

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF BIG)	
SANDY RURAL ELECTRIC COOPERATIVE)	
CORPORATION FOR A GENERAL)	CASE NO.
ADJUSTMENT OF RATES)	2024-00287

BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION'S
VERIFIED RESPONSE TO
COMMISSION STAFF'S POST-HEARING REQUESTS FOR INFORMATION
ENTERED FEBRUARY 20, 2025

Comes now Big Sandy Rural Electric Cooperative Corporation (Big Sandy), by counsel,
and does hereby tender its Verified Response to Commission Staff's Post-Hearing Request for
Information entered February 20, 2025.

Filed: February 28, 2025

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Electronic Application of Big Sandy Rural)
Electric Cooperative Corporation for a)
General Adjustment of Rates and Other) Case No. 2024-00287
General Relief)

VERIFICATION OF JEFF PRATER

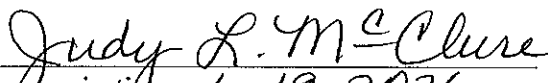
COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JOHNSON)

Jeff Prater, President and General Manager of Big Sandy Rural Electric Cooperative Corporation, being duly sworn, states that he has supervised the preparation of certain responses to Commission Staff's Post-Hearing Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Jeff Prater

The foregoing Verification was signed, acknowledged and sworn to before me this 27th day of February 27, 2025, by Jeff Prater.



Commission expiration: 6-19-2026

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

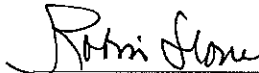
In the Matter of:

Electronic Application of Big Sandy Rural)	Case No. 2024-00287
Electric Cooperative Corporation for a)	
General Adjustment of Rates and Other)	
General Relief	

VERIFICATION OF ROBIN SLONE

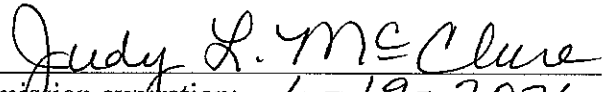
COMMONWEALTH OF KENTUCKY)
)
 COUNTY OF JOHNSON)

Robin Slone, Accounting Manager for Big Sandy Rural Electric Cooperative Corporation, being duly sworn, states that she has supervised the preparation of certain responses to Commission Staff's Post-Hearing Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.



 Robin Slone

The foregoing Verification was signed, acknowledged and sworn to before me this 27th day of February, 2025, by Robin Slone.



 Commission expiration: 6-19-2026

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Commission Staff's Post-Hearing Request for Information

Request 1: Provide the total number of employees needed for Big Sandy RECC to be fully staffed as approved by its board of directors (Board). Specifically, provide any documentation or minutes for when the Board approved the total number of employees; and any budget approvals related to employees or specific employee count.

Response 1: Big Sandy has 19 union and 23-24 non-bargaining employees. The Board reviews the number of employees in budget approvals and rate increases each year. Please see the Monthly Update filed on February 4, 2025, that contains December 2024 Board Minutes for the most recent approval.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Commission Staff's Post-Hearing Request for Information

Request 2: Provide a breakdown of the number of employees that are classified as union employees and non-union employees for the test year, 2024 and 2025.

Response 2: Big Sandy RECC has 19 union employees and 23-24 non-bargaining employees. Please see the Excel spreadsheet provided separately.

**ATTACHMENT
IS AN EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Commission Staff's Post-Hearing Request for Information

Request 3: Provide the number of overtime hours for union employees and non-union employees for each year beginning from January 2019 through the present month of 2025.

Response 3:

OT Hours		
Year	Non-Union	Union
2019	218.00	4009.50
2020	87.00	4192.50
2021	987.00	5949.00
2022	805.00	5343.50
2023	662.00	5937.50
2024	408.50	5395.00
2025	290.50	1142.50

Please see the Excel spreadsheet provided separately for further details.

**ATTACHMENT
IS AN EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Commission Staff's Post-Hearing Request for Information

Request 4: Provide a breakdown of the amount of annual premiums for health insurance paid by the employees by coverage type (single vs. family) for union and nonunion employees.

Response 4:

Coverage Type	Total Coverage Cost	Employee Paid	Employer Paid
Employee	\$ 470.62	71.09	399.54
Employee & Spouse	\$ 1,425.78	164.62	1261.16
Employee & Child(ren)	\$ 1,224.86	149.25	1075.61
Employee & Family	\$ 2,006.91	224.83	1782.08

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Commission Staff's Post-Hearing Request for Information

Request 5: Provide a copy of the written policy and any contracts related to business dealings between Big Sandy RECC and Big Sandy Forestry.

Response 5: Please see the attachment PSC PH DR-5.

ATTACHMENT PSC PH DR-5

Big Sandy Electric Cooperative Corporation 2023 CONTRACT FOR LINE CLEARANCE

This contract dated 2/23/2023 between Big Sandy RECC (BIG SANDY) and Big Sandy Forestry, LLC, 504 11th Street, Paintsville, KY 41240 (to be referred to as the CONTRACTOR) sets forth the agreement between parties for overhead line clearance.

This contract, and in all its provisions, applies to all work to be done by the CONTRACTOR for BIG SANDY or its designee from January 1, 2023 through December 31, 2023. Such work may include but not be limited to: tree pruning, tree removal, and clearance of rights-of-ways using manual, mechanical, or chemical methods, and disposal of trees and brush.

The CONTRACTOR shall perform the work specified in this contract according to the terms and conditions contained herein and the Guide for Line Clearance in Exhibit A. Work shall be performed according to accepted arboricultural practices in compliance with applicable laws, codes, all regulatory requirements of governmental authorities and to the satisfaction of BIG SANDY. Herbicide application is to be made in a manner assuring restriction of applied material to the R/Ws. Any issues that may arise pertaining to the performance of this contract shall be referred to BIG SANDY's Operations Manager, or a designated REPRESENTATIVE.

The CONTRACTOR shall furnish all tools, equipment, materials and hire in its name as its employee's competent and skilled labor and supervision of every kind and sort necessary for the successful completion of the work. It is understood that at all times the CONTRACTOR shall be performing the work as an independent contractor and that nothing contained in this contract shall create a partnership or joint venture with BIG SANDY. The CONTRACTOR shall furnish competent supervision as required and may designate a supervisor as the CONTRACTOR's REPRESENTATIVE in all matters relating to this contract and the work to be performed hereunder. The CONTRACTOR shall have full responsibility for the work and good conduct of their employees. Directions and instructions shall be given to such employees only by the CONTRACTOR and in no circumstances by BIG SANDY or their REPRESENTATIVE.

During the term of this contract, the CONTRACTOR agrees to support BIG SANDY in after-hours storm restoration upon request.

The CONTRACTOR's Supervision:

1. The CONTRACTOR's supervision is responsible for supervising and training their crews to perform all work efficiently in accordance with this contract.
2. The CONTRACTOR's supervisors shall:
 - a. Regularly check crews to assure that the work is being completed productively and in accordance with the Guide for Line Clearance work and specifications contained herein;
 - b. Dispatch work to crews and inform BIG SANDY of their progress;
 - c. Check Member Request Tickets given to the CONTRACTOR to cut R/W for completeness and accuracy and initial each job ticket before submitting them to BIG SANDY.
 - d. Update maps used to indicate work done and areas completed.

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- e. Instruct and train their crews in the proper implementation of the BIG SANDY Guide for Line Clearance Work and the specifications contained herein.
- f. Assure that all equipment, materials and supplies are available and in good working condition for use by crews.
- g. Provide cellular telephones for all supervisors in order to facilitate rapid, effective communication between BIG SANDY and the CONTRACTOR's supervisor.
- h. Promptly handle damage claims made by consumers to the full satisfaction of BIG SANDY and with due regard for the public relations concerns of BIG SANDY.
- i. Be able to certify that the CONTRACTOR complies with all federal, state, and local regulations bearing upon the conduct of the work as specified, including but not limited to, OSHA regulations, ANSI Z133 and A300 standards, and Kentucky Department of Transportation guidelines. Should any specifications stated herein conflict with a government regulation, the CONTRACTOR shall notify BIG SANDY.
- j. Respond to BIG SANDY' Operations Manager or his REPRESENTATIVE to promptly resolve any problem that arises.
- k. Inspect all work completed by the CONTRACTOR prior to reporting any work complete to insure all line clearance activities fully meet the terms, conditions and requirement of these specifications, and promptly make corrections in their work as required by BIG SANDY.

If the CONTRACTOR performs any work contrary to such law, ordinance, regulations and rules, the CONTRACTOR shall bear all costs, claims, fines, awards or judgments arising there from and shall indemnify and hold harmless BIG SANDY from all such costs, liens, fines, awards or judgments.

The CONTRACTOR with the approval of the BIG SANDY may use BIG SANDY's facilities as reporting locations for its crews, parking and storing equipment, vehicles or the parking of employees' vehicles.

The CONTRACTOR shall be responsible for initiating, maintaining and supervising all safety programs in connection with the work.

The CONTRACTOR shall provide workers that are fit for work. The CONTRACTOR is encouraged to maintain a drug and alcohol prevention program, which supports their ability to meet this requirement.

This contract is not exclusive and BIG SANDY, at its sole discretion, may contract with others to perform such work as herein contemplated or may perform such work itself.

