COMMONWEALTH OF KENTUCKY

BEFORE THE ENERGY REGULATORY COMMISSION

* * * *

In the Matter of

GENERAL ADJUSTMENT OF RATES)
OF KENTUCKY UTILITIES) CASE NO. 7804
COMPANY)

ORDER

On April 7, 1980, Kentucky Utilities Company (hereinafter Applicant or the Company) filed its Notice of a General Adjustment of Rates to become effective on and after May 1, 1980. The proposed rates would produce additional revenue of approximately $30,132,000 annually, an increase of 11.4% based on the test year revenue derived from the Kentucky jurisdictional sales. Kentucky Utilities stated that the additional revenue was required because the Company has experienced increases in all costs of service including financing costs, which have resulted in the inability of the Company to earn a fair return on its property devoted to public service.

Thereafter, on April 8, 1980, the Commission issued an Order which suspended the proposed rate increase for a period of five months, or until October 1, 1980, scheduled a hearing for May 1, 1980 and directed Applicant to provide statutory notice to its consumers of the pending rate increase and the scheduled hearing.

On April 10, 1980, the Division of Consumer Intervention in the Department of Law filed a motion to intervene in these proceedings. Likewise, on April 29, 1980 and May 6, 1980 Green River Steel, a Division of Jessop Steel Company and Black River Mining Company, respectively, submitted similar motions. The Commission sustained said motions and these were the only parties of record formally intervening herein.

The hearing was conducted on May 1, 1980 as scheduled and additional hearings were held on June 23 and 24, 1980, and July 9, 1980, for the purpose of cross-examination of the witnesses of Applicant and the Division of Consumer Intervention.

Post hearing briefs were filed by the Consumer Intervention Division, Black River Mining Company, and Kentucky Utilities Company. The matter was then submitted to the Commission for final determination.

COMMENTARY

Kentucky Utilities Company is an investor owned electric utility, incorporated under Kentucky laws, serving approximately 329,500 retail consumers in 78 counties within the Commonwealth of Kentucky. The City of Lexington, Kentucky is the largest metropolitan area included in Applicant's certified service territory. The retail rates applicable to the various classes of service of Applicant are uniform throughout the entire service area. Applicant also provides wholesale electric service to twelve consumers under wholesale electric rates subject to the approval of the Federal Energy Regulatory Commission.

Kentucky Utilities was last granted an increase in retail rates by this Commission on December 20, 1978.

TEST PERIOD

The Commission has accepted the twelve month period ending January 31, 1980, as the test period for the purpose of determining the reasonableness of the proposed rates. In utilizing the historical test period, the Commission has considered adjustments where found to be known and measurable to reflect more current operating conditions. Applicant stated that the test period reflected normal operating conditions for a twelve month period with no extraordinary revenues or expenses.

VALUATION

Kentucky Utilities Company presented the Net Original Cost, Capital Structure, and Reproduction Cost as the valuation methods herein. The Commission has given due consideration to these and other elements of value in determining the reasonableness of the proposed rates and charges. However, the Commission has given less consideration to the proposed reproduction cost than the other valuation methods.

Net Original Cost

Kentucky Utilities proposed in Newton Exhibit 1 a total Company Net Original Cost rate base of $761,786,858 at January 31, 1980. All elements of the Net Original Cost rate base were then allocated to the Kentucky jurisdiction at a rate of 84.47% with the exception of working capital which was allocated at 84.61%. This allocation resulted in a Net Original Cost for the Kentucky jurisdiction of $643,508,491. The Commission has generally accepted the Net Original Cost rate base with the following modifications.

In determining the Net Original Cost, Kentucky Utilities included the value of Fuel Inventory at $50,316,564 which was the amount at the end of the test period allocated to Kentucky. The record indicates that the level of coal inventory at the end of the test period was approximately 116 days which exceeded the average inventory and was well in excess of the desirable level of inventory as determined by the Company. The Company indicated that the excessive coal supply was a direct result of increased shipments of compliance coal to meet environmental regulations for the Ghent generating station to achieve the required contract levels as well as an additional supply of low sulphur coal for a new generating unit at the Ghent Station, also required by environmental regulations. The increased shipments of this compliance coal further resulted in the Company rerouting some of the higher quality coal to another generating station for use in generating units which have the capability of burning lower quality coal.

The witness for the Division of Consumer Intervention proposed to adjust the value of Fuel Inventory to reflect a coal supply level of approximately 69 days burn which was the average coal inventory for the past five years. Subsequent to the hearing on June 24, 1980, Kentucky Utilities submitted additional information which reflected that the value of the desirable level of coal inventory would be $34,059,350. Therefore, the Commission finds that the fuel inventory included in the Net Original Cost rate base allocated to the Kentucky jurisdiction should be $29,893,777. The Commission advises Kentucky Utilities herein that it does not look favorably upon the Company maintaining an excessive level of coal inventory and that every effort should be taken to establish and maintain a more reasonable level of coal inventory in the near future.

