

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LICKING VALLEY)
RURAL ELECTRIC COOPERATIVE CORPORATION)
OF WEST LIBERTY, KENTUCKY, FOR AN) CASE NO. 9475
ORDER AUTHORIZING AN ADJUSTMENT IN ITS)
RETAIL RATES, APPLICABLE TO ALL CUSTOMERS)

O R D E R

Licking Valley Rural Electric Cooperative Corporation ("Licking Valley") filed an application on January 28, 1986, for an adjustment of rates to increase its annual revenue.

Licking Valley is a consumer-owned rural electric cooperative engaged in the distribution and sale of electric energy to approximately 12,207 customers in the Kentucky counties of Breathitt, Lee, Magoffin, Menifee, Morgan and Wolfe.

After timely notice, a hearing was held on May 20, 1986, with the Consumer Protection Division of the Attorney General's Office ("AG") as the only party to intervene in the proceeding.

Licking Valley stated in the Application that the proposed rates would increase gross revenue by approximately \$640,000. However, the Commission has determined that the tariffs proposed by Licking Valley will produce additional gross revenue in excess of \$640,000. Licking Valley incorrectly determined the normalization adjustment to actual test-year operating revenue, basing the calculations upon the rate design proposed in this case. In order to accurately evaluate the effect of a rate increase, this adjustment must be determined by comparing the revenues that would

be produced by the proposed tariffs to the actual test-year operating revenues, normalized using the current rates and charges. Furthermore, Licking Valley incorrectly computed the revenues that would be produced by the proposed tariffs. Using the above method, the Commission has determined that the additional gross revenue provided by the basic rates proposed by Licking Valley would be \$688,888. In addition, Licking Valley failed to include the revenue effect of proposed tariff changes in the fees for non-recurring miscellaneous service charges. The additional operating revenues that would be provided by the proposed tariff changes in these fees is \$30,853. Therefore, the additional gross operating revenue that would result from Licking Valley's proposed tariff changes is \$719,741, an increase of 7.65 percent over normalized test-year operating revenue. Based upon the adjustments, modifications and determination herein, Licking Valley has been granted an increase of \$587,323, or 6.24 percent.

TEST PERIOD

Licking Valley proposed and the Commission has accepted as a test period for determining revenue and rates for the future the 12-month period ending October 31, 1985. To make this historical test period more reflective of expected future needs the Commission has given consideration to appropriate known and measurable changes.

VALUATION

Net Investment

Licking Valley proposed a net investment rate base of \$11,732,374. The following modifications have been made by the Commission:

The Commission has used a 13-month average to determine the level of materials and supplies, and prepayments to be included in net investment, and the actual end-of-test period balances of construction work in progress and accumulated depreciation.

Licking Valley's proposed inclusion of an allowance for working capital of 1/8 of adjusted test-year operation and maintenance expenses, exclusive of depreciation, taxes and other deductions has been accepted, but recalculated to reflect the other pro forma adjustments found reasonable herein.

Based on these adjustments Licking Valley's net investment rate base for rate-making purposes is as follows:

Utility Plant-in-Service	\$15,595,991
Construction Work in Progress	49,770
Total Utility Plant	<u>\$15,645,761</u>
ADD:	
Materials and Supplies	\$ 206,611
Prepayments	65,921
Working Capital	207,123
Subtotal	<u>\$ 479,655</u>
DEDUCT:	
Accumulated Depreciation	\$ 4,253,053
Customer Advances for Construction	139,656
Subtotal	<u>\$ 4,392,709</u>
NET INVESTMENT	<u><u>\$11,732,707</u></u>

Capital Structure

The Commission finds, from the evidence of record, that Licking Valley's capital structure at test year-end for rate-making purposes was \$13,980,420 and consisted of \$4,922,690 in equity and \$9,057,730 in long-term debt. In this determination of the capital structure, Licking Valley and the Commission have both excluded GTCC assignments in the amount of \$1,131,968.

Licking Valley proposed to add \$505,263 to equity to reflect the proposed revenue and expense adjustments requested in this application. In its determination of rate base and capital structure, the Commission attempts to match revenues, investment and capital based on test year-end. This equity adjustment proposed by Licking Valley goes beyond the end of the test period and should not, therefore, be included for rate-making purposes as it would create a mismatch between rate base, capital, revenues and expenses.

REVENUES AND EXPENSES

Licking Valley proposed several adjustments to revenues and expenses to reflect current and anticipated operating conditions. The Commission finds the proposed adjustments are generally proper and acceptable for rate-making purposes, with the following modifications:

Revenue Normalization

The Commission is of the opinion that normalization adjustments should be made to operating revenues and purchased power expenses based on the most current rates and charges, and to remove any effect of the Fuel Adjustment Clause ("FAC").

Therefore, the Commission has used Licking Valley's present rate design to make a normalization adjustment of \$247,566 decreasing revenue from basic rates and has made an upward adjustment of \$184,227 to remove the effect of the negative FAC charge. The net effect of these adjustments reduces operating revenue by \$63,339 from \$9,472,608 to \$9,409,269.

Purchased Power Normalization

The Commission has made an adjustment of \$235,274 to decrease purchased power expense because of a decrease in its wholesale rates occurring prior to the end of the test year. In addition, an upward adjustment of \$236,617 has been made to remove the effect of the FAC. The net effect of these adjustments increases purchased power expenses by \$1,343 from \$6,785,620 to \$6,786,963.

Depreciation

Licking Valley proposed an adjustment of \$10,498 to normalize depreciation expense to reflect the level of plant-in-service at the end of the test period. Licking Valley, in response to the Commission's Information Request No. 3,¹ recomputed this adjustment which resulted in an increase to test year depreciation of \$15,912 and an increase to clearing accounts expense of \$6,184. The Commission concurs with the modified adjustments in that they are consistent with the Commission's normal treatment of depreciation expense for rate-making purposes, and has included them herein for rate-making purposes.

¹ Response to Commission's Information Request No. 3, dated April 29, 1986, Exhibit 2, page 1.

Employee Benefits

Licking Valley proposed an adjustment to increase the level of employee benefits expenses by \$10,634. This amount was the net result of adjustments to three components of the benefits: retirement insurance; the National Rural Electric Cooperative Association ("NRECA") savings plan; and group health insurance.