SCOPE OF WORK

1. The CONTRACTOR shall provide line clearance services for the circuits listed for Unit Price payment in the pricing section.
2. Often R/W has to be cleared for construction of new lines to serve members. All new construction pruning under the terms of this contract will be completed on a Time & Material (T&M) basis. Staking sheets showing what needs to be cleared to build a line will be given to the CONTRACTOR by BIG SANDY. The CONTRACTOR will take the staking sheet, clear the right-of-way, sign off on the job and return it to BIG SANDY for processing. BIG SANDY will schedule and assign jobs to be done. Crews may need to be located in various locations across the system to complete right-of-way clearing work.
3. The CONTRACTOR shall pre-notify property owners regarding necessary work. BIG SANDY' REPRESENTATIVE may assist contractor with obtaining signed permission for tree removals.
4. The appearance of the CONTRACTOR's equipment and employees shall be neat. The CONTRACTOR's employees shall wear shirts or jackets with names or logos stating the name of the CONTRACTOR.
5. The CONTRACTOR shall notify BIG SANDY or its REPRESENTATIVE daily of the locations where work is being done that day, including crew assignments and absentee information.
6. When working, all necessary precautions shall be taken to protect power lines. In case of a power line flashover, damage, or interruption caused by tree maintenance, BIG SANDY shall be contacted immediately.
7. Damaged electrical equipment observed while performing work shall be reported to BIG SANDY. Examples are broken cross arms, bad insulators, etc. Any unsafe conditions shall also be reported such as low clearance of conductors.
8. Contractor shall furnish and use all protective equipment and devices necessary for the protection of all persons and property. This includes but is not limited to traffic cones, signs and flags, etc. All federal, state, and local regulations shall be followed in this matter.
9. Work sites shall be left as orderly and clean as possible.
10. The CONTRACTOR shall follow arboricultural standards for line clearance as established and published in the ANSI Z133 and A300 standards as revised including directional pruning.
11. Any dead trees, which in falling would damage BIG SANDY facilities, shall be removed in and on the edge of the right-of-way.
12. Member service is of utmost importance to BIG SANDY. The Contractor's employees shall conduct themselves in a manner that promotes member service. Any CONTRACTOR's employee who cannot meet this requirement shall be removed from the BIG SANDY system. Unresolved member service issues shall be an event of default and shall be grounds for termination of this contract.

13. The CONTRACTOR shall clear primary distribution lines of all trees or brush seventeen and one-half feet on either side of the centerline of the right-of-way or easement for three phase lines and fifteen feet wide on either side of the centerline of single phase lines. Secondary and service lines shall be trimmed as directed by BIG SANDY to provide sufficient clearance on service drops so the service line swings free of obstruction.
14. On new construction, guidelines as defined above and Exhibit A apply unless noted differently on the work order provided to the CONTRACTOR.
15. The Contractor's employees shall be licensed by the Kentucky Department of Agriculture to apply herbicides. The herbicide shall be applied in accordance with pesticide labeling. The applicable laws that govern the use of such chemicals shall be followed. When applying herbicides on Kentucky Department of Transportation rights-of-way, only DOT approved herbicides shall be used and in a manner approved by the DOT.
16. The CONTRACTOR shall fill out work progress reports as requested by BIG SANDY together with approved time sheets for record keeping purposes.
17. The CONTRACTOR shall furnish all mixing and application equipment, and shall be responsible for transporting, storing, handling and applying herbicides. The CONTRACTOR shall take necessary measures and precautions to avoid spills during handling and transporting herbicides.

Pricing

Firm Price Work Listed By Circuit

The CONTRACTOR shall submit a firm price for each of the circuits listed in the table on the next page. The bid firm price cost shall include all tree pruning and clearing, cleanup and disposal, and herbicide treatment of stumps (including materials). The CONTRACTOR shall ground cut, side trim and stump treat all re-growth so as to re-establish the full width of R/W out to the easement limits and/or old clearing line, whichever is greater.

It shall also include the removal of all trees up to 6.0 inches in diameter at breast height (dbh) in rural or non-residential areas, and small trees less than 4.0 inches dbh in developed, residential or yard areas that would not be considered planted or landscape trees (e.g. natural seedlings or "volunteers" that have grown in the R/W since last maintenance). The removal of residential/yard trees greater than 4.0 inches dbh and all other R/W or off-R/W trees greater than 6.0 inches dbh shall be completed in accordance with the unit price removal schedule below and upon the written approval from the property owner and BIG SANDY' REPRESENTATIVE. The CONTRACTOR shall pre-notify members (residents or property owners) in advance of tree pruning, tree removal or brush clearing, in accordance with the Scope of Work Item 3 above, and Exhibit A.

Prices shall be total compensation due the CONTRACTOR for the work described in this section and shall include, but not be limited to wages, overheads, insurances and taxes.

Per Mile Firm Price Work Listed By Circuit
 (Note: all prices shall be typed for submittal)

Substation	Circuit				Total		
					Miles	Cost/Mile	Total Cost
						\$	\$
						\$	\$
						\$	\$
						\$	\$
						\$	\$
						\$	\$
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						\$	\$
						\$	\$
						\$	\$
						\$	\$
						\$	\$
						\$	\$
						\$	\$
TOTAL					159	\$	\$

Unit Price Tree Removal

The CONTRACTOR shall submit a price per qualifying tree removed according to the schedule below. A qualifying tree removal is one that is:

- A. A tree greater than 4.0 inches dbh that is growing within the R/W in a developed, residential, or yard area and is approved for removal, or
- B. A tree greater than 6.0 inches dbh that is growing within the R/W, or beyond the edge or boundary of the existing cleared R/W in other "undeveloped" areas that BIG SANDY determines to be a hazard to the lines. Edge trees may or may not have been previously side trimmed.
- C. The CONTRACTOR and BIG SANDY or its REPRESENTATIVE shall work closely together to identify removal candidates in advance of removals. BIG SANDY or its REPRESENTATIVE will approve all removals, as defined above. Contractor will not be allowed to bill BIG SANDY for any removal not pre-approved by BIG SANDY or it's REPRESENTATIVE.

BIG SANDY shall authorize all unit price tree removals, prior to removal, when the CONTRACTOR obtains signed permission from the property owner.

- A. Unit Pricing for removals is as follows:

Price by Tree Diameter Class

Diameter Class (d.b.h.)	Drop tree, cut up, leave hand pile	Drop tree, chip brush, cut up and leave wood	Drop tree, clean up and remove all debris
4 - 6 inch yards	\$ _____	\$ _____	\$ _____
6 - 12 inch all	\$ _____	\$ _____	\$ _____
12 - 18 inch all	\$ _____	\$ _____	\$ _____
18 - 24 inch all	\$ _____	\$ _____	\$ _____
24 - 30 inch all	\$ _____	\$ _____	\$ _____
>30 inch	T&M	T&M	T&M

Note: the quoted prices for unit price removals shall include brush and wood disposal as prescribed, together with herbicide treatment of stumps where appropriate.

Hourly Pricing

The CONTRACTOR shall provide labor and equipment as requested for new construction and for maintenance work including, but not limited to member trim requests, danger tree removal, circuit pruning, outage emergencies, and other activities as assigned by BIG SANDY.

Labor Pricing

BIG SANDY shall pay for labor, overheads, insurances and taxes at the straight time per hour price or overtime per hour price shown below during the term of this contract and any extensions thereof. Rates listed below are fully loaded, including all incidental supervision, and shall be the total compensation due the CONTRACTOR for labor.

Job Classification	Actual Payroll Rate Per Hour	Billing Rate Per Hour Up To 40 Hrs./Week	Billing Rate Per Hour Over 40 Hrs./Week
Crew Leader A	\$25.00	\$37.50	\$56.25
Crew Leader B	\$23.50	\$35.25	\$52.88
Trimmer A	\$22.50	\$33.75	\$50.63
Trimmer B	\$18.50	\$27.75	\$41.63
Trimmer C	\$16.50	\$24.75	\$37.13
Groundman A	\$15.00	\$22.50	\$33.75
Groundman B	\$14.00	\$21.00	\$31.50
	\$	\$	\$

Supervision All costs associated with the Contractor's first line of supervision for time and material work shall be incorporated into the hourly rates for the crew. BIG SANDY will not be invoiced separately for the General Foreman or equivalent, or their pick-up truck, cell phone, or other equipment associated with supervision and management of the crews.

The above manpower job classifications and rates are listed for purposes of uniformity in pricing. The following position descriptions are provided for each position to establish the minimum experience and qualifications expected by BIG SANDY. The CONTRACTOR may attach additional position descriptions that meet or exceed these requirements.

<u>Classification</u>	<u>Position Description</u>
<u>Crew Leader A</u>	A crew leader who has demonstrated competencies and has at least two years' experience as a crew leader.
<u>Trimmer A</u>	An experienced trimmer who meets the requirements of a fully qualified line clearance tree trimmer under the OSHA 1910.269 and ANSI Z-133 standards, including the more difficult aspects of tree pruning and removal involving ropes, rigging, climbing and routine pruning operations.
<u>Trimmer B</u>	A line clearance trimmer trainee with one to two years experience who is capable of learning the more difficult aspects of line clearance tree pruning and continuing to develop into a fully qualified line clearance tree trimmer.
<u>Groundman A</u>	A Groundman with at least 3 months experience in the position with demonstrated abilities to complete work in a safe and efficient manner...
<u>Groundman B</u>	A new groundman trainee who is required to work through a training period of up to 3 months or longer, and is capable of becoming a fully qualified groundman in accordance with OSHA 1910.269 and ANSI Z-133 standards.

