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AUG 28 2014

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Item 1
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Witness: Jim Adkins

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Please reference the Cumberland Valley ["CVE"] application generally.

Please provide all tables and exhibits referenced in or supporting the application and testimony in their native electronic format (i.e. Microsoft Word, Microsoft Excel), with data including formulae in all cells and rows fully intact and fully accessible.

- a. Please provide all relevant and supporting worksheets in electronic format with data including formulae in all cells and rows fully intact and fully accessible.

RESPONSE:

Exhibits G, J, R and S are provided in electronic form in a CD Rom filed as a part of responses to data requests I the rate application.

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- Q2: Please reference the CVE application generally. Please provide the rationale and justification for applying the large bulk of the rate increase upon the customer charge instead of upon the usage charge.
- a. Does CVE agree that by placing a large percentage of the rate increase upon the customer charge it will prevent its customers from having the ability to reduce their bills through less energy usage?

RESPONSE:

The rationale for applying a large amount of the rate increase upon the customer charge is based on the results from the cost-of-service study ("COSS"). The COSS justifies a much larger increase than what Cumberland Valley has requested in this application,

Cumberland Valley does not agree that by placing a large percentage of the rate increase upon the customer charge will prevent its customers from having the ability to reduce their bills through less energy use. CVE's members have the very same opportunity to reduce their bills since there is no change proposed in its energy rates in this application for the residential and small commercial users.

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Q3: Please reference the Adkins testimony at page 2, R6, where the witness states that: "CVE filed this rate application because of its deteriorated financial condition. For the last two calendar years, CVE has not met its mortgage requirements by having an Operation times Interest Earned Ratio ("OTIER) less than required. For these two calendar years, 2012 and 2013, CVE has an OTIER of .71. Other reasons for this rate application are the need for improved cash flow, increased equity and for the ability to pay capital credits consistent with its equity management policies." Please provide as much detail to support the assertion that CVE is not meeting its mortgage requirements and that it is in need of improved cash flow, increased equity and ability to pay capital credits. Please also provide the "equity management policies" of CVE.

RESPONSE:

Please see the attached letters for fiscal years 2012 and 2013 from the United States Department of Agriculture Rural Development ("USDARD") which indicates their concern when CVE did not meet its operating Times Interest Earned Ratio of 1.1.

Also see Exhibit 20 of the Application for the Equity Management Plan.



**United States Department of Agriculture
Rural Development**

Mr. Ted Hampton
President/CEO
Cumberland Valley Electric, Inc.
P.O. Box 440
Gray, Kentucky 40734-0440

Dear Mr. Hampton:

We have completed our review of Cumberland Valley Electric, Inc.'s (Cumberland Valley) December 31, 2013, Form 7, Financial and Statistical Report, and note that Cumberland Valley did not meet the minimum Operating Times Interest Earned Ratio (OTIER) of 1.1.

Please let us know what areas have had an adverse effect on Cumberland Valley's financial condition and outline the corrective measures that have been or will be implemented to correct the inadequate ratio(s). Include the projected OTIER for the year ending December 31, 2014.

We would appreciate receiving your response within 30 days from the date of this letter.

Sincerely,

A handwritten signature in black ink that reads "Brian D. Jenkins". The signature is written in a cursive style.

BRIAN D. JENKINS
Chief, Operations Branch
Northern Regional Division
Electric Programs

1400 Independence Ave., S.W., Washington DC 20250-0700
Web: <http://www.rurdev.usda.gov>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination, write USDA, Director, Office of Civil Rights,
1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (Voice) or (202) 720-6382 (TDD).



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MAR 20 2013

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Q4: Please reference the Adkins testimony at page 3, R7, where the witness contends that, "CVE started 2013 with very good monthly margins. It did experience some deterioration of its margins in the late summer and early fall of 2013 but still with the expectation that margins for the complete year would still be above its mortgage requirements. However, monthly margins for the last quarter of the 2013 were severe losses and completely unexpected."

- a. Provide any and all reasons and rationale as to why deterioration of the margins occurred in the late summer and early fall of 2013.

RESPONSE:

It is a normal occurrence for distribution cooperatives to have their larger margins during the coldest months of the year. The warmer months will provide the next level of margins and the spring and fall will provide the smallest margins. Attached to this response is a table that summarizes Cumberland Valley's monthly Statement of Operations for 2013. One of the major factors for the decrease in margins for the last quarter was a decrease in retail energy sales and a decrease in the load factor on purchased power sales which creates an increase in the average cost of purchased power.

- b. Why did CVE have an expectation that margins for the complete year of 2013 would still be above its mortgage requirements?

RESPONSE:

It was expected that Cumberland Valley's electric sales would move back to more representative level that they had experienced in the preceding years. Retail sales in

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2013 were less than retail sales in 2012. The significant drop in sales for the large power members was completely unexpected and probably will not recover.

- c. Please explain what caused the severe losses in the last quarter of 2013.

RESPONSE:

The large losses in the last quarter of 2013 were the result of two items. One is that the gross margins (revenue minus purchased power costs) were very low in the last quarter and distribution expenses were up significantly in one month. Please see the 2013 summary of the monthly statement of operations.

- d. Please provide a copy of any and all written materials produced or upon which CVE, its staff and/or its rate consultant relied in reference to the review that was conducted early in the second quarter of 2013.

RESPONSE:

Attached is a comparative statement of operations for the period of 2004 through 2013 that was reviewed to ascertain the need for a rate case.

- e. Please provide a detailed explanation as to why the severe losses in the last quarter of 2013 were completely unexpected.

RESPONSE:

These losses were unexpected for two reasons. One, Cumberland Valley had not experienced a year like 2012 for many years. Two, retail electric sales were not expected to continue to fall as they did in 2013 and especially in the

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last quarter. Third, the economy in this part of the Commonwealth continued its decline and that was not anticipated. The expectation was that some recovery of retail electric sales would be the situation. As an additional comment, Cumberland Valley's low and/or no customer charge also impacted the cooperative because the change in energy sales makes its revenue more volatile than if they had higher customer charges for all rate classes.

RESPONSE TO COMMISSION STAFF'S SECOND DATA REQUEST

CUMBERLAND VALLEY ELECTRIC MONTHLY STATEMENT OF OPERATIONS FOR 2013 - SUMMARY					
Monthly Statement of Operations in Summary					
	Revenue	Purchased Power	Gross Margin	Distribution Expenses	Operating Margin
January	\$ 5,424,590	\$ 3,697,825	\$ 1,726,765	\$ 1,003,085	\$ 723,680
February	4,477,911	3,309,674	1,168,237	919,119	249,118
March	4,308,885	3,450,506	858,379	840,483	17,896
April	3,525,575	2,574,211	951,364	814,773	136,591
May	3,257,664	2,558,689	698,975	885,595	(186,620)
June	3,628,573	2,869,619	758,954	870,233	(111,279)
July	3,711,900	2,850,387	861,513	915,328	(53,815)
August	3,691,590	2,811,101	880,489	893,703	(13,214)
September	3,308,660	2,460,358	848,302	902,752	(54,450)
October	3,071,304	2,374,286	697,018	1,001,835	(304,817)
November	3,559,887	3,144,006	415,881	881,834	(465,953)
December	4,699,306	3,671,514	1,027,792	1,066,721	(38,929)
	\$ 46,665,845	\$ 35,772,176	\$ 10,893,669	\$ 10,995,461	\$ (101,792)

All Categories as a Percent of Revenue					
	Revenue	Purchased Power	Gross Margin	Distribution Expenses	Operating Margin
January	100.0%	68.17%	31.83%	18.49%	13.34%
February	100.0%	73.91%	26.09%	20.53%	5.56%
March	100.0%	80.08%	19.92%	19.51%	0.42%
April	100.0%	73.02%	26.98%	23.11%	3.87%
May	100.0%	78.54%	21.46%	27.18%	-5.73%
June	100.0%	79.08%	20.92%	23.98%	-3.07%
July	100.0%	76.79%	23.21%	24.66%	-1.45%
August	100.0%	76.15%	23.85%	24.21%	-0.36%
September	100.0%	74.36%	25.64%	27.28%	-1.65%
October	100.0%	77.31%	22.69%	32.62%	-9.92%
November	100.0%	88.32%	11.68%	24.77%	-13.09%
December	100.0%	78.13%	21.87%	22.70%	-0.83%
	100.0%	76.66%	23.34%	23.56%	-0.22%

CUMBERLAND VALLEY ELECTRIC COOPERATIVE DATA

Jim Noy
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ACTUAL FINANCIAL DATA

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating Revenue	29379691	35482774	38814111	43026854	45,121,883	45,254,910	49,315,164	48,941,151	46,861,246	46,665,845
Cost of Purchased Power	21362909	27066826	28668028	31564143	34,464,697	33,866,739	36,844,796	37,560,882	36,085,688	35,772,176
Gross Margin	8,016,782	8,415,948	10,146,083	11,462,711	10,657,186	11,388,171	12,470,368	11,380,269	10,775,558	10,893,669
Distribution Operations	1126484	1263088	1211481	119057	1,121,734	1,186,120	1,290,779	1,273,160	1,318,827	1,404,991
Distribution Maintenance	1812547	1766341	2068379	2072756	2,313,398	2,767,620	2,885,876	2,623,802	2,831,797	2,660,031
Consumer Accounts	958114	1203565	1368895	1520075	1,615,620	1,731,082	1,760,564	1,846,299	1,819,520	1,871,976
Consumer Serv & Infor	147917	203576	193588	158715	184,609	176,182	140,899	128,768	179,251	153,670
Sales	-	-	-	-	-	-	-	-	-	-
Admin & General Expense	1097455	1083316	1309495	1201989	1,097,575	1,237,122	1,261,108	1,260,980	1,248,508	1,369,893
Total Oper & Maint Expense	5,142,517	5,519,886	6,151,838	5,072,592	6,332,936	7,098,126	7,339,226	7,133,009	7,397,903	7,460,561
Depreciation Expense	2,012,606	2,115,490	2,235,508	2,367,980	2,496,587	2,614,634	2,750,265	2,868,087	2,968,519	3,115,270
Tax Expense	30111	31226	36063	41763	43,673	42,894	44,833	47,235	52,902	51,441
Interest on Long Term Debt	874,856	1,213,379	1,604,208	1,628,935	1,097,400	715,609	567,377	449,190	427,212	354,342
Interest Expense - Other	45173	56547	49951	51763	103,738	73,300	70,710	72,354	42,012	3,176
Other Deductions	9736	63616	9451	10500	11,373	11,628	10,776	9,366	10,213	10,671
Total Cost of Distribution Service	8,114,999	9,000,144	10,087,019	9,173,533	10,085,707	10,556,191	10,783,187	10,579,241	10,898,761	10,995,461
Operating Margins	(98,217)	(584,196)	59,064	2,289,178	571,479	831,980	1,687,181	801,028	(123,203)	(101,792)
GTCC's	-	-	-	-	449,351	1,568,691	1,513,478	2,700,063	2,364,260	2,957,019
Other Income (Expenses)	39243	51913	66194	66345	230,225	298,733	264,461	186,881	232,390	176,629
Net Margins	(58,974)	(532,283)	125,258	2,355,523	1,251,055	2,699,404	3,465,120	3,687,972	2,473,447	3,031,856
Rate-making Margins	(58,974)	(532,283)	125,258	2,355,523	801,704	1,130,713	1,951,642	987,909	109,187	74,837
OTIER (Mortgage Requires 1.10X)	0.89	0.52	1.04	2.41	1.52	2.16	3.97	2.78	0.71	0.71
TIER (Mortgage Requires 1.25X)	0.93	0.56	1.08	2.45	2.14	4.77	7.11	9.21	6.79	9.56
Rate Making TIER	0.93	0.56	1.08	2.45	1.73	2.58	4.44	3.20	1.26	1.21
Revenue Deficiency/Rate Increase	933,830	1,745,662	1,478,950	(726,588)	295,696	(415,104)	(1,384,265)	(538,719)	318,025	279,505
kWh Purchases	488,886,488	524,823,784	519,009,552	536,873,865	538,572,196	529,043,899	568,837,293	529,439,880	497,705,944	489,975,525
kWh Sales										-6.6%
Residential	303,266,741	322,017,013	309,628,849	323,734,447	329,677,398	321,138,721	354,767,363	317,070,693	300,398,334	314,849,109
Comm & Industrial <1000 kW	69,475,136	69,370,709	71,730,931	75,825,569	76,876,621	74,753,580	85,854,774	83,703,261	81,538,761	81,700,667
Comm & Industrial >1000 kW	94,859,836	108,057,900	112,331,080	110,987,960	109,914,420	107,607,600	104,533,879	106,476,667	91,224,900	68,689,615
Publ Hwy & St Lighting										
Total	467,601,713	499,445,622	493,690,860	510,547,976	516,468,439	503,499,901	545,156,016	507,250,621	473,161,995	465,239,391
Line Losses	4.35%	4.84%	4.88%	4.90%	4.10%	4.83%	4.16%	4.19%	4.93%	5.05%
Average Cost of Purchased Power										
at Wholesale	0.04370	0.05157	0.05524	0.05879	0.06399	0.06401	0.06477	0.07094	0.07250	0.07301
At Retail	0.04569	0.05419	0.05807	0.06182	0.06673	0.06726	0.06759	0.07405	0.07626	0.07689
Average Revenue Per kWh Sold	0.06283	0.07104	0.07862	0.08428	0.08737	0.08988	0.09046	0.09648	0.09904	0.10031

Witness: Jim Adkins

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Q5: On what did CVE rely in concluding that its financial condition would improve between 2012 and 2013? Please provide any documents, reports, or calculations supporting this conclusion.

RESPONSE:

CVE conducted a review of its RUS financial statements for 2012 when completed along with an evaluation of the first three months of 2013. The financial statements for the first three months of 2013 were very positive at that point in time. Secondly, a review of the financial statements for previous years indicated that CVE had bounced back at previous times. CVE and Jim Adkins concluded that CVE should have a better financial year than 2012. Mr. Adkins had completed similar reviews with other cooperatives with the same conclusion as CVE's conclusion. And these cooperatives did bounce back. CVE did not anticipate the decline in its sales for the large power rate schedules as it did experience for these rate classes. The documents used were primarily the RUS Form 7s that have been supplied in others parts of filings with this case.

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Q6: Please reference the Adkins testimony at pages 3 and 4, R8, where the witness contends that, "The current financial situation at CVE is a very unique one and completely unexpected from a rate application perspective. CVE has experience[d] a decline in its annual interest expense while it continued to increase its debt during the period of 2008-2013. As most are aware, it is readily apparent that this situation will not last forever and that the use of the Times Interest Earned Ratio ("TIER") as a basis for establishing margins with these very low interest expenses would not be a prudent one. A couple of different approaches have been reviewed and evaluated that are more appropriate in this situation. CVE has chosen an approach based on longer term interest rates that existed during the preparation phase of this application."

- a. Please provide the reasoning behind CVE requesting a rate increase even though it appears the interest expense on long term debt has dropped from \$1,097,400 in 2008 to \$354,342 in 2013.

RESPONSE:

CVE is seeking an increase in rates because it did not meet its mortgage agreements in 2012 and 2013. If CVE had not been able to reduce its interest expense, then it would have filed for a rate increase much sooner than the current filing.

- b. Please provide all data and information upon which CVE relied in forming the assertion that it is readily apparent that the situation with low interest will not last forever.

RESPONSE:

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Please see the response to Item 1a in the Commission Staff's Second Data Request.

- c. Please provide all data and information upon which CVE relied in forming the opinion that using TIER is not prudent in this case.

RESPONSE:

The use of TIER is not prudent in this situation because the rate increase amount using this method would result in CVE applying for another increase next year based on the financial results through June 2014.

- d. Please explain why the ratepayers should be forced to pay rates based upon a non-actual and higher interest rate than what CVE is currently paying.

RESPONSE:

The use of the traditional method is not prudent at this time. CVE would be filing for another rate increase very shortly after this one has been adjudicated if it had use a TIER method. CVE is asking for a rate of return in this case that is less than authorized in their last case.

- e. Please provide any and all citations to prior base rate cases in which the rate approved by the Kentucky PSC for a jurisdictional electric cooperative did not employ TIER as a basis for establishing margins. Please explain your answer.

RESPONSE:

I do not know of any cases where the Kentucky PSC has approved a rate application

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that did not employ TIER as a basis for establishing margins. However, the current situation is one where other methods should be used.

- f. Please provide any and all citations to base rate cases utilizing a historic test year in which the rate approved by the Kentucky PSC for a jurisdictional electric cooperative were premised upon an assumption that longer term interest rates will be higher than those existing during the preparation of the application. Please explain your answer.

RESPONSE:

I cannot cite any specific cases where the Commission has authorized the use of interest rates higher than the actual rates that the utility has experienced. However, it should be noted that I do not know any other time in my long lifetime where interest has been lower than current situation. As most folks are very aware interest rates are forecasted to rise in 2015 and the Commission will see a very large number of rate filings thereafter.

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Q7: Please reference the Adkins testimony at pages 4 and 5, R10, where the witness states that, "CVE is using a different approach to the normalization of interest expense in the determination of its revenue requirements. CVE is using a different approach because its average cost of debt for the test year was 0.88% which is an extremely low rate. This extremely low cost of debt is based on the use of very short term loans and will not last. It is believed that revenue requirements should be developed upon the basis of longer term rates. CVE is proposing to determine the cost of all of its debt at the Federal Financing Bank's ("FFB") seven year rate that existed in mid-April of 2.17% even though some of CVEs current debt is fixed at rates somewhat higher than this rate for a longer term."

- a. Has the proposed different approach to the normalization of interest expense to determine the revenue requirement ever been approved by the Kentucky Public Service Commission?

RESPONSE:

I do not specifically recall any circumstances similar to this case where the Kentucky PSC has approved such an approach.

- b. Please explain in detail why CVE believes it should obtain increased rates based upon a hypothetical increased interest rate that CVE does not currently pay.

RESPONSE:

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The more traditional approach to rate applications in this situation would allow for an increase in revenue in amount less than \$500,000. CVE would then be applying for a rate increase immediately after this case is finished. It is more efficient to use this approach than any other one.

- c. Please advise why CVE does not wait until the interest rates are actually raised, and then request the additional monies as a rate increase instead of attempting to guess as to what the interest increase may be in the future.

RESPONSE:

CVE cannot wait any longer as it has waited too long at the current time. CVE already has received two letters of noncompliance with its mortgage agreement. CVE is well on its way to receive another letter of noncompliance because its financial performance for this year is worse than for 2012 and 2013.

- d. If CVE currently has an extremely low rate on its cost of debt, then should the ratepayers not benefit from this by paying lower rates?

RESPONSE:

CVE ratepayers are currently enjoying lower rates. If CVE had not been so efficient in managing its debt, then an increase in rates would have been sought several years ago.

- e. Per the table presented by witness Adkins on page 5 it appears that the average cost of debt has continued to decrease since 2009. Please provide any and all evidence upon which Mr. Adkins relies for his belief that

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CVE's average cost of debt will spike to 2.17% within the near future.

	Average Cost of Debt
2009	2.03%
2010	1.62%
2011	1.23%
2012	1.13%
2013	0.08%

RESPONSE:

It should be noted that this table represents the time when the Federal Reserve System was attempting to provide a stimulus for the national economy by lowering the Federal Funds interest rates to a very low rate. The situation has changed where the Federal Reserve System is no longer going to provide the stimulus it has in the past. Interest rates are expected to rise in 2015. Also please see the response to Item 1 of the Commission's Staff Second Data Request

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- Q8: Please reference the Adkins testimony at page 5, R11, where the witness states that, "[t]he current TIER measurement for rate-making purposes is a 2.0X basis and results in a margin amount equal to annual interest expense and I do not believe that this is a reasonable amount in this situation. However, if the Commission would accept the interest normalization proposed in this application, the use of a TIER of 2.0X is reasonable. CVE is proposing margins based on a TIER of 2.0X based on its method of normalizing interest for this application."
- a. Please state exactly why CVE believes that the standard TIER measurement for rate-making purposes of a 2.0X basis is not reasonable.

RESPONSE:

CVE believes that it is not reasonable in their circumstances of very low interest expense and a low interest expense results in low margins. Using this method would result in a need for an immediate rate application by CVE in 2015.

- b. If the Commission does not accept the interest normalization proposed in this application then what level of TIER does CVE believe to be acceptable?

RESPONSE:

I cannot specify a specific level of TIER because it depends on each individual situation.

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Q9: Please reference the Adkins testimony at page 6, R12, where the witness states that if the traditional approach to the interest expense adjustment were utilized in this case then, "CVE would have requested an increase in revenue that would equate to approximately \$500,000." Please confirm that the witness is testifying that if traditional methods were used to calculate interest expense then CVE would be requesting a revenue increase of \$500,000 instead of the proposed \$1,605,137. If not, please clarify the testimony.

RESPONSE:

It is confirmed that Cumberland Valley would be seeking an increase in revenue of slightly less than \$500,000 using the traditional approach.

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Q10: Please reference the Adkins testimony at page 9, R20, where the witness agrees that some of the proposed rate increases are solely an increase in the customer charge, and an implementation of a customer charge where none previously existed. Does CVE agree that with the bulk of the proposed rate increases placed on the customer charge, the rate design as recommended by CVE will leave customers unable to mitigate the impact of CVE's proposed increase through means of conservation?

RESPONSE:

The members' ability will not be eliminated nor will it change their ability to control their usage or energy bill. The proposed increase in the consumer charge is based solely on the cost causation.

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- Q11: Please reference the Adkins testimony at page 10, R22, where the witness agrees that a significant basis for the amount of rate increase is the longer term interest rate that has been applied to CVE's current debt level at the end of the test year.
- a. Please confirm that, per the witness' testimony, if the more traditional method of a TIER of 2.0X were used as a basis for margins, the requested increase that is justified would be \$491,631.

RESPONSE:

Yes, if a more traditional method of TIER of 2.0X, the requested increase would be \$491,631.

- b. If yes, please explain in full why CVE believes it is entitled to over a \$1.6 million dollar rate increase instead of the \$491,631 that is arrived at via traditional accounting methods.

RESPONSE:

CVE believes that an increase of \$1.6 is justified because the interest rates are not forecasted to remain at these historical low levels. According to the Rural Utilities Service, as of 8/12/14, interest rates are as follows:

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08/11/14 TREASURY YIELD CURVE SEMIANNUAL RATES

3-mo	6-mo	1-yr	2-yr	3-yr	5-yr	7-yr	10-yr	20-yr	30-yr
0.04	0.05	0.10	0.47	0.93	1.62	2.09	2.44	2.97	3.24

In addition, The Federal Reserve predicts an increase in interest rates. The Wall Street Journal reports on June 18, 2014:

On average, Fed officials projected the benchmark federal funds rate would hit 1.2% by the end of 2015 and 2.5% by the end of 2016, up slightly from averages of 1.125% in 2015 and 2.4% in 2016 when the Fed last projected rates in March. Over the longer run, officials on average said the target interest rate could settle in at a lower-than-normal 3.75%, down from earlier forecasts of 4%.

Changes in the interest rate will negatively impact CVE and result in a need for another rate case in the near term. Also, please see page 3 of this Item for key trend ratios.

c. If no, please explain in full.

RESPONSE:

No response required.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q12: Please reference Exhibit P, Page 1 of 15 of CVE's Application. Please explain why the cost of the 2013 annual meeting was \$17,523 more than 2012's annual meeting?

RESPONSE:

Please see Cumberland Valley's response to Item 8a of PSC's Second Request for Information.

- a. Please explain why the 2009, 2010, and 2012 annual meetings were significantly less in cost than the 2011 and 2013 meetings.

RESPONSE:

The great majority of the difference in annual meeting costs between the years listed are attributable to the purchase of CFL light bulbs and the amount of these bulbs charged to annual meeting expense. Some year's larger quantities were purchased because of a discounted price. These bulbs were then used in subsequent years with no new charge or lesser charge for bulbs.

- b. Please explain why the 2011 and 2013 annual meetings were each over \$40,000, with the annual meeting held in 2013 being the most expensive at \$46,238.

RESPONSE:

See response to 12a.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q13: Please reference Exhibit 11, page 2 of CVE's Application regarding the Annual Meeting Expenses.

- a. Please confirm that, the total cost of the 2014 annual meeting was \$46,237.73 with only \$600 removed for rate-making purposes.

RESPONSE:

Yes, that is correct as listed in Exhibit 11 pages 1 and 2 of 3 of the application. However, upon review the amount listed is incorrect. The \$600 for delegates should be left in. The amount for prizes and giveaways of \$786 should be removed. This amount is included in the payment of the Visa bill check number 59574 as listed on Exhibit 11 page 2 of 3 in the application.

- b. Please state why the ratepayers should have to pay for employee shirts that appeared to have cost roughly \$1500.00.

RESPONSE:

Cumberland Valley is required to hold an annual meeting each year per our by-laws due to our business classification as an Electric Cooperative. Our employees are provided Cumberland Valley Electric logo shirts in order for our members to be able to discern employees from members. This is important because the annual meeting gives Cumberland Valley employees the opportunity to answer questions, address concerns and promote goodwill with the members in our community.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

- c. Please explain why the ratepayers should have to pay \$349.80 for drinks?

RESPONSE:

Cumberland Valley, as an electric cooperative, is required to hold an annual meeting each year per its bylaws. Members show up to conduct a business meeting and learn what's going on at the cooperative and in the industry. This meeting can last several hours. Food, drinks, entertainment, and buckets and bulbs are provided. Members have access to employees that can answer questions and provide education on the efficient use of electricity, and the different programs available at the cooperative.

- d. Please advise why the ratepayers should have to pay \$250.00 to the Boy Scouts of America to present the flag at the meeting.

RESPONSE:

The Boy Scouts of America performed a service by presenting the flag at our annual meeting. Cumberland Valley feels this is an appropriate annual meeting expense.

- e. Please answer why the ratepayers should have to pay \$1,228.65 for food, supplies, and a truck rental and an additional \$175.26 charged for food and truck rental?

RESPONSE:

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

See response to 13c.

- f. Please advise why the ratepayers should be responsible to pay \$26,753.74 for entertainment, bucket and bulbs?

RESPONSE:

See response to 13c

- g. Please explain why the ratepayers should be responsible to pay \$75.00 for a singer at the annual meeting?

RESPONSE:

See response to 13c.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q14: Please reference CVE's Exhibit 2, page 1 of the application that refers to payroll adjustment.

- a. Please confirm that all of the union and non-union employees have received continuous pay raises since 2008.

RESPONSE:

Yes, that is correct.

- b. Please explain why continued pay raises between 2% and 5% have been given since the economic recession that began in December 2007.

RESPONSE:

Cumberland Valley's pay levels are in line with other cooperatives in the state. Pay raises for union employees are negotiated between the union and Board of Directors. Cost of living indices are normally looked at during negotiations. Non-union employees usually receive comparable increases.

- c. Please advise if CVE has conducted a study to compare CVE's salary, benefits, and raises per employee with the standard salary, benefits, and raises by the workforce in the counties which it services, including but not limited to the following counties: Bell, Harlan, Knox, Laurel, Leslie, Letcher, McCreary, and Whitley county. If so, please provide copies of all such studies.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

RESPONSE:

No study has been conducted.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q15: Reference account no. 920.0, Administrative & General Salaries. Explain why salaries in 2013 increased approximately 16.06% above the prior year.

RESPONSE:

See response 22j of the commission Staff's Second Request for Information.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q16: Please reference the Adkins testimony at page 7, R15 where he states that the main reasons for the decrease in energy sales is because of the overall economy and the decline in the demand for Eastern Kentucky coal.

- a. Since thousands of coal related jobs have been lost in Eastern Kentucky, does CVE believe that its customers have the means to pay the proposed higher electricity prices?

RESPONSE:

Cumberland Valley is always concerned about members and their ability to pay. Loss of coal jobs and economic decline in Eastern Kentucky have had a negative impact on Cumberland Valley's revenue and I'm sure some members financial ability to pay bills. Cumberland Valley feels that the reduced use of coal as an energy source will necessitate higher energy prices, especially in the state of Kentucky.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q17: Provide a copy of the final report provided by the independent third party consultant which conducted the focused management audit which the Commission ordered in Case No. 2005-00187.

RESPONSE:

Please see the next page of this Item for the Management Audit.

- a. Please identify any and all changes in management practices which CVE may have adopted as a result of the focused management audit.

RESPONSE:

The focused management audit had four areas of recommendation - Succession Planning, Formal Training of the Board, Internal Auditing, and Employee Training. Management implemented some changes in all areas. Succession planning has been and continues to be addressed by the CEO and Board of Directors. Training requirements were put into place for all directors. Yearly internal audits are being performed. Employee training is an ongoing process and individual needs are addressed.

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PUBLIC SERVICE
COMMISSION

Final Report

Focused Performance Audit

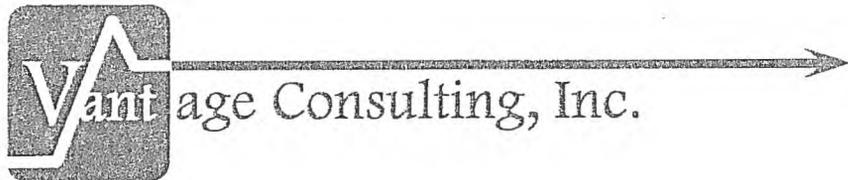
Of

Cumberland Valley Electric

On Behalf Of

Kentucky Public Service Commission

May 4, 2007



Audit of Cumberland Valley Electric

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Audit of Cumberland Valley Electric

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I. EXECUTIVE SUMMARY

A. AUDIT APPROACH

Vantage Consulting, Inc. (Vantage) is pleased to submit this report on the performance of Overall Conclusion Cumberland Valley Electric (Cumberland Valley or CVE) to the Kentucky Public Service Commission (Commission). This audit and subsequent report was in response to a Request For Proposal issued on September 25, 2006 and the Vantage proposal submitted on October 27, 2006

AUDIT FIELD WORK APPROACH

Vantage consultants visited CVE on three occasions and included tours of all office and shop locations, introductions to the majority of all employees and visit to substations.

In total, fifteen interviews were held of twelve different employees. This included interviews of two members of the Board of Directors. Forty-four data requests were made and responded to by CVE. This included one request of all key documents from its recent rate case which consisted of dozens of individual filings and studies.

Vantage addressed each element of the Detailed Work Plan, collected all necessary data and interviewed all personnel relevant to the work steps. Our analysis of procurement records involved a hands-on review of all documents associated with each procurement reviewed.

REPORT LAYOUT

The layout for this report was developed after all field work and drafts were complete. The report is organized as follows.

Chapter I – Executive Summary – Provides a description of the audit's objectives, methodology, overall conclusions, and specific recommendations.

Chapter II – CVE Background– Provides an overview of CVE's size and organization.

Chapter III – Analysis and Results of Major Issues – This chapter addresses the analysis and findings resulting from our work.

Findings and recommendations are numbered as follows: III-F1 refers to the 1st finding in *Chapter III*, III-R4 is the 4th recommendation in *Chapter III*, and so on.



PROJECT TEAM

The names of the project consultants and areas they addressed are shown below. Together they have over fifty years of utility operations and consulting experience.

Consultant	Position
Walt Drabinski, BSEE, MBA	Project Director and Lead Consultant
Robert Wilkinson, CPA, MBA	Senior Consultant

AUDITING STANDARDS

The audit was conducted in accordance with the United States Government Accounting Office's Generally Accepted Government Auditing Standards (GAGAS - the Yellow Book) as revised in 2003, with specific reference to the provisions and standards for Performance Audits.

B. OVERALL CONCLUSIONS

Cumberland Valley Electric is a small, mature electric cooperative that operates very efficiently given its geographic and economic environment. The geography of CVE territory is very rough and rocky, with small mountains and many difficult to reach areas. Its population is very rural and the economy in this area of Kentucky is, in general, poor. Given these constraints the Management of CVE does an excellent job of providing reliable electric service at a reasonable cost.

This focused audit was mandated as a result of the last rate case, the second in forty years, and was intended in part, to determine whether certain allegations of poor management made by parties to the case had any validity. Our conclusion is that our analysis did not confirm any of the allegations presented. In fact, in the areas of procurement and cost control, the Management of CVE was extremely responsible. The allegations of nepotism were not well founded given CVE's current employment practices. By the time the management audit began, the Board took definitive action to ensure that the hiring of family members cannot be done in the future.

Some of our general conclusions are as follows.

- The Management Team in place at CVE is effective, capable and committed. This is due, in part, to a strict work ethic and to the experience of its senior managers.
- There is a need to consider succession planning to ensure that as some of the senior management personnel leave, they are replaced with competent employees who can sustain the success of the Company. A succession plan has been proposed by the General Manager and discussed with the Board of Directors.
- The organization of CVE is designed to permit coverage of all required functions with the flexibility that a small company requires. Its staffing is well controlled and reflects the desire to control costs while achieving a reasonable level of performance.

- CVE, when measured against the twenty four Cooperatives in the State, generally falls in the top third for most statistical measures.
- CVE has implemented a number of modern technologies such as automatic meter reading, that permit more efficient and accurate collection of data and a Geographical Information System (GIS) that provides electronic mapping of all equipment and facilities.
- CVE has specific plans in place to upgrade three of its substations, further reducing system electric losses. It also continues to address system power factor issues that arise due to the load at coal mines in the region.
- The procurement process in place at CVE is well designed, with appropriate procedures and controls in place. After extensive analysis of almost every major purchase made in the recent past, our consultants could find no reason for concern.
- Concerns about the Internal Audit Department at CVE were addressed and resolved before the audit was complete.
- The employees at CVE are competent, committed and flexible. They understand the need to work in a safe manner, yet ensure quick responses to outages. The typical path of hiring the best contract employees after they have experience provides a base of competent and tested employees.
- Most training, except for safety training, is provided through on the job experience. We have some concern that there needs to be a more formalized program and assurance that each employee is fully capable. This is addressed through one of our recommendations.

C. RECOMMENDATION SUMMARY

III-R1 Develop a Succession Plan that ensures that addresses the potential retirement of the General Manager.

Management has started to communicate with the Board of Directors on this subject and this needs to be continued and formalized. A review of the draft Succession Plan that will be submitted to the BOD appears to be adequate, although Vantage cannot provide any legal opinion on it.

Without a careful transition there could be some deterioration of management quality. We would suggest that the Succession Plan be completed within three months and that it includes the following elements.

- Prioritize the need for a replacement. First, identify key personnel eligible and likely to retire soon. Second, identify personnel who, if they leave, would create significant concerns.
- Identify personnel within CVE who might make capable replacements and prepare a program for developing required expertise.
- Should it be necessary to look outside the Company, make plans for such a search well before the retirement takes place to allow adequate transition.



- Communicate plans and opportunity for advancement to all employees so that they do not think they are constrained from advancement.

The Plan, once designed, should be a living document. Its cost should not be significant unless there is a need for a regional or national search to fill some positions.

III-R2 Institute a formal program for training for all new members of the Board of Directors .

There are formal programs available for new BOD members that help them better understand the operation and issues faced by cooperative energy companies. The members we spoke with who had attended the program were very positive about the experience. Since there is no formal policy in place to require attendance, we would propose that this be done.

The policy can be implemented within three months and BOD members needing training could be expected to attend the program within one year. At that point it becomes a general ongoing policy. The cost would be no more than \$3,000 per BOD member.

III-R3 CVE should investigate the possibility of establishing a joint internal audit function through a utility cooperative association, or a joint agreement with other utilities.

One alternative CVE could consider is utilizing the internal resources from another Cooperative or East Kentucky Power Cooperative, Inc. (East Kentucky Power or EKPC) itself for audits of the financial areas. This would mitigate the conflict of the current Internal Auditor.

Another option may be to retain an Internal Auditor on a contract basis from an outside CPA firm.

III-R4 Perform an assessment of training needs and identify deficiencies for individual employees and address any needs.

CVE cannot afford to have employees who are not fully trained. While a casual approach worked in the past, it would not be difficult to develop a formal tracking system and tailor training to each employee. This is important for all employees, but critical for field employees who must work near energized equipment.

Most training of craft employees is currently done on the job. While this process, plus the policy of hiring from the ranks of experienced contractors ensures a high level of general skills, it does not ensure that every employee is fully trained. The program should consist of the following steps or elements.

- Identify the positions for which training needs to be addressed. These include all field positions and any customer service positions where interface with the customer requires expertise.
- Develop a list of skills or capabilities that are needed. Consider a checklist.



- Assess each employee against the checklist to identify any deviations.
- Develop custom programs for each employee needing training.
- Use the checklist when hiring or promoting employees.

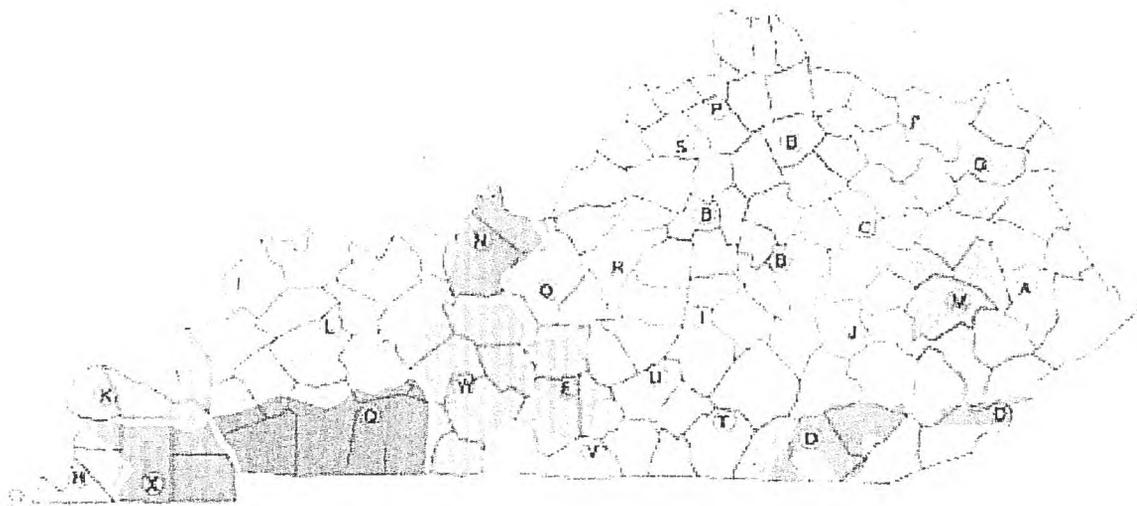


II CUMBERLAND VALLEY ELECTRIC BACKGROUND

A. HISTORY

HISTORY OF CUMBERLAND VALLEY ELECTRIC

Cumberland Valley Electric was formed in 1942 by local business and community leaders to bring electricity to the more rural areas of eastern Kentucky. It serves a rural portion of south-central Kentucky, as shown on the map below, and consists of eight Counties, including: Bell; Harlan; Knox; Laurel; Leslie; Letcher; McCreary; and Whitley. Its service territory also extends to the County of Claibourne, TN.



As a distribution cooperative, Cumberland Valley purchases all the electric energy it sells from East Kentucky Power Cooperative, Inc. Cumberland Valley is one of 16 members - owners of East Kentucky Power. An analysis of how CVE compares to its fifteen sister companies is provided below.

There are currently 52 employees at CVE located in the following two offices.

Main Office

Cumberland Valley Electric
Highway 25-E
Cumberland Parkway
Gray, Kentucky 40734
1-800-513-2677 Phone
606-523-2698 Fax
www.cvecc.com



District Offices
 Cumberland Valley Electric
 15997 North US Highway 119
 Cumberland, Kentucky 40723
 606-589-4421 Phone

B. HISTORY OF RATES

Cumberland Valley Electric has long maintained stable rates. According to the Manager, rates have only been raised twice in the 40 years he has been with the Company. The most recent rate increase came in 2006 as a result of a request in July 2006, due to deteriorating financial conditions as demonstrated by declining financial ratios. Our analysis does not address the recent rates case or the specifics of the financial ratios, however we do summarize some analysis later in this Report. Prior to the 2006 rate case, the last general rate increase with this Commission was effective August 1, 1980 in Case No 7772.

Cumberland Valley's Financial Policy and Equity Management Policy require that an equity level of 30% to 40% be maintained as well as satisfying the mortgage requirements on Times Interest Earned Ratio (TIER). Cumberland Valley did not meet its mortgage TIER requirements for the test period of 2005 and was notified by the Rural Utilities Services (RUS).

C. STATISTICAL COMPARISON WITH OTHER COOPERATIVES

The RUS prepares annual statistical comparisons of all electric cooperatives. The latest data available was for 2005, and while dated, still gives a good perspective of where CVE ranks compared to the twenty-four cooperatives in Kentucky¹. A summary of this comparison follows.

REVENUE PER KWH COMPARISON

Comparisons of residential, commercial and industrial rates, measured in ¢/kWh, are provided. A review shows that:

- Overall, CVE ranked eighth of the twenty-four cooperatives in 2005 with a total revenue of 6.9¢/kWh. This includes 7.1¢/kWh (4th) for residential, 8.8¢/kWh (22nd) for commercial and 6.9¢/kWh (18th) for industrial. (These could change based on CVE's and other utilities' rate changes since that time);

^{1/} This includes the sixteen cooperatives that own East Kentucky Power and three that own Big Rivers Electric Corporation and the five cooperatives supplied by the Tennessee Valley Authority.



- CVE's rates were higher for all rate classes than any of the four IOU's in the State. In particular, Kentucky Utilities, which is a neighbor, has residential rates of 5.5¢/kWh (23% lower), commercial rates of 5.3¢/kWh (28% lower) and industrial rates of 4.1¢/kWh (34% lower).



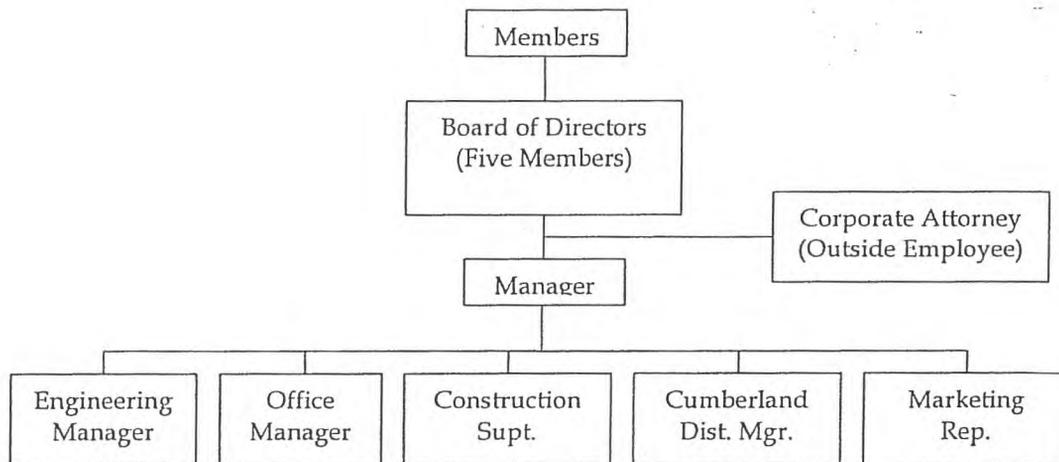
III. AUDIT ANALYSIS AND RESULTS

A. ORGANIZATION STRUCTURE AND MANAGEMENT

The general organization of CVE is shown in the Exhibit below. This is followed with details on each department and position within the Company.

Focused Management Audit of Cumberland Valley Electric

Exhibit III-1
Corporate Organization Chart



ENGINEERING DEPARTMENT

Engineering Manager
General Clerk
Assistant Engineer (3)

CUMBERLAND DISTRICT

General Consumer Clerk (2)
Serviceman (2)
Crew Leader

BUSINESS OFFICE

Information Systems Administrator

Billing Supervisor
 General Clerk Billing (4)
 General Clerk Consumer Records (4)
 Accounting Supervisor and Internal Auditor
 Accountant
 Assistant Book Keeper

CONSTRUCTION

Mechanic
 Maintenance Technician
 Crew Leader
 Lineman (3)
 Apprentice Linemen (2)
 Crew Leader
 Lineman (4)
 Apprentice Linemen
 Serviceman (8)

III-F1 The organizational structure of CVE is straightforward and appropriate for a company of its size.

The small size and dispersed offices of CVE require flexibility in organizational structure and in responsibilities. We were impressed in the way that each of the two offices was organized. The Headquarters utilized a typical utility structure with positions that one would expect. The Cumberland Office was organized to be very flexible. The office is far enough away (1 hour drive) that it is inconvenient to share personnel on a regular basis. Therefore, the Cumberland Office staff were all multi-dimensional and able to fill in for one another.

BACKGROUND & EXPERIENCE OF MANAGEMENT EMPLOYEES

III-F2 The background and experience for employees in all areas appeared to be adequate.

It is important to note that CVE is one of the best paying companies in the region. Therefore the Company is generally able to select employees who are well qualified.

- Most construction employees come from contractor crews who have worked on the CVE system for many years. This means that they are experienced and know the CVE system before ever starting work.
- Office and other professional employees all seemed to be well educated and skilled. Many professional employees are local residents who received college and graduate degrees and find that CVE is one of the better paying opportunities in the region.



III-F3 The retirement of the General Manager is likely in the not to distant future.

The GM is eligible for retirement at any time and has indicated that he is starting to begin the process of succession planning. We agree with his plans for finding and developing a replacement.

III-R1 Develop a Succession Plan that ensures that addresses the potential retirement of the General Manager. (Refer to Finding III-F3.)

Management has started to communicate with the Board of Directors on this subject and this needs to be continued and formalized. A review of the draft Succession Plan that will be submitted to the BOD appears to be adequate, although Vantage cannot provide any legal opinion on it. ²

Without a careful transition there could be some deterioration of management quality. We would suggest that the Succession Plan be completed within three months and that it includes the following elements.

- Prioritize the need for a replacement. First, identify key personnel eligible and likely to retire soon. Second, identify personnel who, if they leave, would create significant concerns.
- Identify personnel within CVE who might make capable replacements and prepare a program for developing required expertise.
- Should it be necessary to look outside the Company, make plans for such a search well before the retirement takes place to allow adequate transition.
- Communicate plans and opportunity for advancement to all employees so that they do not think they are constrained from advancement.

The Plan, once designed, should be a living document. Its cost should not be significant unless there is a need for a regional or national search to fill some positions.

B. CORPORATE GOVERNANCE

Currently, there are five members of the Board of Directors. The number was reduced from seven to five recently. This change took place at that same time that a number of By-Laws were modified in November 2004.

² / DR 145

BOARD OF DIRECTORS' BACKGROUND, GENERAL QUALIFICATIONS & TENURE

III-F4 Experience, qualifications and interest of Board members seems to be very high in all areas.

Vantage interviewed two Board members, including the Chairperson. We also reviewed bios on all others. We were impressed by the breadth of experience of the Board members as well as the interest they showed in the success of CVE.

During discussions, we addressed training for Board members. They indicated that most of the Board members had attended a program sponsored by RUS and NRECA that gave them the fundamentals they needed to understand the specifics of an Electric Cooperative.

RELATIONSHIP OF BOARD MEMBERS TO MANAGEMENT EMPLOYEES

III-F5 There is one Board member with a relationship to management employees and there are no current Board members or relatives of Board members who have contracts with CVE.

Changes in the BOD make-up in recent years removed a number of awkward relationships.

Vantage would reiterate that there is nothing inherently wrong with purchasing from suppliers with relationships as long as all procedures are met and the individual with the relationship is excluded from any decisions. Our analysis of a number of contacts in a later section of this report shows that there are strong policies in place for procurement and they are adhered to.

BOARD MINUTES & REPORTS TO THE BOARD

III-F6 Review of BOD Minutes showed that they are well kept and include all information needed.

Board minutes were reviewed in detail for the last three years and appeared to be in order.

III-R2 Institute a formal program for training for all new members of the Board of Directors. (Refer to Finding III-F4.)

There are formal programs available for new BOD members that help them to better understand the operation and issues faced by cooperative energy companies. The members we spoke with who had attended the program were very positive about the experience. Since there is no formal policy in place to require attendance, we would propose that this be done.

The policy can be implemented within three months and BOD members needing training could be expected to attend the program within one year. At that point it becomes a general ongoing policy. The cost would be no more than \$3,000 per BOD member.



C. EMPLOYEES, RELATIVES & RELATIONSHIPS

III-F7 An analysis of employees with relations within CVE shows that they are not unreasonable given the size of the community in which CVE is located and the past history of family involvement in the Company.

An analysis of relationships within CVE showed the following.³

- There are nine employees with a relationship of some type to another employee.
- There are no immediate relationships such as husband/ wife or son/ daughter.
- Many of the relationships are in-laws that arose due to marriages between non-CVE employees.
- All other relationships are cousins, in-laws, and other once removed relationships.

CVE now has a policy in place forbidding the hiring of relations without expressed approval by the BOD.

D. PERFORMANCE AND RATIO ANALYSIS

Cumberland Valley Electric develops and maintains a series of analytical ratios that are reported through its Calculated Borrower Statistical Profile. Vantage utilized this information for the period 2002 through 2006 in order to get an overall assessment of trends and specific results being achieved. The ratios are categorized into five categories, including:⁴

- Financial Ratios;
- Consumer Ratios;
- Employee Costs;
- MWH Sold;
- Plant Investment.

We provide these ratios in the following Exhibits along with our observations or conclusions to highlight changes.

³ / DR 104.

⁴ / DR# 115 and 142.



Focused Management Audit of Cumberland Valley Electric

Exhibit III-2
Financial Ratios

	2002	2003	2004	2005	2006
TIER (One Year)	3.17	2.89	1.06	0.67	1.17
Average Tier	2.92	3.03	3.03	1.98	1.12
OTIER (One Year)	1.24	1.18	0.92	0.54	1.06
Average Otier	1.24	1.23	1.21	1.05	0.99
MTIER (One Year)	1.28	1.23	1.02	0.63	1.13
DSC (One Year)	2.86	2.44	1.52	1.29	1.51
Average DSC	2.8	2.8	2.65	1.98	1.24
ODSC (One Year)	1.78	1.63	1.45	1.22	1.45
Average ODSC	1.79	1.79	1.71	1.54	1.18
MDSC (One Year)	1.80	1.65	1.50	1.27	1.49
PRR (One Year)	7.17	7.41	7.72	7.78	6.83
Equity Ratio	44.34	43.70	42.28	38.48	38.14
Modified Equity	28.26	26.26	25.26	22.67	22.62
Operating Revenue/Mile	\$10,738.14	\$10,868.23	\$11,739.01	\$14,030.36	\$15,168.75
General Fund/Total Plant	0.77	1.58	0.25	1.75	1.22
Current Ratio	0.74	1.03	0.88	1.12	0.97
Operating Margins/Rate Base	0.52	0.32	-0.24	-1.34	0.13
Rate of Return on Rate Base	3.32	2.69	2.03	1.71	3.72
Pat Cap Retired/Total P Cap	8.25	8.38	9.28	9.41	9.31
Pat Cap Retired/Net Margins	9.86	8.19	14.73	-1.69	-0.07

III-F8 The Times Interest Earned (TIER) Ratio dropped significantly from 2002 and was a major driver in the rate case and subsequent increase in 2006.

Loan covenants and good practice require a TIER of between 1.25 and 2.0 be maintained on an annual basis. RUS requires a TIER of 1.25 and it is not uncommon for the Commission to set rates in rate cases to achieve a 2.0 TIER . The results dropped precipitously in 2004 and again in 2005, reaching a low of .67 that year. The rate increase that occurred in mid-2006 resulted in some improvement and expectations are that in 2007 there will be continued improvement.

Most other ratios in the Exhibit above reflect the deterioration in financial results and subsequent beginnings of a recovery in 2006.

Focused Management Audit of Cumberland Valley Electric

Exhibit III-3
Employee Costs

	2002	2003	2004	2005	2006
Number of Employees	44.00	43.00	43.00	48.00	52.00
Average Rate Per Hour	\$19.87	\$21.03	\$21.30	\$22.35	\$23.04
Overtime Hours/Total Hours	8.92	12.11	13.66	13.05	9.69
Capitlzd Payroll/Total Payroll	30.82	26.88	28.47	28.21	27.07

There are a few observations that can be made from observing the Exhibit above.

- Total staffing increased by 8 employees from 2002 to 2006.
 - Average rate per hour has increased a total of 16% over four years.
 - Overtime has varied from 9% to 14%
 - The amount of labor spent on capital projects has remained at a level of 27% to 31%.
-

Focused Management Audit of Cumberland Valley Electric

Exhibit III-4
MWH Sold

	2002	2003	2004	2005	2006
MWH Sold/1000	464.57	453.75	467.60	499.45	493.69
Annual % Chg in KWH Sold	0.96	-2.33	3.05	6.81	-1.15
MWH/Mile of Line	189.85	183.07	186.84	197.49	192.94
Revenue/MWH(Resd ex Sea)	\$57.46	\$59.28	\$63.22	\$71.24	\$80.58
Op Rev/MWH (Total Sales)	\$56.56	\$59.37	\$62.83	\$71.04	\$78.62
OpRev less cost Power/MWH	\$16.87	\$17.53	\$17.14	\$16.85	\$20.55
Cost of Power/MWH Sold	\$39.69	\$41.84	\$45.69	\$54.19	\$58.07
Comm+Ind+IRR MWH/Total MWH	34.30	32.97	35.14	35.52	37.28
O+M+A&G+Cust Acct Exp/MWH	\$9.89	\$10.56	\$10.68	\$10.64	\$12.07

There are a few observations that can be made from observing the Exhibit above.

- Sales have varied annually from 2002 to 2006, with a total increase of 6.3% over four years. This is not uncommon and generally reflects weather or economic conditions. An average increase of almost 1.5% is in line with general utility expectations.
- Revenue per MWH reflects the increased costs of energy from East Kentucky.



Focused Management Audit of Cumberland Valley Electric

Exhibit III-5
Operating Ratios

	2002	2003	2004	2005	2006
Elec Inv Turnover Ratio	2.60	2.66	2.81	2.44	2.28
Elec Inv EOY/Total Plant	0.45	0.45	0.50	0.71	0.69
Constr WIP/Plant Additions	2.26	0.40	1.71	11.13	6.92
Net New Service/Total Service	2.70	2.20	1.84	1.98	2.03
Idle Service/Total Service	2.13	1.42	0.46	1.03	1.96
Annual Load Factor	46.64	43.68	42.55	44.79	43.86
System Loss	4.12	4.73	4.29	4.76	4.77
Tot Hrs Outage per Cons (1 year)	1.25	1.60	2.15	1.74	2.68
Amt Over 60 days/Oper Rev	0.24	0.33	1.05	0.87	0.74
Amt Written Off/Oper Rev	0.33	0.52	0.58	0.55	0.63
Other Intr Inc-Exp/\$1000 Plt	0.44	0.08	1.07	1.16	1.44

Most of the ratios in the Exhibit above have remained relatively constant over the five year period except for Amounts written off. During discussions, Management acknowledged that this measure had crept up, but indicated it was still well below industry norms.



Focused Management Audit of Cumberland Valley Electric

Exhibit III-6
Consumer Ratios

	2002	2003	2004	2005	2006
Average Total Consumers Served	23,776	24,500	25,224	23,029	23,303
Consumers/Mile (Density)	9.86	10.03	10.22	9.16	9.16
Consumers/Employees	548.57	578.14	594.74	482.75	450.58
Long Term Debt/Consumer	\$884.75	\$972.42	\$983.04	\$1,248.76	\$1,281.89
Dist+Gen Plant/Consumer	\$2,264.72	\$2,312.90	\$2,360.26	\$2,743.68	\$2,880.57
Net Margins/Avg Consumer	\$86.08	\$65.79	\$2.08	-\$17.36	\$11.79
Avg Mo KWH/Resd Cons Ex Sea	1138.54	1101.07	1067.15	1240.51	1,180.29
Avg Mo KWH/Resd Cons	1138.54	1101.07	1067.15	1240.51	1,180.29
Cust Acct Exp/Avg Cons	\$37.13	\$35.24	\$37.98	\$52.26	\$58.74
Adm & Gen Exp/Avg Cons	\$41.26	\$41.78	\$43.51	\$47.04	\$56.19
Cust Serv & Info/Avg Cons	\$5.96	\$6.36	\$5.86	\$8.84	\$8.31
O+M+A&G+Cust Acct/Avg Cons	\$193.17	\$195.64	\$198.01	\$230.85	\$255.69
Pwr cost+Tax+Dep+Int/Avg Cons	\$893.36	\$889.32	\$962.59	\$1,321.24	\$1,396.55

The most striking result shown in the Exhibit above is the Net Margin per Customer which dropped remarkably in 2004 and 2005.



Focused Management Audit of Cumberland Valley Electric

Exhibit III-7
Plant Investment

	2002	2003	2004	2005	2006
Total Plant/1000	\$56,176.73	\$58,968.71	\$61,879.71	\$65,495.37	69,304.29
Total Plant/MWH Sold	\$120.92	\$129.96	\$132.33	\$131.14	140.38
Total Plant/Mile of Line	\$22,957.39	\$23,791.14	\$24,724.79	\$25,897.74	27,084.47
O+M exp/\$1000 Total Plant	\$48.58	\$49.28	\$47.50	\$46.25	47.33
Taxes/\$1000 Total Plant	\$0.56	\$0.53	\$0.49	\$0.48	0.52
Accum Deprec/Plant in Service	35.79	36.20	36.41	36.66	36.49
Net New Plant/Total Plant	5.50	4.97	4.94	5.84	5.82
General Plant/Consumer	\$111.49	\$118.87	\$120.29	\$143.98	153.18
Headqtr Plant/Consumer	\$59.40	\$58.58	\$56.94	\$63.83	63.20
LONG TERM DEBT					
LTD/Total Assets	42.58	44.59	45.20	48.10	48.89
Interest LT/Avg LTD	4.26	3.74	3.55	4.49	5.44
RUS Debt/Total LTD	74.66	78.61	80.46	83.97	88.64
REVENUE					
Interest Exp/Op Revenues	3.59	3.16	2.98	3.42	4.13
Int Exp/Op Rev-Power Costs	12.05	10.70	10.91	14.42	15.81
Cost of Power/Op Revenues	70.17	70.47	72.71	76.28	73.86

III-F9 Line losses at three substations are significantly higher than all other substations, but are being addressed through future construction plans.

During our review, we analyzed the "Rolling Annual CVE Line Loss Report by Substation" to assess system losses. This report addressed fifteen substations. Twelve of the fifteen substations had losses between 0.4% and 7.4%. We discussed the specific plans for improving the three of the four worst sub-stations.⁵

- Emanuel Substation experienced a 7.0% loss in 2006. A new substation is being constructed at Liberty Church, reducing the length of the distribution feed.
- Jellico Creek experienced an 8.6% loss in 2006. This substation is being upgraded to 25KV.
- Hinkle Substation had a 7.7% loss in 2006. Losses are due to the length of this line, 22 miles to the last feeder. The line is being upgraded to 25KV.

⁵ / DR 140.

Focused Management Audit of Cumberland Valley Electric

Exhibit III-8
Rolling Annual CVE Line Loss Report by Substation

January 2006 through December 2006

Sub No	Sub Name	kWH Purchased	kWH Sold	Difference (C-D)	Percent Loss
E23	Chad	27904714	27208937	695777	2.5%
E50	Pine Mountain	35552202	35155992	396210	1.1%
E51	Bledsoe	25851121	24884144	966977	3.7%
E64	Oven Fork	27403959	26700634	703325	2.6%
E73	Arkland	14677702	14619600	58102	0.4%
E21	Emanuel	58592550	54482864	4109686	7.0%
S22	Rockholds	35103441	33409986	1693455	4.8%
S26	Cumberland Falls	30077738	27843045	2234693	7.4%
S41	Jellico Creek	8556052	7821532	734520	8.6%
S45	S. Corbin	38953897	36905877	2048020	5.3%
S48	N. Corbin	40970833	39022994	1947839	4.8%
S53	Hinkle	37025969	34190601	2835368	7.7%
S84	Goldbug	51661277	49704440	1956837	3.8%
S85	Carpenter	62552931	59700521	2852410	4.6%
S87	Bacon Creek	24132152	23502562	529590	2.6%
Totals		519016538	495153729	23862809	4.6%

STATISTICAL COMPARISON

A comparison of CVE to the other fifteen EKPC Cooperatives also provides some insight.

- CVE's miles of line are a bit less in total, but increased more than the rest of the group since 2001.
- Density of customers is consistent, as is the operating cost per mile.
- The average cost per customer is slightly less than the comparison group.

The table comparing CVE and all other utilities in Kentucky shows that CVE has very consistent costs with the entire state.

