COMMONWEALTH OF KENTUCKY

BEFORE THE ENERGY REGULATORY COMMISSION

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In the Matter of

GENERAL ADJUSTMENTS IN)
ELECTRIC RATES OF) CASE NO. 7489
KENTUCKY POWER COMPANY)

ORDER ON REHEARING

Procedural Background

On June 11, 1979, Kentucky Power Company (hereinafter referred to as the "Applicant" or "Company") filed its Notice with this Commission wherein it sought authority to adjust its basic rates and charges to increase annual revenues by $13,265,648, or approximately 11.85% beginning on and after July 1, 1979. In addition, the Company proposed that it be permitted to apply an appropriate surcharge rate to its billings to customers over a period of one year following the effective date of its new rate schedules to recover fuel expenses which it alleges are not recoverable through the normal operation of the fuel adjustment clause; such surcharge to be in addition to the normal fuel clause adjustment permitted in billing under the new rate schedules.

On June 12, 1979, the Commission ordered the proposed rate increase suspended for a five-month period, or until December 1, 1979, in order to conduct public hearings and investigations on the reasonableness of the proposed rate increase. In addition, the Commission set the first hearing for July 17, 1979, and directed the Applicant to notify its customers of said hearing. This hearing and subsequent ones were held in the Commission's offices in Frankfort, Kentucky.

The following parties of interest were granted leave to intervene: the Attorney General's Division of Consumer Protection, Armco, Inc., Air Products and Chemicals, Inc., and Ashland Petroleum Company. These intervenors participated fully in the additional hearings conducted by the Commission on July 17, August 22 and 23, and October 10, 1979.

On November 5, 1979, all briefs were filed with the Commission. Thereafter, the Applicant and Armco, Inc., on November 12 and November 13, respectively, filed reply briefs. The matter was then submitted to the Commission for final determination.

Pursuant to KRS 278.190 (2), on November 30, 1979, the Applicant notified the Commission that their proposed rates and charges would be placed into effect on December 1, 1979, at the end of its statutory five (5) months suspension period. The Commission then issued its Order dated December 3, 1979, directing the Applicant to maintain its records in such a manner as would enable it, or the Commission, or any of its customers, to determine the amounts to be refunded and to whom due in the event a refund is ordered.

At the hearing on August 22, 1979, two of the intervenors, Armco, Inc., and Air Products and Chemicals, Inc., through their attorney filed a Motion to Dismiss on the grounds that a number of the issues raised in this case had previously been decided in the Commission's Order in Case No. 7164 and that this present case, Case No. 7489, constitutes an attempt by the Applicant to ensure the recovery of the alleged undercollection of $4 million still being litigated in Case No. 7164. The Attorney General's Division of Consumer Protection joined in this Motion. The Commission, in its Order issued April 11, 1980, overruled the Motion to Dismiss on the basis that neither the decisions of the Commission relating to like issues in Case No. 7164, nor the fact that Case No. 7164 is still under litigation, prevents the Applicant from filing additional cases or from raising the same issues in subsequent cases. Case No. 7164 is currently before the Court of Appeals of Kentucky, and this Commission will take appropriate action to adjust the rates in light of any direction from the Court in that case.

Also in its Order of April 11, 1980, the Commission granted the Applicant additional revenues of $1,471,135, ordered the Applicant to refund to those persons entitled thereto all rates and charges collected in excess of those approved in the Commission's Order, and ordered the Applicant to file its refund plan in accordance with KRS 278.190 (4).

The Applicant's refund plan, the merits of which will be discussed herein, was filed on April 21, 1980. Thereafter, on May 1, 1980, the Applicant filed an application for rehearing. By Order dated May 2, 1980, the Commission granted said application and set the matter for hearing on May 13, 1980.

On May 12, 1980, some ten (10) days after the Commission granted the rehearing request, the Attorney General moved the Commission to deny Kentucky Power's application for a rehearing. The restriction in KRS 278.400 as to additional evidence (beyond original hearing) at such rehearings is basic, but the arguments advanced as to admissibility of pre-filed evidence do not address the question of granting or denying a rehearing. When a rehearing occurred, the untimely motion to deny it was effectively rejected. Furthermore, we believe that the motion presumes such a narrow interpretation of the statute as to preclude the parties from giving testimony pointing out errors or ommissions in the agency's original order by introducing evidence as to how the order should be amended.