Equipment Pricing

The CONTRACTOR shall furnish the following equipment in good, serviceable condition, reasonably free of excessive breakdowns as determined by BIG SANDY or its REPRESENTATIVE, at listed rates per hour. BIG SANDY reserves the right to solely and at its discretion require the CONTRACTOR to provide equipment that is no more than 5 years old and in good operating condition for T&M work when BIG SANDY feels that equipment breakdowns are adversely affecting crew production and performance. The listed rates shall not include operator(s) but shall include all costs for repairs, maintenance, operation, overheads and profit and shall be the sole compensation payable by BIG SANDY to the CONTRACTOR for use of said equipment. All tree-pruning trucks shall be properly equipped to handle any tree pruning or removal encountered. All equipment shall meet approval of BIG SANDY before being permitted to work on BIG SANDY property.

Crew labor and equipment hours shall not be invoiced for the time equipment is inoperative due to maintenance or equipment failure, as appropriate, (e.g. when the crew or part of the crew can complete productive line clearance while the equipment is being repaired, the productive individuals may continue to be billed).

Equipment	Billing Rate/hr.
Trim Lift w/ dump box, 52 - 56 ft, w/ saws	\$30.00
Flat bed lift, 52 - 55 ft, w/ saws	\$
Trim Lift w/ dump box, 70 ft +, w/ saws	\$
Skidder bucket, 52 - 55 ft, w/ saws	\$
Disc chipper	\$8.00
Drum Chipper	\$
Split dump, min 12 cu yd dump, w/ saws	\$25.00
Split dump, min 12 cu yd dump, w/o saws	\$
Side Trimming Equipment	\$
Tractor w/ brush hog mower	\$
Tractor w/ Brown Brush monitor	\$
Pickup 2x4 w/o saws	\$
Pickup 4x4 w/o saws	\$
Pickup 4x4, w/ saws for R/W crew	\$14.00
Log Loader	\$

Note: Trucks shall be equipped with hand and power tools to productively, safely and effectively perform the work. These tools include power saws for each worker and hydraulic tools (including hydraulic pruners and pole saws) on bucket trucks. Dump boxes on trucks will have capacities of at least 8-10 yards.

All equipment prices are firm for the duration of the agreement.

Material Pricing

Material including, but not limited to herbicides, penetrating oil, and surfactants approved for use by BIG SANDY. Stump treatment products shall include a marker dye.

Material Mark-up Percentage

____10____%

Material mark-up shall apply to base price of materials before any applicable tax. Base prices shall be documented with purchase invoices.

AWARD

BIG SANDY will bid and award all work for 2023. However, BIG SANDY will evaluate the CONTRACTOR's performance on at least a quarterly basis in the following areas:

- Member complaints/mile worked – Target: Less than 1 per 10 miles
- Exceptions, omissions and skips/mile worked – Target: Less than 1 per 10 miles
- Unscheduled Interruptions – Target: 0
- Work completed on schedule – Targets: Quarterly mileposts, within 10% of schedules
Yearend target, 100% on time

If BIG SANDY or its REPRESENTATIVE determines that the CONTRACTOR's performance is substandard according to the above criteria, BIG SANDY may cancel the remaining mileage and hourly work and award the remaining work to another vendor.

If BIG SANDY is satisfied with the CONTRACTOR's work quality and performance under the terms of this Contract, a multi-year extension may be considered. The time and material (hourly), firm price and unit price rates above may be the basis for establishing long-term, mutually agreeable pricing that could be used to extend this Contract beyond December 31, 2023. The terms of such an extension would be negotiated prior to December 31, 2023.

Required Insurance and Workers Compensation

<u>Category</u>	<u>Requirement</u>	
Workers Compensation	Statutory	
Employers Liability accident limit employee	Bodily Injury by Accident	\$1,000,000 each
	Bodily Injury by Disease	\$1,000,000 policy
	Bodily Injury by Disease	\$1,000,000 each
Commercial Liability including	General Aggregate	\$2,000,000
	Products-Completed, Operations Aggregate	\$2,000,000
	Personal and Advertising	\$1,000,000
	Each Occurrence	\$1,000,000
	Fire Damage	\$ 100,000
	Medical Expense	\$ 10,000
Automobile Liability accident	Combined Single Limit	\$1,000,000 per
Umbrella Liability	Each Occurrence and Aggregate	\$4,000,000

Upon execution of the contract, the CONTRACTOR shall provide certificate(s) to BIG SANDY indicating that the required insurance has been placed with insurers acceptable to BIG SANDY and that at least 30 days prior written notice will be given to BIG SANDY of cancellation or material change in coverage.

The CONTRACTOR shall maintain the required insurance in full force during the life of this contract and any extensions thereof.

The CONTRACTOR's Commercial General Liability and Umbrella Liability insurance policies shall be written on an "occurrence" basis.

The CONTRACTOR's Commercial General Liability shall:

- Name BIG SANDY RECC as additional insured with copies of enabling endorsements accompanying the certificates.
- Provide for a separate aggregate limit of liability exclusively for this contract.

Assignment and Subcontracting

The CONTRACTOR shall not assign its obligations to perform the services or any part thereof and BIG SANDY shall not be obligated to accept a tender of performance by any assignee, unless BIG SANDY shall have previously expressly consented in writing to such assignment.

The CONTRACTOR shall not, without prior written consent of BIG SANDY, subcontract any of its obligations under the Contract. In the event BIG SANDY consents to the subcontracting of

any portion of the services, (1) such consent shall not relieve the CONTRACTOR of its obligations under the contract with respect to such services, and (2) the CONTRACTOR agrees to bring the provisions of the contract to the attention of and to bind every subcontractor by the provisions of the contract as far as applicable to that portion of the services to be performed by the subcontractor.

Hold Harmless

The CONTRACTOR will indemnify, hold harmless and defend BIG SANDY from and against any and all liability for loss, damage or expense which BIG SANDY, their personnel, or the general public may suffer, or for which BIG SANDY may be held liable by reason of any injury (including death) or damage to any property arising out of the CONTRACTOR's performance of work under this contract.

Changes in the Contract

Any changes to this contract or the work described herein must be agreed upon in writing by both parties.

Termination with Cause

If either party breaches any provision of the Contract (including, without limitation, the failure by the CONTRACTOR to adhere to the performance standards set forth in the Contract), the other party may give notice of such breach to the defaulting party in writing. If the breach is not cured within thirty (30) days of delivery of such notice, the defaulting party shall be in default hereunder and the non-defaulting may elect to terminate the Contract, or to continue the Contract subject to receiving adequate assurances of performance from the defaulting party. BIG SANDY shall have the right to stop the work immediately with cause. In the event BIG SANDY terminates the Contract pursuant to this subsection, BIG SANDY shall not be required to make any payments to the CONTRACTOR with respect to Services that have not been performed as of the date of termination. If the sum of all previous deposits and payments under the Contract with respect to the Services so terminated exceeds the amount owed to the CONTRACTOR with respect to services that have been performed as of the date of termination, the excess shall be immediately refunded to BIG SANDY.

Termination Without Cause

BIG SANDY may at any time on thirty- (30) business day's notice to the CONTRACTOR terminate the Contract for BIG SANDY's convenience. Any compensation payable to the CONTRACTOR through the effective date of early termination shall be prorated, and BIG SANDY shall not be required to make any payments to the CONTRACTOR with respect to services that have not been performed as of the date of early termination. If the sum of all previous deposits and payments under the Contract with respect to the services so terminated exceeds the amount owed to the CONTRACTOR, the excess shall be immediately refunded to BIG SANDY. The CONTRACTOR likewise shall have the right to terminate the contract upon Sixty- (60) days written notice being received by BIG SANDY.

Payment

The CONTRACTOR shall complete their firm price work activities as systematically and uniformly as practicable, so as to facilitate preliminary field review and approval, and interim monthly invoicing for a mutually agreeable percentage of the completed work. All interim invoice approvals are subject to final audit approval at the completion of the entire project, and final payment shall not be authorized until all outstanding issues and concerns have been corrected to the full satisfaction of BIG SANDY or its REPRESENTATIVE. BIG SANDY shall withhold the last payment due the CONTRACTOR on the project until all work is completed and all substandard work discovered either in intermediate inspections or final inspection is corrected to the satisfaction of BIG SANDY.

Invoices for approved work shall be paid thirty (30) days after receipt thereof. Invoices that are submitted for incomplete work may be held without penalty to BIG SANDY or returned to the CONTRACTOR for future re-submittal when all work is completed to specification.

Payments for unit work shall be made only for actual work completed, audited and approved, provided said work is in accordance with the terms of this Contract. Co-signed audit summary approval sheets shall form the basis for invoice submittal. Unit price completions that are associated with a firm price project shall be accumulated and submitted with the next scheduled firm price invoice for that feeder/circuit. No partial payment will be allowed for work or work packages that are not completed, unless non-completion is caused by a condition approved by BIG SANDY. BIG SANDY shall strive to organize circuits requiring pre-planned unit work into work packages that encompass portions of a feeder, so as to enable periodic interim invoicing on projects requiring more than one month to complete.

