

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

A meeting of the Public Service Commission was held this date. Present: Chairman William A. Logan, Vice Chairman Barkley J. Sturgill and Commissioners Charles W. Berger, Robert E. Spurlin and Joe S. Wheeler, Jr.

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In the Matter of

GENERAL ADJUSTMENT OF ELECTRIC)
RATES OF KENTUCKY UTILITIES) CASE NO. 5607
COMPANY)

OPINION AND ORDER

On November 22, 1971, the Applicant, Kentucky Utilities Company, filed its Notice of General Adjustment of Rates to be effective on and after December 15, 1971. The effect of the proposed adjustment would be to increase Applicant's annual revenues approximately \$13,778,000.

The Commission on November 23, 1971, suspended the rates for a period of five months and set the first hearing on December 29, 1971, at 10:00 A.M. (EST) and directed that notice be published.

Hearings were conducted at a somewhat accelerated pace, beginning in April, 1972, due in part to the amount of time involved in the preparation and filing of the Cost of Service Study ordered by the Commission.

Only three of the Intervenors, the Office of Consumer Affairs of the Attorney General of the Commonwealth, Green River Steel Corporation, and Black River Mining Company actively participated in the hearings. The evidence was completed and the matter submitted on May 9, 1972, with directions to the parties to file briefs; all of which were filed within the time allotted. The Commission sustained the Motion of the Attorney General to file its Response and ordered a letter on behalf of Green River Steel Corporation filed as a Response to the Reply Brief of the Applicant.

GENERAL COMMENTARY

The statement of the duty and obligation of the Commission relating to the matter under consideration, made by the Commission in Case No. 3324 on January 15, 1958, can hardly be improved upon or added to; it is:

"The Commission has a duty to (1) establish such rates as will allow the Company to earn a fair and reasonable rate on its property devoted to the public use and thus enable it to raise the required capital necessary to meet the expanded service needs in Kentucky, (2) see that the rates so charged are not excessive in order that no exorbitant or discriminatory charge will be made to any customer or class of customers."

The Commission has carefully evaluated the evidence offered in this proceeding in the light of its duty.

It would be neither practical nor serve any useful purpose to undertake to set forth in this opinion all of the facts developed during the course of the hearing. Therefore, factual matters are found and set forth only where and to the extent that they are material to the decision.

As is virtually always the case in an adversary proceeding, the evidence is extremely conflicting and the conclusions of the expert witnesses are quite divergent, although each of them have most impressive qualifications and obviously had available to them in making their analyses all of the same material facts which have a bearing upon those matters concerning which they offered evidence.

The underlying basis of their conclusions, those conclusions themselves, their choices of data, the method of its use, and the manner of its application of the expert witnesses of both the Applicant and the Intervenor, although well prepared and presented, are not totally free from cogent challenge and contradiction.

We do not believe, however, that any of this expert testimony is so lacking in factual support and probative value that it should be disregarded, neither do we believe that any of it is so persuasive or well founded that it should be considered to be conclusive.

Accordingly, the most reasonable conclusion which may be drawn from the voluminous expert testimony offered is that the appropriate decision in this case lies somewhere between its extreme limits.

In approving or authorizing adjustments in rates under the circumstances which prevail at this time, technically very little, if any, leeway exists. The maximum rates permissible under the Commission's Order issued in conformity with the Federal Price Commission Guidelines, promulgated pursuant to the Economic Stabilization Act of 1970 is the minimum needed to attract capital at reasonable costs and not impair the credit of the utility; to insure continued adequate and safe services or to provide for necessary expansion to meet future requirements. On the other hand, the minimum permissible under applicable Kentucky Statutes, decisions of the Courts of the Commonwealth, and the Federal Courts, including the United States Supreme Court, are rates that will produce sufficient revenues to preserve the financial integrity of the Utility so as to maintain its credit and to attract capital. For all practical purposes both the maximum permissible and the minimum permissible are the same.

In that light we consider some of the more significant aspects of the case.

ATTRITION

We believe that the evidence presented shows beyond any doubt that the attrition allowance incorporated in the Applicant's rate base in the Commission's Order in Case No. 3324 in 1958, accomplished very well one objective of that Order by preventing frequent rate applications, and contributed significantly to the production of revenues of sufficient magnitude that the Applicant, in order to keep its overall rate within reasonable limits, found it necessary to reduce various rates approved in 1958 during each of the years 1962 through 1967, and permitted it to successfully operate at those reduced rates at a profit for at least another three years.