The Commission has adjusted the allowance for working capital and the Reserve for Depreciation to include the accepted pro-forma adjustments. The Commission finds that these adjustments provide greater recognition of the changing operating conditions of the utility.

Based on these modifications to the Company proposal, we find the Kentucky jurisdictional Net Original Cost rate base to be as follows:

Plant in Service	$ 740,263,546
Construction Work in Progress	156,578,565
Total Utility Plant	$ 896,842,111
Add:	
Materials and Supplies	$ 6,054,960
Fuel Inventory	29,893,777
Prepayments	589,254
Working Capital	16,499,191
Sub-total	$ 53,037,182
Less:	
Reserve for Depreciation	$ 217,340,954
Reserve for Deferred Taxes	70,138,064
Reserve for Investment Tax Credit	39,162,459
Customer Advances for Construction	906,264
Sub-total	$ 327,547,741
Net Original Cost	$ 622,331,552

Capital Structure

The Commission has determined from the record that Kentucky Utilities' combined and jurisdictional capital structure at the end of the test period is as follows:

	Total Company	%	Kentucky Jurisdiction	%
Common Stock Equity	$255,170,424	33.3	$204,558,541	32.7
Preferred Stock	90,000,000	11.7	74,045,767	11.9
First Mortgage Bonds	342,465,074	44.7	281,756,542	45.0
Bank Notes	25,000,000	3.3	20,568,268	3.3
Short Term Debt	53,715,000	7.0	44,192,982	7.1
Total Capital	$766,350,498	100.0	$625,122,100	100.0

In determining the Capital allocated to the Kentucky jurisdiction the Commission has reduced the total company Common Stock Equity by $6,536,780 to exclude the subsidiary earnings and by $6,466,553 related to other investments. The distribution of other investments to the remaining components of the Capital Structure resulted in reductions of Preferred Stock of $2,340,752; First Mortgage Bonds of $8,906,956; Bank Notes of $650,209; and short term debt of $1,397,039. The remaining capital was then allocated on the basis of the Kentucky jurisdictional Total Utility Plant resulting in the Total Kentucky jurisdictional Capital of $625,122,100.

Kentucky Utilities proposed in Newton Exhibit 2A to increase the Total Capital by $36,471,500, to reflect additional long term debt and equity financings authorized and issued subsequent to the test period. The new long term debt and equity financings consisted of 1.5 million shares of Common Stock sold as of April 28, 1980, in the total amount of $25,186,500; First Mortgage Bonds issued May 1, 1980, in the total amount of $19,000,000; and a Preferred Stock sale of 200,000 shares at a stated value of $100 per share. As a result of these permanent financings, short term debt would be reduced by $27,715,000, as proposed by Applicant.

The proposed allocation of the adjusted capital was in the same manner as the actual capital which results in Kentucky jurisdictional adjusted capital as follows:

	Amount	%
Common Stock Equity	$ 225,555,778	34.4
Preferred Stock	90,611,067	13.8
First Mortgage Bonds	297,752,146	45.4
Bank Notes	20,593,424	3.1
Short Term Debt	21,417,162	3.3
Total Capital	$ 655,929,577	100.0

The record herein reflects that there was no opposition to the use of the adjusted capital structure in the determination in this matter. The Commission is of the opinion that the adjusted capital is justified in this instance in that the use of the more current capital composition as well as costs will enhance the opportunity of the Company to achieve a reasonable rate of return.

Reproduction Cost

Kentucky Utilities presented in Tipton Exhibit 1 the Estimated Reproduction Cost New of Utility Plant and Related Reserve for Depreciation. Based on the Electric Plant in Service on January 31, 1980, and Construction Work in Progress, Applicant estimated the total current cost to be $2,362,889,000. After consideration of the Reserve for Depreciation the value of the utility property based on the reproduction cost was estimated to be $1,726,086,000. The Kentucky jurisdictional portion of the reproduction cost based on the allocation factor of 84.47% would be $1,458,024,844.

REVENUES AND EXPENSES

Kentucky Utilities proposed in Newton Exhibit 4, pro-forma adjustments to reflect more current and anticipated operating conditions. The Commission has accepted the pro-forma adjustments to reflect the additional revenue and expenses associated with the increase in consumers during the test period. The expense adjustments to reflect the increased cost of labor and related costs, and property taxes have also been accepted herein.