Focused Management Audit of Cumberland Valley Electric

Exhibit III-9
Change in Plant Investment Since 2001

Category	Amount	Change since 2001
Miles of Line for CVE	2,529 miles	4.9%
Miles of line for EKPC Ave.	3,401 miles	2.3%
Density Customers per mile CVE	9.1	-4.2%
Density Customers per mile EKPC Ave.	9.0	5.9%
Operating cost per mile CVE	\$2,186	24.8%
Operating cost per mile EKPC	\$2,277	19.7%
Total # Customers Billed - CVE	23,029	0.3%
Total # Customers Billed - EKPC	30,776	9.0%
Ave. Expense per customer - CVE	\$240	30.4%
Ave. Expense per customer - EKPC	\$255	12.8%
Total Residential Revenues - CVE	\$22.9 Million	38.4%
Total Residential Revenues - EKPC	\$32.6 Million	39.6%

Exhibit III-10
Operating Expense Statistical Comparisons

Cooperative Name	Distribution Operations \$/mile	Distribution Maintenance \$/mile	Tot Op & Maintenance \$/ mile	Customer Accounting \$/mile	Customer Information \$/mile	General & Admin \$/mile	Ave. Mo. Residential Revenue (\$)
Big Sandy Recc	509	1,082	1,591	685	127	1,184	96.5
Blue Grass Energy Coop	504	844	1,348	528	152	633	100.0
Clark Energy Coop	466	586	1,174	360	43	486	92.7
Cumberland Valley Electric	501	701	1,202	474	82	428	88.4
Farmers Recc	260	541	801	280	60	447	88.2
Fleming-Mason Energy	316	948	1,264	397	27	316	98.8
Grayson Recc	361	703	1,064	342	70	481	96.2
Inter-County Energy	504	357	861	434	140	469	105.2
Jackson Energy Coop	613	531	1,244	568	63	550	109.1
Licking Valley Recc	546	574	1,122	312	76	616	88.3
Nolin Recc	818	849	1,567	577	220	744	102.3
Owen EC	651	727	1,378	808	65	521	90.2
Salt River Electric	516	470	986	493	103	608	99.0
Shelby Energy Coop	594	645	1,239	374	88	323	103.0
South Kentucky Recc	470	706	1,176	470	85	480	89.0
Taylor County Recc	444	358	802	288	39	389	85.7
EKPC Group Average	506	676	1,182	450	90	555	96.1
Jackson Purchase Energy	420	936	1,356	350	87	560	80.6
Kenergy Corp	516	1,171	1,787	401	46	439	63.9
Meade County Recc	596	807	1,403	412	54	385	69.4
Big Rivers Group Average	544	971	1,515	388	56	461	79.3
Hickman-Fulton Counties Recc	411	969	1,360	257	33	580	116.7
Pennyrile Recc	581	581	1,162	372	64	454	102.8
Tri-County EMC	769	531	1,300	430	107	348	99.5
Warren Recc	653	939	1,572	521	143	766	106.5
West Kentucky Recc	672	1,335	2,007	606	76	426	105.6
TVA Group Average	617	867	1,484	437	83	515	103.9
Overall Average	534	753	1,287	439	86	535	95.6

E. PROCUREMENT POLICIES & PROCEDURES

CVE has formal policies and procedures for procuring services, equipment, commodities and supplies. These policies and procedures are included in CVE's Manual of Policies and Procedures.⁶ All policies and procedures are approved by the Board of Directors and are reviewed and updated on a regular basis.

Several specific items were mentioned in the Attorney General's motion for conduct of a management audit including purchases from Knox Auto Parts, construction bids and contracts, right-of-way maintenance bids and contracts, free or reduced electric rates to schools and churches, and the purchase of a bulldozer.

CVE management states that it never provided discounts to schools and churches although it used to provide some construction, line relocation, line maintenance at no charge. This was seen as part of the Company's good neighbor/civic duty to the counties and citizens in their service territory. This was a Board policy that has been changed as a result of the AG's recent inquiries.

All these purchases were reviewed for the year ended December 31, 2006, and the review was extended to include selected other significant purchases. The results of the review are presented below.

POLICY AND PROCEDURES FOR BID DEVELOPMENT, DISTRIBUTION, EVALUATION & COMMUNICATION WITH BIDDERS

III-F10 CVE has policies and procedures in place to govern procurement, including bids, evaluation of bids, purchasing, receiving and payment approval.

REVIEW OF SPECIFIC VENDORS/PURCHASES

III-F11 Based on our review of bids, purchase orders, receiving reports, invoices and payment approvals for various contracts and purchases, adequate procurement and bid policies and procedures are in place, and no exceptions were noted.

We conducted the following reviews of specific vendors and purchases.

Knox Auto Parts

Total purchases from Knox Auto Parts in 2006 were \$9,471. Knox sells auto parts and plumbing and electrical supplies. The primary reason for purchasing auto parts and miscellaneous plumbing and electrical supplies from Knox is convenience.

^{6/} DR 107 – Copy of all corporate policies and procedures that address hiring, contracting and procurement.



The review of purchases from Knox included all purchases in 2006. We reviewed purchase orders, receiving reports, invoices and payment approval for each 2006 purchase. All receiving reports for auto parts had vehicle numbers assigned, and proper approvals for purchase orders, invoices and payment authorization. No exceptions were noted in the review of purchase orders, receiving reports, invoices and payment approvals.

Baldwin Pole & Piling Company

Total purchases from Baldwin Pole & Piling Co., Inc in 2006 were \$65,271. Baldwin is located in Bay Minette, Alabama. We reviewed purchase orders, receiving reports, invoices and payment approval for each 2006 purchase. All purchase orders and receiving reports had proper approvals, and proper approvals for invoices and payment authorization were noted. No exceptions were noted.

G&M Oil Company, Inc.

Total purchases from G&M Oil Company, Inc. in 2006 were \$103,060. G&M is the local supplier of gasoline, diesel fuel, and oil. Prices are based on prevailing market prices and deliveries are made weekly to CVE's storage tanks. We reviewed purchase orders, receiving reports, invoices and payment approval for each 2006 purchase. All receiving reports had proper approvals, and proper approvals for purchase orders, invoices and payment authorization were noted. No exceptions were noted.

Patterson & Dewar Engineers, Inc.

Total payments to Patterson & Dewar in 2006 were \$207,181. Patterson & Dewar provides engineering and mapping services, including preparation of a four-year Master Development Plan and providing monthly inspections of progress on the Plan. We reviewed invoices and payment approval for all 2006 payments. Proper approvals for invoices and payment authorization were noted.

III-F12 An analysis of all vendors with contracts above \$50,000 showed no unreasonable expenditures.

The reviews of specific contracts above were based to a large degree on the review of the following Exhibit⁷

⁷/ DRs 106 & 108 – List of all suppliers of services and equipment of amounts over \$50,000. Supplement to DR 108 – selected purchase orders, invoices, bids & receiving reports.



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Exhibit III-11
Vendors Paid over \$50,000

Vendor	2006	2006
Anthony G. Martin	\$50,670	Attorney for rate case.
Baldwin Pole & Piping Company	\$65,271	Poles
Commonwealth Administrators	\$52,786	Medical Admin – Health Ins.
Department of Revenue	\$581,844	Taxes
East Kentucky Power - Power Bill	\$29,066,578	Power bill
East Kentucky Power Cooperative	\$49,649	SCADA Supplies ETS.
East Kentucky Power - Medical Ins.	\$614,987	Medical insurance.
Electrical Sales Engineers	\$167,109	Construction materials
Federated Rural Electric, Inc.	\$227,050	Property, auto, workers comp ins.
Five C Construction	\$634,933	Const contract – see analysis.
G & M Oil Company, Inc.	\$103,060	Furl & oil – see analysis
Hunt Technologies, Inc.	\$356,060	Maintains Turtle (AMR)
Internal Revenue Service	\$708,298	Payroll taxes
Kentucky State Treasurer	\$334,797	State income tax
Ky Association of Electric Coop's	\$173,465	Dues, magazine & materials
Kentucky Dept of Revenue - School Tax	\$1,144,361	School tax
Lay Tree & Brush Company, Inc.	\$615,080	Right-of-way cont. – see analysis
N.I.S.C.	\$257,449	IT vendor for software & system
N.R.E.C.A.	\$529,492	Dues and insurance
Patterson & Dewar	\$207,181	Engineering ser. – see analysis
Phillips Tree Experts, Inc.	\$150,070	Right-of-way cont. – see analysis
Ronald L. Wilhite	\$60,758	Consultant – management audit
Shelton's Construction Company	\$700,004	Const contract – see analysis
Sheriff, Whitley County	\$116,019	Taxes
Tennessee Valley Electric	\$266,703	Construction materials
United Utility Supply	\$651,944	Construction mat. – see analysis
Visa	\$74,410	Miscellaneous outside purchases
Worldwide Equipment, Inc.	\$92,798	Vehicle purchases – see analysis

Review of Equipment Purchases – 2006

III-F13 The only equipment purchased in 2006 was two GMC Trucks. Proper bids were received and invoices and payment had proper approvals.

Two GMC trucks for \$46,399 each were purchased from Volunteer Volvo and GMC, Inc, Knoxville, Tennessee, which was the low bidder. We reviewed the solicitation, bids, purchase order, invoice and payment authorization. Only two bids were received. The high bid was from the local Chevrolet dealer for \$48,193 per vehicle.



Policy and Procedures for Bid Development, Distribution, Evaluation & Communication With Bidders

III-F14 CVE has policies and procedures in place to govern procurement, including bids, evaluation of bids, purchasing, receiving and payment approval.

Review of Specific Contracts

Review of contracts, vendors and specific purchases identified by Attorney General.

III-F15 Based on our review of bids, purchase orders, receiving reports, invoices and payment approvals for various contracts and purchases adequate procurement and bid policies and procedures are in place, and no exceptions were noted.

We conducted the following reviews.

- Knox Auto Parts – Reviewed purchase orders, receiving reports, invoices and payment approval for 2006 purchases. All receiving reports had vehicle numbers assigned, and proper approvals for invoices and payment authorization.
- Baldwin Pole & Piling Company - Reviewed purchase orders, receiving reports, invoices and payment approval for 2006 purchases. All receiving reports had proper approvals, and proper approvals for invoices and payment authorization were noted.
- G&M Oil Company, Inc. - Reviewed purchase orders, receiving reports, invoices and payment approval for 2006 purchases. All receiving reports had proper approvals, and proper approvals for invoices and payment authorization were noted.
- Patterson & Dewar - Reviewed invoices and payment approval for 2006 purchases. Proper approvals for invoices and payment authorization were noted.

Review of Equipment Purchases – 2006

III-F16 The only equipment purchased in 2006 was two GMC Trucks. Proper bids were received and invoices and payment had proper approvals.

Two GMC trucks for \$46,399 each were purchased from Volunteer Volvo and GMC, Inc, Knoxville, Tennessee, which was the low bidder.⁸

⁸ / DR 109.



Review of Construction Contracts – 2002 to 2008

III-F17 The calendar years 2007-2008 construction contract was properly bid, evaluated and awarded in October/November 2006. The request for bids included the notice that CVE may provide some CVE equipment to the selected bidder.

We reviewed the bid documents and the evaluation of bids for the 2007-2008 construction contract.

We reviewed the bid documents and the evaluation of bids, and did some test of transactions to review selected invoices, time reports, and authorization for payment on the 2006 construction contracts.

We also reviewed the bid documents, the evaluation of bids, and the contracts for 2002 through 2006.

CVE had construction contracts with two companies in 2006. Shelton Construction Company, 6175 East Highway 92, Williamsburg, KY 40769, and Five C Construction Company, 346 Turner Road, Gray, KY 40734.

Shelton Construction Company went out of business in December 2006. The construction contract for calendar years 2007-2008 was bid in October/November 2006. Solicitations were sent on October 31, 2006 to:

Pike Electric, Inc., P.O. Box 868, 100 Pike Way, Mount Airy, North Carolina 27030;

Five C Construction Company, 346 Turner Road, Gray, KY 40734;

Dobson Power Line Construction Co., Inc, 7696 Harrodsburg Road, Nicholasville, KY 40356;

Richardson Contracting (Bowlin Group), P.O. Box 250, Owenton, KY 40359.

These solicitations included the following language.

“It should be understood that Cumberland Valley Electric, Inc. may provide all or part of the equipment, at its expense, for the construction of its power lines.”

Bids were received from Pike Electric, Inc., Five C Construction Company and Richardson (Bowlin Group). The bids were evaluated by the CVE accounting department, and the low bidder was Five C Construction Company. After approval by the General Manager and the Board of Directors the 2007-2008 contract was awarded to Five C Construction Company.

To determine if invoices conformed to contract terms, we reviewed selected invoices for Five C Construction Company under the 2005-2006 contract. The invoices for December 2005 and November 2006 were selected for review. We traced hours from the time reports of the crews to the work orders and to the invoices. No exceptions were noted.



We reviewed the bid documents, the evaluation of bids, and the contracts for 2002 through 2006. The solicitation, bid evaluation and contract terms were consistent throughout this period, and the low bid and contracts were properly approved by the General Manager and the Board of Directors.

Review of Rights of Way Contracts – 2002 to 2006

III-F18 The calendar years 2007-08 rights of way contract was properly bid, evaluated and awarded in October/November 2006. The request for bids included the notice that CVE may provide some CVE equipment to the selected bidder.

We reviewed the bid documents and the evaluation of bids for the 2007-08 rights of way contract.⁹

We reviewed the bid documents and the evaluation of bids, and did some test of transactions to review selected invoices, time reports, and authorization for payment on the 2006 rights of way contract.

CVE's rights of way contract in 2006 was with Lay Tree & Brush Company, Inc., P.O. Box 1411, Barbourville, KY 40906. Lay Tree & Brush Company, Inc. was sold in November 2006 and became Phillips Tree Experts, Inc., P.O. Box 664, Corbin, KY 40702.

The rights of way contract for calendar years 2007-2008 was bid in October/November 2006. Solicitations were sent on October 31, 2006 to:

Phillips Tree Experts, Inc., P.O. Box 664, Corbin, KY 40702;

Asplundh Tree Expert Company, 202 Two Oaks Drive, Nicholasville, KY 40356;

Townsend Tree Service, 101 South Main Street, Parker City, Indiana 47368.

These solicitations included the following language.

"It should be understood that Cumberland Valley Electric, Inc., at its discretion, may choose to provide a portion or all of the equipment, related above."

Bids were received from Phillips Tree Experts, Inc., Asplundh Tree Expert Company, and Townsend Tree Service. The bids were evaluated by the CVE accounting department, and the low bidder was Phillips Tree Experts, Inc.. After approval by the General Manager and the Board of Directors the 2007-2008 contract was awarded to Phillips Tree Experts, Inc..

To determine if invoices conformed to contract terms, we reviewed selected invoices for Lay Tree & Brush Company, Inc., under the 2005-2006 contract. The invoices for December 2005, January 2006, and September 2006 were selected for review. We traced hours from the time reports of the crews to the work orders and to the invoices. The review looked particularly

⁹ / DR 116.



for any overtime hours billed, and to verify contract rates were being charged. No overtime hours were billed in the sample reviewed and no rate exceptions were noted.

We also reviewed the bid documents, the evaluation of bids, and the contracts for 2002 through 2006. The solicitation, bid evaluation and contract terms were consistent throughout this period, and the low bid and contracts were properly approved by the General Manager and the Board of Directors.

III-F19 CVE places great emphasis on maintaining its rights of way on a consistent basis, budgets expenditures at a consistent level, and spends the budget amount with only small variances

The following Exhibit reflects CVE's consistent policy of maintaining rights of way constantly rather than experiencing the peaks and valleys of neglect, growth and weather. CVE Management regularly visits sections of rights of way throughout the service area to insure they are well maintained.

Focused Management Audit of Cumberland Valley Electric

Exhibit III-12
Right Of Way Maintenance Expenses

	2002	2003	2004	2005	2006
ROW Cutting - Budget	\$866,952	\$807,739	\$778,637	\$723,805	\$729,227
ROW Cutting - Actual	\$776,009	\$755,797	\$710,523	\$700,194	\$733,136
ROW Cutting Variance	\$90,943	\$51,942	\$68,114	\$23,611	-\$3,909
ROW Materials - Budget	\$10,501	\$6,432	\$6,498	\$5,301	\$3,623
ROW Materials - Actual	\$5,725	\$6,288	\$4,690	\$3,840	\$4,459
ROW Materials - Variance	\$4,776	\$144	\$1,808	\$1,461	-\$836
Bushhogging - Budget	\$46,101	\$98,811	\$92,160	\$147,188	\$145,507
Bushhogging - Actual	\$69,634	\$87,507	\$148,380	\$145,506	\$188,410
Bushhogging - Variance	-\$23,533	\$11,304	-\$56,220	\$1,682	-\$42,903
Total - Budget	\$923,554	\$912,982	\$877,295	\$876,294	\$878,357
Total - Actual	\$851,368	\$849,592	\$863,593	\$849,540	\$926,005
Total - Variance	\$72,186	\$63,390	\$13,702	\$26,754	-\$47,648

III-F20 The 2007-08 rights of way contract was properly bid , evaluated and awarded in October 2006. The request for bids included the notice that CVE may provide some CVE equipment to the selected bidder.

We reviewed the bid documents and the evaluation of bids, and did some test of transactions to review selected invoices, time reports, and authorization for payment on the 2006 contract.

Review of Vendor/Employee Relationships

III-F21 No vendor/employee relationships were noted.

To assess the possibility of vendor/employee relationships we obtained a listing of all vendors with 2006 purchases of over \$50,000¹⁰, and a list of all employees with family relationships to other employees.¹¹

We inquired whether or not any purchases were made from any vendor with any relationship to any CVE employee, and received assurance that none were made.

Free or Reduced Rates to Churches & Schools

III-F22 CVE has never provided free or reduced rates for electricity provided to churches or schools in compliance with Kentucky Public Utility Commission policy/rules.

Management states that it never provided free or reduced rates to schools and churches. CVE used to provide some construction, line relocation, line maintenance etc. for schools and churches at no charge. This was seen as part of the Company's good neighbor/civic duty to the counties and citizens in their service territory. This was a Board policy that has been changed as a result of the AG's recent inquiries.

^{10/} DR 106 – List of all suppliers of services and equipment of amounts over \$50,000.

^{11/} DR 104 – List of all employees who have relatives working in the Company, their relationship, and when each started work at CVE.



F. ACCOUNTING, BUDGET AND PAYMENT POLICIES & PROCEDURES

BUDGET ANALYSIS

A review of both the 2007 and the 2005 vs. 2006 budget analysis was performed to discern any major changes or concerns. In general actual costs were in line with expectations. Increase in revenue for 2007 reflect the full year effect of the rate case, as does changes in margins and financial ratios.¹²

Focused Management Audit of Cumberland Valley Electric

Exhibit III-13 2007 Budget

Operating Revenue	\$42,777,435
Cost of Purchased Power	\$31,502,811
Operation and Maintenance	\$3,429,109
Customer Accounts Expense	\$1,378,059
Customer Service Expense	\$212,119
Administrative Expense	\$1,289,209
Depreciation	\$2,334,885
Tax Expense	\$37,145
Interest on Long-Term Debt	\$1,679,828
Interest Expense - Other	\$54,477
Other Deductions	\$65,888
Total Expenses	\$41,983,530
Net Operating Margins	\$793,905
Non Operating Margins - Interest	\$150,748
Other Capital Credits and Patronage Dividends	\$80,106
Total Patronage Capital Margins	\$1,024,759
TIER	1.61
Operating TIER	1.47

¹² / DR 113.

Exhibit III-14
2005 vs. 2006 Budget Analysis

	2005	2006	2006 Budget	% Change 05 vs. 06	% 2006 Bud Vs Actual
1. Operating Revenue and Patronage Capital	\$35,482,774	\$38,814,111	\$36,055,635	9.4%	7.1%
2. Power Production Expense					
3. Cost of Purchased Power	\$27,066,826	\$28,668,028	\$26,585,080	5.9%	7.3%
4. Transmission Expense					
5. Distribution Expense - Operation	\$1,263,088	\$1,211,481	\$1,273,739	-4.1%	-5.1%
6. Distribution Expense - Maintenance	\$1,766,341	\$2,068,379	\$1,754,956	17.1%	15.2%
7. Customer Accounts Expense	\$1,203,565	\$1,368,895	\$1,165,699	13.7%	14.8%
8. Customer Service and Informational Expense	\$203,576	\$193,588	\$167,871	-4.9%	13.3%
9. Sales Expense					
10. Administrative and General Expense	\$1,083,316	\$1,309,495	\$1,168,079	20.9%	10.8%
11. Total Operation & Maintenance Expense (2 thru 10)	\$32,586,712	\$34,819,866	\$32,115,424	6.9%	7.8%
12. Depreciation and Amortization Expense	\$2,115,490	\$2,235,508	\$2,160,396	5.7%	3.4%
13. Tax Expense - Property & Gross Receipts					
14. Tax Expense - Other	\$31,226	\$36,063	\$32,163	15.5%	10.8%
15. Interest on Long-Term Debt	\$1,213,379	\$1,604,208	\$1,442,805	32.2%	10.1%
16. Interest Charged to Construction - Credit					
17. Interest Expense - Other	\$56,547	\$49,951	\$53,263	-11.7%	-6.6%
18. Other Deductions	\$63,616	\$9,451	\$8,709	-85.1%	7.9%
19. Total Cost of Electric Service (11 thru 18)	\$36,066,970	\$38,755,047	\$35,812,760	7.5%	7.6%
20. Patronage Capital & Operating Margins (1 minus 19)	-\$584,196	\$59,064	\$242,875	-110.1%	-311.2%
21. Non Operating Margins - Interest	\$132,467	\$149,565	\$124,673	12.9%	16.6%
22. Allowance for Funds Used During Construction					
23. Income (Loss) from Equity Investments					
24. Non Operating Margins - Other					
25. Generation and Transmission Capital Credits					
26. Other Capital Credits and Patronage Dividends	\$51,913	\$66,194	\$19,693	27.5%	70.2%
27. Extraordinary Items					
28. Patronage Capital or Margins (20 thru 27)	-\$399,816	\$274,823	\$387,241	-168.7%	-40.9%

Accounting Policies & Procedures

III-F23 CVE has formal accounting policies and procedures in place which comply with RUS requirements for recording transactions and reporting financial results.

CVE uses the Uniform System of Accounts - Electric as defined in Bulletin 1767-B - 1, Rural Utilities Service (RUS), United States Department of Agriculture (USDA).¹³ Bulletin 1767-B - 1 describes the accounting policies and procedures found in 7 CFR Part 1767, Accounting Requirements for RUS Electric Borrowers. The Bulletin describes the prescribed content of every account, and in case of unusual, non-recurring types of transaction actually demonstrates journal entries and account numbers to be used in recording the transactions.

Using the RUS Uniform System of Accounts insures that like kind transaction are grouped and recorded consistently, and improves the comparability of financial and operating reports among electric cooperatives and for CVE operations year-to-year.

CVE produces monthly financial statements in the form of the RUS Financial and Statistical Report, RUS Form 7 (Rev. 10-00)¹⁴. Detailed instructions for preparation of these monthly reports are include in RUS Bulletin 1717-B - 2. These reports include Part A. Statement of Operations, Part B. Data on Transmission and Distribution Plant, and Part C. Balance Sheet. The report also includes month and year-to-date numbers by class of service including number of customers, kWh sold, and revenue.

The RUS Uniform System of Accounts incorporates all accounting standards of the Financial Accounting Standards Board (FASB).

We obtained copies of the monthly Financial and Statistical Reports for 2002 through 2006. These reports include financial and operating data for the year-to-date last year, year-to-date this year, year-to date budget, and the current month. Our review of these reports indicated they were complete and timely filed.

CVE produces annual general purpose financial statements which are audited by an independent auditor. We obtained copies of the reports of the independent auditor for 2003 through 2006. According to these audit reports, the audits were conducted in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and 7 CFR Part 1773, Policy on Audits of the Rural Utilities Service (RUS) Borrowers.

These audits included the required comments on internal control over financial reporting and compliance with specific RUS loan and security instrument provisions as required in 7 CFR Part 1773.33. The reports also included the auditor's comments on other matters including the disclosure of material related party transactions, in accordance with Statement

^{13/} DR 111- - Copies of all accounting procedures.

^{14/} DR 117 - Copies of all financial reports for the past five (5) years.

of Financial Accounting Standards No. 57, Related Party Transactions, and as addressed at 7 CFR 1773.33(h).

The reports of the independent auditor for years 2003 through 2006 noted that CVE was in compliance with RUS loan and security instrument provisions. The reports did not note any material weaknesses in internal control over accounting procedures and records, the process for accumulating and recording costs and expenses, or the materials controls. The reports indicated that CVE was in compliance with requirements to disclose any material related party transactions.

III-F24 CVE has formal budgeting policies and procedures in place which comply with RUS requirements for operating budgets, O&M budgets, capital budgets, and budget reporting.¹⁵

Details of annual operating, O&M, and capital budgets are broken down into RUS Uniform System of Accounts objects and categories for inclusion in the monthly Financial and Statistical Reports. Annual budgets are prepared in October/November and submitted to the Board of Directors for approval in December. Various components of the budget are prepared under the supervision of the following employees.

- Operating Budget – Office Manager.¹⁶
- Capital Budget Engineering – Engineering Manager.¹⁷
- Capital Budget Construction – Construction Superintendent.¹⁸
- Capital Budget Office & Accounting – Information Systems Administrator.¹⁹
- O&M Budget – Engineering Manager.

CVE develops a 4-Year Work Plan for construction and maintenance of its distribution system.²⁰ The most recent Plan was prepared in 2006 with the help of Patterson & Dewar Engineers and approved by the Commission in March 2007. Patterson & Dewar also conducts quarterly reviews of progress on the Plan

^{15/} DR 113 – Copy of all O&M and Capital budgets for the last five years along with any deviation analysis conducted.

^{16/} Interview 106 – Robert Tolliver, Office Manager – 1/30/07 – 3:15 PM .

^{17/} DR 113 – Copy of all O&M and Capital budgets for the last five years along with any deviation analysis conducted.

^{18/} DR 113 – Copy of all O&M and Capital budgets for the last five years along with any deviation analysis conducted.

^{19/} DR 113 – Copy of all O&M and Capital budgets for the last five years along with any deviation analysis conducted.

^{20/} Interview 105 – Mark Abner – Engineering Manager – 1/30/07 – 2:00 PM.



III-F25 CVE has formal accounting policies and procedures in place for processing purchase orders, invoices, receiving reports and payment approval.

A major objective of this focused management audit was to assess the accounting policies and procedures in place for processing purchase orders, invoices, receiving reports and payment approval. These procedures are a combination of organization structure, people, assignment of responsibilities, written policies and procedures, and training of staff.

The review supporting this finding included obtaining a current organization chart,²¹ obtaining a staffing listing by department,²² reviewing written policies and procedures,²³ and interviewing personnel who implement the procedures on a daily basis.

Details of duties of various employees, the separation of duties and the degree of internal control present are discussed below in the Section on Internal Control.

The organization of the business department is appropriate for CVE's operations. The overall experience of the employees is excellent, with individuals' experience at CVE ranging from a few months to 30 years.

Based on interviews with the Office Manager²⁴, the Information Systems Administrator²⁵, the Billing Supervisor²⁶, the Accounting Supervisor/Internal Auditor²⁷, and the Assistant Bookkeeper,²⁸ employees understand their duties and responsibilities, are well versed in the Company's accounting policies and procedures, and have the appropriate training and experience for their position.

ACCOUNTING SYSTEM

III-F26 CVE's accounting system is automated using IVUE software provided and supported by National Information Solutions Cooperative (NISC).

NISC is an information technology company (user owned cooperative) that develops and supports software and hardware solutions for its Member/Owners who are primarily utility

^{21/} DR 101 – Organization chart for the entire Company.

^{22/} DR 102 – Staffing list by department.

^{23/} DR 107 – Copy of all corporate policies and procedures that address hiring, contracting, and procurement.

^{24/} Interview 106 – Robert Tolliver, Office Manager – 1/30/07 – 3:15 PM.

^{25/} Interview 109 – Jonathan Grove – Information Systems Administrator – 1/31/07 – 10:00 AM.

^{26/} Interview 114– Linda White - Billing Supervisor – 2/01/07 – 8:00 AM.

^{27/} Interview 108 – Barbara Elliot – Accounting Supervisor/Internal Auditor – 1/31/07 – 9:00 AM.

^{28/} Interview 115– Karen Hampton – Assistant Bookkeeper – 2/01/07 – 9:00AM.

and telecommunications cooperatives across the nation. NISC has 450 Member/Owners in 47 states.²⁹

III-F27 CVE is implementing an upgrade to NISC's new version of IVUE software in 2007.

NISC's IVUE software³⁰ is a fully integrated software package designed specifically for utility cooperatives. Key modules in the system follow.

Contact Tracking

This module eliminates manual phone and customer contact logs. The system will log all contacts, both customer and non-customer and is fully integrated with other modules such as service orders, bill history, inquiry, etc. Contact events can be linked to provide a complete tracking of activity initiated by the first inquiry.

Customer Information System/Billing

The IVUE customer information system/billing module tracks/processes many different customer billing related processes including service deposits, meter deposits, memberships, billing, refunding, accounts receivable, delinquencies, uncollectibles, payment assistance, payment arrangements and one-time or recurring miscellaneous charges or credits.

Payment Processing

The payment processing module will handle many types of billings and payment media including E-Billing and payment, credit card or check payments, bank drafts, debit cards. Payment data is immediately validated and posted to customer accounts.

Cash Register

This module integrates with the IVUE Customer Information System and IVUE Accounting and Business Solutions. It allows scanning devices, receipt/endorsement printers and physical cash drawers. It provides additional control over cash receipts by using drawer controls, user security and balancing routines, and preliminary and final deposit reporting.

Capital Credits

The capital credits module is fully integrated with the customer information system for member mailing information, allocations and retirements. It handles patronage refunding. Uncollectible account records, current accounts receivable balances/previous unclaimed

^{29/} DR 137 – Copy of NICS brochure describing National Information Solutions Cooperative.

^{30/} DR 136 – Copy of NISC brochure describing IVUE software, and Interview 109 - Jonathan Grove – Information Systems Administrator - 1/31/07 – 10:00 AM.



retired amounts can automatically be checked before refund checks are prepared. It also integrates with the general ledger system for check writing and check reconciliation.

Service Orders

From the customer's initial call to the completion of work at their site, this module can be used for tracking progress, costs, dates, and other key service order information. It integrates with the customer information system for connects, disconnects, meter exchanges, device installations/removal and other types of orders.

This software is an upgrade to CVE's present system. The kick-off meeting for the implementation is scheduled for May 1, 2007. Implementation is expected to take six months and go live on October 15, 2007. Training for the implementation and use of the system is scheduled to begin May 1, 2007. Training of users will be on-going throughout the five month implementation period.

III-F28 CVE's accounting system process transactions and prepares internal and external reports accurately and timely.

III-F29 CVE has adequate internal controls in place to control processing of transactions, conservation of assets, and control of cash receipts and disbursements.

Reviewing the adequacy of internal controls at CVE was a major objective of this focused management audit. Procedures performed in this review included:

- Interviews with key business office and operations personnel to identify duties performed and assess adequacy of separation of duties;
- Review of all comments regarding internal control by outside auditors for the past 5 years; (See discussion in other sections of this report);
- Tests of transactions related to bids, purchase orders, receiving reports, invoices and payment approval for several selected vendors; (See discussion in other sections of this report);
- Reviewed internal control procedures for cash receipts.

Separation of duties is a key element of internal control. This separation is particularly critical in internal control over cash, accounts receivable, processing invoices, and approving invoices for payment.

Purchase Orders

General purchase orders are prepared/approved by the Office Manager.³¹ Construction and maintenance purchase orders are prepared by the Engineering Department – General Clerk³² and approved by the Engineering Manager.³³

^{31/} Interview 106 – Robert Tolliver, Office Manager – 1/30/07 – 3:15 PM.

Receiving Reports

Receiving reports are prepared by the persons receiving the goods or services and forwarded to an Accountant in the Business Office for matching with purchase orders and invoices. Receiving reports for construction and maintenance purchases are assembled and forward by the Engineering – General Clerk.

Invoices

Invoices are collected/forwarded to the Accountant in the Business Office. The Accountant matches and verifies the purchase orders, receiving reports and invoices and prepares the invoices for payment.³⁴

Payment Approval

Invoices with purchase orders and receiving reports are forwarded to the Office Manager for payment approval.

Preparing and Mailing Checks

Approved invoices are forwarded to the Assistant Bookkeeper for preparation and mailing of checks.³⁵

During the tests of transactions described in other sections of this report, each transaction was reviewed for proper purchase orders, receiving reports, and payment approval. No exceptions were noted.

Separation of duties at CVE is adequate to provide good internal control over purchasing, receiving, and paying for goods and services.

Cash Receipts³⁶

Control of cash receipts is managed by the Office Manager. The General Clerks – Billing and General Clerks – Consumer Records collect cash receipts at the counter, the drive-by window and in the mail. Each clerk has a cash box which is received from and returned to the Office Manager daily. The General Clerks – Billing collect consumer and miscellaneous receipts. The General Clerks – Consumer Records collect memberships and reconnect fees.

^{32/} Interview 116 – Teresa Gregory – Engineering – General Clerk – 2/01/07 – 10:00 AM.

^{33/} Interview 105 - Mark Abner – Engineering Manager – 1/30/07 – 2:00 PM.

^{34/} Interview 108 - Barbara Elliot – Accounting Supervisor/Internal Auditor – 1/31/07 – 9:00 AM.

^{35/} Interview 115 – Karen Hampton – Assistant Bookkeeper – 2/01/07 – 9:00 AM.

^{36/} DR 138 – Copy of internal control procedures for cash.



All receipts are posted to accounts receivable when received by the Clerk collecting the funds. A General Clerk – Consumer Records prepares the daily bank deposit. Delivery of the deposit to the bank is rotated each day (Monday through Friday) among five different employees.

Balancing of accounts receivable (billings) and cash receipts, and monthly bank reconciliations are performed by the Assistant Bookkeeper.

Separation of duties at CVE is adequate to provide good internal control over cash receipts.

G. INTERNAL AUDIT

III-F30 CVE is in process of establishing an Internal Audit function.

Until recently CVE did not have an Internal Auditor of an internal audit function.³⁷ Late in 2006, CVE hired a CPA to fill the position of Accounting Supervisor & Internal Auditor. This position reports to the Office Manager, and in addition to responsibility for establishing an internal audit function has responsibility for preparation of budgets, preparation of RUS Form 7 reports, and monthly general purpose financial statements.

Combining these responsibilities potentially impairs the independence of the Internal Auditor, and weakens the internal audit function. The Internal Auditor should report to the Board of Directors, or to an Audit Committee of the Board. CVE is a small company with relatively few employees. This makes the establishment of a truly independent internal audit function difficult. CVE will need to develop some creative ways to provide the Internal Auditor with a proper degree of independence.

III-R3 CVE should investigate the possibility of establishing a joint internal audit function through a utility cooperative association, or a joint agreement with other utilities. (Refer to Finding III-F30.)

One alternative CVE could consider is utilizing the internal resources from another Cooperative or East Kentucky Power Cooperative, Inc., itself for audits of the financial areas. This would mitigate the conflict of the current Internal Auditor.

Another option may be to retain an Internal Auditor on a contract basis from an outside CPA firm.

III-F31 A new labor agreement was entered into in September 2006.

This agreement was entered into with the United Steelworkers of America, AFL-CIO-CLC. Wage increases have been relatively modest over the last five years.

According to the GM, work rule flexibility has improved during the last twenty years.

^{37/} DR 111 – Copies of all internal audits performed, and DR #118 – Procedures for internal audits.

There have been no Union grievances for many years. There is a four hour callout pay provision for all employees who are called out and two men are called out for all down lines.

III-F32 A formal safety program is in place and provides adequate training and rules.

Vantage conducted a review of the current safety manual. It is titled the APPA Safety Manual, thirteenth Edition, 2004. Produced by the American Public Power Association, 2301 M St., Washington, DC 20037-1484. It was written by Black & Veatch and the APPA Safety Committee and consists of 16 Sections totaling 228 pages.

According to management and employees numbered copies are distributed to all employees. Also regular training sessions are conducted by an instructor who performs monthly statewide sessions.³⁸

H. MISCELLANEOUS ISSUES

TRAINING

III-F33 Currently there is no problem with training, however as employees are promoted and replaced, there could be issues.

The primary means of training most employees once they are hired is through On the Job Training(OJT). A new employee works with an experienced employee until Management is satisfied that the person is qualified. Since many field employees are hired from construction companies, CVE Management knows what their skill levels are before they are hired.

III-R4 Perform an assessment of training needs and identify deficiencies for individual employees and address any needs. (Refer to Finding III-F33.)

CVE cannot afford to have employees who are not fully trained. While a casual approach worked in the past, it would not be difficult to develop a formal tracking system and custom tailor training to each employee. This is important for all employees, but critical for field employees who must work near energized equipment.

Most training of craft employees is currently done on the job. While this process, plus the policy of hiring from the ranks of experienced contractors ensures a high level of general skills, it does not ensure that every employee is fully trained. The program should consist of the following steps or elements.

- Identify the positions for which training needs to be addressed. These include all field positions and any customer service positions where interface with the customer requires expertise.

³⁸/ Interview 111, - T Hoskins – Crew Leader, Cumberland District: David White of KAEC does safety training.



- Develop a list of skills or capabilities that are needed. Consider a checklist.
- Assess each employee against the checklist to identify any deviations.
- Develop custom programs for each employee needing training.
- Use the checklist when hiring or promoting employees.

This recommendation could take up to a year to complete, exclusive of the actual training which will be ongoing. The cost can vary depending on whether CVE develops the checklist internally and then the training cost will depend on the gap identified. This program should be developed over a six month period. Its cost should consist of: development of a data base and query of employees on current training levels; identification of programs; cost of programs; and ongoing administration. We would not expect the entire program to cost more than \$50,000 per year.

GIS

III-F34 The Geographic Information System (GIS) and associated mapping is a very useful tool for CVE and will improve productivity and safety.

This effort consists for a four year plan to map all of CVE's major infrastructure . The work is being conducted by Patterson & Dewar Engineers, Inc. The total cost of the system is under \$300,000 with Patterson & Dewar Engineers, Inc having received \$154,799 for transfer of hard drawings to the system. Other costs include software and implementation costs.³⁹

Mapping and GIS system will provide significant improvement in information for responding to outages. In addition it will facilitate engineering and new service installations.

SCRAP POLICY

III-F35 Scrap copper and other metals are sold through a local vendor.

Lanham Iron & Metal has a facility for receiving scrap copper at CVE's Gray location. VRP Vanover Enterprises collects the scrap and delivers it. In cases where there is a large amount of scrap, it is put out for bid. In 2006, CVE received \$22,657 for its scrap copper.⁴⁰

³⁹ / DR 124 and 125.

⁴⁰ / DR 127.



Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q18: Reference CVE's application exhibit K, page 4 of 9, wherein total electric plant for the test year is identified as \$95,868,118, and for calendar year 2012 total electric plant is identified as \$63,417,416.

- a. Explain the approximately 51.17% increase in total electric plant from the 2012 calendar year to the test year.

RESPONSE:

Please see the response to Item 6 of Commission Staff's Second Data Request.

- b. Explain the apparent differences in Exhibit N, page 7 of 19, wherein electric plant for 2013 is identified as \$92,575,223, and for 2012 is identified as \$88,137,134.

RESPONSE:

This difference is due to new construction during the test year.

- c. Please identify all electric plant construction projects, and state whether CVE has received Commission approval for each such project.

RESPONSE:

Please see the response to Item 28 of AG's First Data Request.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q19: Identify what incentives residential customers will have to conserve energy if CVE's requested rate design, which nearly doubles the monthly charge but leaves the energy charge unchanged, is approved.

RESPONSE:

The energy charge accounts for the majority of a bill for a typical member. Conserving energy is the best way a member can lower their monthly bill. Cumberland Valley is always available to discuss with our members ways they can reduce their electric usage.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q20: Does CVE acknowledge that many, if not most of its residential members would prefer to retain the ability to control the amount of the bill they owe to CVE, and that many are likely to view the company's proposal to place all of the proposed increase on the monthly customer charge as an attempt to eliminate their ability to control the amount of their bill? Cite all studies the company has conducted of its own ratepayer base to support the company's decision to seek the proposed rate design in the instant case.

RESPONSE:

CVE is not trying to eliminate the ability of customers to control the amount of their bill. CVE did not conduct any individual studies; however, many utilities are moving toward a higher fixed consumer charge so that they are not so reliant upon sales to meet margins. In an age of conservation, efficiency and declining disposable income, sole reliance on energy sales to meet margins has become a thing of the past. As stated in Item 19, consumers react to marginal changes in their total bill not components. Hence if the total bill changes, the consumer will react according to the Law of Demand and will want to implement personal changes that will reduce their bill. The customer charge is payment to provide the service and the energy charge is payment for usage. The customer still retains the same incentive to control his or her bill by changing his or her usage and through conservation since there is no change in the energy rate. Page 2 of 2 of Item 20 is a list of how Cumberland Valley's proposed customer charge compares to other Kentucky utilities.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q21: Provide copies of all studies CVE conducted addressing the impact that the proposed rate design will have on the elderly, low income, fixed income and home bound segments of its ratepayer base. Please provide detailed information for each specified group.

RESPONSE:

Cumberland Valley has not conducted any studies addressing the impact of proposed rate design on any specific segment of its membership.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q22: Does CVE anticipate any changes in any existing contracts as a result of the new rates it seeks to implement in this filing (e.g., engineering, information technology, maintenance, etc.)? If so, please identify each such change.

RESPONSE:

Cumberland Valley does not anticipate any change in existing contracts due to new rates.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q23: Please state whether any relative, by blood or marriage, of CVE's board of directors or executive management team holds, or will hold any type or sort of position, whether as employee, officer, board member, contractor or consultant, with CVE. If so, please provide the name of the position(s) involved.

RESPONSE:

Yes, see below.

Board Member related to CEO, Assistant Superintendent, Superintendent,
Bookkeeper

Board Member related to Serviceman

CEO related to Board Member, Assistant Superintendent, Superintendent,
Bookkeeper

Superintendent related to CEO, Assistant Superintendent, Board Member

Manager of Engineering related to contractor

**DISTRIBUTION LINE EXTENSION
CONSTRUCTION CONTRACT
(Labor Only)**

**FOR CONSTRUCTION OF RURAL ELECTRIC
SYSTEM IMPROVEMENTS & EXTENSIONS**

*Five C Construction Co.
2003 - 2004*

**U. S. DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION**

Five Construction Co. Inc.

346 Turner Road
Gray, Kentucky 40734

November 15, 2002

Cumberland Valley Electric
PO Box 440
Gray, Kentucky 40734

Dear Mr. Hampton:

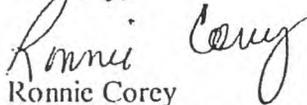
In response to your request for a labor and equipment bid for 2003 and 2004, we propose the following:

	<u>2003</u>	<u>2004</u>
Foreman	45.09	47.96
Lineman 1 st class	41.20	43.67
Lineman 2 nd class	33.71	33.71
Groundman	21.00	21.00
Truck Operator	28.78	28.78
Line Truck	18.00	18.00
Bucket Truck	19.81	20.30
Pole Truck	19.52	20.30
Pick-Up	4.08	4.08

Five C has currently received a dramatic increase in both workers compensation and contractor's liability rates, which are reflected in the above rates. In the event that these rates continue to rise, the additional increase will be reflected on the labor invoice.

Once again we would like to thank you and the Board for the opportunity we have had to work with you and look forward to working with you in the up-coming year.

Sincerely,



Ronnie Corey

President /Five C Construction Co.

HOLD HARMLESS AGREEMENT BETWEEN
CUMBERLAND VALLEY ELECTRIC, INC
AND
FIVE C CONSTRUCTION COMPANY

Five C Construction Company agrees to defend, pay on behalf of and hold harmless Cumberland Valley Electric, INC. and its directors, officers, agents, and employees from all claims of whatsoever nature or kind, including those brought by employees of Five C Construction Company, or subcontractors, arising out of or as a result of any act or failure to act whether or not negligent, in connection with the performance of the work to be performed pursuant to this contract by Five C Construction Company, its employees, agents and subcontractors. Five C Construction Company agrees to defend and pay all costs in defending these claims, including attorney fees.

Further, Five C Construction Company agrees to maintain public liability and property damage insurance (including automobile public liability and property damage insurance) to cover the obligations set forth above. The minimum insurance limits of liability shall be \$5,000,000 bodily injury and property damage. Cumberland Valley Electric, INC. shall receive a minimum 30 day notice in the event of cancellation of insurance required by this agreement. Five C Construction Company shall furnish a certificate of insurance to Cumberland Valley Electric, INC. showing that the above obligations and requirements are provided for by a qualified insurance carrier, and showing Cumberland Valley Electric, INC. as an additional insured on such insurance.

FIVE C CONSTRUCTION COMPANY

CUMBERLAND VALLEY ELECTRIC, INC.

BY:

Ronnie Coey

BY:

Ray Laird

DATE: 12-19-2002

DISTRIBUTION LINE EXTENSION CONSTRUCTION CONTRACT
(REA Form 792)

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PROPOSAL

TO: Cumberland Valley Electric, Inc
(hereinafter called the "Owner").

ARTICLE I--GENERAL

Section 1--Offer to Construct. The undersigned (hereinafter called the "Contractor") hereby proposes to construct for the prices hereinafter stated, with materials furnished by the Owner, the rural electric project Misc. Construction 2003-2004 ~~14~~ Line Extensions (hereinafter called "Project") in strict accordance with the Plans, Specifications, and Construction Drawings hereinafter referred to. The Contractor understands and agrees that the Project will consist of line extensions and additions and line changes or similar work usually associated with overhead or underground distribution system improvement or extension work all located within the area served or ultimately to be served by the Owner and that the exact location and scope of individual sections of the Project (hereinafter called "Sections") will be made known to the Contractor from time to time as provided in Article II, Section 1 hereof; and provided, however, that the Contractor shall not be obligated to start construction of any Section unless the cost of construction of the Section computed on the unit prices of this Proposal shall amount to at least _____ dollars (\$ _____) and provided further that the Owner shall be obligated to release to the Contractor for construction at least one Section pursuant to the provisions of this Proposal.

Section 2--Additional Projects. From time to time the Owner and the Contractor may enter into negotiations for the performance of work at labor prices which may differ from those in the Proposal (such work being hereinafter called "Additional Projects"). Except as may otherwise be agreed upon in writing by the Owner and the Contractor at the time the supplemental contract for the Additional Project is negotiated, the provisions of the Contract for the Project shall apply.

Section 3--Proposal on Unit Basis. The Contractor understands and agrees that the various Construction Units considered in this Proposal are defined by symbols and descriptions in this Proposal, that the Proposal is made on a unit basis, and that the Owner may specify, as provided in Article II, Section 1 hereof, any number or combination of Construction Units which the Owner, may deem necessary for the construction of the Project. If kinds of Construction Units for which prices are not established in this Proposal are necessary for the construction of the Project, the prices of such additional Units shall be as agreed upon in writing by the Owner and the Contractor prior to the time of installation. The unit prices herein set forth are applicable to work performed on unenergized lines. Such unit prices shall be increased by None (_____) percent for all units installed on energized lines in accordance with instructions of the Owner, as provided in Article II, Section 1g.

Section 4--Description of Contract. The Specifications and Construction Drawings set forth in:

- REA Form 804, Specifications and Drawings for 7.2/12.5 kV Line Construction
- REA Form 803, Specifications and Drawings for 14.4/24.9 kV Line Construction
- REA Form 806, Specifications and Drawings for Underground Electric Distribution

as applicable, which by this reference are incorporated herein, together with the Plans, Proposal and Acceptance constitute the Contract. The Plans, consisting of maps and special drawings, and approved modifications in standard specifications are attached hereto and identified as follows:

Section 5--Familiarity with Conditions. The Contractor acknowledges that it has made a careful examination of the site of the Project and of the Plans, Specifications and Construction Drawings, and has become informed as to the location and nature of the proposed construction, the transportation facilities, the kind and character of soil and terrain to be encountered, the kind of equipment, tools, and other facilities required before and during the construction of the Project and has become acquainted with the availability status of materials to be furnished by the Owner and with the labor conditions which would affect work on the Project.

Section 6--License. The Contractor warrants that a Contractor's license (~~is~~ (is not) required, and if strike out one required, it possesses Contractor's License No. _____ for the State of _____ in which the Project is located, and said license expires on _____, 19_____.

Section 7--Contractor's Resources. The Contractor warrants that it possesses adequate financial resources for the performance of the work covered by this Proposal and that it will provide necessary tools and equipment and a qualified superintendent and other employees.

Section 8--Changes in Construction. The Contractor agrees to make such changes in construction previously installed in the Project by the Contractor as required by the Owner on the following basis:

The cost of labor shall be the reasonable cost thereof as agreed upon by the Contractor and the Owner but in no event shall it exceed two (2) times the labor price quoted in the Proposal for the installation of the unit to be changed. Such compensation shall be in lieu of any other payment for the installation and removal of the original unit but shall not include the cost of the installation, if any, of a new or replacing unit, payment for which shall be made at the unit price as quoted in the Proposal.

No payment shall be made to the Contractor for correcting errors or omissions on the part of the Contractor which result in construction not in accordance with the Plans and Specifications.

ARTICLE II--CONSTRUCTION

Section 1--Time and Manner of Work. The Contractor agrees to be prepared to commence the construction of the Project within fifteen (15) calendar days after written notice by the Owner of acceptance of the Proposal. The Contractor agrees to commence construction of a Section within N/A (_____) days after receipt in writing from the Owner of the following:

- a. Location and number of the various Construction Units required for construction of the Section (hereinafter called the "Staking Sheets").
- b. Itemized list of the materials required for the construction of the Section and an authorization by the Owner for the Contractor to obtain such materials from the Owner's warehouse located at May, Ky. & Cumberland, Ky.
- c. A schedule showing the rate at which construction of the Section shall proceed and the total number of calendar days (excluding Sundays) to be allowed for completion; provided, however, that the required completion time for any Section shall not be less than _____ (_____) days or _____ (N/A) days per mile of line, whichever is the greater, which days shall be calendar days (excluding Sundays). The time of the completion of the Section is of the essence of the contract to be effected by acceptance of this Proposal.
- d. A statement that all required easements and rights-of-way have been obtained from the owners of the properties across which the Section is to be constructed (including tenants who may reasonably be expected to object to such construction).
- e. A statement that all necessary staking has been completed.
- f. A statement that all necessary funds for prompt payment for the construction of the Section will be available.

- g. Specific instruction as to location and extent of work to be performed on energized lines, if any.

The Contractor will not be required to dig holes, set poles, install anchors, install underground conduit, perform any plowing for the installation of underground cable, or dig trenches if there are more than six (6) inches of frost in the ground nor to perform any construction on such days when in the judgment of the Owner snow, rain, or wind or the results of snow, rain, or frost make it impracticable to perform any operations of construction; provided further that the contractor will not perform any plowing for the installation of underground cable on public roads or highways if there are more than two (2) inches of frost in the ground. To the extent of the time lost due to the conditions described herein and approved in writing by the Owner, the time of completion set out above will be extended. The time for completion shall be extended for a period of any reasonable delay (other than a delay resulting from the failure of the Contractor to secure sufficient labor) which is due exclusively to causes beyond the control and without the fault of the Contractor including acts of God, fires, floods, inability to obtain materials, direction of the Owner to cease construction as herein provided, and acts or omissions of the Owner with respect to matters for which the Owner is solely responsible: Provided, however, that no such extension of time for completion shall be granted the Contractor unless within ten (10) days after the happening of any event relied upon by the Contractor for such an extension of time the Contractor shall have made a written request therefor in writing to the Owner, and provided further that no delay in such time of completion or in the progress of the work which results from any of the above causes, except acts or omissions of the Owner, shall result in any liability on the part of the Owner.

Section 2--Changes in Plans, Specifications and Drawings. The Owner may, from time to time during the progress of the construction of the Project, make such changes in, additions to, or subtractions from the Plans, Specifications, and Construction Drawings as conditions may warrant: Provided, however, that if the cost to the Contractor shall be materially increased by any such change or addition, the Owner shall pay the Contractor for the reasonable cost thereof in accordance with a construction contract amendment signed by the Owner and the Contractor, but no claim for additional compensation for any such change or addition will be considered unless the Contractor shall have made a written request therefor to the Owner prior to the commencement of work in connection with such change or addition.

Section 3--Supervision and Inspection.

- a. The Contractor shall cause the construction work on the Project to receive constant supervision by a competent superintendent (hereinafter called the "Superintendent") who shall be present at all times during working hours where construction is being carried on. The Contractor shall also employ, in connection with the construction of the Project, capable, experienced, and reliable foremen and such skilled workmen as may be required for the various classes of work to be performed. Directions and instructions given to the Superintendent by the Owner shall be binding upon the Contractor.
- b. The Owner reserves the right to require the removal from the Project of any employee of the Contractor if in the judgment of the Owner such removal shall be necessary in order to protect the interest of the Owner. The Owner shall have the right to require the Contractor to increase the number of his employees and to increase or change the amount or kind of tools and equipment if at any time the progress of the work shall be unsatisfactory to the Owner; but the failure of the Owner to give any such directions shall not relieve the Contractor of his obligations to complete the work within the time and in the manner specified in this Proposal.
- c. The manner of performance of the work, and all equipment used therein, shall be subject to the inspection, tests, and approval of the Owner. The Owner shall have the right to inspect all payrolls and other data and records of the Contractor relevant to the work. The Contractor will provide all reasonable facilities necessary for such inspection and tests. The Contractor shall have an authorized agent accompany the inspector when final inspection is made and, if requested by the Owner, when any other inspection is made.
- d. In the event that the Owner shall determine that the construction contains or may contain numerous defects, it shall be the duty of the Contractor, if requested by the Owner, to have an inspection made by an engineer approved by the Owner for the purpose of determining the exact nature, extent, and location of such defects.

Section 4--Defective Workmanship. The acceptance of any workmanship by the Owner shall not preclude the subsequent rejection thereof if such workmanship shall be found to be defective after installation, and any such workmanship found defective before final acceptance of the work or within

one (1) year after completion shall be remedied or replaced, as the case may be, by and at the expense of the Contractor. In the event of failure by the Contractor so to do, the Owner may remedy such defective workmanship and in such event the Contractor shall pay to the Owner the cost and expense thereof. The Contractor shall not be entitled to any payment hereunder so long as any defective workmanship, in respect of the Project, of which the Contractor shall have had notice, shall not have been remedied or replaced, as the case may be.

Section 5--Materials. At or prior to the commencement of construction of each Section, the Owner shall make available to the Contractor all materials for such Section which the Owner has on hand, and from time to time as such additional deliveries of materials, if any, are received by the Owner, the Owner shall make such materials available to the Contractor: Provided, however, that the Contractor or his authorized representative will give to the Owner a receipt in such form as the Owner shall approve for all materials furnished by the Owner to the Contractor. The Contractor will return to the Owner or reuse in the construction of other assembly units all materials removed from the lines under Section H - Conversion Assembly Units and Section I - Removal Assembly Units. Upon completion of each Section of the Project the Contractor will return to the Owner all materials, including usable materials as well as scrap, furnished by the Owner in excess of those required for the construction of the Section as determined from the Final Inventory approved by the Owner. The Contractor will reimburse the Owner at the current invoice cost to the Owner for loss and for breakage through Contractor's negligence of materials furnished by the Owner to the Contractor and for materials removed from the lines by the Contractor.

Section 6--Term of Contract. It is understood and agreed that, notwithstanding any other provisions of this Contract, the Contractor will not be required to commence any construction after the expiration of one year following acceptance of this Proposal by the Owner.

ARTICLE III--PAYMENT

Section 1--Payments to Contractor.

- a. Within the first fifteen (15) days of each calendar month, the Owner shall make partial payment to the Contractor for construction accomplished during the preceding calendar month on the basis of completed Construction Units furnished and certified to by the Contractor and approved by the Owner solely for the purpose of payment: Provided, however, that such approval by the Owner shall not be deemed approval of the workmanship or materials. Only ninety percent (90%) of each such estimate approved during the construction of a Section shall be paid by the Owner to the Contractor prior to completion of the Section. Upon completion by the Contractor of the construction of a Section, the Contractor will prepare a Final Inventory of the Section showing the total number and character of Construction Units and, will certify it to the Owner together with a certificate of the total cost of the construction performed. Upon the approval of such certificates, the Owner shall make payment to the Contractor of all amounts to which the Contractor shall be entitled thereunder which shall not have been paid.
- b. The Contractor shall be paid on the basis of the number of Construction Units actually installed at the direction of the Owner, as shown by the Inventory based on the Staking Sheets: Provided, however, that the total cost shall not exceed the maximum Contract price for the construction of the Project, unless such excess shall have been approved in writing by the Owner. It is understood and agreed that this maximum Contract price is _____ dollars (\$ _____). It is also agreed that the Contractor shall not be entitled to any claim for damages on account of any reasonable additions to or subtractions from the Project, or of any delay occasioned thereby, or of any changes in the routing of the lines.
- c. No payment shall be due while the Contractor is in default in respect of any of the provisions of this Contract and the Owner may withhold from the Contractor the amount of any claim by a third party against either the Contractor or the Owner based upon an alleged failure of the Contractor to perform the work hereunder in accordance with the provisions of this Contract.

Section 2--Certificate of Contractor and Indemnity Agreement - Line Extensions. Upon the Completion of Construction of any Section of the Project but prior to payment to the Contractor of any amount in excess of 90 percent (90%) of the total cost of all Construction Units comprising the completed Section, the Contractor shall deliver to the Owner in the form attached hereto, (1) a certificate that all

persons who have furnished labor in connection with the Project and subcontractors who have furnished services for the Project have been paid in full, and (2) an agreement to hold the Owner harmless against any liens arising out of the Contractor's performance hereunder which may have been or may be filed against the Owner.

ARTICLE IV--PARTICULAR UNDERTAKINGS OF THE CONTRACTOR

Section 1. Protection to Persons and Property. The Contractor shall at all times take all reasonable precautions for the safety of employees on the work and of the public, and shall comply with all applicable provisions of Federal, State, and Municipal safety laws and building and construction codes, as well as the safety rules and regulations of the Owner. All machinery and equipment and other physical hazards shall be guarded in accordance with the "Manual of Accident Prevention in Construction" of the Associated General Contractors of America unless such instructions are incompatible with Federal, State, or Municipal laws or regulations.

The following provisions shall not limit the generality of the above requirements:

- a. The Contractor shall at no time and under no circumstances cause or permit any employee of the Contractor to perform any work upon energized lines, or upon poles carrying energized lines, unless otherwise specified in accordance with Article II, Section 1, subsection g.
- b. The Contractor shall so conduct the construction of the Project as to cause the least possible obstruction of public highways.
- c. The Contractor shall provide and maintain all such guard lights and other protection for the public as may be required by applicable statutes, ordinances, and regulations or by local conditions.
- d. The Contractor shall do all things necessary or expedient to protect properly any and all parallel, converging, and intersecting lines, joint line poles, highways, and any and all property of others from damage, and in the event that any such parallel, converging and intersecting lines, joint line poles, highways, or other property are damaged in the course of the construction of the Project the Contractor shall at its own expense restore any or all of such damaged property immediately to as good a state as before such damage occurred.
- e. Where the right-of-way of the Project traverses cultivated lands, the Contractor shall limit the movement of his crews and equipment so as to cause as little damage as possible to crops, orchards, or property and shall endeavor to avoid marring the lands. All fences which are necessarily opened or moved during the construction of the Project shall be replaced in as good condition as they were found and precautions shall be taken to prevent the escape of livestock. Except as otherwise provided in the descriptions of underground plowing and trenching assembly units, the Contractor shall not be responsible for loss of or damage to crops, orchards, or property (other than livestock) on the right-of-way necessarily incident to the construction of the Project and not caused by negligence or inefficient operation of the Contractor. The Contractor shall be responsible for all other loss of or damage to crops, orchards, or property, whether on or off the right-of-way, and for all loss of or damage to livestock caused by the construction of the Project.
- f. The Project, from the commencement of work to completion, or to such earlier date or dates when the Owner may take possession and control in whole or in part as hereinafter provided shall be under the charge and control of the Contractor and during such period of control by the Contractor all risks in connection with the construction of the Project and the materials to be used therein shall be borne by the Contractor. The Contractor shall make good and fully repair all injuries and damages to the Project or any portion thereof under the control of the Contractor by reason of any act of God or other casualty or cause whether or not the same shall have occurred by reason of the Contractor's negligence. The Contractor shall hold the Owner harmless from any and all claims for injuries to persons or for damage to property happening by reason of any negligence on the part of the Contractor or any of the Contractor's agents or employees during the control by the Contractor of the Project or any part thereof.
- g. Any and all excess earth, rock, debris, underbrush, and other useless material shall be removed by the Contractor from the site of the Project as rapidly as practicable as the work progresses.

- h. Upon violation by the Contractor of any provisions of this section, after written notice of such violation given to the Contractor by the Owner, the Contractor shall immediately correct such violation. Upon failure of the Contractor so to do the Owner may correct such violation at the Contractor's expense.
- i. The Contractor shall submit to the Owner monthly reports in duplicate of all accidents, giving such data as may be prescribed by the Owner.
- j. The Contractor shall not proceed with the cutting of trees or clearing of right-of-way without written notification from the Owner that proper authorization has been received from the owner of the property, and the Contractor shall promptly notify the Owner whenever any landowner objects to the trimming or felling of any trees or the performance of any other work on his land in connection with the Project and shall obtain the consent in writing of the Owner before proceeding in any such case.