Persuasive arguments can be advanced on either side of the question of whether an attrition allowance does in fact constitute a recognition of future inflationary expectations contrary to the Price Commission Guidelines. An attrition allowance requires the assumption that costs will increase at a more accelerated rate than revenues; that costs will increase while rates remain stable with the only source of additional revenues being additional services rendered, with those additional services being more expensive to provide.

The attrition allowance requested in this case is approximately \$72,000,000. A 7% rate of return on that allowance alone would require approximately \$10,000,000 of additional revenues annually. It is readily apparent that the attrition allowance requested is approximately 25% of the net original cost of the entire system within Kentucky's jurisdiction, and that figure includes over \$37,000,000 of construction work in progress and more than \$5,000,000 in working capital.

We do not believe that an attrition allowance comports itself well with the spirit of the economic policies now extant, which not only have a direct effect upon the Applicant and others engaged in similar endeavors, but also have a direct effect upon their customers; nor do we believe that an attrition allowance would be in the best interests of the Applicant's customers.

The Commission finds that, even though the attrition allowance included in the 1958 Order was predicated upon considerations which the Commission found appropriate, under the circumstances which now prevail an attrition allowance would be improper.

In view of other considerations, particularly with respect to the type of rate base herein considered, those elements which it contains and the approval of a fuel adjustment clause, the rates herein approved should offset any foreseeable erosion of earnings which might otherwise result from increases in operating costs.

RATE BASE

Considerable evidence was offered concerning the type rate base which should be considered in determining the appropriate rates to be authorized for use by the Applicant. It was suggested that the Commission should adopt and use an average rate base rather than an end of period rate base.

Although an average rate base (average per month for the twelve month test period) might be appropriate if a utility were permitted to implement the rates approved on a retroactive basis (to the beginning of the test period) that procedure is not appropriate.

The rates fixed by the Commission will have prospective application only. Since the rates when implemented will be based upon investment in properties already devoted to the public use, it appears more appropriate and more equitable to consider the investment at the date nearest the time when rates for its use are implemented. The date nearest the time at which the rates herein approved could become effective is the end of the test period, that being August 31, 1971. Using that date will result in the properties being devoted to the public service for almost a year prior to the implementation of the rates herein approved.

The Commission recognizes that, although the Brown Unit No. 3 Generating Facility had been in service only a short time before the end of the period, as the system realizes its increased efficiency and as full utilization of its capacity is approached, the unit cost of its production will decrease, which will no doubt contribute substantially to the prevention of any substantial erosion of earnings, even though other operating costs may increase after the rates herein approved become effective.

We find from the record and do consider a net original cost rate base, based upon the utility's property devoted to the public service, as of August 31, 1971, adjusted to year end, to be:

Plant in Service	\$388,391,941
Plant under Construction	37,131,511
Materials and Supplies	2,825,384

Fuel	\$ 2,849,046
Prepayments	397,850
Cash Working Capital	5,079,358
	<u>\$ 436,675,090</u>

Deductions

Reserve for Depreciation	\$ 107,372,441
Reserve for Amortization	39,539
Investment Tax Credit	3,461,166
Deferred Taxes	17,295,207
Contributions in Aid of Construction	2,055,497
Customer Advances	64,424
Total Deductions	<u>\$ 130,288,274</u>

Net Original Cost \$ 306,386,816

The Kentucky jurisdictional portion of the above total is 92.08%¹ or \$282,120,980.

We believe it appropriate to mention specifically the admonition of both the Supreme Court of the United States in the Hope Natural Gas Case and the decisions of the Kentucky Court of Appeals (see for example City of Lexington vs: Public Service Commission, Ky. 1952, 249 S. W. (2d) 760) that in the final analysis it is the result reached and not the method employed which is controlling in the matter of testing the reasonableness of rates authorized for utility services.

Even though recent construction has had some adverse effect upon earnings and the proposed construction over the next five years, estimated to be in excess of \$58,000,000² annually, exclusive of expenditures which may be required for environmental protection, may have a similar effect to some extent temporarily, it is only reasonable to anticipate that these facilities will contribute to the production of additional revenues when placed in service.