The proposed adjustment to depreciation expense has been modified to exclude the increased cost associated with the Company's new depreciation rates effective in January, 1980. The Commission is of the opinion and finds that the depreciation rates adopted by the Company, without Commission consent, are not in the best interests of the current consumers and should not be allowed herein for rate making purposes. The newly adopted depreciation rates are based on the Equal Life Group theory of depreciation which provides for greater capital recovery in the initial years of the life of an asset. This method of depreciation has not been accepted by the Federal Energy Regulatory Commission at this time. Furthermore, the Subcommittee on Depreciation of the National Association of Regulatory Utility Commissioners does not recommend adoption of this method of depreciation for rate making purposes. The results of this adjustment reduce the proposed adjustment to depreciation by $454,739.

The witness for the Consumer Intervention Division proposed an adjustment to reduce the test year operation expenses by $45,111 to exclude the cost incurred by the Company in connection with the move of its principal offices. The Commission concurs with this proposal and has adjusted the test year operating expenses accordingly.

Kentucky Utilities proposed adjustments to Federal and State Income Tax expense to reflect the effects of the pro-forma adjustments and the annualized interest expense based on the adjusted capitalization. The Commission has modified these adjustments to give recognition to the modified expense adjustments and to provide for the annualized interest on short term debt at a cost rate of 11½% rather than the proposed 13%. The Commission is of the opinion that the cost of short term debt has declined substantially from the levels achieved in early 1980. The income tax adjustments have also been modified to reflect the combined State and Federal Income Tax rate of 49.24%, effective for 1980.

The Commission has made one final adjustment to the test year revenues and expenses to exclude the franchise fees paid to the communities within the company's service area and the associated revenue. The reason for this adjustment is more fully explained on page 10 herein.

After consideration of the aforesaid adjustments, Kentucky Utilities' operating statement after jurisdictional allocation of revenues of 82.21% and expenses of 84.61% is as follows:

	Actual 1-31-80	Pro-forma Adjustments	Adjusted
Operating Revenues	$266,204,810	$708,375	$266,913,185
Operating Expenses	213,642,731	(88,728)	213,554,003
Net Operating Income	$ 52,562,079	$797,103	$ 53,359,182

RATE OF RETURN

The Commission has determined from the record that the adjusted end of period earnings of Kentucky Utilities are as follows:

Net Operating Income		$53,359,182
Less:		
Preferred Stock @ 8.28%	$ 7,502,596	
Long Term Debt @ 8.20%	26,104,337	
Short Term Debt @11.50%	2,462,974	36,069,907
Balance for Common Equity		$17,289,275
Return on Common Equity		7.66%

Kentucky Utilities proposed a rate of return on adjusted Common Equity of 14.43%. The Commission is of the opinion that a return of 14.43% is excessive in this instance and should not be allowed.

In determining the fair rate of return on Common Equity, the Commission has taken into consideration many factors. Not the least of which is the Company's inability to earn a fair, just and reasonable return on Common Equity. In Case No. 7163 which was before this Commission in 1978, the Commission found a return on Common Equity of 13% to be fair, just and reasonable for Kentucky Utilities. Based on an historical test-year the 13% granted in Case No. 7163 yielded Kentucky Utilities 9.49% actual earnings on Common Equity by year end 1979. A review of the return on equity throughout the decade of the 1970's clearly reveals a consistent erosion of the returns on equity. Only in 1970 did the Company earn a return that approximated what the Commission in Case No. 7163 defined as just and reasonable. The returns on equity for the decade of the 70's are as follows: 1978, 7.49%; 1977, 7.93%; 1976, 9.90%; 1975, 11.52%; 1974, 6.82%; 1973, 10.54%; 1972, 10.77%; 1971, 11.00%; and 12.28% in 1970. Therefore, it should be understood because of economic factors beyond the control of this Commission, the Company was unable to earn the return on equity that was originally thought to be just and reasonable. The Commission recognizes that a just and reasonable return should approximate the cost of capital. Given current market conditions, it should be recognized that a 9.49% return is not sufficient to attract capital and maintain the financial stability of the Company and is therefore unfair, unjust and unreasonable and was clearly not the intent of the Commission.

While the Commission does not guarantee that the return found to be fair will actually be earned, it does seek to provide the Company with a reasonable opportunity to earn said return. Therefore, in determining a fair return, the Commission has taken into consideration the facts that an historical test period is used for rate making purposes and that inflation, which has continually diminished the Company's profits, shows no signs of lessening. Either of these factors in and of itself would likely cause the Company to earn less than the return found fair. Together these circumstances guarantee that the Company will not be afforded the opportunity to earn a fair return.

