

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

RATE ADJUSTMENT OF BIG SANDY)
RURAL ELECTRIC COOPERATIVE) CASE NO. 8993
CORPORATION)

O R D E R

On March 30, 1984, Big Sandy Rural Electric Cooperative Corporation ("Big Sandy") filed an application with this Commission wherein it proposed an adjustment in its rates to produce additional annual revenues of \$371,478, representing an increase of 4.5 percent. Big Sandy stated that the additional revenue was necessary to maintain its financial integrity and proposed that the increased rates become effective for service rendered on and after April 20, 1984.

In order to determine the reasonableness of the requested increase, the Commission suspended the proposed rates until September 20, 1984. On August 7, 1984, a public hearing was held in this matter at the Commission's offices in Frankfort, Kentucky. The Consumer Protection Division of the Office of the Attorney General ("AG") was the only party to intervene in this proceeding. All requested information pertaining to this case has been filed. Based upon the determination herein, Big Sandy will be allowed to adjust its rates to produce additional annual revenues of \$228,905, reflecting an increase of 2.77 percent above test-period normalized revenues.

COMMENTARY

Big Sandy is a consumer-owned rural electric cooperative engaged in the distribution and sale of electric energy to approximately 9,370 member-consumers in the Kentucky counties of Floyd, Johnson, Martin, Lawrence, Knott, Breathitt and Morgan. Big Sandy purchases all of its power from East Kentucky Power Cooperative Inc. ("EKP").

TEST PERIOD

Big Sandy proposed, and the Commission has accepted, the 12-month period ended December 31, 1983, as the test period for determining the reasonableness of the proposed rates. In utilizing the historic test period, the Commission has given full consideration to appropriate known and measurable changes.

VALUATION

In its application, Big Sandy proposed a net investment rate base of \$7,633,739. Big Sandy subsequently adjusted this amount to include in the reserve for depreciation the amount of the proposed increase to test-period depreciation expense¹ and to exclude from the working capital allowance the amount of proposed interest on long-term debt.² These adjustments resulted in an amended net investment rate base of \$7,580,089. The Commission concurs with this proposal with the following modifications:

¹ Response to Commission's Information Request dated July 16, 1984, Item No. 12.

² Response to Commission's Information Request dated June 5, 1984, Item No. 9.

In its determination of the rate base, Big Sandy proposed the inclusion of the test-year-end balance of prepayments, as well as a 12-month average balance of materials and supplies. Historically, the Commission has determined the net investment rate base using a 13-month average balance for each of these items and has, in this instance, adjusted Big Sandy's rate base accordingly. In addition, the Commission has computed the amount of working capital included in Big Sandy's net investment on the basis of one-eighth of the out-of-pocket pro forma expenses exclusive of depreciation, taxes, and other deductions as found reasonable herein.

Based upon the Commission's adjustments, Big Sandy's net investment rate base for rate-making purposes is as follows:

Utility Plant in Service	\$10,339,993
Construction Work in Progress	5,791
Total Utility Plant	<u>\$10,345,784</u>
Add:	
Materials and Supplies	\$ 145,418
Prepayments	25,761
Working Capital	135,294
Subtotal	<u>\$ 306,473</u>
Deduct:	
Accumulated Depreciation	\$ 3,060,642
Customer Advances for Construction	537
Subtotal	<u>\$ 3,061,179</u>
Net Investment	<u><u>\$ 7,591,078</u></u>

Capital Structure

Big Sandy reported a test-year-end capital structure of \$9,441,596 which was comprised of \$3,788,821 in equity and \$5,652,775 in long-term debt. In determining its pro forma capital structure, Big Sandy proposed an equity adjustment of \$71,921

to reduce the value of the accumulated capital credits assigned by the various associated organizations of which Big Sandy retains membership. In support of this adjustment Big Sandy cited the limited amount of payments received in association with these assignments, and therefore, maintained that future payments were considered unlikely. In addition, Big Sandy provided copies of correspondence from the various organizations notifying Big Sandy of the amount of cash payments it was or was not to receive from each organization.³ Included in this information was a letter dated December 30, 1980, from Consumers Credit Rural Electric Cooperative Corporation, Inc., ("Consumers Credit") informing Big Sandy of the phasing-down of Consumers Credit's active operations and advising a write-down of any associated capital credits recorded on Big Sandy's books of account.