Since the costs for retirement insurance and the NRECA savings plan are determined by Licking Valley's wage level, the Commission has recalculated these adjustments using the base payroll as determined from Licking Valley's normalized payroll adjustment. Licking Valley concurred in this methodology at the public hearing.² The result of the recalculation of each of the benefits is as follows:

Retirement Insurance - During the test year, Licking Valley charged \$57,184³ to retirement insurance expense and changed its contribution rate from 7 percent to 9 percent. Using a base payroll level of \$975,131 the Commission has determined that the test period expense for retirement insurance should be increased by \$5,127.

NRECA Savings Plan - During the test year, Licking Valley charged \$8,736⁴ to expenses for the savings plan. The Commission has recalculated this adjustment using the base payroll of

² Hearing Transcript, May 20, 1986, pages 63-64.

³ Response to Commission's Information Request No. 3, dated April 29, 1986, Exhibit 4, page 2.

⁴ Ibid., page 4.

\$975,131 and has determined that the test period expense for the savings plan should be increased by \$5,111.

Group Health Insurance - Licking Valley changed health insurance carriers effective November 1985. This change resulted in a savings of \$14,617. Based on a test-year expense factor of 71 percent, this expense has been decreased by \$10,378.

The net result of the adjustments, in the three items discussed above, represents a decrease of \$140 to the test-year level of employee benefits expenses.

Property Taxes

Licking Valley reported test-year property tax expense of \$70,907. The assessment date for property tax purposes is December 31 of each year. In this case, the Commission has determined that an adjustment to property taxes should be calculated by applying the 1985 tax rate to the assessment for each taxing district as of December 31, 1986. Based upon the information filed in this case, the Commission has determined that property tax expense should be increased by \$13,412 to a level of \$84,319.

General Insurance

Licking Valley proposed an adjustment to increase general insurance expense by \$21,558. During this proceeding, Licking Valley proposed to increase this adjustment by \$4,751 based upon more current information.⁵ Because of errors in Licking Valley's original calculation, the Commission has recomputed this

⁵ Response to Commission's Information Request No. 2, dated March 26, 1986, Exhibit 7, page 1.

adjustment based upon information filed by Licking Valley in response to the Commission's Information Request No. 3.⁶ As a result, the Commission has increased general insurance expense by \$28,803 to a level of \$64,146.

Directors and Attorney's Fees

During the test year, Licking Valley increased the monthly fee for directors and the attorney's retainer. In addition, two directors retired. To reflect the net result of these changes, Licking Valley has proposed an increase to expenses of \$1,300.

The test year expense included payments for Christmas gifts for seven directors and the attorney for 2 years. In determining the allowable expense adjustment, the Commission has disallowed, for rate-making purposes, \$400 paid for Christmas gifts. The Commission finds that this amount represents duplicate payments and should be excluded from the normal test period expenses. The Commission has, therefore, increased expenses by \$900.

The effect of the accepted pro forma adjustments of Licking Valley's net income is as follows:

	<u>Actual Test Year</u>	<u>Pro Forma Adjustments</u>	<u>Adjusted Test Year</u>
Operating Revenues	\$9,472,608	\$ <63,339>	\$9,409,269
Operating Expenses	<u>8,930,968</u>	<u>106,951</u>	<u>9,037,919</u>
Operating Income	\$ 541,640	\$ <170,290>	\$ 371,350
Interest on Long-Term Debt	504,311	38,534	542,845
Other Income/ (Deductions) Net	<u>125,090</u>	<u>1,927</u>	<u>127,017</u>
NET INCOME	<u>\$ 162,419</u>	<u>\$ <206,897></u>	<u>\$ <44,478></u>

⁶ Response to Commission's Information Request No. 3, dated April 29, 1986, Exhibit 9, page 1.

REVENUE REQUIREMENTS

The actual rate of return earned on Licking Valley's net investment rate base for the test period was 4.62 percent. In the Application, Licking Valley stated that it was requesting rates that would result in a Times Interest Earned Ratio ("TIER") of 2.25X; however, Licking Valley actually requested rates that would produce a rate of return of 10.00 percent and a TIER of 2.40X. Licking Valley stated that these earnings levels were required in order to provide sufficient income to carry on operations and furnish adequate, safe and reliable electric service, to meet the increasing expenses of operations, to have adequate reserves and to have a sufficient TIER and Debt Service Coverage ("DSC") to borrow funds and to meet the requirements of its lenders.

Licking Valley's actual TIER for the test year was 1.32X and 1.53X and 1.88X for the calendar years 1983 and 1984, respectively. After taking into consideration the pro forma adjustments in this case, Licking Valley would achieve a .92X TIER without an increase in revenues. Licking Valley's equity to total asset ratio is 35.2 percent based on the capital structure approved herein. Licking Valley's DSC ratio for the test year and calendar years 1983 and 1984, was 1.55X, 1.64X and 1.89X, respectively. All of these ratios are based on the earnings of Licking Valley, exclusive of the GTCCs assigned to Licking Valley by its wholesale supplier, East Kentucky Power Cooperative ("EKP").

In 1982, Licking Valley was granted a rate of return of 8.48 percent, which provided a TIER of 2.25X. Recognizing the lowering of interest rates and the overall improvement in economic

conditions from those that existed in 1982, recent decisions involving electric cooperatives have resulted in allowed TIER levels of 2.00X reflecting the Commission's opinion that rates of return and TIER should be reduced.

Evidence was offered by Licking Valley in favor of the 2.25X TIER requested. Licking Valley's witnesses testified that a TIER of 2.00X was necessary to maintain financial integrity based on normalization of existing costs and expenses, but that a 2.25X TIER was needed to fund several activities which are not reflected in the expenses and that cannot be implemented until resources are available.⁷ According to the applicant these activities include remapping the system, complying with Environmental Protection Agency regulations on PCBs, a pole inspection program and hiring an additional crew for right-of-way clearing.