The administrative agency retains full authority to reconsider or modify its order during the time it retains control over any question under submission to it.[1] The administrative record of a case before the Commission remains open and under the control of the agency until either (a) the time for seeking rehearing has passed, or (b) the Commission denies an application for rehearing, or (c) having granted rehearing, the Commission issues its order on rehearing.

The "pendency" status of the case permits the Commission to reconsider its previous order without violating (which it has no intention of doing) the conditions of 278.400 with respect to "additional evidence".

For these reasons, the motion of the Attorney General to deny the rehearing is hereby expressly overruled.

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[1] Union Light, Heat & Power Co. v. PSC, 271 SW2d 361 (Ky. 1954)

TEST PERIOD

The Commission, for the purpose of testing the reasonableness of the proposed rates, has utilized the twelve month period ending March 31, 1979. Adjustments when found significant, known, proper and reasonable have been included to reflect more current operating conditions.

VALUATION METHODS

Net Investment

Kentucky Power Company proposed a Kentucky jurisdictional rate base of $326,258,763 as shown in the Applicant's General, Financial, Statistical Volume, Section V, Schedule 2. With two exceptions, the Commission has accepted this valuation for rate-making purposes. In accordance with past policy, in calculating the Cash Working Capital Allowance, the Commission has taken into consideration the fact that Kentucky Power Company is a net seller rather than a net purchaser of power. It has also recognized only the accepted adjustments to operation and maintenance expenses. As a result, we have reduced the Company's proposed Cash Working Capital by $610,685 to $11,308,825. The Accumulated Depreciation proposed by the Company has also been reduced by $132,037 to reflect only those depreciation adjustments accepted by the Commission. These adjustments serve to reduce Applicant's rate base by $478,648.

The Commission finds Kentucky Power Company's Kentucky Jurisdictional Net Investment at the end of the test period to be:

ADD

Utility Plant in Service	$ 354,824,667
Plant Held for Future Use	93,355
Construction Work in Progress	47,910,357
Prepayments	180,825
Materials and Supplies	29,238,477
Cash Working Capital [2]	11,308,825
Subtotal	$ 443,556,506

LESS

Accumulated Depreciation	$ 91,838,957
Customer Advances	1,417,683
Restricted Retained Earnings [3]	24,387,348
Merchandise	132,403
Subtotal	$ 117,776,391
Net Investment	$ 325,780,115

Capital Structure

The Commission has determined from the record that the Applicant's total capitalization at the end of the test period is:

Long-Term Debt	$ 165,980,000
Short-Term Debt	12,000,000
Common Equity	127,266,000
Job Development Investment Credit (JDIC)	10,796,000
Total Capitalization	$ 316,042,000 [4]

2
One-eighth (1/8) of total operation and maintenance expenses from the Company's General , Financial Statistical Volume, Section IV, page 13 of 21 times 99.1706% (jurisdictional allocation factor) plus one-eighth (1/8) of accepted jurisdictional operation and maintenance expense adjustments of $4,379,105.

3
Proper account classification per Uniform System of Accounts prescribed by this Commission is Accumulated Deferred Income Taxes, Accounts No. 281, 282 and 283.

4
Hanley Exhibit, Schedule 1, Page 2 of 2.

The Commission finds that adjustments in the above figures are necessary before the amounts applicable to the Kentucky Commission's jurisdiction can be determined. Long-Term Debt should be decreased to $165,943,244, Short-Term Debt should be decreased to $11,997,341, Common Equity should be decreased to $127,237,817, and Job Development Investment Credit (JDIC) should be decreased to $10,793,614 to reflect non-utility property of $69,984. This results in total adjusted capital, before allocation of $315,972,016 and when allocated produces capital subject to Kentucky Commission jurisdiction of $313,921,673.[5]

The Kentucky Jurisdictional Capital Structure is then as follows:

	Amount	%
Long-Term Debt	$170,710,606	54.38
Short-Term Debt	12,337,122	3.93
Common Equity	130,873,945	41.69
	$313,921,673	100.00

Total Job Development Investment Credit (JDIC) of $10,723,574 has been allocated to each capital component on the basis of the ratio of each component to total capital excluding JDIC. When determining the net operating income required for the Company to earn its overall cost of capital, this treatment results in applying the overall cost of capital to the Company's Job Development Investment Credit as required by Section 46 (f) of the Internal Revenue Code.