Section 2--Insurance. The Contractor shall take out and maintain throughout the construction period insurance in the following minimum requirements:

- a. Workmen's compensation insurance covering all employees in statutory limits who perform any of the obligations assumed by the Contractor under the Proposal.
- b. Public liability and property damage liability insurance covering all operations under the Proposal; limits for bodily injury or death not less than \$100,000 for one person and \$300,000 for each accident; for property damage, not less than \$25,000 for each accident and \$50,000 aggregate for accidents during the policy period.
- c. Automobile liability insurance on all self-propelled vehicles used in connection with the contract, whether owned, nonowned, or hired; public liability limits of not less than \$100,000 for one person and \$300,000 for each accident; property damage limit of \$10,000 for each accident.

The Owner shall have the right at any time to require public liability insurance and property damage liability insurance greater than those required in subsections b and c of this Section. In any such event, the additional premium or premiums solely as the result of such additional insurance shall be added to the contract price.

Upon request by the Owner, the Contractor shall furnish a certificate evidencing compliance with the foregoing requirements.

Section 3--Bond. If the estimated cost of the construction of a Section shall exceed \$25,000, the Contractor agrees to furnish prior to the commencement of such construction, a bond in the penal sum not less than the estimated cost of such Section in the form attached hereto with a Surety or Sureties listed by the United States Treasury Department as acceptable sureties. In the event that the Surety or Sureties on the performance bond delivered to the Owner shall at any time become unsatisfactory to the Owner, the Contractor agrees to deliver to the Owner another or an additional bond.

Section 4--Delivery of Possession and Control to the Owner. Upon written request of the Owner, the Contractor will deliver to the Owner full possession and control of any portion of the Project provided the Contractor shall have been paid at least ninety percent (90%) of the cost of construction of such portion. Upon such delivery of possession and control to the Owner, the risks and obligations of the Contractor as set forth in Section 1f of this Article IV with respect to such portion so delivered to the Owner, shall be terminated; Provided, however, that nothing herein contained shall relieve the Contractor of any liability with respect to defective workmanship as specified in Article II, Section 4.

ARTICLE V--REMEDIES

Section 1--Completion on Contractor's Default. If default shall be made by the Contractor or by any subcontractor in the performance of any of the terms of this Proposal, the Owner, without in any manner limiting its legal and equitable remedies in the circumstances, may serve upon the Contractor and the Surety, if any, a written notice requiring the Contractor to cause such default to be corrected forthwith. Unless within twenty (20) days after the service of such notice upon the Contractor and the Surety, if any, such default shall be corrected or arrangements for the correction thereof satisfactory to the Owner shall be made, the Owner may take over the construction of the Project and prosecute the same to completion by contract or otherwise for the account and at the

expense of the Contractor, and the Contractor shall be liable to the Owner for any cost or expense in excess of the Contract price occasioned thereby. In such event the Owner may take possession of and utilize, in completing the construction of the Project, any materials, tools, supplies, equipment, appliance, and plant belonging to the Contractor or any of its subcontractors, which may be situated at the site of the Project. The Owner in such contingency may exercise any rights, claims, or demands which the Contractor may have against third persons in connection with this Proposal and for such purpose the Contractor does hereby assign, transfer, and set over unto the Owner all such rights, claims, and demands.

ARTICLE VI--MISCELLANEOUS

Section 1--Patent Infringement. The Contractor will save harmless and indemnify the Owner from any and all claims, suits, and proceedings for the infringement of any patent or patents covering any equipment used in the work.

Section 2--Permits for Explosives. All permits necessary for the handling or use of dynamite or other explosives in connection with the construction of the Project shall be obtained by and at the expense of the Contractor.

Section 3--Compliance with Statutes and Regulations. The Contractor will comply with all applicable statutes, ordinances, rules, and regulations pertaining to the work. The Contractor acknowledges that it is familiar with the Rural Electrification Act of 1936, as amended, the so-called "Kick-Back" Statute (48 Stat. 948), and regulations issued pursuant thereto, and 18 U.S.C. §§287,1001, as amended. The Contractor understands that the obligations of the parties hereunder are subject to the applicable regulations and orders of Governmental agencies having jurisdiction in the premises.

Section 4. Equal Opportunity Provisions.

a. Contractor's Representations.

The Contractor represents that:

It has , does not have , 100 or more employees, and if it has, that

It has , has not , furnished the Equal Employment Opportunity--Employers Information Report EEO-1, Standard Form 100, required of employers with 100 or more employees pursuant to Executive Order 11246 and Title VII of the Civil Rights Act of 1964.

The Contractor agrees that it will obtain, prior to the award of any subcontract for more than \$10,000 hereunder to a subcontractor with 100 or more employees, a statement, signed by the proposed subcontractor, that the proposed subcontractor has filed a current report on Standard Form 100.

The Contractor agrees that if it has 100 or more employees and has not submitted a report on Standard Form 100 for the current reporting year and that if this Contract will amount to more than \$10,000, the Contractor will file such report, as required by law, and notify the Owner in writing of such filing prior to the Owner's acceptance of this Proposal.

b. Equal Opportunity Clause. During the performance of this Contract, the Contractor agrees as follows:

(1) The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: Employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this Equal Opportunity Clause.

(2) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

- (3) The Contractor will send to each labor union or representative of workers, with which it has a collective bargaining agreement or other contract or understanding, a notice to be provided advising the said labor union or workers' representatives of the Contractor's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
 - (4) The Contractor will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.
 - (5) The Contractor will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.
 - (6) In the event of the Contractor's noncompliance with the Equal Opportunity Clause of this Contract or with any of the said rules, regulations, or orders, this Contract may be cancelled, terminated, or suspended in whole or in part, and the Contractor may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as provided by law.
 - (7) The Contractor will include this Equal Opportunity Clause in every subcontract or purchase order unless exempted by the rules, regulations, or order of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for noncompliance: Provided, however, That in the event a Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the administering agency, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.
- c. Certificate of Nonsegregated Facilities. The Contractor certifies that it does not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. The Contractor certifies further that it will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. The Contractor agrees that a breach of this certification is a violation of the Equal Opportunity Clause in this Contract. As used in this certification, the term "segregated facilities" means any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Contractor agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods) it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity Clause, and that it will retain such certifications in its files.

Section 5--Franchises and Rights-of-way. The Contractor will be under no obligation to obtain or assist in obtaining any franchises, authorizations, permits, or approvals required to be obtained by the Owner from Federal, State, County, Municipal or other authority; any rights-of-way over private lands or any agreements between the Owner and third parties with respect to the joint use of poles, crossing or any other matter incident to the construction and operation of the Project.

Section 6--Nonassignment of Contract. The Contractor will not assign the Contract effected by an acceptance of this Proposal or any part thereof or enter into any contract with any person, firm or corporation for the performance of the Contractor's obligations thereunder, or any part thereof, without the approval in writing of the Owner.

Section 7--Definitions.

- a. The term "Owner" shall also include an engineer employed by the Owner, or a firm or engineer retained by the Owner, and designated by the Owner to act in that capacity. The Contractor will be notified in writing by the Owner of those designated to act for the Owner at the time of acceptance of this Proposal.
- b. The term "Completion of Construction" shall mean full performance by the Contractor of the Contractor's obligations under the contract and all amendments and revisions thereof relating to any Section of the Project or to the Project except the Contractor's obligations in respect of (i) Certificate of Contractor and Indemnity Agreement - Line Extensions under Article III, Section 2 hereof and (ii) the Final Inventory referred to in Article III, Section 1a hereof.
- c. The term "Completion" shall mean full performance by the Contractor of the Contractor's obligations under the Contract and all amendments and revisions thereof relating to any Section of the Project or to the Project.

Section 8--Extension to Successors and Assigns. Each and all of the covenants and agreements contained in the Contract effected by the acceptance of the Proposal shall extend to and be binding upon the successors and assigns of the parties thereto.

Five C. Construction Co
(Contractor)

By Ronnie Cherry
(President)

346 Turner Rd
Gray, Ky 40734
(Address)

ATTEST:

Geneva Coan
(Secretary)

Date of Proposal _____

This Proposal must be signed with the full name of the Contractor. If the Contractor is a partnership, the Proposal must be signed in the partnership name by a partner. If the Contractor is a corporation, the Proposal must be signed in the corporate name by a duly authorized officer and the corporate seal affixed and attested by the Secretary of the Corporation.

SECTION D - CONDUCTOR ASSEMBLY UNITS

A conductor assembly unit consists of the installation of 1,000 feet of conductor or cable for primaries, secondaries or services. Tree trimming necessary for installing services and secondaries on poles not carrying primary line is included with the conductor assembly unit and shall be performed in accordance with the directions of the Owner. The service shall be connected to the secondary or transformer and 2 feet of conductor or cable shall be left for connecting to the consumer's service entrance. In computing the compensation to the Contractor for conductor assembly units only the horizontal distance between conductor supports or pole stakes shall be used. The conductor or cable sizes and types listed are the manufacturer's designation.

UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE

SECTION E - GUY ASSEMBLY UNITS

A guy assembly unit consists of the installation of the hardware and wire, and guy insulator where necessary. An overhead guy assembly unit does not include the associated pole and down guy, each of which is listed separately. Guy guards are designated separately.

UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE

SECTION F - ANCHOR ASSEMBLY UNITS

An anchor assembly unit consists of the installation of an anchor with rod complete, ready for attaching the guy wire.

UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE

SECTION G - TRANSFORMER ASSEMBLY UNITS

A transformer assembly unit consists of the installation of the transformer, its protective equipment and its hardware and leads with their connectors and supporting insulators and pins. This unit does not include the installation of the pole top, secondary, service, or grounding assemblies.

UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE

SECTION J - SECONDARY ASSEMBLY UNITS

A secondary assembly unit consists of the installation of the hardware, insulators, etc., to support the secondary conductor or cable. It does not include the installation of the secondary conductor or cable, or of any hardware, insulators, etc., required to support service conductors or cable.

UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE

SECTION K - SERVICE ASSEMBLY UNITS

A service assembly unit consists of the installation of the hardware, insulators, etc. to support the service conductors or cable. It does not include the installation of the service conductor or cable, or of any hardware, insulators, etc. required to support secondary conductors or cable.

UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE

Section R--RIGHT-OF-WAY CLEARING UNITS (Continued)

R1-20. This unit is identical with R1-10 except that width is 20 feet (to be measured 10 feet on each side of the pole line).

R1-30. This unit is identical with R1-10 except that width is 30 feet (to be measured 15 feet on each side of the pole line).

R1-40. This unit is identical with R1-10 except that width is 40 feet (to be measured 20 feet on each side of the pole line).

RC1-10, RC1-20, RC1-30, RC1-40. These units are identical to the respective R1 units except that chemical treatment of stumps is required in addition to the clearing of underbrush, tree removal and tree trimming.

Additional Requirements (When specifying R1 units denote type of disposal (AorB).)

A. Trees, brush, branches and refuse shall, without delay, be disposed of by such of the following methods as the Owner will direct (Owner to strike out methods not to be used):

1. Burned
2. Piled on one side of right-of-way
3. Roller chopped and left on right-of-way in such a manner as not to obstruct roads, ditches, drains, etc.
4. Other (describe) _____

B. Trees that are felled shall be cut to commercial wood lengths, stacked neatly, and left on the right-of-way for the landowner. Commercial wood length means the length designated by the Owner but in no case shall it be required to be less than _____ (_____) feet. Brush, branches, and refuse shall, without delay, be disposed of by such of the following methods as the Owner will direct (Owner to strike out methods not to be used):

1. Burned
2. Piled on one side of right-of-way
3. Roller chopped and left on right-of-way in such a manner as not to obstruct roads, ditches, drains, etc.
4. Other (describe) _____

Unit No.	Unit Labor Price	Unit No.	Unit Labor Price	Unit No.	Unit Labor Price

Section S--SUBSTATION ASSEMBLY UNITS

A substation assembly unit consists of the complete substation ready for connection of the line conductors, as shown on the substation drawings attached.

Unit No.	Unit Labor Price	Unit No.	Unit Labor Price	Unit No.	Unit Labor Price

Section UD--UNDERGROUND CABLE ASSEMBLY UNITS

An underground cable assembly unit consists of the installation of 1000 feet of cable for underground primaries, secondaries or services. It does not include the plowing, trenching and backfilling, or the termination of the primary cable which are provided for in other assembly units. It includes the labor for the termination, connection and sealing of secondary and service cables and conductors as shown in the specifications and construction drawings, and the labor for making all primary, secondary and service cable splices (buried cable may be spliced only when and where permitted by the Owner).* In computing the compensation to the Contractor for underground cable assembly units, only the distance between stakes, paralleling the cable shall be used. The number of units so computed includes all installation of cable in all specified trenches, risers, conduits, crossings, man-holes, transformers, terminal housings and meter boxes.** The conductor or cables listed are the manufacturer's designation of types, size, voltage rating and material. The Contractor and the Owner shall jointly perform cable acceptance tests on installed cable in accordance with the specifications using test equipment furnished by the _____.
(Owner to insert Owner or Contractor).

- *Owner check here if primary splices are permitted.
- *Owner check here if secondary and service splices are permitted.
- **Owner check here if 12 feet of service conductor is to be left as a coil three feet from the building with ends capped instead of connection to meter box.

Unit No.	Unit Labor Price	Unit No.	Unit Labor Price	Unit No.	Unit Labor Price

Section UG - UNDERGROUND TRANSFORMER ASSEMBLY UNITS

An underground transformer assembly unit consists of the installation of the transformer, its housing, warning sign, switches, over-current protective devices, grounding loop, and its hardware and leads with their connectors and supporting insulators. This unit also includes the installation of primary cable terminations but not of lightning arresters, fault indicators or ground rods, nor does it include any trenching. For pad-mount transformers, it does not include installation of the pad, drainable material, backfilling, compaction, or site preparation which are included in the pad assembly units. For submersible transformers it includes the installation of cable terminations, of the enclosure and cover, of drainable material (when specified)* and the excavation.

- *Owner check here if drainable material is specified.

Unit No.	Unit Labor Price	Unit No.	Unit Labor Price	Unit No.	Unit Labor Price

Section UK - UNDERGROUND SECONDARY AND SERVICE ASSEMBLY UNITS

An underground secondary and service assembly unit consists of the installation of the secondary or service cable terminal housing. It includes the installation of the power pedestal, stake (when required), mounting hardware, warning sign, directional marker, housing identification marking, and the cable identification tags. It does not include the installation of the cable terminations, ground rod, or pad, when required.

Unit No.	Unit Labor Price	Unit No.	Unit Labor Price	Unit No.	Unit Labor Price

Section UM - MISCELLANEOUS UNDERGROUND ASSEMBLY UNITS

A miscellaneous underground assembly unit consists of the installation of an additional unit needed in the Project for new construction, but not otherwise listed in the Proposal. This section includes the installation of the miscellaneous assembly units as shown on the respective underground construction drawings. Where miscellaneous units consist of or include the installation of a primary cable termination, the unit includes the preparation of the cable to accommodate the termination, the installation of the stress cone, and the connection of the cable to the terminal equipment. Pad assembly units are in this section and include the installation of the bedding, drainable material (when specified), cable slot, and site preparation, backfilling and tamping.

Unit No.	Unit Labor Price	Unit No.	Unit Labor Price	Unit No.	Unit Labor Price

Section UR - UNDERGROUND EXCAVATION ASSEMBLY UNITS

UR1-S (D) Plowing Assembly Unit, Soil - Consists of one (1) lineal foot of plowing in soil, measured parallel to the surface of the ground, to a specified depth (D), in inches, including the compacting, except as specifically provided for in other units. This unit includes all labor required in the repair and/or replacement of streets, roads, drives, fences, lawns, shrubbery, watermains, pipes, pipelines and contents, underground power and telephone facilities, buried sewerage and drainage facilities, and any other property damaged during the plowing of the cable, except as specifically provided for in other units. NOTE: Where in the judgment of the Owner greater than normal difficulty will be involved in plowing because of the presence of underground facilities of other

Section UR - UNDERGROUND EXCAVATION ASSEMBLY UNITS (Continued)

utilities, this unit will be suffixed by the letter "T". This will be applicable only in those areas predesignated by the Owner on the detail maps herein. All plowing outside of the predesignated area on the map, regardless of the difficulty in placement actually experienced, will be inventoried as the regular UR1-S (D) units. If field conditions show the existence of rock to prevent the placing of the cable in soil to the depth required in the specifications the Owner may specify UR2-R units. Where more than one cable is to be installed in the slot, the UR1-S unit designation should be modified by a suffix corresponding to the number of cables installed. For example, UR1-S(D) 3c for 3 cables plowed at one time.

- UR2-S (D&W) Trenching Assembly Unit, Soil - Consists of one (1) lineal foot of trenching in soil, measured parallel to the surface of the ground, to a specified depth (D) and width (W), in inches, including the excavation, and backfilling and compacting. This unit includes all labor required in the repair and/or replacement of streets, roads, drives, fences, lawns, shrubbery, watermains, pipes, pipelines and contents, underground power and telephone facilities, buried sewerage and drainage facilities, and any other property damaged by the trenching, except as specifically provided for in other units. NOTE: Where in the judgment of the Owner greater than normal difficulty will be involved in trenching because of the presence of underground facilities of other utilities, this unit will be suffixed by the letter "T". This will be applicable only in those areas predesignated by the Owner on the detail maps herein. Where more than one cable is to be installed in the trench, the regular UR2-S unit designation should be modified by a suffix corresponding to the construction drawing for the type of cable placement desired.
- UR2-R (D&W) Trenching Assembly Unit, Rock - Consists of one (1) lineal foot of trenching in rock, measured parallel to the surface of the ground, to specified depth (D) and width (W), in inches, including the excavation, and backfilling and compacting to place cable to the depth specified in the Specifications. This unit will be specified by the Owner only when field conditions at the site show the existence of rock at a depth preventing the placing of the cable in soil to the depths required in the Specifications. This unit includes all labor required in the repair and/or replacement of streets, roads, drives, fences, lawns, shrubbery, watermains, pipes, pipelines and contents, underground power and telephone facilities, buried sewerage and drainage facilities, and any other property damaged by the trenching, except as specifically provided for in other units. This unit does not include underground cable facilities installed in the trench or cable bedding assembly units, when required.
- UR-3 Cable Bedding Assembly Unit - Consists of the installation of one (1) lineal foot of a two-inch bed of clean sand or soil placed in the trench under the cable and a four inch layer of clean sand or soil backfill over the cable to the width of the trench. NOTE: The exact location and number of units shall be determined by the Owner after the trenches are open in those areas where rock or other conditions make special bedding necessary.
- UR-4a Pavement Assembly Unit, Asphalt - Consists of the labor necessary to remove and restore one (1) lineal foot of asphalt pavement, measured along the route of the cable, including any trenching necessary to place the cable at the required depth. All work shall be performed in accordance with the requirements of State or local authorities.
- UR-4c Pavement Assembly Unit, Concrete - Consists of the labor necessary to remove and restore one (1) lineal foot of concrete pavement, measured along the route of the cable, including any trenching necessary to place the cable at the required depth. All work shall be performed in accordance with the requirements of State or local authorities.
- UR-5 () Underground Pipe Crossing Assembly Unit - Consists of the installation of one (1) lineal foot of steel pipe, of the inside diameter, in inches, specified in the last digit of the assembly unit designation, installed in place. This unit includes the pushing of pipe and any excavation, backfilling and tamping necessary for the installation of the pipe. The pipe will be installed at the depth specified by the Owner. The installation of underground cable in the pipe is not included in this unit.

CONSTRUCTION UNITS--LINE CHANGES

The general heading of Line Changes applies to the changing of existing lines or portions thereof from their existing phasing, wire size, and type to new phasing, wire size, and type and the removal of existing lines or portions thereof and replacing with new lines in close proximity thereto. In general line changes involve three types of assembly units as follows:

Section H--Conversion assembly units;

Section I--Removal assembly units;

Section N--New construction assembly units on existing lines or in replacing lines.

The assembly units that are included in Sections H, I, and N are defined by symbols and descriptions which follow together with the applicable descriptions included under New Construction. Where the descriptions are not correct or sufficiently explicit, or when special units are not covered by Construction Drawings, descriptions have been provided by the Owner in the respective sections.

Work included in these sections shall be performed under a schedule of deenergization and operating procedures as set forth by the Owner at the time of release of any Section involving work on existing lines. The Contractor will so plan and perform its work that it will be possible to safely reenergize all lines involved at the expiration of the time limits set up in the schedule to resume service to all consumers being served prior to deenergization. Prior to commencement of work each day on lines to be deenergized, and upon completion of work each day on such lines, the Contractor will notify the Owner thereof in writing or in such other manner as the circumstances permit.

Section H--CONVERSION ASSEMBLY UNITS

Conversion assembly units are pole-top assemblies and cover the furnishing of all labor for changing an existing assembly unit to a new assembly unit, utilizing certain items of materials of the existing assembly unit on poles to be left in place. Any materials removed from the existing assembly units which are not required in the construction of the conversion assembly unit are to be reused by the Contractor in the construction of other assembly units, or returned to Owner's warehouse, as directed by the Owner.

Conversion assembly units are specified by the prefix H with the new construction assembly unit designation shown first and the existing assembly unit designation shown last. For example, an H B1-A1 signifies the conversion of an existing A1 assembly unit to a B1 assembly unit (as was defined in the description of construction assembly units). In this instance the Contractor utilizes the existing pin-type insulator, single upset bolt and neutral spool and installs the additional crossarm, crossarm pins, braces, machine bolt, carriage bolts, lag screw, and insulator supplied by the Owner required for the new unit. The Contractor transports the pole-top pin and two machine bolts to the warehouse or uses them on the Project as directed by the Owner.

The Conversion assembly units also include the furnishing of all labor in the transferring, re-sagging and retying of conductors from one position on the pole to a different position on the pole where such transfers are required. Where replacement of conductor is required, the existing conductor will be removed under Section I and the new conductor installed under Section N.

Where replacement of a pole is required, the existing pole and pole-top assembly will be removed under Section I and the new pole and pole-top assembly will be installed according to Section N and no H units will be involved.

Conversion assemblies are listed in three subsections for converting pole-top assemblies from single to V phase, single to three phase, and V to three phase. The following descriptions apply to only those conversion units not sufficiently explicit:

Unit	Description

Section I--REMOVAL ASSEMBLY UNITS

Removal assembly units cover the furnishing of all labor for the removal of existing units of construction from existing lines, disassembling into material items, and all labor and transportation for the returning of all materials to the warehouse of the Owner in an orderly manner or transporting elsewhere to the site of the Project for reuse in the prosecution of this Contract as directed by the Owner.

The unit removal prices shall include all labor required to reinstall in accordance with specifications any conductors temporarily detached. The Contractor will reinstall at his own expense any other units removed by him for his own convenience.

The removal units are specified by the prefix I and followed by the assembly unit designation of existing assembly unit to be removed. For example, an I-A1 signifies the removal of an A1 assembly unit. The following special notes apply to specific removal units:

a. Poles. All poles of the same height, regardless of pole class, are designated by the same unit. Thus an I-30-foot pole signifies the removal of a 30-foot pole of any class. The Contractor is not required under this unit to remove from the pole any ground wire or pole numbering attached to the pole. This unit includes the refilling and tamping of holes in a workmanlike manner unless they are to be reused.

b. Pole-top Assemblies. The unit of removal of pole-top assemblies includes, in addition to the removal of the assembly itself, any necessary handling, resagging, and retying of conductors in those cases where an existing pole-top assembly will be removed and replaced by a new pole-top assembly and where any existing conductor is to be reused.

The unit of removal of pole-top assemblies also includes any holding or handling of mainline or tap conductors at tap lines, angles, and deadends where such is involved, and the reinstalling of such conductor in accordance with the Specifications; for example, an I-A5-4 will include the disconnection of the tap conductors, snubbing off the tap line at the nearest practical point and the reconnection and resagging of these tap conductors if necessary to the new tap assembly when installed. The new unit of construction, however, will be specified separately in Section N.

c. Conductor. The conductor removal unit covers the removal of 1,000 feet of conductor or cable and reeling or coiling it in a workmanlike manner in such a way that it can be reused by the Contractor or the Owner. The Owner will furnish to the Contractor reels if it is to be returned to the Owner's warehouse on reels. The removal unit for each size of conductor or cable is shown by the prefix I followed by D and the conductor or cable type; thus an I-D 6ACWC signifies the removal unit for 1,000 feet of 6 A Copperweld-copper conductor.

d. Guys. All guys regardless of length, type of attachment, or size of guy strand are specified by the same unit; thus an I-E signifies the removal of any guy.

e. Anchors. Only anchor rods are to be removed by the Contractor in anchor removal units. The anchors will be left in the ground; thus an I-F signifies the removal of any anchor rod. If the rod cannot be unscrewed, the end of the rod shall either be cut off or bent down so that the rod will be at least 18 inches below ground.

f. Transformers. The unit for removal of transformer assembly units is divided into two sections, (1) Conventional Transformer Assembly, and (2) Self-protected Transformer Assembly. Only one unit is specified for each type, and all sizes of transformers from 1 to 15 kVA within each group will be covered by the same unit. "Self-protected" refers to transformers where all protective equipment is mounted on or within the transformer. "Conventional" refers to transformers where protective equipment is mounted separately from the transformer. The unit is designated by the prefix I followed by the description of the unit to be removed; thus, I-G Conventional signifies the removal of a conventional transformer assembly for any size transformer from 1 to 15 kVA.

g. Secondary Units. The unit for removal of secondary assemblies includes, in addition to the removal of the assembly itself, all necessary handling such as untying, resagging, and retying of secondary conductor or cables where existing secondary conductor or cable is to be reused.

In addition, the unit for removal of the secondary assembly includes the handling or holding of any conductor at tap lines where such is involved, and the reinstalling of such tap conductor in accordance with the Specifications.

DISTRIBUTION CONSTRUCTION UNITS--LINE CHANGES (Continued)

h. Service Unit. The unit for removal of service assemblies includes, in addition to the removal of the assembly itself, all necessary handling such as untying, resagging, and retying of service conductor or cable where existing service conductor or cable is to be reused.

The following descriptions apply only to those removal units not sufficiently explicit:

Unit	Description

Section N--NEW ASSEMBLY UNITS

The purpose of this section is to list complete new units of construction where such units are to be added to existing lines or installed in replacing lines.

The units as covered by this section are the same as the units described in Construction Units--New Construction, except that these units are prefixed by the letter N.

For example, an N40-6 unit covers the furnishing of all labor for the installation of a 40-6 pole either in an existing distribution line being operated by the Owner or in a new line being constructed to replace an existing distribution line being operated by the Owner.

The following descriptions apply only to those new units not sufficiently explicit:

Unit	Description

ACCEPTANCE

The undersigned hereby accepts the foregoing Proposal of Five C Construction Co.
_____, Dated November 2002, to construct the rural electric
Project _____ 19 _____ Line Extensions.

Cumberland Valley Electric
(Owner)

By Ray Baird
(President)

John T. Mason
Vice-President

12-31-02
Date of Contract

CONTRACTOR'S BOND

1. Know all men that we, _____,
as Principal, and _____,
as Surety, are held and firmly bound unto _____
(hereinafter called the "Owner") and unto the United States of America (hereinafter called the "Gov-
ernment") and unto all persons, firms, and corporations who or which may furnish or perform labor
on a Rural Electrification Project known as Project _____

_____ and to their successors and assigns, in the penal sum of _____
dollars (\$ _____), as hereinafter set forth and for the payment of which sum well and
truly to be made we bind ourselves, our executors, administrators, successors, and assigns jointly
and severally by these presents. Said Project is described in a certain construction contract (herein-
after called the "Construction Contract") between the Owner and the Principal, dated _____,
19_____, pursuant and subject to a certain loan contract (hereinafter called the "Loan Contract")
between the Owner and the Government, acting through the Administrator of the Rural Electrification
Administration (hereinafter called the "Administrator").

2. The condition of this obligation is such that if the Principal shall well and truly perform and fulfill
all the undertakings, covenants, terms, conditions, and agreements of the Construction Contract and
any amendments thereto, whether such amendments are for additions, decreases, or changes in
materials, their quantity, kind, labor costs, mileage, routing, or any other purpose whatsoever, and
whether such amendments are made with or without notice to the Surety, and shall fully indemnify
and save harmless the Owner and the Government from all costs and damages which they, or either
of them, shall suffer or incur by reason of any failure so to do, and shall fully reimburse and repay
the Owner and the Government for all outlay and expense which they, or either of them shall incur in
making good any such failure of performance on the part of the Principal, and shall promptly make
payment to all persons working on or supplying labor for use in the construction of the Project
contemplated in the Construction Contract and any amendments thereto, and shall well and truly
reimburse the Owner and the Government, as their respective interests may appear, for any excess
in cost of construction of said Project over the cost of such construction as provided in the Construc-
tion Contract and any amendments thereto, occasioned by any default of the Principal under the Con-
struction Contract and any amendments thereto, then this obligation shall be null and void, but other-
wise shall remain in full force and effect.

3. It is expressly agreed that this bond shall be deemed amended automatically and immediately,
without formal and separate amendment thereto, upon any amendment to the Construction, so as to
bind the Principal and the Surety to the full and faithful performance of the Construction Contract as
so amended, provided only that the total amount of all increases in the cost of construction shall
not exceed twenty (20) percent of the amount of the maximum price set forth in the Construction
Contract. The term "Amendment," wherever used in this bond, and whether referring to this bond,
the Construction Contract, or the Loan Contract, shall include any alteration, addition, extension,
modification, amendment, rescission, waiver, release, or annulment, of any character whatsoever.

4. It is expressly agreed that any amendment which may be made by agreement or otherwise be-
tween the Principal and the Owner in the terms, provisions, covenants, and conditions of the Con-
struction Contract, or in the terms, provisions, covenants, and conditions of the Loan Contract
(including, without limitation, the granting by the Administrator to the Owner of any extension of
time for the performance of the obligations of the Owner under the Loan Contract or the granting by
the Administrator or the Owner to the Principal of any extension of time for the performance of the
obligations of the Principal under the Construction Contract, or the failure or refusal of the Ad-
ministrator or the Owner to take any action, proceeding, or step to enforce any remedy or exercise
any right under either the Construction Contract or the Loan Contract, or the taking of any action,
proceeding, or step by the Administrator or the Owner, acting in good faith upon the belief that the
same is permitted by the provisions of the Construction Contract or the Loan Contract) shall not in
any way release the Principal and the Surety, or either of them, or their respective executors, ad-
ministrators, successors, or assigns, from liability thereunder. The Surety hereby acknowledges
receipt of notice of any amendment, indulgence, or forbearance, made, granted, or permitted.

5. This bond is made for the benefit of all persons, firms and corporations who or which may furnish or perform any labor for or on account of the construction to be performed under the Construction Contract and any amendments thereto, and they, and each of them, are hereby made obligees hereunder with the same force and effect as if their names were written herein as such, and they and each of them may sue hereon.

In witness whereof, the undersigned have caused this instrument to be executed and their respective corporate seals to be affixed and attested by their duly authorized representatives this _____ day of _____, 19_____.

(Principal) (SEAL)

Attest:

By _____

(Secretary)

(Surety) (SEAL)

Attest:

By _____

(Secretary)

(Address of Surety's Home Office)

By _____
(Resident Agent of Surety)

Signatures: The Contractor's Bond must be signed with the full name of the Contractor. If the Contractor is a partnership the Contractor's Bond must be signed in the partnership name by a partner. If the Contractor is a corporation the Contractor's Bond must be signed in the corporate name by a duly authorized officer and the corporate seal affixed and attested by the Secretary of the corporation. A typewritten copy of all such names and signatures shall be appended.

Power of Attorney: The Contractor's Bond must be accompanied by a power of attorney authorizing execution on behalf of the Surety and, in jurisdictions so requiring should be countersigned by a duly authorized resident agent of the Surety.

CERTIFICATE OF CONTRACTOR
AND INDEMNITY AGREEMENT
(Line Extensions)

_____, certifies that he is the
_____, of _____
TITLE OR DESIGNATION
_____, the Contractor, in a contract dated
NAME OF CONTRACTOR
_____, 19____ entered into between the Contractor and _____
NAME OF REAL BORROWER
_____, the Owner, for the construction of a rural electric
Project (hereinafter referred to as Project), which bears the Project Designation _____
19____ Line Extensions, and that he is authorized to and does make this
Certificate and Indemnity Agreement on behalf of said Contractor in order to induce the Owner to make payment
to the Contractor, in accordance with the provisions of the said contract.

Undersigned further says that all persons who have furnished labor in connection with the Section
of the Project represented by the Final Inventory dated _____, in the amount of
\$ _____, have been paid in full; that all manufacturers, materialmen and subcon-
tractors which furnished any materials or services, or both, for the said Section of the Project have been paid
in full; that no lien has been filed against the Project and no person has any right to claim any lien against
the Project.

Undersigned further says that if the Owner pays the Contractor the contract price for the said
Section of the Project the Contractor will indemnify and hold harmless and does hereby undertake and agree
to indemnify and hold harmless the Owner from any claim or lien arising out of the negligence or other fault of
the Contractor in respect of the performance of the contract which may have been or may be filed against the
Owner.

SIGNATURE OF CONTRACTOR

*President, Vice-President, Partner or Owner, or, if signed by other than one of foregoing, Power of
Attorney signed by one of the foregoing should be attached. Indicate applicable designation.

SUPPLEMENTAL CONTRACT
FOR
ADDITIONAL PROJECT

DATE

TO:

CONTRACTOR

Pursuant to Article I, Section 2 of the Contractor's Proposal dated _____, for the rural electric Project _____, we request that you construct Additional Project No. _____, consisting of approximately the following system improvement and line extension work: _____

The Additional Project is to be constructed in accordance with all of the provisions of the Contractor's Proposal, except:

1. The time for completion of the Additional Project shall be _____
2. The prices for Construction Units for the Additional Project are as shown in Appendix A attached hereto.

Please indicate your acceptance of the foregoing by signing below, return two signed copies and retain one copy.

Sincerely,

Enclosures

OWNER

By

PRESIDENT, VICE PRESIDENT *

ACCEPTANCE:

CONTRACTOR

By

PRESIDENT, VICE PRESIDENT, PARTNER*

DATE

*Strike out inapplicable designation

**DISTRIBUTION LINE EXTENSION
CONSTRUCTION CONTRACT
(Labor Only)**

**FOR CONSTRUCTION OF RURAL ELECTRIC
SYSTEM IMPROVEMENTS & EXTENSIONS**

Five C Construction Co.

7005 - 7006

**U. S. DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION**

REA FORM 792
REV 3-70

Five Construction Co. Inc.

346 Turner Road
Gray, Kentucky 40734

November 04, 2004

Cumberland Valley Electric
PO Box 440
Gray, Kentucky 40734

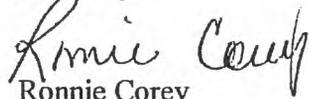
Dear Mr. Hampton:

In response to your request for a labor and equipment bid for 2005 and 2006, we propose the following:

	<u>2005</u>	<u>2006</u>
Foreman	48.91	49.88
Lineman 1st class	44.54	45.43
Lineman 2nd class	33.71	33.71
Groundman	21.00	21.00
Truck Operator	28.78	28.78
Line Truck	18.00	18.00
Bucket Truck	19.81	20.30
Pole Truck	19.91	20.30
Pick-Up	4.08	4.08

Once again we would like to thank you and the Board for the opportunity we have had to work with you and look forward to working with you in the up-coming year.

Sincerely,



Ronnie Corey
President /Five C Construction Co.

HOLD HARMLESS AGREEMENT BETWEEN
CUMBERLAND VALLEY ELECTRIC, INC
AND
FIVE C CONSTRUCTION COMPANY

Five C Construction Company agrees to defend, pay on behalf of and hold harmless **Cumberland Valley Electric, INC.** and its directors, officers, agents, and employees from all claims of whatsoever nature or kind, including those brought by employees of **Five C Construction Company**, or subcontractors, arising out of or as a result of any act or failure to act whether or not negligent, in connection with the performance of the work to be performed pursuant to this contract by **Five C Construction Company**, its employees, agents and subcontractors. **Five C Construction Company** agrees to defend and pay all costs in defending these claims, including attorney fees.

Further, **Five C Construction Company** agrees to maintain public liability and property damage insurance (including automobile public liability and property damage insurance) to cover the obligations set forth above. The minimum insurance limits of liability shall be \$5,000,000 bodily injury and property damage. **Cumberland Valley Electric, INC.** shall receive a minimum 30 day notice in the event of cancellation of insurance required by this agreement. **Five C Construction Company** shall furnish a certificate of insurance to **Cumberland Valley Electric, INC.** showing that the above obligations and requirements are provided for by a qualified insurance carrier, and showing **Cumberland Valley Electric, INC.** as an additional insured on such insurance.

FIVE C CONSTRUCTION COMPANY

CUMBERLAND VALLEY ELECTRIC, INC.

BY: Lennie Carey

BY: Vernon Shelly

DATE: _____

DISTRIBUTION LINE EXTENSION CONSTRUCTION CONTRACT
(REA Form 792)

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PROPOSAL

TO: Cumberland Valley Electric, Inc.
(hereinafter called the "Owner").

ARTICLE I--GENERAL

Section 1--Offer to Construct. The undersigned (hereinafter called the "Contractor") hereby proposes to construct for the prices hereinafter stated, with materials furnished by the Owner, the rural electric project Misc. Construction 2005-2006 - 19 Line Extensions (hereinafter called "Project") in strict accordance with the Plans, Specifications, and Construction Drawings hereinafter referred to. The Contractor understands and agrees that the Project will consist of line extensions and additions and line changes or similar work usually associated with overhead or underground distribution system improvement or extension work all located within the area served or ultimately to be served by the Owner and that the exact location and scope of individual sections of the Project (hereinafter called "Sections") will be made known to the Contractor from time to time as provided in Article II, Section 1 hereof; and provided, however, that the Contractor shall not be obligated to start construction of any Section unless the cost of construction of the Section computed on the unit prices of this Proposal shall amount to at least _____ dollars (\$ _____) and provided further that the Owner shall be obligated to release to the Contractor for construction at least one Section pursuant to the provisions of this Proposal.

Section 2--Additional Projects. From time to time the Owner and the Contractor may enter into negotiations for the performance of work at labor prices which may differ from those in the Proposal (such work being hereinafter called "Additional Projects"). Except as may otherwise be agreed upon in writing by the Owner and the Contractor at the time the supplemental contract for the Additional Project is negotiated, the provisions of the Contract for the Project shall apply.

Section 3--Proposal on Unit Basis. The Contractor understands and agrees that the various Construction Units considered in this Proposal are defined by symbols and descriptions in this Proposal, that the Proposal is made on a unit basis, and that the Owner may specify, as provided in Article II, Section 1 hereof, any number or combination of Construction Units which the Owner, may deem necessary for the construction of the Project. If kinds of Construction Units for which prices are not established in this Proposal are necessary for the construction of the Project, the prices of such additional Units shall be as agreed upon in writing by the Owner and the Contractor prior to the time of installation. The unit prices herein set forth are applicable to work performed on unenergized lines. Such unit prices shall be increased by _____ (_____) percent for all units installed on energized lines in accordance with instructions of the Owner, as provided in Article II, Section 1g.

Section 4--Description of Contract. The Specifications and Construction Drawings set forth in:

- REA Form 804, Specifications and Drawings for 7.2/12.5 kV Line Construction
- REA Form 803, Specifications and Drawings for 14.4/24.9 kV Line Construction
- REA Form 806, Specifications and Drawings for Underground Electric Distribution

as applicable, which by this reference are incorporated herein, together with the Plans, Proposal and Acceptance constitute the Contract. The Plans, consisting of maps and special drawings, and approved modifications in standard specifications are attached hereto and identified as follows:

Section 5--Familiarity with Conditions. The Contractor acknowledges that it has made a careful examination of the site of the Project and of the Plans, Specifications and Construction Drawings, and has become informed as to the location and nature of the proposed construction, the transportation facilities, the kind and character of soil and terrain to be encountered, the kind of equipment, tools, and other facilities required before and during the construction of the Project and has become acquainted with the availability status of materials to be furnished by the Owner and with the labor conditions which would affect work on the Project.

Section 6--License. The Contractor warrants that a Contractor's license (is) (is not) required, and if strike out one required, it possesses Contractor's License No. _____ for the State of _____ in which the Project is located, and said license expires on _____, 19_____.

Section 7--Contractor's Resources. The Contractor warrants that it possesses adequate financial resources for the performance of the work covered by this Proposal and that it will provide necessary tools and equipment and a qualified superintendent and other employees.

Section 8--Changes in Construction. The Contractor agrees to make such changes in construction previously installed in the Project by the Contractor as required by the Owner on the following basis:

The cost of labor shall be the reasonable cost thereof as agreed upon by the Contractor and the Owner but in no event shall it exceed two (2) times the labor price quoted in the Proposal for the installation of the unit to be changed. Such compensation shall be in lieu of any other payment for the installation and removal of the original unit but shall not include the cost of the installation, if any, of a new or replacing unit, payment for which shall be made at the unit price as quoted in the Proposal.

No payment shall be made to the Contractor for correcting errors or omissions on the part of the Contractor which result in construction not in accordance with the Plans and Specifications.

ARTICLE II--CONSTRUCTION

Section 1--Time and Manner of Work. The Contractor agrees to be prepared to commence the construction of the Project within fifteen (15) calendar days after written notice by the Owner of acceptance of the Proposal. The Contractor agrees to commence construction of a Section within N/A (_____) days after receipt in writing from the Owner of the following:

- a. Location and number of the various Construction Units required for construction of the Section (hereinafter called the "Staking Sheets").
- b. Itemized list of the materials required for the construction of the Section and an authorization by the Owner for the Contractor to obtain such materials from the Owner's warehouse located at Day, Ky & Cumberland, Ky.
- c. A schedule showing the rate at which construction of the Section shall proceed and the total number of calendar days (excluding Sundays) to be allowed for completion; provided, however, that the required completion time for any Section shall not be less than _____ (_____) days or _____ (N/A) days per mile of line, whichever is the greater, which days shall be calendar days (excluding Sundays). The time of the completion of the Section is of the essence of the contract to be effected by acceptance of this Proposal.
- d. A statement that all required easements and rights-of-way have been obtained from the owners of the properties across which the Section is to be constructed (including tenants who may reasonably be expected to object to such construction).
- e. A statement that all necessary staking has been completed.
- f. A statement that all necessary funds for prompt payment for the construction of the Section will be available.

- g. Specific instruction as to location and extent of work to be performed on energized lines, if any.

The Contractor will not be required to dig holes, set poles, install anchors, install underground conduit, perform any plowing for the installation of underground cable, or dig trenches if there are more than six (6) inches of frost in the ground nor to perform any construction on such days when in the judgment of the Owner snow, rain, or wind or the results of snow, rain, or frost make it impracticable to perform any operations of construction; provided further that the contractor will not perform any plowing for the installation of underground cable on public roads or highways if there are more than two (2) inches of frost in the ground. To the extent of the time lost due to the conditions described herein and approved in writing by the Owner, the time of completion set out above will be extended. The time for completion shall be extended for a period of any reasonable delay (other than a delay resulting from the failure of the Contractor to secure sufficient labor) which is due exclusively to causes beyond the control and without the fault of the Contractor including acts of God, fires, floods, inability to obtain materials, direction of the Owner to cease construction as herein provided, and acts or omissions of the Owner with respect to matters for which the Owner is solely responsible: Provided, however, that no such extension of time for completion shall be granted the Contractor unless within ten (10) days after the happening of any event relied upon by the Contractor for such an extension of time the Contractor shall have made a written request therefor in writing to the Owner, and provided further that no delay in such time of completion or in the progress of the work which results from any of the above causes, except acts or omissions of the Owner, shall result in any liability on the part of the Owner.

Section 2--Changes in Plans, Specifications and Drawings. The Owner may, from time to time during the progress of the construction of the Project, make such changes in, additions to, or subtractions from the Plans, Specifications, and Construction Drawings as conditions may warrant: Provided, however, that if the cost to the Contractor shall be materially increased by any such change or addition, the Owner shall pay the Contractor for the reasonable cost thereof in accordance with a construction contract amendment signed by the Owner and the Contractor, but no claim for additional compensation for any such change or addition will be considered unless the Contractor shall have made a written request therefor to the Owner prior to the commencement of work in connection with such change or addition.

Section 3--Supervision and Inspection.

- a. The Contractor shall cause the construction work on the Project to receive constant supervision by a competent superintendent (hereinafter called the "Superintendent") who shall be present at all times during working hours where construction is being carried on. The Contractor shall also employ, in connection with the construction of the Project, capable, experienced, and reliable foremen and such skilled workmen as may be required for the various classes of work to be performed. Directions and instructions given to the Superintendent by the Owner shall be binding upon the Contractor.
- b. The Owner reserves the right to require the removal from the Project of any employee of the Contractor if in the judgment of the Owner such removal shall be necessary in order to protect the interest of the Owner. The Owner shall have the right to require the Contractor to increase the number of his employees and to increase or change the amount or kind of tools and equipment if at any time the progress of the work shall be unsatisfactory to the Owner; but the failure of the Owner to give any such directions shall not relieve the Contractor of his obligations to complete the work within the time and in the manner specified in this Proposal.
- c. The manner of performance of the work, and all equipment used therein, shall be subject to the inspection, tests, and approval of the Owner. The Owner shall have the right to inspect all payrolls and other data and records of the Contractor relevant to the work. The Contractor will provide all reasonable facilities necessary for such inspection and tests. The Contractor shall have an authorized agent accompany the inspector when final inspection is made and, if requested by the Owner, when any other inspection is made.
- d. In the event that the Owner shall determine that the construction contains or may contain numerous defects, it shall be the duty of the Contractor, if requested by the Owner, to have an inspection made by an engineer approved by the Owner for the purpose of determining the exact nature, extent, and location of such defects.

Section 4--Defective Workmanship. The acceptance of any workmanship by the Owner shall not preclude the subsequent rejection thereof if such workmanship shall be found to be defective after installation, and any such workmanship found defective before final acceptance of the work or within

one (1) year after completion shall be remedied or replaced, as the case may be, by and at the expense of the Contractor. In the event of failure by the Contractor so to do, the Owner may remedy such defective workmanship and in such event the Contractor shall pay to the Owner the cost and expense thereof. The Contractor shall not be entitled to any payment hereunder so long as any defective workmanship, in respect of the Project, of which the Contractor shall have had notice, shall not have been remedied or replaced, as the case may be.

Section 5--Materials. At or prior to the commencement of construction of each Section, the Owner shall make available to the Contractor all materials for such Section which the Owner has on hand, and from time to time as such additional deliveries of materials, if any, are received by the Owner, the Owner shall make such materials available to the Contractor: Provided, however, that the Contractor or his authorized representative will give to the Owner a receipt in such form as the Owner shall approve for all materials furnished by the Owner to the Contractor. The Contractor will return to the Owner or reuse in the construction of other assembly units all materials removed from the lines under Section H - Conversion Assembly Units and Section I - Removal Assembly Units. Upon completion of each Section of the Project the Contractor will return to the Owner all materials, including usable materials as well as scrap, furnished by the Owner in excess of those required for the construction of the Section as determined from the Final Inventory approved by the Owner. The Contractor will reimburse the Owner at the current invoice cost to the Owner for loss and for breakage through Contractor's negligence of materials furnished by the Owner to the Contractor and for materials removed from the lines by the Contractor.

Section 6--Term of Contract. It is understood and agreed that, notwithstanding any other provisions of this Contract, the Contractor will not be required to commence any construction after the expiration of one year following acceptance of this Proposal by the Owner.

ARTICLE III--PAYMENT

Section 1--Payments to Contractor.

- a. Within the first fifteen (15) days of each calendar month, the Owner shall make partial payment to the Contractor for construction accomplished during the preceding calendar month on the basis of completed Construction Units furnished and certified to by the Contractor and approved by the Owner solely for the purpose of payment: Provided, however, that such approval by the Owner shall not be deemed approval of the workmanship or materials. Only ninety percent (90%) of each such estimate approved during the construction of a Section shall be paid by the Owner to the Contractor prior to completion of the Section. Upon completion by the Contractor of the construction of a Section, the Contractor will prepare a Final Inventory of the Section showing the total number and character of Construction Units and, will certify it to the Owner together with a certificate of the total cost of the construction performed. Upon the approval of such certificates, the Owner shall make payment to the Contractor of all amounts to which the Contractor shall be entitled thereunder which shall not have been paid.
- b. The Contractor shall be paid on the basis of the number of Construction Units actually installed at the direction of the Owner, as shown by the Inventory based on the Staking Sheets: Provided, however, that the total cost shall not exceed the maximum Contract price for the construction of the Project, unless such excess shall have been approved in writing by the Owner. It is understood and agreed that this maximum Contract price is _____ dollars (\$ _____). It is also agreed that the Contractor shall not be entitled to any claim for damages on account of any reasonable additions to or subtractions from the Project, or of any delay occasioned thereby, or of any changes in the routing of the lines.
- c. No payment shall be due while the Contractor is in default in respect of any of the provisions of this Contract and the Owner may withhold from the Contractor the amount of any claim by a third party against either the Contractor or the Owner based upon an alleged failure of the Contractor to perform the work hereunder in accordance with the provisions of this Contract.

Section 2--Certificate of Contractor and Indemnity Agreement - Line Extensions. Upon the Completion of Construction of any Section of the Project but prior to payment to the Contractor of any amount in excess of 90 percent (90%) of the total cost of all Construction Units comprising the completed Section, the Contractor shall deliver to the Owner in the form attached hereto, (1) a certificate that all

persons who have furnished labor in connection with the Project and subcontractors who have furnished services for the Project have been paid in full, and (2) an agreement to hold the Owner harmless against any liens arising out of the Contractor's performance hereunder which may have been or may be filed against the Owner.

ARTICLE IV--PARTICULAR UNDERTAKINGS OF THE CONTRACTOR

Section 1. Protection to Persons and Property. The Contractor shall at all times take all reasonable precautions for the safety of employees on the work and of the public, and shall comply with all applicable provisions of Federal, State, and Municipal safety laws and building and construction codes, as well as the safety rules and regulations of the Owner. All machinery and equipment and other physical hazards shall be guarded in accordance with the "Manual of Accident Prevention in Construction" of the Associated General Contractors of America unless such instructions are incompatible with Federal, State, or Municipal laws or regulations.

The following provisions shall not limit the generality of the above requirements:

- a. The Contractor shall at no time and under no circumstances cause or permit any employee of the Contractor to perform any work upon energized lines, or upon poles carrying energized lines, unless otherwise specified in accordance with Article II, Section 1, subsection g.
- b. The Contractor shall so conduct the construction of the Project as to cause the least possible obstruction of public highways.
- c. The Contractor shall provide and maintain all such guard lights and other protection for the public as may be required by applicable statutes, ordinances, and regulations or by local conditions.
- d. The Contractor shall do all things necessary or expedient to protect properly any and all parallel, converging, and intersecting lines, joint line poles, highways, and any and all property of others from damage, and in the event that any such parallel, converging and intersecting lines, joint line poles, highways, or other property are damaged in the course of the construction of the Project the Contractor shall at its own expense restore any or all of such damaged property immediately to as good a state as before such damage occurred.
- e. Where the right-of-way of the Project traverses cultivated lands, the Contractor shall limit the movement of his crews and equipment so as to cause as little damage as possible to crops, orchards, or property and shall endeavor to avoid marring the lands. All fences which are necessarily opened or moved during the construction of the Project shall be replaced in as good condition as they were found and precautions shall be taken to prevent the escape of livestock. Except as otherwise provided in the descriptions of underground plowing and trenching assembly units, the Contractor shall not be responsible for loss of or damage to crops, orchards, or property (other than livestock) on the right-of-way necessarily incident to the construction of the Project and not caused by negligence or inefficient operation of the Contractor. The Contractor shall be responsible for all other loss of or damage to crops, orchards, or property, whether on or off the right-of-way, and for all loss of or damage to livestock caused by the construction of the Project.
- f. The Project, from the commencement of work to completion, or to such earlier date or dates when the Owner may take possession and control in whole or in part as hereinafter provided shall be under the charge and control of the Contractor and during such period of control by the Contractor all risks in connection with the construction of the Project and the materials to be used therein shall be borne by the Contractor. The Contractor shall make good and fully repair all injuries and damages to the Project or any portion thereof under the control of the Contractor by reason of any act of God or other casualty or cause whether or not the same shall have occurred by reason of the Contractor's negligence. The Contractor shall hold the Owner harmless from any and all claims for injuries to persons or for damage to property happening by reason of any negligence on the part of the Contractor or any of the Contractor's agents or employees during the control by the Contractor of the Project or any part thereof.
- g. Any and all excess earth, rock, debris, underbrush, and other useless material shall be removed by the Contractor from the site of the Project as rapidly as practicable as the work progresses.

- h. Upon violation by the Contractor of any provisions of this section, after written notice of such violation given to the Contractor by the Owner, the Contractor shall immediately correct such violation. Upon failure of the Contractor so to do the Owner may correct such violation at the Contractor's expense.
- i. The Contractor shall submit to the Owner monthly reports in duplicate of all accidents, giving such data as may be prescribed by the Owner.
- j. The Contractor shall not proceed with the cutting of trees or clearing of right-of-way without written notification from the Owner that proper authorization has been received from the owner of the property, and the Contractor shall promptly notify the Owner whenever any landowner objects to the trimming or felling of any trees or the performance of any other work on his land in connection with the Project and shall obtain the consent in writing of the Owner before proceeding in any such case.

Section 2--Insurance. The Contractor shall take out and maintain throughout the construction period insurance in the following minimum requirements:

- a. Workmen's compensation insurance covering all employees in statutory limits who perform any of the obligations assumed by the Contractor under the Proposal.
- b. Public liability and property damage liability insurance covering all operations under the Proposal; limits for bodily injury or death not less than \$100,000 for one person and \$300,000 for each accident; for property damage, not less than \$25,000 for each accident and \$50,000 aggregate for accidents during the policy period.
- c. Automobile liability insurance on all self-propelled vehicles used in connection with the contract, whether owned, nonowned, or hired; public liability limits of not less than \$100,000 for one person and \$300,000 for each accident; property damage limit of \$10,000 for each accident.

The Owner shall have the right at any time to require public liability insurance and property damage liability insurance greater than those required in subsections b and c of this Section. In any such event, the additional premium or premiums solely as the result of such additional insurance shall be added to the contract price.

Upon request by the Owner, the Contractor shall furnish a certificate evidencing compliance with the foregoing requirements.

Section 3--Bond. If the estimated cost of the construction of a Section shall exceed \$25,000, the Contractor agrees to furnish prior to the commencement of such construction, a bond in the penal sum not less than the estimated cost of such Section in the form attached hereto with a Surety or Sureties listed by the United States Treasury Department as acceptable sureties. In the event that the Surety or Sureties on the performance bond delivered to the Owner shall at any time become unsatisfactory to the Owner, the Contractor agrees to deliver to the Owner another or an additional bond.

Section 4--Delivery of Possession and Control to the Owner. Upon written request of the Owner, the Contractor will deliver to the Owner full possession and control of any portion of the Project provided the Contractor shall have been paid at least ninety percent (90%) of the cost of construction of such portion. Upon such delivery of possession and control to the Owner, the risks and obligations of the Contractor as set forth in Section 1f of this Article IV with respect to such portion so delivered to the Owner, shall be terminated; Provided, however, that nothing herein contained shall relieve the Contractor of any liability with respect to defective workmanship as specified in Article II, Section 4.

ARTICLE V--REMEDIES

Section 1--Completion on Contractor's Default. If default shall be made by the Contractor or by any subcontractor in the performance of any of the terms of this Proposal, the Owner, without in any manner limiting its legal and equitable remedies in the circumstances, may serve upon the Contractor and the Surety, if any, a written notice requiring the Contractor to cause such default to be corrected forthwith. Unless within twenty (20) days after the service of such notice upon the Contractor and the Surety, if any, such default shall be corrected or arrangements for the correction thereof satisfactory to the Owner shall be made, the Owner may take over the construction of the Project and prosecute the same to completion by contract or otherwise for the account and at the

expense of the Contractor, and the Contractor shall be liable to the Owner for any cost or expense in excess of the Contract price occasioned thereby. In such event the Owner may take possession of and utilize, in completing the construction of the Project, any materials, tools, supplies, equipment, appliance, and plant belonging to the Contractor or any of its subcontractors, which may be situated at the site of the Project. The Owner in such contingency may exercise any rights, claims, or demands which the Contractor may have against third persons in connection with this Proposal and for such purpose the Contractor does hereby assign, transfer, and set over unto the Owner all such rights, claims, and demands.

ARTICLE VI-- MISCELLANEOUS

Section 1--Patent Infringement. The Contractor will save harmless and indemnify the Owner from any and all claims, suits, and proceedings for the infringement of any patent or patents covering any equipment used in the work.

Section 2--Permits for Explosives. All permits necessary for the handling or use of dynamite or other explosives in connection with the construction of the Project shall be obtained by and at the expense of the Contractor.

Section 3--Compliance with Statutes and Regulations. The Contractor will comply with all applicable statutes, ordinances, rules, and regulations pertaining to the work. The Contractor acknowledges that it is familiar with the Rural Electrification Act of 1936, as amended, the so-called "Kick-Back" Statute (48 Stat. 948), and regulations issued pursuant thereto, and 18 U.S.C. §§287,1001, as amended. The Contractor understands that the obligations of the parties hereunder are subject to the applicable regulations and orders of Governmental agencies having jurisdiction in the premises.

Section 4. Equal Opportunity Provisions.

a. Contractor's Representations.

The Contractor represents that:

It has , does not have , 100 or more employees, and if it has, that

It has , has not , furnished the Equal Employment Opportunity--Employers Information Report EEO-1, Standard Form 100, required of employers with 100 or more employees pursuant to Executive Order 11246 and Title VII of the Civil Rights Act of 1964.

The Contractor agrees that it will obtain, prior to the award of any subcontract for more than \$10,000 hereunder to a subcontractor with 100 or more employees, a statement, signed by the proposed subcontractor, that the proposed subcontractor has filed a current report on Standard Form 100.

The Contractor agrees that if it has 100 or more employees and has not submitted a report on Standard Form 100 for the current reporting year and that if this Contract will amount to more than \$10,000, the Contractor will file such report, as required by law, and notify the Owner in writing of such filing prior to the Owner's acceptance of this Proposal.

b. Equal Opportunity Clause. During the performance of this Contract, the Contractor agrees as follows:

(1) The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: Employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this Equal Opportunity Clause.

(2) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

- (3) The Contractor will send to each labor union or representative of workers, with which it has a collective bargaining agreement or other contract or understanding, a notice to be provided advising the said labor union or workers' representatives of the Contractor's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- (4) The Contractor will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.
- (5) The Contractor will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.
- (6) In the event of the Contractor's noncompliance with the Equal Opportunity Clause of this Contract or with any of the said rules, regulations, or orders, this Contract may be cancelled, terminated, or suspended in whole or in part, and the Contractor may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as provided by law.
- (7) The Contractor will include this Equal Opportunity Clause in every subcontract or purchase order unless exempted by the rules, regulations, or order of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for noncompliance: Provided, however, That in the event a Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the administering agency, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

c. Certificate of Nonsegregated Facilities. The Contractor certifies that it does not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. The Contractor certifies further that it will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. The Contractor agrees that a breach of this certification is a violation of the Equal Opportunity Clause in this Contract. As used in this certification, the term "segregated facilities" means any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Contractor agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods) it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity Clause, and that it will retain such certifications in its files.

Section 5--Franchises and Rights-of-way. The Contractor will be under no obligation to obtain or assist in obtaining any franchises, authorizations, permits, or approvals required to be obtained by the Owner from Federal, State, County, Municipal or other authority; any rights-of-way over private lands or any agreements between the Owner and third parties with respect to the joint use of poles, crossing or any other matter incident to the construction and operation of the Project.

Section 6--Nonassignment of Contract. The Contractor will not assign the Contract effected by an acceptance of this Proposal or any part thereof or enter into any contract with any person, firm or corporation for the performance of the Contractor's obligations thereunder, or any part thereof, without the approval in writing of the Owner.

Section 7--Definitions.

- a. The term "Owner" shall also include an engineer employed by the Owner, or a firm or engineer retained by the Owner, and designated by the Owner to act in that capacity. The Contractor will be notified in writing by the Owner of those designated to act for the Owner at the time of acceptance of this Proposal.
- b. The term "Completion of Construction" shall mean full performance by the Contractor of the Contractor's obligations under the contract and all amendments and revisions thereof relating to any Section of the Project or to the Project except the Contractor's obligations in respect of (i) Certificate of Contractor and Indemnity Agreement - Line Extensions under Article III, Section 2 hereof and (ii) the Final Inventory referred to in Article III, Section 1a hereof.
- c. The term "Completion" shall mean full performance by the Contractor of the Contractor's obligations under the Contract and all amendments and revisions thereof relating to any Section of the Project or to the Project.