Additional testimony was presented by David J. Hedberg of the National Rural Utilities Cooperative Finance Corporation ("CFC") in support of the 2.25X TIER with exhibits showing an optimum equity level and presenting equity analyses for Licking Valley.⁸ Based on a 2.25X TIER, a 5.73 percent blended debt cost, a 7.3 percent growth rate and no capital credit rotation cycle, the optimum equity level for Licking Valley was shown to be 49 percent. Mr. Hedberg testified that, given a 2.25X TIER, this equity level could not be achieved within 10 years. The equity analysis

⁷ Response to Commission's Information Request No. 4, dated May 29, 1986, Exhibit 3.

⁸ Hedberg Testimony, Exhibits 5 and 8.

using the 2.25X TIER shows equity rising to 43.31 percent by 1996;⁹ however, this analysis includes a provision for refunding capital credits at an annual rate of 2.33 percent of equity, a provision not included in the determination of the optimum equity level.

Mr. Hedberg also testified that the Commission should be aware of Licking Valley's short-term concern of achieving a 1.5X TIER for the 1986 calendar year,¹⁰ that Licking Valley would probably not be able to produce a 1.5X TIER for 1986 if the utility is granted a TIER much below the 2.25X TIER requested herein, and would be unable to borrow any additional funds from the Rural Electrification Administration.¹¹

While the Commission is aware of this short-term target, it is also concerned about Licking Valley's long-term goals. Mr. Hedberg has stated that a 49 percent equity position would be a desirable long-term goal for Licking Valley.¹² In his prefiled testimony, he stated that the optimum equity level was a function of: the rate of growth in capitalization; the composite cost of debt; a reasonable or meaningful capital credit rotation cycle, and an acceptable TIER objective.¹³ Yet, at the public hearing,

⁹ Ibid., Exhibit 5, page 3.

¹⁰ Hearing Transcript, May 20, 1986, page 160.

¹¹ Ibid., pages 139-40.

¹² Response to Commission's Information Request No. 2, dated March 26, 1986, Exhibit 20.

¹³ Hedberg Testimony, page 26.

he testified that the optimum equity level and the rotation of capital credits have nothing to do with each other.¹⁴ The rotation of capital credits and/or price concession for member-owners is a basic principle of the cooperative form of organization. Therefore, the Commission has determined that there is no basis for the 49 percent equity level goal unless there is some provision for rotation of capital credits included.

As previously noted, Licking Valley stated that a 2.00X TIER was necessary based on a normalization of existing costs and expenses, but that a 2.25X TIER was requested because of several activities which Licking Valley cannot implement until the financial resources are available. By utilizing an adjusted historical test period, the Commission includes in the determination of revenue requirements projected operating expenses allowing for known and measurable increases to operations and maintenance expenses. Thus, the pro forma operating expenses should be representative of expected future operating costs. In the determination of revenue requirements, the Commission also allows a return which is expressed by the TIER in this case. In support of the requested TIER, Licking Valley has noted the need for funds to cover anticipated costs which are both expense and capital in nature, and which may be incurred. Licking Valley did not provide any evidence which would show that an allowed TIER of 2.00X would provide an insufficient level of cash flow to achieve its requirements for normal expansion and improvements. Therefore, the Commission

¹⁴ Hearing Transcript, May 20, 1986, page 142.

finds that the contentions of Licking Valley in support of the 2.25X TIER are not persuasive.

Based on the evidence of record and the reasons cited herein, the Commission has determined that rates calculated to produce a TIER of 2.00X should be granted in this case. In order to achieve this TIER, Licking Valley should be allowed rates to increase its annual revenue by \$587,323, for a rate of return of 8.17 percent. This additional revenue should produce net income of \$542,845 which should be sufficient to meet the requirements in Licking Valley's mortgages securing its long-term debt.

COST OF SERVICE

Licking Valley has proposed a fully distributed embedded cost of service through its witness Laurence Cope. The purpose of filing the study in this proceeding was to identify "...the revenue requirement by customer class and rate component within customer class."¹⁵ However, Licking Valley did not propose to use the cost of service in determining class revenue requirement in this proceeding but instead used it as a guideline for assisting the determination of specific rate component within the rate class. In addition to its original study, Licking Valley filed an embedded cost of service study using preliminary results from EKP's residential load research project and a Y intercept study used in allocating customer and demand costs of Licking Valley distribution system.

¹⁵ Prefiled Testimony of Lawrence B. Cope, page 5.

The Commission in reviewing the proposed cost of service study continues to have serious reservations with any cost of service study which is not based on statistically valid load research data. Without statistically acceptable load data the results of any cost of study are of only limited use in class revenue allocation and the design of cost based rates. In this study Licking Valley has relied extensively on its estimates of coincidence factors and average monthly demand to estimate coincident demand for the classes and has not used statistically acceptable load research data.¹⁶ The Commission fully realizes the cost of preparing adequate load data is substantial so it encourages Licking Valley and other ERP member cooperatives to work closely with ERP in developing system load data that will be usable by member co-ops. To the extent that adjustments must be made to the system load research so that it better reflects the member RECC's load, the Commission and its staff are willing to cooperate. Furthermore, if an RECC does intend to reject the use of ERP's residential load research, then the RECC will have the burden of borrowing the load research from a utility which more resembles their system load. The Commission in that case will carefully compare demographic studies, economic characteristics, climatic conditions and appliance saturation studies of the two utilities to ensure that the load research data is transferable. The Commission does emphasize that it does not require but does encourage RECCs to prepare cost of service studies in future rate cases.

¹⁶ Cost of Service and Rate Study, LBC Exhibit 1, pages 27-30.

The Commission does not intend to either accept or reject the cost of service study provided in this proceeding. Licking Valley did not use the cost study to allocate revenue or the revenue increase to the various rate classes. However, Licking Valley did use the results of its cost of service to justify increases in customer charges for the residential rate class.

It is the opinion of the Commission that the results of these studies are highly dependent upon the assumptions of the analyst and are of only limited use in designing rates. For example in determining minimum transformer investment the decision to use the number of actual consumers instead of the actual number of meters on the system, as specified in the NARUC Cost Allocation Manual, results in approximately an 11 percent increase in the transformer allocation to consumer-related plant.¹⁷ Additional examples of this subjectivity exist within Licking Valley's study.