Reproduction Cost and Replacement Cost

The Applicant did not perform a reproduction cost study of its property as of March 31, 1979, nor did it present a replacement cost as of that date. It did, however, include in its filing a statement of the estimated replacement cost less depreciation as of December 31, 1978. The Commission takes notice of these methods of property valuation as well as other available methods which may differ from the ones used herein. Due consideration has been given to these as well as other elements of value as required by KRS 278.290 in determining the reasonable rates of return for this utility.

[5] 99.3511% (Kentucky Jurisdictional Net Plant ÷ Electric Utility Net Plant) of $315,972,016

REVENUES AND EXPENSES

Through Mr. Via's testimony and Applicant's General, Financial, Statistical Volume, Section V, the Applicant presented twenty pro forma adjustments to more properly reflect current operating conditions. The Commission will accept in full for rate-making purposes eleven of these proposed adjustments. Those rejected or modified are more fully discussed below:

(1) The adjustment to remove the sales tax collection fee allowed by taxing authorities as remuneration for collection of sales tax on residential electric bills has been deleted as the costs associated with the collection of this sales tax are included in operating expenses; and according to the Company, cannot be separated in order to make a corresponding adjustment to remove them from expenses.

(2) The Applicant proposed to reduce Allowance for Funds Used During Construction (AFUDC) by $591,376 to reflect the fact that its Ashland general office building has been placed into service and, therefore, interest will no longer be capitalized on this item. While this is true, the Commission is of the opinion that a more appropriate method of adjusting AFUDC would be to normalize AFUDC by applying the overall return on capital of 10.58% to the appropriate year end jurisdictional construction work in progress (CWIP) of $34,366,372.[6]

The Commission recognizes that the determination of a fair and reasonable rate for capitalizing interest is difficult when equity capital, which has no contractual return, is employed. As the mixture of funds (debt and stock) used should be similar in composition to the overall financial structure, however, it should earn the same composite return. For this reason, the Commission has used 10.58% or that overall return found fair, just and reasonable in its Order of April 11, 1980.

[6] Kentucky Power's response filed May 19, 1980, to staff requests at the hearing of May 13, 1980.

This results in a decrease of $361,251 in the Applicant's proposed adjustment.

(3) Pensions and insurance expense has been adjusted by $65,301 rather than $38,206 to more accurately reflect the actual increased cost to the Company.[7]

(4) The proposed wage and salary adjustment has been decreased by $2,207 to reflect the additional information furnished by the Applicant in answer to Question 14, Requests for Additional Information at Hearing of August 22, 1979.

(5) The information furnished by the Applicant in response to Question 8 and 9, Requests for Additional Information at Hearing of August 22, 1979, reveal that the Applicant's building service costs on the new Ashland general office building have declined significantly since the end of the period. The basic rates should recognize this decline. Therefore, the Commission has used an average of the nine months of actual experience rather than five months as proposed by the Applicant. This results in a reduction of $6,758 in Applicant's proposed adjustment for general office building maintenance.

(6) The Applicant's proposed adjustment to move charitable contributions from below the line to above the line for rate-making purposes has been rejected as there is no evidence of any tangible benefit to the ratepayers. They should therefore be borne by the stockholder, not the ratepayer.

(7) The Energy Regulatory Commission assessment has been calculated using the most recent rate of 1.21 mills. This results in a decrease of $4,938 in the Applicant's proposed adjustment.

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7 Reply to Question 10, Requests for Additional Information at Hearing of August 22, 1979.

(8) Applicant's upward adjustment to expenses for amortization of transmission and distribution right-of-way in the amount of $179,106 has been disallowed as the Uniform System of Accounts prescribed by this Commission does not permit the item to be treated in this manner.

(9) Depreciation expense has been increased by $566,393 to reflect Applicant's Plant in Service at the end of the test year, March 31, 1979.

In addition, in its Order dated April 11, 1980, the Commission made an interest adjustment of $4,135,118. In making this adjustment, the Commission applied the embedded cost rates applicable to long-term and short-term debt to those respective capital structure components after the allocation of Job Development Investment Tax Credit (JDIC).[8] In computing the combined State and Federal Income Tax, the entire amount of the interest adjustment was used.