The Commission recognizes its dual responsibility to the consumer and Kentucky Utilities. Implicit in this responsibility is the concept of approving the lowest possible rates which are consistent with maintaining adequate service and the financial integrity of Kentucky Utilities. Failure to give an adequate rate of return (based upon an historical test year), which must be earned given present economic conditions, is inconsistent with the long run interest of the consumer and Kentucky Utilities. If the Commission adopts a policy of impairing the financial integrity of Kentucky Utilities, the impact will ultimately fall on the consumer. The result of such a policy will be increased revenue requirements because of lower bond ratings (Kentucky Utilities is currently Aa) and the inability to raise capital through the sale of common equity. The Commission is aware that a policy which would reduce Kentucky Utilities' bond rating to A or Baa would drastically increase the revenue requirements, hence rates, because of the increased interest costs applied to new capital construction and turnover of past bonded indebtedness. The Commission therefore, is of the opinion that this decision is in the best short and long run interest of the consumer as well as Kentucky Utilities.

It is, therefore, our opinion that a rate of return of 13.9% on Common Equity based on an historical test year will earn something less than 13.9% based on a current test year. However, it is anticipated that this will allow the Company an opportunity to earn a return adequate to permit the Company to preserve its history of service while maintaining financial security.

The Commission finds that based on the adjusted capitalization, Kentucky Utilities needs additional annual income of $14,062,978 to produce a rate of return on common equity of 13.9% based on the historical test period herein. After the provision for State and Federal Income Taxes of $13,641,864, an overall revenue deficiency of $27,704,842 exists. The level of Net Operating Income required to allow Kentucky Utilities the opportunity to pay its operating expenses and fixed costs and have a reasonable amount available for equity growth is $67,422,160. Therefore, the Commission finds that Kentucky Utilities should be allowed to increase its rates to produce additional annual revenue in the amount of $27,704,842. This additional revenue will result in gross operating revenue, based on the adjusted test year of $294,618,027, including other operating income of $1,464,302. The rates set out in the attached Appendix "A" are designed to produce revenue from sales in the amount of $293,153,725 based on the adjusted test year sales to Kentucky jurisdictional consumers.

The additional revenue granted herein will provide a rate of return on the Net Original Cost established herein of 10.83% and an overall return on total Capitalization of 10.28%. The rate of return on the Reproduction Cost established herein would be 4.62%.

FRANCHISE FEE

There is no issue as to whether a municipality may require a franchise agreement with utilities operating within the municipality. Section 163 of the Kentucky Constitution specifically requires such an agreement.

There is, further, no argument that a utility may be required to pay for a franchise agreement. Section 164 of the Kentucky Constitution mandates that the municipality receive bids for a franchise, and shall award same to the highest and best bidder, but shall have the right to reject any and all bids. Therefore the only issue at hand is how the fee shall be recovered by the utility, whether as a surcharge on the customers residing in the affected municipality, or as an operating expense to be recovered from all customers.

Most cities served by Kentucky Utilities are the recipient of a 3% gross receipts franchise fee. The amount of revenues is determined from the gross receipts on sales of electricity to certain residential and commercial customers within the municipal franchise area. However, the revenues for the payment of this fee are collected from customers throughout the utility service area. There is nothing in the record to indicate that non-municipal customers receive any benefits by virtue of these franchise agreements. Kentucky Utilities' franchise fees are a uniform 3% throughout the service area.

Furthermore, the record does not indicate that those persons residing outside municipal boundaries participate via their elected representatives in the imposition of the franchise fee. The Commission therefore is of the opinion that since the fees go to the municipalities in question there is no justification to assess residents outside of the political boundaries of the franchise area. Such a policy is tantamount to taxation without representation and therefore not in the best interest of the consumer.

Increased consumption of electricity within a franchise area will increase the payment due the municipality. Energy consumption outside the franchise area does not change the amount of the franchise fee. Conservation by customers outside the franchise area would not lessen this expense.

Under the Kentucky statute a utility may not bid on a franchise until this Commission finds that there is a "need and demand" for the service offered by the utility. One not familiar with the statutory requirements may find this to be somewhat peculiar since virtually every home and business in Kentucky Utilities' service area is electrified (need) and the heads of these businesses and homes would certainly want the service continued (demand). Despite the apparent inappropriateness of the process, this is the Commission's statutory involvement in franchises. In addition, the Commission has jurisdiction in prescribing the form of bills to its customers and the treatment of franchise fees for rate making purposes. A legislative precedent exists in that KRS 160.613 allows school districts to impose a 3% utility tax to be paid by affected subscribers, and the recovery of franchise fees via a surcharge would be a logical extension of this concept.