FUEL COSTS

The evidence is clear and convincing that fuel costs have increased at a frighteningly accelerated rate in the recent past. We take notice of the probability that fuel costs will continue to increase with the implementation of the Federal Mine Health &

1. Stewart Exhibit 35, Line 16 - Column 6 to Column 3.
2. Bechanan Exhibit No. 3.

Safety Act of 1969, the implementation of the newly enacted Severance Tax, and the additional costs embraced within the National Bituminous Coal Wage Agreement of 1971.

Increases in costs of this nature which appear to be certain to occur, where the product involved will be entirely consumed in providing the service, the increased costs are subject to exact determination and involve a very substantial portion of operating costs, can, and realistically should, be borne by the user of the service, because ultimately the users of the service will be compelled to bear that cost in any event. It serves no useful purpose to suffer and permit a substantial expenditure of a recurring nature to accrue and then be reflected as a significant increase in operating costs, thereby reducing earnings, as a justification for even larger increases in rates in the future.

Accordingly, we believe that it is in the best interests of both the Applicant and the consumers of the service to pay this cost as it accrues by approving the fuel clause as rewritten and appended hereto. In order that the approval of the fuel clause and the Commission's intent with regard thereto will not be misunderstood, we believe that it should be clearly understood that it is the obligation of the Applicant to purchase its necessary fuel at competitive prices, and we fully intend that the only increased fuel costs which are to be borne by the Applicant's customers as a result of the implementation of the fuel clause are those increased costs which result even though fuel has been purchased at the best and most reasonable price obtainable under all the circumstances.

THE CASE OF GREEN RIVER STEEL
CORPORATION AND BLACK RIVER MINING COMPANY

Aside from the general objections of Green River Steel Corporation and Black River Mining Company to the proposed adjustment in rates, the principal thrust of their respective cases is

That either the limited quantity of uninterruptable demand provided for by contract, or the fact that the user owns or leases its own distribution facilities, and that both protestants' contracts contain a fuel adjustment clause, has the effect of requiring each of them to pay an inequitable portion of the total revenues to which the Applicant is entitled in providing electrical service to the general public.

Since the Commission's Order can be only prospective in application, whatever the effect may have been in the past, approval herein of the fuel adjustment clause for all classes of customers will more equitably distribute the increased cost of fuel in the future, and disposes of the argument that its effect has been discriminatory as to these two protestants and others similarly situated, whether or not it has been so in fact.

The statements for service introduced in evidence by Green River Steel Corporation are taken to be rather typical and reflect the use by Green River Steel Corporation of quantities of electric energy far in excess of the uninterruptible demand provided for under its contract. That fact alone convinces us that it would be difficult for Green River Steel Corporation to efficiently operate or to operate for long periods of time at all if limited to the uninterruptable demand. Even though the additional quantities of power supplied may be only surplus power, to find that only a sufficiency of the entire system of the Applicant to produce the uninterruptable portion should be considered in determining the reasonableness of the rate for that class of customer, is to ignore the fact that were it not for the entire system it could not be served the quantities of power which it needs for the conduct of its operations.

Ownership or leasing of distribution facilities by the user or consumer provides the consumer with a significantly reduced rate,

and when contracted for voluntarily can lead only to the conclusion that for reasons deemed sufficient and adequate to it, the consumer finds that arrangement the most economically sound.

When tested in the light of the specific considerations set forth in KRS 278.030, we find that the rates herein approved are reasonable to these protestants and other similarly situated.

MOST SIGNIFICANT COMPONENTS OF EXPENSES

The Applicant's witness, its Vice President, testified, and we concur, that essentially all that is involved in this proceeding are fuel costs, which is the most significant and substantial of its operating expenses, and the cost of money, particularly borrowed funds.

The fuel clause will alleviate completely the problem associated with increased fuel costs. The evidence convinces us that interest rates have stabilized in the range of 7-1/2% and should remain at that level in the foreseeable future. When the income tax consequences of deducting entirely all interest paid, are taken into account, the effective cost of borrowed money is approximately 3-3/4% at a 7-1/2% rate. Based upon the Applicant's capital structure, if the Applicant borrows 60% of its estimated \$71,000,000¹ annual construction expenditure over the next five years, or \$42,600,000 annually at 7-1/2%, its net effective cost would increase only approximately 1.6 million dollars annually. Increased efficiency from new plant placed in service and additional revenues from expansion of service, we believe, at the level of rates being approved herein will produce sufficient additional revenues over the next five years to offset this modest increase in cost of borrowed funds and permit the net effective cost of interest to be absorbed without any significant reduction in return on equity now outstanding, or issued during that same period, on the basis of Applicant's current capital structure; and, we perceive no compelling reason for any significant modification of the Applicant's debt equity ratio in the foreseeable future.