Section 8--Extension to Successors and Assigns. Each and all of the covenants and agreements contained in the Contract effected by the acceptance of the Proposal shall extend to and be binding upon the successors and assigns of the parties thereto.

Five C Const.
(Contractor)

By Ronnie Carey
(President)

346 Turner Rd
Gray, Ky 40734
(Address)

ATTEST:

Arcella Foley
(Secretary)

Date of Proposal _____

This Proposal must be signed with the full name of the Contractor. If the Contractor is a partnership, the Proposal must be signed in the partnership name by a partner. If the Contractor is a corporation, the Proposal must be signed in the corporate name by a duly authorized officer and the corporate seal affixed and attested by the Secretary of the Corporation.

SECTION D - CONDUCTOR ASSEMBLY UNITS

A conductor assembly unit consists of the installation of 1,000 feet of conductor or cable for primaries, secondaries or services. Tree trimming necessary for installing services and secondaries on poles not carrying primary line is included with the conductor assembly unit and shall be performed in accordance with the directions of the Owner. The service shall be connected to the secondary or transformer and 2 feet of conductor or cable shall be left for connecting to the consumer's service entrance. In computing the compensation to the Contractor for conductor assembly units only the horizontal distance between conductor supports or pole stakes shall be used. The conductor or cable sizes and types listed are the manufacturer's designation.

UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE

SECTION E - GUY ASSEMBLY UNITS

A guy assembly unit consists of the installation of the hardware and wire, and guy insulator where necessary. An overhead guy assembly unit does not include the associated pole and down guy, each of which is listed separately. Guy guards are designated separately.

UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE

SECTION F - ANCHOR ASSEMBLY UNITS

An anchor assembly unit consists of the installation of an anchor with rod complete, ready for attaching the guy wire.

UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE

SECTION G - TRANSFORMER ASSEMBLY UNITS

A transformer assembly unit consists of the installation of the transformer, its protective equipment and its hardware and leads with their connectors and supporting insulators and pins. This unit does not include the installation of the pole top, secondary, service, or grounding assemblies.

UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE

SECTION J - SECONDARY ASSEMBLY UNITS

A secondary assembly unit consists of the installation of the hardware, insulators, etc., to support the secondary conductor or cable. It does not include the installation of the secondary conductor or cable, or of any hardware, insulators, etc., required to support service conductors or cable.

UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE

SECTION K - SERVICE ASSEMBLY UNITS

A service assembly unit consists of the installation of the hardware, insulators, etc. to support the service conductors or cable. It does not include the installation of the service conductor or cable, or of any hardware, insulators, etc. required to support secondary conductors or cable.

UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE	UNIT NO.	UNIT LABOR PRICE

Section R--RIGHT-OF-WAY CLEARING UNITS (Continued)

R1-20. This unit is identical with R1-10 except that width is 20 feet (to be measured 10 feet on each side of the pole line).

R1-30. This unit is identical with R1-10 except that width is 30 feet (to be measured 15 feet on each side of the pole line).

R1-40. This unit is identical with R1-10 except that width is 40 feet (to be measured 20 feet on each side of the pole line).

RC1-10, RC1-20, RC1-30, RC1-40. These units are identical to the respective R1 units except that chemical treatment of stumps is required in addition to the clearing of underbrush, tree removal and tree trimming.

Additional Requirements (When specifying R1 units denote type of disposal (AorB).)

A. Trees, brush, branches and refuse shall, without delay, be disposed of by such of the following methods as the Owner will direct (Owner to strike out methods not to be used):

1. Burned
2. Piled on one side of right-of-way
3. Roller chopped and left on right-of-way in such a manner as not to obstruct roads, ditches, drains, etc.
4. Other (describe) _____

B. Trees that are felled shall be cut to commercial wood lengths, stacked neatly, and left on the right-of-way for the landowner. Commercial wood length means the length designated by the Owner but in no case shall it be required to be less than _____ (_____) feet. Brush, branches, and refuse shall, without delay, be disposed of by such of the following methods as the Owner will direct (Owner to strike out methods not to be used):

1. Burned
2. Piled on one side of right-of-way
3. Roller chopped and left on right-of-way in such a manner as not to obstruct roads, ditches, drains, etc.
4. Other (describe) _____

Unit No.	Unit Labor Price	Unit No.	Unit Labor Price	Unit No.	Unit Labor Price

Section S--SUBSTATION ASSEMBLY UNITS

A substation assembly unit consists of the complete substation ready for connection of the line conductors, as shown on the substation drawings attached.

Unit No.	Unit Labor Price	Unit No.	Unit Labor Price	Unit No.	Unit Labor Price

Section UD--UNDERGROUND CABLE ASSEMBLY UNITS

An underground cable assembly unit consists of the installation of 1000 feet of cable for underground primaries, secondaries or services. It does not include the plowing, trenching and backfilling, or the termination of the primary cable which are provided for in other assembly units. It includes the labor for the termination, connection and sealing of secondary and service cables and conductors as shown in the specifications and construction drawings, and the labor for making all primary, secondary and service cable splices (buried cable may be spliced only when and where permitted by the Owner).* In computing the compensation to the Contractor for underground cable assembly units, only the distance between stakes, paralleling the cable shall be used. The number of units so computed includes all installation of cable in all specified trenches, risers, conduits, crossings, manholes, transformers, terminal housings and meter boxes.** The conductor or cables listed are the manufacturer's designation of types, size, voltage rating and material. The Contractor and the Owner shall jointly perform cable acceptance tests on installed cable in accordance with the specifications using test equipment furnished by the _____.
(Owner to insert Owner or Contractor).

- *Owner check here if primary splices are permitted.
- *Owner check here if secondary and service splices are permitted.
- **Owner check here if 12 feet of service conductor is to be left as a coil three feet from the building with ends capped instead of connection to meter box.

Unit No.	Unit Labor Price	Unit No.	Unit Labor Price	Unit No.	Unit Labor Price

Section UG - UNDERGROUND TRANSFORMER ASSEMBLY UNITS

An underground transformer assembly unit consists of the installation of the transformer, its housing, warning sign, switches, over-current protective devices, grounding loop, and its hardware and leads with their connectors and supporting insulators. This unit also includes the installation of primary cable terminations but not of lightning arresters, fault indicators or ground rods, nor does it include any trenching. For pad-mount transformers, it does not include installation of the pad, drainable material, backfilling, compaction, or site preparation which are included in the pad assembly units. For submersible transformers it includes the installation of cable terminations, of the enclosure and cover, of drainable material (when specified)* and the excavation.

- *Owner check here if drainable material is specified.

Unit No.	Unit Labor Price	Unit No.	Unit Labor Price	Unit No.	Unit Labor Price

Section UK - UNDERGROUND SECONDARY AND SERVICE ASSEMBLY UNITS

An underground secondary and service assembly unit consists of the installation of the secondary or service cable terminal housing. It includes the installation of the power pedestal, stake (when required), mounting hardware, warning sign, directional marker, housing identification marking, and the cable identification tags. It does not include the installation of the cable terminations, ground rod, or pad, when required.

Unit No.	Unit Labor Price	Unit No.	Unit Labor Price	Unit No.	Unit Labor Price

Section UM - MISCELLANEOUS UNDERGROUND ASSEMBLY UNITS

A miscellaneous underground assembly unit consists of the installation of an additional unit needed in the Project for new construction, but not otherwise listed in the Proposal. This section includes the installation of the miscellaneous assembly units as shown on the respective underground construction drawings. Where miscellaneous units consist of or include the installation of a primary cable termination, the unit includes the preparation of the cable to accommodate the termination, the installation of the stress cone, and the connection of the cable to the terminal equipment. Pad assembly units are in this section and include the installation of the bedding, drainable material (when specified), cable slot, and site preparation, backfilling and tamping.

Unit No.	Unit Labor Price	Unit No.	Unit Labor Price	Unit No.	Unit Labor Price

Section UR - UNDERGROUND EXCAVATION ASSEMBLY UNITS

UR1-S (D) Plowing Assembly Unit, Soil - Consists of one (1) lineal foot of plowing in soil, measured parallel to the surface of the ground, to a specified depth (D), in inches, including the compacting, except as specifically provided for in other units. This unit includes all labor required in the repair and/or replacement of streets, roads, drives, fences, lawns, shrubbery, watermains, pipes, pipelines and contents, underground power and telephone facilities, buried sewerage and drainage facilities, and any other property damaged during the plowing of the cable, except as specifically provided for in other units. NOTE: Where in the judgment of the Owner greater than normal difficulty will be involved in plowing because of the presence of underground facilities of other

Section UR - UNDERGROUND EXCAVATION ASSEMBLY UNITS (Continued)

utilities, this unit will be suffixed by the letter "T". This will be applicable only in those areas pre-designated by the Owner on the detail maps herein. All plowing outside of the pre-designated area on the map, regardless of the difficulty in placement actually experienced, will be inventoried as the regular UR1-S (D) units. If field conditions show the existence of rock to prevent the placing of the cable in soil to the depth required in the specifications the Owner may specify UR2-R units. Where more than one cable is to be installed in the slot, the UR1-S unit designation should be modified by a suffix corresponding to the number of cables installed. For example, UR1-S(D)3c for 3 cables plowed at one time.

- UR2-S (D&W) Trenching Assembly Unit, Soil - Consists of one (1) lineal foot of trenching in soil, measured parallel to the surface of the ground, to a specified depth (D) and width (W), in inches, including the excavation, and backfilling and compacting. This unit includes all labor required in the repair and/or replacement of streets, roads, drives, fences, lawns, shrubbery, watermains, pipes, pipelines and contents, underground power and telephone facilities, buried sewerage and drainage facilities, and any other property damaged by the trenching, except as specifically provided for in other units. NOTE: Where in the judgment of the Owner greater than normal difficulty will be involved in trenching because of the presence of underground facilities of other utilities, this unit will be suffixed by the letter "T". This will be applicable only in those areas pre-designated by the Owner on the detail maps herein. Where more than one cable is to be installed in the trench, the regular UR2-S unit designation should be modified by a suffix corresponding to the construction drawing for the type of cable placement desired.
- UR2-R (D&W) Trenching Assembly Unit, Rock - Consists of one (1) lineal foot of trenching in rock, measured parallel to the surface of the ground, to specified depth (D) and width (W), in inches, including the excavation, and backfilling and compacting to place cable to the depth specified in the Specifications. This unit will be specified by the Owner only when field conditions at the site show the existence of rock at a depth preventing the placing of the cable in soil to the depths required in the Specifications. This unit includes all labor required in the repair and/or replacement of streets, roads, drives, fences, lawns, shrubbery, watermains, pipes, pipelines and contents, underground power and telephone facilities, buried sewerage and drainage facilities, and any other property damaged by the trenching, except as specifically provided for in other units. This unit does not include underground cable facilities installed in the trench or cable bedding assembly units, when required.
- UR-3 Cable Bedding Assembly Unit - Consists of the installation of one (1) lineal foot of a two-inch bed of clean sand or soil placed in the trench under the cable and a four inch layer of clean sand or soil backfill over the cable to the width of the trench. NOTE: The exact location and number of units shall be determined by the Owner after the trenches are open in those areas where rock or other conditions make special bedding necessary.
- UR-4a Pavement Assembly Unit, Asphalt - Consists of the labor necessary to remove and restore one (1) lineal foot of asphalt pavement, measured along the route of the cable, including any trenching necessary to place the cable at the required depth. All work shall be performed in accordance with the requirements of State or local authorities.
- UR-4c Pavement Assembly Unit, Concrete - Consists of the labor necessary to remove and restore one (1) lineal foot of concrete pavement, measured along the route of the cable, including any trenching necessary to place the cable at the required depth. All work shall be performed in accordance with the requirements of State or local authorities.
- UR-5 () Underground Pipe Crossing Assembly Unit - Consists of the installation of one (1) lineal foot of steel pipe, of the inside diameter, in inches, specified in the last digit of the assembly unit designation, installed in place. This unit includes the pushing of pipe and any excavation, backfilling and tamping necessary for the installation of the pipe. The pipe will be installed at the depth specified by the Owner. The installation of underground cable in the pipe is not included in this unit.

CONSTRUCTION UNITS--LINE CHANGES

The general heading of Line Changes applies to the changing of existing lines or portions thereof from their existing phasing, wire size, and type to new phasing, wire size, and type and the removal of existing lines or portions thereof and replacing with new lines in close proximity thereto. In general line changes involve three types of assembly units as follows:

Section H--Conversion assembly units;

Section I--Removal assembly units;

Section N--New construction assembly units on existing lines or in replacing lines.

The assembly units that are included in Sections H, I, and N are defined by symbols and descriptions which follow together with the applicable descriptions included under New Construction. Where the descriptions are not correct or sufficiently explicit, or when special units are not covered by Construction Drawings, descriptions have been provided by the Owner in the respective sections.

Work included in these sections shall be performed under a schedule of deenergization and operating procedures as set forth by the Owner at the time of release of any Section involving work on existing lines. The Contractor will so plan and perform its work that it will be possible to safely reenergize all lines involved at the expiration of the time limits set up in the schedule to resume service to all consumers being served prior to deenergization. Prior to commencement of work each day on lines to be deenergized, and upon completion of work each day on such lines, the Contractor will notify the Owner thereof in writing or in such other manner as the circumstances permit.

Section H--CONVERSION ASSEMBLY UNITS

Conversion assembly units are pole-top assemblies and cover the furnishing of all labor for changing an existing assembly unit to a new assembly unit, utilizing certain items of materials of the existing assembly unit on poles to be left in place. Any materials removed from the existing assembly units which are not required in the construction of the conversion assembly unit are to be reused by the Contractor in the construction of other assembly units, or returned to Owner's warehouse, as directed by the Owner.

Conversion assembly units are specified by the prefix H with the new construction assembly unit designation shown first and the existing assembly unit designation shown last. For example, an H B1-A1 signifies the conversion of an existing A1 assembly unit to a B1 assembly unit (as was defined in the description of construction assembly units). In this instance the Contractor utilizes the existing pin-type insulator, single upset bolt and neutral spool and installs the additional crossarm, crossarm pins, braces, machine bolt, carriage bolts, lag screw, and insulator supplied by the Owner required for the new unit. The Contractor transports the pole-top pin and two machine bolts to the warehouse or uses them on the Project as directed by the Owner.

The Conversion assembly units also include the furnishing of all labor in the transferring, re-sagging and retying of conductors from one position on the pole to a different position on the pole where such transfers are required. Where replacement of conductor is required, the existing conductor will be removed under Section I and the new conductor installed under Section N.

Where replacement of a pole is required, the existing pole and pole-top assembly will be removed under Section I and the new pole and pole-top assembly will be installed according to Section N and no H units will be involved.

Conversion assemblies are listed in three subsections for converting pole-top assemblies from single to V phase, single to three phase, and V to three phase. The following descriptions apply to only those conversion units not sufficiently explicit:

Unit	Description

Section I--REMOVAL ASSEMBLY UNITS

Removal assembly units cover the furnishing of all labor for the removal of existing units of construction from existing lines, disassembling into material items, and all labor and transportation for the returning of all materials to the warehouse of the Owner in an orderly manner or transporting elsewhere to the site of the Project for reuse in the prosecution of this Contract as directed by the Owner.

The unit removal prices shall include all labor required to reinstall in accordance with specifications any conductors temporarily detached. The Contractor will reinstall at his own expense any other units removed by him for his own convenience.

The removal units are specified by the prefix I and followed by the assembly unit designation of existing assembly unit to be removed. For example, an I-A1 signifies the removal of an A1 assembly unit. The following special notes apply to specific removal units:

a. Poles. All poles of the same height, regardless of pole class, are designated by the same unit. Thus an I-30-foot pole signifies the removal of a 30-foot pole of any class. The Contractor is not required under this unit to remove from the pole any ground wire or pole numbering attached to the pole. This unit includes the refilling and tamping of holes in a workmanlike manner unless they are to be reused.

b. Pole-top Assemblies. The unit of removal of pole-top assemblies includes, in addition to the removal of the assembly itself, any necessary handling, resagging, and retying of conductors in those cases where an existing pole-top assembly will be removed and replaced by a new pole-top assembly and where any existing conductor is to be reused.

The unit of removal of pole-top assemblies also includes any holding or handling of mainline or tap conductors at tap lines, angles, and deadends where such is involved, and the reinstalling of such conductor in accordance with the Specifications; for example, an I-A5-4 will include the disconnection of the tap conductors, snubbing off the tap line at the nearest practical point and the reconnection and resagging of these tap conductors if necessary to the new tap assembly when installed. The new unit of construction, however, will be specified separately in Section N.

c. Conductor. The conductor removal unit covers the removal of 1,000 feet of conductor or cable and reeling or coiling it in a workmanlike manner in such a way that it can be reused by the Contractor or the Owner. The Owner will furnish to the Contractor reels if it is to be returned to the Owner's warehouse on reels. The removal unit for each size of conductor or cable is shown by the prefix I followed by D and the conductor or cable type; thus an I-D 6ACWC signifies the removal unit for 1,000 feet of 6 A Copperweld-copper conductor.

d. Guys. All guys regardless of length, type of attachment, or size of guy strand are specified by the same unit; thus an I-E signifies the removal of any guy.

e. Anchors. Only anchor rods are to be removed by the Contractor in anchor removal units. The anchors will be left in the ground; thus an I-F signifies the removal of any anchor rod. If the rod cannot be unscrewed, the end of the rod shall either be cut off or bent down so that the rod will be at least 18 inches below ground.

f. Transformers. The unit for removal of transformer assembly units is divided into two sections, (1) Conventional Transformer Assembly, and (2) Self-protected Transformer Assembly. Only one unit is specified for each type, and all sizes of transformers from 1 to 15 kVA within each group will be covered by the same unit. "Self-protected" refers to transformers where all protective equipment is mounted on or within the transformer. "Conventional" refers to transformers where protective equipment is mounted separately from the transformer. The unit is designated by the prefix I followed by the description of the unit to be removed; thus, I-G Conventional signifies the removal of a conventional transformer assembly for any size transformer from 1 to 15 kVA.

g. Secondary Units. The unit for removal of secondary assemblies includes, in addition to the removal of the assembly itself, all necessary handling such as untying, resagging, and retying of secondary conductor or cables where existing secondary conductor or cable is to be reused.

In addition, the unit for removal of the secondary assembly includes the handling or holding of any conductor at tap lines where such is involved, and the reinstalling of such tap conductor in accordance with the Specifications.

DISTRIBUTION CONSTRUCTION UNITS--LINE CHANGES (Continued)

h. Service Unit. The unit for removal of service assemblies includes, in addition to the removal of the assembly itself, all necessary handling such as untying, resagging, and retying of service conductor or cable where existing service conductor or cable is to be reused.

The following descriptions apply only to those removal units not sufficiently explicit:

Unit	Description

Section N--NEW ASSEMBLY UNITS

The purpose of this section is to list complete new units of construction where such units are to be added to existing lines or installed in replacing lines.

The units as covered by this section are the same as the units described in Construction Units--New Construction, except that these units are prefixed by the letter N.

For example, an N40-6 unit covers the furnishing of all labor for the installation of a 40-6 pole either in an existing distribution line being operated by the Owner or in a new line being constructed to replace an existing distribution line being operated by the Owner.

The following descriptions apply only to those new units not sufficiently explicit:

Unit	Description

ACCEPTANCE

The undersigned hereby accepts the foregoing Proposal of Five C Construction Co
_____, Dated Nov. 11, 2004, to construct the rural electric
Project _____ 19 _____ Line Extensions.

Cumberland Valley Electric, Inc
(Owner)

By Vernon Shelby
(President)

Joseph H. Jay
Secretary

December 31, 2004
Date of Contract

CONTRACTOR'S BOND

1. Know all men that we, _____,
as Principal, and _____,
as Surety, are held and firmly bound unto _____
(hereinafter called the "Owner") and unto the United States of America (hereinafter called the "Government") and unto all persons, firms, and corporations who or which may furnish or perform labor on a Rural Electrification Project known as Project _____

_____ and to their successors and assigns, in the penal sum of _____ dollars (\$ _____), as hereinafter set forth and for the payment of which sum well and truly to be made we bind ourselves, our executors, administrators, successors, and assigns jointly and severally by these presents. Said Project is described in a certain construction contract (hereinafter called the "Construction Contract") between the Owner and the Principal, dated _____, 19_____, pursuant and subject to a certain loan contract (hereinafter called the "Loan Contract") between the Owner and the Government, acting through the Administrator of the Rural Electrification Administration (hereinafter called the "Administrator").

2. The condition of this obligation is such that if the Principal shall well and truly perform and fulfill all the undertakings, covenants, terms, conditions, and agreements of the Construction Contract and any amendments thereto, whether such amendments are for additions, decreases, or changes in materials, their quantity, kind, labor costs, mileage, routing, or any other purpose whatsoever, and whether such amendments are made with or without notice to the Surety, and shall fully indemnify and save harmless the Owner and the Government from all costs and damages which they, or either of them, shall suffer or incur by reason of any failure so to do, and shall fully reimburse and repay the Owner and the Government for all outlay and expense which they, or either of them shall incur in making good any such failure of performance on the part of the Principal, and shall promptly make payment to all persons working on or supplying labor for use in the construction of the Project contemplated in the Construction Contract and any amendments thereto, and shall well and truly reimburse the Owner and the Government, as their respective interests may appear, for any excess in cost of construction of said Project over the cost of such construction as provided in the Construction Contract and any amendments thereto, occasioned by any default of the Principal under the Construction Contract and any amendments thereto, then this obligation shall be null and void, but otherwise shall remain in full force and effect.

3. It is expressly agreed that this bond shall be deemed amended automatically and immediately, without formal and separate amendment thereto, upon any amendment to the Construction, so as to bind the Principal and the Surety to the full and faithful performance of the Construction Contract as so amended, provided only that the total amount of all increases in the cost of construction shall not exceed twenty (20) percent of the amount of the maximum price set forth in the Construction Contract. The term "Amendment," wherever used in this bond, and whether referring to this bond, the Construction Contract, or the Loan Contract, shall include any alteration, addition, extension, modification, amendment, rescission, waiver, release, or annulment, of any character whatsoever.

4. It is expressly agreed that any amendment which may be made by agreement or otherwise between the Principal and the Owner in the terms, provisions, covenants, and conditions of the Construction Contract, or in the terms, provisions, covenants, and conditions of the Loan Contract (including, without limitation, the granting by the Administrator to the Owner of any extension of time for the performance of the obligations of the Owner under the Loan Contract or the granting by the Administrator or the Owner to the Principal of any extension of time for the performance of the obligations of the Principal under the Construction Contract, or the failure or refusal of the Administrator or the Owner to take any action, proceeding, or step to enforce any remedy or exercise any right under either the Construction Contract or the Loan Contract, or the taking of any action, proceeding, or step by the Administrator or the Owner, acting in good faith upon the belief that the same is permitted by the provisions of the Construction Contract or the Loan Contract) shall not in any way release the Principal and the Surety, or either of them, or their respective executors, administrators, successors, or assigns, from liability thereunder. The Surety hereby acknowledges receipt of notice of any amendment, indulgence, or forbearance, made, granted, or permitted.

5. This bond is made for the benefit of all persons, firms and corporations who or which may furnish or perform any labor for or on account of the construction to be performed under the Construction Contract and any amendments thereto, and they, and each of them, are hereby made obligees hereunder with the same force and effect as if their names were written herein as such, and they and each of them may sue hereon.

In witness whereof, the undersigned have caused this instrument to be executed and their respective corporate seals to be affixed and attested by their duly authorized representatives this _____ day of _____, 19_____.

(Principal) (SEAL)

Attest:

By _____

(Secretary)

(Surety) (SEAL)

Attest:

By _____

(Secretary)

(Address of Surety's Home Office)

By _____
(Resident Agent of Surety)

Signatures: The Contractor's Bond must be signed with the full name of the Contractor. If the Contractor is a partnership the Contractor's Bond must be signed in the partnership name by a partner. If the Contractor is a corporation the Contractor's Bond must be signed in the corporate name by a duly authorized officer and the corporate seal affixed and attested by the Secretary of the corporation. A typewritten copy of all such names and signatures shall be appended.

Power of Attorney: The Contractor's Bond must be accompanied by a power of attorney authorizing execution on behalf of the Surety and, in jurisdictions so requiring should be countersigned by a duly authorized resident agent of the Surety.

**CERTIFICATE OF CONTRACTOR
AND INDEMNITY AGREEMENT**
(Line Extensions)

_____, certifies that he is the

_____, of _____
TITLE OR DESIGNATION*

_____, the Contractor, in a contract dated

_____, 19____ entered into between the Contractor and _____
NAME OF CONTRACTOR

_____, the Owner, for the construction of a rural electric

Project (hereinafter referred to as Project), which bears the Project Designation _____
NAME OF REAL BORROWER

_____ 19 _____ Line Extensions, and that he is authorized to and does make this Certificate and Indemnity Agreement on behalf of said Contractor in order to induce the Owner to make payment to the Contractor, in accordance with the provisions of the said contract.

Undersigned further says that all persons who have furnished labor in connection with the Section of the Project represented by the Final Inventory dated _____, in the amount of

\$ _____, have been paid in full; that all manufacturers, materialmen and subcontractors which furnished any materials or services, or both, for the said Section of the Project have been paid in full; that no lien has been filed against the Project and no person has any right to claim any lien against the Project.

Undersigned further says that if the Owner pays the Contractor the contract price for the said Section of the Project the Contractor will indemnify and hold harmless and does hereby undertake and agree to indemnify and hold harmless the Owner from any claim or lien arising out of the negligence or other fault of the Contractor in respect of the performance of the contract which may have been or may be filed against the Owner.

SIGNATURE OF CONTRACTOR

*President, Vice-President, Partner or Owner, or, if signed by other than one of foregoing, Power of Attorney signed by one of the foregoing should be attached. Indicate applicable designation.

SUPPLEMENTAL CONTRACT
FOR
ADDITIONAL PROJECT

DATE

TO:

CONTRACTOR

Pursuant to Article 1, Section 2 of the Contractor's Proposal dated _____, for the rural electric Project _____, we request that you construct Additional Project No. _____, consisting of approximately the following system improvement and line extension work: _____

The Additional Project is to be constructed in accordance with all of the provisions of the Contractor's Proposal, except:

1. The time for completion of the Additional Project shall be _____
2. The prices for Construction Units for the Additional Project are as shown in Appendix A attached hereto.

Please indicate your acceptance of the foregoing by signing below, return two signed copies and retain one copy.

Sincerely,

Enclosures

OWNER

By

PRESIDENT, VICE PRESIDENT *

ACCEPTANCE:

CONTRACTOR

By

PRESIDENT, VICE PRESIDENT, PARTNER*

DATE

*Strike out inapplicable designation

U.S. Department of Agriculture
Rural Utilities Service

ELECTRIC SYSTEM CONSTRUCTION CONTRACT
NON-SITE SPECIFIC CONSTRUCTION

NOTICE AND INSTRUCTIONS TO BIDDERS

1. **Sealed proposals for the construction, including the supply of necessary labor, materials and equipment, of a rural electric project of** Cumberland Valley Electric, RUS designation KY57, (hereinafter called the "Owner") will be received by the Owner on or before 11:00 o'clock A M., November 27th, 2006, at its office at Highway 25E, Gray, Kentucky at which time and place the proposals will be publicly opened and read. Any proposals received subsequent to the time specified will be promptly returned to the Bidder unopened.
2. **Owner Furnished Materials.** The unit prices in the Contractor's Proposal are to include provisions for Owner Furnished Materials since as stated in Article I, Section 3 of the Contractor's Proposal, the value of the Owner Furnished Materials, if any, will be deducted from payments to the Bidder for completed Construction Units.
3. **Obtaining Documents.** The Plans, Specifications and Construction Drawings, together with all necessary forms and other documents for bidders may be obtained from the Owner, or from the Engineer Mark Abner at the latter's office at Highway 25E, Gray, Kentucky upon the payment of \$ 0.00, which payment will not be subject to refund. The Plans, Specifications, and Construction Drawings may be examined at the office of the Owner or at the office of the Engineer.
4. **Manner of Submitting Proposals.** Proposals and all supporting instruments must be submitted on the forms furnished by the Owner and must be delivered in a sealed envelope addressed to the Owner. The name and address of the Bidder, its license number if a license is required by the State, and the date and hour of the opening of bids must appear on the envelope in which the Proposal is submitted. Proposals must be completed in ink or typewritten. No alterations or interlineations will be permitted, unless made before submission, and initialed and dated. The successful Bidder will be required to execute two additional counterparts of the Proposal.
5. **Due Diligence.** Prior to the submission of the Proposal, the Bidder shall make and shall be deemed to have made a careful examination of the site of the project and of the Plans, Specifications, Construction Drawings, and forms of Contractor's Proposal and Contractor's Bond, and shall review the location and nature of the proposed construction, the transportation facilities, the kind and character of soil and terrain to be encountered, the kind of facilities required before and during the construction of the project, general local conditions, environmental and historic preservation considerations, and all other matters that may affect the cost and time of completion of the project. Bidder will be required to comply with all federal, state, and local laws, rules, and regulations applicable to its performance, including those pertaining to the licensing of contractors, and the Anti Kick-Back Act of 1986 (41 U.S.C. 51 et seq).
6. **Proposals will be accepted only from those prequalified bidders invited by the Owner to submit a proposal.**

7. **The Time for Completion of Construction** of the project is of the essence of the Contract and shall be as specified by the Engineer in the Proposal.
8. **Bid Bond.** Each Proposal must be accompanied by a Bid Bond in the form attached hereto or a certified check on a bank that is a member of the Federal Deposit Insurance Corporation, payable to the order of the Owner, in an amount equal to ten percent (10%) of the maximum bid price. Each Bidder agrees, provided its Proposal is one of the three low Proposals, that, by filing its Proposal together with such Bid Bond or check in consideration of the Owner's receiving and considering such Proposals, said Proposal shall be firm and binding upon each such Bidder and such Bid Bond or check shall be held by the Owner until a Proposal is accepted and a satisfactory Contractor's Bond is furnished (where required) by the successful Bidder or for a period not to exceed sixty (60) days from the date hereinbefore set for the opening of Proposals, whichever period shall be the shorter. If such Proposal is not one of the three low Proposals, the Bid Bond or check will be returned in each instance within a period of ten (10) days to the Bidder furnishing same.
9. **Contractor's Bond.** If the estimated cost of the construction of a Section shall exceed \$100,000, the Bidder agrees to furnish a Contractor's Bond in triplicate in the form attached hereto with sureties listed by the United States Treasury Department as Acceptable Sureties, in a penal sum not less than the estimated cost of such Section.
10. **Failure to Furnish Contractor's Bond.** Should the successful Bidder fail or refuse to execute such counterparts or to furnish a Contractor's Bond (where required) within ten (10) days after written notification of the acceptance of the Proposal by the Owner, the Bidder will be considered to have abandoned the Proposal. In such event, the Owner shall be entitled (a) to enforce the Bid Bond in accordance with its terms, or (b) if a certified check has been delivered with the Proposal, to retain from the proceeds of the certified check, the difference (not exceeding the amount of the certified check) between the amount of the Proposal and such larger amount for which the Owner may in good faith contract with another party to construct the project. The term "Successful Bidder" shall be deemed to include any Bidder whose Proposal is accepted after another Bidder has previously refused or has been unable to execute the counterparts or to furnish a satisfactory Contractor's Bond (where required.)
11. **Debarment Certification.** The Bidder must provide to the Owner a suspension and debarment certificate in the form attached hereto.
12. **Contract is Entire Agreement.** The Contract to be effected by the acceptance of the Proposal shall be deemed to include the entire agreement between the parties thereto, and the Bidder shall not claim any modifications thereof resulting from any representation or promise made at any time by any officer, agent or employee of the Owner or by any other person.
13. **Minor Irregularities.** The Owner reserves the right to waive minor irregularities or minor errors in any Proposal, if it appears to the Owner that such irregularities or errors were made through inadvertence. Any such irregularities or errors so waived must be corrected on the Proposal in which they occur prior to the acceptance thereof by the Owner.
14. **Bid Rejection.** The Owner reserves the right to reject any or all Proposals.
15. **Discrepancy in Unit Prices.** Where the unit prices in the Contractor's Proposal are separated into three columns designated as "Labor," "Materials," and "Labor and Materials," and where a discrepancy appears between the sum shown in the "Labor and Materials" column and the correct addition of the sums appearing in the "Labor" column and the "Materials" column, the correct addition of the sums appearing in the "Labor" column and the "Materials" column shall control. Similarly, the quantities appearing in the "No. of Units" column multiplied by the correct addition of the sums in the "Labor" column and the "Materials" shall control the amounts appearing in the "Extended Price - Labor & Materials" column. Likewise, the correct extensions shall control the amounts appearing in the "Total, Part ___" line for each respective part.
16. **Definition of Terms.** The terms "Administrator," "Engineer," "Completion of Construction," and "Completion of the Project" as used throughout this Contract shall be as defined in Article VI, Section 1, of the Proposal.

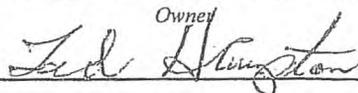
17. The Owner Represents:

- a. *If by provisions of the Proposal the Owner shall have undertaken to furnish any materials for the construction of the project, such materials are on hand at locations specified or if such materials are not on hand they will be made available by the Owner to the successful Bidder at the locations specified before the time such materials are required for construction.*
- b. *All titles, easements and rights-of-way, except as shown on maps included in the Plans and Specifications, have been obtained from the owners of the properties on which the project is to be constructed (including tenants who may reasonably be expected to object to such construction). The remaining easements and rights-of-way, if any, will be obtained as required to avoid delay in construction.*
- c. *All staking, except as shown on the maps included in the Plans and Specifications, has been completed and sufficient staking crews will be available to maintain stakes at all times in advance of construction.*
- d. *Where underground distribution construction is required, permission has been obtained from state and local highway and road authorities to install underground distribution power facilities and set pedestals, if any, on the highway and road right-of-way in the project area. Notwithstanding such permission granted to the Owner, each Bidder is responsible for ascertaining that the equipment, methods of construction, and repair proposed to be used on the project will meet all requirements of public authorities having jurisdiction over highway and road right-of-way. The successful Bidder will be required to furnish proof satisfactory to the Owner of compliance with this requirement. If required by highway or road authorities, the successful Bidder will furnish to such authorities a bond or meet other guaranty requirements to assure the prompt repair of all damages to highways and roads and their associated rights-of-way caused by the Bidder during construction of the project. This requirement is in addition to and independent of the Contractor's Bond required under this Contract. The acceptance of a bid from any Bidder is not to be construed as approval of the Bidder's equipment or proposed construction methods by or on behalf of the highway and road authorities. Bidders may obtain information concerning the requirements of highway and road authorities by communicating with the following:*

-
- e. *All funds necessary for prompt payment for the construction of the project will be available.*

If the Owner shall fail to comply with any of the undertakings contained in the foregoing representation or if any of such representations shall be incorrect, the Bidder will be entitled to an extension of time of completion for a period equal to the delay, if any, caused by the failure of the Owner to comply with such undertakings or by any such incorrect representation; provided the Bidder shall have promptly notified the Owner in writing of its desire to extend the time of completion in accordance with the foregoing; provided, however, that such extension, if any, of the time of completion shall be the sole remedy of the Bidder for the Owner's failure, because of conditions beyond the control and without the fault of the Owner, to furnish materials in accordance with subparagraph a. above.

Cumberland Valley Electric

By  ^{Owner}

Manager

Title

10/31, 2006

Date

PROPOSAL

TO:

Cumberland Valley Electric

(hereinafter called the "Owner)."

ARTICLE I --GENERAL

Section 1. Offer to Construct. *The undersigned (hereinafter called the "Bidder") hereby proposes to receive and install such materials and equipment as may hereinafter be specified to be furnished by the Owner, and to furnish all other materials and equipment, all machinery, tools, labor, transportation and other means required to construct the project in strict accordance with the Plans, Specifications and Construction Drawings for the prices hereinafter stated. The Bidder understands and agrees that the Project will consist of line extensions and additions and line changes or similar work usually associated with overhead or underground distribution system improvement or extension work all located within the area served or ultimately to be served by the Owner and that the exact location and scope of individual sections of the Project (hereinafter called "Sections") will be made known to the Bidder from time to time as provided in Article II, Section 1 hereof.*

The total length of the project lines shall be determined by taking the sum of all straight horizontal span distances between pole stakes or from center to center of poles, or centerline of structures, carrying conductors, plus the length of service drops, if any, measured horizontally from center of last pole to the point of attachment to the consumer's building.

Section 2. Materials and Equipment. *The Bidder agrees to furnish and use in the construction of the project under this Proposal, in the event the Proposal is accepted, only such "fully accepted," "conditionally accepted," and "technically accepted" materials and equipment which have been accepted by RUS as indicated in the current RUS Informational Publication 202-1, "List of Materials Acceptable for Use on Systems of RUS Electrification Borrowers," including revisions adopted prior to the Bid Opening. The use of "conditionally accepted" or "technically accepted" materials and equipment requires prior consent by the Owner or Engineer.*

The Bidder agrees that the prices for wood poles, wood crossarms, and other timber products set forth herein shall include the cost of preservative treatment and inspection, insured warranty, or quality assurance. The Bidder further agrees to obtain from the supplier inspection and treatment reports or insured warranties, for checking against the delivered timber, and to submit such reports or warranties to the Owner as one of the prerequisites to monthly and final payments.

The Bidder will purchase all materials and equipment (other than Owner Furnished Materials) outright and not subject to any conditional sales agreements, bailment, lease or other agreement reserving unto the seller any right, title or interest therein. All such materials and equipment shall be new and shall become the property of the Owner when erected in place.

Section 3. Owner Furnished Materials. *The Bidder understands and agrees that, if this Proposal is accepted, the Owner will furnish to the Bidder the material set forth in the attached "List of Owner Furnished Materials." For those items not yet delivered, the Bidder will, on behalf of the Owner, accept delivery of such of the materials as may be subsequently delivered and will promptly forward to the Owner for payment the supplier's invoice. The Bidder will acknowledge in writing the receipt of all materials received as indicated on the List. The materials referred to are on hand at, or will be delivered to, the locations specified in the List and the Bidder will use such materials in constructing the project.*

The value of the completed Construction Units certified by the Bidder each month pursuant to Article III, Section 1. a of the Proposal shall be reduced by an amount equal to the value of the materials installed by the Bidder during the preceding month which have been furnished by the Owner

or the delivery of which has been accepted by the Bidder on behalf of the Owner. Only ninety percent (90%) of the remainder shall be paid prior to the Completion of the project. The value of such materials shall be computed on the basis of the unit prices stated in the Lists. Materials, if any, not required for the project, which have been furnished to the Bidder by the Owner or delivery of which has been accepted by the Bidder on behalf of the Owner, shall be returned to the Owner by the Bidder upon completion of construction of the project. The value of all materials not installed in the project nor returned to the Owner shall be deducted from the final payment to the Bidder.

The Owner shall not be obligated to furnish materials in excess of the quantities, size, kind and type set forth in the attached Lists. If the Owner furnishes, and the Bidder accepts, materials in excess thereof the values of such excess materials shall be their actual cost as stated by the Owner.

Information on the shipping schedules of materials on the "List of Owner Furnished Materials" will be furnished to the Bidder as necessary during progress of the work.

Upon delivery, the Bidder shall promptly receive, unload, transport and handle all materials and equipment on the "List of Owner Furnished Materials" at its expense and shall be responsible for demurrage, if any.

Section 4. Proposal on Unit Basis. *The Bidder understands and agrees that the various Construction Units on which bids are made are defined by symbols and descriptions in this Proposal, that all said bids are on a unit basis, and that the Owner may specify any number or combination of Construction Units that the Owner may deem necessary for the construction of the project. Separate Construction Units are designated for each different arrangement which maybe used in the construction of the project. This Proposal is based on a consideration of each unit in place and includes only the materials listed on the corresponding Construction Drawings or description of unit where no drawing exists.*

Section 5. Description of contract. *The Notice and Instructions to Bidders, Plans, Specifications, and Construction Drawings, which by this reference are incorporated herein, together with the Proposal and Acceptance constitute the Contract. The Plans, Specifications, and Construction Drawings, including maps, special drawings, and approved modifications in standard specifications are attached hereto and identified as follows:*

This is a "Labor Only" hourly contract with a request for equipment
hourly rates as an optional item. Said equipment may be Owner
furnished at Owners option.

Section 6. Due Diligence. *The Bidder has made a careful examination of the site of the project to be constructed and of the Plans, Specifications, Construction Drawings, and form of Contractor's Bond attached hereto, and has become informed as to the location and nature of the proposed construction, the transportation facilities, the kind and character of soil and terrain to be encountered, and the kind of facilities required before and during the construction of the project, and has become acquainted with the labor conditions, federal, state, and local laws, rules, and regulations applicable to its performance.*

Section 7. License. *The Bidder warrants that a Contractor's License is _____, is not X required, and if required,*
it possesses Contractor's License No. _____ for the State of _____
in which the project is located and said license expires on _____, 20 ____ .

Section 8. Warranty of Good Faith. *The Bidder warrants that this Proposal is made in good faith and without collusion or connection with any person or persons bidding for the same work.*

Section 9. Financial Resources.

- a. *The Bidder warrants that it has or will obtain the financial resources necessary to ensure completion of the project.*
- b. *The Bidder agrees that in the event this Proposal is accepted and a Contractor's Bond is required, it will furnish a Contractor's Bond in the form attached hereto, in a penal sum not less than the maximum Contract price, with a surety or sureties listed by the United States Department of Treasury as Acceptable Sureties.*

Section 10. Taxes. *The unit prices for Construction Units in this Proposal include provisions for the payment of all monies which will be payable by the Bidder or the Owner in connection with the construction of the Project on account of taxes imposed by any taxing authority upon the sale, purchase or use of materials, supplies and equipment, or services or labor of installation thereof to be incorporated in the project as part of such Construction Units. The Bidder agrees to pay all such taxes, except taxes upon the sale, purchase or use of Owner Furnished Materials and it is understood that, as to Owner Furnished Materials, the values stated in the attached "List of Owner Furnished Materials" include taxes upon the sale, purchase or use of Owner Furnished Materials, if applicable. The Bidder will furnish to the appropriate taxing authorities all required information and reports pertaining to the project, except as to the Owner Furnished Materials.*

Section 11. Changes in Quantities. *The Bidder understands and agrees that the quantities called for in this Proposal are approximate, and that the total number of units upon which payment shall be made shall be as set forth in the inventory. If the Owner changes the quantity of any unit or units specified in this Proposal by more than fifteen percent (15%) and the materials cost to the Bidder is increased thereby to an extent which would not be adequately compensated by application of the unit prices in this Proposal to the revised quantity of such unit or units, such change, to the extent of the quantities of such units in excess of such fifteen percent (15%) shall be regarded as a change in the construction with in the meaning of Article II, Section 1(d) of this proposal.*

ARTICLE II-CONSTRUCTION

Section 1. Time and Manner of Construction.

- a. *The Bidder agrees to commence construction of the project on a date (hereinafter called the "Commencement Date") which shall be determined by the Engineer after notice to the bidder in writing of acceptance of the proposal by the Owner and notice in writing from the Bidder that the Bidder has sufficient materials to warrant commencement and continuation of construction, but in no event will the Commencement Date be later than 06/01/2007 calendar days after acceptance of the proposal by the Owner. The Bidder further agrees to prosecute diligently and to complete construction in strict accordance with the Plans, Specifications and Construction Drawings within an agreed upon number of calendar days after Commencement Date: Provided, however, that the Bidder will not be required to dig holes, set poles, install anchors, install underground conduit, perform any plowing for the installation of underground cable, or dig trenches if there are more than six (6) inches of frost on the ground nor to perform any construction on such days when in the judgment of the Engineer snow, rain, or wind, or the results of snow, rain, or frost make it impracticable to perform any operation of construction; provided further that the Bidder will not be required to perform any plowing for the installation of underground cable on public roads or highways if there are more than two (2) inches of frost in the ground. To the extent of the time lost due to the conditions described herein and approved in writing by the Engineer, the time of completion set out above will be extended if*

the Bidder makes a written request therefore to the Owner as provided in subsection b of this Section 1.

- b. *The time for Completion of Construction shall be extended for the period of any reasonable delay which is due exclusively to causes beyond the control and without the fault of the Bidder, including Acts of God, fires, floods, inability to obtain materials and acts or omissions of the Owner with respect to matters for which the Owner is solely responsible: Provided, however that no such extension of time for completion shall be granted the Bidder unless within ten (10) days after the happening of any event relied upon by the Bidder for such an extension of time the Bidder shall have made a request therefore in writing to the Owner, and provided further that no delay in such time of completion or in the progress of the work which results from any of the above causes except acts or omissions of the Owner, shall result in any liability on the part of the Owner.*
- c. *The sequence of construction shall be as set forth below, the number or names being the designations of extensions or areas (hereinafter called the "Sections") corresponding to the numbers or names shown on the maps attached hereto, or if no Sections are set forth below, the sequence of construction shall be as determined by the Bidder, subject to the approval of the Engineer.*

As determined by the Owner during the contract period

- d. *The Owner, acting through the Engineer, may from time to time during the progress of the construction of the project make such changes, additions or subtractions from the Plans, Specifications, Construction Drawings, List of Materials and sequence of construction provided for in the previous paragraph which are part of the Contractor's Proposal as conditions may warrant: Provided, however, that if any change in the construction to be done shall require an extension of time, a reasonable extension will be granted if the Bidder shall make a written request therefore to the Owner within (10) days after any such change is made. And provided further, that if the cost to the Bidder of construction of the project shall be materially increased by any such change or addition, the Owner shall pay the Bidder for the reasonable cost thereof in accordance with a Construction Contract Amendment signed by the Owner and the Bidder, but no claim for additional compensation for any such change or addition will be considered unless the Bidder shall have made a written request therefore to the Owner prior to the commencement of work in connection with such change or addition.*
- e. *It is understood and agreed that, notwithstanding any other provisions of this Contract, the Bidder will not be required to commence any construction after the expiration of 2 year(s)¹ following acceptance of this Proposal by the Owner.*

Section 2. Environmental Protection. *The Bidder shall perform the work in compliance with all applicable Federal, State, and local Environmental Laws. For purposes of this Agreement, the term "Environmental Laws" shall mean all Federal, state, and local laws including statutes, regulations, ordinances, codes, rules, and other governmental restriction and requirements relating to the environment or solid waste, hazardous substances, hazardous waste, toxic or hazardous material, pollutants or contaminants including, but not limited to the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. §§ 9601, et seq., the Federal Water Pollution Control Act, as amended, 33 U.S.C. §§ 1251, et seq., and the Solid Waste Disposal Act, as amended, 42 U.S.C. §§ 6901, et seq., now or at any time hereafter in effect.*

Section 3. Tools, Equipment, and Qualified Personnel. *The Bidder agrees that in the event this Proposal is accepted it will make available for use in connection with the proposed construction all necessary tools and equipment and qualified supervisors and workers.*

¹ Owner to insert a number from 1 to 4.

Section 4. Changes in Construction. *The Bidder agrees to make such changes in construction previously installed in the project by the Bidder as required by the Owner for prices arrived at as follows:*

- a. *For substations and other units where only a portion of the complete unit is affected by the change, the compensation for such change shall be as agreed upon in writing by the Bidder and the Owner prior to the commencement of work in connection with such change.*
- b. *For all other units, the compensation for such change shall be the reasonable cost thereof as agreed upon by the Bidder and the Owner, but in no event shall it exceed two (2) times the labor price quoted in the Proposal for the installation of the unit to be changed. Such compensation shall be in lieu of any other payment for the installation and removal of the original unit. (If a new or replacing unit is installed, payment for such new or replacing unit shall be made as shown in the final inventory)*

No payment shall be made to the Bidder for materials or labor involved in correcting errors or omissions on the part of the Bidder which result in construction not in accordance with the Plans and Specifications.

Section 5. Construction Not in Proposal. *The Bidder also agrees that when it is necessary to construct units not shown in the Proposal, in absence of other mutual agreement, it will construct such units for a price arrived at as follows:*

- a. *The cost of materials shall be determined by the invoices.*
- b. *The cost of labor shall be the reasonable cost thereof but in no event shall it exceed an amount determined by calculating the ratio of the total labor costs to the total material costs in the section of the Proposal involved, and multiplying the cost of materials for the unit in question by this ratio.*

Section 6. Supervision and Inspection.

- a. *The Bidder shall give sufficient supervision to the work, using its best skill and attention. The Bidder will carefully study and compare all drawings, specifications and other instructions and will at once report to the Owner any error, inconsistency or omission which it may discover. The Bidder shall cause the construction work on the project to receive constant supervision by a competent superintendent (hereinafter called the "Superintendent") who shall be present at all times during working hours where construction is being carried on. The Bidder shall also employ, in connection with the construction of the project, capable, experienced and reliable supervisors and such skilled workers as may be required for the various classes of work to be performed. The Bidder shall be solely responsible for the means and methods of construction and for the supervision of the Bidder's employees.*
- b. *The Owner reserves the right to require the removal from the project of any employee of the Bidder if in the judgment of the Owner such removal shall be necessary in order to protect the interest of the Owner. The Owner shall have the right to require the Bidder to increase the number of its employees and to increase or change the amount or kind of tools and equipment if at any time the progress of the work shall be unsatisfactory to the Owner; but the failure of the Owner to give any such directions shall not relieve the Bidder of its obligations to complete the work within the time and in the manner specified in this Proposal.*
- c. *The construction of the project and all materials and equipment used therein, shall be subject to the inspection, tests, and acceptance by the Owner and the Administrator and the Bidder shall furnish all information required by the Owner or by the Administrator concerning the nature or source of any materials incorporated or to be incorporated in the project. All Bidder procedures and records pertaining to the work shall be made available to the Owner and the Administrator for review prior to such inspections and tests. The Bidder shall provide all reasonable facilities necessary for such inspection and tests and shall maintain an office at the site of the project, with telephone service where obtainable and at least one office employee to whom communications*

from the Owner may be delivered. Delivery of such communications in writing to the employee of the Bidder at such office shall constitute delivery to the Bidder. The Bidder shall have an authorized agent accompany the Engineer when final inspection is made and, if requested by the Owner, when any other inspection is made. The performance of such inspections or tests by the Owner or the Administrator shall not relieve the Bidder of its obligations to perform the work in accordance with the requirements of this Contract.

- d. In the event that the Owner, or the Administrator, shall determine that the construction contains or may contain numerous defects, it shall be the duty of the Bidder and the Bidder's Surety or Sureties, if any, to have an inspection made by an engineer approved by the Owner and the Administrator, if approval by the Administrator is required, for the purpose of determining the exact nature, extent and location of such defects.
- e. The Engineer may recommend to the Owner that the Bidder suspend the work wholly or in part for such period or periods as the Engineer may deem necessary due to unsuitable weather or such other conditions as are considered unfavorable for satisfactory prosecution of the work or because of the failure of the Bidder to comply with any of the provisions of the Contract: Provided, however, that the Bidder shall not suspend work pursuant to this provision without written authority from the Owner so to do. The time of completion hereinabove set forth shall be increased by the number of days of any such suspension, except when such suspension is due to the failure of the Bidder to comply with any of the provisions of this Contract. In the event that work is suspended by the Bidder with the consent of the Owner, the Bidder before resuming work shall give the Owner at least twenty-four (24) hours notice thereof in writing.

Section 7. Defective Materials and Workmanship.

- a. The acceptance of any materials, equipment (except Owner Furnished Materials) or any workmanship by the Owner or the Engineer shall not preclude the subsequent rejection thereof if such materials, equipment, or workmanship shall be found to be defective after delivery or installation, and any such materials, equipment or workmanship found defective before final acceptance of the construction shall be replaced or remedied, as the case may be, by and at the expense of the Bidder. Any such condemned material or equipment shall be immediately removed from the site of the project by the Bidder at the Bidder's expense. The Bidder shall not be entitled to any payment hereunder so long as any defective materials, equipment or workmanship in respect to the project, of which the Bidder shall have had notice, shall not have been replaced or remedied, as the case may be.
- b. Notwithstanding any certificate which may have been given by the Owner or the Engineer, if any materials, equipment (except Owner Furnished Materials) or any workmanship which does not comply with the requirements of this Contract shall be discovered within one (1) year after Completion of Construction of the project, the Bidder shall replace such defective materials or equipment or remedy any such defective workmanship within thirty (30) days after notice in writing of the existence thereof shall have been given by the Owner. If any such defective materials, equipment, or workmanship so replaced or repaired is found to be defective within one year after the completion of the replacement or repair, the Bidder shall replace or remedy such defective materials, equipment, or workmanship. If the Bidder shall be called upon to replace any defective materials or equipment or to remedy defective workmanship as herein provided, the Owner, if so requested by the Bidder shall deenergize that section of the project involved in such work. In the event of failure by the Bidder so to do, the Owner may replace such defective materials or equipment or remedy such defective workmanship, as the case may be, and in such event the Bidder shall pay to the Owner the cost and expense thereof.

- e. *No payment shall be due while the Bidder is in default in respect of any of the provisions of this Contract and the Owner may withhold from the Bidder the amount of any claim by a third party against either the Bidder or the Owner based upon an alleged failure of the Bidder to perform the work hereunder in accordance with the provisions of this Contract.*
- f. *The Owner and the Administrator shall have the right to inspect all payrolls, invoices of materials, and other data and records of the Bidder and of any subcontractor, relevant to the construction of the project.*

Section 2. Release of Liens and Certificate of Contractor. *Upon the completion by the Bidder of the construction of the project (or any Section thereof if the Bidder shall elect to receive payment in full for any Section when completed as provided above) but prior to final payment to the Bidder, the Bidder shall deliver to the Owner, in duplicate, releases of all liens and of rights to claim any lien, in the form attached hereto from all manufacturers, material suppliers, and subcontractors furnishing services or materials for the project or such Section and a certificate in the form attached hereto to the effect that all labor used on or for the project or such Section has been paid and that all such releases have been submitted to the Owner.*

Section 3. Payments to Material Suppliers and Subcontractors. *The Bidder shall pay each material supplier, if any, within five (5) days after receipt of any payment from in the Owner, the amount thereof allowed the Bidder for and on account of materials furnished or construction performed by each material supplier or each subcontractor.*

ARTICLE IV--PARTICULAR UNDERTAKINGS OF THE BIDDER

Section 1. Protection to Persons and Property. *The Bidder shall at all times take all reasonable precautions for the safety of employees on the work and of the public, and shall comply with all applicable provisions of federal, state, and local laws, rules, and regulations and building and construction codes, in addition to the safety rules and procedures of the Owner.*

The following provisions shall not limit the generality of the above requirements:

- a. *The Bidder shall at no time and under no circumstances cause or permit any employee of the Bidder to perform any work upon energized lines, or upon poles carrying energized lines, unless otherwise specified in the Notice and Instructions to Bidders.*
- b. *The Bidder shall transport and store all material in facilities and vehicles which are designed to protect the material from damage. The Bidder shall ensure that all vehicles, trailers, and other equipment used comply with all applicable licensing, traffic, and highway requirements.*
- c. *The Bidder shall so conduct the construction of the project as to cause the least possible obstruction of public highways.*
- d. *The Bidder shall provide and maintain all such guard lights and other protection for the public as may be required by applicable statutes, ordinances and regulations or by local conditions.*
- e. *The Bidder shall do all things necessary or expedient to properly protect any and all parallel, converging and intersecting lines, joint line poles, highways and any and all property of others from damage, and in the event that any such parallel, converging and intersecting lines, joint line poles, highways or other property are damaged in the course of the construction of the project the Bidder shall at its own expense restore any or all of such damaged property immediately to as good a state as before such damage occurred.*
- f. *Where the right-of-way of the project traverses cultivated or grazing lands, the Bidder shall limit the movement of its crews and equipment so as to cause as little damage as possible to crops, orchards or property and shall endeavor to avoid marring the lands. All fences which are necessarily opened or moved during the construction of the project shall be replaced in as good*

condition as they were found and precautions shall be taken to prevent the escape of livestock. Except as otherwise provided in the descriptions of underground plowing and trenching assembly units, the Bidder shall not be responsible for loss of or damage to crops, orchards or property (other than livestock) on the right-of-way necessarily incident to the construction of the project and not caused by negligence or inefficient operation of the Bidder. The Bidder shall be responsible for all other loss of or damage to crops, orchards, or property, whether on or off the right-of-way, and for all loss of or damage to livestock caused by the construction of the project.

The right-of-way for purposes of this said section shall consist of an area extending _____ feet on both sides of the center line of the poles along the route of the project lines, plus such area reasonably required by the Bidder for access to the route of the project lines from Public roads to carry on construction activities.

- g. The project, from the commencement of work to completion, or to such earlier date or dates when the Owner may take possession and control in whole or in part as hereinafter provided shall be under the charge and control of the Bidder and during such period of control by the Bidder all risks in connection with the construction of the project and the materials to be used therein shall be borne by the Bidder. The Bidder shall make good and fully repair all injuries and damages to the project or any portion thereof under the control of the Bidder by reason of any act of God or other casualty or cause whether or not the same shall have occurred by reason of the Bidder's negligence.
- (i) To the maximum extent permitted bylaw, Bidder shall defend, indemnify, and hold harmless Owner and Owner's directors, officers, and employees from all claims, causes of action, losses, liabilities, and expenses (including reasonable attorney's fees) for personal loss, injury, or death to persons (including but not limited to Bidder's employees) and loss, damage to or destruction of Owner's property or the property of any other person or entity (including but not limited to Bidder's property) in any manner arising out of or connected with the Contract, or the materials or equipment supplied or services performed by Bidder, its subcontractors and suppliers of any tier. But nothing herein shall be construed as making Bidder liable for any injury, death, loss, damage, or destruction caused by the sole negligence of Owner
- (ii) To the maximum extent permitted by law, Bidder shall defend, indemnify, and hold harmless Owner and Owner's directors, officers, and employees from all liens and claims filed or asserted against Owner, its directors, officers, and employees, or Owner's property or facilities, for services performed or materials or equipment furnished by Bidder, its subcontractors and suppliers of any tier, and from all losses, demands, and causes of action arising out of any such lien or claim. Bidder shall promptly discharge or remove any such lien or claim by bonding, payment, or otherwise and shall notify Owner promptly when it has done so. If Bidder does not cause such lien or claim to be discharged or released by payment, bonding, or otherwise, Owner shall have the right (but shall not be obligated) to pay all sums necessary to obtain any such discharge or release and to deduct all amounts so paid from the amount due Bidder.
- (iii) Bidder shall provide to Owner's satisfaction evidence of Bidder's ability to comply with the indemnification provisions of subparagraphs i and ii above, which evidence may include but may not be limited to a bond or liability insurance policy obtained for this purpose through a licensed surety or insurance company.
- h. Any and all excess earth, rock, debris, underbrush and other useless materials shall be removed by the Bidder from the site of the project as rapidly as practicable as the work progresses.
- i. Upon violation by the Bidder of any of the provisions of this section, after written notice of such violation given to the Bidder by the Engineer or the Owner, the Bidder shall immediately correct such violation. Upon failure of the Bidder so to do the Owner may correct such violation at the Bidder's expense: Provided, however, that the Owner may, if it deems it necessary or advisable, correct such violation at the Bidder's expense without such prior notice to the Bidder.

- j. *The Bidder shall submit to the Owner monthly reports in duplicate of all accidents, giving such data as may be prescribed by the Owner,*
- k. *The Bidder shall not proceed with the cutting of trees or clearing of right-of-way without written notification from the Owner that proper authorization has been received from the owner of the property, and the Bidder shall promptly notify the Owner whenever any landowner objects to the trimming or felling of any trees or the performance of any other work on its land in connection with the project and shall obtain the consent in writing of the Owner before proceeding in any such case.*
- l. *The Bidder will furnish, prior to the commencement of underground distribution construction, proof satisfactory to the Owner, of compliance with requirements of highway and road authorities having jurisdiction, including without limitation, the furnishing of a bond or other guaranty, and approval by such authorities of the equipment and methods of construction and repair to be used by the Bidder.*

Section 2. Insurance. *The Bidder shall takeout and maintain throughout the period of this Agreement the following types and minimum amounts of insurance:*

- a. *Workers' compensation and employers' liability insurance, as required by law, covering all its employees who perform any of the obligations of the Bidder under the contract. If any employer or employee is not subject to the workers' compensation laws of the governing state, then insurance shall be obtained voluntarily to extend to the employer and employee coverage to the same extent as though the employer or employee were subject to the workers' compensation laws.*
- b. *Public liability insurance covering all operations under the contract shall have limits for bodily injury or death of not less than \$1 million each occurrence, limits for property damage of not less than \$1 million each occurrence, and \$1 million aggregate for accidents during the policy period. A single limit of \$1 million of bodily injury and property damage is acceptable. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form.*
- c. *Automobile liability insurance on all motor vehicles used in connection with the contract, whether owned, nonowned, or hired, shall have limits for bodily injury or death of not less than \$1 million per person and \$1 million each occurrence, and property damage limits of \$1 million for each occurrence. A single limit of \$1 million of bodily injury and property damage is acceptable. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form.*

The Owner shall have the right at any time to require public liability insurance and property damage liability insurance greater than those required in subsection "b" and "c" of this Section. In any such event, the additional premium or premiums payable solely as the result of such additional insurance shall be added to the Contract price.