Invoices for T&M work shall be submitted on a weekly basis, by crew, for all billable labor, material and equipment hours and at the rates quoted in the Pricing section. The invoice shall be submitted within two (2) weeks of the week ending date, and shall be supported by a copy of the crew's time sheet for that week.

Conclusion

This document constitutes the entire agreement between the parties, their successors and assigns, and no modification hereto shall be binding upon the parties unless in writing and signed by both parties. This contract is construed under the laws of the State of Kentucky.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals this 23rd day of, February 2023.

THE CONTRACTOR: Bruce Aaron Davis (sign here)
State of Kentucky

County of Johnson

The foregoing instrument was acknowledged before me this Feb. 23, 2023 (date) by Bruce Aaron Davis (name of person acknowledged).

Notary Public Judy L. McClure

Printed Name Judy L. McClure

My commission expires 6-19-2026

BIG SANDY RECC Danny Waller (sign here)
State of Kentucky

County of Johnson

The foregoing instrument was acknowledged before me this Feb. 23, 2023 (date) by Danny Waller (name of person acknowledged).

Notary Public Judy L. McClure

Printed Name Judy L. McClure

My commission expires 6-19-2026

Exhibit A

SPECIFICATIONS GUIDE FOR LINE CLEARANCE

Notification

1. When notifying landowners of impending line clearance and tree pruning activities, the CONTRACTOR shall promote sound arboricultural standards, including natural pruning techniques, as defined, and by following this specification and the ANSI Z133 and A300 standards.
2. The CONTRACTOR shall pre-notify property owners for tree pruning, tree removal and brush maintenance and disposal when performing firm price line clearance activities on circuits listed in the FIRM PRICE SCHEDULE above. This pre-notification shall clearly communicate the prescribed pruning and brush disposal techniques that will be implemented. When the cut brush and debris must be cleaned up, all pruning debris shall be removed before the end of work in residential areas, and within one week in undeveloped areas. When cut brush and pruning debris will remain after pruning, the CONTRACTOR shall clearly communicate to the property owner the condition in which the slash will be left. When site cleanup becomes delayed due to equipment problems, the CONTRACTOR shall clearly communicate the condition to the property owner, together with an expected time for final cleanup and resolution.
3. The CONTRACTOR shall be responsible for pre-notification for unit price tree removals for yard trees and off R/W trees. CONTRACTOR shall also be responsible for pre-notification for all pruning and removals assigned for Time and & Materials Pricing, unless otherwise requested of the CONTRACTOR's crews at the time T&M work is assigned.

Public Relations

1. All work shall be done, and all complaints resolved by the CONTRACTOR, to the satisfaction of BIG SANDY with due regard for the public relations concerns of BIG SANDY.
2. The CONTRACTOR agrees that complaints of any nature that are received from a property owner, BIG SANDY, it's designee, or REPRESENTATIVEs or public authorities shall receive immediate attention and all efforts shall be made for a prompt resolution. All complaints, and any action taken by the CONTRACTOR in connection with such complaints, shall promptly be reported to BIG SANDY or it's REPRESENTATIVE.
3. When the Contractor fails to respond to valid member concerns and complaints in a timely manner, BIG SANDY or its REPRESENTATIVE may resolve the complaint to the satisfaction of member. All costs associated with the resolution of such complaints shall be deducted from the next CONTRACTOR'S invoice.

Scheduling

1. BIG SANDY or its REPRESENTATIVE and the CONTRACTOR shall mutually establish a starting date and work schedule for all firm price and unit price work. The schedule shall consist of establishing quarterly milestones and dates to assure on-time completion of the project. Unless BIG SANDY and the CONTRACTOR mutually agree otherwise, approximately one quarter of the job shall be completed by each milestone date. Completed work shall be no more than 10% behind the scheduled mileposts unless approved by BIG SANDY. All work shall be fully completed to specification by the year-end completion date.
2. The CONTRACTOR shall complete pruning and clearing progressively, from a starting point or points designated by BIG SANDY, with no skips, except for those caused by property owner objections. The CONTRACTOR shall promptly notify BIG SANDY or it's REPRESENTATIVE of any work site or property owner where the CONTRACTOR is unable to achieve full specification clearances for any reason, before tree pruning or removal activities are begun at that location, in an effort to provide BIG SANDY or it's REPRESENTATIVE an opportunity to resolve known member concerns before pruning and clearing.

Permits

1. The CONTRACTOR agrees to secure all permits and licenses necessary for the work to be performed hereunder and to pay all charges and fees required for such permits and licenses.

Circuit Operation

1. The CONTRACTOR agrees to secure from BIG SANDY operating information about each circuit involved before work is commenced. It is understood by and between the parties that the electric circuits of BIG SANDY are to continue in normal operation during this work. The CONTRACTOR shall take all necessary precautions to guard against interfering with the normal operation of said circuits. In the event the CONTRACTOR's employees cause an outage to occur, they shall immediately cease pruning activities, secure the work area to ensure worker and public safety, and shall immediately notify BIG SANDY.

Clearance Standards

1. Pruning Guidelines for On-R/W Trees - Effective tree clearance for line reliability is dependent on the voltage of the conductor, the type of tree, its growth rate and habit. Clearance shall be accomplished by ground cutting and removing all tall-growing tree species from within the R/W, whenever approved. Where pruning of residential or landscape trees become necessary, the CONTRACTOR shall prune so as to provide a minimum of three (3) years of clearance. The guidelines for tree clearances apply at the time of pruning and clearing and are intended to protect the wires under normal operating conditions. Special clearances may be needed at times because of field conditions. Additional allowance should be made for wires with excess sag.
2. Pruning Along Distribution R/W Edge or Off-R/W Trees - Every tree shall be trimmed

ground-to-sky in accordance with ANSI A-300. To the extent practicable, these limbs shall be trimmed back to the trunk of the tree except on species that are susceptible to sun scald. The CONTRACTOR shall always clear the R/W of all trees or brush thirty-five (35) feet wide for three phase lines and thirty (30) feet wide for single phase lines.

3. The CONTRACTOR shall not shape or round-over trees beyond the extent required to achieve the desired conductor/vegetation clearance, unless specifically approved by BIG SANDY or it's REPRESENTATIVE.
4. The CONTRACTOR shall only prune trees directly involved with the BIG SANDY' overhead lines, as defined by this specification. Pruning trees for privately owned lines is not permitted.
5. The CONTRACTOR shall perform required vegetation management activities on all secondary lines and service drops as directed by BIG SANDY or its REPERSENTATIVE. Service drops shall be cleared to the extent that the conductor can swing free of obstructions.
6. The CONTRACTOR shall not prune trees solely for area lighting illumination.
7. All low growing desirable species, if present, may be left unless:
 - a. they create clearance problems,
 - b. mechanical, non-selective equipment (e.g. mowing) is used, or
 - c. they block access to the rights-of-way or prevent facilities maintenance.
8. Ingested wilting foliage of wild cherry is poisonous to livestock. The CONTRACTOR shall remove all wild cherry foliage from fields where livestock graze.
9. All stumps from manual clearing operations shall be treated with herbicides approved by BIG SANDY.
10. The CONTRACTOR shall cut, as near to ground level as possible, all vines growing on poles, guy wires, and other BIG SANDY' facilities. The CONTRACTOR shall treat all vines with an herbicide mix that is approved by BIG SANDY or it's REPRESENTATIVE.

Debris Disposal

Except as previously described for time and material work, the CONTRACTOR shall pre-notify all property owners to explain the tree pruning and line clearance requirements for firm price circuits. It is acceptable to BIG SANDY for line clearance debris to remain on site, provided the disposal method is communicated to and understood by the property owner, including for T&M work.

Notwithstanding this requirement, the CONTRACTOR shall insure:

1. All debris disposals from pruning, tree removal or brush clearing shall be according to Federal, State and Local regulations.
2. All hangers shall be pulled to remove them from trees, including all work completed by trim lift, manual, and mechanical pruning crews.
3. All tree, limb, and brush disposal that remains along the right of way with property owner approval shall be neatly piled along the edge of the R/W so as to ensure the R/W is readily accessible for emergency patrols.
4. When limbs, wood, and debris must be removed from the site, it shall be removed the same day it was cut unless the Landowner approves otherwise. When the site cannot be cleaned

up the same day due to equipment breakdown or other unforeseen problems, the CONTRACTOR notify the Landowner when cleanup will be complete.

5. No limbs, wood, or debris shall be left on or immediately adjacent to a public right-of-way, fences, or in or near running water, or in or near natural drainage ditches.

TREE REMOVAL SPECIFICATIONS

1. Danger trees are generally diseased, damaged, defective or lean toward the line in a manner that poses a threat to service reliability and/or integrity of the line under any weather conditions.
2. Danger trees shall be removed or reduced in height, with the property owner's permission, so that if the remaining portion of the tree were to fall it could not strike the line. Removal shall include cutting down and disposal of the tree trunk as defined in the unit price tree removal schedule.
3. Whenever practical, stumps shall not exceed 3 inches in height and cut surfaces will be parallel to ground line.
4. All stumps, except those suspected of being root grafted to non-target trees, shall be treated with an herbicide approved by BIG SANDY.
5. Trees will not be removed if the:
 - A. Tree will not affect BIG SANDY' lines, or
 - B. Tree affects only a service drop, or
 - C. Tree removal will only improve street lighting.