1. Bechanan Exhibit No. 3

THE OBJECTIVE

The objective of the Commission is to find that point where the rates authorized and permitted will not be inadequate and therefore result in the use of the Applicant's property for a public purpose without just compensation in violation of both the Constitution of the Commonwealth of Kentucky and the United States, while at the same time to insure that the rates authorized and permitted are just and reasonable to the consumers of the service. As we mentioned above, the judgment as to whether that objective is attained must in the final analysis be made on the basis of the result reached and not on the method employed.

We do not believe that it is our duty, nor our Constitutional or Statutory responsibility, to undertake to give utilities subject to our jurisdiction a competitive advantage in the capital markets; but, on the other hand, we do believe that our obligation is to authorize sufficient revenue to keep those utilities competitive in the capital markets in order that they may have an opportunity to attract and obtain a fair share of available capital at reasonable costs.

The evidence does suggest that it may take considerable effort on the part of management to obtain a fair share of available capital in the competitive atmosphere which now prevails. We feel constrained to allude to the fact that were it not for tasks of this nature, requiring great effort and expertise, high levels of executive compensation, and remuneration would be difficult, if not impossible to justify at all.

The evidence appears to be clear that the current return on equity of electric utilities generally is in the range of 10% to 14.8%.

We find that a return of 12.2% on the Applicant's equity is reasonable and will keep the Applicant competitive in the capital markets. The rates herein approved are designed to permit the

Applicant to pay its operating expenses, discharge its obligations on its debt and its preferred stock, and to realize a 12.2% return on equity.

COST OF REPRODUCTION AS A GOING CONCERN

Evidence was introduced which tended to show a cost of reproduction, depreciated, as of August 31, 1971, in the amount of \$444,294,292 subject to Kentucky jurisdiction, Although admittedly only an estimate, the Commission has considered this evidence in arriving at its decision.

CAPITAL STRUCTURE

The Applicant's capital structure as of August 31, 1971, was as follows:

	<u>Combined</u>	<u>Kentucky 2 Jurisdiction</u>
Short Term Debt	\$ 31,350,000	\$ 28,371,750
First Mortgage Bonds	129,500,000	117,197,500
Preferred Stock	20,000,000	18,100,000
Common Stock	59,043,510	53,434,377
Premium on Common	8,051,385	7,286,503
Earned Surplus	58,523,104	52,963,409
Common Stock Expense	<u>(215,428)</u> ⁴	<u>(194,962)</u>
Total Capital Structure	\$306,252,571	\$ 277,158,577

The net operating income of \$22,657,022 authorized herein will permit the Applicant to pay its interest on its short and long term debt in the amount of \$7,951,575³, its preferred stock dividend in the amount of \$859,750⁵, and have the sum of \$13,845,697 available for common stock dividends and surplus.

OTHER ELEMENTS OF VALUE

In this case the net original cost rate base developed herein represents the Applicant's net investment in utility property devoted to the public use.

The Commission in developing the rate base under the circumstances of this case believes it appropriate to include an allowance

1. Ferguson Exhibit No. 1, Page 3 of 3,
2. 90.5% of Combined, Stewart Exhibit 35 & Transcript April 10, 1972, Page 265-266.
3. 90.5% of Annualized interest on long and short term debt.
4. Notice Exhibit, Schedule A page 12.
5. 90.5 of Preferred Stock Dividend of \$950,000.

for cash working capital.

EXPENSES AND REVENUES

Inasmuch as rates are being prescribed for operations subsequent to the end of the test period, adjustments to reflect known changes in operations should be made. We find that the Applicant's adjustments for future operations as reflected in its revised exhibits, based on the twelve months ending August 31, 1971, are in most respects appropriate.