Though it has indicated its concern with Licking Valley's study, the Commission is of the opinion that both the Y intercept and minimal mile method do provide sufficient support to justify an increase in the residential customer charge. Therefore the Commission will permit a percentage increase for the residential customer charge greater than Licking Valley's overall percentage revenue increase. Specifics of this increase will be discussed in a subsequent section of the Order.

¹⁷ Hearing Transcript, May 20, 1986, page 128.

REVENUE ALLOCATION AND RATE DESIGN

Licking Valley proposed to allocate the revenue increase from basic rates to each customer class by the percentage of revenue increase methodology. The Commission agrees that this is the appropriate method.

Licking Valley proposed the following changes in its rate design, rates and charges:

1. To move 3,397 billings from Schedule E to Schedule A since the rates for these customers are already the same. The remainder of Schedule E and Schedules B, B-1, and B-2 would be combined into one Schedule B. The usage of these customers is closely related and combining them into one schedule is appropriate.

2. A two-tier demand charge for proposed Schedule B customers comprised of a charge of \$3.91 per KW for usage of 25 KW or less and \$7.82 per KW for over 25 KW. This is a departure from the existing charge of \$4.38 per KW for usage in excess of 10 KW. To achieve the revenue increase and to charge customers for demand usage who had not previously been charged, additional billing units will be implemented. Also, the increased demand charge of \$7.82 has been proposed to apply to Schedules LP and LPR over the existing charge of \$4.38 per KW in order to match the wholesale supplier rate. The Commission has allowed the two-tier demand charge for Schedule B but has set the charges at \$3.90 and \$6.10. The demand charge of \$6.10 will also apply to Schedules LP and LPR.

3. To increase the customer charge for Schedule A from \$4.75 to \$9.17 based on the cost of service study. The Commission rejects this increase and has allowed an increased customer charge of \$5.25 which is more in line with the overall percentage of revenue increase.

4. The Commission has allowed the proposed fee increases for reconnections, reconnections after working hours, meter tests, meter readings, collection of delinquent accounts, returned check and name change, which has been added. These fees are included in the Appendix A to this Order.

Included in Licking Valley's Application were several deletions and changes in the tariff sheets and rules and regulations. The items changed or deleted are listed in the Appendix A to this Order.

SUMMARY

The Commission, after consideration of 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 Licking Valley and will provide net income sufficient to meet the requirements in Licking Valley's mortgages securing its long-term debt.

2. The rates and charges proposed by Licking Valley differ from those found reasonable herein and should be denied upon application of KRS 278.030.

3. Licking Valley's proposed tariffs are not fair, just and reasonable and should be rejected.

4. Licking Valley's proposed revenue allocation and rate design methodologies are not fair, just and reasonable and should be rejected.

IT IS THEREFORE ORDERED that:

1. The rates in Appendix A be and they hereby are approved for service rendered on and after August 15, 1986.

2. The rates proposed by Licking Valley be and they hereby are denied.

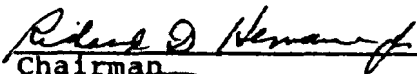
3. Licking Valley shall file with the Commission within 30 days from the date of this Order its revised tariff sheets setting out the rates approved herein.

4. The tariffs proposed by Licking Valley be and they hereby are denied.

5. The revenue allocation and rate design methodologies be and they hereby are denied.

Done at Frankfort, Kentucky, this 15th day of August, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9475 DATED AUGUST 15, 1986

The following rates and charges are prescribed for the customers in the area served by Licking Valley 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 date of this Order.

SCHEDULE A RESIDENTIAL, FARM, SMALL COMMUNITY HALLS AND CHURCH SERVICE

AVAILABILITY OF SERVICE:

Available to members of the Cooperative for all residential and farm use, subject to its established rules and regulations. Available to members of the Cooperative for all community halls and churches with a transformer size of 25 KVA or less.

Monthly Rate:

Customer charge per delivery point \$	5.25	Per Month
Energy charge per KWH	.06355	Per KWH

DELAYED PAYMENT CHARGE:

The above rates are net, the gross being five percent (5%) higher. In the event the current monthly bill is not paid by the ninth (9th) of the following month from the date of the bill, the gross rates shall apply.

TIME-OF-DAY PERIODS - DELETED

FARM AND HOME SERVICE T-O-D - DELETED

SCHEDULE B
COMMERCIAL AND SMALL POWER SERVICE

AVAILABILITY OF SERVICE:

Available to commercial consumers, small schools, small industrial consumers and three-phase farm consumers for all uses including lighting, appliances, cooking, heating and motors of 25 KVA or less, all subject to the established rules and regulations of the Cooperative covering this service.

Monthly Rate:

Customer charge per delivery point \$ 12.00 Per Month
Energy charge per KWH .04825 Per KWH

A demand charge of \$3.90 per KW - 25 KW or less
A demand charge of \$6.10 per KW in excess of 25 KW

DELAYED PAYMENT CHARGE:

The above rates are net, the gross being five percent (5%) higher. In the event the current monthly bill is not paid by the ninth (9th) of the following month from the date of the bill, the gross rates shall apply.

SPECIAL RULES:

2. Service under this schedule is limited to consumers whose load requirements can be met by transformers having a capacity not to exceed 25 KVA. Consumers requiring more than 25 KVA shall be served under an appropriate schedule for large power service.

MINIMUM ANNUAL CHARGE FOR SEASONAL SERVICE - DELETED

TEMPORARY SERVICE - DELETED

SCHEDULE B-1 COMMERCIAL AND
SMALL POWER SERVICE - PERMANENT INSTALLATIONS
DELETED

SCHEDULE B-2 ALL ELECTRIC SMALL POWER SERVICE
PERMANENT INSTALLATIONS
DELETED

SCHEDULE E SERVICE TO SCHOOLS, CHURCHES AND COMMUNITY HALLS
DELETED

SCHEDULE LP
LARGE POWER SERVICE

AVAILABILITY OF SERVICE:

Available to consumers located on or near the Cooperative's three-phase lines for all types of usage including churches and community halls in excess of 25 KVA, subject to the established rules and regulations of seller.