In its consideration of Big Sandy's arguments regarding the adjustment of the balance of these accumulated credits, the Commission is not persuaded that these items have no value or will never be paid. Big Sandy has received payments from these organizations as recently as 1978-1983.⁴ In addition, the Uniform System of Accounts for Rural Electric Cooperatives, as well as generally accepted accounting principles, recognize that these capital credits should be included for financial reporting purposes. Moreover, Big Sandy's primary lenders have always

³ Response to information requested at hearing of August 7, 1984, Item No. 7.

⁴ Ibid.

recognized these credits as income in determining compliance with mortgage requirements.

With regard to the credits assigned by Consumers Credit, the Commission notes that an examination of Big Sandy's annual reports for the years 1981, 1982 and 1983 revealed that the balance of credits assigned by this organization was being maintained by Big Sandy irrespective of the December 30, 1980, correspondence advising write-down of these amounts. Therefore, for rate-making purposes, the Commission does not accept the adjustment proposed by Big Sandy to reduce the value of the \$71,921 amount of capital credits assigned by associated organizations.

Big Sandy also proposed to increase its total capitalization by \$420,000 to reflect its draw down of long-term debt funds subsequent to the end of the test period. In accordance with the concept of a historical test period and the matching of revenue, investment, and capital, the Commission has not accepted this proposed adjustment. This subject is addressed further in this Order in the section entitled Interest Expense.

The Commission finds from the evidence of record that for rate-making purposes Big Sandy's capital structure at the end of the test period was \$8,562,394, consisting of \$2,909,618 in equity and \$5,652,776 in long-term debt. In its determination of this level of capital, the Commission has excluded generation and transmission capital credit assignments in the amount of \$879,203.

REVENUES AND EXPENSES

Big Sandy proposed several adjustments to its test period revenues and expenses to reflect more current and anticipated

operating conditions. The Commission finds the proposed adjustments to be generally proper and acceptable for rate-making purposes with the following modifications:

Revenue Normalization

Big Sandy proposed an adjustment to normalize its test period revenues in the amount of \$398,786. An examination of Big Sandy's test-period billing analysis revealed that discounts applicable to Schedules LP and LPR had not been excluded in Big Sandy's calculation of test-period normalized revenues. Big Sandy determined the total amounts of these discounts to be \$21,973, and indicated that these amounts should have been excluded from normalized revenues.⁵ The Commission concurs with these calculations and has reduced Big Sandy's normalized revenues by the \$21,973 amount, resulting in total test-period normalized revenues of \$8,256,403.

Wages and Salaries

Big Sandy proposed an adjustment to increase its operating expenses by \$13,960 to reflect the normalized level of test period wages and salaries, as well as out-of-period wage increases made effective January 1, 1984. During the test period, Big Sandy granted increases of 8 percent to its salaried and non-union hourly personnel and a cumulative increase of 10 percent to its union personnel. Big Sandy's out-of-period wage proposals reflected increases of 5 percent for salaried and union employees and increases ranging from 8 to 12.7 percent for hourly non-union

⁵ Ibid., Item No. 4.

employees. The Commission finds that increases of this magnitude are unreasonably high under present economic conditions, and is of the opinion that Big Sandy's customers should not be required to absorb the full amount of such increases.

Recent economic trends, such as the decline in inflation and continued high unemployment, have resulted in wage settlements in many of the nation's non-regulated industries that reflect a greater concern for job security than for large wage increases. In the negotiation of such settlements, the Consumer Price Index ("CPI"), a primary measure of inflation, is frequently utilized as a basis for the determination of equitable wage increases. As a result, the Commission considers the CPI to be a useful component in the analysis of the wage and salary adjustments proposed in utility rate cases.

On January 1, 1983, Big Sandy granted wage increases of 8 percent to its non-union employees and 7 percent to union employees. At the time of these increases the CPI was measured at a level of approximately 4 percent on an annual basis. On July 1, 1983, an additional increase of 3 percent was granted to union employees, at which time the CPI was at an annual level of 2.2 percent. The CPI was approximately 3.25 percent at January 1, 1984, the date at which Big Sandy granted the 5 percent increases to union and salaried employees and the 8 to 12.7 percent increases to hourly non-union employees. In consideration of these increases relative to the rate of inflation during the test period, the Commission finds it unreasonable for Big Sandy to

ignore economic realities and expect to recover such amounts through increased rates to its consumers.