We find adjusted Kentucky intrastate operating expenses for the test period as follows:

Operating Expense including Depreciation, Amortization & Taxes	\$65,602,187
Adjustment to eliminate "Incentive payments"	(218,438) ¹
Tax Effect	<u>109,132</u>
Adjusted Operating Expense	\$65,392,881

We find the gross utility revenue adjusted to year end level to be \$83,415,273². Considerable time was devoted in the direct examination, cross examination and briefs to the item of interest charged to construction. It would be necessary only to review the interest charged at any period other than the test period, as adjusted by the Applicant to determine a reasonable amount which should be added to gross utility revenue. The periods listed below show interest charged to construction as follows:

December 31, 1969 - Annual Report of K.U.	\$1,405,221
December 31, 1970 - Annual Report of K.U.	2,961,434
August 31, 1971 - Stewart Exhibit 20	3,478,491
December 31, 1971 - Annual Report of K.U.	2,860,594
December 31, 1972 - Estimated	3,732,000 ³
December 31, 1973 - Estimated	6,600,000 ³
December 31, 1974 - Estimated	3,000,000 ³

1. Transcript May 8, 1972 Volume I, Page 37.
2. Stewart Exhibit 17
3. Transcript May 8, 1972 Volume II, Page 200

In the development of the rate base, we have included construction work in progress and the full adjustment for the Brown Unit No. 3, although the full impact has not been determined and only estimates have been made of their total usefulness, and we, therefore, find that interest charged during construction in the amount of \$2,911,014¹ should be included.

The gross revenues may be summarized as follows:

Operating Revenues	\$ 83,415,273
Interest During Construction	2,621,077 ²
Other Income	136,601 ²
Adjusted Gross Income	\$ 86,172,951

NET OPERATING INCOME AND RETURN

We find a total adjusted operating experience for the test period as follows:

Adjusted Revenue	\$ 86,172,951
Adjusted Operating Expenses	<u>65,392,881</u>
Adjusted Net Operating Income	\$ <u>20,780,070</u>
Return found Reasonable herein	\$ <u>22,657,022</u>
Deficiency, net	\$ 1,876,952
Deficiency adjusted for Taxes	\$ 3,750,903
Adjustment for Increased Franchise Taxes	<u>46,012</u>
Increase in Revenue Granted herein	\$ 3,796,915

The returns resulting from the rates granted herein are as follows:

<u>Rate Base</u>	<u>Amount</u>	<u>Return %</u>
Original Cost	\$282,120,980	8.0
Common Stock Equity	113,489,327	12.2
Reproduction	444,294,292	5.1
Total Capital Structure	278,780,440	8.2

TARIFFS

The tariff as filed by the Applicant contains many varied rate schedules, and the Commission is of the opinion that these should be simplified. In order to accomplish this end, certain rate schedules have been combined and simplified.

1. Arithmetical average of Interest charged at year end, 1971 & 1972.
2. \$2,911,014 X 90.04% Ratio of Column 7 to Column 4 + Stewart Exp, 19.
3. \$170,093 X 90.04% Stewart Exhibit 20.

SUMMARY

Having considered the original cost of the properties of the Applicant devoted to public service, its cost of reproduction as a going concern, its capital structure, and other elements of value recognized for rate making purposes, and all of the evidence of record, the Commission is of the opinion and so finds that the rates set out in Appendix "A" attached hereto and made a part hereof will produce gross annual revenues in the sum of \$89,969,866 and are the fair, just and reasonable rates for the Applicant in that they will produce revenues sufficient to permit it to pay its operating expenses, service its debt, pay a reasonable dividend on its stock, and have a reasonable amount remaining for surplus.

The Commission further finds that the rates proposed by the Applicant in this case are unfair, unjust and unreasonable in that they would produce gross annual revenues in excess of \$89,969,866, and should be denied.

IT IS THEREFORE ORDERED, that the rates set forth in Appendix "A" attached hereto and made a part hereof are fixed and prescribed as the fair, just and reasonable rates for services rendered by the Applicant, effective with service rendered on and after the date of this Order;

IT IS FURTHER ORDERED, that the fuel clause set forth in Appendix "A" attached hereto and made a part hereof shall be applicable on the rate schedules indicated as the average cost of fuel consumed by the Company's steam generating stations is in excess of or less than 36.5 cents per million BTU;

IT IS FURTHER ORDERED, that the rates and charges sought by the Applicant in this case insofar as they differ from the rates and charges set out in Appendix "A", be, and the same are hereby, denied.

IT IS FURTHER ORDERED, That the Applicant shall file with the Commission within thirty (30) days from the date of this Order its revised tariff sheets, setting out the rates herein approved.