Monthly Rate:

Customer charge per delivery point \$ 45.00 Per Month
Energy charge per KWH .04833 Per KWH

A demand charge of \$6.10 per KW

DELAYED PAYMENT CHARGE:

The above rates are net, the gross being five percent (5%) higher. In the event the current monthly bills are not paid by the ninth (9th) of the following month from the date of the bill, the gross rates shall apply.

MINIMUM ANNUAL CHARGE FOR THE SEASONAL SERVICE
DELETED

SCHEDULE FOR LARGE POWER RATE (LPR)

AVAILABILITY:

Availability to all industrial users on or near the Cooperative's lines whose kilowatt demand shall exceed 300 KW for lighting, heating and/or power, with the following exceptions: rock quarries, sawmills, mines and any other service of a fluctuating nature due to their poor load factor and temporary nature. This schedule and all of its conditions must be agreed and entered into before the initial connection.

Monthly Rate:

Customer charge per delivery point \$ 90.00 Per Month
Energy charge per KWH .04352 Per KWH

Demand charge of \$6.10 per KW

DELAYED PAYMENT CHARGE:

The above rates are net, the gross being five percent (5%) higher. In the event the current monthly bills are not paid by the ninth (9th) of the following month from the date of the bill, the gross rates shall apply.

SCHEDULE SL
(SECURITY LIGHTS AND/OR RURAL LIGHTING)

Monthly Rate:

Service for the unit will be unmetered and will be a 175 Watt Mercury Vapor type at \$6.50 each, per month.

The following rules and regulations are prescribed for the customers in the area served by Licking Valley Rural Electric Cooperative Corporation. All other rules and regulations 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.

SCOPE

This Schedule of Rules and Regulations is a part of all contracts for receiving electric service from the Cooperative and applied to all service received from the Cooperative whether the service is based upon a contract, agreement, signed application or otherwise. No employee or individual director of the Cooperative is permitted to make an exception to rates or rules and regulations. Rates and service information can be obtained from the Cooperative's office or Cooperative personnel.

REVISIONS

These rules and regulations may be revised, amended, supplemented or otherwise changed from time to time after approval of Licking Valley RECC's Board of Directors and the Public Service Commission. Such changes, when effective, shall have the same force as the present rules and regulations. The consumers shall be informed of any changes as soon as possible, after adoption by the Board of Directors, through the Cooperative's monthly newsletter or direct mailing.

CONSUMER'S RESPONSIBILITY FOR COOPERATIVE'S PROPERTY

All meters, service connections and other equipment furnished by the Cooperative shall be and remain the property of the Cooperative. The consumers shall exercise proper care to protect the property of the Cooperative on its premises; and in the event of loss or damage to the Cooperative's property arising from neglect of the consumer to care for same, the cost of necessary repairs or replacement shall be paid by the consumer.

CONTINUITY OF SERVICE

The Cooperative shall use reasonable diligence to provide a constant and uninterrupted supply of electric power and energy, but if such a supply should fail or be interrupted or become defective through an act of God, or the public enemy, or by accident, strikes, labor troubles or by action of the elements, or

by inability to secure right(s)-of-way or other permits needed, or for any other cause beyond the reasonable control of the Cooperative, the Cooperative shall not be liable.

RELOCATION OF LINES

The Cooperative will cooperate with all political subdivisions in the construction, improvement or rehabilitation of public streets and highways. It is expected that these political subdivisions will give reasonable notice to permit the Cooperative to relocate its lines to permit the necessary road construction. If the Cooperative's poles, anchors and other appurtenances are located within the confines of the public right(s)-of-way, the Cooperative shall make the necessary relocation at its own expense. If the Cooperative's poles, anchors or other facilities are located on private property, the political subdivision then shall agree to reimburse the Cooperative. Upon request by consumer-property owner, where facilities are to be relocated, relocation will be considered provided adequate right-of-way can be obtained for the relocation requested. The consumer-owner will be required to pay the cost of materials necessary to make the requested changes unless one or more of the following conditions are met:

- A. The relocation is made for the convenience of the Cooperative.
- B. The relocation will result in a substantial improvement in the Cooperative's facilities or their location.
- C. That the relocation is associated with other regularly scheduled conversion or construction work and can be done at the same time.
- D. Per consumer-owner request when right-of-way is provided. In such instance, consumer-owner will be required to pay for making requested changes.

SERVICES PERFORMED FOR CONSUMERS

The Cooperative's personnel shall not, while on duty, make repairs or perform service to the consumer's equipment or property except in cases of emergency or to protect the public or consumer's person or property. When such emergency services are performed, the consumer shall be charged for such service(s) at the rate of time and material(s) used.

APPLICATION FOR SERVICE

Each prospective consumer desiring electric service will be required to sign the Cooperative "Application for Membership and

for Electric Service" and, also, sign a contract when applicable before service is supplied by the Cooperative and provide the Cooperative with necessary easements or right(s)-of-way permits.

MEMBERSHIP FEE

Each prospective consumer shall pay the membership fee of twenty dollars (\$20.00) before or at the time service is supplied. A service connection fee of eighteen dollars (\$18.00) shall be charged for each additional service connection. The membership fee will be refunded if all bills are paid, or applied against any unpaid bills of the consumer at the time service is disconnected, which will automatically terminate the membership. The membership is jointly owned by husband and wife and is not transferable.

RIGHT OF ACCESS

Each consumer shall give and grant right of access to the Cooperative without paid compensation to his, hers or its lands and premises for the purpose of placing, locating, building, constructing, operating, replacing, rebuilding, relocating, repairing, improving, enlarging, extending and maintaining on, over or under such lands and premises, or anchors and other necessary or appurtenant parts.

CONSUMER DESIRING SERVICE OR DISCONTINUANCE OF SERVICE

Any consumer desiring service, discontinuance of service or changed form one location to another, shall give the Cooperative three (3) working days notice in person or in writing provided such notice does not violate contractual obligations.

RECONNECTION AND NAME CHANGE CHARGES

The Cooperative will make no charge for connecting service to the consumer's premises for the initial installation of service. There shall be a fee of eighteen dollars (\$18.00) for each service connection and name change thereafter.