The Owner shall be named as Additional Insured on all policies of insurance required in subsections "b" and "c" of this Section.

The policies of insurance shall be in such form and issued by such insurer as shall be satisfactory to the Owner. The Bidder shall furnish the Owner a certificate evidencing compliance with the foregoing requirements which shall provide not less than (30) days prior written notice to the Owner of any cancellation or material change in the insurance.

Section 3. Delivery of Possession and Control to Owner.

- a. *Upon written request of the Owner the Bidder shall deliver to the Owner full possession and control of any portion of the project provided the Bidder shall have been paid at least ninety percent (90%) of the cost of construction of such portion. Upon such delivery of the possession and control of any portion of the project to the Owner, the risk and obligations of the Bidder as*

set forth in Article IV, Section 1.g hereof with respect to such portion of the project so delivered to the Owner shall be terminated; Provided, however, that nothing herein contained shall relieve the Bidder of any liability with respect to defective materials and workmanship as contained in Article II, Section 7 hereof.

- b. Where the construction of a Section as herein before defined in Article II, Section 1.c shall have been completed by the Bidder, the Owner agrees, after receipt of a written request from the Bidder, to accept delivery of possession and control of such Section upon the issuance by the Engineer of a written statement that the Section has been inspected and found acceptable by the Engineer. Upon such delivery of the possession and control of any such Section to the Owner, the risk and obligations of the Bidder as set forth in Article IV Section 1.g hereof with respect to such Section so delivered to the Owner shall be terminated: Provided, however, that nothing herein contained shall relieve the Bidder of any liability with respect to defective materials or workmanship as contained in Article II, Section 7 hereof.

Section 4. Energizing the Project.

- a. Prior to Completion of the project the Owner, upon written notice to the Bidder, may test the construction thereof by temporarily energizing any portion or portions thereof. During the period of such test the portion or portions of the project so energized shall be considered as within the possession and control of the Owner and governed by the provisions of Section 3 of this Article. Upon written notice to the Bidder by the Owner of the completion of such test and upon deenergizing the lines involved therein said portion or portions of the project shall be considered as returned to the possession and control of the Bidder unless the Owner shall elect to continue possession and control in the manner provided in Section 3 of this Article.
- b. The Owner shall have the right to energize permanently any portion or portions of the project delivered to its possession and control pursuant to the provisions of Section 3 of this Article.

Section 5. Assignment of Guarantees. All guarantees of materials and workmanship running in favor of the Bidder shall be transferred and assigned to the Owner prior to the time the Bidder receives final payment.

ARTICLE V--REMEDIES

Section 1. Completion on Bidder's Default. If default shall be made by the Bidder or by any subcontractor in the performance of any of the terms of this Proposal, the Owner, without in any manner limiting its legal and equitable remedies in the circumstances, may serve upon the Bidder and the Surety or Sureties, if any, upon the Contractor's Bond or Bonds a written notice requiring the Bidder to cause such default to be corrected forthwith. Unless within twenty (20) days after the service of such notice upon the Bidder such default shall be corrected or arrangements for the correction thereof satisfactory to both the Owner and the Administrator shall be made by the Bidder or its Surety or Sureties, if any, the Owner may take over the construction of the project and prosecute the same to completion by Contract or otherwise for the account and at the expense of the Bidder, and the Bidder and its Surety or Sureties, if any, shall be liable to the Owner for any cost or expense in excess of the Contract price occasioned thereby. In such event the Owner may take possession of and utilize, in completing the construction of the project, any materials, tools, supplies, equipment, appliances, and plant belonging to the Bidder or any of its subcontractors, which may be situated at the site of the project. The Owner in such contingency may exercise any rights, claims or demands which the Bidder may have against third persons in connection with this Contract and for such purpose the Bidder does hereby assign, transfer and set over unto the Owner all such rights, claims and demands.

Section 2. Cumulative Remedies. Every right or remedy herein conferred upon or reserved to the Owner or the Government or the Administrator shall be cumulative, shall be in addition to every right and remedy now or hereafter existing at law or in equity or by statute and the pursuit of any right or remedy shall not be construed as an election.

ARTICLE VI-MISCELLANEOUS

Section 1. Definitions.

- a. *The term "Administrator" shall mean the Administrator of the Rural Utilities Service of the United States of America and his or her duly authorized representative or any other person in whom or authority in which may be vested the duties and functions which the Administrator is now authorized by law to perform.*
- b. *The term "Engineer" shall mean the Engineer employed by the Owner, to provide engineering services for the project and said Engineer's duly authorized assistants and representatives.*
- c. *The term "Completion of Construction" shall mean full performance by the Bidder of the Bidder's obligations under the Contract and all amendments and revisions thereof except the Bidder's obligations in respect of (1) Releases of Liens and Certificate of Contractor under Article III, Section 2 hereof, (2) the inventory referred to in Article III, Section 1 hereof, and (3) other final documents. The term "Completion of the Project" shall mean full performance by the Bidder of the Bidder's obligations under the Contract and all amendments and revisions thereof. The Certificate of Completion, signed by the Engineer and approved in writing by the Owner shall be the sole and conclusive evidence as to the date of Completion of Construction and as to the fact of Completion of the Project.*

Section 2. Materials and Supplies. *In the performance of this contract there shall be furnished only such unmanufactured articles, materials, and supplies as have been mined or produced in the United States or in any eligible country, and only such manufactured articles, materials, and supplies as have been manufactured in the United States or in any eligible country substantially all from articles, materials, or supplies mined, produced or manufactured, as the case may be, in the United States or in any eligible country; provided that other articles, materials, or supplies may be used in the event and to the extent that the Administrator shall expressly in writing authorize such use pursuant to the provisions of the Rural Electrification Act of 1938, being Title IV of Public Resolution No. 122, 75th Congress, approved June 21, 1938. For the purposes of this section, an "eligible country" is any country that applies with respect to the United States an agreement ensuring reciprocal access for United States products and services and suppliers to the markets of that country, as determined by the United States Trade Representative. The Bidder agrees to submit to the Owner such certificates with respect to compliance with the foregoing provision as the Administrator from time to time may require.*

Section 3. Patent Infringement. *The Bidder shall hold harmless and indemnify the Owner from any and all claims, suits and proceedings for the infringement of any patent or patents covering any materials or equipment used in construction of the project.*

Section 4. Permits for Explosives. *All permits necessary for the handling or use of dynamite or other explosives in connection with the construction of the project shall be obtained by and at the expense of the Bidder.*

Section 5. Compliance with Laws. *The Bidder shall comply with all federal, state, and local laws, rules, and regulations applicable to its performance under the contract and the construction of the project. The Bidder acknowledges that it is familiar with the Rural Electrification Act of 1936, as amended, the Anti Kick-Back Act of 1986 (41 U.S.C. 51 et seq), and 18 U.S.C. §§ 286, 287, 641, 661, 874, 1001, and 1366, as amended.*

The Bidder represents that to the extent required by Executive Orders 12549 (3 CFR, 1985-1988 Comp., p. 189) and 12689 (3 CFR, 1989 Comp., p. 235), Debarment and Suspension, and 7 CFR part 3017, it has submitted to the Owner a duly executed certification in the form prescribed in 7 CFR part 3017.

The Bidder represents that, to the extent required, it has complied with the requirements of Pub. L. 101-121, Section 319, 103 Stat. 701, 750-765 (31 U.S.C. 1352), entitled "Limitation on use of

appropriated funds to influence certain Federal contracting and financial transactions," and any rules and regulations issued pursuant thereto.

Section 6. Equal Opportunity Provisions.

a. Bidder's Represents.

The Bidder represents that:

It has ___ , does not have , 100 or more employees, and if it has, that it has ___ , has not ___ , furnished the Equal Employment Opportunity-Employers Information Report EEO-1, Standard Form 100, required of employers with 100 or more employees pursuant to Executive Order 11246 of September 24, 1965, and Title VII of the Civil Rights Act of 1964.

The Bidder agrees that it will obtain, prior to the award of any subcontract for more than \$10,000 hereunder to a subcontractor with 100 or more employees, a statement, signed by the proposed subcontractor, that the proposed subcontractor has filed a current report on Standard Form 100.

The Bidder agrees that if it has 100 or more employees and has not submitted a report on Standard Form 100 for the current reporting year and that if this Contract will amount to more than \$10,000, the Bidder will file such report, as required by law, and notify the owner in writing of such filing prior to the Owner's acceptance of this Proposal.

b. Equal Opportunity Clause. During the performance of this Contract, the Bidder agrees as follows:

- (1) The Bidder will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The Bidder will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to, the following: Employment, upgrading, demotions or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection of training, including apprenticeship. The Bidder agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this Equal Opportunity Clause.*
- (2) The Bidder will, in all solicitations or advertisements for employees placed by or on behalf of the Bidder, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.*
- (3) The Bidder will send to each labor union or representative of workers, with which it has a collective bargaining agreement or other contract or understanding, a notice to be provided advising the said labor union or workers' representative of the Bidder's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.*
- (4) The Bidder will comply with all provisions of Executive Order 11246 of September 24, 1965, and the rules, regulations and relevant orders of the Secretary of Labor.*
- (5) The Bidder will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.*

- (6) *In the event of the Bidder's noncompliance with the Equal Opportunity Clause of this Contract or with any of the said rules, regulations, or orders, this Contract may be canceled, terminated, or suspended in whole or in part, and the Bidder may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as provided by law.*
- (7) *The Bidder will include this Equal Opportunity Clause in every subcontractor purchase order unless exempted by the rules, regulations, or order of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Bidder will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for noncompliance; Provided, however, that in the event Bidder becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the administering agency, the Bidder may request the United States to enter into such litigation to protect the interests of the United States.*
- c. *Certificate of Nonsegregated Facilities. The Bidder certifies that it does not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. The Bidder certifies further that it will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. The Bidder agrees that a breach of this certification is a violation of the Equal Opportunity Clause in this Contract. As used in this certification, the term "segregated facilities" means any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Bidder agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods) it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity Clause, and that it will retain such certifications in its files.*

Section 7. Franchises and Rights-of-Way. *The Bidder shall be under no obligation to obtain or assist in obtaining: Any franchises, authorizations, permits or approvals required to be obtained by the Owner from Federal, State, County, Municipal or other authorities; any rights-of-way over private lands; or any agreements between the Owner and third parties with respect to the joint use of poles, crossings, or other matter incident to the construction and operation of the project.*

Section 8. Nonassignment of Contract. *The Bidder shall perform directly and without subcontracting not less than twenty-five percent (25%) of the construction of the project, to be calculated on the basis of the total Contract price. The Bidder shall not assign the Contract effected by an acceptance of this Proposal or any interest in any funds that may be due or become due hereunder or enter into any contract with any person, firm or corporation for the performance of the Bidder's obligations hereunder or any part thereof without the approval in writing of the Owner and of the Surety or Sureties, if any, on any bond furnished by the Bidder for the faithful performance of the Bidder's obligations hereunder. If the Bidder, with the consent of the Owner and any Surety or Sureties on the Contractor's Bond or Bonds, shall enter into a subcontract with any subcontractor for the performance of any part of this Contract, the Bidder shall be as fully responsible to the Owner and the Government for the acts and omissions of such subcontractor and of persons employed by such subcontractor as the Bidder would be for its own acts and omissions and those of persons directly employed by it.*

Section 9. Successors and Assigns. Each and all of the covenants and agreements herein contained shall extend to and be binding upon the successors and assigns of the parties hereto. The Owner and Bidder acknowledge that this Contract is assigned to the Government, acting through the Administrator, for security purposes under the Owner's mortgage and security instrument.

Section 10. Independent Contractor. The Bidder shall perform the work as an independent contractor, not as a subcontractor, agent, or employee of the Owner. Upon acceptance of this Proposal, the successful Bidder shall be the Contractor and all references in the Proposal to the Bidder shall apply to the Contractor.

Section 11. Acceptance by the Owner: The acceptance of a Proposal for a contract shall become effective the date of acceptance by the Owner.

ATTEST:

Bunda Coey
Secretary

Dated 12/28/06

Fixe-C. Construction
Bidder

Ronnie Coey
President

346 Juno Rd. Gray
Address

The Proposal must be signed with the full name of the Bidder. If the Bidder is a partnership, the Proposal must be signed in the partnership name by a partner. If the Bidder is a corporation, the Proposal must be signed in the corporate name by a duly authorized officer and the corporate seal affixed and attested by the Secretary of the Corporation.

ACCEPTANCE

The Owner hereby accepts the foregoing Proposal of the Bidder, Five-C Construction

_____, for the construction of the following:
Items, as determined by the Owner, from the 07/08 Construction Work Plan.

Cumberland Valley Electric
Owner

By *Vernon Shells*
President

Lansford W. Day
Secretary

12-28, 2008
Date of Contract

EXHIBIT A

Cumberland Valley Electric
Unit Pricing Comparison Spreadsheet

(Not used in this "Hourly Labor Only" Contract)

EXHIBIT B

Cumberland Valley Electric
Certification for Contracts, Grants, Loans, and Cooperative Agreements

HIGHWAY 25E
GRAY, KENTUCKY
40734



Cumberland Valley
Electric, Inc. A Touchstone Energy
Cooperative

LOBBYING CERTIFICATION

Certification for Contracts, Grants, Loans, and Cooperative Agreements

The undersigned certifies, to the best of his or her knowledge and belief, that:

- (1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.
- (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
- (3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

CUMBERLAND VALLEY ELECTRIC

Organization Name

Manager

Name of Authorized Official

Signature

Date

[Handwritten Signature]

12-28-06

EXHIBIT C

Cumberland Valley Electric
Contractor's Bond

NOT USED IN THIS CONTRACT

U.S. Department of Agriculture
Rural Utilities Service

CONTRACTOR'S BOND

1. Know all persons that we, _____, as Principal, and _____, as Surety, are held and firmly bound unto _____ (hereinafter called the "Owner") and unto the United States of America (hereinafter called the "Government") and unto all persons, firms and corporations who or which may furnish materials for or perform labor in a Rural Utilities Service project known as _____ and to their successors and assigns, in the penal sum of _____ dollars (\$ _____), as hereinafter set forth and for the payment of which sum well and truly to be made we bind ourselves, our executors, administrators, successors and assigns jointly and severally by these presents. Said project is described in a certain construction contract (hereinafter called the "Construction Contract") between the Owner and the Principal, dated _____, 20____, pursuant and subject to a certain loan contract (hereinafter called the "Loan Contract") between the Owner and the Government, acting through the Administrator of the Rural Utilities Service (hereinafter called the "Administrator").
2. The condition of this obligation is such that if the Principal shall well and truly perform and fulfill all the undertakings, covenants, terms, conditions and agreements of the Construction Contract and any amendments thereto, whether such amendments are for additions, decreases, or changes in materials, their quantity, kind or price, labor costs, mileage, routing or any other purpose whatsoever, and whether such amendments are made with or without notice to the Surety, and shall fully indemnify and save harmless the Owner and the Government from all costs and damages which they, or either of them, shall suffer or incur by reason of any failure so to do, and shall fully reimburse and repay the Owner and the Government for all outlay and expense which they, or either of them shall incur in making good any such failure of performance on the part of the Principal, and shall promptly make payment to all persons working on or supplying labor or materials for use in the construction of the project contemplated in the Construction Contract and any amendments thereto, in respect of such labor or materials furnished and used therein, to the full extent thereof, and in respect of such labor or materials furnished but not so used, to the extent of the quantities estimated in the Construction Contract and any amendments thereto to be required for the construction of the project, and shall well and truly reimburse the Owner and the Government, as their respective interests may appear, for any excess in cost of construction of said project over the cost of such construction as provided in the Construction Contract and any amendments thereto, occasioned by any default of the Principal under the Construction Contract and any amendments thereto, then this obligation shall be null and void, but otherwise shall remain in full force and effect.
3. It is expressly agreed that this bond shall be deemed amended automatically and immediately, without formal and separate amendments hereto, upon any amendment to the Construction Contract, so as to bind the Principal and the Surety to the full and faithful performance of the Construction Contract as so amended, provided only that the total amount of all increases in the cost of construction shall not exceed 20 percent of the amount of the maximum price set forth in the Construction Contract. The term "Amendment," wherever used in this bond, and whether referring to this bond, the Construction Contract or the Loan Contract shall include any alteration, addition, extension, modification, amendment, rescission, waiver, release or annulment, of any character whatsoever.
4. It is expressly agreed that any amendment which may be made by agreement or otherwise between the Principal and the Owner in the terms, provisions, covenants and conditions of the Construction Contract, or in the terms, provisions, covenants and conditions of the Loan Contract (including, without limitation, the granting by the Administrator to the Owner of any extension of time for the performance of the obligations of

the Owner under the Loan Contract or the granting by the Administrator or the Owner to the Principal of any extension of time for the performance of the obligations of the Principal under the Construction Contract, or the failure or refusal of the Administrator or the Owner to take any action, proceeding or step to enforce any remedy or exercise any right under either the Construction Contract or the Loan Contract, or the taking of any action, proceeding or step by the Administrator or the Owner, acting in good faith upon the belief that the same is permitted by the provisions of the Construction Contract or the Loan Contract) shall not in any way release the Principal and the Surety, or either of them or their respective executors, administrators, successors or assigns, from liability hereunder. The Surety hereby acknowledges receipt of notice of any amendment, indulgence or forbearance, made, granted or permitted.

5. This bond is made for the benefit of all persons, firms and corporations who or which may furnish any materials or perform any labor for or on account of the construction to be performed under the Construction Contract and any amendments thereto, and they, and each of them, are hereby made obligees hereunder with the same force and effect as if their names were written herein as such, and they and each of them may sue hereon.

In witness whereof, the undersigned have caused this instrument to be executed and their respective corporate seals to be affixed and attested by their duly authorized representatives this

_____ day of _____, 20_____.

Principal (Seal)

ATTEST:

By _____

Secretary

Surety (Seal)

ATTEST:

By _____

Secretary

Address of Surety's Home Office

By _____
Resident Agent of Surety

Signatures: The Contractor's Bond must be signed with the full name of the Contractor. If the Contractor is a partnership the Contractor's Bond must be signed in the partnership name by a partner. If the Contractor is a corporation the Contractor's Bond must be signed in the corporate name by a duly authorized officer and the corporate seal affixed and attested by the Secretary of the corporation. A typewritten copy of all such names and signatures shall be appended.

Power of Attorney: The Contractor's Bond must be accompanied by a power of attorney authorizing execution on behalf of the Surety and, in jurisdictions so requiring should be countersigned by a duly authorized resident agent of the Surety.

EXHIBIT D

Cumberland Valley Electric
Bidders Certification Regarding Debarment, Suspension, Ineligibility and
Voluntary Exclusion – Lower Tier Covered Transactions

CERTIFICATION REGARDING DEBARMENT, SUSPENSION, INELIGIBILITY
AND VOLUNTARY EXCLUSION – LOWER TIER COVERED TRANSACTIONS

INSTRUCTIONS FOR CERTIFICATION

1. By signing and submitting this proposal, the prospective lower tier participant is providing the certification set out below.
2. The certification in this clause is a material representation of fact upon which reliance was placed when this transaction was entered into. If it is later determined that the prospective lower tier participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.
3. The prospective lower tier participant shall provide immediate written notice to the person to which this proposal is submitted if at any time the prospective lower tier participant learns that its certification was erroneous when submitted or had become erroneous by reason of changed circumstances.
4. The terms *covered transaction*, *debarred*, *suspended*, *ineligible*, *lower tier covered transaction*, *participant*, *person*, *primary covered transaction*, *principal*, *proposal*, and *voluntarily excluded*, as used in this clause, have the meaning set out in the Definitions and Coverage sections of the rules implementing Executive Order 12549. You may contact the person to which this proposal is submitted for assistance in obtaining a copy of those regulations.
5. The prospective lower tier participant agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transactions with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency with which this transaction originated.
6. The prospective lower tier participant further agrees by submitting this proposal that it will include the clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transaction," without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.
7. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the List of Parties Excluded from Federal Procurement and Nonprocurement Programs.
8. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.

9. Except for transactions authorized under paragraph 5 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.

CERTIFICATION

- (1) The prospective lower tier participant certifies, by submission of this proposal, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.
- (2) Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

<u>Five-S Construction</u>	<u>07/08 Construction work plan</u>
Organization Name	PR/Award or Project Name
<u>Ronnie Cowy President</u>	
Name and Title	
<u>Ronnie Cowy</u>	<u>12/28/06</u>
Signature	Date

EXHIBIT E

Cumberland Valley Electric
Certificate of Contractor and Indemnity Agreement

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0372-0107. The time required to complete this information collection is estimated to average 1 minute per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

U.S. Department of Agriculture
Rural Utilities Service

CERTIFICATE OF CONTRACTOR AND INDEMNITY AGREEMENT
(Line Extensions)

Ronnie Corey certifies that he or she is the
President of Five-C Construction
TITLE NAME OF CONTRACTOR

the Contractor, in a Construction Contract No. 07/08 Construction Work Plan
dated _____, 20____, entered into between the Contractor and
Cumberland Valley Electric, RUS designation KY57
NAME OF RUS BORROWER

the Owner, and that he or she is authorized to and does make this Certificate and Indemnity Agreement on behalf of said Contractor in order to induce the Owner to make payment to the Contractor, in accordance with the provisions of the said contract.

The undersigned further says that all persons who have furnished labor in connection with the Section of the project represented by the inventory dated _____, 20____, in the amount of \$ _____, have been paid in full; that all manufacturers, material suppliers, and subcontractors which furnished any materials or services, or both, for the said Section of the project have been paid in full; that no lien has been filed against the project and no person has any right to claim any lien against the project.

The undersigned further says that if the Owner pays the Contractor the contract price for the said Section of the project the Contractor will indemnify and hold harmless and does hereby undertake and agree to indemnify and hold harmless the Owner from any claim or lien arising out of the negligence or other fault of the Contractor in respect of the performance of the contract which may have been or may be filed against the Owner.

12/28/06 By Ronnie Corey
Date President

This Certificate must be signed with the full name of the Contractor. If the Contractor is a partnership, this Certificate must be signed in the partnership name by a partner. If the Contractor is a corporation, this Certificate must be signed in the corporate name by a duly authorized officer.

EXHIBIT F

Cumberland Valley Electric
Certificate of Insurance Coverage(s)

CERTIFICATION OF INSURANCE COVERAGE

- (1) *The prospective bidder certifies, by submission of this certification, that insurance coverage as outlined in a-c below will be attainable for the contract period.*
- (2) *Where the prospective bidder is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.*

The Bidder shall takeout and maintain throughout the period of this Agreement the following types and minimum amounts of insurance:

- a. *Workers' compensation and employers' liability insurance, as required by law, covering all its employees who perform any of the obligations of the Bidder under the contract. If any employer or employee is not subject to the workers' compensation laws of the governing state, then insurance shall be obtained voluntarily to extend to the employer and employee coverage to the same extent as though the employer or employee were subject to the workers' compensation laws.*
- b. *Public liability insurance covering all operations under the contract shall have limits for bodily injury or death of not less than \$1 million each occurrence, limits for property damage of not less than \$1 million each occurrence, and \$1 million aggregate for accidents during the policy period. A single limit of \$1 million of bodily injury and property damage is acceptable. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form.*
- c. *Automobile liability insurance on all motor vehicles used in connection with the contract, whether owned, non-owned, or hired, shall have limits for bodily injury or death of not less than \$1 million per person and \$1 million each occurrence and property damage limits of \$1 million for each occurrence. A single limit of \$1 million of bodily injury and property damage is acceptable. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form.*

The Owner shall have the right at any time to require public liability insurance and property damage liability insurance greater than those required in subsection "b" and "c" of this Section. In any such event, the additional premium or premiums payable solely as the result of such additional insurance shall be added to the Contract price. The Owner shall be named as "Additional Insured" on all policies of insurance required in sub-sections "b" and "c" of this Section. The policies of insurance shall be in such form and issued by such insurer as shall be satisfactory to the Owner. The Bidder shall furnish the Owner a certificate evidencing compliance with the foregoing requirements which shall provide not less than (30) days prior written notice to the Owner of any cancellation or material change in the insurance

<u>Five-C Construction</u> Organization Name	<u>07/08 Construction Work Plan</u> PR/Award or Project Name
<u>Ronnie Corey</u> Name (print)	<u>President</u> Title
<u>Ronnie Corey</u> Signature	<u>12/28/06</u> Date

EXHIBIT G

Cumberland Valley Electric
Certificate of Non-Segregated Facilities

CERTIFICATION OF NON-SEGREGATED FACILITIES

The Bidder certifies that it does not maintain or provide for its employees any segregated facility at any of its establishments, and that it does not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. The Bidder certifies further that it will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. The Bidder agrees that a breach of this certification is a violation of the Equal Opportunity Clause in this Contract.

As used in this certification, the term "segregated facilities" means any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise.

The Bidder agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods) it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity Clause, and that it will retain such certifications in its files.

Five-C Construction	07/08 Construction Work Plan
Organization Name	PR/Award or Project Name
<u>Ronnie Corey</u>	<u>President</u>
Name (print)	Title
<u>Ronnie Corey</u>	_____
Signature	Date

EXHIBIT H

Cumberland Valley Electric
Form 187: Certificate of Completion

NOT USED IN THIS CONTRACT

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0107. The time required to complete this information collection is estimated to average 1 minute per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

U.S. Department of Agriculture
Rural Utilities Service

CERTIFICATE OF COMPLETION - CONTRACT CONSTRUCTION

I, the undersigned Architect or Engineer of the following Rural Utilities Service project, do hereby certify that:

1. The construction provided for pursuant to Construction Contract No. _____ dated _____, 20____, including all approved amendments, between _____, RUS designation _____ ("Owner") and _____ ("Contractor") has been completed as of _____, 20____, and is in compliance with the provisions of the Construction Contract, including all plans, specifications, maps, and drawings and all modifications thereof.
2. Payment in full has been made to all persons who have furnished labor for the project.
3. The Contractor has obtained valid releases of lien from all manufacturers, material suppliers, and subcontractors furnishing services or materials which were employed by the Contractor in the performance of the Construction Contract, and that such releases have been delivered by the Contractor to the Owner.
4. If applicable, the Final Inventory attached hereto and made a part hereof is a complete and accurate summary of all units of construction in the project and of all work performed in accordance with the Construction Contract.
5. If applicable, the staking sheets and tabulation of staking sheets upon which the Final Inventory is based show the accurate location, number, and kind of all units of construction of the project and show all work performed in accordance with the Construction Contract.
6. All defects in workmanship and materials reported during the period of construction of the project have been corrected.
7. The total cost of the project as completed is _____ dollars (\$ _____).

Dated this _____ day of _____, 20____.

Name of Architect or Engineer

By _____

Date

Title

RUS FORM 187 (Rev. 2-04)

**CERTIFICATE OF COMPLETION
CONTRACT CONSTRUCTION**
(continued)

We, the undersigned Owner and Contractor, do hereby certify that:

1. *The project has been completed in accordance with the provisions of the Construction Contract, dated _____, 20____, provided, however, that acceptance of the project by the Owner shall not be deemed to relieve the Contractor of its obligations contained in the Construction Contract with respect to defective workmanship or materials discovered within one year after the date of completion.*
2. *If applicable, the Final Inventory attached hereto and made a part hereof is a complete and accurate summary of all units of construction in the project and of work performed in accordance with the Construction Contract.*

Owner

By _____
President

Name of Contractor

By _____

Title

Date

Date

NOT USED IN THIS CONTRACT

EXHIBIT I

Cumberland Valley Electric
Form 224: Waiver and Release of Lien

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0107. The time required to complete this information collection is estimated to average 1 minute per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

U.S. Department of Agriculture
Rural Utilities Service

WAIVER AND RELEASE OF LIEN

WHEREAS the undersigned, _____
NAME OF MANUFACTURER, MATERIAL SUPPLIER OR SUBCONTRACTOR

has furnished to _____ the following:
NAME OF CONTRACTOR

_____ for
KIND OF MATERIAL AND SERVICES FURNISHED

use in the construction of a project belonging to _____
Cumberland Valley Electric
NAME OF BORROWER

and designated the Rural Utilities Service as _____
KY57
RUS DESIGNATION

NOW, THEREFORE, the undersigned, _____
NAME OF MANUFACTURER, MATERIAL SUPPLIER, OR SUBCONTRACTOR

for and in consideration of \$ _____ and other good and valuable consideration, the receipt whereof is hereby acknowledged, do hereby waive and release any and all liens, or right to or claim of lien, on the above described project and premises, under any law, common or statutory, on account of labor or materials, or both, heretofore or hereafter furnished by the undersigned to or for the account of

said _____ for said project.
NAME OF CONTRACTOR

Given under my (our) hand(s) and seal(s) this _____ day of _____, 20 _____.

Name of Manufacturer, Material Supplier, or Subcontractor

By _____
President

This Waiver and Release of Lien must be signed with the full name of the Manufacturer, Material Supplier, or Subcontractor. If the Manufacturer, Material Supplier, or Subcontractor is a partnership, this Waiver and Release of Lien must be signed in the partnership name by a partner. If the Manufacturer, Material Supplier, or Subcontractor is a corporation, this Waiver and Release of Lien must be signed in the corporate name by a duly authorized officer and the corporate seal affixed and attested by the Secretary of the Corporation.

EXHIBIT J

Cumberland Valley Electric
Form 231: Certificate of Contractor

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0107. The time required to complete this information collection is estimated to average 1-minute per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

U.S. Department of Agriculture
Rural Utilities Service

CERTIFICATE OF CONTRACTOR

Ronnie Corey certifies that he or she is the
President of Five-C Construction,
TITLE NAME OF CONTRACTOR

the Contractor, in a Construction Contract No. 07/08 Construction Work Plan,
dated _____, 20____, entered into between the Contractor and
Cumberland Valley Electric, RUS designation KY57,
NAME OF RUS BORROWER

the Owner, and that he or she is authorized to and does make this certification on behalf of said Contractor in order to induce the Owner to make payment to the Contractor, in accordance with the provisions of said Construction Contract.

Undersigned further says that all persons who have furnished labor in connection with said construction have been paid in full, that the names of manufacturers, material suppliers, and subcontractors that furnished material or services or both in connection with such construction and the kind or kinds of material or services or both so furnished are:

NAME	KIND OF MATERIAL OR SERVICES

and that the releases of liens executed by all such manufacturers, material suppliers, and subcontractors have been furnished the Owner.

12/28/04 Date By Ronnie Corey President

This Certificate must be signed with the full name of the Contractor. If the Contractor is a partnership, this Certificate must be signed in the partnership name by a partner. If the Contractor is a corporation, this Certificate must be signed in the corporate name by a duly authorized officer.

EXHIBIT K

Cumberland Valley Electric
Form 307: Bid Bond

NOT USED IN THIS CONTRACT

U.S. Department of Agriculture
Rural Utilities Service

BID BOND

1. *KNOW ALL PERSONS that we,* _____
_____ as Principal, and
_____,
as Surety, are held and firmly bound unto _____
_____ (hereafter called the "Owner")
in the penal sum of ten percent (10%) of the amount of the bid referred to in paragraph 2 below, but not to
exceed _____ dollars (\$ _____), as
hereinafter set forth and for the payment of which sum well and truly to be made we bind ourselves, our
executors, administrators, successors and assigns, jointly and severally, by these presents;

2. *WHEREAS,* the Principal has submitted a bid to the Owner for the construction of the Rural Utilities Service
project known as _____.
3. *NOW, THEREFORE,* the condition of this obligation is such that if the Owner shall accept the bid of the
Principal, and
- a. the Principal shall execute such contract documents, if any, as may be required by the terms of the bid and
give such Contractor's Bond or Bonds for the performance of the contract and for the prompt payment of
labor and material furnished for the project as may be specified in the bid, or
 - b. in the event of the failure of the Principal to execute such contract documents, if any, and give such
Contractor's Bond or Bonds, if the Principal shall pay to the Owner the difference, not to exceed the penal
sum hereof, between the amount specified in the bid and such larger amount for which the Owner may in
good faith contract with another party to construct the project, then this obligation shall be void, otherwise
to remain in full force and effect.

IN WITNESS WHEREOF, the undersigned have caused this instrument to be executed and their respective
corporate seals to be affixed and attested by their duly authorized representatives this

_____ day of _____, 20_____.

Principal (Seal)

ATTEST: By _____

Secretary Title

Surety (Seal)

ATTEST: By _____

Secretary Title

U.S. Department of Agriculture
Rural Utilities Service

**ELECTRIC SYSTEM CONSTRUCTION CONTRACT
NON-SITE SPECIFIC CONSTRUCTION**

NOTICE AND INSTRUCTIONS TO BIDDERS

1. **Sealed proposals** for the construction, including the supply of necessary labor, ~~materials~~ and equipment, of a rural electric ~~project of~~ projects for CUMBERLAND VALLEY ELECTRIC, INC., RUS designation KY57, (hereinafter called the "Owner") will be received by the Owner on or before 4:00 EDT o'clock on 11, NOVEMBER 4, 2008, at its office at 6219 N US HWY 25E, GRAY, KY, at which time and place the proposals will be ~~publicly~~ opened and read. Any proposals received subsequent to the time specified will be promptly returned to the Bidder unopened.
2. **Owner Furnished Materials.** The unit prices in the Contractor's Proposal are to include provisions for Owner Furnished Materials since as stated in Article I, Section 3 of the Contractor's Proposal, the value of the Owner Furnished Materials, if any, will be deducted from payments to the Bidder for completed Construction Units.
3. **Obtaining Documents.** The Plans, Specifications and Construction Drawings, together with all necessary forms and other documents for bidders may be obtained from the Owner, or from the Engineer _____ at the latter's office at _____ upon the payment of \$ 0.00, which payment will not be subject to refund. The Plans, Specifications, and Construction Drawings may be examined at the office of the Owner or at the office of the Engineer.
4. **Manner of Submitting Proposals.** Proposals and all supporting instruments must be submitted on the forms furnished by the Owner and must be delivered in a sealed envelope addressed to the Owner. The name and address of the Bidder, its license number if a license is required by the State, and the date and hour of the opening of bids must appear on the envelope in which the Proposal is submitted. Proposals must be completed in ink or typewritten. No alterations or interlineations will be permitted, unless made before submission, and initialed and dated. The successful Bidder will be required to execute two additional counterparts of the Proposal.
5. **Due Diligence.** Prior to the submission of the Proposal, the Bidder shall make and shall be deemed to have made a careful examination of the site of the project and of the Plans, Specifications, Construction Drawings, and forms of Contractor's Proposal and Contractor's Bond, and shall review the location and nature of the proposed construction, the transportation facilities, the kind and character of soil and terrain to be encountered, the kind of facilities required before and during the construction of the project, general local conditions, environmental and historic preservation considerations, and all other matters that may affect the cost and time of completion of the project. Bidder will be required to comply with all federal, state, and local laws, rules, and regulations applicable to its performance, including those pertaining to the licensing of contractors, and the Anti Kick-Back Act of 1986 (41 U.S.C. 51 et seq).
6. **Proposals** will be accepted only from those prequalified bidders invited by the Owner to submit a proposal.

7. **The Time for Completion of Construction** of the project is of the essence of the Contract and shall be as specified by the Engineer in the Proposal.
8. **Bid Bond.** ~~Each Proposal must be accompanied by a Bid Bond in the form attached hereto or a certified check on a bank that is a member of the Federal Deposit Insurance Corporation, payable to the order of the Owner, in an amount equal to ten percent (10%) of the maximum bid price. Each Bidder agrees, provided its Proposal is one of the three low Proposals, that, by filing its Proposal together with such Bid Bond or check in consideration of the Owner's receiving and considering such Proposals, said Proposal shall be firm and binding upon each such Bidder and such Bid Bond or check shall be held by the Owner until a Proposal is accepted and a satisfactory Contractor's Bond is furnished (where required) by the successful Bidder or for a period not to exceed sixty (60) days from the date hereinafter set for the opening of Proposals, whichever period shall be the shorter. If such Proposal is not one of the three low Proposals, the Bid Bond or check will be returned in each instance within a period of ten (10) days to the Bidder furnishing same.~~
9. **Contractor's Bond.** ~~If the estimated cost of the construction of a Section shall exceed \$100,000, the Bidder agrees to furnish a Contractor's Bond in triplicate in the form attached hereto with sureties listed by the United States Treasury Department as Acceptable Sureties, in a penal sum not less than the estimated cost of such Section.~~
10. **Failure to Furnish Contractor's Bond.** ~~Should the successful Bidder fail or refuse to execute such counterparts or to furnish a Contractor's Bond (where required) within ten (10) days after written notification of the acceptance of the Proposal by the Owner, the Bidder will be considered to have abandoned the Proposal. In such event, the Owner shall be entitled (a) to enforce the Bid Bond in accordance with its terms, or (b) if a certified check has been delivered with the Proposal, to retain from the proceeds of the certified check, the difference (not exceeding the amount of the certified check) between the amount of the Proposal and such larger amount for which the Owner may in good faith contract with another party to construct the project. The term "Successful Bidder" shall be deemed to include any Bidder whose Proposal is accepted after another Bidder has previously refused or has been unable to execute the counterparts or to furnish a satisfactory Contractor's Bond (where required).~~
11. **Debarment Certification.** ~~The Bidder must provide to the Owner a suspension and debarment certificate in the form attached hereto.~~
12. **Contract is Entire Agreement.** ~~The Contract to be effected by the acceptance of the Proposal shall be deemed to include the entire agreement between the parties thereto, and the Bidder shall not claim any modifications thereof resulting from any representation or promise made at any time by any officer, agent or employee of the Owner or by any other person.~~
13. **Minor Irregularities.** ~~The Owner reserves the right to waive minor irregularities or minor errors in any Proposal, if it appears to the Owner that such irregularities or errors were made through inadvertence. Any such irregularities or errors so waived must be corrected on the Proposal in which they occur prior to the acceptance thereof by the Owner.~~
14. **Bid Rejection.** ~~The Owner reserves the right to reject any or all Proposals.~~
15. **Discrepancy in Unit Prices.** ~~Where the unit prices in the Contractor's Proposal are separated into three columns designated as "Labor," "Materials," and "Labor and Materials," and where a discrepancy appears between the sum shown in the "Labor and Materials" column and the correct addition of the sums appearing in the "Labor" column and the "Materials" column, the correct addition of the sums appearing in the "Labor" column and the "Materials" column shall control. Similarly, the quantities appearing in the "No. of Units" column multiplied by the correct addition of the sums in the "Labor" column and the "Materials" shall control the amounts appearing in the "Extended Price - Labor & Materials" column. Likewise, the correct extensions shall control the amounts appearing in the "Total, Part _____" line for each respective part.~~
16. **Definition of Terms.** ~~The terms "Administrator," "Engineer," "Completion of Construction," and "Completion of the Project" as used throughout this Contract shall be as defined in Article VI, Section 1, of the Proposal.~~

17. The Owner Represents:

- a. *If by provisions of the Proposal the Owner shall have undertaken to furnish any materials for the construction of the project, such materials are on hand at locations specified or if such materials are not on hand they will be made available by the Owner to the successful Bidder at the locations specified before the time such materials are required for construction.*
- b. *All titles, easements and rights-of-way, except as shown on maps included in the Plans and Specifications, have been obtained from the owners of the properties on which the project is to be constructed (including tenants who may reasonably be expected to object to such construction). The remaining easements and rights-of-way, if any, will be obtained as required to avoid delay in construction.*
- c. *All staking, except as shown on the maps included in the Plans and Specifications, has been completed and sufficient staking crews will be available to maintain stakes at all times in advance of construction.*
- d. *Where underground distribution construction is required, permission has been obtained from state and local highway and road authorities to install underground distribution power facilities and set pedestals, if any, on the highway and road right-of-way in the project area. Notwithstanding such permission granted to the Owner, each Bidder is responsible for ascertaining that the equipment, methods of construction, and repair proposed to be used on the project will meet all requirements of public authorities having jurisdiction over highway and road right-of-way. The successful Bidder will be required to furnish proof satisfactory to the Owner of compliance with this requirement. If required by highway or road authorities, the successful Bidder will furnish to such authorities a bond or meet other guaranty requirements to assure the prompt repair of all damages to highways and roads and their associated rights-of-way caused by the Bidder during construction of the project. This requirement is in addition to and independent of the Contractor's Bond required under this Contract. The acceptance of a bid from any Bidder is not to be construed as approval of the Bidder's equipment or proposed construction methods by or on behalf of the highway and road authorities. Bidders may obtain information concerning the requirements of highway and road authorities by communicating with the following:*

Cumberland Valley Electric Engineering Department

- e. *All funds necessary for prompt payment for the construction of the project will be available.*

If the Owner shall fail to comply with any of the undertakings contained in the foregoing representation or if any of such representations shall be incorrect, the Bidder will be entitled to an extension of time of completion for a period equal to the delay, if any, caused by the failure of the Owner to comply with such undertakings or by any such incorrect representation; provided the Bidder shall have promptly notified the Owner in writing of its desire to extend the time of completion in accordance with the foregoing; provided, however, that such extension, if any, of the time of completion shall be the sole remedy of the Bidder for the Owner's failure, because of conditions beyond the control and without the fault of the Owner, to furnish materials in accordance with subparagraph a. above.

Owner

By: _____

Title

_____, 20____
Date

PROPOSAL

TO:

CUMBERLAND VALLEY ELECTRIC, INC. (KY57)

(hereinafter called the "Owner)."

ARTICLE I --GENERAL

Section 1. Offer to Construct. *The undersigned (hereinafter called the "Bidder") hereby proposes to receive and install such materials and equipment as may hereinafter be specified to be furnished by the Owner, and to furnish all other materials and equipment, all machinery, tools, labor, transportation and other means required to construct the project in strict accordance with the Plans, Specifications and Construction Drawings for the prices hereinafter stated. The Bidder understands and agrees that the Project will consist of line extensions and additions and line changes or similar work usually associated with overhead or underground distribution system improvement or extension work all located within the area served or ultimately to be served by the Owner and that the exact location and scope of individual sections of the Project (hereinafter called "Sections") will be made known to the Bidder from time to time as provided in Article II, Section I hereof.*

The total length of the project lines shall be determined by taking the sum of all straight horizontal span distances between pole stakes or from center to center of poles, or centerline of structures, carrying conductors, plus the length of service drops, if any, measured horizontally from center of last pole to the point of attachment to the consumer's building.

Section 2. Materials and Equipment. *The Bidder agrees to furnish and use in the construction of the project under this Proposal, in the event the Proposal is accepted, only such "fully accepted," "conditionally accepted," and "technically accepted" materials and equipment which have been accepted by RUS as indicated in the current RUS Informational Publication 202-1, "List of Materials Acceptable for Use on Systems of RUS Electrification Borrowers," including revisions adopted prior to the Bid Opening. The use of "conditionally accepted" or "technically accepted" materials and equipment requires prior consent by the Owner or Engineer.*

The Bidder agrees that the prices for wood poles, wood crossarms, and other timber products set forth herein shall include the cost of preservative treatment and inspection, insured warranty, or quality assurance. The Bidder further agrees to obtain from the supplier inspection and treatment reports or insured warranties, for checking against the delivered timber, and to submit such reports or warranties to the Owner as one of the prerequisites to monthly and final payments.

The Bidder will purchase all materials and equipment (other than Owner Furnished Materials) outright and not subject to any conditional sales agreements, bailment, lease or other agreement reserving unto the seller any right, title or interest therein. All such materials and equipment shall be new and shall become the property of the Owner when erected in place.

Section 3. Owner Furnished Materials. *The Bidder understands and agrees that, if this Proposal is accepted, the Owner will furnish to the Bidder the material set forth in the attached "List of Owner Furnished Materials." For those items not yet delivered, the Bidder will, on behalf of the Owner, accept delivery of such of the materials as may be subsequently delivered and will promptly forward to the Owner for payment the supplier's invoice. The Bidder will acknowledge in writing the receipt of all materials received as indicated on the List. The materials referred to are on hand at, or will be delivered to, the locations specified in the List and the Bidder will use such materials in constructing the project.*

The value of the completed Construction Units certified by the Bidder each month pursuant to Article III, Section 1, a of the Proposal shall be reduced by an amount equal to the value of the materials installed by the Bidder during the preceding month which have been furnished by the Owner

or the delivery of which has been accepted by the Bidder on behalf of the Owner. Only ninety percent (90%) of the remainder shall be paid prior to the Completion of the project. The value of such materials shall be computed on the basis of the unit prices stated in the Lists. Materials, if any, not required for the project, which have been furnished to the Bidder by the Owner or delivery of which has been accepted by the Bidder on behalf of the Owner, shall be returned to the Owner by the Bidder upon completion of construction of the project. The value of all materials not installed in the project nor returned to the Owner shall be deducted from the final payment to the Bidder.

The Owner shall not be obligated to furnish materials in excess of the quantities, size, kind and type set forth in the attached Lists. If the Owner furnishes, and the Bidder accepts, materials in excess thereof the values of such excess materials shall be their actual cost as stated by the Owner.

Information on the shipping schedules of materials on the "List of Owner Furnished Materials" will be furnished to the Bidder as necessary during progress of the work.

Upon delivery, the Bidder shall promptly receive, unload, transport and handle all materials and equipment on the "List of Owner Furnished Materials" at its expense and shall be responsible for demurrage, if any.

Section 4. Proposal on Unit Basis. The Bidder understands and agrees that the various Construction Units on which bids are made are defined by symbols and descriptions in this Proposal, that all said bids are on a unit basis, and that the Owner may specify any number or combination of Construction Units that the Owner may deem necessary for the construction of the project. Separate Construction Units are designated for each different arrangement which may be used in the construction of the project. This Proposal is based on a consideration of each unit in place and includes only the materials listed on the corresponding Construction Drawings or description of unit where no drawing exists.

Section 5. Description of contract. The Notice and Instructions to Bidders, Plans, Specifications, and Construction Drawings, which by this reference are incorporated herein, together with the Proposal and Acceptance constitute the Contract. The Plans, Specifications, and Construction Drawings, including maps, special drawings, and approved modifications in standard specifications are attached hereto and identified as follows:

Section 6. Due Diligence. The Bidder has made a careful examination of the site of the project to be constructed and of the Plans, Specifications, Construction Drawings, and form of Contractor's Bond attached hereto, and has become informed as to the location and nature of the proposed construction, the transportation facilities, the kind and character of soil and terrain to be encountered, and the kind of facilities required before and during the construction of the project, and has become acquainted with the labor conditions, federal, state, and local laws, rules, and regulations applicable to its performance.

~~Section 7. License.~~ The Bidder warrants that a Contractor's License is _____ is not _____ required, and if

it possesses Contractor's License No. _____ for the State of _____
in which the project is located and said license expires on _____, 20____.

Section 8. Warranty of Good Faith. *The Bidder warrants that this Proposal is made in good faith and without collusion or connection with any person or persons bidding for the same work.*

Section 9. Financial Resources.

- a. *The Bidder warrants that it has or will obtain the financial resources necessary to ensure completion of the project.*
- b. *The Bidder agrees that in the event this Proposal is accepted and a Contractor's Bond is required, it will furnish a Contractor's Bond in the form attached hereto, in a penal sum not less than the maximum Contract price, with a surety or sureties listed by the United States Department of Treasury as Acceptable Sureties.*

Section 10. Taxes. *The unit prices for Construction Units in this Proposal include provisions for the payment of all monies which will be payable by the Bidder or the Owner in connection with the construction of the Project on account of taxes imposed by any taxing authority upon the sale, purchase or use of materials, supplies and equipment, or services or labor of installation thereof to be incorporated in the project as part of such Construction Units. The Bidder agrees to pay all such taxes, except taxes upon the sale, purchase or use of Owner Furnished Materials and it is understood that, as to Owner Furnished Materials, the values stated in the attached "List of Owner Furnished Materials" include taxes upon the sale, purchase or use of Owner Furnished Materials, if applicable. The Bidder will furnish to the appropriate taxing authorities all required information and reports pertaining to the project, except as to the Owner Furnished Materials.*

Section 11. Changes in Quantities. *The Bidder understands and agrees that the quantities called for in this Proposal are approximate, and that the total number of units upon which payment shall be made shall be as set forth in the inventory. If the Owner changes the quantity of any unit or units specified in this Proposal by more than fifteen percent (15%) and the materials cost to the Bidder is increased thereby to an extent which would not be adequately compensated by application of the unit prices in this Proposal to the revised quantity of such unit or units, such change, to the extent of the quantities of such units in excess of such fifteen percent (15%) shall be regarded as a change in the construction within the meaning of Article II, Section 1(d) of this proposal.*

ARTICLE II-CONSTRUCTION

Section 1. Time and Manner of Construction.

- a. *The Bidder agrees to commence construction of the project on a date hereinafter called the "Commencement Date" which shall be determined by the Engineer after notice to the bidder in writing of acceptance of the proposal by the Owner and notice in writing from the Bidder that the Bidder has sufficient materials to warrant commencement and continuation of construction, but in no event will the Commencement Date be later than THIRTY (30) calendar days after acceptance of the proposal by the Owner. The Bidder further agrees to prosecute diligently and to complete construction in strict accordance with the Plans, Specifications and Construction Drawings within THE SPECIFIED calendar days after Commencement Date; Provided, however, that the Bidder will not be required to dig holes, set poles, install anchors, install underground conduit, perform any plowing for the installation of underground cable, or dig trenches if there are more than six (6) inches of frost on the ground nor to perform any construction on such days when in the judgment of the Engineer snow, rain, or wind, or the results of snow, rain, or frost make it impracticable to perform any operation of construction; provided further that the Bidder will not be required to perform any plowing for the installation of underground cable on public roads or highways if there are more than two (2) inches of frost in the ground. To the extent of the time lost due to the conditions described herein and approved in writing by the Engineer, the time of completion set out above will be extended if*

the Bidder makes a written request therefore to the Owner as provided in subsection b of this Section 1.

- b. *The time for Completion of Construction shall be extended for the period of any reasonable delay which is due exclusively to causes beyond the control and without the fault of the Bidder, including Acts of God, fires, floods, inability to obtain materials and acts or omissions of the Owner with respect to matters for which the Owner is solely responsible; Provided, however that no such extension of time for completion shall be granted the Bidder unless within ten (10) days after the happening of any event relied upon by the Bidder for such an extension of time the Bidder shall have made a request therefore in writing to the Owner, and provided further that no delay in such time of completion or in the progress of the work which results from any of the above causes except acts or omissions of the Owner, shall result in any liability on the part of the Owner.*
- c. *The sequence of construction shall be as set forth below, the number or names being the designations of extensions or areas hereinafter called the "Sections") corresponding to the numbers or names shown on the maps attached hereto, or if no Sections are set forth below, the sequence of construction shall be as determined by the Bidder, subject to the approval of the Engineer.*

AS AGREED UPON BY AND BETWEEN OWNER AND BIDDER

- d. *The Owner, acting through the Engineer, may from time to time during the progress of the construction of the project make such changes, additions or subtractions from the Plans, Specifications, Construction Drawings, List of Materials and sequence of construction provided for in the previous paragraph which are part of the Contractor's Proposal as conditions may warrant; Provided, however, that if any change in the construction to be done shall require an extension of time, a reasonable extension will be granted if the Bidder shall make a written request therefore to the Owner within (10) days after any such change is made. And provided further, that if the cost to the Bidder of construction of the project shall be materially increased by any such change or addition, the Owner shall pay the Bidder for the reasonable cost thereof in accordance with a Construction Contract Amendment signed by the Owner and the Bidder, but no claim for additional compensation for any such change or addition will be considered unless the Bidder shall have made a written request therefore to the Owner prior to the commencement of work in connection with such change or addition.*
- e. *It is understood and agreed that, notwithstanding any other provisions of this Contract, the Bidder will not be required to commence any construction after the expiration of 2 years¹ following acceptance of this Proposal by the Owner.*

Section 2. Environmental Protection. *The Bidder shall perform the work in compliance with all applicable Federal, State, and local Environmental Laws. For purposes of this Agreement, the term "Environmental Laws" shall mean all Federal, state, and local laws including statutes, regulations, ordinances, codes, rules, and other governmental restriction and requirements relating to the environment or solid waste, hazardous substances, hazardous waste, toxic or hazardous material, pollutants or contaminants including, but not limited to the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. §§ 9601, et seq., the Federal Water Pollution Control Act, as amended, 33 U.S.C. §§ 1251, et seq., and the Solid Waste Disposal Act, as amended, 42 U.S.C. §§ 6901, et seq., now or at any time hereafter in effect.*

Section 3. Tools, Equipment, and Qualified Personnel. *The Bidder agrees that in the event this Proposal is accepted it will make available for use in connection with the proposed construction all necessary tools and equipment and qualified supervisors and workers.*

¹ Owner to insert a number from 1 to 4

Section 4. Changes in Construction. *The Bidder agrees to make such changes in construction previously installed in the project by the Bidder as required by the Owner for prices arrived at as follows:*

- a. For substations and other units where only a portion of the complete unit is affected by the change, the compensation for such change shall be as agreed upon in writing by the Bidder and the Owner prior to the commencement of work in connection with such change.*
- b. For all other units, the compensation for such change shall be the reasonable cost thereof as agreed upon by the Bidder and the Owner, but in no event shall it exceed two (2) times the labor price quoted in the Proposal for the installation of the unit to be changed. Such compensation shall be in lieu of any other payment for the installation and removal of the original unit. (If a new or replacing unit is installed, payment for such new or replacing unit shall be made as shown in the final inventory)*

No payment shall be made to the Bidder for materials or labor involved in correcting errors or omissions on the part of the Bidder which result in construction not in accordance with the Plans and Specifications.

Section 5. Construction Not in Proposal. *The Bidder also agrees that when it is necessary to construct units not shown in the Proposal, in absence of other mutual agreement, it will construct such units for a price arrived at as follows:*

- a. The cost of materials shall be determined by the invoices.*
- b. The cost of labor shall be the reasonable cost thereof but in no event shall it exceed an amount determined by calculating the ratio of the total labor costs to the total material costs in the section of the Proposal involved, and multiplying the cost of materials for the unit in question by this ratio.*

Section 6. Supervision and Inspection.

- a. The Bidder shall give sufficient supervision to the work, using its best skill and attention. The Bidder will carefully study and compare all drawings, specifications and other instructions and will at once report to the Owner any error, inconsistency or omission which it may discover. The Bidder shall cause the construction work on the project to receive constant supervision by a competent superintendent (hereinafter called the "Superintendent") who shall be present at all times during working hours where construction is being carried on. The Bidder shall also employ, in connection with the construction of the project, capable, experienced and reliable supervisors and such skilled workers as may be required for the various classes of work to be performed. The Bidder shall be solely responsible for the means and methods of construction and for the supervision of the Bidder's employees.*
- b. The Owner reserves the right to require the removal from the project of any employee of the Bidder if in the judgment of the Owner such removal shall be necessary in order to protect the interest of the Owner. The Owner shall have the right to require the Bidder to increase the number of its employees and to increase or change the amount or kind of tools and equipment if at any time the progress of the work shall be unsatisfactory to the Owner; but the failure of the Owner to give any such directions shall not relieve the Bidder of its obligations to complete the work within the time and in the manner specified in this Proposal.*
- c. The construction of the project and all materials and equipment used therein, shall be subject to the inspection, tests, and acceptance by the Owner and the Administrator and the Bidder shall furnish all information required by the Owner or by the Administrator concerning the nature or source of any materials incorporated or to be incorporated in the project. All Bidder procedures and records pertaining to the work shall be made available to the Owner and the Administrator for review prior to such inspections and tests. The Bidder shall provide all reasonable facilities necessary for such inspection and tests and shall maintain an office at the site of the project, with telephone service where obtainable and at least one office employee to whom communications*

from the Owner may be delivered. Delivery of such communications in writing to the employee of the Bidder at such office shall constitute delivery to the Bidder. The Bidder shall have an authorized agent accompany the Engineer when final inspection is made and, if requested by the Owner, when any other inspection is made. The performance of such inspections or tests by the Owner or the Administrator shall not relieve the Bidder of its obligations to perform the work in accordance with the requirements of this Contract.

- d. In the event that the Owner, or the Administrator, shall determine that the construction contains or may contain numerous defects, it shall be the duty of the Bidder and the Bidder's Surety or Sureties, if any, to have an inspection made by an engineer approved by the Owner and the Administrator, if approval by the Administrator is required, for the purpose of determining the exact nature, extent and location of such defects.
- e. The Engineer may recommend to the Owner that the Bidder suspend the work wholly or in part for such period or periods as the Engineer may deem necessary due to unsuitable weather or such other conditions as are considered unfavorable for satisfactory prosecution of the work or because of the failure of the Bidder to comply with any of the provisions of the Contract: Provided, however, that the Bidder shall not suspend work pursuant to this provision without written authority from the Owner so to do. The time of completion hereinabove set forth shall be increased by the number of days of any such suspension, except when such suspension is due to the failure of the Bidder to comply with any of the provisions of this Contract. In the event that work is suspended by the Bidder with the consent of the Owner, the Bidder before resuming work shall give the Owner at least twenty-four (24) hours notice thereof in writing.

Section 7. Defective Materials and Workmanship.

- a. The acceptance of any materials, equipment (except Owner Furnished Materials) or any workmanship by the Owner or the Engineer shall not preclude the subsequent rejection thereof if such materials, equipment, or workmanship shall be found to be defective after delivery or installation, and any such materials, equipment or workmanship found defective before final acceptance of the construction shall be replaced or remedied, as the case may be, by and at the expense of the Bidder. Any such condemned material or equipment shall be immediately removed from the site of the project by the Bidder at the Bidder's expense. The Bidder shall not be entitled to any payment hereunder so long as any defective materials, equipment or workmanship in respect to the project, of which the Bidder shall have had notice, shall not have been replaced or remedied, as the case may be.
- b. Notwithstanding any certificate which may have been given by the Owner or the Engineer, if any materials, equipment (except Owner Furnished Materials) or any workmanship which does not comply with the requirements of this Contract shall be discovered within one (1) year after Completion of Construction of the project, the Bidder shall replace such defective materials or equipment or remedy any such defective workmanship within thirty (30) days after notice in writing of the existence thereof shall have been given by the Owner. If any such defective materials, equipment, or workmanship so replaced or repaired is found to be defective within one year after the completion of the replacement or repair, the Bidder shall replace or remedy such defective materials, equipment, or workmanship. If the Bidder shall be called upon to replace any defective materials or equipment or to remedy defective workmanship as herein provided, the Owner, if so requested by the Bidder shall deenergize that section of the project involved in such work. In the event of failure by the Bidder so to do, the Owner may replace such defective materials or equipment or remedy such defective workmanship, as the case may be, and in such event the Bidder shall pay to the Owner the cost and expense thereof.

ARTICLE III--PAYMENTS AND RELEASE OF LIENS

Section 1. Payments to Bidder.

~~cc. On or before the fifth (5) day of each calendar month, the Bidder will make application for payment, and the Owner, on or before the fifteenth (15) day of such month, shall make partial payment to the Bidder for construction accomplished during the preceding calendar month on the basis of completed Construction Units furnished and certified to by the Bidder, recommended by the Engineer and approved by the Owner solely for the purposes of payment. Provided, however, that such approval shall not be deemed approval of the workmanship or materials. Only ninety percent (90%) of each such estimate approved during the construction of the project shall be paid by the Owner to the Bidder prior to completion of a Section. Upon completion by the Bidder of the construction of a Section, the Engineer will prepare an inventory of the project showing the total number and character of Construction Units and, after checking such inventory with the Bidder, will certify it to the Owner. Upon the approval by the Owner of a Certificate of Completion in the form attached hereto, showing the total cost of the construction performed, the Owner shall make payment to the Bidder of all amounts to which the Bidder shall be entitled thereunder which shall not have been paid. Provided, however, that such final payment shall be made not later than ninety (90) days after the date of Completion of Construction of the project, as specified in the Certificate of Completion, unless withheld because of the fault of the Bidder.~~

~~b. The Bidder shall be paid on the basis of the number of Construction Units actually installed at the direction of the Owner shown by the inventory based on the staking sheets or structure lists. Provided, however, that the total cost shall not exceed the maximum Contract price for the construction of the Project, unless such excess shall have been approved in writing by the Owner.~~

It is understood and agreed that this maximum Contract price is priced pursuant to
Exhibit X attached dollars (\$ _____). It is also agreed that the Bidder shall not be entitled to any claim for damages on account of any reasonable additions to or subtractions from the Project, or of any delay occasioned thereby, or of any changes in the routing of the lines.