The Commission is of the opinion that, given the level of inflation experienced during the test period, the maximum amount of test-period wage increases that should be passed on to Big Sandy's consumers is 5 percent. Moreover, the Commission finds that a 5 percent out-of-period wage increase is reasonable and adequate in consideration of current economic factors. Therefore, the Commission has adjusted Big Sandy's test-period wages to reflect a 5 percent wage increase at January 1, 1983, based on actual test-period wages, as well as a 5 percent out-of-period increase at January 1, 1984, based on test-period annualized wages. These adjustments result in adjusted test-period wages and salaries of \$778,755, representing a decrease of \$15,944 below actual test-period wages and salaries. To reflect the expense portion of this adjustment, the Commission has reduced Big Sandy's operating expenses by \$10,598.

Advertising Expenses

During the test period, Big Sandy reported total advertising expense of \$6,663 as having been incurred. Of this total, an amount of \$1,086 was classified as complimentary advertising, whereas the remaining \$5,577 represented expenditures for advertising of an informative nature. According to Big Sandy's application, the \$1,086 expense amount was composed of newspaper advertisements, telephone yellow pages advertisements, and other complimentary items. At the hearing of August 7, 1984, Mr. Don Combs, staff assistant at Big Sandy, testified that the newspaper

advertisements consisted of a church directory sponsored by Big Sandy and other area businesses.⁶

The Commission is of the opinion that the expenditures associated with these advertisements, as well as the other complimentary items, constitute promotional advertising, and, as such, do not produce any material benefit to Big Sandy's consumers. Therefore, the Commission finds, in accordance with Section 4 of 807 KAR 5:016, that the \$1,086 amount of advertising expenditures should be disallowed for rate-making purposes and has reduced Big Sandy's test-period operating expense by this amount.

Director Fees and Expenses

During the test period Big Sandy reported expense of \$22,633 as having been incurred in association with payments to the members of its board of directors. This amount represented the per diem allowance paid to board members for attendance at board and other meetings, as well as reimbursements for actual expenses incurred in association with these meetings. In addition, in November, 1983, Big Sandy eliminated the per diem allowance paid for attendance at outside meetings and increased from \$100 to \$150 the per diem allowance paid for Big Sandy's monthly board meetings.

According to the application, a total amount of \$3,250 was paid to board members as fees for attending meetings other than Big Sandy's regular board meetings. Big Sandy stated that these fees were intended to partially offset the loss of income that the

⁶ Transcript of Evidence ("T.E."), August 7, 1984, pp. 11-12.

board members would incur while on official business of the cooperative and away from their respective jobs.

The Commission is of the opinion that the per diem allowance for attendance at meetings other than Big Sandy's board meetings is excessive and the cost thereof should not be absorbed by Big Sandy's customers. In determining the allowable amount of director's expenses, the Commission has decreased the test-period amount by \$3,250 to reflect the disallowance of outside meeting fees, and has increased the test-period expense by \$1,800 to reflect the annualization of the November, 1983, increase in the per diem allowance for Big Sandy's board meetings. The result of these two adjustments is a \$1,450 net reduction in Big Sandy's test-period operating expense.

Payroll Withholding Taxes

Big Sandy proposed an adjustment to increase its test-period operating expenses by \$2,956 to reflect the amount of social security taxes, federal unemployment taxes and state unemployment taxes associated with its pro forma wages and salaries. In determining the amount of withholding taxes to be allowed for rate-making purposes, the Commission has based its calculations on the amount of wages and salaries found reasonable herein, resulting in a \$1,009 increase to Big Sandy's test-period operating expenses.

Interest Expense

Big Sandy proposed an adjustment of \$42,213 to annualize interest expense on long-term debt outstanding at the end of the

test period and to reflect the interest on loan funds of \$420,000 drawn down 2 months after the close of the test year.

In recent years in rural electric cooperative rate cases, the Commission has allowed interest expense on debt issued subsequent to the test period. This practice was implemented in 1980 under the authority of the Energy Regulatory Commission in order to provide an additional cushion to offset the record-high rate of inflation and to eliminate the need for annual rate increases. The inclusion of the additional interest cost in the determination of revenue requirements better enabled the cooperatives to meet the earnings requirements of their primary lenders.