NORMAL WORK WEEK

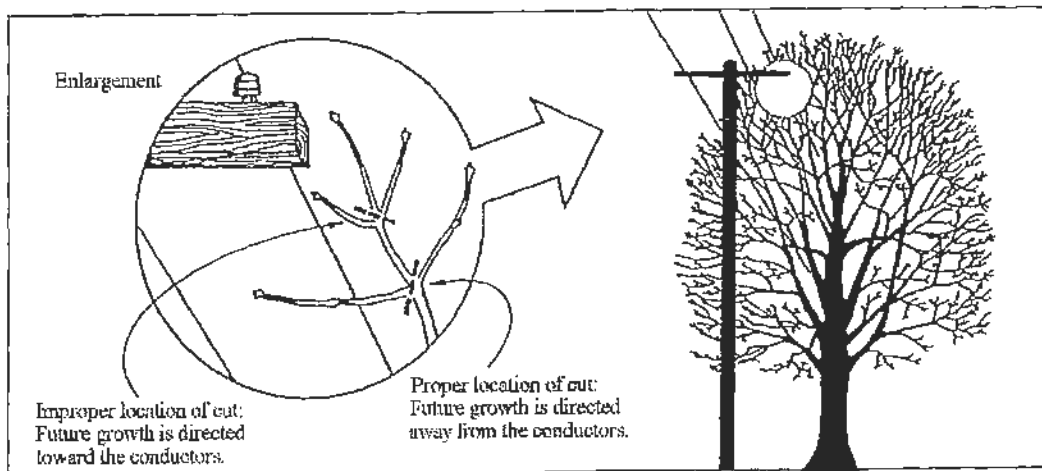
1. The normal workweek will be Monday thru Friday between the hours of seven AM and six PM. BIG SANDY or its REPRESENTATIVE may approve alternate work schedules, to accommodate holidays, time lost to inclement weather, or other reasons.

REPORTS

1. During the course of any work under this Contract the CONTRACTOR shall regularly report crew locations, work completions and other required reports showing the nature, amount, specific locations of work performed and other pertinent information, which may be requested by and in the format approved by BIG SANDY.
2. The CONTRACTOR shall submit an approved crew/work progress report for all T&M work showing billable labor and equipment hours for the week, together with all relevant work data as may be determined necessary by BIG SANDY. This report shall be submitted weekly and received by the close of business on Monday, for the preceding week (except when Monday is a holiday). Each T&M crew's weekly time/work completion report shall be submitted directly to BIG SANDY. The report shall be sufficient to support billing.
3. Firm price and unit price reporting shall be as designated by BIG SANDY, and shall generally be reported on a monthly basis.

CONTRACTOR CREW INSPECTIONS

1. The CONTRACTOR's supervisor is responsible for insuring that all line clearance activities are done to full specification, and is responsible for reviewing work for thoroughness and completion before reporting the work complete to BIG SANDY or its REPRESENTATIVE.
2. The CONTRACTOR shall complete their work activities as systematically and uniformly as practicable, so as to facilitate preliminary field review and approval, and interim invoicing. The Contractor's supervisor shall work closely with BIG SANDY or its REPRESENTATIVE to identify areas that are complete to specification, and free of skips, member problems, and variances from specification requirements, so as to provide a monthly invoice for a mutually agreeable level of work.
3. Once the CONTRACTOR has reported a project or a mutually agreeable portion of the project as complete, BIG SANDY EC or its REPRESENTATIVE shall perform timely inspections of the Contractor's work to ensure full compliance with specifications and evaluate work quality. The CONTRACTOR shall promptly remedy any deficiency discovered by BIG SANDY or its REPRESENTATIVE during inspections. If remedies are not accomplished in a timely fashion, BIG SANDY may suspend operations of the CONTRACTOR's crew(s). Once any portion of the project has been inspected and given final approval, said portion is not subject to subsequent and continued re-inspections unless re-inspections must be performed to assess member issues or clearing work that was not fully completed when interim payment was made for the area containing such work.
4. All interim approvals for invoicing are subject to final audit approval at the completion of the entire project, and final payment shall not be authorized until all outstanding issues and concerns have been fully corrected to the satisfaction of BIG SANDY. All decisions made by BIG SANDY relating to workmanship, job quality, public relations and environmental quality, as defined by this specification, are final and not subject to arbitration. Pending field audit and approval, corrected invoices shall be paid within thirty (30) days after receipt thereof.



Natural Pruning (to direct growth away from wires)

Natural pruning is a method by which branches are cut at a suitable parent limb back toward the center of the tree. The cut should be made as close as possible to the branch collar at the branch base, however the branch collar should not be injured or removed. Every branch has a branch bark ridge that separates the branch from the main stem. The cut should be made on the outer side of the ridge. If the cut is made on the inner side of the branch bark ridge, a larger wound will result that may inhibit the tree's ability to naturally compartmentalize the wound, increasing wound closure time and the risk of entry for microorganisms. This method of pruning is sometimes called "drop-crotch pruning", "directional pruning," or "lateral pruning." Large branches should be removed to laterals at least one-third the diameter of the branch being removed. Natural pruning is especially adapted to the topping of large trees where a great deal of wood must be removed.

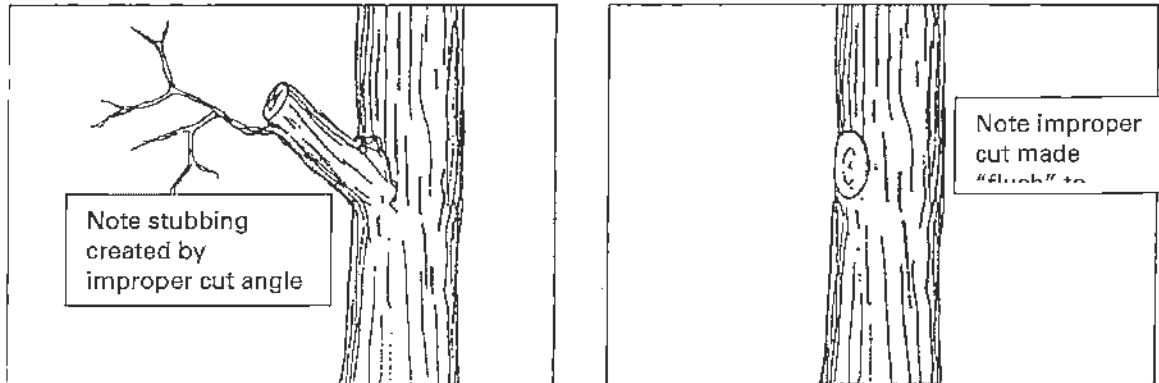
In natural pruning, almost all cuts are made with a saw, and very little pole pruning work is required. This results in a natural looking tree when finished, even if a large amount of wood has been removed. However, a hydraulic or manual pole pruner is required to trim those smaller laterals that cannot be properly trimmed using the pole saw and each crew shall be equipped with the necessary hydraulic pruners for lift crews and manual pruners for climbing crews.

Natural pruning is also directional pruning, since it helps to guide the growth of the tree away from the wires. Stubbing or pole-clip clearance, on the other hand, tends to promote rapid sucker growth right back into the conductors. It is important to remember that natural pruning does work, and that two or three pruning cycles done in this manner will bring about an ideal situation for both the utility and the tree owner. Most shade trees lend themselves easily to this type of pruning.

Natural pruning techniques should be used for top pruning, side pruning, under pruning, and combinations as described on the following pages.