~~cc. Interest at the rate of _____ percent (_____)² per annum shall be paid by the Owner to the Bidder on all unpaid balances due on monthly estimates, commencing fifteen (15) days after the due date, provided the delay in payment beyond the due date is not caused by any condition within the control of the Bidder. The due date for purposes of such monthly payment or interest on all unpaid balances shall be the fifteenth (15) day of each calendar month provided (1) the Bidder on or before the fifth (5) day of such month shall have submitted its certification of Construction Units completed during the preceding month and (2) the Owner on or before the fifteenth (15) day of such month shall have approved such certification. If for reasons not due to the Bidder's fault, such approval shall not have been given on or before the fifteenth (15) day of such month, the due date for purposes of this subsection c shall be the fifteenth (15) day of such month notwithstanding the absence of the approval of the certification.~~

~~cc. Interest at the rate of _____ percent (_____)² per annum shall be paid by the Owner to the Bidder on the final payment for the project or any completed Section thereof commencing fifteen (15) days after the due date. The due date for purposes of such final payment or interest on all unpaid balances shall be the date of approval by the Owner of all of the documents requiring such approval as a condition precedent to the making of final payment, or ninety (90) days after the date of Completion of Construction of the project, as specified in the Certificate of Completion, whichever date is earlier.~~

² The Owner shall insert a rate equal to the lowest "Prime Rate" listed in the "Money Rates" section of the Wall Street Journal on the date such invitation to bid is issued.

¹ See Footnote 2.

- e. *No payment shall be due while the Bidder is in default in respect of any of the provisions of this Contract and the Owner may withhold from the Bidder the amount of any claim by a third party against either the Bidder or the Owner based upon an alleged failure of the Bidder to perform the work hereunder in accordance with the provisions of this Contract.*
- f. *The Owner and the Administrator shall have the right to inspect all payrolls, invoices of materials, and other data and records of the Bidder and of any subcontractor, relevant to the construction of the project.*

Section 2. Release of Liens and Certificate of Contractor. *Upon the completion by the Bidder of the construction of the project (or any Section thereof if the Bidder shall elect to receive payment in full for any Section when completed as provided above) but prior to final payment to the Bidder, the Bidder shall deliver to the Owner, in duplicate, releases of all liens and of rights to claim any lien, in the form attached hereto from all manufacturers, material suppliers, and subcontractors furnishing services or materials for the project or such Section and a certificate in the form attached hereto to the effect that all labor used on or for the project or such Section has been paid and that all such releases have been submitted to the Owner.*

Section 3. Payments to Material Suppliers and Subcontractors. *The Bidder shall pay each material supplier, if any, within five (5) days after receipt of any payment from the Owner, the amount thereof allowed the Bidder for and on account of materials furnished or construction performed by each material supplier or each subcontractor.*

ARTICLE IV--PARTICULAR UNDERTAKINGS OF THE BIDDER

Section 1. Protection to Persons and Property. *The Bidder shall at all times take all reasonable precautions for the safety of employees on the work and of the public, and shall comply with all applicable provisions of federal, state, and local laws, rules, and regulations and building and construction codes, in addition to the safety rules and procedures of the Owner.*

The following provisions shall not limit the generality of the above requirements:

- a. *The Bidder shall at no time and under no circumstances cause or permit any employee of the Bidder to perform any work upon energized lines, or upon poles carrying energized lines, unless otherwise specified in the Notice and Instructions to Bidders.*
- b. *The Bidder shall transport and store all material in facilities and vehicles which are designed to protect the material from damage. The Bidder shall ensure that all vehicles, trailers, and other equipment used comply with all applicable licensing, traffic, and highway requirements.*
- c. *The Bidder shall so conduct the construction of the project as to cause the least possible obstruction of public highways.*
- d. *The Bidder shall provide and maintain all such guard lights and other protection for the public as may be required by applicable statutes, ordinances and regulations or by local conditions.*
- e. *The Bidder shall do all things necessary or expedient to properly protect any and all parallel, converging and intersecting lines, joint line poles, highways and any and all property of others from damage, and in the event that any such parallel, converging and intersecting lines, joint line poles, highways or other property are damaged in the course of the construction of the project the Bidder shall at its own expense restore any or all of such damaged property immediately to as good a state as before such damage occurred.*
- f. *Where the right-of-way of the project traverses cultivated or grazing lands, the Bidder shall limit the movement of its crews and equipment so as to cause as little damage as possible to crops, orchards or property and shall endeavor to avoid marring the lands. All fences which are necessarily opened or moved during the construction of the project shall be replaced in as good*

condition as they were found and precautions shall be taken to prevent the escape of livestock. Except as otherwise provided in the descriptions of underground plowing and trenching assembly units, the Bidder shall not be responsible for loss of or damage to crops, orchards or property (other than livestock) on the right-of-way necessarily incident to the construction of the project and not caused by negligence or inefficient operation of the Bidder. The Bidder shall be responsible for all other loss of or damage to crops, orchards, or property, whether on or off the right-of-way, and for all loss of or damage to livestock caused by the construction of the project.

The right-of-way for purposes of this said section shall consist of an area extending _____ feet on both sides of the center line of the poles along the route of the project lines, plus such area reasonably required by the Bidder for access to the route of the project lines from Public roads to carry on construction activities.

- g. The project, from the commencement of work to completion, or to such earlier date or dates when the Owner may take possession and control in whole or in part as hereinafter provided shall be under the charge and control of the Bidder and during such period of control by the Bidder all risks in connection with the construction of the project and the materials to be used therein shall be borne by the Bidder. The Bidder shall make good and fully repair all injuries and damages to the project or any portion thereof under the control of the Bidder by reason of any act of God or other casualty or cause whether or not the same shall have occurred by reason of the Bidder's negligence.
- (i) To the maximum extent permitted by law, Bidder shall defend, indemnify, and hold harmless Owner and Owner's directors, officers, and employees from all claims, causes of action, losses, liabilities, and expenses (including reasonable attorney's fees) for personal loss, injury, or death to persons (including but not limited to Bidder's employees) and loss, damage to or destruction of Owner's property or the property of any other person or entity (including but not limited to Bidder's property) in any manner arising out of or connected with the Contract, or the materials or equipment supplied or services performed by Bidder, its subcontractors and suppliers of any tier. But nothing herein shall be construed as making Bidder liable for any injury, death, loss, damage, or destruction caused by the sole negligence of Owner.
- (ii) To the maximum extent permitted by law, Bidder shall defend, indemnify, and hold harmless Owner and Owner's directors, officers, and employees from all liens and claims filed or asserted against Owner, its directors, officers, and employees, or Owner's property or facilities, for services performed or materials or equipment furnished by Bidder, its subcontractors and suppliers of any tier, and from all losses, demands, and causes of action arising out of any such lien or claim. Bidder shall promptly discharge or remove any such lien or claim by bonding, payment, or otherwise and shall notify Owner promptly when it has done so. If Bidder does not cause such lien or claim to be discharged or released by payment, bonding, or otherwise, Owner shall have the right (but shall not be obligated) to pay all sums necessary to obtain any such discharge or release and to deduct all amounts so paid from the amount due Bidder.
- (iii) Bidder shall provide to Owner's satisfaction evidence of Bidder's ability to comply with the indemnification provisions of subparagraphs i and ii above, which evidence may include but may not be limited to a bond or liability insurance policy obtained for this purpose through a licensed surety or insurance company.
- h. Any and all excess earth, rock, debris, underbrush and other useless materials shall be removed by the Bidder from the site of the project as rapidly as practicable as the work progresses.
- i. Upon violation by the Bidder of any of the provisions of this section, after written notice of such violation given to the Bidder by the Engineer or the Owner, the Bidder shall immediately correct such violation. Upon failure of the Bidder so to do the Owner may correct such violation at the Bidder's expense: Provided, however, that the Owner may, if it deems it necessary or advisable, correct such violation at the Bidder's expense without such prior notice to the Bidder.

- j. *The Bidder shall submit to the Owner monthly reports in duplicate of all accidents, giving such data as may be prescribed by the Owner.*
- k. *The Bidder shall not proceed with the cutting of trees or clearing of right-of-way without written notification from the Owner that proper authorization has been received from the owner of the property, and the Bidder shall promptly notify the Owner whenever any landowner objects to the trimming or felling of any trees or the performance of any other work on its land in connection with the project and shall obtain the consent in writing of the Owner before proceeding in any such case.*
- l. *The Bidder will furnish, prior to the commencement of underground distribution construction, proof satisfactory to the Owner, of compliance with requirements of highway and road authorities having jurisdiction, including without limitation, the furnishing of a bond or other guaranty, and approval by such authorities of the equipment and methods of construction and repair to be used by the Bidder.*

Section 2. Insurance. *The Bidder shall take out and maintain throughout the period of this Agreement the following types and minimum amounts of insurance:*

- a. *Workers' compensation and employers' liability insurance, as required by law, covering all its employees who perform any of the obligations of the Bidder under the contract. If any employer or employee is not subject to the workers' compensation laws of the governing state, then insurance shall be obtained voluntarily to extend to the employer and employee coverage to the same extent as though the employer or employee were subject to the workers' compensation laws.*
- b. *Public liability insurance covering all operations under the contract shall have limits for bodily injury or death of not less than \$1 million each occurrence, limits for property damage of not less than \$1 million each occurrence, and \$1 million aggregate for accidents during the policy period. A single limit of \$1 million of bodily injury and property damage is acceptable. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form.*
- c. *Automobile liability insurance on all motor vehicles used in connection with the contract, whether owned, nonowned, or hired, shall have limits for bodily injury or death of not less than \$1 million per person and \$1 million each occurrence, and property damage limits of \$1 million for each occurrence. A single limit of \$1 million of bodily injury and property damage is acceptable. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form.*

The Owner shall have the right at any time to require public liability insurance and property damage liability insurance greater than those required in subsection "b" and "c" of this Section. In any such event, the additional premium or premiums payable solely as the result of such additional insurance shall be added to the Contract price.

The Owner shall be named as Additional Insured on all policies of insurance required in subsections "b" and "c" of this Section.

The policies of insurance shall be in such form and issued by such insurer as shall be satisfactory to the Owner. The Bidder shall furnish the Owner a certificate evidencing compliance with the foregoing requirements which shall provide not less than (30) days prior written notice to the Owner of any cancellation or material change in the insurance.

Section 3. Delivery of Possession and Control to Owner.

- a. *Upon written request of the Owner the Bidder shall deliver to the Owner full possession and control of any portion of the project provided the Bidder shall have been paid at least ninety percent (90%) of the cost of construction of such portion. Upon such delivery of the possession and control of any portion of the project to the Owner, the risk and obligations of the Bidder as*

set forth in Article IV, Section 1.g hereof with respect to such portion of the project so delivered to the Owner shall be terminated: Provided, however, that nothing herein contained shall relieve the Bidder of any liability with respect to defective materials and workmanship as contained in Article II, Section 7 hereof.

- b. Where the construction of a Section as herein before defined in Article II, Section 1.c shall have been completed by the Bidder, the Owner agrees, after receipt of a written request from the Bidder, to accept delivery of possession and control of such Section upon the issuance by the Engineer of a written statement that the Section has been inspected and found acceptable by the Engineer. Upon such delivery of the possession and control of any such Section to the Owner, the risk and obligations of the Bidder as set forth in Article IV Section 1.g hereof with respect to such Section so delivered to the Owner shall be terminated: Provided, however, that nothing herein contained shall relieve the Bidder of any liability with respect to defective materials or workmanship as contained in Article II, Section 7 hereof.

Section 4. Energizing the Project.

- a. Prior to Completion of the project the Owner, upon written notice to the Bidder, may test the construction thereof by temporarily energizing any portion or portions thereof. During the period of such test the portion or portions of the project so energized shall be considered as within the possession and control of the Owner and governed by the provisions of Section 3 of this Article. Upon written notice to the Bidder by the Owner of the completion of such test and upon deenergizing the lines involved therein said portion or portions of the project shall be considered as returned to the possession and control of the Bidder unless the Owner shall elect to continue possession and control in the manner provided in Section 3 of this Article.
- b. The Owner shall have the right to energize permanently any portion or portions of the project delivered to its possession and control pursuant to the provisions of Section 3 of this Article.

Section 5. Assignment of Guarantees. All guarantees of materials and workmanship running in favor of the Bidder shall be transferred and assigned to the Owner prior to the time the Bidder receives final payment.

ARTICLE V--REMEDIES

Section 1. Completion on Bidder's Default. If default shall be made by the Bidder or by any subcontractor in the performance of any of the terms of this Proposal, the Owner, without in any manner limiting its legal and equitable remedies in the circumstances, may serve upon the Bidder and the Surety or Sureties, if any, upon the Contractor's Bond or Bonds a written notice requiring the Bidder to cause such default to be corrected forthwith. Unless within twenty (20) days after the service of such notice upon the Bidder such default shall be corrected or arrangements for the correction thereof satisfactory to both the Owner and the Administrator shall be made by the Bidder or its Surety or Sureties, if any, the Owner may take over the construction of the project and prosecute the same to completion by Contract or otherwise for the account and at the expense of the Bidder, and the Bidder and its Surety or Sureties, if any, shall be liable to the Owner for any cost or expense in excess of the Contract price occasioned thereby. In such event the Owner may take possession of and utilize, in completing the construction of the project, any materials, tools, supplies, equipment, appliances, and plant belonging to the Bidder or any of its subcontractors, which may be situated at the site of the project. The Owner in such contingency may exercise any rights, claims or demands which the Bidder may have against third persons in connection with this Contract and for such purpose the Bidder does hereby assign, transfer and set over unto the Owner all such rights, claims and demands.

Section 2. Cumulative Remedies. Every right or remedy herein conferred upon or reserved to the Owner or the Government or the Administrator shall be cumulative, shall be in addition to every right and remedy now or hereafter existing at law or in equity or by statute and the pursuit of any right or remedy shall not be construed as an election.

ARTICLE VI-MISCELLANEOUS

Section 1. Definitions.

- a. *The term "Administrator" shall mean the Administrator of the Rural Utilities Service of the United States of America and his or her duly authorized representative or any other person in whom or authority in which may be vested the duties and functions which the Administrator is now authorized by law to perform.*
- b. *The term "Engineer" shall mean the Engineer employed by the Owner, to provide engineering services for the project and said Engineer's duly authorized assistants and representatives.*
- c. *The term "Completion of Construction" shall mean full performance by the Bidder of the Bidder's obligations under the Contract and all amendments and revisions thereof except the Bidder's obligations in respect of (1) Releases of Liens and Certificate of Contractor under Article III, Section 2 hereof, (2) the inventory referred to in Article III, Section 1 hereof, and (3) other final documents. The term "Completion of the Project" shall mean full performance by the Bidder of the Bidder's obligations under the Contract and all amendments and revisions thereof. The Certificate of Completion, signed by the Engineer and approved in writing by the Owner shall be the sole and conclusive evidence as to the date of Completion of Construction and as to the fact of Completion of the Project.*

Section 2. Materials and Supplies. *In the performance of this contract there shall be furnished only such unmanufactured articles, materials, and supplies as have been mined or produced in the United States or in any eligible country, and only such manufactured articles, materials, and supplies as have been manufactured in the United States or in any eligible country substantially all from articles, materials, or supplies mined, produced or manufactured, as the case may be, in the United States or in any eligible country; provided that other articles, materials, or supplies may be used in the event and to the extent that the Administrator shall expressly in writing authorize such use pursuant to the provisions of the Rural Electrification Act of 1938, being Title IV of Public Resolution No. 122, 75th Congress, approved June 21, 1938. For the purposes of this section, an "eligible country" is any country that applies with respect to the United States an agreement ensuring reciprocal access for United States products and services and suppliers to the markets of that country, as determined by the United States Trade Representative. The Bidder agrees to submit to the Owner such certificates with respect to compliance with the foregoing provision as the Administrator from time to time may require.*

Section 3. Patent Infringement. *The Bidder shall hold harmless and indemnify the Owner from any and all claims, suits and proceedings for the infringement of any patent or patents covering any materials or equipment used in construction of the project.*

Section 4. Permits for Explosives. *All permits necessary for the handling or use of dynamite or other explosives in connection with the construction of the project shall be obtained by and at the expense of the Bidder.*

Section 5. Compliance with Laws. *The Bidder shall comply with all federal, state, and local laws, rules, and regulations applicable to its performance under the contract and the construction of the project. The Bidder acknowledges that it is familiar with the Rural Electrification Act of 1936, as amended, the Anti Kick-Back Act of 1986 (41 U.S.C. 51 et seq), and 18 U.S.C. §§ 286, 287, 641, 661, 874, 1001, and 1366, as amended.*

The Bidder represents that to the extent required by Executive Orders 12549 (3 CFR, 1985-1988 Comp., p. 189) and 12689 (3 CFR, 1989 Comp., p. 235), Debarment and Suspension, and "CFR part 301", it has submitted to the Owner a duly executed certification in the form prescribed in "CFR part 301".

The Bidder represents that, to the extent required, it has complied with the requirements of Pub. L. 101-121, Section 319, 103 Stat. 701, 750-765 (31 U.S.C. 1352), entitled "Limitation on use of

appropriated funds to influence certain Federal contracting and financial transactions," and any rules and regulations issued pursuant thereto.

Section 6. Equal Opportunity Provisions.

a. Bidder's Represents.

The Bidder represents that:

It has ___ , does not have ___ , 100 or more employees, and if it has, that it has ___ , has not ___ , furnished the Equal Employment Opportunity-Employers Information Report EEO-1, Standard Form 100, required of employers with 100 or more employees pursuant to Executive Order 11246 of September 24, 1965, and Title VII of the Civil Rights Act of 1964.

The Bidder agrees that it will obtain, prior to the award of any subcontract for more than \$10,000 hereunder to a subcontractor with 100 or more employees, a statement, signed by the proposed subcontractor, that the proposed subcontractor has filed a current report on Standard Form 100.

The Bidder agrees that if it has 100 or more employees and has not submitted a report on Standard Form 100 for the current reporting year and that if this Contract will amount to more than \$10,000, the Bidder will file such report, as required by law, and notify the owner in writing of such filing prior to the Owner's acceptance of this Proposal.

b. Equal Opportunity Clause. During the performance of this Contract, the Bidder agrees as follows:

- (1) The Bidder will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The Bidder will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to, the following: Employment, upgrading, demotions or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection of training, including apprenticeship. The Bidder agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this Equal Opportunity Clause.*
- (2) The Bidder will, in all solicitations or advertisements for employees placed by or on behalf of the Bidder, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.*
- (3) The Bidder will send to each labor union or representative of workers, with which it has a collective bargaining agreement or other contract or understanding, a notice to be provided advising the said labor union or workers' representative of the Bidder's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.*
- (4) The Bidder will comply with all provisions of Executive Order 11246 of September 24, 1965, and the rules, regulations and relevant orders of the Secretary of Labor.*
- (5) The Bidder will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.*

- (6) *In the event of the Bidder's noncompliance with the Equal Opportunity Clause of this Contract or with any of the said rules, regulations, or orders, this Contract may be canceled, terminated, or suspended in whole or in part, and the Bidder may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as provided by law.*
- (7) *The Bidder will include this Equal Opportunity Clause in every subcontractor purchase order unless exempted by the rules, regulations, or order of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Bidder will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for noncompliance: Provided, however, that in the event Bidder becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the administering agency, the Bidder may request the United States to enter into such litigation to protect the interests of the United States.*
- c. *Certificate of Nonsegregated Facilities. The Bidder certifies that it does not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. The Bidder certifies further that it will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. The Bidder agrees that a breach of this certification is a violation of the Equal Opportunity Clause in this Contract. As used in this certification, the term "segregated facilities" means any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Bidder agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods) it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity Clause, and that it will retain such certifications in its files.*

Section 7. Franchises and Rights-of-Way. *The Bidder shall be under no obligation to obtain or assist in obtaining: Any franchises, authorizations, permits or approvals required to be obtained by the Owner from Federal, State, County, Municipal or other authorities; any rights-of-way over private lands; or any agreements between the Owner and third parties with respect to the joint use of poles, crossings, or other matter incident to the construction and operation of the project.*

Section 8. Nonassignment of Contract. *The Bidder shall perform directly and without subcontracting not less than twenty-five percent (25%) of the construction of the project, to be calculated on the basis of the total Contract price. The Bidder shall not assign the Contract effected by an acceptance of this Proposal or any interest in any funds that may be due or become due hereunder or enter into any contract with any person, firm or corporation for the performance of the Bidder's obligations hereunder or any part thereof without the approval in writing of the Owner and of the Surety or Sureties, if any, on any bond furnished by the Bidder for the faithful performance of the Bidder's obligations hereunder. If the Bidder, with the consent of the Owner and any Surety or Sureties on the Contractor's Bond or Bonds, shall enter into a subcontract with any subcontractor for the performance of any part of this Contract, the Bidder shall be as fully responsible to the Owner and the Government for the acts and omissions of such subcontractor and of persons employed by such subcontractor as the Bidder would be for its own acts and omissions and those of persons directly employed by it.*

Section 9. Successors and Assigns. Each and all of the covenants and agreements herein contained shall extend to and be binding upon the successors and assigns of the parties hereto. The Owner and Bidder acknowledge that this Contract is assigned to the Government, acting through the Administrator, for security purposes under the Owner's mortgage and security instrument.

Section 10. Independent Contractor. The Bidder shall perform the work as an independent contractor, not as a subcontractor, agent, or employee of the Owner. Upon acceptance of this Proposal, the successful Bidder shall be the Contractor and all references in the Proposal to the Bidder shall apply to the Contractor.

Section 11. Acceptance by the Owner: The acceptance of a Proposal for a contract shall become effective the date of acceptance by the Owner.

ATTEST,

Junka Cooney
Secretary

Dated 12/11/08

FIVE C CONSTRUCTION, INC

Bidder

Konnie Cooney
President

346 Turner Rd. GRAY Ky 40314
Address

The Proposal must be signed with the full name of the Bidder. If the Bidder is a partnership, the Proposal must be signed in the partnership name by a partner. If the Bidder is a corporation, the Proposal must be signed in the corporate name by a duly authorized officer and the corporate seal affixed and attested by the Secretary of the Corporation.

ACCEPTANCE

The Owner hereby accepts the foregoing Proposal of the Bidder, FIVE C CONSTRUCTION
COMPANY, INC., for the construction of the following:
PROJECTS ASSIGNED BY CUMBERLAND VALLEY ELECTRIC STAFF

CUMBERLAND VALLEY ELECTRIC, INC

Owner

By Warron Shulley
President

Warron Shulley
Secretary

_____, 2008
Date of Contract

Cumberland Valley Electric, Inc.
Addendum 2 to RUS Form 790

ARTICLE VI – MISCELLANEOUS
Add: Section 12. Hold Harmless Agreement.

HOLD HARMLESS AGREEMENT

FIVE C CONSTRUCTION COMPANY, INC. ("Bidder") agrees to defend, pay on behalf of, and hold harmless Cumberland Valley Electric, Inc. ("Owner"), and its directors, officers, agents, members and employees, from all claims, demands, causes of action, damages, costs, or liabilities, in law or in equity, of every kind and nature whatsoever, including but not limited to those brought by employees of Bidder or its subcontractors, and those brought as a result of any interruption, discontinuance, or interference with Owner's service to any of its customers, arising out of or as a result of any act or failure to act, whether or not negligent, in connection with the performance of the work to be performed pursuant to this proposal by the Bidder, its directors, officers, agents, employees, and subcontractors. Bidder agrees to defend and pay all costs in defending these claims, demands, causes of action, damages, costs or liabilities, including attorney's fees, and Bidder shall also reimburse Owner for any and all legal and other expenses incurred by Owner in connection therewith.

Further, Bidder agrees to maintain public liability and property damage insurance (including automobile public liability and property damage insurance) to cover the obligations set forth above. The minimum insurance limits of liability shall be \$1,000,000 bodily injury and property damage. The policy must also state that the Bidder has contractual liability coverage and that the Owner has been added as an additional insured. Owner shall receive a minimum thirty (30) day notice in the event of cancellation of insurance required by this agreement. The Bidder shall furnish a certificate of insurance to the Owner showing that the above obligations and requirements are provided for by a qualified insurance carrier, and showing the Owner as an additional insured on such insurance.

Five C Construction Company, Inc.

Bidder

By: Ronnie Cooney

Title: President

Witness: Brenda Cooney

Date: 12/11/08

Cumberland Valley Electric, Inc.

Owner

By: Norman Shelby

Title: PRESIDENT

Witness: Norman Taylor

Date: 12/9/08

CUMBLERAND VALLEY ELECTRIC

LOBBYING CERTIFICATION

Certification for Contracts, Grants, Loans, and Cooperative Agreements

The undersigned certifies, to the best of his or her knowledge and belief, that:

- (1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.
- (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, and officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
- (3) The undersigned shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

CUMBERLAND VALLEY ELECTRIC, INC

Organization Name

President & CEO

Name of Authorized Official


Signature

12-9-08
Date

CUMBLERAND VALLEY ELECTRIC

LOBBYING CERTIFICATION

Certification for Contracts, Grants, Loans, and Cooperative Agreements

The undersigned certifies, to the best of his or her knowledge and belief, that:

- (1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.
- (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, and officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
- (3) The undersigned shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

FIVE C CONSTRUCTION COMPANY, INC.

Organization Name

President & CEO

Name of Authorized Official

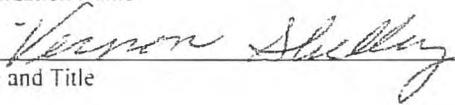
Ronnie Cory
Signature

12/11/08
Date

9. Except for transactions authorized under paragraph 5 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and or debarment.

CERTIFICATION

- (1) The prospective lower tier participant certifies, by submission of this proposal, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.
- (2) Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

Organization Name	PR Award or Project Name
	President
Name and Title	
Signature	Date

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0725-0127. The time required to complete this information collection averages 10 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

U.S. Department of Agriculture
Rural Utilities Service

CERTIFICATE OF CONTRACTOR

RONNIE COREY certifies that he or she is the
OWNER / PRESIDENT of FIVE C CONSTRUCTION CO., INC.
TITLE NAME OF CONTRACTOR

the Contractor, in a Construction Contract No. _____

dated DECEMBER 11, 2008, entered into between the Contractor and

CUMBERLAND VALLEY ELECTRIC, INC., RUS designation KY57
NAME OF RUS BORROWER

the Owner, and that he or she is authorized to and does make this certification on behalf of said Contractor in order to induce the Owner to make payment to the Contractor, in accordance with the provisions of said Construction Contract.

Undersigned further says that all persons who have furnished labor in connection with said construction have been paid in full, that the names of manufacturers, material suppliers, and subcontractors that furnished material or services or both in connection with such construction and the kind or kinds of material or services or both so furnished are:

NAME	KIND OF MATERIAL OR SERVICES
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

and that the releases of liens executed by all such manufacturers, material suppliers, and subcontractors have been furnished the Owner.

12/11/08 Date By Ronnie Corey President

This Certificate must be signed with the full name of the Contractor. If the Contractor is a partnership, this Certificate must be signed in the partnership name by a partner. If the Contractor is a corporation, this Certificate must be signed in the corporate name by a duly authorized officer.

CERTIFICATION OF INSURANCE COVERAGE

- (1) *The prospective bidder certifies, by submission of this certification, that insurance coverage as outlined in a-c below will be attainable for the contract period.*
- (2) *Where the prospective bidder is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.*

The Bidder shall takeout and maintain throughout the period of this Agreement the following types and minimum amounts of insurance:

- a. *Workers' compensation and employers' liability insurance, as required by law, covering all its employees who perform any of the obligations of the Bidder under the contract. If any employer or employee is not subject to the workers' compensation laws of the governing state, then insurance shall be obtained voluntarily to extend to the employer and employee coverage to the same extent as though the employer or employee were subject to the workers' compensation laws*
- b. *Public liability insurance covering all operations under the contract shall have limits for bodily injury or death of not less than \$1 million each occurrence, limits for property damage of not less than \$1 million each occurrence, and \$1 million aggregate for accidents during the policy period. A single limit of \$1 million of bodily injury and property damage is acceptable. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form*
- c. *Automobile liability insurance on all motor vehicles used in connection with the contract, whether owned, non-owned, or hired, shall have limits for bodily injury or death of not less than \$1 million per person and \$1 million each occurrence and property damage limits of \$1 million for each occurrence. A single limit of \$1 million of bodily injury and property damage is acceptable. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form.*

The Owner shall have the right at any time to require public liability insurance and property damage liability insurance greater than those required in subsection "b" and "c" of this Section. In any such event, the additional premium or premiums payable solely as the result of such additional insurance shall be added to the Contract price. The Owner shall be named as "Additional Insured" on all policies of insurance required in sub-sections "b" and "c" of this Section. The policies of insurance shall be in such form and issued by such insurer as shall be satisfactory to the Owner. The Bidder shall furnish the Owner a certificate evidencing compliance with the foregoing requirements which shall provide not less than (30) days prior written notice to the Owner of any cancellation or material change in the insurance

<u>Five C Construction</u>	
Organization Name	PR: Award or Project Name
<u>Ronnie Corey</u>	<u>President</u>
Name (print)	Title
<u>Ronnie Corey</u>	<u>12/11/08</u>
Signature	Date

EXHIBIT K

Five C Construction Company Hourly Rates Schedule

<u>Employee Class/Equipment</u>	<u>Rate</u>
Foreman	\$52.00
Lineman 1 st Class/A	\$51.00
Lineman 2 nd Class/B	\$38.00
Groundman	\$24.00
Truck Operator	\$24.00
Line/Digger Truck	\$19.00
Bucket Truck	\$20.00
Pole Truck/Air Comp	\$10.00
Pickup Truck	\$6.00

U.S. Department of Agriculture
Rural Utilities Service

**ELECTRIC SYSTEM CONSTRUCTION CONTRACT
NON-SITE SPECIFIC CONSTRUCTION**

NOTICE AND INSTRUCTIONS TO BIDDERS

1. **Sealed proposals for the construction, including the supply of necessary labor, materials and equipment, of a rural electric project of** projects for CUMBERLAND VALLEY ELECTRIC, INC., RUS designation KY 57, (hereinafter called the "Owner") will be received by the Owner on or before 4:00 o'clock P. M., JANUARY 1, 2011, at its office at 6219 N US HWY 25E, GRAY, KENTUCKY at which time and place the proposals will be publicly opened and read. Any proposals received subsequent to the time specified will be promptly returned to the Bidder unopened.
2. **Owner Furnished Materials.** The unit prices in the Contractor's Proposal are to include provisions for Owner Furnished Materials since as stated in Article I, Section 3 of the Contractor's Proposal, the value of the Owner Furnished Materials, if any, will be deducted from payments to the Bidder for completed Construction Units.
3. **Obtaining Documents.** The Plans, Specifications and Construction Drawings, together with all necessary forms and other documents for bidders may be obtained from the Owner, or from the Engineer _____ at the latter's office at _____ upon the payment of \$ 0.00, which payment will not be subject to refund. The Plans, Specifications, and Construction Drawings may be examined at the office of the Owner or at the office of the Engineer.
4. **Manner of Submitting Proposals.** Proposals and all supporting instruments must be submitted on the forms furnished by the Owner and must be delivered in a sealed envelope addressed to the Owner. The name and address of the Bidder, its license number if a license is required by the State, and the date and hour of the opening of bids must appear on the envelope in which the Proposal is submitted. Proposals must be completed in ink or typewritten. No alterations or interlineations will be permitted, unless made before submission, and initialed and dated. The successful Bidder will be required to execute two additional counterparts of the Proposal.
5. **Due Diligence.** Prior to the submission of the Proposal, the Bidder shall make and shall be deemed to have made a careful examination of the site of the project and of the Plans, Specifications, Construction Drawings, and forms of Contractor's Proposal and Contractor's Bond, and shall review the location and nature of the proposed construction, the transportation facilities, the kind and character of soil and terrain to be encountered, the kind of facilities required before and during the construction of the project, general local conditions, environmental and historic preservation considerations, and all other matters that may affect the cost and time of completion of the project. Bidder will be required to comply with all federal, state, and local laws, rules, and regulations applicable to its performance, including those pertaining to the licensing of contractors, and the Anti Kick-Back Act of 1986 (41 U.S.C. 51 et seq).
6. **Proposals will be accepted only from those prequalified bidders invited by the Owner to submit a proposal.**

7. **The Time for Completion of Construction** of the project is of the essence of the Contract and shall be as specified by the Engineer in the Proposal.
8. **Bid Bond.** Each Proposal must be accompanied by a Bid Bond in the form attached hereto or a certified check on a bank that is a member of the Federal Deposit Insurance Corporation, payable to the order of the Owner, in an amount equal to ten percent (10%) of the maximum bid price. Each Bidder agrees, provided its Proposal is one of the three low Proposals, that, by filing its Proposal together with such Bid Bond or check in consideration of the Owner's receiving and considering such Proposals, said Proposal shall be firm and binding upon each such Bidder and such Bid Bond or check shall be held by the Owner until a Proposal is accepted and a satisfactory Contractor's Bond is furnished (where required) by the successful Bidder or for a period not to exceed sixty (60) days from the date hereinbefore set for the opening of Proposals, whichever period shall be the shorter. If such Proposal is not one of the three low Proposals, the Bid Bond or check will be returned in each instance within a period of ten (10) days to the Bidder furnishing same.
9. **Contractor's Bond.** If the estimated cost of the construction of a Section shall exceed \$100,000, the Bidder agrees to furnish a Contractor's Bond in triplicate in the form attached hereto with sureties listed by the United States Treasury Department as Acceptable Sureties, in a penal sum not less than the estimated cost of such Section.
10. **Failure to Furnish Contractor's Bond.** Should the successful Bidder fail or refuse to execute such counterparts or to furnish a Contractor's Bond (where required) within ten (10) days after written notification of the acceptance of the Proposal by the Owner, the Bidder will be considered to have abandoned the Proposal. In such event, the Owner shall be entitled (a) to enforce the Bid Bond in accordance with its terms; or (b) if a certified check has been delivered with the Proposal, to retain from the proceeds of the certified check, the difference (not exceeding the amount of the certified check) between the amount of the Proposal and such larger amount for which the Owner may in good faith contract with another party to construct the project. The term "Successful Bidder" shall be deemed to include any Bidder whose Proposal is accepted after another Bidder has previously refused or has been unable to execute the counterparts or to furnish a satisfactory Contractor's Bond (where required).
11. **Debarment Certification.** The Bidder must provide to the Owner a suspension and debarment certificate in the form attached hereto.
12. **Contract is Entire Agreement.** The Contract to be effected by the acceptance of the Proposal shall be deemed to include the entire agreement between the parties thereto, and the Bidder shall not claim any modifications thereof resulting from any representation or promise made at any time by any officer, agent or employee of the Owner or by any other person.
13. **Minor Irregularities.** The Owner reserves the right to waive minor irregularities or minor errors in any Proposal, if it appears to the Owner that such irregularities or errors were made through inadvertence. Any such irregularities or errors so waived must be corrected on the Proposal in which they occur prior to the acceptance thereof by the Owner.
14. **Bid Rejection.** The Owner reserves the right to reject any or all Proposals.
15. **Discrepancy in Unit Prices.** Where the unit prices in the Contractor's Proposal are separated into three columns designated as "Labor," "Materials," and "Labor and Materials," and where a discrepancy appears between the sum shown in the "Labor and Materials" column and the correct addition of the sums appearing in the "Labor" column and the "Materials" column, the correct addition of the sums appearing in the "Labor" column and the "Materials" column shall control. Similarly, the quantities appearing in the "No. of Units" column multiplied by the correct addition of the sums in the "Labor" column and the "Materials" shall control the amounts appearing in the "Extended Price - Labor & Materials" column. Likewise, the correct extensions shall control the amounts appearing in the "Total, Part ___" line for each respective part.
16. **Definition of Terms.** The terms "Administrator," "Engineer," "Completion of Construction," and "Completion of the Project" as used throughout this Contract shall be as defined in Article VI, Section 1, of the Proposal.

17. The Owner Represents:

- a. *If by provisions of the Proposal the Owner shall have undertaken to furnish any materials for the construction of the project, such materials are on hand at locations specified or if such materials are not on hand they will be made available by the Owner to the successful Bidder at the locations specified before the time such materials are required for construction.*
- b. *All titles, easements and rights-of-way, except as shown on maps included in the Plans and Specifications, have been obtained from the owners of the properties on which the project is to be constructed (including tenants who may reasonably be expected to object to such construction). The remaining easements and rights-of-way, if any, will be obtained as required to avoid delay in construction.*
- c. *All staking, except as shown on the maps included in the Plans and Specifications, has been completed and sufficient staking crews will be available to maintain stakes at all times in advance of construction.*
- d. *Where underground distribution construction is required, permission has been obtained from state and local highway and road authorities to install underground distribution power facilities and set pedestals, if any, on the highway and road right-of-way in the project area. Notwithstanding such permission granted to the Owner, each Bidder is responsible for ascertaining that the equipment, methods of construction, and repair proposed to be used on the project will meet all requirements of public authorities having jurisdiction over highway and road right-of-way. The successful Bidder will be required to furnish proof satisfactory to the Owner of compliance with this requirement. If required by highway or road authorities, the successful Bidder will furnish to such authorities a bond or meet other guaranty requirements to assure the prompt repair of all damages to highways and roads and their associated rights-of-way caused by the Bidder during construction of the project. This requirement is in addition to and independent of the Contractor's Bond required under this Contract. The acceptance of a bid from any Bidder is not to be construed as approval of the Bidder's equipment or proposed construction methods by or on behalf of the highway and road authorities. Bidders may obtain information concerning the requirements of highway and road authorities by communicating with the following:*

CUMBERLAND VALLEY ELECTRIC ENGINEERING DEPARTMENT

- e. *All funds necessary for prompt payment for the construction of the project will be available.*

If the Owner shall fail to comply with any of the undertakings contained in the foregoing representation or if any of such representations shall be incorrect, the Bidder will be entitled to an extension of time of completion for a period equal to the delay, if any, caused by the failure of the Owner to comply with such undertakings or by any such incorrect representation; provided the Bidder shall have promptly notified the Owner in writing of its desire to extend the time of completion in accordance with the foregoing; provided, however, that such extension, if any, of the time of completion shall be the sole remedy of the Bidder for the Owner's failure, because of conditions beyond the control and without the fault of the Owner, to furnish materials in accordance with subparagraph a. above.

Owner

By _____

Title

_____, 20____
Date

PROPOSAL

TO:

(hereinafter called the "Owner)."

ARTICLE I --GENERAL

Section 1. Offer to Construct. *The undersigned (hereinafter called the "Bidder") hereby proposes to receive and install such materials and equipment as may hereinafter be specified to be furnished by the Owner, and to furnish all other materials and equipment, all machinery, tools, labor, transportation and other means required to construct the project in strict accordance with the Plans, Specifications and Construction Drawings for the prices hereinafter stated. The Bidder understands and agrees that the Project will consist of line extensions and additions and line changes or similar work usually associated with overhead or underground distribution system improvement or extension work all located within the area served or ultimately to be served by the Owner and that the exact location and scope of individual sections of the Project (hereinafter called "Sections") will be made known to the Bidder from time to time as provided in Article II, Section 1 hereof.*

The total length of the project lines shall be determined by taking the sum of all straight horizontal span distances between pole stakes or from center to center of poles, or centerline of structures, carrying conductors, plus the length of service drops, if any, measured horizontally from center of last pole to the point of attachment to the consumer's building.

Section 2. Materials and Equipment. *The Bidder agrees to furnish and use in the construction of the project under this Proposal, in the event the Proposal is accepted, only such "fully accepted," "conditionally accepted," and "technically accepted" materials and equipment which have been accepted by RUS as indicated in the current RUS Informational Publication 202-1, "List of Materials Acceptable for Use on Systems of RUS Electrification Borrowers," including revisions adopted prior to the Bid Opening. The use of "conditionally accepted" or "technically accepted" materials and equipment requires prior consent by the Owner or Engineer.*

~~*The Bidder agrees that the prices for wood poles, wood crossarms, and other timber products set forth herein shall include the cost of preservative treatment and inspection, insured warranty, or quality assurance. The Bidder further agrees to obtain from the supplier inspection and treatment reports or insured warranties, for checking against the delivered timber, and to submit such reports or warranties to the Owner as one of the prerequisites to monthly and final payments.*~~

~~*The Bidder will purchase all materials and equipment (other than Owner Furnished Materials) outright and not subject to any conditional sales agreements, bailment, lease or other agreement reserving unto the seller any right, title or interest therein. All such materials and equipment shall be new and shall become the property of the Owner when erected in place.*~~

Section 3. Owner Furnished Materials. *The Bidder understands and agrees that, if this Proposal is accepted, the Owner will furnish to the Bidder the material set forth in the attached "List of Owner Furnished Materials." For those items not yet delivered, the Bidder will, on behalf of the Owner, accept delivery of such of the materials as may be subsequently delivered and will promptly forward to the Owner for payment the supplier's invoice. The Bidder will acknowledge in writing the receipt of all materials received as indicated on the List. The materials referred to are on hand at, or will be delivered to, the locations specified in the List and the Bidder will use such materials in constructing the project.*

The value of the completed Construction Units certified by the Bidder each month pursuant to Article III, Section 1 a of the Proposal shall be reduced by an amount equal to the value of the materials installed by the Bidder during the preceding month which have been furnished by the Owner

Section 8. Warranty of Good Faith. *The Bidder warrants that this Proposal is made in good faith and without collusion or connection with any person or persons bidding for the same work.*

Section 9. Financial Resources.

- a. *The Bidder warrants that it has or will obtain the financial resources necessary to ensure completion of the project.*
- b. *The Bidder agrees that in the event this Proposal is accepted and a Contractor's Bond is required, it will furnish a Contractor's Bond in the form attached hereto, in a penal sum not less than the maximum Contract price, with a surety or sureties listed by the United States Department of Treasury as Acceptable Sureties.*

Section 10. Taxes. *The unit prices for Construction Units in this Proposal include provisions for the payment of all monies which will be payable by the Bidder or the Owner in connection with the construction of the Project on account of taxes imposed by any taxing authority upon the sale, purchase or use of materials, supplies and equipment, or services or labor of installation thereof to be incorporated in the project as part of such Construction Units. The Bidder agrees to pay all such taxes, except taxes upon the sale, purchase or use of Owner Furnished Materials and it is understood that, as to Owner Furnished Materials, the values stated in the attached "List of Owner Furnished Materials" include taxes upon the sale, purchase or use of Owner Furnished Materials, if applicable. The Bidder will furnish to the appropriate taxing authorities all required information and reports pertaining to the project, except as to the Owner Furnished Materials.*

Section 11. Changes in Quantities. *The Bidder understands and agrees that the quantities called for in this Proposal are approximate, and that the total number of units upon which payment shall be made shall be as set forth in the inventory. If the Owner changes the quantity of any unit or units specified in this Proposal by more than fifteen percent (15%) and the materials cost to the Bidder is increased thereby to an extent which would not be adequately compensated by application of the unit prices in this Proposal to the revised quantity of such unit or units, such change, to the extent of the quantities of such units in excess of such fifteen percent (15%) shall be regarded as a change in the construction with in the meaning of Article II, Section 1(d) of this proposal.*

ARTICLE II-CONSTRUCTION

Section 1. Time and Manner of Construction.

- a. *The Bidder agrees to commence construction of the project on a date (hereinafter called the "Commencement Date") which shall be determined by the Engineer after notice to the bidder in writing of acceptance of the proposal by the Owner and notice in writing from the Bidder that the Bidder has sufficient materials to warrant commencement and continuation of construction, but in no event will the Commencement Date be later than THIRTY (30) calendar days after acceptance of the proposal by the Owner. The Bidder further agrees to prosecute diligently and to complete construction in strict accordance with the Plans, Specifications and Construction Drawings within THE SPECIFIED calendar days after Commencement Date: Provided, however, that the Bidder will not be required to dig holes, set poles, install anchors, install underground conduit, perform any plowing for the installation of underground cable, or dig trenches if there are more than six (6) inches of frost on the ground nor to perform any construction on such days when in the judgment of the Engineer snow, rain, or wind, or the results of snow, rain, or frost make it impracticable to perform any operation of construction; provided further that the Bidder will not be required to perform any plowing for the installation of underground cable on public roads or highways if there are more than two (2) inches of frost in the ground. To the extent of the time lost due to the conditions described herein and approved in writing by the Engineer, the time of completion set out above will be extended if*

the Bidder makes a written request therefore to the Owner as provided in subsection b of this Section 1.

- b. *The time for Completion of Construction shall be extended for the period of any reasonable delay which is due exclusively to causes beyond the control and without the fault of the Bidder, including Acts of God, fires, floods, inability to obtain materials and acts or omissions of the Owner with respect to matters for which the Owner is solely responsible: Provided, however that no such extension of time for completion shall be granted the Bidder unless within ten (10) days after the happening of any event relied upon by the Bidder for such an extension of time the Bidder shall have made a request therefore in writing to the Owner, and provided further that no delay in such time of completion or in the progress of the work which results from any of the above causes except acts or omissions of the Owner, shall result in any liability on the part of the Owner.*
- c. *The sequence of construction shall be as set forth below, the number or names being the designations of extensions or areas (hereinafter called the "Sections") corresponding to the numbers or names shown on the maps attached hereto, or if no Sections are set forth below, the sequence of construction shall be as determined by the Bidder, subject to the approval of the Engineer.*

AS AGREED UPON BY AND BETWEEN OWNER AND BIDDER

- d. *The Owner, acting through the Engineer, may from time to time during the progress of the construction of the project make such changes, additions or subtractions from the Plans, Specifications, Construction Drawings, List of Materials and sequence of construction provided for in the previous paragraph which are part of the Contractor's Proposal as conditions may warrant: Provided, however, that if any change in the construction to be done shall require an extension of time, a reasonable extension will be granted if the Bidder shall make a written request therefore to the Owner within (10) days after any such change is made. And provided further, that if the cost to the Bidder of construction of the project shall be materially increased by any such change or addition, the Owner shall pay the Bidder for the reasonable cost thereof in accordance with a Construction Contract Amendment signed by the Owner and the Bidder, but no claim for additional compensation for any such change or addition will be considered unless the Bidder shall have made a written request therefore to the Owner prior to the commencement of work in connection with such change or addition.*
- e. *It is understood and agreed that, notwithstanding any other provisions of this Contract, the Bidder will not be required to commence any construction after the expiration of 2 year(s)¹ following acceptance of this Proposal by the Owner.*

Section 2. Environmental Protection. *The Bidder shall perform the work in compliance with all applicable Federal, State, and local Environmental Laws. For purposes of this Agreement, the term "Environmental Laws" shall mean all Federal, state, and local laws including statutes, regulations, ordinances, codes, rules, and other governmental restriction and requirements relating to the environment or solid waste, hazardous substances, hazardous waste, toxic or hazardous material, pollutants or contaminants including, but not limited to the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. §§ 9601, et seq., the Federal Water Pollution Control Act, as amended, 33 U.S.C. §§ 1251, et seq., and the Solid Waste Disposal Act, as amended, 42 U.S.C. §§ 6901, et seq., now or at any time hereafter in effect.*

Section 3. Tools, Equipment, and Qualified Personnel. *The Bidder agrees that in the event this Proposal is accepted it will make available for use in connection with the proposed construction all necessary tools and equipment and qualified supervisors and workers.*

¹ Owner to insert a number from 1 to 4

Section 4. Changes in Construction. *The Bidder agrees to make such changes in construction previously installed in the project by the Bidder as required by the Owner for prices arrived at as follows:*

- a. *For substations and other units where only a portion of the complete unit is affected by the change, the compensation for such change shall be as agreed upon in writing by the Bidder and the Owner prior to the commencement of work in connection with such change.*
- b. *For all other units, the compensation for such change shall be the reasonable cost thereof as agreed upon by the Bidder and the Owner, but in no event shall it exceed two (2) times the labor price quoted in the Proposal for the installation of the unit to be changed. Such compensation shall be in lieu of any other payment for the installation and removal of the original unit. (If a new or replacing unit is installed, payment for such new or replacing unit shall be made as shown in the final inventory)*

No payment shall be made to the Bidder for materials or labor involved in correcting errors or omissions on the part of the Bidder which result in construction not in accordance with the Plans and Specifications.

Section 5. Construction Not in Proposal. *The Bidder also agrees that when it is necessary to construct units not shown in the Proposal, in absence of other mutual agreement, it will construct such units for a price arrived at as follows:*

- a. *The cost of materials shall be determined by the invoices.*
- b. *The cost of labor shall be the reasonable cost thereof but in no event shall it exceed an amount determined by calculating the ratio of the total labor costs to the total material costs in the section of the Proposal involved, and multiplying the cost of materials for the unit in question by this ratio.*

Section 6. Supervision and Inspection.

- a. *The Bidder shall give sufficient supervision to the work, using its best skill and attention. The Bidder will carefully study and compare all drawings, specifications and other instructions and will at once report to the Owner any error, inconsistency or omission which it may discover. The Bidder shall cause the construction work on the project to receive constant supervision by a competent superintendent (hereinafter called the "Superintendent") who shall be present at all times during working hours where construction is being carried on. The Bidder shall also employ, in connection with the construction of the project, capable, experienced and reliable supervisors and such skilled workers as may be required for the various classes of work to be performed. The Bidder shall be solely responsible for the means and methods of construction and for the supervision of the Bidder's employees.*
- b. *The Owner reserves the right to require the removal from the project of any employee of the Bidder if in the judgment of the Owner such removal shall be necessary in order to protect the interest of the Owner. The Owner shall have the right to require the Bidder to increase the number of its employees and to increase or change the amount or kind of tools and equipment if at any time the progress of the work shall be unsatisfactory to the Owner; but the failure of the Owner to give any such directions shall not relieve the Bidder of its obligations to complete the work within the time and in the manner specified in this Proposal.*
- c. *The construction of the project and all materials and equipment used therein, shall be subject to the inspection, tests, and acceptance by the Owner and the Administrator and the Bidder shall furnish all information required by the Owner or by the Administrator concerning the nature or source of any materials incorporated or to be incorporated in the project. All Bidder procedures and records pertaining to the work shall be made available to the Owner and the Administrator for review prior to such inspections and tests. The Bidder shall provide all reasonable facilities necessary for such inspection and tests and shall maintain an office at the site of the project, with telephone service where obtainable and at least one office employee to whom communications*

from the Owner may be delivered. Delivery of such communications in writing to the employee of the Bidder at such office shall constitute delivery to the Bidder. The Bidder shall have an authorized agent accompany the Engineer when final inspection is made and, if requested by the Owner, when any other inspection is made. The performance of such inspections or tests by the Owner or the Administrator shall not relieve the Bidder of its obligations to perform the work in accordance with the requirements of this Contract.

- d. In the event that the Owner, or the Administrator, shall determine that the construction contains or may contain numerous defects, it shall be the duty of the Bidder and the Bidder's Surety or Sureties, if any, to have an inspection made by an engineer approved by the Owner and the Administrator, if approval by the Administrator is required, for the purpose of determining the exact nature, extent and location of such defects.*
- e. The Engineer may recommend to the Owner that the Bidder suspend the work wholly or in part for such period or periods as the Engineer may deem necessary due to unsuitable weather or such other conditions as are considered unfavorable for satisfactory prosecution of the work or because of the failure of the Bidder to comply with any of the provisions of the Contract: Provided, however, that the Bidder shall not suspend work pursuant to this provision without written authority from the Owner so to do. The time of completion hereinabove set forth shall be increased by the number of days of any such suspension, except when such suspension is due to the failure of the Bidder to comply with any of the provisions of this Contract. In the event that work is suspended by the Bidder with the consent of the Owner, the Bidder before resuming work shall give the Owner at least twenty-four (24) hours notice thereof in writing.*

Section 7. Defective Materials and Workmanship.

- a. The acceptance of any materials, equipment (except Owner Furnished Materials) or any workmanship by the Owner or the Engineer shall not preclude the subsequent rejection thereof if such materials, equipment, or workmanship shall be found to be defective after delivery or installation, and any such materials, equipment or workmanship found defective before final acceptance of the construction shall be replaced or remedied, as the case may be, by and at the expense of the Bidder. Any such condemned material or equipment shall be immediately removed from the site of the project by the Bidder at the Bidder's expense. The Bidder shall not be entitled to any payment hereunder so long as any defective materials, equipment or workmanship in respect to the project, of which the Bidder shall have had notice, shall not have been replaced or remedied, as the case may be.*
- b. Notwithstanding any certificate which may have been given by the Owner or the Engineer, if any materials, equipment (except Owner Furnished Materials) or any workmanship which does not comply with the requirements of this Contract shall be discovered within one (1) year after Completion of Construction of the project, the Bidder shall replace such defective materials or equipment or remedy any such defective workmanship within thirty (30) days after notice in writing of the existence thereof shall have been given by the Owner. If any such defective materials, equipment, or workmanship so replaced or repaired is found to be defective within one year after the completion of the replacement or repair, the Bidder shall replace or remedy such defective materials, equipment, or workmanship. If the Bidder shall be called upon to replace any defective materials or equipment or to remedy defective workmanship as herein provided, the Owner, if so requested by the Bidder shall deenergize that section of the project involved in such work. In the event of failure by the Bidder so to do, the Owner may replace such defective materials or equipment or remedy such defective workmanship, as the case may be, and in such event the Bidder shall pay to the Owner the cost and expense thereof.*

- e. *No payment shall be due while the Bidder is in default in respect of any of the provisions of this Contract and the Owner may withhold from the Bidder the amount of any claim by a third party against either the Bidder or the Owner based upon an alleged failure of the Bidder to perform the work hereunder in accordance with the provisions of this Contract.*
- f. *The Owner and the Administrator shall have the right to inspect all payrolls, invoices of materials, and other data and records of the Bidder and of any subcontractor, relevant to the construction of the project.*

Section 2. Release of Liens and Certificate of Contractor. *Upon the completion by the Bidder of the construction of the project (or any Section thereof if the Bidder shall elect to receive payment in full for any Section when completed as provided above) but prior to final payment to the Bidder, the Bidder shall deliver to the Owner, in duplicate, releases of all liens and of rights to claim any lien, in the form attached hereto from all manufacturers, material suppliers, and subcontractors furnishing services or materials for the project or such Section and a certificate in the form attached hereto to the effect that all labor used on or for the project or such Section has been paid and that all such releases have been submitted to the Owner.*

Section 3. Payments to Material Suppliers and Subcontractors. *The Bidder shall pay each material supplier, if any, within five (5) days after receipt of any payment from the Owner, the amount thereof allowed the Bidder for and on account of materials furnished or construction performed by each material supplier or each subcontractor*

ARTICLE IV--PARTICULAR UNDERTAKINGS OF THE BIDDER

Section 1. Protection to Persons and Property. *The Bidder shall at all times take all reasonable precautions for the safety of employees on the work and of the public, and shall comply with all applicable provisions of federal, state, and local laws, rules, and regulations and building and construction codes, in addition to the safety rules and procedures of the Owner.*

The following provisions shall not limit the generality of the above requirements:

- a. *The Bidder shall at no time and under no circumstances cause or permit any employee of the Bidder to perform any work upon energized lines, or upon poles carrying energized lines, unless otherwise specified in the Notice and Instructions to Bidders.*
- b. *The Bidder shall transport and store all material in facilities and vehicles which are designed to protect the material from damage. The Bidder shall ensure that all vehicles, trailers, and other equipment used comply with all applicable licensing, traffic, and highway requirements.*
- c. *The Bidder shall so conduct the construction of the project as to cause the least possible obstruction of public highways.*
- d. *The Bidder shall provide and maintain all such guard lights and other protection for the public as may be required by applicable statutes, ordinances and regulations or by local conditions.*
- e. *The Bidder shall do all things necessary or expedient to properly protect any and all parallel, converging and intersecting lines, joint line poles, highways and any and all property of others from damage, and in the event that any such parallel, converging and intersecting lines, joint line poles, highways or other property are damaged in the course of the construction of the project the Bidder shall at its own expense restore any or all of such damaged property immediately to as good a state as before such damage occurred.*
- f. *Where the right-of-way of the project traverses cultivated or grazing lands, the Bidder shall limit the movement of its crews and equipment so as to cause as little damage as possible to crops, orchards or property and shall endeavor to avoid marring the lands. All fences which are necessarily opened or moved during the construction of the project shall be replaced in as good*

condition as they were found and precautions shall be taken to prevent the escape of livestock. Except as otherwise provided in the descriptions of underground plowing and trenching assembly units, the Bidder shall not be responsible for loss of or damage to crops, orchards or property (other than livestock) on the right-of-way necessarily incident to the construction of the project and not caused by negligence or inefficient operation of the Bidder. The Bidder shall be responsible for all other loss of or damage to crops, orchards, or property, whether on or off the right-of-way, and for all loss of or damage to livestock caused by the construction of the project.

The right-of-way for purposes of this said section shall consist of an area extending _____ feet on both sides of the center line of the poles along the route of the project lines, plus such area reasonably required by the Bidder for access to the route of the project lines from Public roads to carry on construction activities.

- g. The project, from the commencement of work to completion, or to such earlier date or dates when the Owner may take possession and control in whole or in part as hereinafter provided shall be under the charge and control of the Bidder and during such period of control by the Bidder all risks in connection with the construction of the project and the materials to be used therein shall be borne by the Bidder. The Bidder shall make good and fully repair all injuries and damages to the project or any portion thereof under the control of the Bidder by reason of any act of God or other casualty or cause whether or not the same shall have occurred by reason of the Bidder's negligence.
- (i) To the maximum extent permitted by law, Bidder shall defend, indemnify, and hold harmless Owner and Owner's directors, officers, and employees from all claims, causes of action, losses, liabilities, and expenses (including reasonable attorney's fees) for personal loss, injury, or death to persons (including but not limited to Bidder's employees) and loss, damage to or destruction of Owner's property or the property of any other person or entity (including but not limited to Bidder's property) in any manner arising out of or connected with the Contract, or the materials or equipment supplied or services performed by Bidder, its subcontractors and suppliers of any tier. But nothing herein shall be construed as making Bidder liable for any injury, death, loss, damage, or destruction caused by the sole negligence of Owner.
- (ii) To the maximum extent permitted by law, Bidder shall defend, indemnify, and hold harmless Owner and Owner's directors, officers, and employees from all liens and claims filed or asserted against Owner, its directors, officers, and employees, or Owner's property or facilities, for services performed or materials or equipment furnished by Bidder, its subcontractors and suppliers of any tier, and from all losses, demands, and causes of action arising out of any such lien or claim. Bidder shall promptly discharge or remove any such lien or claim by bonding, payment, or otherwise and shall notify Owner promptly when it has done so. If Bidder does not cause such lien or claim to be discharged or released by payment, bonding, or otherwise, Owner shall have the right (but shall not be obligated) to pay all sums necessary to obtain any such discharge or release and to deduct all amounts so paid from the amount due Bidder.
- (iii) Bidder shall provide to Owner's satisfaction evidence of Bidder's ability to comply with the indemnification provisions of subparagraphs i and ii above, which evidence may include but may not be limited to a bond or liability insurance policy obtained for this purpose through a licensed surety or insurance company.
- h. Any and all excess earth, rock, debris, underbrush and other useless materials shall be removed by the Bidder from the site of the project as rapidly as practicable as the work progresses.
- i. Upon violation by the Bidder of any of the provisions of this section, after written notice of such violation given to the Bidder by the Engineer or the Owner, the Bidder shall immediately correct such violation. Upon failure of the Bidder so to do the Owner may correct such violation at the Bidder's expense: Provided, however, that the Owner may, if it deems it necessary or advisable, correct such violation at the Bidder's expense without such prior notice to the Bidder.

- j. *The Bidder shall submit to the Owner monthly reports in duplicate of all accidents, giving such data as may be prescribed by the Owner.*
- k. *The Bidder shall not proceed with the cutting of trees or clearing of right-of-way without written notification from the Owner that proper authorization has been received from the owner of the property, and the Bidder shall promptly notify the Owner whenever any landowner objects to the trimming or felling of any trees or the performance of any other work on its land in connection with the project and shall obtain the consent in writing of the Owner before proceeding in any such case.*
- l. *The Bidder will furnish, prior to the commencement of underground distribution construction, proof satisfactory to the Owner, of compliance with requirements of highway and road authorities having jurisdiction, including without limitation, the furnishing of a bond or other guaranty, and approval by such authorities of the equipment and methods of construction and repair to be used by the Bidder.*

Section 2. Insurance. *The Bidder shall takeout and maintain throughout the period of this Agreement the following types and minimum amounts of insurance:*

- a. *Workers' compensation and employers' liability insurance, as required by law, covering all its employees who perform any of the obligations of the Bidder under the contract. If any employer or employee is not subject to the workers' compensation laws of the governing state, then insurance shall be obtained voluntarily to extend to the employer and employee coverage to the same extent as though the employer or employee were subject to the workers' compensation laws.*
- b. *Public liability insurance covering all operations under the contract shall have limits for bodily injury or death of not less than \$1 million each occurrence, limits for property damage of not less than \$1 million each occurrence, and \$1 million aggregate for accidents during the policy period. A single limit of \$1 million of bodily injury and property damage is acceptable. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form.*
- c. *Automobile liability insurance on all motor vehicles used in connection with the contract, whether owned, nonowned, or hired, shall have limits for bodily injury or death of not less than \$1 million per person and \$1 million each occurrence, and property damage limits of \$1 million for each occurrence. A single limit of \$1 million of bodily injury and property damage is acceptable. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form.*

The Owner shall have the right at any time to require public liability insurance and property damage liability insurance greater than those required in subsection "b" and "c" of this Section. In any such event, the additional premium or premiums payable solely as the result of such additional insurance shall be added to the Contract price.