RESALE OF POWER BY CONSUMERS

All purchased electric service used on the premises of the member shall be supplied exclusively by the Cooperative, and the consumer shall not directly or indirectly sell, sublet or otherwise dispose of the electric service or any part thereof, except by written contract approved by the Board of Directors.

UNDERGROUND SERVICE LINES

Deleted

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 with normal charges.

DISTRIBUTION LINE EXTENSIONS TO MOBILE HOMES

- A. All extensions of up to 150 feet from the nearest facility shall be made without charge.
- B. Extensions greater than 150 feet from the nearest facility and up to 300 feet shall be made provided the consumer shall pay the Cooperative a "consumer advance for construction" of fifty dollars (\$50.00) in addition to any other charges required by the Cooperative for all consumers. This advance shall be refunded at the end of one (1) year if the service to the mobile home continues for that length of time.
- C. For extensions greater than 300 feet and less than 1,000 feet from the nearest facility, the Cooperative may charge an advance equal to the reasonable costs incurred by it for that portion of the service beyond 300 feet plus fifty dollars (\$50.00).
- D. This advance shall be refunded to the consumer over a four (4) year period in equal amounts for each year the service is continued.
- E. If the service is discontinued for a period of sixty (60) days, or should the mobile home be removed and another not take its place within sixty (60) days, or be replaced by a permanent structure, the remainder of the advance shall be forfeited.
- F. No refunds shall be made to any consumer who did not make advance originally.
- G. Extensions made under (C) and (D) above shall be made on an "Estimated Average Cost" per foot of line. This cost may be reviewed and updated at six-month intervals.
- H. Non-electric heated mobile homes shall be required to pay a deposit not to exceed two-twelfths (2/12) of the estimated annual billing. The deposit will earn interest at the rate of six percent (6%) and paid to the consumer annually. The deposit will be refunded when service is discontinued and all bills are paid in full.

- I. All electric mobile homes shall be required to pay a deposit not to exceed two-twelfths (2/12) of the estimated annual billing. The deposit will earn interest at the rate of six percent (6%) and paid to the consumer annually. The deposit will be refunded when service is discontinued and all bills are paid in full.

DISTRIBUTION LINE EXTENSION

A. Normal Extensions

An extension of 1,000 feet or less shall be made by the Cooperative to its existing distribution line without charge for a prospective consumer who shall apply for and contract to use the service for one (1) year or more and provides guarantee for such service. The "service drop" to the point of attachment from the distribution line at the last pole shall not be included in the foregoing measurements.

B. Other Extensions

1. When an extension of the Cooperative's line to service an applicant or group of applicants amounts to more than 1,000 feet per consumer, the Cooperative may, if not inconsistent with its filed tariff, require the total cost of the excessive footage over 1,000 feet per consumer to be deposited with the Cooperative by the applicants based on the average estimated cost per foot of the total extension.
2. Each consumer receiving service under such extension will be reimbursed under the following plan: Each year for a period of not less than ten (10) years, which for the purpose of this rule shall be the refund period, the Cooperative shall refund to the consumer or consumers who paid for the excessive footage the cost of 1,000 feet of the extension in place for each additional consumer connected during the year whose service line is directly connected to the extension installed and not to extensions or laterals therefrom. In no case shall the total amount refunded exceed the amount paid the Cooperative. After the end of the refund period, no refund will be required to be made.
3. An applicant desiring an extension to a proposed real estate subdivision may be required to pay the entire cost of the extension. Each year, for a period of not less than ten (10) years, the Cooperative shall refund to the applicant who paid for the extension a sum equivalent to the cost of 1,000 feet of the

extension installed for each additional consumer connected during the year, but in no case shall the total amount refunded exceed the amount paid to the Cooperative. After the end of the refund period from the completion of the extension, no refund will be required to be made.

4. Nothing contained herein shall be construed as to prohibit the Cooperative from making extensions under different arrangements provided such arrangements have been approved by the Commission.
5. Nothing herein shall be construed as to prohibit the Cooperative from making, at its expense, greater extensions than herein prescribed, should its judgment so dictate, provided like free extensions are made to other consumers under similar conditions.
6. Upon complaint to and investigation by the Commission, the Cooperative may be required to construct extensions greater than 1,000 feet upon a finding by the Commission that such extensions are reasonable.

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 and service charge of eighteen dollars (\$18.00) each, in addition to the bill for service and any consumer two-twelfths (2/12) deposit, if applicable, shall be made prior to the restoration of service.

If discontinuance is for non-payment of bills, the consumer 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 service 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 Cooperative. 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.

RECONNECTIONS

For all cases of refusal or discontinuance of service as herein defined where the cause for refusal or discontinuance has been corrected and all rules and regulations of the Cooperative and the Public Service Commission have been complied with, the Cooperative shall promptly render service to the consumer or applicant. When advance notice is required, such notice may be given by the Cooperative by mailing, by United States mail, postage prepaid, to the last known address of the applicant or consumer.

TEMPORARY DISCONNECTION

Members requesting their service disconnected for reasons such as vacation, repairs to homes, etc. will not be charged for disconnecting the service. However, a service charge of eighteen dollars (\$18.00) will be made for reconnecting the service.

METER TESTS

The Cooperative will, at its own expense, make periodical tests and inspections of its meters in order to maintain a high standard of accuracy and to conform with the regulations of the Public Service Commission. The Cooperative will make additional

tests of the meters at the request of the consumer, provided a fee of eighteen dollars (\$18.00) is paid in advance. In case the test made at the consumer's request shows that the meter is accurate within two percent (2%) slow or fast, no adjustment will be made to the consumer's bill and the fee paid will be forfeited to cover cost of testing. In case the test shows the meter to be in excess of two percent (2%) fast or slow, an adjustment shall be made in the consumer's bill in accordance with the rules and regulations of the Public Service Commission and the cost of testing will be borne by the Cooperative and the eighteen dollars (\$18.00) fee paid by the consumer will be refunded.

FAILURE OF METER TO REGISTER

In the event a consumer's meter should fail to register, the consumer shall be billed from the date of such failure at the average consumption of the consumer based on the twelve (12) month period immediately preceding the failure or some other equitable basis.