The utility merely acts as the conduit by which taxpayers are assessed a franchise fee which the utility then passes on to the municipality. KRS 96.010 provides that the franchise agreement be fair and reasonable to the City, to the purchasers of the franchise, and to the patrons of the utility. Since the franchise fee becomes an identifiable part of the cost of providing service within the city or municipality, that fee should be recovered by those receiving service within the city. A large percent of the fee is already being collected within the municipalities.

This Commission decided some time ago that charges incurred in the purchase of coal over the base price should be itemized on the consumer's bill so that the consumer would know the charge applicable to him. The same principle is equally true when applied to franchise fees. Such itemization is further justified by the fact that this charge is not regarded by the Commission as an ordinary expense of the utility. Consumers have a right to know the amount of such charges collected from them for government operating expenses. The matter of the amount of such franchises is basically between the citizens within the franchise area and their local government, but its inclusion in a utility bill and the treatment of the charge for rate making purposes is a Commission matter. Franchise fees have become contagious as cities have looked for new ways to raise needed revenues. Basic fairness dictates that these revenues be raised in the area in which they are spent, and that customers are aware of this in the same manner as the school tax and the fuel adjustment charges or credits are presented on the customer bill.

The franchise issue is pending in other cases before this Commission wherein the Lexington-Fayette County Urban Government has taken the position that the taxpayer should not receive any itemization on his bill as to the franchise fee paid to the city and that such fee should be a part of the utility's ordinary expense. The Commission finds no justification in hiding this charge from the consumer or treating these franchises as ordinary utility expenses.

SUMMARY

The Commission, after due consideration and being advised is of the opinion and finds that the rates set out in Appendix "A" attached hereto and made a part hereof, are the fair, just, and reasonable rates for Kentucky Utilities Company insofar as they produce gross annual revenue, based on adjusted test year sales, of approximately $293,153,725. The Commission further finds that the rates of return granted herein are fair, just and reasonable and will provide for the financial obligations of the utility with a reasonable amount for equity growth.

The Commission finds herein that the franchise fee assessed by local governments within the service area of Kentucky Utilities shall be listed on the consumers bill as a separate item and identified as such.

IT IS THEREFORE ORDERED, that the rates and charges set out in Appendix "A" attached hereto and made a part hereof are approved for service rendered on and after the date of this Order.

IT IS FURTHER ORDERED, that the rates and charges proposed by Kentucky Utilities Company are unfair, unjust, and unreasonable in that they produce revenue in excess of that deemed reasonable herein, and are hereby denied.

IT IS FURTHER ORDERED, that the local government franchise fees shall be listed as a separate item on the consumers' bills from which the fee is derived, showing the amount and designating the unit of government to which the fee is payable. Kentucky Utilities Company shall file with the Commission its plan to implement this franchise billing within fifteen (15) days of the date of this Order.

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

Done at Frankfort, Kentucky, this 1st day of October, 1980.

ENERGY REGULATORY COMMISSION

Dissent

Chairman

Vice Chairman

Commissioner

ATTEST:

Secretary

DISSENTING OPINION
OF
CHAIRMAN PERRY R. WHITE, JR.

This dissenting opinion does not represent any changes in my philosophy of rate making. This majority decision is an erratic departure from past rate regulation. I must disagree with the majority, much for the same reasons stated in my dissent last week in Case No. 7799. My colleagues have granted KU too much money and magnified the inconsistency of their last two majority rate decisions. For example, whatever risk KU represents to its stockholders, creditors, and bond purchasers, the evidence supports (without contradiction) the conclusion that the KU risk, however small, is greater than the utility in 7799 decided last week. Therefore, there is no justification on a comparative basis for reducing KU's return on equity from that granted by the majority last week. Unfortunately, the only way their decision could have been consistent with 7799 would be for the majority to have granted KU more revenues than it has asked for. The majority order grants over 92% of the request.

Reasonable awards would eliminate such inconsistencies. Despite this inconsistency, the majority has in fact reduced the stated equity return from last week's 15% to 13.9%, and on its face this appears to be a partial retreat from last week. This is worthy of discussion. KU has benefited (properly) from a coincidence not normally present. When the utility filed its rate request it asked for the opportunity to earn a 16% return on equity. However, while this case was pending, KU issued additional shares of common and preferred stock, increased its debt and then during the course of the hearing amended its capital structure by some $36 million (36,471,500), which would theoretically increase its allowed revenue requirements. Ordinarily, such amendments to the capital structure would not occur in such close proximity to a pending rate case. KU then "revised" its request from a 16% return on equity to a 14.43% return, but the amount of revenue requested remained the same.