The Owner shall be named as Additional Insured on all policies of insurance required in subsections "b" and "c" of this Section.

The policies of insurance shall be in such form and issued by such insurer as shall be satisfactory to the Owner. The Bidder shall furnish the Owner a certificate evidencing compliance with the foregoing requirements which shall provide not less than (30) days prior written notice to the Owner of any cancellation or material change in the insurance.

Section 3. Delivery of Possession and Control to Owner.

- a. *Upon written request of the Owner the Bidder shall deliver to the Owner full possession and control of any portion of the project provided the Bidder shall have been paid at least ninety percent (90%) of the cost of construction of such portion. Upon such delivery of the possession and control of any portion of the project to the Owner, the risk and obligations of the Bidder as*

set forth in Article IV, Section 1.g hereof with respect to such portion of the project so delivered to the Owner shall be terminated. Provided, however, that nothing herein contained shall relieve the Bidder of any liability with respect to defective materials and workmanship as contained in Article II, Section 7 hereof.

- b. Where the construction of a Section as herein before defined in Article II, Section 1.c shall have been completed by the Bidder, the Owner agrees, after receipt of a written request from the Bidder, to accept delivery of possession and control of such Section upon the issuance by the Engineer of a written statement that the Section has been inspected and found acceptable by the Engineer. Upon such delivery of the possession and control of any such Section to the Owner, the risk and obligations of the Bidder as set forth in Article IV, Section 1.g hereof with respect to such Section so delivered to the Owner shall be terminated. Provided, however, that nothing herein contained shall relieve the Bidder of any liability with respect to defective materials or workmanship as contained in Article II, Section 7 hereof.

Section 4. Energizing the Project.

- a. Prior to Completion of the project the Owner, upon written notice to the Bidder, may test the construction thereof by temporarily energizing any portion or portions thereof. During the period of such test the portion or portions of the project so energized shall be considered as within the possession and control of the Owner and governed by the provisions of Section 3 of this Article. Upon written notice to the Bidder by the Owner of the completion of such test and upon deenergizing the lines involved therein said portion or portions of the project shall be considered as returned to the possession and control of the Bidder unless the Owner shall elect to continue possession and control in the manner provided in Section 3 of this Article.
- b. The Owner shall have the right to energize permanently any portion or portions of the project delivered to its possession and control pursuant to the provisions of Section 3 of this Article.

Section 5. Assignment of Guarantees. All guarantees of materials and workmanship running in favor of the Bidder shall be transferred and assigned to the Owner prior to the time the Bidder receives final payment.

ARTICLE V--REMEDIES

Section 1. Completion on Bidder's Default. If default shall be made by the Bidder or by any subcontractor in the performance of any of the terms of this Proposal, the Owner, without in any manner limiting its legal and equitable remedies in the circumstances, may serve upon the Bidder and the Surety or Sureties, if any, upon the Contractor's Bond or Bonds a written notice requiring the Bidder to cause such default to be corrected forthwith. Unless within twenty (20) days after the service of such notice upon the Bidder such default shall be corrected or arrangements for the correction thereof satisfactory to both the Owner and the Administrator shall be made by the Bidder or its Surety or Sureties, if any, the Owner may take over the construction of the project and prosecute the same to completion by Contract or otherwise for the account and at the expense of the Bidder, and the Bidder and its Surety or Sureties, if any, shall be liable to the Owner for any cost or expense in excess of the Contract price occasioned thereby. In such event the Owner may take possession of and utilize, in completing the construction of the project, any materials, tools, supplies, equipment, appliances, and plant belonging to the Bidder or any of its subcontractors, which may be situated at the site of the project. The Owner in such contingency may exercise any rights, claims or demands which the Bidder may have against third persons in connection with this Contract and for such purpose the Bidder does hereby assign, transfer and set over unto the Owner all such rights, claims and demands.

Section 2. Cumulative Remedies. Every right or remedy herein conferred upon or reserved to the Owner or the Government or the Administrator shall be cumulative, shall be in addition to every right and remedy now or hereafter existing at law or in equity or by statute and the pursuit of any right or remedy shall not be construed as an election.

ARTICLE VI-MISCELLANEOUS

Section 1. Definitions.

- a. *The term "Administrator" shall mean the Administrator of the Rural Utilities Service of the United States of America and his or her duly authorized representative or any other person in whom or authority in which may be vested the duties and functions which the Administrator is now authorized by law to perform.*
- b. *The term "Engineer" shall mean the Engineer employed by the Owner, to provide engineering services for the project and said Engineer's duly authorized assistants and representatives.*
- c. *The term "Completion of Construction" shall mean full performance by the Bidder of the Bidder's obligations under the Contract and all amendments and revisions thereof except the Bidder's obligations in respect of (1) Releases of Liens and Certificate of Contractor under Article III, Section 2 hereof, (2) the inventory referred to in Article III, Section 1 hereof, and (3) other final documents. The term "Completion of the Project" shall mean full performance by the Bidder of the Bidder's obligations under the Contract and all amendments and revisions thereof. The Certificate of Completion, signed by the Engineer and approved in writing by the Owner shall be the sole and conclusive evidence as to the date of Completion of Construction and as to the fact of Completion of the Project.*

Section 2. Materials and Supplies. *In the performance of this contract there shall be furnished only such unmanufactured articles, materials, and supplies as have been mined or produced in the United States or in any eligible country, and only such manufactured articles, materials, and supplies as have been manufactured in the United States or in any eligible country substantially all from articles, materials, or supplies mined, produced or manufactured, as the case may be, in the United States or in any eligible country; provided that other articles, materials, or supplies may be used in the event and to the extent that the Administrator shall expressly in writing authorize such use pursuant to the provisions of the Rural Electrification Act of 1938, being Title IV of Public Resolution No. 122, 75th Congress, approved June 21, 1938. For the purposes of this section, an "eligible country" is any country that applies with respect to the United States an agreement ensuring reciprocal access for United States products and services and suppliers to the markets of that country, as determined by the United States Trade Representative. The Bidder agrees to submit to the Owner such certificates with respect to compliance with the foregoing provision as the Administrator from time to time may require.*

Section 3. Patent Infringement. *The Bidder shall hold harmless and indemnify the Owner from any and all claims, suits and proceedings for the infringement of any patent or patents covering any materials or equipment used in construction of the project.*

Section 4. Permits for Explosives. *All permits necessary for the handling or use of dynamite or other explosives in connection with the construction of the project shall be obtained by and at the expense of the Bidder.*

Section 5. Compliance with Laws. *The Bidder shall comply with all federal, state, and local laws, rules, and regulations applicable to its performance under the contract and the construction of the project. The Bidder acknowledges that it is familiar with the Rural Electrification Act of 1936, as amended, the Anti Kick-Back Act of 1986 (41 U.S.C. 51 et seq), and 18 U.S.C. §§ 286, 287, 641, 661, 874, 1001, and 1366, as amended.*

The Bidder represents that to the extent required by Executive Orders 12549 (3 CFR, 1985-1988 Comp., p. 189) and 12689 (3 CFR, 1989 Comp., p. 235), Debarment and Suspension, and 7 CFR part 3017, it has submitted to the Owner a duly executed certification in the form prescribed in 7 CFR part 3017.

The Bidder represents that, to the extent required, it has complied with the requirements of Pub. L. 101-121, Section 319, 103 Stat. 701, 750-765 (31 U.S.C. 1352), entitled "Limitation on use of

appropriated funds to influence certain Federal contracting and financial transactions." and any rules and regulations issued pursuant thereto.

Section 6. Equal Opportunity Provisions.

a. Bidder's Represents.

The Bidder represents that:

It has ___ , does not have ___ , 100 or more employees, and if it has, that it has ___ . has not ___ . furnished the Equal Employment Opportunity-Employers Information Report EEO-1, Standard Form 100, required of employers with 100 or more employees pursuant to Executive Order 11246 of September 24, 1965, and Title VII of the Civil Rights Act of 1964.

The Bidder agrees that it will obtain, prior to the award of any subcontract for more than \$10,000 hereunder to a subcontractor with 100 or more employees, a statement, signed by the proposed subcontractor, that the proposed subcontractor has filed a current report on Standard Form 100.

The Bidder agrees that if it has 100 or more employees and has not submitted a report on Standard Form 100 for the current reporting year and that if this Contract will amount to more than \$10,000, the Bidder will file such report, as required by law, and notify the owner in writing of such filing prior to the Owner's acceptance of this Proposal.

b. Equal Opportunity Clause. During the performance of this Contract, the Bidder agrees as follows:

- (1) The Bidder will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The Bidder will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to, the following: Employment, upgrading, demotions or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection of training, including apprenticeship. The Bidder agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this Equal Opportunity Clause.*
- (2) The Bidder will, in all solicitations or advertisements for employees placed by or on behalf of the Bidder, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.*
- (3) The Bidder will send to each labor union or representative of workers, with which it has a collective bargaining agreement or other contract or understanding, a notice to be provided advising the said labor union or workers' representative of the Bidder's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.*
- (4) The Bidder will comply with all provisions of Executive Order 11246 of September 24, 1965, and the rules, regulations and relevant orders of the Secretary of Labor.*
- (5) The Bidder will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.*

- (6) *In the event of the Bidder's noncompliance with the Equal Opportunity Clause of this Contract or with any of the said rules, regulations, or orders, this Contract may be canceled, terminated, or suspended in whole or in part, and the Bidder may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as provided by law.*
- (7) *The Bidder will include this Equal Opportunity Clause in every subcontractor purchase order unless exempted by the rules, regulations, or order of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Bidder will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for noncompliance; Provided, however, that in the event Bidder becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the administering agency, the Bidder may request the United States to enter into such litigation to protect the interests of the United States.*
- c. *Certificate of Nonsegregated Facilities. The Bidder certifies that it does not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. The Bidder certifies further that it will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. The Bidder agrees that a breach of this certification is a violation of the Equal Opportunity Clause in this Contract. As used in this certification, the term "segregated facilities" means any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Bidder agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods) it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity Clause, and that it will retain such certifications in its files.*

Section 7. Franchises and Rights-of-Way. *The Bidder shall be under no obligation to obtain or assist in obtaining: Any franchises, authorizations, permits or approvals required to be obtained by the Owner from Federal, State, County, Municipal or other authorities, any rights-of-way over private lands, or any agreements between the Owner and third parties with respect to the joint use of poles, crossings, or other matter incident to the construction and operation of the project.*

Section 8. Nonassignment of Contract. *The Bidder shall perform directly and without subcontracting not less than twenty-five percent (25%) of the construction of the project, to be calculated on the basis of the total Contract price. The Bidder shall not assign the Contract effected by an acceptance of this Proposal or any interest in any funds that may be due or become due hereunder or enter into any contract with any person, firm or corporation for the performance of the Bidder's obligations hereunder or any part thereof without the approval in writing of the Owner and of the Surety or Sureties, if any, on any bond furnished by the Bidder for the faithful performance of the Bidder's obligations hereunder. If the Bidder, with the consent of the Owner and any Surety or Sureties on the Contractor's Bond or Bonds, shall enter into a subcontract with any subcontractor for the performance of any part of this Contract, the Bidder shall be as fully responsible to the Owner and the Government for the acts and omissions of such subcontractor and of persons employed by such subcontractor as the Bidder would be for its own acts and omissions and those of persons directly employed by it.*

Section 9. Successors and Assigns. Each and all of the covenants and agreements herein contained shall extend to and be binding upon the successors and assigns of the parties hereto. The Owner and Bidder acknowledge that this Contract is assigned to the Government, acting through the Administrator, for security purposes under the Owner's mortgage and security instrument.

Section 10. Independent Contractor. The Bidder shall perform the work as an independent contractor, not as a subcontractor, agent, or employee of the Owner. Upon acceptance of this Proposal, the successful Bidder shall be the Contractor and all references in the Proposal to the Bidder shall apply to the Contractor.

Section 11. Acceptance by the Owner: The acceptance of a Proposal for a contract shall become effective the date of acceptance by the Owner.

ATTEST:

Secretary

Dated _____

FIVE C CONSTRUCTION
Bidder
Ronnie C. Gray
344 _____
President
Gray, KY 40334
Address

The Proposal must be signed with the full name of the Bidder. If the Bidder is a partnership, the Proposal must be signed in the partnership name by a partner. If the Bidder is a corporation, the Proposal must be signed in the corporate name by a duly authorized officer and the corporate seal affixed and attested by the Secretary of the Corporation.

ACCEPTANCE

The Owner hereby accepts the foregoing Proposal of the Bidder, FIVE C CONSTRUCTION
COMPANY, INC. for the construction of the following:
PROJECTS ASSIGNED BY CUMBERLAND VALLEY ELECTRIC STAFF

James Ray
Secretary

CUMBERLAND VALLEY ELECTRIC
Owner
By *Vernon Shelby*
President

_____, 20____
Date of Contract

Cumberland Valley Electric, Inc.
Addendum 2 to RUS Form 790

ARTICLE VI – MISCELLANEOUS
Add: Section 12, Hold Harmless Agreement.

HOLD HARMLESS AGREEMENT

FIVE C CONSTRUCTION COMPANY, INC. ("Bidder") agrees to defend, pay on behalf of, and hold harmless Cumberland Valley Electric, Inc. ("Owner"), and its directors, officers, agents, members and employees, from all claims, demands, causes of action, damages, costs, or liabilities, in law or in equity, of every kind and nature whatsoever, including but not limited to those brought by employees of Bidder or its subcontractors, and those brought as a result of any interruption, discontinuance, or interference with Owner's service to any of its customers, arising out of or as a result of any act or failure to act, whether or not negligent, in connection with the performance of the work to be performed pursuant to this proposal by the Bidder, its directors, officers, agents, employees, and subcontractors. Bidder agrees to defend and pay all costs in defending these claims, demands, causes of action, damages, costs or liabilities, including attorney's fees, and Bidder shall also reimburse Owner for any and all legal and other expenses incurred by Owner in connection therewith.

Further, Bidder agrees to maintain public liability and property damage insurance (including automobile public liability and property damage insurance) to cover the obligations set forth above. The minimum insurance limits of liability shall be \$1,000,000 bodily injury and property damage. The policy must also state that the Bidder has contractual liability coverage and that the Owner has been added as an additional insured. Owner shall receive a minimum thirty (30) day notice in the event of cancellation of insurance required by this agreement. The Bidder shall furnish a certificate of insurance to the Owner showing that the above obligations and requirements are provided for by a qualified insurance carrier, and showing the Owner as an additional insured on such insurance.

Five C Construction Company, Inc.

Bidder

By: Ronnie Conroy

Title: President

Witness: _____

Date: _____

Cumberland Valley Electric, Inc.

Owner

By: Kevin Shely

Title: _____

Witness: Kevin Shely

Date: _____

LOBBYING CERTIFICATION

Certification for Contracts, Grants, Loans, and Cooperative Agreements

The undersigned certifies, to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

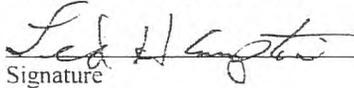
This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

CUMBERLAND VALLEY ELECTRIC

Organization Name

President/CEO

Name of Authorized Official


Signature

11-18-2010

Date

LOBBYING CERTIFICATION

Certification for Contracts, Grants, Loans, and Cooperative Agreements

The undersigned certifies, to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

FIVE C CONSTRUCTION

Organization Name

Ronnie Corey

Name of Authorized Official

Ronnie Corey

Signature

11/24/2010
Date

CERTIFICATION REGARDING DEBARMENT, SUSPENSION, INELIGIBILITY AND VOLUNTARY EXCLUSION – LOWER TIER COVERED TRANSACTIONS

INSTRUCTIONS FOR CERTIFICATION

1. By signing and submitting this proposal, the prospective lower tier participant is providing the certification set out below.
2. The certification in this clause is a material representation of fact upon which reliance was placed when this transaction was entered into. If it is later determined that the prospective lower tier participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and or debarment.
3. The prospective lower tier participant shall provide immediate written notice to the person to which this proposal is submitted if at any time the prospective lower tier participant learns that its certification was erroneous when submitted or had become erroneous by reason of changed circumstances.
4. The terms *covered transaction*, *debarred*, *suspended*, *ineligible*, *lower tier covered transaction*, *participant*, *person*, *primary covered transaction*, *principal*, *proposal*, and *voluntarily excluded*, as used in this clause, have the meaning set out in the Definitions and Coverage sections of the rules implementing Executive Order 12549. You may contact the person to which this proposal is submitted for assistance in obtaining a copy of those regulations.
5. The prospective lower tier participant agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transactions with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency with which this transaction originated.
6. The prospective lower tier participant further agrees by submitting this proposal that it will include the clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transaction," without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.
7. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the List of Parties Excluded from Federal Procurement and Nonprocurement Programs.
8. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.
9. Except for transactions authorized under paragraph 5 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is

proposed for debarment under 48 CFR part 9, subpart 9.4, suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and or debarment.

CERTIFICATION

- (1) The prospective lower tier participant certifies, by submission of this proposal, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.
- (2) Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

<hr/>	
Organization Name	PR Award or Project Name
VERNON SHELLEY	PRESIDENT
Name and Title	
	
Signature	Date

U.S. Department of Agriculture
Rural Utilities Service
CERTIFICATE OF CONTRACTOR

RONNIE COREY certifies that he/she is the

OWNER/PRESIDENT of FIVE C CONSTRUCTION, INC.
TITLE NAME OF CONTRACTOR

the Contractor, in a Construction Contract No. _____

dated _____, 20____, entered into between the Contractor and

CUMBERLAND VALLEY ELECTRIC, INC. RUS designation KY 57
NAME OF RUS BORROWER

the Owner, and that he or she is authorized to and does make this certification on behalf of said Contractor in order to induce the Owner to make payment to the Contractor, in accordance with the provisions of said Construction Contract.

Undersigned further says that all persons who have furnished labor in connection with said construction have been paid in full, that the names of manufacturers, material suppliers, and subcontractors that furnished material or services or both in connection with such construction and the kind or kinds of material or services or both so furnished are:

NAME	KIND OF MATERIAL AND SERVICE
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

and that the releases of liens executed by all such manufacturer material suppliers and subcontractors have been furnished the Owner.

11/24/2008
Date

By Ronnie Corey
President

This Certificate must be signed with the full name of the Contractor. If the Contractor is a partnership, this Certificate must be signed in the partnership name by a partner. If the Contractor is a corporation, this Certificate must be signed in the corporate name by a duly authorized officer.

CERTIFICATION OF INSURANCE COVERAGE

- (1) The prospective bidder certifies, by submission of this certification, that insurance coverage as outlined in a-c below will be attainable for the contract period.
- (2) Where the prospective bidder is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

The Bidder shall takeout and maintain throughout the period of this Agreement the following types and minimum amounts of insurance:

- a. Workers' compensation and employers' liability insurance, as required by law, covering all its employees who perform any of the obligations of the Bidder under the contract. If any employer or employee is not subject to the workers' compensation laws of the governing state, then insurance shall be obtained voluntarily to extend to the employer and employee coverage to the same extent as though the employer or employee were subject to the workers' compensation laws.
- b. Public liability insurance covering all operations under the contract shall have limits for bodily injury or death of not less than \$1 million each occurrence, limits for property damage of not less than \$1 million each occurrence, and \$1 million aggregate for accidents during the policy period. A single limit of \$1 million of bodily injury and property damage is acceptable. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form.
- c. Automobile liability insurance on all motor vehicles used in connection with the contract, whether owned, non-owned, or hired, shall have limits for bodily injury or death of not less than \$1 million per person and \$1 million each occurrence and property damage limits of \$1 million for each occurrence. A single limit of \$1 million of bodily injury and property damage is acceptable. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form.

The Owner shall have the right at any time to require public liability insurance and property damage liability insurance greater than those required in subsection "b" and "c" of this Section. In any such event, the additional premium or premiums payable solely as the result of such additional insurance shall be added to the Contract price. The Owner shall be named as "Additional Insured" on all policies of insurance required in sub-sections "b" and "c" of this Section. The policies of insurance shall be in such form and issued by such insurer as shall be satisfactory to the Owner. The Bidder shall furnish the Owner a certificate evidencing compliance with the foregoing requirements which shall provide not less than (30) days prior written notice to the Owner of any cancellation or material change in the insurance.

Five C Construction Co.
Organization Name

PR/Award or Project Name

Ronnie Corey
Name (print)

President
Title

Ronnie Corey
Signature

11/24/2018
Date

Five C Construction Co. Inc

*346 Turner Road
Gray, Kentucky 40734*

November 1, 2010

Cumberland Valley Electric
PO box 440
Gray, Kentucky 40734

Dear Mr. Hampton:

In response to your request for a labor and equipment bid for the years 2011 and 2012, we propose the following:

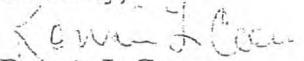
Foreman	54.00
Lineman 1 st class	53.00
Lineman 2 nd class	42.00
Groundman/Tk. Driver	24.00

Pick-up	10.00
Digger	20.00
Bucket	25.00
Pole Tk/Air comp	10.00

Every hour worked above the normal 40 hour week will be charged as overtime.

Once again we would like to take this opportunity to thank you and the Board of Directors for the opportunity we have had to work with you and we look forward to working with you in the upcoming years.

Sincerely,


Ronnie L Corey

President / Owner

7. **The Time for Completion of Construction** of the project is of the essence of the Contract and shall be as specified by the Engineer in the Proposal.
8. **Bid Bond.** Each Proposal must be accompanied by a Bid Bond in the form attached hereto or a certified check on a bank that is a member of the Federal Deposit Insurance Corporation, payable to the order of the Owner, in an amount equal to ten percent (10%) of the maximum bid price. Each Bidder agrees, provided its Proposal is one of the three low Proposals, that, by filing its Proposal together with such Bid Bond or check in consideration of the Owner's receiving and considering such Proposals, said Proposal shall be firm and binding upon each such Bidder and such Bid Bond or check shall be held by the Owner until a Proposal is accepted and a satisfactory Contractor's Bond is furnished (where required) by the successful Bidder or for a period not to exceed sixty (60) days from the date hereinbefore set for the opening of Proposals, whichever period shall be the shorter. If such Proposal is not one of the three low Proposals, the Bid Bond or check will be returned in each instance within a period of ten (10) days to the Bidder furnishing same.
- ~~9. **Contractor's Bond.** If the estimated cost of the construction of a Section shall exceed \$100,000, the Bidder agrees to furnish a Contractor's Bond in triplicate in the form attached hereto with sureties listed by the United States Treasury Department as Acceptable Sureties, in a penal sum not less than the estimated cost of such Section.~~
- ~~10. **Failure to Furnish Contractor's Bond.** Should the successful Bidder fail or refuse to execute such counterparts or to furnish a Contractor's Bond (where required) within ten (10) days after written notification of the acceptance of the Proposal by the Owner, the Bidder will be considered to have abandoned the Proposal. In such event, the Owner shall be entitled (a) to enforce the Bid Bond in accordance with its terms, or (b) if a certified check has been delivered with the Proposal, to retain from the proceeds of the certified check, the difference (not exceeding the amount of the certified check) between the amount of the Proposal and such larger amount for which the Owner may in good faith contract with another party to construct the project. The term "Successful Bidder" shall be deemed to include any Bidder whose Proposal is accepted after another Bidder has previously refused or has been unable to execute the counterparts or to furnish a satisfactory Contractor's Bond (where required.)~~
11. **Debarment Certification.** The Bidder must provide to the Owner a suspension and debarment certificate in the form attached hereto.
12. **Contract is Entire Agreement.** The Contract to be effected by the acceptance of the Proposal shall be deemed to include the entire agreement between the parties thereto, and the Bidder shall not claim any modifications thereof resulting from any representation or promise made at any time by any officer, agent or employee of the Owner or by any other person.
13. **Minor Irregularities.** The Owner reserves the right to waive minor irregularities or minor errors in any Proposal, if it appears to the Owner that such irregularities or errors were made through inadvertence. Any such irregularities or errors so waived must be corrected on the Proposal in which they occur prior to the acceptance thereof by the Owner.
14. **Bid Rejection.** The Owner reserves the right to reject any or all Proposals.
15. **Discrepancy in Unit Prices.** Where the unit prices in the Contractor's Proposal are separated into three columns designated as "Labor," "Materials," and "Labor and Materials," and where a discrepancy appears between the sum shown in the "Labor and Materials" column and the correct addition of the sums appearing in the "Labor" column and the "Materials" column, the correct addition of the sums appearing in the "Labor" column and the "Materials" column shall control. Similarly, the quantities appearing in the "No. of Units" column multiplied by the correct addition of the sums in the "Labor" column and the "Materials" shall control the amounts appearing in the "Extended Price - Labor & Materials" column. Likewise, the correct extensions shall control the amounts appearing in the "Total, Part __" line for each respective part.
16. **Definition of Terms.** The terms "Administrator," "Engineer," "Completion of Construction," and "Completion of the Project" as used throughout this Contract shall be as defined in Article VI, Section 1, of the Proposal.

17. The Owner Represents:

- a. *If by provisions of the Proposal the Owner shall have undertaken to furnish any materials for the construction of the project, such materials are on hand at locations specified or if such materials are not on hand they will be made available by the Owner to the successful Bidder at the locations specified before the time such materials are required for construction.*
- b. *All titles, easements and rights-of-way, except as shown on maps included in the Plans and Specifications, have been obtained from the owners of the properties on which the project is to be constructed (including tenants who may reasonably be expected to object to such construction). The remaining easements and rights-of-way, if any, will be obtained as required to avoid delay in construction.*
- c. *All staking, except as shown on the maps included in the Plans and Specifications, has been completed and sufficient staking crews will be available to maintain stakes at all times in advance of construction.*
- d. *Where underground distribution construction is required, permission has been obtained from state and local highway and road authorities to install underground distribution power facilities and set pedestals, if any, on the highway and road right-of-way in the project area. Notwithstanding such permission granted to the Owner, each Bidder is responsible for ascertaining that the equipment, methods of construction, and repair proposed to be used on the project will meet all requirements of public authorities having jurisdiction over highway and road right-of-way. The successful Bidder will be required to furnish proof satisfactory to the Owner of compliance with this requirement. If required by highway or road authorities, the successful Bidder will furnish to such authorities a bond or meet other guaranty requirements to assure the prompt repair of all damages to highways and roads and their associated rights-of-way caused by the Bidder during construction of the project. This requirement is in addition to and independent of the Contractor's Bond required under this Contract. The acceptance of a bid from any Bidder is not to be construed as approval of the Bidder's equipment or proposed construction methods by or on behalf of the highway and road authorities. Bidders may obtain information concerning the requirements of highway and road authorities by communicating with the following:*

Cumberland Valley Electric's Engineering Department

- e. *All funds necessary for prompt payment for the construction of the project will be available.*

If the Owner shall fail to comply with any of the undertakings contained in the foregoing representation or if any of such representations shall be incorrect, the Bidder will be entitled to an extension of time of completion for a period equal to the delay, if any, caused by the failure of the Owner to comply with such undertakings or by any such incorrect representation; provided the Bidder shall have promptly notified the Owner in writing of its desire to extend the time of completion in accordance with the foregoing; provided, however, that such extension, if any, of the time of completion shall be the sole remedy of the Bidder for the Owner's failure, because of conditions beyond the control and without the fault of the Owner, to furnish materials in accordance with subparagraph a. above.

Owner

By: _____

Title

_____, 20____
Date

PROPOSAL

TO:

(hereinafter called the "Owner)."

ARTICLE I --GENERAL

Section 1. Offer to Construct. *The undersigned (hereinafter called the "Bidder") hereby proposes to receive and install such materials and equipment as may hereinafter be specified to be furnished by the Owner, and to furnish all other materials and equipment, all machinery, tools, labor, transportation and other means required to construct the project in strict accordance with the Plans, Specifications and Construction Drawings for the prices hereinafter stated. The Bidder understands and agrees that the Project will consist of line extensions and additions and line changes or similar work usually associated with overhead or underground distribution system improvement or extension work all located within the area served or ultimately to be served by the Owner and that the exact location and scope of individual sections of the Project (hereinafter called "Sections") will be made known to the Bidder from time to time as provided in Article II, Section 1 hereof.*

The total length of the project lines shall be determined by taking the sum of all straight horizontal span distances between pole stakes or from center to center of poles, or centerline of structures, carrying conductors, plus the length of service drops, if any, measured horizontally from center of last pole to the point of attachment to the consumer's building.

Section 2. Materials and Equipment. *The Bidder agrees to furnish and use in the construction of the project under this Proposal, in the event the Proposal is accepted, only such "fully accepted," "conditionally accepted," and "technically accepted" materials and equipment which have been accepted by RUS as indicated in the current RUS Informational Publication 202-1, "List of Materials Acceptable for Use on Systems of RUS Electrification Borrowers," including revisions adopted prior to the Bid Opening. The use of "conditionally accepted" or "technically accepted" materials and equipment requires prior consent by the Owner or Engineer.*

~~*The Bidder agrees that the prices for wood poles, wood crossarms, and other timber products set forth herein shall include the cost of preservative treatment and inspection, insured warranty, or quality assurance. The Bidder further agrees to obtain from the supplier inspection and treatment reports or insured warranties, for checking against the delivered timber, and to submit such reports or warranties to the Owner as one of the prerequisites to monthly and final payments.*~~

~~*The Bidder will purchase all materials and equipment (other than Owner Furnished Materials) outright and not subject to any conditional sales agreements, bailment, lease or other agreement reserving unto the seller any right, title or interest therein. All such materials and equipment shall be new and shall become the property of the Owner when erected in place.*~~

Section 3. Owner Furnished Materials. *The Bidder understands and agrees that, if this Proposal is accepted, the Owner will furnish to the Bidder the material set forth in the attached "List of Owner Furnished Materials." For those items not yet delivered, the Bidder will, on behalf of the Owner, accept delivery of such of the materials as may be subsequently delivered and will promptly forward to the Owner for payment the supplier's invoice. The Bidder will acknowledge in writing the receipt of all materials received as indicated on the List. The materials referred to are on hand at, or will be delivered to, the locations specified in the List and the Bidder will use such materials in constructing the project.*

The value of the completed Construction Units certified by the Bidder each month pursuant to Article III, Section 1, a of the Proposal shall be reduced by an amount equal to the value of the materials installed by the Bidder during the preceding month which have been furnished by the Owner

or the delivery of which has been accepted by the Bidder on behalf of the Owner. Only ninety percent (90%) of the remainder shall be paid prior to the Completion of the project. The value of such materials shall be computed on the basis of the unit prices stated in the Lists. Materials, if any, not required for the project, which have been furnished to the Bidder by the Owner or delivery of which has been accepted by the Bidder on behalf of the Owner, shall be returned to the Owner by the Bidder upon completion of construction of the project. The value of all materials not installed in the project nor returned to the Owner shall be deducted from the final payment to the Bidder.

The Owner shall not be obligated to furnish materials in excess of the quantities, size, kind and type set forth in the attached Lists. If the Owner furnishes, and the Bidder accepts, materials in excess thereof the values of such excess materials shall be their actual cost as stated by the Owner.

Information on the shipping schedules of materials on the "List of Owner Furnished Materials" will be furnished to the Bidder as necessary during progress of the work.

Upon delivery, the Bidder shall promptly receive, unload, transport and handle all materials and equipment on the "List of Owner Furnished Materials" at its expense and shall be responsible for demurrage, if any.

Section 4. Proposal on Unit Basis. The Bidder understands and agrees that the various Construction Units on which bids are made are defined by symbols and descriptions in this Proposal, that all said bids are on a unit basis, and that the Owner may specify any number or combination of Construction Units that the Owner may deem necessary for the construction of the project. Separate Construction Units are designated for each different arrangement which maybe used in the construction of the project. This Proposal is based on a consideration of each unit in place and includes only the materials listed on the corresponding Construction Drawings or description of unit where no drawing exists.

Section 5. Description of contract. The Notice and Instructions to Bidders, Plans, Specifications, and Construction Drawings, which by this reference are incorporated herein, together with the Proposal and Acceptance constitute the Contract. The Plans, Specifications, and Construction Drawings, including maps, special drawings, and approved modifications in standard specifications are attached hereto and identified as follows:

Section 6. Due Diligence. The Bidder has made a careful examination of the site of the project to be constructed and of the Plans, Specifications, Construction Drawings, and form of Contractor's Bond attached hereto, and has become informed as to the location and nature of the proposed construction, the transportation facilities, the kind and character of soil and terrain to be encountered, and the kind of facilities required before and during the construction of the project, and has become acquainted with the labor conditions, federal, state, and local laws, rules, and regulations applicable to its performance.

~~Section 7. License~~ The Bidder warrants that a Contractor's License is _____, is not _____ required, and if

it possesses Contractor's License No. _____ for the State of _____

in which the project is located and said license expires on _____, 20____.

Section 8. Warranty of Good Faith. *The Bidder warrants that this Proposal is made in good faith and without collusion or connection with any person or persons bidding for the same work.*

Section 9. Financial Resources.

- a. *The Bidder warrants that it has or will obtain the financial resources necessary to ensure completion of the project.*
- b. *The Bidder agrees that in the event this Proposal is accepted and a Contractor's Bond is required, it will furnish a Contractor's Bond in the form attached hereto, in a penal sum not less than the maximum Contract price, with a surety or sureties listed by the United States Department of Treasury as Acceptable Sureties.*

Section 10. Taxes. *The unit prices for Construction Units in this Proposal include provisions for the payment of all monies which will be payable by the Bidder or the Owner in connection with the construction of the Project on account of taxes imposed by any taxing authority upon the sale, purchase or use of materials, supplies and equipment, or services or labor of installation thereof to be incorporated in the project as part of such Construction Units. The Bidder agrees to pay all such taxes, except taxes upon the sale, purchase or use of Owner Furnished Materials and it is understood that, as to Owner Furnished Materials, the values stated in the attached "List of Owner Furnished Materials" include taxes upon the sale, purchase or use of Owner Furnished Materials, if applicable. The Bidder will furnish to the appropriate taxing authorities all required information and reports pertaining to the project, except as to the Owner Furnished Materials.*

Section 11. Changes in Quantities. *The Bidder understands and agrees that the quantities called for in this Proposal are approximate, and that the total number of units upon which payment shall be made shall be as set forth in the inventory. If the Owner changes the quantity of any unit or units specified in this Proposal by more than fifteen percent (15%) and the materials cost to the Bidder is increased thereby to an extent which would not be adequately compensated by application of the unit prices in this Proposal to the revised quantity of such unit or units, such change, to the extent of the quantities of such units in excess of such fifteen percent (15%) shall be regarded as a change in the construction within the meaning of Article II, Section 1(d) of this proposal.*

ARTICLE II-CONSTRUCTION

Section 1. Time and Manner of Construction.

- a. *The Bidder agrees to commence construction of the project on a date (hereinafter called the "Commencement Date") which shall be determined by the Engineer after notice to the bidder in writing of acceptance of the proposal by the Owner and notice in writing from the Bidder that the Bidder has sufficient materials to warrant commencement and continuation of construction, but in no event will the Commencement Date be later than 30 calendar days after acceptance of the proposal by the Owner. The Bidder further agrees to prosecute diligently and to complete construction in strict accordance with the Plans, Specifications and Construction Drawings within The Specified calendar days after Commencement Date; Provided, however, that the Bidder will not be required to dig holes, set poles, install anchors, install underground conduit, perform any plowing for the installation of underground cable, or dig trenches if there are more than six (6) inches of frost on the ground nor to perform any construction on such days when in the judgment of the Engineer snow, rain, or wind, or the results of snow, rain, or frost make it impracticable to perform any operation of construction; provided further that the Bidder will not be required to perform any plowing for the installation of underground cable on public roads or highways if there are more than two (2) inches of frost in the ground. To the extent of the time lost due to the conditions described herein and approved in writing by the Engineer, the time of completion set out above will be extended if*

the Bidder makes a written request therefore to the Owner as provided in subsection b of this Section 1.

- b. The time for Completion of Construction shall be extended for the period of any reasonable delay which is due exclusively to causes beyond the control and without the fault of the Bidder, including Acts of God, fires, floods, inability to obtain materials and acts or omissions of the Owner with respect to matters for which the Owner is solely responsible: Provided, however that no such extension of time for completion shall be granted the Bidder unless within ten (10) days after the happening of any event relied upon by the Bidder for such an extension of time the Bidder shall have made a request therefore in writing to the Owner, and provided further that no delay in such time of completion or in the progress of the work which results from any of the above causes except acts or omissions of the Owner, shall result in any liability on the part of the Owner.*
- c. The sequence of construction shall be as set forth below, the number or names being the designations of extensions or areas (hereinafter called the "Sections") corresponding to the numbers or names shown on the maps attached hereto, or if no Sections are set forth below, the sequence of construction shall be as determined by the Bidder, subject to the approval of the Engineer.*

As agreed upon by and between the owner and the bidder

- d. The Owner, acting through the Engineer, may from time to time during the progress of the construction of the project make such changes, additions or subtractions from the Plans, Specifications, Construction Drawings, List of Materials and sequence of construction provided for in the previous paragraph which are part of the Contractor's Proposal as conditions may warrant: Provided, however, that if any change in the construction to be done shall require an extension of time, a reasonable extension will be granted if the Bidder shall make a written request therefore to the Owner within (10) days after any such change is made. And provided further, that if the cost to the Bidder of construction of the project shall be materially increased by any such change or addition, the Owner shall pay the Bidder for the reasonable cost thereof in accordance with a Construction Contract Amendment signed by the Owner and the Bidder, but no claim for additional compensation for any such change or addition will be considered unless the Bidder shall have made a written request therefore to the Owner prior to the commencement of work in connection with such change or addition.*
- e. It is understood and agreed that, notwithstanding any other provisions of this Contract, the Bidder will not be required to commence any construction after the expiration of 2 year(s)¹ following acceptance of this Proposal by the Owner.*

Section 2. Environmental Protection. *The Bidder shall perform the work in compliance with all applicable Federal, State, and local Environmental Laws. For purposes of this Agreement, the term "Environmental Laws" shall mean all Federal, state, and local laws including statutes, regulations, ordinances, codes, rules, and other governmental restriction and requirements relating to the environment or solid waste, hazardous substances, hazardous waste, toxic or hazardous material, pollutants or contaminants including, but not limited to the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. §§ 9601, et seq., the Federal Water Pollution Control Act, as amended, 33 U.S.C. §§ 1251, et seq., and the Solid Waste Disposal Act, as amended, 42 U.S.C. §§ 6901, et seq., now or at any time hereafter in effect.*

Section 3. Tools, Equipment, and Qualified Personnel. *The Bidder agrees that in the event this Proposal is accepted it will make available for use in connection with the proposed construction all necessary tools and equipment and qualified supervisors and workers.*

¹Owner to insert a number from 1 to 4.

Section 4. Changes in Construction. *The Bidder agrees to make such changes in construction previously installed in the project by the Bidder as required by the Owner for prices arrived at as follows:*

- a. *For substations and other units where only a portion of the complete unit is affected by the change, the compensation for such change shall be as agreed upon in writing by the Bidder and the Owner prior to the commencement of work in connection with such change.*
- b. *For all other units, the compensation for such change shall be the reasonable cost thereof as agreed upon by the Bidder and the Owner, but in no event shall it exceed two (2) times the labor price quoted in the Proposal for the installation of the unit to be changed. Such compensation shall be in lieu of any other payment for the installation and removal of the original unit. (If a new or replacing unit is installed, payment for such new or replacing unit shall be made as shown in the final inventory)*

No payment shall be made to the Bidder for materials or labor involved in correcting errors or omissions on the part of the Bidder which result in construction not in accordance with the Plans and Specifications.

Section 5. Construction Not in Proposal. *The Bidder also agrees that when it is necessary to construct units not shown in the Proposal, in absence of other mutual agreement, it will construct such units for a price arrived at as follows:*

- a. *The cost of materials shall be determined by the invoices.*
- b. *The cost of labor shall be the reasonable cost thereof but in no event shall it exceed an amount determined by calculating the ratio of the total labor costs to the total material costs in the section of the Proposal involved, and multiplying the cost of materials for the unit in question by this ratio.*

Section 6. Supervision and Inspection.

- a. *The Bidder shall give sufficient supervision to the work, using its best skill and attention. The Bidder will carefully study and compare all drawings, specifications and other instructions and will at once report to the Owner any error, inconsistency or omission which it may discover. The Bidder shall cause the construction work on the project to receive constant supervision by a competent superintendent (hereinafter called the "Superintendent") who shall be present at all times during working hours where construction is being carried on. The Bidder shall also employ, in connection with the construction of the project, capable, experienced and reliable supervisors and such skilled workers as may be required for the various classes of work to be performed. The Bidder shall be solely responsible for the means and methods of construction and for the supervision of the Bidder's employees.*
- b. *The Owner reserves the right to require the removal from the project of any employee of the Bidder if in the judgment of the Owner such removal shall be necessary in order to protect the interest of the Owner. The Owner shall have the right to require the Bidder to increase the number of its employees and to increase or change the amount or kind of tools and equipment if at any time the progress of the work shall be unsatisfactory to the Owner; but the failure of the Owner to give any such directions shall not relieve the Bidder of its obligations to complete the work within the time and in the manner specified in this Proposal.*
- c. *The construction of the project and all materials and equipment used therein, shall be subject to the inspection, tests, and acceptance by the Owner and the Administrator and the Bidder shall furnish all information required by the Owner or by the Administrator concerning the nature or source of any materials incorporated or to be incorporated in the project. All Bidder procedures and records pertaining to the work shall be made available to the Owner and the Administrator for review prior to such inspections and tests. The Bidder shall provide all reasonable facilities necessary for such inspection and tests and shall maintain an office at the site of the project, with telephone service where obtainable and at least one office employee to whom communications*

from the Owner may be delivered. Delivery of such communications in writing to the employee of the Bidder at such office shall constitute delivery to the Bidder. The Bidder shall have an authorized agent accompany the Engineer when final inspection is made and, if requested by the Owner, when any other inspection is made. The performance of such inspections or tests by the Owner or the Administrator shall not relieve the Bidder of its obligations to perform the work in accordance with the requirements of this Contract.

- d. In the event that the Owner, or the Administrator, shall determine that the construction contains or may contain numerous defects, it shall be the duty of the Bidder and the Bidder's Surety or Sureties, if any, to have an inspection made by an engineer approved by the Owner and the Administrator, if approval by the Administrator is required, for the purpose of determining the exact nature, extent and location of such defects.
- e. The Engineer may recommend to the Owner that the Bidder suspend the work wholly or in part for such period or periods as the Engineer may deem necessary due to unsuitable weather or such other conditions as are considered unfavorable for satisfactory prosecution of the work or because of the failure of the Bidder to comply with any of the provisions of the Contract: Provided, however, that the Bidder shall not suspend work pursuant to this provision without written authority from the Owner so to do. The time of completion hereinabove set forth shall be increased by the number of days of any such suspension, except when such suspension is due to the failure of the Bidder to comply with any of the provisions of this Contract. In the event that work is suspended by the Bidder with the consent of the Owner, the Bidder before resuming work shall give the Owner at least twenty-four (24) hours notice thereof in writing.

Section 7. Defective Materials and Workmanship.

- a. The acceptance of any materials, equipment (except Owner Furnished Materials) or any workmanship by the Owner or the Engineer shall not preclude the subsequent rejection thereof if such materials, equipment, or workmanship shall be found to be defective after delivery or installation, and any such materials, equipment or workmanship found defective before final acceptance of the construction shall be replaced or remedied, as the case may be, by and at the expense of the Bidder. Any such condemned material or equipment shall be immediately removed from the site of the project by the Bidder at the Bidder's expense. The Bidder shall not be entitled to any payment hereunder so long as any defective materials, equipment or workmanship in respect to the project, of which the Bidder shall have had notice, shall not have been replaced or remedied, as the case may be.
- b. Notwithstanding any certificate which may have been given by the Owner or the Engineer, if any materials, equipment (except Owner Furnished Materials) or any workmanship which does not comply with the requirements of this Contract shall be discovered within one (1) year after Completion of Construction of the project, the Bidder shall replace such defective materials or equipment or remedy any such defective workmanship within thirty (30) days after notice in writing of the existence thereof shall have been given by the Owner. If any such defective materials, equipment, or workmanship so replaced or repaired is found to be defective within one year after the completion of the replacement or repair, the Bidder shall replace or remedy such defective materials, equipment, or workmanship. If the Bidder shall be called upon to replace any defective materials or equipment or to remedy defective workmanship as herein provided, the Owner, if so requested by the Bidder shall deenergize that section of the project involved in such work. In the event of failure by the Bidder so to do, the Owner may replace such defective materials or equipment or remedy such defective workmanship, as the case may be, and in such event the Bidder shall pay to the Owner the cost and expense thereof.

ARTICLE III--PAYMENTS AND RELEASE OF LIENS

Section 1. Payments to Bidder.

- a. On or before the fifth (5) day of each calendar month, the Bidder will make application for payment, and the Owner, on or before the fifteenth (15) day of such month, shall make partial payment to the Bidder for construction accomplished during the preceding calendar month on the basis of completed Construction Units furnished and certified to by the Bidder, recommended by the Engineer and approved by the Owner solely for the purposes of payment. Provided, however, that such approval shall not be deemed approval of the workmanship or materials. Only ninety percent (90%) of each such estimate approved during the construction of the project shall be paid by the Owner to the Bidder prior to Completion of a Section. Upon completion by the Bidder of the construction of a Section, the Engineer will prepare an inventory of the project showing the total number and character of Construction Units and, after checking such inventory with the Bidder, will certify it to the Owner. Upon the approval by the Owner of a Certificate of Completion in the form attached hereto, showing the total cost of the construction performed, the Owner shall make payment to the Bidder of all amounts to which the Bidder shall be entitled thereunder which shall not have been paid: Provided, however, that such final payment shall be made not later than ninety (90) days after the date of Completion of Construction of the project, as specified in the Certificate Of Completion, unless withheld because of the fault of the Bidder.
- b. The Bidder shall be paid on the basis of the number of Construction Units actually installed at the direction of the Owner shown by the inventory based on the staking sheets or structure lists; Provided, however, that the total cost shall not exceed the maximum Contract price for the construction of the Project, unless such excess shall have been approved in writing by the Owner.

It is understood and agreed that this maximum Contract price is _____
_____ dollars (\$ _____). It is also agreed that the Bidder shall not be entitled to any claim for damages on account of any reasonable additions to or subtractions from the Project, or of any delay occasioned thereby, or of any changes in the routing of the lines.

- c. Interest at the rate of _____ percent (_____ %) per annum shall be paid by the Owner to the Bidder on all unpaid balances due on monthly estimates, commencing fifteen (15) days after the due date; provided the delay in payment beyond the due date is not caused by any condition within the control of the Bidder. The due date for purposes of such monthly payment or interest on all unpaid balances shall be the fifteenth (15) day of each calendar month provided (1) the Bidder on or before the fifth (5) day of such month shall have submitted its certification of Construction Units completed during the preceding month and (2) the Owner on or before the fifteenth (15) day of such month shall have approved such certification. If for reasons not due to the Bidder's fault, such approval shall not have been given on or before the fifteenth (15) day of such month, the due date for purposes of this subsection c shall be the fifteenth (15) day of such month notwithstanding the absence of the approval of the certification.
- d. Interest at the rate of _____ percent (_____ %) per annum shall be paid by the Owner to the Bidder on the final payment for the project or any completed Section thereof commencing fifteen (15) days after the due date. The due date for purposes of such final payment or interest on all unpaid balances shall be the date of approval by the Owner of all of the documents requiring such approval, as a condition precedent to the making of final payment, or ninety (90) days after the date of Completion of Construction of the project, as specified in the Certificate of Completion, whichever date is earlier.

² The Owner shall insert a rate equal to the lowest "Prime Rate" listed in the "Money Rates" section of the Wall Street Journal on the date such invitation to bid is issued.

³ See Footnote 2.

e. *No payment shall be due while the Bidder is in default in respect of any of the provisions of this Contract and the Owner may withhold from the Bidder the amount of any claim by a third party against either the Bidder or the Owner based upon an alleged failure of the Bidder to perform the work hereunder in accordance with the provisions of this Contract.*

f. *The Owner and the Administrator shall have the right to inspect all payrolls, invoices of materials, and other data and records of the Bidder and of any subcontractor, relevant to the construction of the project.*

Section 2. Release of Liens and Certificate of Contractor. *Upon the completion by the Bidder of the construction of the project (or any Section thereof if the Bidder shall elect to receive payment in full for any Section when completed as provided above) but prior to final payment to the Bidder, the Bidder shall deliver to the Owner, in duplicate, releases of all liens and of rights to claim any lien, in the form attached hereto from all manufacturers, material suppliers, and subcontractors furnishing services or materials for the project or such Section and a certificate in the form attached hereto to the effect that all labor used on or for the project or such Section has been paid and that all such releases have been submitted to the Owner.*

Section 3. Payments to Material Suppliers and Subcontractors. *The Bidder shall pay each material supplier, if any, within five (5) days after receipt of any payment from the Owner, the amount thereof allowed the Bidder for and on account of materials furnished or construction performed by each material supplier or each subcontractor.*

ARTICLE IV--PARTICULAR UNDERTAKINGS OF THE BIDDER

Section 1. Protection to Persons and Property. *The Bidder shall at all times take all reasonable precautions for the safety of employees on the work and of the public, and shall comply with all applicable provisions of federal, state, and local laws, rules, and regulations and building and construction codes, in addition to the safety rules and procedures of the Owner.*

The following provisions shall not limit the generality of the above requirements:

- a. *The Bidder shall at no time and under no circumstances cause or permit any employee of the Bidder to perform any work upon energized lines, or upon poles carrying energized lines, unless otherwise specified in the Notice and Instructions to Bidders.*
- b. *The Bidder shall transport and store all material in facilities and vehicles which are designed to protect the material from damage. The Bidder shall ensure that all vehicles, trailers, and other equipment used comply with all applicable licensing, traffic, and highway requirements.*
- c. *The Bidder shall so conduct the construction of the project as to cause the least possible obstruction of public highways.*
- d. *The Bidder shall provide and maintain all such guard lights and other protection for the public as may be required by applicable statutes, ordinances and regulations or by local conditions.*
- e. *The Bidder shall do all things necessary or expedient to properly protect any and all parallel, converging and intersecting lines, joint line poles, highways and any and all property of others from damage, and in the event that any such parallel, converging and intersecting lines, joint line poles, highways or other property are damaged in the course of the construction of the project the Bidder shall at its own expense restore any or all of such damaged property immediately to as good a state as before such damage occurred.*
- f. *Where the right-of-way of the project traverses cultivated or grazing lands, the Bidder shall limit the movement of its crews and equipment so as to cause as little damage as possible to crops, orchards or property and shall endeavor to avoid marring the lands. All fences which are necessarily opened or moved during the construction of the project shall be replaced in as good*

condition as they were found and precautions shall be taken to prevent the escape of livestock. Except as otherwise provided in the descriptions of underground plowing and trenching assembly units, the Bidder shall not be responsible for loss of or damage to crops, orchards or property (other than livestock) on the right-of-way necessarily incident to the construction of the project and not caused by negligence or inefficient operation of the Bidder. The Bidder shall be responsible for all other loss of or damage to crops, orchards, or property, whether on or off the right-of-way, and for all loss of or damage to livestock caused by the construction of the project.

The right-of-way for purposes of this said section shall consist of an area extending _____ feet on both sides of the center line of the poles along the route of the project lines, plus such area reasonably required by the Bidder for access to the route of the project lines from Public roads to carry on construction activities.

- g. The project, from the commencement of work to completion, or to such earlier date or dates when the Owner may take possession and control in whole or in part as hereinafter provided shall be under the charge and control of the Bidder and during such period of control by the Bidder all risks in connection with the construction of the project and the materials to be used therein shall be borne by the Bidder. The Bidder shall make good and fully repair all injuries and damages to the project or any portion thereof under the control of the Bidder by reason of any act of God or other casualty or cause whether or not the same shall have occurred by reason of the Bidder's negligence.
- (i) To the maximum extent permitted by law, Bidder shall defend, indemnify, and hold harmless Owner and Owner's directors, officers, and employees from all claims, causes of action, losses, liabilities, and expenses (including reasonable attorney's fees) for personal loss, injury, or death to persons (including but not limited to Bidder's employees) and loss, damage to or destruction of Owner's property or the property of any other person or entity (including but not limited to Bidder's property) in any manner arising out of or connected with the Contract, or the materials or equipment supplied or services performed by Bidder, its subcontractors and suppliers of any tier. But nothing herein shall be construed as making Bidder liable for any injury, death, loss, damage, or destruction caused by the sole negligence of Owner.
- (ii) To the maximum extent permitted by law, Bidder shall defend, indemnify, and hold harmless Owner and Owner's directors, officers, and employees from all liens and claims filed or asserted against Owner, its directors, officers, and employees, or Owner's property or facilities, for services performed or materials or equipment furnished by Bidder, its subcontractors and suppliers of any tier, and from all losses, demands, and causes of action arising out of any such lien or claim. Bidder shall promptly discharge or remove any such lien or claim by bonding, payment, or otherwise and shall notify Owner promptly when it has done so. If Bidder does not cause such lien or claim to be discharged or released by payment, bonding, or otherwise, Owner shall have the right (but shall not be obligated) to pay all sums necessary to obtain any such discharge or release and to deduct all amounts so paid from the amount due Bidder.
- (iii) Bidder shall provide to Owner's satisfaction evidence of Bidder's ability to comply with the indemnification provisions of subparagraphs i and ii above, which evidence may include but may not be limited to a bond or liability insurance policy obtained for this purpose through a licensed surety or insurance company.
- h. Any and all excess earth, rock, debris, underbrush and other useless materials shall be removed by the Bidder from the site of the project as rapidly as practicable as the work progresses.
- i. Upon violation by the Bidder of any of the provisions of this section, after written notice of such violation given to the Bidder by the Engineer or the Owner, the Bidder shall immediately correct such violation. Upon failure of the Bidder so to do the Owner may correct such violation at the Bidder's expense: Provided, however, that the Owner may, if it deems it necessary or advisable, correct such violation at the Bidder's expense without such prior notice to the Bidder.

- j. *The Bidder shall submit to the Owner monthly reports in duplicate of all accidents, giving such data as may be prescribed by the Owner.*
- k. *The Bidder shall not proceed with the cutting of trees or clearing of right-of-way without written notification from the Owner that proper authorization has been received from the owner of the property, and the Bidder shall promptly notify the Owner whenever any landowner objects to the trimming or felling of any trees or the performance of any other work on its land in connection with the project and shall obtain the consent in writing of the Owner before proceeding in any such case.*
- l. *The Bidder will furnish, prior to the commencement of underground distribution construction, proof satisfactory to the Owner, of compliance with requirements of highway and road authorities having jurisdiction, including without limitation, the furnishing of a bond or other guaranty, and approval by such authorities of the equipment and methods of construction and repair to be used by the Bidder.*

Section 2. Insurance. *The Bidder shall take out and maintain throughout the period of this Agreement the following types and minimum amounts of insurance:*

- a. *Workers' compensation and employers' liability insurance, as required by law, covering all its employees who perform any of the obligations of the Bidder under the contract. If any employer or employee is not subject to the workers' compensation laws of the governing state, then insurance shall be obtained voluntarily to extend to the employer and employee coverage to the same extent as though the employer or employee were subject to the workers' compensation laws.*
- b. *Public liability insurance covering all operations under the contract shall have limits for bodily injury or death of not less than \$1 million each occurrence, limits for property damage of not less than \$1 million each occurrence, and \$1 million aggregate for accidents during the policy period. A single limit of \$1 million of bodily injury and property damage is acceptable. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form.*
- c. *Automobile liability insurance on all motor vehicles used in connection with the contract, whether owned, nonowned, or hired, shall have limits for bodily injury or death of not less than \$1 million per person and \$1 million each occurrence, and property damage limits of \$1 million for each occurrence. A single limit of \$1 million of bodily injury and property damage is acceptable. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form.*

The Owner shall have the right at any time to require public liability insurance and property damage liability insurance greater than those required in subsection "b" and "c" of this Section. In any such event, the additional premium or premiums payable solely as the result of such additional insurance shall be added to the Contract price.

The Owner shall be named as Additional Insured on all policies of insurance required in subsections "b" and "c" of this Section.

The policies of insurance shall be in such form and issued by such insurer as shall be satisfactory to the Owner. The Bidder shall furnish the Owner a certificate evidencing compliance with the foregoing requirements which shall provide not less than (30) days prior written notice to the Owner of any cancellation or material change in the insurance.

Section 3. Delivery of Possession and Control to Owner.

- a. *Upon written request of the Owner the Bidder shall deliver to the Owner full possession and control of any portion of the project provided the Bidder shall have been paid at least ninety percent (90%) of the cost of construction of such portion. Upon such delivery of the possession and control of any portion of the project to the Owner, the risk and obligations of the Bidder as*

set forth in Article II, Section 1.g hereof with respect to such portion of the project so delivered to the Owner shall be terminated; Provided, however, that nothing herein contained shall relieve the Bidder of any liability with respect to defective materials and workmanship as contained in Article II, Section 7 hereof.

- b. *Where the construction of a Section as herein before defined in Article II, Section 1.c shall have been completed by the Bidder, the Owner agrees, after receipt of a written request from the Bidder, to accept delivery of possession and control of such Section upon the issuance by the Engineer of a written statement that the Section has been inspected and found acceptable by the Engineer. Upon such delivery of the possession and control of any such Section to the Owner, the risk and obligations of the Bidder as set forth in Article II, Section 1.g hereof with respect to such Section so delivered to the Owner shall be terminated: Provided, however, that nothing herein contained shall relieve the Bidder of any liability with respect to defective materials or workmanship as contained in Article II, Section 7 hereof.*

Section 4. Energizing the Project.

- a. *Prior to Completion of the project the Owner, upon written notice to the Bidder, may test the construction thereof by temporarily energizing any portion or portions thereof. During the period of such test the portion or portions of the project so energized shall be considered as within the possession and control of the Owner and governed by the provisions of Section 3 of this Article. Upon written notice to the Bidder by the Owner of the completion of such test and upon deenergizing the lines involved therein said portion or portions of the project shall be considered as returned to the possession and control of the Bidder unless the Owner shall elect to continue possession and control in the manner provided in Section 3 of this Article.*
- b. *The Owner shall have the right to energize permanently any portion or portions of the project delivered to its possession and control pursuant to the provisions of Section 3 of this Article.*

Section 5. Assignment of Guarantees. *All guarantees of materials and workmanship running in favor of the Bidder shall be transferred and assigned to the Owner prior to the time the Bidder receives final payment.*

ARTICLE V--REMEDIES

Section 1. Completion on Bidder's Default. *If default shall be made by the Bidder or by any subcontractor in the performance of any of the terms of this Proposal, the Owner, without in any manner limiting its legal and equitable remedies in the circumstances, may serve upon the Bidder and the Surety or Sureties, if any, upon the Contractor's Bond or Bonds a written notice requiring the Bidder to cause such default to be corrected forthwith. Unless within twenty (20) days after the service of such notice upon the Bidder such default shall be corrected or arrangements for the correction thereof satisfactory to both the Owner and the Administrator shall be made by the Bidder or its Surety or Sureties, if any, the Owner may take over the construction of the project and prosecute the same to completion by Contract or otherwise for the account and at the expense of the Bidder, and the Bidder and its Surety or Sureties, if any, shall be liable to the Owner for any cost or expense in excess of the Contract price occasioned thereby. In such event the Owner may take possession of and utilize, in completing the construction of the project, any materials, tools, supplies, equipment, appliances, and plant belonging to the Bidder or any of its subcontractors, which may be situated at the site of the project. The Owner in such contingency may exercise any rights, claims or demands which the Bidder may have against third persons in connection with this Contract and for such purpose the Bidder does hereby assign, transfer and set over unto the Owner all such rights, claims and demands.*

Section 2. Cumulative Remedies. *Every right or remedy herein conferred upon or reserved to the Owner or the Government or the Administrator shall be cumulative, shall be in addition to every right and remedy now or hereafter existing at law or in equity or by statute and the pursuit of any right or remedy shall not be construed as an election.*

ARTICLE VI-MISCELLANEOUS

Section 1. Definitions.