The Commission's past practice of allowing the interest on debt drawn down after the end of the test year results in a mismatch of revenues and expenses because no adjustments have been made to update revenues and expenses for additional customers or to reflect the income from additional funds available for investment. The Commission recognizes that the use of a historic test year, coupled with the construction and financing practices of cooperatives, results in a less-than-ideal matching of capital, revenues, and investments. However, the adjustment to interest expense proposed by Big Sandy would worsen, rather than improve, this mismatch. Big Sandy's adjusted test-year-end capitalization exceeds its rate base by \$971,316, and if the Commission were to increase Big Sandy's capitalization to reflect the additional long-term debt drawn down after the test year, the disparity between the rate base and the capital structure would be even greater.

Without recognizing the effects of the revenues generated from the new facilities, as well as the increased income from additional temporary cash investments, the inclusion of the post-test-period interest expense in the determination of revenue requirements would result in excessive rates for Big Sandy's customers. Such a revenue requirement determination would be inconsistent with the matching concept applied to other utilities regulated by this Commission and would result in discriminatory rate-making practices. Therefore, the Commission is of the opinion that the proposed adjustment to include interest on loan funds drawn down subsequent to the end of the test period should be denied. The Commission has included in its determination of Big Sandy's revenue requirements the annual interest expense based on the balance of long-term debt outstanding at the end of the test period which results in a decrease of \$1,068 from the amount of actual test-period expense.

After consideration of the aforementioned adjustments, the Commission finds Big Sandy's test period operations to be:

	<u>Actual Test Period</u>	<u>Pro Forma Adjustments</u>	<u>Adjusted Test Period</u>
Operating Revenues	\$8,318,961	\$ 148,195	\$8,467,156
Operating Expenses	<u>8,008,448</u>	<u>162,681</u>	<u>8,171,129</u>
Operating Income	\$ 310,513	\$ <14,486>	\$ 296,027
Interest on Long-Term Debt	279,179	<1,068>	278,111
Other Income and <Deductions>	<u>572,808</u>	<u><499,313></u>	<u>73,495</u>
Net Income	<u>\$ 604,142</u>	<u>\$ <512,731></u>	<u>\$ 91,411</u>

REVENUE REQUIREMENTS

The actual rate of return on Big Sandy's net investment established for the test year was 4.1 percent. After consideration of the Commission's pro forma adjustments to test period revenues and expenses, Big Sandy would realize a rate of return of 3.9 percent. In its application, Big Sandy requested rates that would produce a rate of return of 8.6 percent and a Times Interest Earned Ratio ("TIER") of 2.25X.

During the test period, Big Sandy achieved an actual TIER of 1.38X, whereas, for the years 1982 and 1981, Big Sandy achieved TIER levels of 2.06X and 2.34X, respectively. Based upon the pro forma adjustments allowed herein, Big Sandy would realize a TIER of 1.33X without an increase in revenues. The above-mentioned ratios have been determined on the basis of the earnings of Big Sandy exclusive of the generating and transmission capital credits assigned by EKP.

In recent cases involving electric cooperatives, the Commission has generally allowed a TIER of 2.25 to provide an attrition allowance above the 1.50 TIER required by the lenders of cooperatives. In April, 1981, in Case No. 8021, The Adjustment of Rates of Big Sandy Rural Electric Cooperative Corporation, the Commission granted Big Sandy a rate of return of 7.09 percent which provided a TIER of 2.25X. Based on the TIER granted in that case, Big Sandy has achieved a TIER in excess of 1.5X in each of the 2 years prior to the test period.

In recent months, recognizing the significant drop in the rate of inflation and the overall improvement in economic

conditions, the Commission has lowered the rates of return allowed in rate cases involving other utilities. In accordance with these recent decisions, the Commission is of the opinion that Big Sandy's rate of return and TIER should be reduced from the levels granted in 1981. Although Big Sandy experienced a decline in earnings over the past 2 years, its equity position continues to improve. Exclusive of EKP capital credits, Big Sandy's equity ratio was 34 percent at the end of the test year. In 1981, as determined in Big Sandy's last rate case, this ratio was 29.7 percent. Therefore, the Commission is of the opinion that Big Sandy's revenue requirements should be based upon a TIER of 2.15X. This TIER level represents a decrease from Big Sandy's last rate case; however, in consideration of Big Sandy's earning's performance and equity position, this is a smaller decrease than has been ordered in other recent cases.

Therefore, based upon the record in this case and the reasons cited herein, the Commission has determined that a rate of return of 6.9 percent should be granted in this case. In order to achieve this rate of return, Big Sandy should be allowed to increase its annual revenue by \$228,905, which will result in a TIER of 2.15X. This additional revenue will produce net income of \$524,932, which should be sufficient to meet the requirements of Big Sandy's mortgages securing its long-term debt.