The majority opinion goes through an exercise in determining the proper "net original cost." In the process my colleagues are critical of the surplus coal inventory held by the utility. But this analysis is an exercise in futility since the revenue award was based on capitalization rather than net original cost, and no adjustment was made in capital to reduce the revenues granted.

Unquestionably, inflation has affected the earnings of the state's utilities including KU. It has changed much of our life style. But the Commission should not attempt to isolate a utility in ways not available to other businesses of comparable risks that do not enjoy the necessary monopoly protection given to the utility. The evidence is that for the past 10 years utilities everywhere have not generally achieved the level of earnings they have been given the opportunity to earn because of inflation. This is not new. Furthermore, this agency has given the electric utilities some necessary protection from inflation which is not available to businesses with similar risks. The utility is protected from fluctuating prices of coal by being allowed to pass along increases to the consumer within a short time by way of the fuel adjustment clause regulation. And coal costs represent over 50% of KU's operating expenses for the test year on which the rate increase was granted.

A dissenting opinion is not without its responsibilities and alternatives should be suggested if possible. My obligation, like that of my colleagues, is to the consumer and the utility--to see that the consumer receives adequate service at a fair price and that the utility has an opportunity to earn a reasonable return on its investment. I am not a consumer advocate nor a utility advocate. The Commission is required to strike a balance between the two.

I believe that the record supports the conclusion that KU is entitled to some rate relief under accepted concepts of rate making. However, I would not go beyond the range recommended by the witness for the Attorney General (including cross examination), and I would not have concluded that the utility unreasonably maintained a costly surplus of coal without then making an adjustment to decrease revenues accordingly.

Chairman, Energy Regulatory Commission

APPENDIX "A"

APPENDIX TO AN ORDER OF THE KENTUCKY ENERGY REGULATORY COMMISSION IN CASE NO. 7804 DATED

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

RS-1 and RS-5 Residential, Rural and Farm Residential Service ##

$1.72 per month to include 16 KWH used per month
7.84 cents per KWH for the next 34 KWH used per month
5.66 cents per KWH for the next 50 KWH used per month
4.30 cents per KWH for the next 100 KWH used per month
4.06 cents per KWH for the next 200 KWH used per month
3.65 cents per KWH for all in excess of 400 KWH used per month
2.75 cents per KWH for all off-peak water heating

Minimum Bill: $1.72 per month for single phase service or $6.25 per month for three phase service, for all ordinary residential uses. Additional 75¢ per connected HP per month when special equipment, greater than normal investment, abnormal or seasonal use involved.

FERS-1 and FERS-5 (Full Electric Residential Service) Supplement to RS-1 and RS-5##

Rate Schedule RS-1 and RS-5 shall remain in effect the first 1000 KWH used each month. All KWH used in excess of 1000 per month (excluding off-peak water heating use) shall be billed @ 3.20¢ per KWH. Minimum charge as set out in RS-1 but not less than $6.25 per month.

GS-1 and GS-5 General Service ##

$4.41 to include 50 KWH used per month
8.09 cents per KWH for the next 50 KWH used per month
6.14 cents per KWH for the next 400 KWH used per month
4.88 cents per KWH for the next 1,500 KWH used per month
4.40 cents per KWH for all in excess of 2,000 KWH used per month

Minimum Bill: The greater of: (a) $4.41 per month to include the first 20 KW or less capacity, or (b) $4.41 per month, plus $1.49 per KW for demand in excess of 20 KW, which is the greater of (1) the maximum demand registered in the current month, (2) 75% of the highest monthly maximum demand registered in the preceding 11 months, (3) the contract capacity, or (4) 60% of the KW capacity of facilities specified by the customers.

Off-Peak Water Heating (OPWH)##

Rate: $.0343 per KWH

Minimum: $1.48 per month per installation, and when service is combined with RS or GS service, the minimum of the RS or GS Rate will apply.

##An additional charge or credit will be made on the kilowatt-hours purchased by the customer in accordance with the fuel clause.

Rate 33 - Electric Space Heating Rider##

Rate: $.03444 per KWH

Minimum: $11.87 per connected KW but not less than $81.42 per heating season.

Rate 33 - Electric Space Heating Rider (Restricted)##

Rate: $.03444 per KWH

Minimum: $11.87 per connected KW but not less than $162.41 per heating season.

Rate A.E.S. (All Electric School)##

Rate: $.03432 per KWH

Annual Minimum: $17.70 per connected KW, excluding air conditioning and equipment of one KW or less, but not less than $176.91 per year.