The Company argues that the Commission erred in including in its calculation of tax expense an amount for the interest cost associated with the JDIC assigned to the debt component of the capital structure. The Applicant contends that this treatment is incorrect because the JDIC does not result in additional interest. There is no interest cost associated with the JDIC just as there is no common equity cost associated with the JDIC assigned to the equity component of capital. The inconsistency in the Company's argument is that it did not suggest that the Commission exclude from the cost of service the imputed debt and equity cost or the income taxes associated with the return on the JDIC assigned to common equity. Since this capital is obtained from the ratepayer at zero cost to the Company, if actual costs were the issue the Commission would not allow any return on JDIC.

[8] Embedded interest cost of 8.88% times Long-Term Debt of $170,710,606 plus embedded interest cost of 11.14% times Short-Term Debt of $12,337,122 minus interest during test year of $12,398,339 ($12,479,317 X 99.3511%)

Of greater concern to the Commission is the Applicant's claim that the Commission's treatment of JDIC may result in the company being unable to avail itself of JDIC in the future. The witness in support of this position quotes Code Section 46 (f) (2) of the Internal Revenue Service (IRS) Regulations.

The Company elected under the provisions of the Revenue Act of 1971 to reduce the cost of service ratably over the life of the property giving rise to the credit. Therefore, the tax expense included in cost of service must be reduced by an equal amount over the life of the property giving rise to the credit. The Commission is prohibited by federal law from deducting JDIC from the rate base and thus must allow the company to earn the overall return on capital which it has collected from its customers.

In order to insure that a reduction in the rate base did not occur, the Commission added back directly to the company's jurisdictional equity the JDIC applicable to Kentucky jurisdictional operations. Thus, in accordance with the IRS Regulations, the Commission has added JDIC back to the monetary base to which it applies the rate of return.

The Regulation requires that JDIC be assigned the same cost rate as the taxpayer's (Kentucky Power) overall cost of capital. It has been assigned the exact same cost rate as the debt and equity capital actually provided by the Company'd debt and equity investors.

The Company also contends that the inclusion of interest on JDIC may be considered an indirect reduction in rate base or cost of service. Normally, interest cost on debt is used as a deduction in computing income taxes included in the cost of service. An amount is also included in the cost of service to cover income taxes on the return allowed on common equity. Since the Regulation requires that JDIC be treated like debt and equity capital, the Commission concludes that its treatment of JDIC is consistent with the requirements of the Regulation and results in the lowest cost to the consumer. Therefore, the Commission affirms its original order with respect to this question.

After applying the combined State and Federal Income Tax Rate of 49.132% to the accepted pro forma adjustments, we find the net operating income should be increased by $3,233,995 to $32,241,423.

The adjusted net operating income subject to Kentucky jurisdiction is as follows:

	Actual	Pro forma Adjustments	Adjusted
Operating Revenues	$114,201,246	$7,721,281	$121,922,527
Operating Expenses	85,193,818	4,487,286	89,681,104
Net Operating Income	$ 29,007,428	$3,233,995	$ 32,241,423

RATES AND RETURN

The Commission finds that a Net Operating Income of $32,241,423 is inadequate in that the Applicant will not be able to service its debt and have a reasonable amount remaining for dividends and surplus. The adjusted net income produces a rate of return on equity of only 12.00% for the test year. The Commission considers this to be insufficient based on test year conditions. The Commission is of the opinion that a reasonable rate of return on equity in this case is 12.75%. This rate of return will produce a net operating income of $33,219,885, which will permit the Applicant to pay its interest on its debt and have the sum of $16,686,428 available for Common Equity.

Net Operating Income Found Reasonable	$33,219,885
Adjusted Net Operating Income	32,241,423
Net Additional Revenue Required	$ 978,462
Additional Revenue Required	$ 1,923,531 [9]

The returns resulting from this revenue increase of $1,923,531 are as follows:

	Amount $	Return %
Net Investment	325,780,115	10.20
Capital Structure	313,921,673	10.58
Common Stock Equity	130,873,945	12.75

This increase of $452,396 over that granted in the Commission's Order dated April 11, 1980 results in an additional increase of 12¢ [10] per month.

[9] Deficiency of $978,462 divided by (1 - .49132) to adjust for taxes.

[10] Based on a bill of 900 KWH.