REVENUE ALLOCATION AND RATE DESIGN

Big Sandy proposed allocating the revenue increase to each rate class by approximately equal percentage increases. In allocating this increase Big Sandy proposed to leave the customer

charge for each rate class at its present level and increase the other charges in each class by the percentage of increase. The only variation in this methodology was that Rate A-2, Small Business, would implement a new demand charge and decrease the energy charge. Big Sandy also proposed that small businesses previously billed under Rate A-1, Farm and Home, be reclassified to Rate A-2. Mr. Don Combs, Staff Assistant, for Big Sandy stated in response to an information request from the Commission that this proposed design was determined to be fair and equitable and consistent with what adjoining utilities charge.⁷ The Commission is of the opinion that the revenue allocation and rate design proposed by Big Sandy is reasonable and should be accepted.

Big Sandy proposed various language changes in its tariffs. It has proposed to change its billing and meter reading dates to coincide with those of its power supplier. Delayed payment and discontinuance of service paragraphs have been removed from the tariff pages of each class and placed in the Rules and Regulations section. Power factor adjustments that were 85 percent have been changed to 90 percent and discount rates of 10 percent that were applied to both the demand and energy charges of Rates LP and LPR have been reduced to 5 percent of the energy charge only. These and other minor wording changes have been accepted by the Commission as shown in Appendix A.

⁷ Response to Commission's June 5, 1984, Information Request, Item No. 13.

One wording change proposed by Big Sandy is not accepted by the Commission. In Rate A-2 under the Type of Service paragraph the wording "at a standard voltage" should be specified as it is in the present tariff; therefore, this change in wording should not be allowed.

At the hearing Mr. Hubert Vicars, consulting engineer for Central Associated Engineers, Inc., specified that language shown under paragraph two in the Conditions of Service section of Rate LP concerning the registration of two demand meters was incorrect.⁸ Big Sandy filed a copy of the LP tariff on August 21, 1984, with corrected wording. The Commission has accepted this revision as shown in Appendix A.

SUMMARY

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

1. The rates in Appendix A are the fair, just and reasonable rates for Big Sandy and will produce gross annual revenues of approximately \$8,485,308.
2. The rates and charges proposed by Big Sandy differ from those found reasonable herein and should be denied upon application of KRS 278.030.
3. The proposed rate design for Rate A-2 should be accepted.

⁸ T.E., August 7, 1984, p. 65.

4. Big Sandy's proposed methodology for allocating the revenue increase is fair, just and reasonable and should be applied in this case.

5. Big Sandy's proposed changes in language and terminology in its tariffs should be accepted with the exception of those mentioned in the Type of Service paragraph of Rate A-2. The wording of this paragraph should remain as it is presently stated.

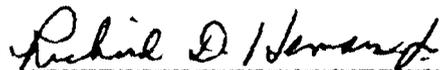
IT IS THEREFORE ORDERED that the rates and text in Appendix A be and they hereby are approved for service rendered on and after the date of this Order.

IT IS FURTHER ORDERED that the rates proposed by Big Sandy be and they hereby are denied.

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

Done at Frankfort, Kentucky, this 20th day of September, 1984.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO 8993 DATED 9/20/84

The following rates and charges are prescribed for the customers in the area served by Big Sandy Rural Electric Cooperative Corporation. 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 effective date of this Order.

SCHEDULE A-1 FARM AND HOME

AVAILABILITY OF SERVICE:

Available to members of this Cooperative for Farm and Home use having a required transformer capacity not to exceed 50 KVA, subject to all rules and regulations established by the Cooperative.

RATES:

Customer charge per delivery point	\$5.00	Per Month
Energy charge per KWH	.06154	Per KWH

MINIMUM CHARGES:

The minimum monthly charge under the above rate is \$5.00. For members requiring more than 15 KVA of transformer capacity, the minimum monthly charge shall be increased at the rate of 75 cents for each additional KVA or fraction thereof required.

TERMS OF PAYMENT:

All of the above rates are net, the gross rates being ten percent (10%) higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.

SPECIAL RULES:

- A. The rated capacity of a single-phase motor shall not be in excess of ten horsepower (10 hp).
- B. Motors having a rated capacity in excess of ten horsepower (10 hp) must be three-phase.
- C. Service under this schedule is limited to customers whose load requirements can be met by transformers having a

capacity not to exceed 50 KVA. Customers requiring more than 50 KVA shall be serviced under an appropriate schedule for larger power service.

