors, or other appurtenances are located within the confines of the public right(s) of way, the Utility shall make the necessary relocation at its own expenses; if the Utility's poles, anchors, or other facilities are located on private property, the parties shall then be required to reimburse the Utility.

When the Utility is requested to relocate its facilities for any reason(s) provided adequate right-of-way can be obtained for the relocation requested, any expense involved will be paid by the firm, person, or persons requesting the relocation, unless one or more of the following conditions are met:

- (a) The relocation is made for the convenience of the Utility.
- (b) The relocation will result in a substantial improvement in the Utility's facilities of their location.
- (c) That the relocation is associated with other regularly scheduled conversion or construction work and can be done at the same time.

ARTICLE III

INSPECTIONS

.01 Electric Distribution System Inspection.

Berea College Electric Utility Department has adopted the following procedure for the inspection of its electrical system. A systematic inspection shall be performed in the manner set out below.

By agreement with Kentucky Utilities, they will perform all inspections on our system on facilities with a primary operating voltage of 69KV or greater.

(a) At Intervals Not to Exceed Six Months. Underground network transformers and network protectors in vaults located in buildings, or under sidewalks, shall be examined for leaks, condition of case, connections, temperature and overloading.

(b) At Intervals Not to Exceed Two Years. Electric lines operating voltages less than 69KV (including insulators, conductor, and supporting facilities).

(c) Other Facilities.

(i) Utility buildings will be inspected for compliance with safety codes at intervals not greater than one year.

(ii) Construction equipment will be inspected for defects wear and operational hazards, at intervals not greater than quarterly.

(d) Appropriate records shall be kept to identify the inspection made, deficiencies found, and action taken for the correction of such deficiencies.

ARTICLE IV

RESIDENTIAL CLASS I ELECTRIC BUDGET PLAN

.01 General.

Berea College Electric Utility has a budget plan available for the convenience of its residential customers who have been receiving service for a minimum of twelve months. The plan is designed to help equalize payments for electric service over a period of months, normally July through June for service rendered June through May. On the last month of the budget payment period (June) appropriate adjustments shall be made relative to any difference in the customer's total payments actual usage billing amounts. Any resultant overpayment shall be refunded on the June bill. Any resultant underpayment shall appear on the June bill and be due with payment of such bill.

.02 Review.

The customer's account shall be reviewed periodically and the monthly payment amount may be adjusted during the budget period because of changes in electric usage and/or approved rate changes.

.03 Continuance.

It is understood that this budget billing plan will continue until the customer notifies Berea College Electric Utility in person, in writing, or by telephone to discontinue the plan or the customer defaults in payment of such plan.

To be accepted as a budget customer, the account balance must be paid in full before the customer is put on budget billing.

The budget payment plan is available beginning with the July, 1980, billing.

ARTICLE V

WHOLESALE ELECTRIC ADJUSTMENT CLAUSE ("PASS THRU")

.01 Background.

The rates authorized the utility are based upon the

wholesale cost of electricity to the utility as computed upon rates of its wholesale supplier currently in effect under the Federal Energy Regulatory Commission tariffs for interstate business or under wholesale tariffs of this Commission. For the purpose of this Wholesale Electricity Adjustment Clause, such rates shall be considered as the BASE RATE for purchased electricity.

.02 Base Rate Increase.

In the event there is a proposed increase in the base rate, the utility shall, within sixty (60) days from the time it receives notice of the proposed change, file with the Public Service Commission the following information:

(1) A copy of the tariff filed by the wholesale supplier to be approved by the Federal Energy Regulatory Commission or wholesale tariff of this Commission affecting the change in the base rate and a statement relative to the effective date of such proposed change.

(2) A statement setting out the details of electricity purchased under the provisions of the base rate for the previous twelve (12) months showing billing under the base rate and under the proposed revised rate applicable to this service.

(3) The balance sheet as of the end of the latest twelve (12) month period and a statement of operating expenses and revenues in the same detail as reported to the Public Service Commission in the utility's annual report.

(4) Such other information as this Commission may request for a proper determination of the dollar amount of the wholesale electric adjustment.

Upon receipt of this information, the Commission will review the effect of the revised rate on the operations of the utility and will, prior to the effective date of the revised rate base, issue its order setting out the wholesale electric adjustment that the utility shall apply to its rates.

.03 Base Rate Decrease.

In the event there is a decrease in the wholesale electric costs or a refund, the utility shall file the information required in subparagraphs 1, 2 and 4 above.

Upon receipt of this information, the Commission shall review the proposed reductions and, within thirty (30) days from the date of the receipt of the information required, issue its order setting out the proper refund and/or the revised rates.

.04 Permitted Adjustment.

The maximum amount of the adjustment so prescribed shall not produce revenue adjustments based upon the actual preceding twelve (12) month period greater than the difference between the wholesale electric billed at the then existing base rates and the wholesale electric billed at the proposed or revised rates.

The unit charges as set forth in these rate schedules are predicated on the rates of the company's wholesale electric supplier as authorized by the Federal Energy Regulatory Commission in Case No. WPS-81, dated _____, which shall be the "base supplier rate or existing base rates".

.05 Formula Equation.

On and after the effective date of this rate schedule, if any increase or decrease is made in the rate at which wholesale electric suppliers sell electricity to the utility, the unit charges of the aforesaid rate schedule shall be increased or decreased by a "wholesale electric adjustment" determined as follows:

(a) Electric purchases by the Utility shall be formulated on a monthly basis on the schedule attached hereto as Article V, Exhibit A.

(b) The new supplier wholesale rate shall become the supplier base rate to be used in measuring the effect of any subsequent supplier rate change. Each such subsequent change shall be treated in the same manner as set forth above for the establishment of a new wholesale electric adjustment and for the establishment of a new base supplier rate.

.06 Wholesale Electric Refunds. In the event the Utility receives from any wholesale electric supplier a refund of amounts paid to such supplier in respect of a prior period, the Company will apply to the Commission for authority and upon receipt thereof make adjustments on the amounts charged to its customers under this provision, as follows:

(a) The "Refundable Amount" shall be the amount received by the Utility as a refund less the costs of recovery. Such refundable amount shall be divided by the number of KWH's or other unit of measure of electricity that the Company estimates it will sell to its customers during the four (4) month period commencing with the first day of the month following receipt of the refund. This figure shall be the "Refund Factor".

(b) Effective with the meter readings taken on and after the first day of the second month following receipt of the refund, the utility will reduce by the Refund Factor so determined any wholesale electric adjustment that would otherwise be applicable during such period. Provided, however, that the period of reduced wholesale electric adjustment will be adjusted, if necessary, in order to refund as nearly as possible the Refundable Amount.

(c) The utility may apply to the Public Service Commission for the right to depart from the refund procedures herein set forth.

ARTICLE V

FOSSIL FUEL ADJUSTMENT CLAUSE

In the event the wholesale rate for power purchased by the utility is adjusted in accordance with the fossil fuel adjustment clause provisions in the tariffs of the utility's wholesale electric supplier, the utility's fuel adjustment charge to its customers will be the fuel adjustment clause factor billed to the utility by its wholesale supplier adjusted by the most recent twelve (12) month moving average line loss percentage.

The fuel adjustment clause charged, calculated to the nearest one tenth (0.01¢) of a cent will be applied to the KWH sales in the next month.