The rates authorized by the Franklin Circuit Court on December 3, 1979, in Civil Action No. 79-61-0323 would produce $4,411,773 more in revenue, based on the test year ended March 31, 1979, than the rates approved by the Commission in Case No. 7164. The Commission has appealed the Circuit Court's decision to the Court of Appeals of Kentucky. Pending the Court of Appeals' decision, we have excluded from operating revenues this $4,411,773 in fixing rates in this case. We note that if we had considered these revenues in this case, the Company's return on equity, after considering pro forma adjustments and the increase granted herein, would be 14.46%. In order not to jeopardize our position on appeal in ERC Case No. 7164 we have not considered these revenues. However, it is obvious to us that depending on the Court's decision in ERC Case No. 7164, further action may be required with respect to the rates herein approved.

FUEL EXPENSE SURCHARGE

Kentucky Power Company proposed to increase the amount of fuel costs in its base rates by .072¢ per KWH. The Company alleges that "folding-in" this additional fuel cost gives rise to a loss in fuel cost recovery. Accordingly, to avoid this alleged loss, the Company proposed that it be permitted to apply a surcharge rate to its billings over a period of one year following the effective date of the rates approved herein. The Commission is of the opinion and finds that this is a request for a deviation from the Commission's standardized fuel adjustment clause procedures and will therefore require a separate filing to this Commission for review and approval.

REFUND PLAN

In response to the Commission's Order dated April 11, 1980, the Company, through its attorney, filed its plan for refunding all rates and charges collected in excess of those authorized by the Commission. The Commission has reviewed the plan and finds it acceptable with two modifications.

The Company proposed to escheat to the Commonwealth, in accordance with KRS 393.080, the amount of any refund checks found to be nondeliverable. To escheat these funds to the Commonwealth would benefit the entire state. The Commission is of the opinion and finds that a more reasonable method of handling such funds would be to apply a onetime credit to the accounts of its active customers. This method will benefit the Company's ratepayers.

The Company also proposed to apply interest to refunds at a rate of 6% per annum. As the Company has had the use of these funds, which would normally be obtained by means of issuing short-term debt, the Commission is of the opinion and finds that the refund should be made with interest at the rate of 11.14%, the Company's embedded cost of short-term debt.

SUMMARY

Having considered the evidence of record and elements of value recognized by the law of the land for rate-making purposes, the Commission is of the opinion and so FINDS that:

(1) The schedule of rates and charges set out in Appendix "A" are the fair, just and reasonable rates to charge for electric service rendered by Kentucky Power Company in that, based on test year conditions, they will produce gross annual revenues of approximately $123,846,058.

(2) The allowed rates of return on Net Investment rate base of 10.20% and on capital structure of 10.58% are fair, just and reasonable in that they should permit the Applicant to provide for its necessary operating expenses and fixed charges and accumulate a reasonable amount of surplus for equity growth.

(3) That the rates proposed by Kentucky Power Company and now being charged would produce an excessive return and should be denied.

(4) That the rates and charges set out in Appendix "A" result in a decrease to the residential consumer as compared to the rates placed into effect, subject to refund, by Kentucky Power on December 1, 1979, in this case and an increase of approximately 90¢ [11] per month as compared to the rates approved by the Commission in Case No. 7164.

IT IS THEREFORE ORDERED, that the rates proposed by the Applicant and set forth in its Notice of June 11, 1979, be and the same are hereby denied.

IT IS FURTHER ORDERED, that the Applicant be and it hereby is directed to place into effect the rates set forth in Appendix "A" attached hereto and made a part hereof. Said rates and charges are to be made effective on and after the date of this Order.

IT IS FURTHER ORDERED, that the Applicant be and it hereby is directed to refund to those persons entitled thereto all rates and charges collected in excess of those approved herein.

IT IS FURTHER ORDERED, that the Applicant's plan of refund, as modified herein, is hereby approved.

IT IS FURTHER ORDERED, that upon completion of the refund directed herein, the Applicant shall file with the Commission a statement of the monies refunded.

IT IS FURTHER ORDERED, that for the reasons set forth on Page 13 of this Order, Kentucky Power Company be and it is hereby denied, without prejudice, authority to apply a fuel expense surcharge to its billings.

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[11] Ibid.

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

Done at Frankfort, Kentucky, this the 27th day of June, 1980.