SCHEDULE A-2 COMMERCIAL AND SMALL POWER

AVAILABILITY OF SERVICE:

Available to commercial loads having a required transformer capacity not to exceed 25 KVA.

RATES:

Customer charge per delivery point	\$10.00	Per Month
Energy charge per KWH	.04769	Per KWH
Demand charge per KW	2.50	Per KW

MINIMUM MONTHLY CHARGE:

The minimum monthly charge under the above rate shall be \$10.00 where 15 KVA or less of transformer capacity is required. For consumers requiring more than 15 KVA of transformer capacity, the minimum monthly charge shall be increased at the rate of 75 cents for each additional KVA or fraction thereof required.

TERMS OF PAYMENT:

All of the above rates are net, the gross rates being ten percent (10%) higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.

SCHEDULE LP-LARGE POWER SERVICE

AVAILABILITY OF SERVICE:

Available to customers located on or near Seller's three-phase lines having a required transformer capacity NOT to exceed 750 KVA, subject to the established rules and regulations of Seller.

RATES:

Customer charge per delivery point	\$50.00	Per Month
Energy charge per KWH	.04655	Per KWH
Demand charge per KW	5.10	Per KW

POWER FACTOR ADJUSTMENT:

The customer agrees to maintain unity power factor as nearly as practicable. Should the demand meter indicate that the average power factor is less than ninety percent (90%), the demand for billing purposes shall be the demand as indicated or recorded by the demand meter multiplied by ninety percent (90%) and divided by the percentage power factor.

TYPE OF SERVICE:

Three-phase, 60 hertz, at Seller's standard voltages.

CONDITIONS OF SERVICE:

1. Motors having a rated capacity in excess of ten horsepower (10 hp) must be three-phase.
2. Both power and lighting shall be billed at the foregoing rate. If a separate meter is required for the lighting circuit, it shall be a kilowatt-hour meter only (not a demand meter). The registrations of the two kilowatt-hour meters shall be added to obtain the total kilowatt hours used and the registration of the one demand meter shall determine the kilowatt demand for billing purposes.
3. All wiring, pole lines, and other electrical equipment beyond the metering point, shall be considered the distribution system of the customer and shall be furnished and maintained by the customer.
4. If service is furnished at primary distribution voltage, a discount of five percent (5%) shall apply to the energy charges, and if the minimum charge is based on transformer capacity, a discount of five percent (5%) shall also apply to the minimum charge. However, the Seller shall have the option of metering at secondary voltage and adding the estimated transformer losses to the metered kilowatt hours and kilowatt demand.

TERMS OF PAYMENT:

All of the above rates are net, the gross rates being ten percent (10%) higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.

SCHEDULE LPR - LARGE POWER RATE

AVAILABILITY OF SERVICE:

Available to all commercial and industrial customers whose power requirements shall exceed 750 KVA of transformer capacity.

CHARACTER OF SERVICE:

The electric service furnished under this schedule will be 60 hertz, alternating current and at available nominal voltage.

RATE:

Customer charge per delivery point	\$75.00	Per Month
Energy charge per KWH	.04419	Per KWH
Demand charge per KW	5.10	Per KW

POWER FACTOR ADJUSTMENT:

The customer agrees to maintain unity power factor as nearly as practicable. Should the demand meter indicate that the average power factor is less than ninety percent (90%), the demand for billing purposes shall be the demand as indicated or recorded by the demand meter multiplied by ninety percent (90%) and divided by the percentage power factor.

SPECIAL PROVISIONS:

1. **Delivery Point** - If service is furnished at secondary voltage, the delivery point shall be the metering point unless otherwise specified in the contract for service. All wiring, pole lines, and other electric equipment on the load side of the delivery point shall be owned and maintained by the customer. If service is furnished at Seller's primary line voltage, the delivery point shall be the point of attachment of Seller's primary line to customer's transformer structure unless otherwise specified in the contract for service. All wiring, pole lines, and other electrical equipment (except metering equipment on the load side of the delivery point) shall be owned and maintained by the customer.
2. **Lighting** - Both power and lighting shall be billed at the foregoing rate.
3. **Primary service** - If service is furnished at 7620/13200 volts or above, a discount of five percent (5%) shall apply to the Energy charges.