- a. *The term "Administrator" shall mean the Administrator of the Rural Utilities Service of the United States of America and his or her duly authorized representative or any other person in whom or authority in which may be vested the duties and functions which the Administrator is now authorized by law to perform.*
- b. *The term "Engineer" shall mean the Engineer employed by the Owner, to provide engineering services for the project and said Engineer's duly authorized assistants and representatives.*
- c. *The term "Completion of Construction" shall mean full performance by the Bidder of the Bidder's obligations under the Contract and all amendments and revisions thereof except the Bidder's obligations in respect of (1) Releases of Liens and Certificate of Contractor under Article III, Section 2 hereof, (2) the inventory referred to in Article III, Section 1 hereof, and (3) other final documents. The term "Completion of the Project" shall mean full performance by the Bidder of the Bidder's obligations under the Contract and all amendments and revisions thereof. The Certificate of Completion, signed by the Engineer and approved in writing by the Owner shall be the sole and conclusive evidence as to the date of Completion of Construction and as to the fact of Completion of the Project.*

Section 2. Materials and Supplies. *In the performance of this contract there shall be furnished only such unmanufactured articles, materials, and supplies as have been mined or produced in the United States or in any eligible country, and only such manufactured articles, materials, and supplies as have been manufactured in the United States or in any eligible country substantially all from articles, materials, or supplies mined, produced or manufactured, as the case may be, in the United States or in any eligible country; provided that other articles, materials, or supplies may be used in the event and to the extent that the Administrator shall expressly in writing authorize such use pursuant to the provisions of the Rural Electrification Act of 1938, being Title IV of Public Resolution No. 122, 75th Congress, approved June 21, 1938. For the purposes of this section, an "eligible country" is any country that applies with respect to the United States an agreement ensuring reciprocal access for United States products and services and suppliers to the markets of that country, as determined by the United States Trade Representative. The Bidder agrees to submit to the Owner such certificates with respect to compliance with the foregoing provision as the Administrator from time to time may require.*

Section 3. Patent Infringement. *The Bidder shall hold harmless and indemnify the Owner from any and all claims, suits and proceedings for the infringement of any patent or patents covering any materials or equipment used in construction of the project.*

Section 4. Permits for Explosives. *All permits necessary for the handling or use of dynamite or other explosives in connection with the construction of the project shall be obtained by and at the expense of the Bidder.*

Section 5. Compliance with Laws. *The Bidder shall comply with all federal, state, and local laws, rules, and regulations applicable to its performance under the contract and the construction of the project. The Bidder acknowledges that it is familiar with the Rural Electrification Act of 1936, as amended, the Anti Kick-Back Act of 1986 (41 U.S.C. 51 et seq), and 18 U.S.C. §§ 286, 287, 641, 661, 874, 1001, and 1366, as amended.*

The Bidder represents that to the extent required by Executive Orders 12549 (3 CFR, 1985-1988 Comp., p. 189) and 12689 (3 CFR, 1989 Comp., p. 235), Debarment and Suspension, and 7 CFR part 3017, it has submitted to the Owner a duly executed certification in the form prescribed in 7 CFR part 3017.

The Bidder represents that, to the extent required, it has complied with the requirements of Pub. L. 101-121, Section 319, 103 Stat. 701, 750-765 (31 U.S.C. 1352), entitled "Limitation on use of

appropriated funds to influence certain Federal contracting and financial transactions," and any rules and regulations issued pursuant thereto.

Section 6. Equal Opportunity Provisions.

a. Bidder's Represents.

The Bidder represents that:

It has ___ , does not have ___ , 100 or more employees, and if it has, that it has ___ , has not ___ , furnished the Equal Employment Opportunity-Employers Information Report EEO-1, Standard Form 100, required of employers with 100 or more employees pursuant to Executive Order 11246 of September 24, 1965, and Title VII of the Civil Rights Act of 1964.

The Bidder agrees that it will obtain, prior to the award of any subcontract for more than \$10,000 hereunder to a subcontractor with 100 or more employees, a statement, signed by the proposed subcontractor, that the proposed subcontractor has filed a current report on Standard Form 100.

The Bidder agrees that if it has 100 or more employees and has not submitted a report on Standard Form 100 for the current reporting year and that if this Contract will amount to more than \$10,000, the Bidder will file such report, as required by law, and notify the owner in writing of such filing prior to the Owner's acceptance of this Proposal.

b. Equal Opportunity Clause. During the performance of this Contract, the Bidder agrees as follows:

- (1) The Bidder will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The Bidder will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to, the following: Employment, upgrading, demotions or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection of training, including apprenticeship. The Bidder agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this Equal Opportunity Clause.*
- (2) The Bidder will, in all solicitations or advertisements for employees placed by or on behalf of the Bidder, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.*
- (3) The Bidder will send to each labor union or representative of workers, with which it has a collective bargaining agreement or other contract or understanding, a notice to be provided advising the said labor union or workers' representative of the Bidder's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.*
- (4) The Bidder will comply with all provisions of Executive Order 11246 of September 24, 1965, and the rules, regulations and relevant orders of the Secretary of Labor.*
- (5) The Bidder will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.*

- (6) *In the event of the Bidder's noncompliance with the Equal Opportunity Clause of this Contract or with any of the said rules, regulations, or orders, this Contract may be canceled, terminated, or suspended in whole or in part, and the Bidder may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as provided by law.*
- (7) *The Bidder will include this Equal Opportunity Clause in every subcontractor purchase order unless exempted by the rules, regulations, or order of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Bidder will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for noncompliance; Provided, however, that in the event Bidder becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the administering agency, the Bidder may request the United States to enter into such litigation to protect the interests of the United States.*
- c. *Certificate of Nonsegregated Facilities. The Bidder certifies that it does not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. The Bidder certifies further that it will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. The Bidder agrees that a breach of this certification is a violation of the Equal Opportunity Clause in this Contract. As used in this certification, the term "segregated facilities" means any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Bidder agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods) it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity Clause, and that it will retain such certifications in its files.*

Section 7. Franchises and Rights-of-Way. *The Bidder shall be under no obligation to obtain or assist in obtaining: Any franchises, authorizations, permits or approvals required to be obtained by the Owner from Federal, State, County, Municipal or other authorities; any rights-of-way over private lands; or any agreements between the Owner and third parties with respect to the joint use of poles, crossings, or other matter incident to the construction and operation of the project.*

Section 8. Nonassignment of Contract. *The Bidder shall perform directly and without subcontracting not less than twenty-five percent (25%) of the construction of the project, to be calculated on the basis of the total Contract price. The Bidder shall not assign the Contract effected by an acceptance of this Proposal or any interest in any funds that may be due or become due hereunder or enter into any contract with any person, firm or corporation for the performance of the Bidder's obligations hereunder or any part thereof without the approval in writing of the Owner and of the Surety or Sureties, if any, on any bond furnished by the Bidder for the faithful performance of the Bidder's obligations hereunder. If the Bidder, with the consent of the Owner and any Surety or Sureties on the Contractor's Bond or Bonds, shall enter into a subcontract with any subcontractor for the performance of any part of this Contract, the Bidder shall be as fully responsible to the Owner and the Government for the acts and omissions of such subcontractor and of persons employed by such subcontractor as the Bidder would be for its own acts and omissions and those of persons directly employed by it.*

Section 9. Successors and Assigns. Each and all of the covenants and agreements herein contained shall extend to and be binding upon the successors and assigns of the parties hereto. The Owner and Bidder acknowledge that this Contract is assigned to the Government, acting through the Administrator, for security purposes under the Owner's mortgage and security instrument.

Section 10. Independent Contractor. The Bidder shall perform the work as an independent contractor, not as a subcontractor, agent, or employee of the Owner. Upon acceptance of this Proposal, the successful Bidder shall be the Contractor and all references in the Proposal to the Bidder shall apply to the Contractor.

Section 11. Acceptance by the Owner: The acceptance of a Proposal for a contract shall become effective the date of acceptance by the Owner.

ATTEST:

Ronnie Coery
Secretary

Dated

Jan. 1, 2013

Ronnie Coery
Bidder
Ronnie Coery
President
346 Juenel
Address

The Proposal must be signed with the full name of the Bidder. If the Bidder is a partnership, the Proposal must be signed in the partnership name by a partner. If the Bidder is a corporation, the Proposal must be signed in the corporate name by a duly authorized officer and the corporate seal affixed and attested by the Secretary of the Corporation.

ACCEPTANCE

The Owner hereby accepts the foregoing Proposal of the Bidder, Five C Construction
Company _____, for the construction of the following:
PROJECTS ASSIGNED BY CUMBERLAND VALLEY ELECTRIC STAFF

CUMBERLAND VALLEY ELECTRIC

Owner

By Vernon Shelby
President

[Signature]
Secretary

1-1 .2013
Date of Contract

CUMBERLAND VALLEY ELECTRIC

LOBBYING CERTIFICATION

Certification for Contracts, Grants, Loans, and Cooperative Agreements

The undersigned certifies, to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-L.L.L. "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Five C Construction _____

Organization Name

Konnie Casey _____

Name of Authorized Official

Konnie Casey _____

Signature

1/1/2013 _____

Date

HOLD HARMLESS
AGREEMENT BETWEEN

CUMBERLAND VALLEY ELECTRIC, INC.
AND
FIVE C CONSTRUCTION

Five C Construction, agrees to defend, pay on behalf of and hold harmless **Cumberland Valley Electric, Inc.** and its directors, officers, agents, and employees from all claims of whatsoever nature or kind, including those brought by employees of **Five C Construction** or subcontractors, arising out of or as a result of any act or failure to act whether or not negligent, in connection with the performance of the work to be performed pursuant to this contract by **Five C Construction**, its employees, agents and subcontractors. **Five C Construction** agrees to defend and pay all costs in defending these claims, including attorney fees.

Further, **Five C Construction** agrees to maintain public liability and property damage insurance (including automobile public liability and property damage insurance) to cover the obligations set forth above. The minimum insurance limits of liability shall be \$1,000,000 bodily injury and property damage. **Cumberland Valley Electric, Inc.** shall receive a minimum 30 day notice in the event of cancellation of insurance required by this agreement. **Five C Construction** shall furnish a certificate of insurance to **Cumberland Valley Electric, Inc.** showing that the above obligations and requirements are provided for by a qualified insurance carrier, and showing **Cumberland Valley Electric, Inc.** as an additional insured on such insurance.

FIVE C CONSTRUCTION

CUMBERLAND VALLEY ELECTRIC, INC.

BY: *Ronnie Coley*

BY: *Ted Hampton*

DATE: 1/1/2013

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q25: Does CVE have any anti-nepotism policies in place? If so, provide copies of any and all such policies, and/or memoranda referring to such policies.

RESPONSE:

Yes, see page 2 of this Item.

Cumberland Valley Electric

POLICY STATEMENT NO. 42

Nepotism

SUBJECT: Nepotism

POLICY: The board recognizes that the practice of nepotism in the employment of personnel or other favorable considerations by virtue of family relationships is bad practice as there is natural tendency for kinsman to favor kinsman if the opportunity presents itself. The cooperative shall not, in the future, employ any person or persons who are kin either by blood or by marriage to be closer than a second cousin, to any Board member, manager, supervisor, or other employee of the cooperative. Exceptions to this policy can be made by Board Resolution upon recommendation by the CEO.

RESPONSIBILITY: Board of Directors and CEO

SOURCE: Adopted by board resolution on February 17, 1983.

Vernon Shelley, Chairman of the Board

AMENDED: November 13, 1997

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q26: Does CVE employ the relatives of:

- a. Any CVE board member;

RESPONSE:

Yes.

- b. Any CVE officer;

RESPONSE:

Yes.

- c. Any CVE consultant; and/or

RESPONSE:

No.

- d. Any other CVE employee?

RESPONSE:

Yes.

If so, please provide specific details.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

RESPONSE:

CEO related to Board Member, Superintendent, Assistant Superintendent,
and Bookkeeper.

Billing Supervisor related to Lineman

Maintenance Technician related to Crew Leader

District Manager related to Billing Clerk

Billing Clerk related to Lineman

Serviceman related to Asst. Engineer

Board Member related to Serviceman

Board Member related to CEO, Superintendent, Asst. Superintendent,
and Bookkeeper.

Crew Leader related to Lineman

Lineman related to Serviceman

Lineman related to Crew Leader

Supintendent to CEO, Board Member and Asst. Superintendent

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q27: Reference Exhibit N, page 16 of 19, wherein it is stated that several of the members of CVE's Board and its president and CEO are on the boards of directors of several organizations. Please provide:

- a. The name and address of each such entity, and the nature of that business; and

RESPONSE:

Kentucky Association of Electric Cooperatives, Inc. (KAEC) is located at 4515 Bishop Lane, Louisville, KY 40218. KAEC provides services for its 26 member distribution and generation and transmissions cooperatives including representation before the Legislature, Congress, and regulatory bodies; safety training; coordination of management training; and public relations support including publication of *Kentucky Living* magazine.

National Rural Electric Cooperative Association (NRECA) is located at 4301 Wilson Blvd, Arlington, VA 22203. NRECA is a service organization dedicated to representing the national interests of cooperative electric utilities and the consumers they serve. They offer services such as co-op employee benefits, research, consulting, etc.

East Kentucky Power Cooperative (EKPC) is located at 4775 Lexington Road, Winchester, KY 40392-0707. EKPC is owned by 16 electric distribution co-ops located in Central and Eastern Kentucky. EKPC's role is to provide electric power to its 16 owner-members.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

- b. The length of time they served on the other entity's board.

RESPONSE:

Vernon Shelley has been on the board at KAEC since 2005.

Ted Hampton has been on the board at KAEC since 1964 and is currently the Chairman.

Chester Davis has been the representative at NRECA since 2005.

Elbert Hampton has been on the board at EKPC since 2005.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q28: Please provide a schedule listing all CWIP projects included in the rate base. For each project, provide the scheduled completion date, projected cost at completion, and identify any and all PSC orders allowing CVE to include CWIP in the rate base.

RESPONSE:

Please see Pages 2 – 8 of Item 28.

02/03/2014 10:28:07 am

Page: 1

WORK ORDER PERIOD & TO-DATE SUMMARY

Work Order		Tran Type								Period-To-Date
WO Type	Customer Name	Service Location	Material	Direct Labor	Overhead	Special Services	AFUDC	Aid	Total To-Date	
53107 - SCADA CONTROL		Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
SI	SCADA CONTROL	0	83,703.68	2,547.56	1,170.54	8.26	0.00	-10,480.28	76,949.76	
67675 - GROVE URD PRI CABLE REPLACEMENT		Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
SI	GROVE URD PRI CABLE RE	0	1,298.67	0.00	0.00	0.00	0.00	0.00	1,298.67	
67912 - CHANGE TO TALLER POLE PER TEL CO		Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
SI	WINDSTREAM TEL CO	0	0.00	0.00	0.00	0.00	0.00	-0.03	-0.03	
67985 - change 12 poles out		Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
SI		0	0.00	70,484.31	17,056.19	0.00	0.00	0.00	87,540.50	
68084 - KDL MAKE READY HWY 511		Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
SI	WINDSTREAM KDL KY 511	0	0.00	0.00	0.00	0.00	0.00	-7,392.00	-7,392.00	
68283 - REPLACE BROKEN POLE---CAR		Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
SI	REPLACE BROKEN POLE	0	809.67	1,505.06	1,669.31	0.00	0.00	0.00	3,984.04	
68283 - REPLACE BROKEN POLE---CAR		Retirement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
SI	REPLACE BROKEN POLE	0	-194.26	119.69	128.30	0.00	0.00	0.00	53.73	
68485 - EMANUAL SUB ARRESTOR REPLACEME		Construction	0.00	29,986.10	0.00	0.00	0.00	0.00	29,986.10	
SI		0	0.00	29,986.10	0.00	0.00	0.00	0.00	29,986.10	
68485 - EMANUAL SUB ARRESTOR REPLACEME		Retirement	0.00	4,173.00	0.00	0.00	0.00	0.00	4,173.00	
SI		0	0.00	4,173.00	0.00	0.00	0.00	0.00	4,173.00	
68495 - N CORBIN SUB ARRESTOR REPLACEME		Construction	0.00	6,361.71	0.00	0.00	0.00	0.00	6,361.71	
SI		0	0.00	34,630.38	0.00	0.00	0.00	0.00	34,630.38	
68495 - N CORBIN SUB ARRESTOR REPLACEME		Retirement	0.00	1,884.00	0.00	0.00	0.00	0.00	1,884.00	
SI		0	0.00	8,453.00	0.00	0.00	0.00	0.00	8,453.00	
68705 - Benham		Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
NC		0	34.75	610.23	928.15	0.00	0.00	0.00	1,573.13	
68705 - Benham		Retirement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
NC		0	0.00	88.32	134.03	0.00	0.00	0.00	222.35	
68786 - MOVE POLE FOR STRIP MINNING		Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
NC		0	0.00	0.00	0.00	0.00	0.00	-2,971.54	-2,971.54	
68882 - ARRESTER CHANGE		Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
SI		0	518.37	450.00	0.00	0.00	0.00	0.00	968.37	

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WORK ORDER PERIOD & TO-DATE SUMMARY

Work Order		Tran Type							Period-To-Date
WO Type	Customer Name	Service Location	Material	Direct Labor	Overhead	Special Services	AFUDC	Aid	Total To-Date
68882 - ARRESTER CHANGE		Retirement	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SI		0	0.00	75.00	0.00	0.00	0.00	0.00	75.00
69027 - new const for tv meters		Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NC	MIKROTEC CATV,LLC	0	0.00	2,032.96	2,485.50	9.11	0.00	0.00	4,527.57
69271 - REPLACE BAD POLES--LINE INSPECTION		Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SI	REPLACE BAD POLES--LIN	0	0.00	0.00	0.00	0.00	0.00	-4,759.27	-4,759.27
69376 - SPOT SVC FOR GAS CO		Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NC	N R C RESOURCES	0	0.00	0.00	0.00	0.00	0.00	-2,012.00	-2,012.00
69386 - POLE SALE TO AT&T		Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RR	AT&T POLE REPLACEMEN	3844	0.00	65.49	74.96	0.00	0.00	0.00	140.45
69386 - POLE SALE TO AT&T		Retirement	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RR	AT&T POLE REPLACEMEN	3844	0.00	27.01	29.12	0.00	0.00	0.00	56.13
69412 - POLE CHANGE REQUEST BY AT&T BEE		Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SI		0	10,753.08	19,896.40	0.00	0.00	0.00	0.00	30,649.48
69412 - POLE CHANGE REQUEST BY AT&T BEE		Retirement	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SI		0	-2,686.76	2,030.60	0.00	0.00	0.00	0.00	-656.16
69617 - ADD POLE IN LOW LINE COAL CO FILL		Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SI	ALLDEN RESOURCES	0	564.00	591.47	750.08	2.21	0.00	0.00	1,907.76
69650 - INSTALL GROUP OP SWITCH S COR - C F		Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SI		0	0.00	2,020.20	0.00	0.00	0.00	0.00	2,020.20
69724 - New URD service to new building		Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NC	JELLICO CREEK BAPTIST C	0	0.00	683.41	882.75	0.00	0.00	0.00	1,566.16
69724 - New URD service to new building		Retirement	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NC	JELLICO CREEK BAPTIST C	0	0.00	110.23	131.19	0.00	0.00	0.00	241.42
69786 - REPLACE DECAYED POLE 15-06-P032		Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SI	15060010	0	0.00	837.57	1,182.64	0.00	0.00	0.00	2,020.21
69786 - REPLACE DECAYED POLE 15-06-P032		Retirement	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SI	15060010	0	0.00	228.57	308.50	0.00	0.00	0.00	537.07
69824 - REPLACE BAD POLE		Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SI	WYNN,OSCAR	0	0.00	783.20	1,028.92	0.00	0.00	0.00	1,812.12

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WORK ORDER PERIOD & TO-DATE SUMMARY

Work Order		Tran Type								Period-To-Date
WO Type	Customer Name	Service Location	Material	Direct Labor	Overhead	Special Services	AFUDC	Aid	Total To-Date	
69824 - REPLACE BAD POLE		Retirement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
SI	WYNN, OSCAR	0	0.00	328.98	343.34	0.00	0.00	0.00	672.32	
69841 - REPLACE POLE FOR AT&T TEL CO		Construction	0.00	0.00	0.00	0.00	0.00	-3,491.05	-3,491.05	
SI	AT&T TEL CO.	0	1,210.93	3,700.53	5,216.55	0.00	0.00	-3,491.05	6,636.96	
69841 - REPLACE POLE FOR AT&T TEL CO		Retirement	0.00	0.00	0.00	0.00	0.00	-301.17	-301.17	
SI	AT&T TEL CO.	0	-167.94	609.64	819.14	0.00	0.00	-301.17	959.67	
69867 - LIBERTY CH ARRESTOR REPLACEMENT		Construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
SI		0	0.00	1,742.30	0.00	0.00	0.00	0.00	1,742.30	
69926 - POLE REPLACEMENTS LINE INSPECTIO		Construction	0.00	4,491.20	0.00	0.00	0.00	0.00	4,491.20	
SI		20	0.00	4,491.20	0.00	0.00	0.00	0.00	4,491.20	
69926 - POLE REPLACEMENTS LINE INSPECTIO		Retirement	0.00	1,122.80	0.00	0.00	0.00	0.00	1,122.80	
SI		20	0.00	-1,122.80	0.00	0.00	0.00	0.00	1,122.80	
69937 - retirement		Retirement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
RR	NOLAN, ZOLA	0	0.00	483.16	501.07	0.00	0.00	0.00	984.23	
69973 - FROM SINGLE PHASE TO 3 PHASE		Construction	0.00	3,368.40	0.00	0.00	0.00	0.00	3,368.40	
SI		1425601	0.00	3,368.40	0.00	0.00	0.00	0.00	3,368.40	
69973 - FROM SINGLE PHASE TO 3 PHASE		Retirement	0.00	561.40	0.00	0.00	0.00	0.00	561.40	
SI		1425601	0.00	561.40	0.00	0.00	0.00	0.00	561.40	
69981 - REPLACE BAD POLES		Construction	0.00	2,245.60	0.00	0.00	0.00	0.00	2,245.60	
SI		0	0.00	2,245.60	0.00	0.00	0.00	0.00	2,245.60	
69981 - REPLACE BAD POLES		Retirement	0.00	280.70	0.00	0.00	0.00	0.00	280.70	
SI		0	0.00	280.70	0.00	0.00	0.00	0.00	280.70	
69986 - replace broken pole		Construction	1,279.23	4,543.62	6,707.65	0.00	0.00	0.00	12,530.50	
SI	REPLACE BROKEN POLE	0	1,279.23	4,543.62	6,707.65	0.00	0.00	0.00	12,530.50	
69986 - replace broken pole		Retirement	0.00	342.10	397.45	0.00	0.00	0.00	739.55	
SI	REPLACE BROKEN POLE	0	0.00	342.10	397.45	0.00	0.00	0.00	739.55	
69991 - REPLACE 40P WITH 45P FOR TEL CO		Construction	890.25	1,403.50	0.00	0.00	0.00	0.00	2,293.75	
SI	AT&T TEL CO	0	890.25	1,403.50	0.00	0.00	0.00	0.00	2,293.75	
69991 - REPLACE 40P WITH 45P FOR TEL CO		Retirement	-42.76	0.00	0.00	0.00	0.00	0.00	-42.76	
SI	AT&T TEL CO	0	-42.76	0.00	0.00	0.00	0.00	0.00	-42.76	

WORK ORDER PERIOD & TO-DATE SUMMARY

Tran Type	GL Div	GL Acct	GL Dept	GL Actv	Per Matl / To-Date Matl	Per Dir Lbr / To-Date Labor	Per Overhead / To-Date Ovrhd	Per Sp Serv / To-Date Sp Serv	Per AFUDC / To-Date AFUDC	Per Aid / To-Date Aid	Period To-Date / Total To-Date
Construction	0	107.2		0 0	2,169.48	52,400.13	6,707.65	0.00	0.00	-3,491.05	57,786.21
					102,547.62	191,542.87	42,869.40	19.58	0.00	-39,230.70	297,748.77
				Total Period-To-Date:	2,169.48	52,400.13	6,707.65	0.00	0.00	-3,491.05	57,786.21
				Total To-Date:	102,547.62	191,542.87	42,869.40	19.58	0.00	-39,230.70	297,748.77
				Total To-Date Without Aid:							336,979.47
				GL Balance:							297,748.77
Total Construction				Total Period To-Date:	2,169.48	52,400.13	6,707.65	0.00	0.00	-3,491.05	57,786.21
				Total To-Date:	102,547.62	191,542.87	42,869.40	19.58	0.00	-39,230.70	297,748.77 ✓
				Total To-Date Without Aid:							336,979.47

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 - ▶ Miscellaneous Receivable
 - ▶ Payroll/Labor
 - ▶ Purchase Order
 - ▶ Work Order
 - ▶ Common

Search Type: Account Account: 107.53 AA Period: 01 - Jan 2008 Search Advanced Search

To: 12 - Dec 2013

Account Summary: 107.53 - WK IN PROG-RADIO TOWER @ ROCKHOLD Set Aside Retrieve (D)

Account	Balance	Account Description	Year Ending Balance	Amount
107.53	82,327.55	WK IN PROG-RADIO TOWER @ R...	82,327.55	82,327.55
		82,327.55	82,327.55	82,327.55

Details

Date	Reference	Amount	Balance	Journal	Activity	Jrn/Cd	AP/Check	Vendor	Vendor Name	Invoice	Period	Purchase Order	Extended Reference
09/16/2013	Cash Register	-248.40	-248.40	Cash Re.	0 - Una...	D 1 - CA...	0				Sep 2013		
09/30/2013	FCC LICENSE FEE	7,200.00	6,951.60	Invoice	0 - Una...	D 4 - AC...	60621	12078	CORNETT ELECTRONICS CO	2092	Sep 2013		
09/30/2013	INSTALL WIRE & LABOR	25,750.00	32,701.60	Invoice	0 - Una...	D 4 - AC...	60621	12078	CORNETT ELECTRONICS CO	2078	Sep 2013		
10/04/2013	ROCKHOLD TOWER	3,250.00	35,951.60	Invoice	0 - Una...	D 4 - AC...	60668	38375	RANDY LOWE	1041312	Oct 2013		
10/30/2013	WORK AT OFFICE & JOB SITE	1,449.29	37,400.89	Invoice	0 - Una...	D 4 - AC...	60810	11420	L & M ELECTRICAL	074	Oct 2013		
11/27/2013	MATERIALS TOWER SITES	16,462.86	53,863.75	Invoice	0 - Una...	D 4 - AC...	60964	12078	CORNETT ELECTRONICS CO	2124	Nov 2013		
11/30/2013	VISA STATEMENT	347.62	54,211.37	Invoice	0 - Una...	D 4 - AC...	61121	10193	VISA	20131...	Nov 2013		
12/27/2013	MOTOROLA REPEATERS & SU...	28,116.18	82,327.55	Invoice	0 - Una...	D 4 - AC...	61188	12078	CORNETT ELECTRONICS CO	2145	Dec 2013		

- Find:
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- Asset Management
- Bank Reconciliation
- Budget
- Fleet Management
- General Ledger
 - Account
 - Entry
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 - Account Balance
- Account Summary
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- General Tasks (1)

Search Type: Account Account: 107.75 AA Period: 01 - Jan 2008 To: 12 - Dec 2013 Search Advanced Search

Account Summary: 107.75 - WK IN PROG-OFFICE REMODEL @ GRAY

Account	Balance	Account Description	Year Ending Balance	Amount
107.75	380,088.69	WK IN PROG-OFFICE REMODEL @ GRAY	380,088.69	380,088.69
			380,088.69	380,088.69

Date	Reference	Amount	Balance	Journal	Activity	Jrnl Cd	AP Check	Vendor	Vendor Name	Invoice	Period	Purchase Order	Extended Reference
04/13/2011	DOWNPAYMENT ON CONTRACT	3,000.00	3,000.00	Invoice	0 - Una...	0 4 - AC...	52653	38195	CENTRAL KENTUCKY DESIGN, ...	0413115	Apr 2011		
04/20/2011	ASBESTOS SERVICES INVOICE	680.00	3,680.00	Invoice	0 - Una...	0 4 - AC...	52681	38196	ALPHA ENVIRONMENTAL CON...	042011	Apr 2011		
06/13/2011	ROOF INSPECTION	995.00	4,675.00	Invoice	0 - Una...	0 4 - AC...	53131	38213	BUILDING PERFORMANCE	1899	Jun 2011		
06/29/2011	SURVEYING SERVICES	3,000.00	7,675.00	Invoice	0 - Una...	0 4 - AC...	53179	38195	CENTRAL KENTUCKY DESIGN, ...	8658	Jun 2011		
02/17/2012	SITE INSPECTION & REVIEW	900.00	8,575.00	Invoice	0 - Una...	0 4 - AC...	55257	38195	CENTRAL KENTUCKY DESIGN, ...	8843	Feb 2012		
06/30/2012	ARCHITECTURAL SERVICES	5,000.00	13,575.00	Invoice	0 - Una...	0 4 - AC...	56612	38195	CENTRAL KENTUCKY DESIGN, ...	8970	Jun 2012		
09/18/2012	PLAN REVIEW FEE	1,278.00	14,853.00	Invoice	0 - Una...	0 4 - AC...	57132	38299	KENTUCKY STATE TREASURER	919122	Sep 2012		
09/30/2012	ARCHITECTURAL SERVICES	12,962.50	27,815.50	Invoice	0 - Una...	0 4 - AC...	57453	38195	CENTRAL KENTUCKY DESIGN, ...	9090	Sep 2012		
03/14/2013	PROJECT 1303 PYMT	30,242.00	58,057.50	Invoice	0 - Una...	0 4 - AC...	58732	38328	JMBA INC	0314136	Mar 2013		
04/23/2013	PAYMENT ON CONTRACT	30,096.00	88,153.50	Invoice	0 - Una...	0 4 - AC...	58965	38328	JMBA INC	0423139	Apr 2013		
04/30/2013	PAYMENT	62,602.00	150,755.50	Invoice	0 - Una...	0 4 - AC...	59274	38328	JMBA INC	0508136	Apr 2013		
05/17/2013	MATERIAL & LABOR	4,040.61	154,796.11	Invoice	0 - Una...	0 4 - AC...	59305	11420	L & M ELECTRICAL	014	May 2013		
05/17/2013	ROOFING JOB	41,942.00	196,738.11	Invoice	0 - Una...	0 4 - AC...	59308	12656	JBK, INC ROOFING DIVISION	1841	May 2013		
06/19/2013	MATERIAL & LABOR	1,584.00	198,322.11	Invoice	0 - Una...	0 4 - AC...	59534	11420	L & M ELECTRICAL	023	Jun 2013		
09/12/2013	AWNING	700.40	199,022.51	Invoice	0 - Una...	0 4 - AC...	60458	38369	MOUNTAIN AWNING, LLC	912133	Sep 2013		
09/24/2013	BALANCE ON CONTRACT	120,310.00	319,332.51	Invoice	0 - Una...	0 4 - AC...	60503	38328	JMBA INC	9241311	Sep 2013		
09/30/2013	LANDSCAPING MAIN OFFICE	13,092.67	332,425.18	Invoice	0 - Una...	0 4 - AC...	60666	38373	PRATT'S LANDSCAPING LLC	104139	Sep 2013		
09/30/2013	ROOFING	41,942.00	374,367.18	Invoice	0 - Una...	0 4 - AC...	60634	12656	JBK, INC ROOFING DIVISION	1931	Sep 2013		
10/30/2013	WORK AT OFFICE & JOB SITE	5,121.51	379,488.69	Invoice	0 - Una...	0 4 - AC...	60810	11420	L & M ELECTRICAL	074	Oct 2013		
11/05/2013	PAINTING OF OFFICE EXTERIOR	600.00	380,088.69	Invoice	0 - Una...	0 4 - AC...	60887	38378	TOMMY ADAMS	11513	Nov 2013		

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Search Type: Account Account: 107.80 AA Period: 01 - Jan 2008 To: 12 - Dec 2013 Search Advanced Search

Account Summary: 107.80 - WK IN PROG-GRAY OFFICE ADDITION Set Aside Retrieve (0)

Account	Balance	Account Description	Year Ending Balance	Amount
107.80	56,457.00	WK IN PROG-GRAY OFFICE ADDITION	56,457.00	56,457.00

	56,457.00		56,457.00	56,457.00
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Details

Date	Reference	Amount	Balance	Journal	Activity	Jnl Cd	AP-Check	Vendor	Vendor Name	Invoice	Period	Purchase Order	Extended Reference
01/23/2013	ARCHITECTURAL SERVICES	20,000.00	20,000.00	Invoice	0 - Un...	0	4-AC...	58963	38195	CENTRAL KENTUCKY DESIGN, ...	9280	Apr 2013	
06/07/2013	ARCHITECTURAL SERVICES	20,000.00	40,000.00	Invoice	0 - Un...	0	4-AC...	59514	38195	CENTRAL KENTUCKY DESIGN, ...	9315	Jun 2013	
11/30/2013	ARCHITECTURAL SERVICES	16,457.00	56,457.00	Invoice	0 - Un...	0	4-AC...	61107	38195	CENTRAL KENTUCKY DESIGN, ...	9461	Nov 2013	

	56,457.00
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Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q29: State whether CVE intends to seek recovery of any performance bonus expenses for ratemaking purposes, and if so, provide:

- a. A quantification of same;

RESPONSE:

Cumberland Valley has not issued performance bonuses.

- b. An indication of how many union, and non-union employees received a performance bonus; and

RESPONSE:

None.

- c. A complete justification for recovering such expense.

RESPONSE:

N/A

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q30: Reference the CVE application at page 1, paragraph 5(a). As to the statement that CVE's last rate case was filed in 2005, please explain in detail why CVE waited nine (9) years to file a rate case with the Commission.

RESPONSE:

CVE did not file a rate case for nine years because it did not have the need for one until now.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q31: Reference the same paragraph containing the statement that, since the last rate case, "Cumberland Valley has incurred increases in the cost of power, materials, equipment, labor, taxes, and other fixed and variable costs." Please explain over what length of time these costs increased and provide the breakdown of the increases by cost category for each of the years between the date of the last increase approved in 2005 and the end of the historic test period on December 31, 2013.

RESPONSE:

The breakdown of the increases by cost category for 2004 – 2013 can be found on the following page. Since 2005, the cost of power has increased 32.2 percent while kWh sales have declined from 524,823,784 kWh in 2005 to 489,975,525 in 2013 or -6.6 percent. Other expenses have remained rather stable except for interest expense.

Witness: Jim Adkins
2012 2013

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Operating Revenue	29,379,691	35,482,774	38,814,111	43,026,854	45,121,883	45,254,910	49,315,164	48,941,151	46,861,246	46,665,845
Cost of Purchased Power	<u>21,362,909</u>	<u>27,066,826</u>	<u>28,668,028</u>	<u>31,564,143</u>	<u>34,464,697</u>	<u>33,866,739</u>	<u>36,844,796</u>	<u>37,560,882</u>	<u>36,085,688</u>	<u>35,772,176</u>
Gross Margin	<u>8,016,782</u>	<u>8,415,948</u>	<u>10,146,083</u>	<u>11,462,711</u>	<u>10,657,186</u>	<u>11,388,171</u>	<u>12,470,368</u>	<u>11,380,269</u>	<u>10,775,558</u>	<u>10,893,669</u>
Distribution Operations	1,126,484	1,263,088	1,211,481	1,19,057	1,121,734	1,186,120	1,290,779	1,273,160	1,318,827	1,404,991
Distribution Maintenance	1,812,547	1,766,341	2,068,379	2,072,756	2,313,398	2,767,620	2,885,876	2,623,802	2,831,797	2,660,031
Consumer Accounts	958,114	1,203,565	1,368,895	1,520,075	1,615,620	1,731,082	1,760,564	1,846,299	1,819,520	1,871,976
Consumer Serv & Infor Admin & General Expense	<u>147,917</u> <u>1,097,455</u>	<u>203,576</u> <u>1,083,316</u>	<u>193,588</u> <u>1,309,495</u>	<u>158,715</u> <u>1,201,989</u>	<u>184,609</u> <u>1,097,575</u>	<u>176,182</u> <u>1,237,122</u>	<u>140,899</u> <u>1,261,108</u>	<u>128,768</u> <u>1,260,980</u>	<u>179,251</u> <u>1,248,508</u>	<u>153,670</u> <u>1,369,893</u>
Total Oper & Maint Expense	<u>5,142,517</u>	<u>5,519,886</u>	<u>6,151,838</u>	<u>5,072,592</u>	<u>6,332,936</u>	<u>7,098,126</u>	<u>7,339,226</u>	<u>7,133,009</u>	<u>7,397,903</u>	<u>7,460,561</u>
Depreciation Expense	2,012,606	2,115,490	2,235,508	2,367,980	2,496,587	2,614,634	2,750,265	2,868,087	2,968,519	3,115,270
Tax Expense	30,111	31,226	36,063	41,763	43,673	42,894	44,833	47,235	52,902	51,441
Interest on Long Term Debt	874,856	1,213,379	1,604,208	1,628,935	1,097,400	715,609	567,377	449,190	427,212	354,342
Interest Expense - Other	45,173	56,547	49,951	51,763	103,738	73,300	70,710	72,354	42,012	3,176
Other Deductions	<u>9,736</u>	<u>63,616</u>	<u>9,451</u>	<u>10,500</u>	<u>11,373</u>	<u>11,628</u>	<u>10,776</u>	<u>9,366</u>	<u>10,213</u>	<u>10,671</u>
Total Cost of Distribution Service	<u>8,114,999</u>	<u>9,000,144</u>	<u>10,087,019</u>	<u>9,173,533</u>	<u>10,085,707</u>	<u>10,556,191</u>	<u>10,783,187</u>	<u>10,579,241</u>	<u>10,898,761</u>	<u>10,995,461</u>
Operating Margins	(98,217)	(584,196)	59,064	2,289,178	571,479	831,980	1,687,181	801,028	(123,203)	(101,792)

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q32: Reference CVE's application at page 2, paragraph 5(b), which contains the following statement: "The financial condition of Cumberland Valley has deteriorated significantly during the test year, and continues on this trend." Please explain this statement and provide all documents supporting this claim as to the historic test year and the year 2014 to date.

RESPONSE:

Please see page 2 of Item 31.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q33: Reference CVE's application at page 2, paragraph 6. Please provide copies of any and all minutes of the Board of Directors between 2010 and 2014 addressing or discussing "the need for a rate adjustment to maintain the financial stability and integrity of the Cooperative."

RESPONSE:

Please see pages 2 -9 of this Item.

REGULAR BOARD MEETING

February 20, 2014

The regular meeting of the Board of Directors of Cumberland Valley Electric, Inc. was held at Gray, Knox County, Kentucky on Thursday, February 20, 2014 at 6:00 p.m.

Board Members and Attorney in attendance were:

Vernon Shelley, President	Elbert Hampton, Director
Roger Vanover, Vice President	Kermit Creech, Director
Lansford Lay, Secretary-Treasurer	Kevin Moses, Director
Chester Davis-Director	Pat Hauser, Attorney

The following topics were discussed:

- Minutes
- Connects
- Managers' Report
 - Safety Report
 - Right of Way
 - Operating report
 - Meter readings
 - Rate Increase
 - Economic Development Rider
 - Policy Review
 - 2014 Annual Meeting
- Attorney
- Adjournment

MINUTES

Upon motion made by Mr. Lansford Lay, seconded by Mr. Kermit Creech the minutes of the January 2014 meeting were approved as mailed with all directors voting yes.

NEW CONNECTS

Upon motion made by Mr. Elbert Hampton, seconded by Mr. Roger Vanover the one hundred seventeen (117) new paying membership fees were approved as written with all directors voting yes.

MANAGER'S REPORT

Mr. Hampton discussed the following:

- : No Accidents for the month of January.
- : Right of Way Crew working Jellico Creek.
- : Engineers Report from Chad Ferguson and Hannah Garland.
- : Meter readings and changes for this meeting.
- : Barbara Elliott was present to discuss the Operating Report.
- : 10 Policy's reviewed by the Board of Directors.

- : Limited Operating Report for December, 2013.
- : Recent cold spell with few outages.
- : 10 Policy's reviewed.
- : NRECA Meeting for 2014 in Nashville, Tennessee.

RATE INCREASE

Mr. Hampton advised that Cumberland Valley would be asking for a rate increase in the summer of 2014. Mr. Roger Vanover made a motion, seconded by Mr. Lansford Lay to hire Jim Adkins to do a study of CV finances and to report back when the study is completed and further discussions on the rate increase would take place. All directors were in agreement.

WRITE OFFS

Mr. Hampton discussed the write offs in the amount of \$26,084.30, motion was made by Mr. Kevin Moses, seconded by Mr. Elbert Hampton to accept the write offs with all directors voting yes.

TWO YEAR ACTION PLAN

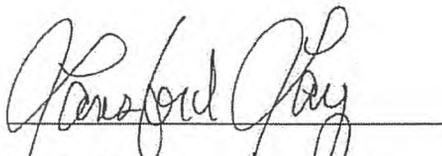
Mr. Hampton discussed Rich Prewitt's Two Year Action Plan concerning Economic Development, Marketing and Advertising Duties.

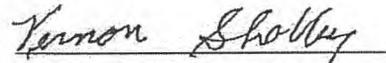
ATTORNEY

Mr. Hauser, Attorney updated the board on the legal side of Cumberland Valley. Mr. Elbert Hampton, representative for EKP also updated the board on the EKP and Grayson Case.

ADJOURNMENT

There being no further business before the board at this time a motion was made by Mr. Elbert Hampton, seconded by Mr. Lansford Lay, the meeting was adjourned.


Lansford Lay, Secretary-Treasurer


Vernon Shelley, President

REGULAR BOARD MEETING

May 12, 2014

The regular meeting of the Board of Directors of Cumberland Valley Electric, Inc. was held at Gray, Knox County, Kentucky on Thursday, May 12, 2014 at 6:00 p.m.

Board Members and Attorney in attendance were:

Vernon Shelley, President	Elbert Hampton, Director
Roger Vanover, Vice President	Kermit Creech, Director
Lansford Lay, Secretary-Treasurer	Kevin Moses, Director
Chester Davis-Director	Pat Hauser, Attorney

The following topics were discussed:

- Minutes
- Connects
- Managers' Report
 - Safety Report
 - Right of Way
 - Operating report
- Annual Meeting
- Outage Management
- Rate Case
- Attorney
- Adjournment

MINUTES

Upon motion made by Mr. Lansford Lay, seconded by Mr. Chester Davis the minutes of the April 2014 meeting were approved as mailed with all directors voting yes.

NEW CONNECTS

Upon motion made by Mr. Kermit Creech, seconded by Mr. Elbert Hampton the one hundred fifty six (156) new paying membership fees were approved as written with all directors voting yes.

MANAGER'S REPORT

Mr. Hampton discussed the following:

- : No Accidents for the month of April.
- : Right of Way Crew working Stinking Creek in Knox County.
- : Engineers Report from Neil Watkins and Hannah Garland.
- : Meter readings and changes for this meeting.
- : April 2014 Operating Report presented by Barbara Elliott and Robert Tolliver.
- : Policies to be read by directors prepared by Brenda Estep.

ANNUAL MEETING

Linda White and Richard Prewitt of Cumberland Valley's Staff reviewed the upcoming 2014 Annual Meeting and the Energy Saving Programs.

OUTAGE MANAGEMENT

Mr. Mark Abner made a presentation on Outage Management and after reviewing, the board ask Mark to supply more information concerning the program but to proceed with the implementation proposal. The Outage Program consists of a Cooperative Response Center to manage outages after hours.

RATE CASE

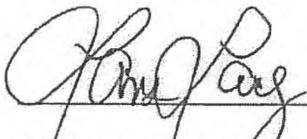
Jim Adkins (CPA) and Alan Zumstein (CPA and CVE's Auditor) presented a rate adjustment to the board and after the presentation a motion was made by Mr. Chester Davis, seconded by Mr. Kermit Creech to apply to the PSC for the rate adjustment. All directors were in favor of the rate increase.

ATTORNEY

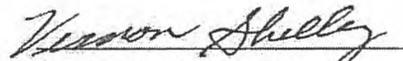
Mr. Hauser presented an update on the Grayson Case..

ADJOURNMENT

There being no further business before the board at this time a motion was made by Mr. Elbert Hampton, seconded by Mr. Lansford Lay, the meeting was adjourned.



Lansford Lay, Secretary-Treasurer



Vernon Shelley, President

REGULAR BOARD MEETING

JUNE 9, 2014

The regular meeting of the Board of Directors of Cumberland Valley Electric, Inc. was held at Gray, Knox County, Kentucky on Monday, June 9, 2014 at 6:00 p.m.

Board Members and Attorney in attendance were:

Vernon Shelley, President	Elbert Hampton, Director
Roger Vanover, Vice President	Kermit Creech, Director
Lansford Lay, Secretary-Treasurer	Kevin Moses, Director
Chester Davis-Director	Pat Hauser, Attorney

The following topics were discussed:

- Minutes
- Connects
- Managers' Report
 - Safety Report
 - Right of Way
 - Operating report
- Annual Meeting
- Rate Case
- Line Loss
- Prepaid Metering
- Attorney
- Adjournment

MINUTES

Upon motion made by Mr. Lansford Lay, seconded by Mr. Elbert Hampton the minutes of the May 2014 meeting were approved as mailed with all directors voting yes.

NEW CONNECTS

Upon motion made by Mr. Chester Davis, seconded by Mr. Kevin Moses the one hundred fifty four (154) new paying membership fees were approved as written with all directors voting yes.

MANAGER'S REPORT

Mr. Hampton discussed the following:

- : No accidents for the month of May.
- : Right of Way Crew working Stinking Creek in Knox County.
- : Engineers Report from Neil Watkins and Hannah Garland.
- : Meter readings and changes for this meeting.
- : May 2014 Operating Report presented by Barbara Elliott stating a loss for May.
- : 2014 Annual Meeting (no suggestions from the board).

RATE CASE

Mr. Hampton reported to the board that the package on the rate increase had been mailed to the PSC.

LINE LOSS

Mr. Hampton reported that the line loss was doing well with a 4.6% for the last 12 months.

PREPAID METERING

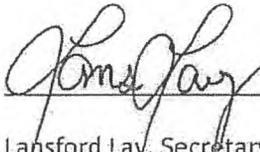
PSC has sent a list of questions for CVE to answer and Robert Tolliver of Cumberland Valley's Staff is working on the list at this time.

ATTORNEY

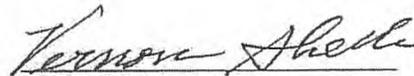
Mr. Hauser had no update on the Grayson Case.
Mr. Elbert Hampton reported on EKP's Annual Meeting and stated that it had gone well.

ADJOURNMENT

There being no further business before the board at this time a motion was made by Mr. Elbert Hampton, seconded by Mr. Lansford Lay, the meeting was adjourned.



Lansford Lay, Secretary-Treasurer



Vernon Shelley, President

REGULAR BOARD MEETING
July 15, 2014

The regular meeting for the Board of Directors of the Cumberland Valley Electric, Inc. was held at Gray, Knox County, in the State of Kentucky on Tuesday, July 15, 2014 at 6:00 p.m.

Vernon Shelley, President	Kevin Moses, Director
Roger Vanover, Vice-President	Chester Davis, Director
Lansford Lay, Secretary-Treasurer	Kermit Creech, Director
	Elbert Hampton, Director

Comprising of the entire Board of Directors, Pat Hauser, Attorney, was also present.

The following topics were discussed:

1. Minutes
2. Connects
3. Managers Report
 - a. Safety Report
 - b. Right of Way
 - c. Operating Report
 - d. Engineer's List
4. Line Loss
5. Rate Case
6. Audit
7. Honor Flight
8. Kentucky Association of Electric Coop
9. East Kentucky Power
10. Adjournment

MINUTES

Upon motion made by Mr. Roger Vanover, seconded by Mr. Elbert Hampton the minutes of the June, 2014 board meeting were approved, with all directors voting yes.

NEW CONNECTS

Upon motion made by Mr. Kermit Creech, seconded by Mr. Lansford Lay, one hundred fifty-one (151) new paying membership fees were approved as written with all directors voting yes.

SAFETY

Mr. Ted Hampton advised the board there were no accidents reported in the last thirty (30) days.

RIGHT OF WAY

Mr. Ted Hampton advised the board that a Right-of-Way crew is working in Stinking Creek, Knox County.

OPERATING REPORT

Ms. Barbara Elliott presented the Board of Directors with the current Financial Report.

ENGINEER'S, SERVICEMEN AND BILLING MANAGER'S REPORT

Mr. Ted Hampton told the directors to review the Engineering Report and Serviceman's Report, and if they had any questions to please advise.

LINE LOSS

Mr. Ted Hampton reported a line loss of 4.8%.

RATE CASE

Mr. Ted Hampton and Mr. Pat Hauser, attorney, brought the Board of Directors up to date on Cumberland Valley Electric's petition for a rate increase which has been filed with the Public Service Commission.

AUDIT

Mr. Ted Hampton advised the board that Mr. Alan Zumstein, auditor, is now in the process of auditing Cumberland Valley Electric's books and will present his report at the August, 2014 meeting.

HONOR FLIGHT

Mr. Ted Hampton advised the board that Mr. Lay Hobert White, of Williamsburg, would represent Cumberland Valley Electric on the Honor Flight to Washington DC this fall.

NEW CEO PRESIDENT KAEC

Mr. Ted Hampton advised the board that Mr. Chris Perry of Fleming Mason was named as the new President/CEO of the Kentucky Association of Electric Cooperatives.

EKP

Mr. Elbert Hampton gave the board a brief report on East Kentucky Power.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q34: Please provide copies of any and all documents, agendas, meeting notices, and/or annual reports relating to or distributed at any and all annual meetings of the members of the cooperative between 2010 and 2014, which address or otherwise discuss "the need for a rate adjustment to maintain the financial stability and integrity of the Cooperative."

RESPONSE:

No documents were distributed.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q35: Please provide copies of any and all documents, correspondence, newsletters, and/or annual reports mailed or provided electronically to the members of the cooperative between 2010 and 2014, which address or otherwise discuss "the need for a rate adjustment to maintain the financial stability and integrity of the Cooperative."

RESPONSE:

Communication to the members was provided through the official notice printed in the local newspapers. The official notice is in Exhibit D in the initial application.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q36: Reference Tariff PSC KY No. 4, Sheets Nos. 2 and 7. Please explain the distinction between "Schools and Churches Schedule I" and "Three Phase Schools and Churches Schedule III".

RESPONSE:

Schedule -I Schools and Churches is for single phase service while the other schedule for school and churches is for three phase service. Three phase service is for loads with higher voltage and requires a larger investment in transformers and services.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q37: How many school and church customers fall in each of the foregoing customer classes?

RESPONSE:

"Schools and Churches Schedule 1" currently has 222 accounts.

"Three Phase Schools and Churches Schedule II" currently has 47 accounts.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q38: Reference the Company's "Official Notice" at page 2. Please explain why Schedule I schools and churches are estimated to experience a 4.77% increase while Schedule III schools and churches are estimated to experience a 1.63% increase under the company's application. Provide any documentation supporting the distinction or distinguishing factors between these customer classes.

RESPONSE:

Please see page 2 of this response which provides the rationale for the increase for these two rate classes.

CUMBERLAND VALLEY ELECTRIC
CASE NO, 2014-00159
RESPONSE TO ATTORNEY GENERAL'S FIRST DATA REQUEST

Item 38
Page 2 of 2
Witness: Jim Adkins

		Schedule I	Schedule I	Schedule II	Schedule II	Schedule III	Schedule IV	Schedule IV-A	Schedule VI	
		Residential,	Marketing	Sml Com	Sml Com	3 Phase Schl	Large Power	Large Power	Outdoor	
		Schl & Chur	Rate	1 Phase	3 Phase	& Churches	2500 kW Plus	50-2500 kW	Lights	Total
Revenue from Rates		27,553,696	43,098	1,442,770	820,602	1,344,715	2,160,882	5,994,568	\$ 1,300,158	\$ 40,660,489
Less Purchased Power Costs										
Demand	-	5,142,240	-	119,075	216,965	241,690	335,386	1,291,727	66,512	7,413,594
Energy		15,654,542	43,195	744,479	364,493	874,264	1,555,474	4,147,950	579,752	23,964,150
Total	-	20,796,782	43,195	863,554	581,458	1,115,955	1,890,859	5,439,677	646,264	31,377,744
Gross Margin		6,756,914	(97)	579,216	239,144	228,760	270,023	554,890	653,894	9,282,745
Less Distribution Costs										
Demand Related										
Stations		32,396	-	1,577	1,335	2,282	3,009	8,454	1,149	50,202
Lines		3,115,186	-	151,656	128,409	219,398	289,357	812,961	110,528	4,827,495
Transformers		405,993	-	21,767	4,178	11,651	-	-	5,001	448,590
Total Distribution Related		3,553,574	-	175,001	133,922	233,330	292,366	821,415	116,679	5,326,287
Consumer Related										
Lines		2,264,807	-	135,098	14,339	4,712	307	8,194	4,712	2,432,169
Transformers		149,902	-	26,825	2,847	936	-	-	82	180,592
Services		511,521	28	35,568	2,695	885	-	-	6,951	557,647
Meters		1,048,875	379	62,566	47,596	15,639	1,020	27,198	-	1,203,274
Consumer Svc & Accouting		2,195,935	149	130,989	20,855	4,568	447	11,917	206,930	2,571,792
Outdoor Lighting		-	-	-	-	-	-	-	417,889	417,889
Total Consumer Related		6,171,040	556	391,046	88,333	26,739	1,774	47,309	636,563	7,363,362
Total Distribution Costs		9,724,615	556	566,047	222,255	260,070	294,140	868,724	753,242	12,689,649
Margins from Rate Revenue		(2,967,700)	(653)	13,169	16,890	(31,309)	(24,117)	(313,834)	(99,348)	(3,406,904)
Other Revenue		1,222,269	-	64,001	36,402	59,651	95,856	265,916	57,674	1,801,769
Over (Under) Recovery		(1,745,431)	(653)	77,170	53,291	28,342	71,738	(47,917)	(41,674)	(1,605,135)
Revised Increase Amount		1,315,615	-	82,855	9,153	21,920	29,741	62,958	83,604	1,605,135
Revised Revenue Requirement		28,868,600	43,098	1,525,625	829,755	1,366,635	2,190,623	6,057,525	1,383,762	42,265,624
		4.77%	0.00%	5.74%	1.12%	1.63%	1.38%	1.05%	6.43%	3.95%

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q39: Reference the Company's "Official Notice" at page 3, which provides the present and proposed rate structure. Please confirm that CVE is proposing to increase the customer charge for Residential, School, and Church ratepayers by 86.4%.

- a. Explain in detail CVE's rationale for such an increase.

RESPONSE:

Please see page 2 of this response.

- b. As to the same referenced class, confirm that CVE is not proposing to make any change to the volumetric energy rate per kWh.

RESPONSE:

That is confirmed.

CUMBERLAND VALLEY ELECTRIC
CASE NO. 2014-00159
RESPONSE TO ATTORNEY GENERAL'S FIRST DATA REQUEST

Item 39
Page 2 of 2
Witness: Jim Adkins

ALLOCACTION SUMMARY

ALLOCATION SUMMARY

	Amount	Schedule I	Schedule I	Schedule II	Schedule II	Schedule III	Schedule IV	Schedule IV-A	Schedule VI
		Residential, School & Church	Marketing Rate	Small Commer- ial - No Deman	Small Commer- cial - W/Demand	3 Phase Schoo & Churches	Large Power 2500 kW Plus	Large Power 50-2500 kW	Outdoor Lighting
		Consumer Related	6,945,473	6,171,040	556	391,046	88,333	26,739	1,774
Demand Related	12,739,881	8,695,814	-	294,075	350,887	475,020	627,752	2,113,142	183,191
Energy Related	23,964,150	15,654,542	43,195	744,479	364,493	874,264	1,555,474	4,147,950	579,752
Lighting	417,889					-	-		417,889
Revenue Requireme	44,067,393	30,521,397	43,751	1,429,601	803,713	1,376,024	2,184,999	6,308,401	1,399,506

COST TO SERVE

COST TO SERVE

COST OF RESULTS	Schedule I	Schedule I	Schedule II	Schedule II	Schedule III	Schedule IV	Schedule IV-A	Schedule VI
	Residential, School & Church	Marketing Rate	Small Commer- ial - No Deman	Small Commer- cial - W/Demand	3 Phase Schoo & Churches	Large Power 2500 kW Plus	Large Power 50-2500 kW	Outdoor Lighting
	<u>Billing Determinants</u>							
Customer Charges	265,245		15,633	1,727	548	33	923	136,989
Demand kW	2,358,992		126,477	38,733	67695	96,652	260,376	29,059
Energy kWh	305,244,751	838,809	14,478,749	7,078,107	16,989,450	30,205,800	80549209	11,258,223
<u>Cost to Serve by Rate Class</u>								
Customer Charges	\$ 23.27		\$ 25.01	\$ 51.15	\$ 48.79	\$ 53.76	\$ 51.26	\$ 4.65
Demand kW	\$ 3.69		\$ 2.33	\$ 9.06	\$ 7.02	\$ 6.49	\$ 8.12	\$ 54.46
Energy kWh	\$ 0.05129	0.05216	\$ 0.05142	\$ 0.05150	\$ 0.05146	\$ 0.05150	\$ 0.05150	\$ 0.05150

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q40: Reference the Company's "Official Notice" at page 3, which provides the present and proposed rate structure. Please confirm that CVE is proposing to increase the customer charge for Small Commercial with no demand ratepayers by 92.3%.

- a. Explain in detail CVE's rationale for such an increase.

RESPONSE:

Please see Item 39 of Attorney General's First Data Request.

- b. As to the same referenced class, confirm that CVE is not proposing to make any change to the volumetric energy rate per kWh.

RESPONSE:

That is confirmed.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q41: Reference the Company's "Official Notice" at page 3, which provides the present and proposed rate structure. Please confirm that CVE is proposing to increase the customer charge for Small Commercial with demand ratepayers by 92.3%.

- a. Explain in detail CVE's rationale for such an increase.

RESPONSE:

Please see Item 39 of Attorney General's First Data Request.

- b. As to the same referenced class, confirm that CVE is not proposing to make any change to the volumetric energy rate per kWh.

RESPONSE:

That is confirmed.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q42: Reference the Company's "Official Notice" at page 3, which provides the present and proposed rate structure. Please confirm that CVE is proposing to increase the customer charge for the 3 Phase Schools and Churches ratepayers by 4,000%.

- a. Explain in detail CVE's rationale for such an increase.

RESPONSE:

Please see the response to item 39 of Attorney General's First Data Request. Currently there is not a customer charge for this rate class.

- b. As to the same referenced class, confirm that CVE is not proposing to make any change to the volumetric energy rate per kWh.

RESPONSE:

That is confirmed.

Cumberland Valley Electric
Case No. 2014-00159
Attorney General's First Request for Information

Q43: Reference the Company's "Official Notice" at page 3, which provides the present and proposed rate structure. Please confirm that CVE is proposing to increase the customer charge for Large Power greater than 2500 ratepayers by 5,000%.

a. Explain in detail CVE's rationale for such an increase.

RESPONSE:

Please see the response to item 39 of Attorney General's First Data Request. Currently there is not a customer charge for this rate class.

b. As to the same referenced class, confirm that CVE is proposing to change the volumetric energy rate from .05058 per kWh to .05151 per kWh.

RESPONSE:

That is confirmed.

Cumberland Valley Electric
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Q44: Reference the Company's "Official Notice" at page 3, which provides the present and proposed rate structure. Please confirm that CVE is proposing to increase the customer charge for Large Power 50-2500 ratepayers by 4,000%.

- a. Explain in detail CVE's rationale for such an increase.

RESPONSE:

Please see the response to item 39 of Attorney General's First Data Request. Currently there is not a customer charge for this rate class.

- b. As to the same referenced class, confirm that CVE is proposing to change the volumetric energy rate from .05058 per kWh to .05151 per kWh.

RESPONSE:

That is confirmed.

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Q45: Please provide an electronic copy of Exhibit G and any and all related workpapers in Excel format with data including formulae in all cells and rows fully intact and fully accessible.

RESPONSE:

A copy of Exhibit G in electronic format is a part of this filing and is contained in the attached CD ROM.

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Q46: Reference the Adkins testimony at pages 7 and 8, R18-R19. Please confirm that Jim Adkins is the only person responsible for the COSS exhibit, and for the workpapers and data used to generate the COSS

RESPONSE:

That is confirmed.

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Q47: Reference the Adkins testimony at page 11, R23. Explain the Capital Growth Method. Please cite cases in which the Commission has approved such a method of rate structure for other electric cooperatives.

RESPONSE:

The Capital Growth Method integrates the current equity capitalization ratio of a cooperative, its capital growth needs, its equity rotation plan and growth rate to build equity in order to determine a rate of return on equity. It has been used by cooperatives in determining its revenue requirements and it has been utilized by Commission Staff in testimony in rate cases. These rate cases are Case No. 90-064 for Nolin RECC, Case No. 2010-00222 for Meade County RECC, and Case No. 2011-00096 for South Kentucky RECC.

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Q48: Why did Alan M. Zumstein not provide testimony in the present case since CVE submitted his audited financial statements with the application?

RESPONSE:

The audited financial statements have been filed with this application for compliance with PSC Regulations.

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Q49: Why did the CVE officers and/or management not file any testimony on behalf of the company in the present rate case?

RESPONSE:

Pre-filed testimony was proffered by James R. Adkins as he was engaged to develop the amount of increase needed, to complete the cost of service study and to develop the proposed rate design. Those three topics is the primary reason why he was the only one to provide testimony in the application. Company management and staff will be providing testimony on answers provided during the discovery phase of this case.