Done at Frankfort, Kentucky, this 2nd day of August, 1972.

PUBLIC SERVICE COMMISSION OF KENTUCKY

W. A. Logan, Jr.
Chairman

Barth J. Sturgill
Vice Chairman

Charles W. Berger
Commissioner

James S. Whitaker, Jr.
Commissioner

Robert E. Spaulding
Commissioner

ATTEST:

Secretary

APPENDIX "A"

Appendix to an Order of the Kentucky Public Service Commission
in Case No. 5607 dated August 2, 1972.

The following rates and charges are prescribed for the
customers of Kentucky Utilities Company. All other rates and charges
not specifically mentioned herein shall remain the same as those in
effect under authority of this Commission prior to the date of this
Order.

Rates

RS-1 Residential Service

- \$ 1.20 per month to include 16 KWH used per month
- 5.3 cents per KWH for the next 34 KWH used per month
- 3.4 cents per KWH for the next 50 KWH used per month
- 2.2 cents per KWH for the next 100 KWH used per month
- 2.0 cents per KWH for the next 200 KWH used per month
- 1.6 cents per KWH for all in excess of 400 KWH used per month
- 1.1 cents per KWH for all off-peak water heating

FERS-1 (Full Electric Residential Service) Supplement to RS-1

Rate Schedule RS-1 shall remain in effect for the first
1000 KWH used each month. All KWH used in excess of 1000 per month
(excluding off-peak water heating use) shall be billed @ 1.25¢
per KWH.

RS-5 Rural and Farm Residential Service

- \$ 1.65 per month to include 20 KWH used per month
- 5.7 cents per KWH for the next 30 KWH used per month
- 3.3 cents per KWH for the next 50 KWH used per month
- 2.2 cents per KWH for the next 100 KWH used per month
- 2.0 cents per KWH for the next 200 KWH used per month
- 1.6 cents per KWH for all in excess of 400 used per month
- 1.2 cents per KWH for all off-peak water heating

FERS-5 (Full Electric Residential Service) Supplement to RS-5

Rate Schedule RS-5 shall remain in effect for the first 1000
KWH used each month. All KWH used in excess of 1000 per month
(excluding off-peak water heating use) shall be billed @ 1.25¢
per KWH.

A. E. S. (All Electric School)

Rate: 1.6¢ per KWH

Annual Minimum: \$12.00 per Connected KW, excluding air conditioning
and equipment of one KW or less, but not less than \$120.00 per year.

Rate 33 - Electric Space Heating Rider

Rate: 1.6¢ per KWH

Minimum: \$8.00 per connected KW but not less than \$55.00 per heating
season.

Rate 33 - Electric Space Heating Rider (Restricted)

Rate: 1.6¢ per KWH

Minimum: \$ 8.00 per connected KW but not less than \$110.00 per heating season.

GS-1 General Service

\$3.00 to include 50 Kilowatt-hours used per month

5.3 cents per Kilowatt-hour for the next	50 KWH used per month
3.6 cents per Kilowatt-hour for the next	400 KWH used per month
2.5 cents per Kilowatt-hour for the next	1,500 KWH used per month
2.1 cents per Kilowatt-hour for all in excess of 2,000 KWH used per month.	

Minimum Bill:

\$3.00 per month for the first 20 KW or less of estimated demand. When the demand is estimated to exceed 20 KW, a demand meter is installed, and the minimum bill will be increased by \$1.00 per KW for registered demand in excess of 20 KW in the current month or 75% of the maximum demand in excess of 20 KW registered in the preceding 11 months, whichever is greater.

Minimum charge shall be on a cumulative annual basis that starts on the month in which the meter was installed or service was first taken.

GS-5 General Service

\$3.00 to include 50 Kilowatt-hours used per month

5.3 cents per Kilowatt-hour for the next	50 KWH used per month
3.6 cents per Kilowatt-hour for the next	400 KWH used per month
2.5 cents per Kilowatt-hour for the next	1,500 KWH used per month
2.1 cents per Kilowatt-hour for all in excess of 2,000 KWH used per month.	

Minimum Bill:

\$3.00 per month for the first 20 KW or less of estimated demand. When the demand is estimated to exceed 20 KW, a demand meter is installed, and the minimum bill will be increased by \$1.00 per KW for registered demand in excess of 20 KW in the current month or 75% of the maximum demand in excess of 20 KW registered in the preceding 11 months, whichever is greater.