Cooking for Schools Rate E (Restricted)##

Rate:
13.27 cents per KWH for the first 20 KWH used per month
6.41 cents per KWH for the next 280 KWH used per month
4.14 cents per KWH for all in excess of 300 KWH used per month

Minimum: $3.02 per month for first 6 connected KW plus 75¢ per month for each additional connected KW. Optional annual minimum of $54.11 per year for first 6 connected KW plus $8.92 per year for each additional connected KW.

LP Rate Combined Lighting and Power Service##

Maximum Load Charge:

Secondary Service	$2.61	per KW, but not less than $313.20 per year
Primary Service	$2.30	per KW, but not less than $690.00 per year
Transmission Service	$2.12	per KW, with minimum depending on facilities necessary to serve, but not less than $1,272.00

Plus an Energy Charge of:

4.44 cents per KWH for the first 2,000 KWH used per month
2.92 cents per KWH for the next 8,000 KWH used per month
2.67 cents per KWH for the next 90,000 KWH used per month
2.58 cents per KWH for the next 400,000 KWH used per month
2.44 cents per KWH for the next 500,000 KWH used per month
2.33 cents per KWH for the next 1,000,000 KWH used per month
2.20 cents per KWH for all in excess of 2,000,000 KWH used per month except
2.08 cents per KWH for all in excess of 2,000,000 KWH and 50% load factor and
1.97 cents per KWH for all in excess of 6,000,000 KWH and 50% load factor

Annual Minimum: Annual minimum of $31.32 per KW for secondary delivery, $27.60 per KW for primary delivery and $25.44 per KW for transmission delivery for each yearly period based on the greater of (a), (b), (c), (d) or (e) as follows: (a) The highest monthly maximum load during such yearly period. (b) The contract capacity, based on the expected maximum KW demand upon the system. (c) 60% of the KW capacity of facilities specified by the customer. (d) Secondary delivery, $313.20 per year; Primary delivery, $ 690.00 per year; Transmission delivery, $1,272.00 per year. (e) Minimum may be adjusted where customer's service requires an abnormal investment in special facilities.

##An additional charge or credit will be made on the kilowatt-hours purchased by the customer in accordance with the fuel clause.

Rate HLF (High Load Factor)##

KW Billing Rate for Delivered Voltage at:	Sec. per KW	Pri. per KW	Trans. per KW
First 2,000 KW of Monthly Billing Demand	$4.25	$4.00	$3.84
Next 3,000 KW of Monthly Billing Demand	$3.76	$3.52	$3.37
All Over 5,000 KW of Monthly Billing Demand	$3.16	$2.93	$2.78

Plus Energy Charge of:

For first 200 hours use of Billing Demand @ 2.089 cents per KWH
For next 200 hours use of Billing Demand @ 2.028 cents per KWH
For next 200 hours use of Billing Demand @ 1.967 cents per KWH
Excess of 600 hours use of Billing Demand @ 1.905 cents per KWH

Rate MP-1 (Coal Mining Power Service)##

Maximum Load Charge:

Primary Service at nominal voltages of 2400 or more
$2.38 per KW of the maximum load in the month.

Transmission Line Service at nominal voltages of 34,500 or more
$2.15 per KW of the maximum load in the month.

Plus an Energy Charge of:

3.68 cents per KWH for the first	10,000 KWH used per month
2.61 cents per KWH for the next	490,000 KWH used per month
2.37 cents per KWH for the next	500,000 KWH used per month
2.26 cents per KWH for the next	1,000,000 KWH used per month
2.16 cents per KWH for all in excess of	2,000,000 KWH used per month

Annual Minimum: Not less than the Greater of:

(a) $38.39 per KW of reserved capacity.
(b) $28.56 per KW for Primary Delivery or $25.80 per KW for Transmission Delivery based on highest 15 minute maximum load during contract year.
(c) Based on required special investment.

Rate M (Water Pumping Service)##

4.31 cents per KWH for the first	5,000 KWH used per month
4.02 cents per KWH for the next	5,000 KWH used per month
3.67 cents per KWH for the next	10,000 KWH used per month
3.38 cents per KWH for all in excess of	20,000 KWH used per month

Monthly Minimum: The Greater of:

(a) $ 0.77 per HP (Total Connected), but not less than $15.30
(b) $ 1.53 per connected HP (exclude standby equipment and fire pumps)
(c) Based on required special investment

Street Lighting Service Rate##

Incandescent System	Load/Light#	Rate Per Light Per Year: Standard	Ornamental
1,000 Lumens (Approximately)	.102 KW/Light	$ 22.68	$ 29.64
2,500 " "	.201 KW/Light	26.88	35.28
4,000 " "	.327 KW/Light	38.16	48.00
6,000 " "	.447 KW/Light	50.76	61.92
10,000 " "	.690 KW/Light	67.56	84.36

#Refer to Determination of Energy Consumption Table.