ENERGY REGULATORY COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE ENERGY REGULATORY COMMISSION IN CASE NO. 7489 DATED JUNE 27, 1980.

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

GENERAL SERVICE (GS)*

RATE:

Kwhrs equal to first 50 times kw of monthly billing demand:

First 30 kwhrs	7.721¢ per kwhr
Over 30 kwhrs	6.045¢ per kwhr

Kwhrs equal to next 150 times kw of monthly billing demand:

First 3,000 kwhrs	4.245¢ per kwhr
Over 3,000 kwhrs	3.027¢ per kwhr

Kwhrs in excess of 200 times kw of monthly billing demand:
2.368¢ per kwhr

MINIMUM CHARGE:

This tariff is subject to a minimum monthly charge of $2.75. The minimum monthly charge shall be subject to adjustments as determined under the "Fuel Clause."

EQUIPMENT SUPPLIED BY CUSTOMER:

When the customer furnishes and maintains the complete substation equipment including any and all transformers and/or switches and/or other apparatus necessary for the customer to take his entire service at the primary voltage of the transmission or distribution line from which service is to be received, a credit of $.22 per kw of monthly billing demand will be applied to each monthly net bill.

MEASUREMENT OF ENERGY AND DETERMINATION OF DEMAND:

Customer's demand shall be taken monthly to be the highest registration of a 15-minute integrating demand meter or indicator, or the highest registration of a thermal type demand meter. No billing demand shall be taken as less than 2.5 kw.

Any industrial and coal mining customer contracting for 3 phase service after October 1, 1959, shall contract for capacity sufficient to meet their normal maximum requirements in kw, but not less than 10 kw. Monthly billing demands of these customers shall not be less than 60% of contract capacity and the minimum monthly charge shall be $ 2.75 per kw of monthly billing demand, subject to applicable equipment credit.

The company shall have the option of reading meters monthly or bimonthly and rendering bills accordingly for customers billed on basis of minimum monthly demand of 2.5 kw. When bills are rendered bimonthly the minimum charge and the quantity of kwhrs in each block of the rate shall be multiplied by 2.

*The monthly kilowatt hour usage shall be subject to plus or minus an adjustment per KWH determined in accordance with the "Fuel Adjustment Clause."

GENERAL SERVICE (GS) (Cont'd)*

SPECIAL TERMS AND CONDITIONS:

First 3 kw or fraction thereof of contract demand	$14.85	per month
Each kw of contract demand in excess of 3 kw	$ 2.97	per month per kw

LARGE POWER (LP)*

RATE:

Kwhrs equal to the first 30 times the kva of monthly billing demand:
6.959¢ per kwhr

Kwhrs equal to the next 170 times the kva of monthly billing demand as follows:

First	3,000 kwhrs	3.897¢ per kwhr
Next	3,000 kwhrs	3.627¢ per kwhr
Next	4,000 kwhrs	3.356¢ per kwhr
Next	10,000 kwhrs	3.087¢ per kwhr
Next	80,000 kwhrs	2.816¢ per kwhr
All over	100,000 kwhrs	2.547¢ per kwhr

Kwhrs equal to the next 160 times the kva of monthly billing demand:
2.020¢ per kwhr

Kwhrs in excess of 360 times the kva of monthly billing demand:
1.750¢ per kwhr

MINIMUM CHARGE:

This tariff is subject to a minimum monthly charge of $1.76 per kva of monthly billing demand. The minimum monthly charge so determined shall be subject to (a) adjustments as determined under the "Fuel Clause," (b) adjustments as determined under clauses entitled "Delivery Voltage" and "Equipment Supplied by Customer."

DELIVERY VOLTAGE:

The rate set forth in this tariff is based upon the delivery and measurement of energy at standard distribution voltages established by the company of not less than a nominal voltage of approximately 2,400 volts nor more than a nominal voltage of approximately 34,500 volts. For the delivery and measurement of energy at any voltage less than the voltage of established distribution lines operating within these limits an additional charge will be made of $.22 per month per KVA of monthly billing demand.

EQUIPMENT SUPPLIED BY CUSTOMER:

When the customer owns, operates and maintains the complete sub-station equipment, including all transformers, switches, and other apparatus necessary for receiving and purchasing electric energy at the primary voltage of transmission lines operated at approximately 46,000 or 69,000 volts and when the customer owns all equipment beyond the delivery point of service, bills hereunder shall be subject to a credit of $.35 per KVA of monthly billing demand.