Natural Pruning Details

Improper Pruning Techniques

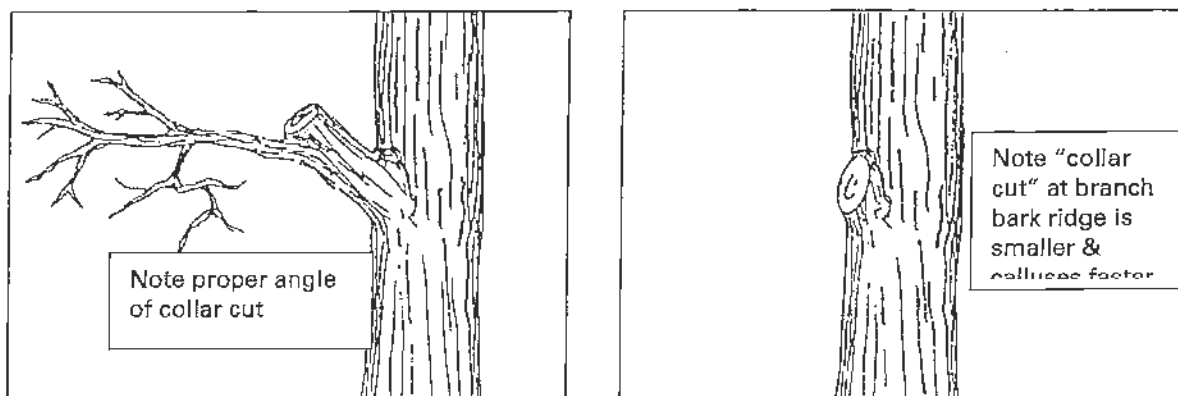


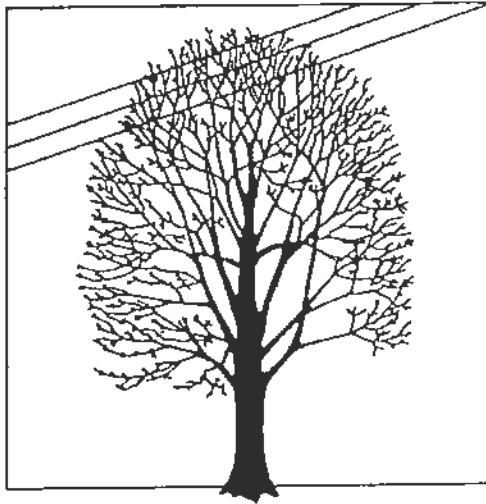
Details of improper pruning and proper natural pruning techniques are shown here. The branch at left above was cut back to a lateral that is too small. Branches should be cut back to a lateral that is at least one-third the size of the branch being removed as shown at left below. If a proper lateral is not available, the branch should be cut back to the trunk. Note that the remaining limb should be trimmed in a manner that meets the minimum clearance requirements while "training" it to grow away from the conductors. When limbs growing toward the conductors cannot be trimmed to meet these requirements, they should be removed back to the truck of the tree.

The cut shown at right above is an improper flush cut where the branch collar was removed. The cut at right below shows the proper method to remove the branch at the trunk, leaving the branch collar but not a stub.

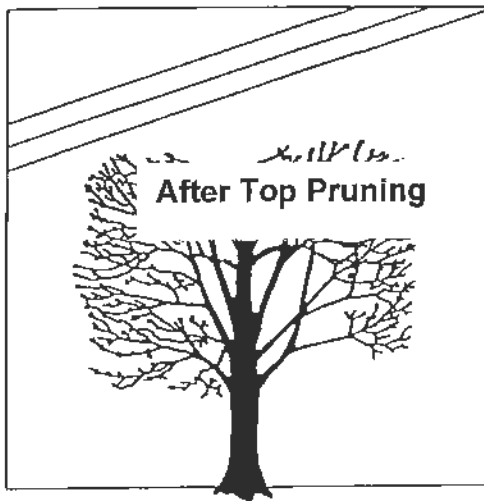
The CONTRACTOR shall remove all past stubbing, correctly pruning these limbs back to a lateral one third the size of the parent limb, or removing them back to the trunk of the tree, to promote proper callusing. Removal back the trunk will be the preferred method when it would create a "cleaner" appearance and minimize future regrowth and pruning.

Proper Pruning Techniques





Before Top Pruning

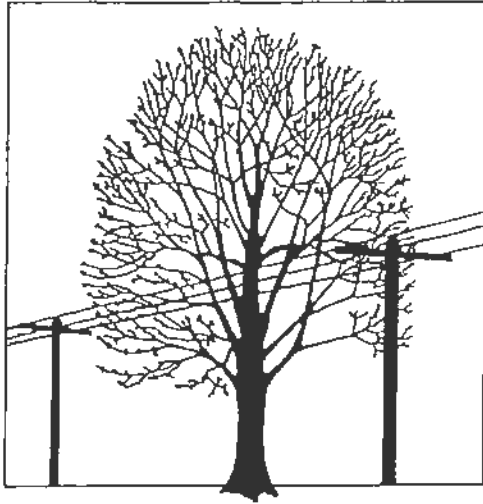


1. TOP PRUNING

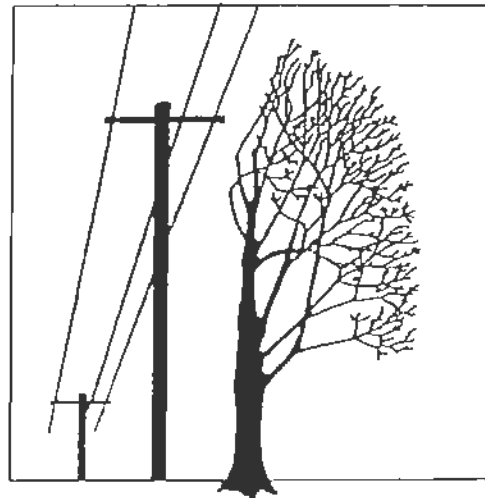
Top pruning involves cutting back large portions of the upper crown of the tree. Top pruning is often required where a tree is located directly beneath a line. The main leader or leaders are cut back to a suitable lateral. (The lateral should be at least one-third the diameter of the limb being removed.) While most cuts should be made with a saw; a hydraulic or manual pole pruner is still required to properly prune the small lateral limbs that cannot be properly pruned using a pole saw.

For the sake of appearance and to limit the amount of regrowth, it is best not to remove more than one-fourth of the crown when top pruning. In certain species, removal of too much of the crown may result in death of the tree.

Top pruning is generally required to address the situation where a tall growing tree has been planted or grown underneath the lines. Top pruning should **NOT** be used on those trees that are located partially under the line, where part of the tree could be trained to grow away from and/or beside the line, unless specifically required by the property owner and approved by BIG SANDY. Side pruning is discussed below.



Before Side Pruning



**After Side Pruning
Rural – R/W areas**

2. SIDE PRUNING IN NON-RESIDENTIAL R/W AREAS

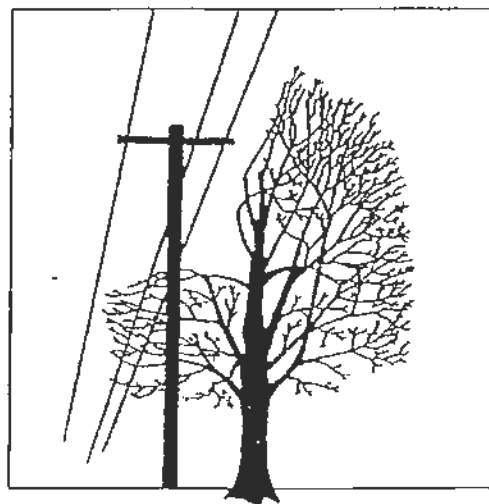
In non-residential or rural right-of-way situations, side pruning consists of cutting back or removing the side branches that are threatening the conductors from ground to sky. Side pruning is required where trees are growing adjacent to utility lines. Limbs should be removed at a lateral branch or the main trunk wherever possible to minimize future regrowth. All branches beneath the conductors should be removed to prevent them from growing up into the lines. Avoid unsightly notches in the tree, if possible.

3. SIDE PRUNING IN RESIDENTIAL AREAS

In residential situations, where the tree to be trimmed is part of a lawn or landscape setting, it is often necessary to leave a "shelf" of branches below the phone cable level, or at least three years of clearance. While this is NOT a preferred pruning method, it is commonly required in residential areas in order to maintain as much of the natural appearance, screening and shade value of the tree as possible. Trees that would require excessive pruning or create serious visual impacts for the property owner should be candidates for removal.

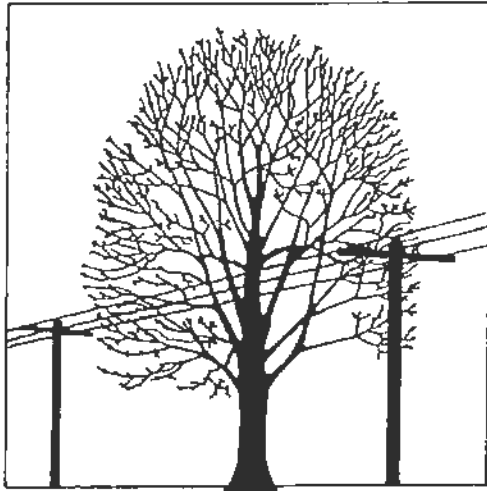
When shelf pruning is performed, the remaining branches shall be trimmed so as to train them to grow out flat, or down and away from the wires. Branches growing up, toward the overhead conductors, should be removed or trimmed to laterals growing away from the wires.

**After Side Pruning
Residential Areas**

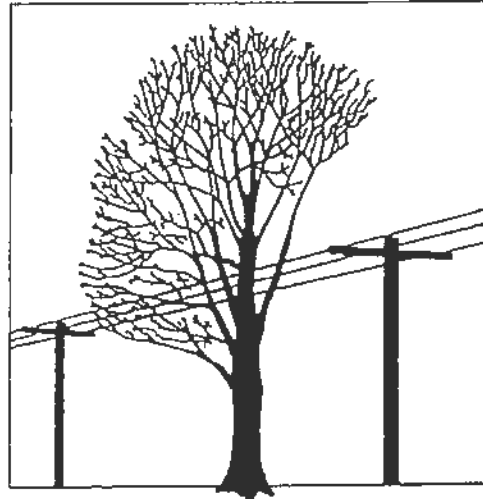


4. UNDER PRUNING

Under pruning involves removing the lower limbs of the tree to allow wires to pass below the tree crown. All cuts should be made as close as possible to the branch bark ridge at the branch collar, to avoid leaving unsightly stubs. The natural shape of the tree is retained in this type of pruning, and the tree can continue its normal growth. Overhangs shall be trimmed or removed in accordance with the clearance requirements. Where overhangs will be allowed to remain, the CONTRACTOR shall visually inspect the remaining overhang to identify dead, decayed, cracked, split or weak conditions that may exist at the time of pruning and could damage the facilities if they broke out the tree and fell on the lines. Hazardous conditions shall be promptly reported to BIG SANDY, and summarized in a weekly report.