Minimum charge shall be on a cumulative annual basis that starts on the month in which the meter was installed or service was first taken.

LP Combined Lighting and Power Service

Maximum Load Charge:

Secondary Service	\$ 1.70 per KW
Primary Service	\$ 1.50 per KW
Transmission Service	\$ 1.38 per KW

Plus an Energy Charge of:

10 cents per Kilowatt-hour for the first	2,000 KWH used per month
15 cents per Kilowatt-hour for the next	8,000 KWH used per month
20 cents per Kilowatt-hour for the next	90,000 KWH used per month
25 cents per Kilowatt-hour for the next	400,000 KWH used per month
30 cents per Kilowatt-hour for the next	500,000 KWH used per month
35 cents per Kilowatt-hour for the next	1,000,000 KWH used per month
40 cents per Kilowatt-hour for all in excess of	2,000,000 used per month except
55 cents per Kilowatt-hour for all in excess of	2,000,000 KWH and 50%load factor
And	
45 cents per Kilowatt-hour for all in excess of	6,000,000 KWH and 50%load factor

Annual Minimum

\$20.40 per Kilowatt (Secondary Delivery) or \$18.60 per kilowatt (Primary Delivery) of the greater of (a) highest maximum load during contract year or (b) 80% of contract capacity, but not less than \$204.00 per year for secondary delivery or \$465.00 per year for primary delivery. Transmission minimum depends upon facilities necessary to serve.

HLF (High Load Factor)

	Kilowatt Billing Rate for Delivered Voltage at:	Secondary	Primary	Transmission
First	2,000 KW of Monthly Billing Demand	\$2.75per KW	\$2.60 per KW	\$2.49 per KW
Next	3,000 KW of Monthly Billing Demand	\$2.44per KW	\$2.29 per KW	\$2.18 per KW
All Over	5,000 KW of Monthly Billing Demand	\$2.05per KW	\$1.90 per KW	\$1.80 per KW

Plus Energy Charge of:

For first 200 hours use of Billing Demand @	.520 cent per KWH
For next 200 hours use of Billing Demand @	.468 cent per KWH
For next 200 hours use of Billing Demand @	.416 cent per KWH
Excess of 600 hours use of Billing Demand @	.364 cent per KWH

(Restricted) E Cooking for Schools

Rate: 10.0cents net per KWH for the first 20 KWH used per month
4.0cents net per KWH for the next 280 KWH used per month
2.0cents net per KWH in excess of 300 KWH used per month

OPWH (Off-Peak Water Heating)

Rate: 1.6¢ per KWH

MP-1 (Coal Mining Power Service)

Maximum Load Charge

Primary Service at nominal voltage of 2400 or more
\$1.54 per kilowatt at the maximum load in the month.
Transmission Line Service at nominal voltage of 34,500 or more
\$1.42 per kilowatt of the maximum load in the month.

Plus an Energy Charge of:

1.25 cents per KWH for the first	10,000 KWH used per month
2.00 cent per KWH for the next	490,000 KWH used per month
.85 cent per KWH for the next	500,000 KWH used per month
.75 cent per KWH for the next	1,000,000 KWH used per month
.65 cent per KWH for all in excess of	2,000,000 KWH used per month

Minimum Annual Charge:

Not less than the greater (a), (b) or (c) as follows:

- (a) \$ 25.00 for each yearly period for each kilowatt of capacity reserved by the customer's application.
- (b) \$ 18.48 per kilowatt for primary delivery or \$17.04 per kilowatt for transmission delivery, for each yearly period based on highest monthly maximum load during such yearly period.
- (c) Not less than \$ (to be determined by any special investment required to serve).

M (Water Pumping Service)

2.25 cents net per KWH for the first	5,000 KWH used per month
2.00 cents net per KWH for the next	5,000 KWH used per month
1.70 cents net per KWH for the next	10,000 KWH used per month
1.45 cents net per KWH for all in excess of 20,000 KWH used per month	

change in text: Delete the sentence "Service hours and other operating problems to be agreed upon by contract" and insert "The customer shall be given reasonable notice by the Company of the hours at which the Company's system peak load occurs, and customer shall curtail pumping during these hours."