*The monthly kilowatt hour usage shall be subject to plus or minus an adjustment per KWH determined in accordance with the "Fuel Adjustment Clause."

CAPACITY POWER - OPTIONAL (CPO)*

RATE:

Kwhrs equal to the first 30 times the kva of monthly billing demand: 7.131¢ per kwhr

Kwhrs equal to the next 170 times the kva of monthly billing demand as follows:

First	3,000 kwhrs	3.980¢ per kwhr
Next	3,000 kwhrs	3.701¢ per kwhr
Next	4,000 kwhrs	3.424¢ per kwhr
Next	10,000 kwhrs	3.146¢ per kwhr
Next	80,000 kwhrs	2.868¢ per kwhr
All over	100,000 kwhrs	2.590¢ per kwhr

Kwhrs equal to the next 160 times the kva of monthly billing demand: 2.058¢ per kwhr

Kwhrs in excess of 360 times the kva of monthly billing demand: 1.782¢ per kwhr

MINIMUM CHARGE:

This tariff is subject to a minimum monthly charge of $2.75per kva of monthly billing demand. The minimum monthly charge so determined shall be subject to (a) adjustments as determined under the "Fuel Clause," (b) credits as determined under clause entitled "Equipment Supplied by Customer."

EQUIPMENT SUPPLIED BY CUSTOMER:

Delivery Voltage	Credit per Kva of Monthly Billing Demand
2,400 - 34,500	$.22
46,000 - 69,000	$.35

LARGE CAPACITY POWER (LCP)*

RATE:

Primary Portion:

First	1,000 kw of monthly billing demand as determined below:	$8.866	per kw
Next	3,000 kw of monthly billing demand	8.164	per kw
All over	4,000 kw of monthly billing demand	7.452	per kw

The customer shall be allowed 315 kwhrs for each kw of monthly billing demand billed hereunder.

Secondary Portion: Energy in excess of 315 kwhrs per kw of monthly billing $.01679 per kwhr

Reactive Demand Charge:
For each kilovar of lagging reactive demand in excess of 50% of the kw of monthly billing demand $.35 per kvar

RATE ADJUSTMENT:

In any monthly period when metered kwhrs are less than 315 kwhrs per kw of monthly billing demand, the customer shall receive a credit on such deficiency in kwhrs at a rate of 1.107 cents per kwhr.

*The monthly kilowatt hour usage shall be subject to plus or minus an adjustment per KWH determined in accordance with the "Fuel Adjustment Clause."

LARGE CAPACITY POWER (LCP) (Cont'd)*

EQUIPMENT SUPPLIED BY CUSTOMER:

When the customer owns, operates, and maintains the complete substation equipment, including all transformers, switches and other apparatus necessary for receiving and purchasing electric energy at the primary voltage of transmission lines operated at voltages in excess of approximately 34,500 volts and when the customer owns all equipment beyond the delivery point of service, bills hereunder shall be subject to a credit of $.35 per kw of monthly billing demand.

MINIMUM CHARGE:

This tariff is subject to a minimum monthly charge equal to: 60% of customer's contract capacity or 1,000 kw (whichever is greater) multiplied by $1.60per kw, subject to (a) adjustment in accordance with the Fuel Clause for actual kwhrs used and (b) adjustment for lagging reactive demand at the rate of $.35 for each kvar in excess of 50% of: 60% of customer's contract capacity or 1,000 kw (whichever is greater).

MUNICIPAL WATERWORKS (MW)*

RATE:

First	10,000 kwhrs used per month	3.142¢ per kwhr
Next	90,000 kwhrs used per month	2.411¢ per kwhr
All over	100,000 kwhrs used per month	2.276¢ per kwhr

MINIMUM CHARGE:

The above rate is subject to minimum monthly charge of $1.65 per kva of installed transformer capacity or its equivalent as determined from customer's total connected load. The minimum monthly charge shall be subject to adjustments as determined under the "Fuel Clause."