Before Under Pruning



After Under Pruning

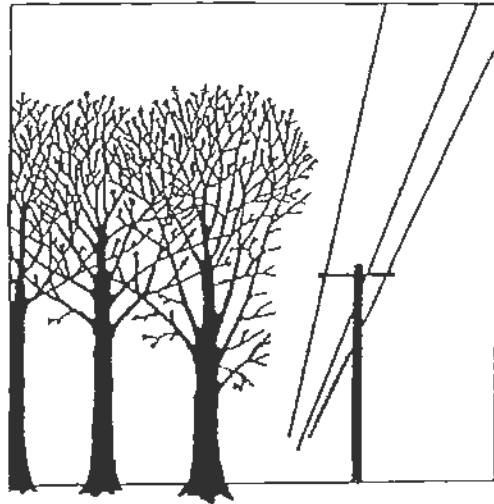
5. COMBINATIONS

It may be necessary to combine several pruning types in order to achieve a good-looking job and to obtain adequate clearances.

Improper Pruning Methods

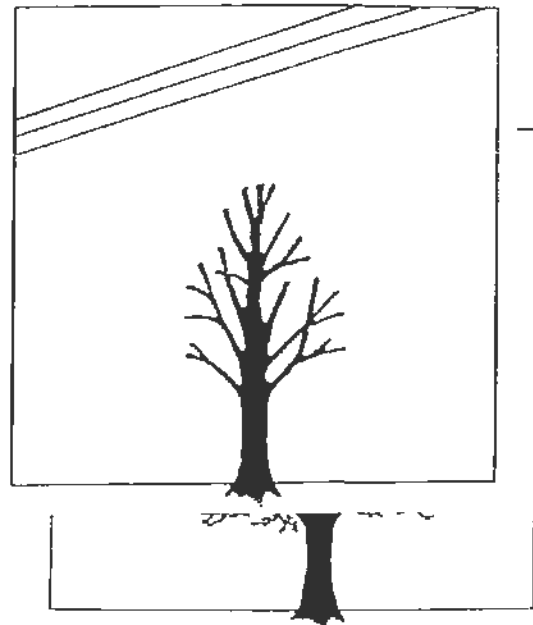
6. SIDE TRIM STUBBING

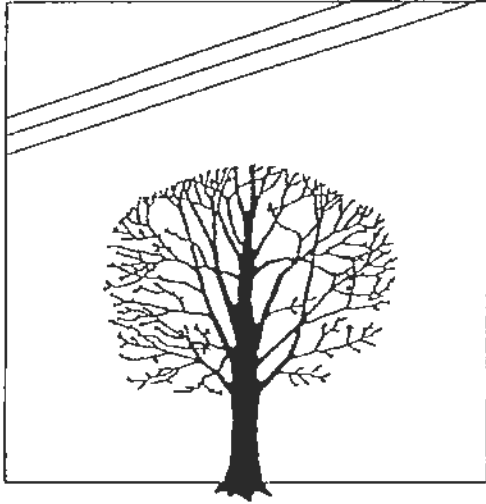
This is done by stubbing off portions of limbs along the side of the tree to obtain clearance. Cutting off portions of limbs (leaving stubs) to obtain clearance creates many fast-growing suckers that become a serious line clearance problem. Corrective pruning will be required to eliminate and repair past stubbing practices when they are encountered.



8. POLLARDING

This is done by stubbing off major limbs to greatly reduce the size of the tree crown. The result is not only unsightly, but promotes a multitude of fast-growing suckers that sprout from the stubs. The combination of stubbing and re-sprouting leads to weak limb attachments, disease and decay, which then lead to a serious reliability and line clearance problem. Pollarding is unacceptable.





9. ROUNDING OVER

Rounding over (or shearing) is done by making many small cuts so that the treetop is sheared in a uniform line. This creates an unhealthy tree condition and results in rapid regrowth of suckers directly toward the electric conductors.

When a round over is done using a pole saw, the trimmer usually leaves numerous stubs, rather than following drop crotch and directional pruning principles. This commonly leads to decay, disease, and rapid re-growth. This condition is unacceptable, except when mandated by member requirements, and even then should be a last resort.

When a round over must be done, it shall be completed using the proper hydraulic or manual pruning tools, following the proper collar cut procedures. Stubbing is unacceptable. BIG SANDY shall be notified before a round over is performed.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Commission Staff's Post-Hearing Request for Information

Request 6: Provide a breakdown of expenses and revenues related to Big Sandy Forestry, and account for them separately, for the test year.

Response 6:

2023 Total Income - \$185,567.96

2023 Total Operating Expenses - \$182,640.10

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Commission Staff's Post-Hearing Request for Information

Request 7: Provide a breakdown of all profits and expenses for Big Sandy Forestry for every year since its inception.

Response 7:

2023 Total Income - \$185,567.96
2023 Total Operating Expenses - \$182,640.10
2023 Net Income - \$2,927.86

2024 Total Income - \$351,182.89
2024 Total Operating Expenses - \$311,823.18
2024 Net Income - \$39,359.71

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Commission Staff's Post-Hearing Request for Information

Request 8: Explain how Big Sandy RECC and Big Sandy Forestry determine the profits retained by Bid Sandy Forestry.

Response 8: Big Sandy Forestry is a wholly owned subsidiary of Big Sandy, therefore, any profits earned by Big Sandy Forestry would be returned to Big Sandy.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Commission Staff's Post-Hearing Request for Information

Request 9: Provide the percentages of profits retained by Big Sandy Forestry for the years 2023 and 2024.

Response 9: Big Sandy Forestry did not retain any profits in 2023 or 2024.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Commission Staff's Post-Hearing Request for Information

Request 10: Provide any written policies or manuals related to the allocation of costs between Big Sandy Forestry and Big Sandy RECC.

Response 10: Big Sandy does not have a formal written policy related to the allocation of costs between Big Sandy Forestry and Big Sandy. The operating principle is simple, Big Sandy Forestry pays for any and all expenses it incurs, this includes labor and materials, that Big Sandy provides to Big Sandy Forestry. Big Sandy strives to allocate labor at Big Sandy's actual cost, including overhead and the actual cost of any supplies.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Commission Staff's Post-Hearing Request for Information

Request 11: Explain whether the contracted pricing between Big Sandy Forestry and Big Sandy RECC covers all expenses for Big Sandy Forestry. If it does not, explain how Big Sandy Forestry pays the rest of its expenses.

Response 11: The contracted pricing between Big Sandy Forestry and Big Sandy covers all expenses for Big Sandy Forestry. Please see attachment PSC PH DR-5 for the contractual agreement between Big Sandy and Big Sandy Forestry.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Commission Staff's Post-Hearing Request for Information

Request 12: . Explain who pays for any required insurance for Big Sandy Forestry. If any portion of the insurance is paid through Big Sandy RECC's budget, provide the percentage amount for each insurance expense and describe each coverage.

Response 12: Big Sandy Forestry pays Big Sandy the actual cost of insurance.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Commission Staff's Post-Hearing Request for Information

Request 13: Explain whether Big Sandy RECC has written policies regarding confidentiality across contractors bidding on right of way services. As part of the explanation, explain whether bids are sealed and not shown to other bidders during the selection process.

Response 13: Big Sandy's "Bidding and Policies Procedure" require a Request for Quote ("RFQ") to be sent to prospective contractors. A deadline is set for the return of bids. A specific time is set to open the bids with, at minimum one appointed director, the CEO/Manager, and two staff members present. These individuals open the bids and select the winning bid to recommend to the Board of Directors for approval. At no time are these bids shown or revealed to other bidders.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Commission Staff's Post-Hearing Request for Information

Request 14: Confirm that Big Sandy Forestry does not participate in the bidding process for right of way services. If not confirmed, explain why Big Sandy Forestry has access to the bids from other contractors.

Response 14: Big Sandy Forestry does not participate in the bidding process for right of way services.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Commission Staff's Post-Hearing Request for Information

Request 15: Provide the 2024 annual income statement and balance sheet for Big Sandy RECC.

Response 15: Please see the attachment PSC PH DR-15 for the 2024 income statement and balance sheet.