CONSUMER EQUIPMENT

Point of Delivery - The point of delivery is the point as designated by the Cooperative on consumer's premises where current is to be delivered to building or premises; namely, the point of attachment shall be the meter. A consumer requesting a delivery point different from the one designated by the Cooperative will be required to pay the additional cost of providing the service at such delivery point. All wiring and equipment beyond this point of delivery shall be supplied and maintained by the consumer.

CONSUMER'S WIRING STANDARDS

All wiring of consumer's building and premises must conform to Distributor requirements and accepted modern standards, as exemplified by the requirements of the National Electrical Safety Code and the National Electric Code.

INSPECTIONS

The Cooperative shall have the right, but shall not be obligated to inspect any installation before electricity is introduced, or at any later time, and reserves the right to reject any wiring or appliances not in accordance with the National Electric Code or other governing bodies, but such inspection or failure to inspect or reject shall not render the Cooperative liable or responsible for any loss or damage resulting from defects in the installation, wiring, or appliances, or from violation of the Cooperative's rules, or from accidents which may occur upon consumer's premises. Further, if it is required, it shall be the responsibility of the consumer to present to the Cooperative a certificate of inspection covering all State and Local ordinances in effect at the time, before such connections are to be made.

BILLING

Each month, a bill for the previous month's service will be mailed to the consumer showing all charges according to rate schedules approved by the Public Service Commission of Kentucky. All bills are to be mailed to the consumers in time to reach them by the 20th of the month. On this date, the member shall read his or her meter and place the reading in the space provided on the bill. This part of the bill is to be returned to the Cooperative by the ninth (9th) of the following month. Five percent (5%) penalty will be added after the ninth (9th) of the following month. Failure to pay will result in the issuance of a disconnect work order after a proper written notice has been mailed and ten (10) days has elapsed.

BUDGET BILLING

A budget plan is available:

- A. First, the account must be paid up-to-date, with no balances, when the budget plan is put into effect.

The first Budget payment will be made with the July billing.

- B. Second, the annual estimated cost of heat and utilities and monthly payments may change from year-to-year due to conditions of weather and adding of more appliances, and a change in the rates of the Cooperative.
- C. Third, the member shall read the meter on the 20th of the month and report the reading each month when payment is made. All bills are to be paid by the ninth (9th) of the following month, and bills not paid by the ninth (9th) of the following month will have a five percent (5%) late charge added.
- D. Fourth, full settlement of the bill must be made each year with payment of the July bill, or the budget privileges will be cancelled, and the account will be treated as a delinquent account.
- E. Fifth, this budget plan is for the convenience of the member, but failure to abide with the established rules, the member will lose the privilege of the budget plan.

RETURNED CHECKS FOR INSUFFICIENT FUNDS

A service charge in the amount of ten dollars (\$10) shall be charged for all bad checks returned by the bank due to insufficient funds.

COLLECTION OF DELINQUENT ACCOUNT

Should it become necessary for the Cooperative's representative to call at the consumer's premises or other locations for the purpose of collecting a delinquent account, a charge of eighteen dollars (\$18) will be applied to the consumer's account for the extra service rendered, due payable at time such delinquent account is collected. If service is disconnected for non-payment, an additional charge of eighteen dollars (\$18) will be made for reconnecting service due and payable at time of such reconnection. If the consumer requests reconnection after regular working hours, the additional charge will be forty-eight dollars (\$48).

METER READING

Each consumer receiving service will read his or her meter by the ninth (9th) of the following month. In the event that the consumer fails to read the meter as outlined or fails to notify the Cooperative office for two (2) successive months, the Cooperative will read same meter and bill the consumer eighteen dollars (\$18) for this service.

DEPOSITS

The Cooperative requires from any consumer or applicant for service a minimum cash deposit or guaranty to secure payment of bills of an amount not to exceed two-twelfths (2/12) of the estimated annual bill of such consumer or applicant. The required deposit will earn interest at the rate of six percent (6%) and paid to the consumer annually. The deposit will be refunded when service is discontinued and all bills are paid in full. However, if the consumer wishes to transfer the paid deposit to another account the final bill must be paid in full before reconnection of service to another establishment can be executed.

PARTIAL PAYMENT PLAN

Consumers who are experiencing difficulties in paying their electric bills and wish to establish a payment plan has this opportunity to discuss this with our Designated Employee at our West Liberty office to determine an equitable amount to be paid monthly. If this (Signed Payment Plan) is not paid as agreed, the consumer will be subject for immediate disconnection.

ELECTRIC UNDERGROUND EXTENSIONS

A. Purpose of Policy

The purpose of this policy is to formulate Licking Valley RECC requirements for underground electrical service, the application of which will insure adequate service and

safety to all persons engaged in the construction, maintenance, operation or use of underground facilities and to the public in general.

B. Applicability

This policy shall apply to all underground electrical supply facilities used in connection with electric service distribution in new residential subdivisions after the effective date of this policy.

C. The following words and terms, when used in this policy shall have the meaning indicated:

Applicant - the developer, builder or other person, partnership, association, corporation or governmental agency applying for the installation of an underground electrical distribution system.

Building - a structure enclosed within exterior walls or fire walls, built, erected and framed of component structural parts and designed for less than five (5) family occupancy.

Multiple-Occupancy Building - a structure enclosed within exterior walls or fire walls, built, erected and framed of component structural parts and designed to contain five (5) or more individual dwelling units.

Distribution System - electric service facilities consisting of primary and secondary conductors, transformers, and necessary accessories and appurtenances for the furnishing of electric power at utilization voltage.

Subdivision - the tract of land which is divided into ten (10) or more lots for the construction of new residential buildings, or the land on which is constructed two (2) or more new multiple-occupancy buildings.

Trenching or Backfilling - opening and preparing the ditch for the installation of conductors, including placing of raceways under roadways, driveways, or paved areas, providing a sand bedding below and above conductors when required, and backfill of trench to ground level.

D. Rights-of-Way and Easements

1. The Cooperative shall construct, own, operate, and maintain distribution lines only along easements, public streets, roads, and highways which are by legal right accessible to the utility's equipment and

which the utility has the legal right to occupy, and on the public lands and private property across which rights-of-way and easements satisfactory to the Cooperative are provided without cost or condemnation by the Cooperative.