HIGH TENSION POWER (HTP)*

RATE:

	Rate Per KVA Per Month	
	For 69 kv Delivery Voltage	For 138 kv Delivery Voltage
A. When measured demand is equal to or exceeds minimum monthly billing demand:		
First 10,000 kva of measured demand per month	$14.053	$13.896
All over 10,000 kva of measured demand per month	$13.730	$13.669
B. When measured demand is less than minimum monthly billing demand:		
Each kva of measured demand per month at above rate		
For each kva of difference between minimum monthly billing demand and measured demand per month	$10.577	$10.385

MINIMUM MONTHLY CHARGE:

This tariff is subject to minimum monthly charge of "Rate" as applied to minimum monthly billing demand under the customer's contract but not less than $126,477for 69 kv delivery voltage or $125,064for 138 kv delivery voltage, each subject to adjustments as determined under the "Fuel Adjustment Clause."

*The monthly kilowatt hour usage shall be subject to plus or minus an adjustment per KWH determined in accordance with the "Fuel Adjustment Clause."

ELECTRIC HEATING SCHOOLS (EHS)*

RATE:

First 500 kwhrs per month multiplied by the number of classrooms in entire school	4.584¢ per kwhr
Balance of kwhrs	2.441¢ per kwhr

Where every energy requirement, including, but not limited to, heating, cooling and water heating, of an individual school building or an addition to an existing school building including college and university buildings is supplied by electricity furnished by the company, all energy shall be billed at 2.441 ¢ per kwhr.

MINIMUM CHARGE:

$16.25 per month.

SURCHARGE:

A Surcharge will be applied to the net amount of each monthly bill in accordance with the following schedule:

Service rendered May 19, 1980 through May 18, 1981 40 Percent
This tariff will terminate May 18, 1981.

ELECTRIC HEATING GENERAL (EHG)*

RATE:

For the first 200 kwhrs or any part thereof used in any month	$10.14 Min. Bill
For the next 6,800 kwhrs used in the same month	3.129¢ per kwhr
For all over 7,000 kwhrs used in the same month	2.721¢ per kwhr

There shall be added to the above kwhr charges $ 1.65for each kw of monthly demand in excess of 30 kw.

SURCHARGE:

A Surcharge will be applied to the net amount of each monthly bill in accordance with the following schedule:

Service rendered May 19, 1980 through May 18, 1981 40 Percent
This tariff will terminate May 18, 1981.

MINIMUM CHARGE:

This tariff is subject to a minimum monthly charge of $10.14plus $1.65 for each kw of monthly billing demand in excess of 30 kw, and adjustments as determined under the "Fuel Clause."

SCHOOL SERVICE (SS)*

RATE:

All energy	4.799¢ per kwhr

MINIMUM CHARGE:

$3.31 per month.

SURCHARGE:

A Surcharge will be applied to the net amount of each monthly bill in accordance with the following schedule:

Service rendered May 19, 1980 through May 18, 1981 40 Percent
This tariff will terminate May 18, 1981.

*The monthly kilowatt hour usage shall be subject to plus or minus an adjustment per KWH determined in accordance with the "Fuel Adjustment Clause."

RESIDENTIAL ELECTRIC SERVICE (RS)*

RATE:

First 30 kwhrs per month	7.546¢ per kwhr
Next 40 kwhrs per month	6.282¢ per kwhr
Next 130 kwhrs per month	4.203¢ per kwhr
Next 300 kwhrs per month	3.016¢ per kwhr
Next 1,000 kwhrs per month	2.665¢ per kwhr
Over 1,500 kwhrs per month	2.389¢ per kwhr

MINIMUM CHARGE:

This tariff is subject to a minimum monthly bill of $2.75 for each meter installed. The minimum monthly charge shall be subject to adjustments as determined under the "Fuel Clause."

TRANSMISSION POWER (TP)*

RATE:

	For 34.5-69 kv Delivery Voltage	For 138 kv Delivery Voltage
Primary Portion:		
For the first 25,000 kva of monthly billing demand	$7.249 per kva	$7.025per kva
For all over 25,000 kva of monthly billing demand	$6.809 per kva	$6.792per kva

The customer shall be allowed 300 kwhrs for each kva of monthly billing demand billed in accordance with this section.

Secondary Portion:	
Energy in excess of 300 kwhrs per kva of monthly billing demand	$.01503per kwhr

*The monthly kilowatt hour usage shall be subject to plus or minus an adjustment per KWH determined in accordance with the "Fuel Adjustment Clause."