St. Lt. (Street Lighting Service)

Rate Per Light Per Year

<u>Incandescent System</u>	<u>Rate</u>	
	<u>Standard</u>	<u>Ornamental</u>
1,000 Lumens (Approximately)	\$16.00	\$21.00
2,500 Lumens (Approximately)	\$19.00	\$25.00
4,000 Lumens (Approximately)	\$27.00	\$34.00
6,000 Lumens (Approximately)	\$36.00	\$44.00
10,000 Lumens (Approximately)	\$ 48.00	\$ 60.00
 <u>Mercury Vapor</u>		
3,500 Lumens (Approximately)	\$ 42.00	\$ 60.00
7,000 Lumens (Approximately)	\$ 48.00	\$ 65.00
10,000 Lumens (Approximately)	\$ 55.00	\$ 70.00
20,000 Lumens (Approximately)	\$ 64.00	\$ 76.00
35,000 Lumens (Approximately)	\$132.00	\$185.00

Fluorescent

20,000 Lumens (Approximately)	\$ 75.00	\$ 87.00
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Fuel Clause Applies Only If Service Is Metered.

C. O. L. Customer Outdoor Lighting Rate

- * \$ 3.00 per lamp per month for each 2,500 lumen Incandescent Lamp.
- \$ 3.75 per lamp per month for each 3,500 Mercury Vapor Lamp.
- \$ 4.25 per lamp per month for each 7,000 Mercury Vapor Lamp.

*Restricted to those fixtures in Service on 12-15-71.

Temporary Lighting and Power Service (Carnivals, etc.) - Rate TS (Carnivals, etc.)

Nominal primary voltages where available: 2400Y, 4160Y, 7200Y, 8320Y and 12,470Y

Rate for Service Connected Load of

Up to and including 2½ KW	In Excess of 2½ KW and including 5KW	In Excess of 5 and including 7½ KW	In Excess of 7½ KW and including 10KW	In Excess of 10 KW and including 15KW
\$16.00	\$30.00	\$40.00	\$50.00	\$70.00
14.00	25.00	37.00	47.00	60.00
12.00	21.00	34.00	45.00	60.00
10.00	18.00	34.00	45.00	60.00

For each KW connected load in excess of 15KW add \$2.00 for 6 nights or less.
 For each night in excess of 6 (in succession) add \$0.30 per KW per night.

Special Contract for Electric Service to Green River Steel Corporation.

Demand Charge:

Non-Interruptible	\$2.25	per KW
Interruptible	\$1.00	per KW
Additional	\$.50	per KW

Plus an Energy Charge of:

6.2 mills per KWH for first 2,000,000 KWH
 5.7 mills per KWH for next 2,000,000 KWH
 5.2 mills per KWH for excess of 4,000,000 KWH

For all KWH used at other hours:

4.7 mills per KWH

Annual Minimum: \$220,000

Special Contract for Electric Service to West Virginia Pulp and Paper Company.

Demand Charge:

Non-Interruptible \$1.80 per KVA, but not less than 10,000 KVA
 Interruptible \$.90 per KVA

Plus an Energy Charge of:

First 150 KWH per KVA of maximum demand @ 5.7 mills per KWH
 Next 150 KWH per KVA of maximum demand @ 5.2 mills per KWH
 Excess of 300 KWH per KVA of maximum demand @ 4.7 mills per KWH

Annual Minimum:

\$21.60 per KVA of maximum non-interruptible demand
 \$ 9.60 per KVA of maximum interruptible demand but not less than \$390,000 per said 12 month period.

Rate Schedules RS-1, FERS-1, RS-5, FERS-5, AES, Rate 33, GS-1, GS-5, LP, HLF, E, OPWH, MP-1, M and St. Lt. and special electric service contracts with Green River Steel Corporation and West Virginia Pulp and Paper Company have the following Fuel Adjustment Clause applicable:

Fuel Clause:

If the average cost of fuel consumed by the Company's generating stations is in excess of or less than 36.492 cents per million BTU, as determined from the Company's three most recent monthly Operating Reports available, prior to the months of January, April, July and October, an additional charge or credit will be made on the kilowatt-hours purchased by the customer at the rate of .0012 cent per kilowatt-hour for each .1 cent or fraction thereof variation in the cost of fuel above or below 36.492 cents per 1,000,000 BTU, for the three months beginning with January, April, July and October each year.