2. Rights-of-way easements suitable to the Cooperative for the underground distribution facilities must be furnished by the Applicant in reasonable time to meet service requirements. The Applicant shall make the area in which the underground distribution facilities are to be located accessible to the Cooperative's equipment, remove all obstructions from such area, stake to show property lines and final grade, perform rough grading to a reasonable approximation of final grade, and maintain clearing and grading during construction by the Cooperative. Suitable land rights shall be granted to the Cooperative obligating the Applicant and subsequent property owners to provide continuing access to the utility for operation, maintenance or replacement of its facilities, and to prevent any encroachment in the utility's easement or substantial changes in grade or elevation thereof.

E. Installation of Underground Distribution System Within New Subdivisions

1. Where appropriate contractual arrangements have been made, the Cooperative shall install within the subdivision an underground electric distribution system of sufficient capacity and suitable materials which, in its judgment, will assure that the property owners will receive safe and adequate electric service for the foreseeable future.
2. All single-phase conductors installed by the utility shall be underground. Appurtenances such as transformers, pedestal-mounted terminals, switching equipment and meter cabinets may be placed above ground.
3. Multi-phase primary mains or feeders required within a subdivision to supply local distribution or to serve individual multi-phase loads may be overhead unless underground is required by governmental authority or chosen by the Applicant, in either of which case the differential cost of underground shall be borne by the Applicant.
4. If the Applicant has complied with the requirements herein and has given the Cooperative not less than 120 days written notice prior to the anticipated

date of completion (i.e., ready for occupancy) of the first building in the subdivision, the Cooperative shall complete the installation 30 days prior to the estimated date. (Subject to weather and ground conditions and availability of materials and barring extraordinary or emergency circumstances beyond the reasonable control of the Cooperative.) However, nothing in this policy shall be interpreted to require the Cooperative to extend service to portions of the subdivisions not under active development.

5. A non-refundable payment shall be made by the Applicant equal to the difference between the cost of providing underground facilities and that of providing overhead facilities. The payment to be made by the Applicant shall be determined from the total footage of single-phase primary, secondary, and service conductor to be installed at an average per foot cost differential in accordance with the Average Cost Differential filed herewith as Exhibit A., which Average Cost Differential shall be updated annually as required by order dated February 2, 1973, of the Public Service Commission of Kentucky in Administrative Case No. 146. (Three [3] wire secondary and service conductor runs shall be considered as one conductor, i.e., triplex.) The average cost differential per foot, as stated, is representative of construction in soil free of rock, shale, or other impairments which increase cost of construction. Where rock, shale or other impairments are anticipated or encountered in construction the actual increased cost of trenching and backfilling shall be borne by the Applicant.
6. The Applicant may be required to deposit the entire estimated cost of the extension. If this is done, the amount deposited in excess of the normal charge for the underground extensions, as provided in paragraph 5, above, shall be refunded to the Applicant over a ten- (10) year period as provided in Public Service Commission Rule Elec-1-X-3.
7. The Applicant may be required to perform all necessary trenching and backfilling in accordance with the Cooperative's specifications. The Cooperative shall then credit the Applicant's cost in an amount equal to the Cooperative's normal cost for trenching and backfilling.

8. The Cooperative shall furnish, install, and maintain the service lateral to the Applicant's meter base, which normally will be at the corner of the building nearest the point to be served.
9. Plans for the location of all facility to be installed must be approved by the Cooperative and the Applicant prior to construction. Alterations in plans by the Applicant which require additional cost of installation or consideration shall be at the sole expense of the Applicant.
10. The Cooperative shall not be obligated to install any facility within a subdivision until satisfactory arrangements for the payment of charges have been completed by the Applicant.
11. The charges specified in these rules are based on the premise that each Applicant will cooperate with the utility in an effort to keep the cost of construction and installation of the underground electric distribution system as low as possible and make satisfactory arrangements for the payment of the above charges prior to the installation of the facilities.
12. All electrical facilities shall be installed and constructed to comply with the rules and regulations of the Kentucky Public Service Commission, National Electric Safety Code, Licking Valley RECC Specifications, or other rules and regulations which may be applicable.
13. Service pedestals and method of installation shall be approved by Licking Valley RECC prior to installation.
14. In unusual circumstances, when the application of these rules appears impracticable or unjust to either party, or discriminatory to other consumers, the Cooperative or the Applicant shall refer the matter to the Commission for a special ruling or for the approval of special conditions which may be mutually agreed upon, prior to commencing construction.

SECURITY LIGHTS

The Cooperative will install a security light free of installation charge to all property owners requesting such service on or near the Cooperative's lines. Any renter or tenant requesting such installation will be required to pay the equivalent of one (1) year's annual charges in advance, due to their temporary nature. The monthly charges shall be deducted from such advance payment until the credit is depleted, at which time the consumer will pay for monthly charges as incurred. In the event that such temporary consumer has the security light disconnected before one (1) year has elapsed, any remaining credit shall be forfeited to the Cooperative.

READING OF DEMAND METERS

Cooperative Employees read the demand meters on the 20th of each month. Bills for that period are mailed by the 20th of the following month. All other conditions of payment are specified under the billing section of these rules and regulations.

CERTIFICATE OF DEPOSIT

The utility shall issue to every customer from whom a deposit is received, a Certificate of Deposit showing the name of the customer, location of the initial premises occupied, date and amount of the deposit.

EXHIBIT A

AVERAGE UNDERGROUND COST DIFFERENTIAL

* Average Cost of 1 0 Underground Per Foot	\$10.01
* Average Cost of 1 0 Overhead Per Foot	\$ 6.12
Average Cost Differential Per Foot	\$ 3.89

*NOTE: Does not include Rock Clause

TYPICAL ROCK CLAUSE

An additional \$20 per linear trench foot shall be charged where extremely rocky conditions are encountered, such conditions being defined as limestone or other hard-stratified material in a continuous volume of at least one cubic yard or more cannot be removed using ordinary excavation equipment.

NOTE: The \$20.00 per linear trench foot figure is used as an example only and will be increased or decreased according to current prices supplied by contractors at the time the construction is to be performed.