##An additional charge or credit will be made on the kilowatt-hours purchased by the customer in accordance with the fuel clause.

Street Lighting Service Rate (cont'd)##

		Rate Per Light Per Year	
Mercury Vapor	Load/Light#	Standard	Ornamental
3,500 Lumens (Approximately)	.126 KW/Light	$ 59.16	$ 84.36
7,000 " "	.207 KW/Light	67.68	91.44
10,000 " "	.294 KW/Light	77.40	98.52
20,000 " "	.453 KW/Light	90.12	106.92
High Pressure Sodium			
50,000 Lumens (Approximately)	.468 KW/Light	$173.52	$268.08
Fluorescent			
*20,000 Lumens (Approximately)	.489 KW/Light	$105.60	$122.40

*Restricted to those fixtures in service on February 15, 1977

#Refer to Determination of Energy Consumption Table.

C.O.L. (Customer Outdoor Lighting Rate)##

	Load/Light#	Rate per Lamp
**2500 Lumen Incandescent Light	.201 KW/Light	$4.63 per month
3500 Lumen Mercury Vapor Light	.126 KW/Light	5.74 per month
7000 Lumen Mercury Vapor Light	.207 KW/Light	6.49 per month

**Restricted to those fixtures in service on December 15, 1971

#Refer to Determination of Energy Consumption Table.

DETERMINATION OF ENERGY CONSUMPTION

The applicable fuel clause charge or credit will be based on the kilowatt-hours calculated by multiplying the kilowatt load of each light times the number of hours that light is in use during the billing month.

Month	Hours Light is in Use	Month	Hours Light is in use
Jan.	407 Hrs.	Jul.	273 Hrs.
Feb.	344 Hrs.	Aug.	299 Hrs.
March	347 Hrs.	Sep.	322 Hrs.
April	301 Hrs.	Oct.	368 Hrs.
May	281 Hrs.	Nov.	386 Hrs.
June	257 Hrs.	Dec.	415 Hrs.
		Total For Year	4,000 Hrs.

Optional Minimum Rider To Any Applicable Rate Schedule

Minimum: $2.65 per KW per month of total connected load

Supplementary Service Rider S

Minimum: $3.95 per kilowatt per month based on (a) the number of kilowatts that the Company is obligated to stand ready to supply, or (b) the number of kilowatts constituting the greatest maximum demand established within the contract year.

##An additional charge or credit will be made on the kilowatt-hours purchased by the customer in accordance with the fuel clause.

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

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

Rate For Service for Connected Load of:

	Up to and including 2½ KW	In Excess of 2½ KW and including 5 KW	In Excess of 5 KW and including 7½ KW	In Excess of 7½ KW and including 10 KW	In Excess of 10 KW and including 15 KW
6 Nights	$ 23.61	$ 43.07	$ 58.36	$ 72.26	$ 101.44
5 Nights	20.83	36.12	54.20	68.09	87.55
4 Nights	18.07	30.56	50.01	65.31	87.55
3 Nights or less	13.89	26.40	50.01	65.31	87.55

For each KW connected load in excess of 15 KW add $2.90 for 6 nights or less. For each night in excess of 6 (in succession) add $.43 per KW per night.

Special Contract for Electric Service to Green River Steel Corporation##

Demand Charge:

Non-Interruptible Demand	$ 3.52 per KW
Interruptible Demand	1.57 per KW
Additional Demand	0.79 per KW

Plus an Energy Charge of:

A. For KWH used between 6 a.m. and 10 p.m., Mon-Fri., excluding holidays:

20.15 mills per KWH for first	2,000,000 KWH per month
19.51 mills per KWH for next	2,000,000 KWH per month
18.87 mills per KWH for excess of	4,000,000 KWH per month

B. For all KWH used at other hours:

18.28 mills per KWH used per month

Reactive Demand Charge:

$.196 per RKVA

Annual Minimum: $344,694

Special Contract for Electric Service to West Virginia Pulp & Paper Co.##

Demand Charge:

Non-Interruptible	$2.82 per KVA, but not less than 10,000 KVA
Interruptible	$1.40 per KVA

Plus an Energy Charge of:

First	150 KWH per KVA of Maximum demand @ 19.49 mills per KWH
Next	150 KWH per KVA of Maximum demand @ 18.85 mills per KWH
Excess of	300 KWH per KVA of Maximum demand @ 18.27 mills per KWH

Annual Minimum:

$33.84 per KVA of maximum non-interruptible demand
$16.80 per KVA of maximum interruptible demand but not less than $590,700 per said 12 month period.

##An additional charge or credit will be made on the kilowatt-hours purchased by the customer in accordance with the fuel clause.