The Seller shall have the option of metering at secondary voltage and adding the estimated transformer losses to the metered kilowatt hours and kilowatt demand.

TERMS OF PAYMENT:

All of the above rates are net, the gross rates being ten percent (10%) higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.

SCHEDULE YL-1 YARD SECURITY LIGHT SERVICE

RATES:

Flat rate per light per month as follows:

(a)	175 Watt	@	\$5.31	Per Month
(b)	400 Watt	@	8.21	Per Month
(c)	500 Watt	@	10.11	Per Month
(d)	1,500 Watt	@	22.11	Per Month

TERMS OF PAYMENT:

All of the above rates are net, the gross rates being ten percent (10%) higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.

SCHEDULE A-1 FARM AND HOME TOD

RATES:

ON-PEAK RATE:

Service Charge	\$5.00
All kWh/Mo.	.06139

OFF-PEAK RATE:

All kWh/Mo.	\$.03683
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DELAYED PAYMENT CHARGE:

In the event the current monthly bill is not paid by the 30th of the following month for which service is rendered, the service shall be discontinued and a reconnect or service charge of fifteen dollars (\$15.00), in addition to the bill for service, shall be made prior to the restoration of service. This charge shall be made whether or not the service is physically disconnected. The Cooperative shall require a cash payment prior to restoration of service after the 30th day of the following month for which service is received. If the current monthly bill is not paid within fifteen (15) days from the date of the bill, ten percent (10%) will be added to the bill.

RULES AND REGULATIONS

13. SPECIAL TEMPORARY SERVICE:

Facilities that are temporary in nature such as for construction contractors, sawmills, oil wells, carnivals, etc., will be provided to consumers desiring such facilities, provided they pay an advance fee equal to the reasonable cost of providing and removing such facilities.

16. DISCONTINUANCE AND REFUSAL OF SERVICE BY THE COOPERATIVE:

The Cooperative may discontinue service of all classifications under the following conditions:

(a) Fraudulent or illegal use of service.

(b) In the event the current monthly bill is not paid by the 30th of the following month for which service is rendered, the service shall be discontinued and a reconnect or service charge of fifteen dollars (\$15.00), in addition to the bill for service, shall be made prior to the restoration of service. This charge shall be made whether or not the service is physically disconnected. The Cooperative shall require a cash payment prior to restoration of service after the 30th day of the following month for which service is received.

If discontinuance is for non-payment of bills, the customer shall be given at least ten (10) days written notice separate from the original bill and cut-off shall be effected not less than twenty-seven (27) days after the mailing date of the original bill, unless, prior to discontinuance, a residential customer presents to the utility a written certificate, signed by a physician, registered nurse, or public health officer, that such discontinuance will aggravate an existing illness or infirmity on the affected premises, in which case discontinuance may be effected not less than thirty (30) days from the date the utility notifies the customer, in writing, of local, state and federal programs which may be available to aid in payment of bills and the office to contact for such possible assistance.

When the following conditions exist, the Cooperative may refuse service:

- (a) Non-compliance with Cooperative's rules and regulations.
- (b) When dangerous conditions are found to exist.
- (c) When an applicant or consumer refused to provide reasonable access to premises.
- (d) When an applicant or consumer is indebted to the Cooperative for services furnished, until indebtedness is paid.
- (e) Non-compliance with state, local, and other codes, rules and regulations that are applicable to providing service.

If an application is received by a person residing with a delinquent consumer at the premises where power was supplied to the delinquent consumer, the application will be denied on the grounds that the applicant is applying as the agent of the delinquent consumer with the intent to defraud or make misrepresentation to the Co-op. If the application is accepted before the facts are established the membership of the agent applicant will be cancelled and the deposit, if any, applied to the delinquent consumer's account.

24. BILLING:

Consumers will receive statements for electric service on or about the 1st of each month for services rendered for the previous month. All bills are due on the 10th day of each month and no later than the 15th of each month. Failure to receive a bill will not release the consumer from payment obligation. Should the statement not be paid within fifteen (15) days of the date of mailing, the member will receive a delinquent notice that if payment of bill is not received by the 30th of the month, electric service is subject to discontinuance. All delinquent accounts shall be subject to the gross rates.

27. METER READING:

Each consumer receiving service will read his meter the first of each month. In the event that the consumer fails to read the meter as outlined or fails to notify the Cooperative office for two successive months, the Cooperative will read same meter and bill the consumer fifteen dollars (\$15.00) for this service.