ATTACHMENT PSC PH DR-15

02/24/2025 3:07:39 pm

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General Ledger Financial And Operating Report Electric Distribution

BALANCE SHEET FOR DEC 2024

	Last Year	This Year	Variance
ASSETS AND OTHER DEBITS			
1. Total Utility Plant in Service	63,219,156.83	66,233,386.46	3,014,229.63
2. Construction Work in Progress	643,915.70	550,821.10	-93,094.60
3. Total Utility Plant (1 + 2)	63,863,072.53	66,784,207.56	2,921,135.03
4. Accum. Provision for Depreciation and Amort.	29,195,295.18	30,922,600.10	1,727,304.92
5. Net Utility Plant (3 - 4)	34,667,777.35	35,861,607.46	1,193,830.11
6. Non-Utility Property (Net)	0.00	0.00	0.00
7. Invest. in Subsidiary Companies	2,927.86	42,287.57	39,359.71
8. Invest. in Assoc. Org. - Patronage Capital	18,672,802.64	18,846,276.70	173,474.06
9. Invest. in Assoc. Org. - Other - General Funds	2,305.00	2,305.00	0.00
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	5,784,921.15	6,478,967.05	694,045.90
11. Invest. in Economic Development Projects	0.00	0.00	0.00
12. Other Investments	500.00	500.00	0.00
13. Special Funds	0.00	0.00	0.00
14. Total Other Property & Investments (6 thru 13)	24,463,456.65	25,370,336.32	906,879.67
15. Cash - General Funds	495,914.95	42,774.34	-453,140.61
16. Cash - Construction Funds - Trustee	3,181.84	3,181.84	0.00
17. Special Deposits	120.00	120.00	0.00
18. Temporary Investments	0.00	0.00	0.00
19. Notes Receivable (Net)	0.00	0.00	0.00
20. Accounts Receivable - Sales of Energy (Net)	2,557,248.72	2,639,296.06	82,047.34
21. Accounts Receivable - Other (Net)	949,990.98	454,490.70	-495,500.28
22. Renewable Energy Credits	0.00	0.00	0.00
23. Material and Supplies - Electric & Other	621,849.08	578,708.35	-43,140.73
24. Prepayments	14,705.62	19,758.97	5,053.35
25. Other Current and Accrued Assets	55,219.67	56,261.36	1,041.69
26. Total Current and Accrued Assets (15 thru 25)	4,698,230.86	3,794,591.62	-903,639.24
27. Regulatory Assets	0.00	0.00	0.00
28. Other Deferred Debits	787,424.85	318,657.61	-468,767.24
29. Total Assets and Other Debits (5 + 14 + 26 thru 28)	64,616,889.71	65,345,193.01	728,303.30

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General Ledger Financial And Operating Report Electric Distribution

BALANCE SHEET FOR DEC 2024

	Last Year	This Year	Variance
LIABILITIES AND OTHER CREDITS			
30. Memberships	225,630.00	225,780.00	150.00
31. Patronage Capital	29,998,113.78	30,347,197.60	349,083.82
32. Operating Margins - Prior Years	364,565.22	-200,264.38	-564,829.60
33. Operating Margins - Current Year	-564,829.60	-1,060,352.50	-495,522.90
34. Non-Operating Margins	-83,741.96	-456,693.30	-372,951.34
35. Other Margins and Equities	438,832.33	469,454.03	30,621.70
36. Total Margins & Equities (30 thru 35)	30,378,569.77	29,325,121.45	-1,053,448.32
37. Long-Term Debt - RUS (Net)	5,682,276.65	8,549,599.92	2,867,323.27
38. Long-Term Debt - FFB - RUS Guaranteed	17,539,381.15	16,852,125.04	-687,256.11
39. Long-Term Debt - Other - RUS Guaranteed	0.00	0.00	0.00
40. Long-Term Debt - Other (Net)	4,631,694.92	4,282,257.94	-349,436.98
41. Long-Term Debt - RUS Econ. Devel. (Net)	0.00	0.00	0.00
42. Payments - Unapplied	0.00	0.00	0.00
43. Total Long-Term Debt (37 thru 41 - 42)	27,853,352.72	29,683,982.90	1,830,630.18
44. Obligations Under Capital Leases - Noncurrent	0.00	0.00	0.00
45. Accumulated Operating Provisions	2,740,362.11	2,767,081.24	26,719.13
46. Total Other Noncurrent Liabilities (44 + 45)	2,740,362.11	2,767,081.24	26,719.13
47. Notes Payable	0.00	0.00	0.00
48. Accounts Payable	2,412,639.91	2,505,229.91	92,590.00
49. Consumers Deposits	748,805.00	737,370.00	-11,435.00
50. Current Maturities Long-Term Debt	0.00	0.00	0.00
51. Current Maturities Long-Term Debt - Econ. Devel.	0.00	0.00	0.00
52. Current Maturities Capital Leases	0.00	0.00	0.00
53. Other Current and Accrued Liabilities	471,495.29	303,752.07	-167,743.22
54. Total Current & Accrued Liabilities (47 thru 53)	3,632,940.20	3,546,351.98	-86,588.22
55. Regulatory Liabilities	0.00	0.00	0.00
56. Other Deferred Credits	11,664.91	22,655.44	10,990.53
57. Total Liab. & Other Credits (36+43+46+54 thru 56)	64,616,889.71	65,345,193.01	728,303.30
Current Assets To Current Liabilities	1.29 to 1	1.07 to 1	
Margins and Equities To Total Assets	47.01 %	44.88 %	
Long-Term Debt To Total Utility Plant	43.61 %	44.45 %	

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General Ledger

Financial And Operating Report Electric Distribution

PARAMETERS ENTERED:

Period: DEC 2024
Standard Financial: RUS Form 7
Group By: All
Division: All
Department: All
Format: Summary
Include Departments: No
Round To Whole Dollars: No
Report Basis: Fiscal Year
Budget Revision: Highest
Financial And Statistical Data: No
Compare: Budget

General Ledger

Financial And Operating Report Electric Distribution

INCOME STATEMENT FOR DEC 2024

Item	-----Year - To - Date-----			-----Period - To - Date-----	
	Last Year	This Year	Budget	Current	Budget
1. Operating Revenue and Patronage Capital	26,562,169.02	27,144,000.51	0.00	2,328,276.96	0.00
2. Power Production Expense	0.00	0.00	0.00	0.00	0.00
3. Cost of Purchased Power	17,827,633.00	18,029,600.52	0.00	1,879,151.52	0.00
4. Transmission Expense	0.00	0.00	0.00	0.00	0.00
5. Regional Market Expense	0.00	0.00	0.00	0.00	0.00
6. Distribution Expense - Operation	1,371,665.15	1,106,297.68	0.00	-79,106.93	0.00
7. Distribution Expense - Maintenance	2,426,455.93	2,928,759.26	0.00	353,476.15	0.00
8. Customer Accounts Expense	1,114,799.80	1,108,192.84	0.00	98,919.41	0.00
9. Customer Service and Informational Expense	126,436.44	102,699.38	0.00	7,503.33	0.00
10. Sales Expense	39.00	39.00	0.00	0.00	0.00
11. Administrative and General Expense	1,607,354.77	1,752,547.92	0.00	110,587.31	0.00
12. Total Operation & Maintenance Expense (2 thru 11)	24,474,384.09	25,028,136.60	0.00	2,370,530.79	0.00
13. Depreciation & Amortization Expense	2,629,279.95	2,774,612.19	0.00	236,377.17	0.00
14. Tax Expense - Property & Gross Receipts	0.00	0.00	0.00	0.00	0.00
15. Tax Expense - Other	25,965.58	22,849.88	0.00	2,493.23	0.00
16. Interest on Long-Term Debt	778,919.33	893,516.48	0.00	77,415.16	0.00
17. Interest Charged to Construction - Credit	0.00	0.00	0.00	0.00	0.00
18. Interest Expense - Other	176,158.46	65,935.83	0.00	16,683.82	0.00
19. Other Deductions	14,009.99	9,640.00	0.00	0.00	0.00
20. Total Cost of Electric Service (12 thru 19)	28,098,717.40	28,794,690.98	0.00	2,703,500.17	0.00
21. Patronage Capital & Operating Margins (1 minus 20)	-1,536,548.38	-1,650,690.47	0.00	-375,223.21	0.00
22. Non Operating Margins - Interest	297,572.03	337,559.60	0.00	30,571.30	0.00
23. Allowance for Funds Used During Construction	0.00	0.00	0.00	0.00	0.00
24. Income (Loss) from Equity Investments	0.00	0.00	0.00	0.00	0.00
25. Non Operating Margins - Other	141,739.89	69,129.21	0.00	22,592.21	0.00
26. Generation and Transmission Capital Credits	412,310.91	115,594.30	0.00	179,054.00	0.00
27. Other Capital Credits and Patronage Dividends	123,023.81	107,414.57	0.00	7,358.19	0.00
28. Extraordinary Items	0.00	0.00	0.00	0.00	0.00
29. Patronage Capital or Margins (21 thru 28)	-561,901.74	-1,020,992.79	0.00	-135,647.51	0.00
Operating - Margin	-564,829.60	-1,060,352.50	0.00	-175,007.22	0.00
Non Operating - Margin	2,927.86	39,359.71	0.00	39,359.71	0.00
Times Interest Earned Ratio - Operating	-0.97	-0.85			
Times Interest Earned Ratio - Net	0.28	-0.14			
Times Interest Earned Ratio - Modified	-0.41	-0.39			

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General Ledger

Financial And Operating Report Electric Distribution

PARAMETERS ENTERED:

Period: DEC 2024
Standard Financial: RUS Form 7
Group By: All
Division: All
Department: All
Format: Summary
Include Departments: No
Round To Whole Dollars: No
Report Basis: Fiscal Year
Budget Revision: Highest
Financial And Statistical Data: No
Compare: Budget

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Commission Staff's Post-Hearing Request for Information

Request 16: Explain whether Big Sandy Forestry profits were included in the test year for Big Sandy RECC. And if so, provide the total amount.

Response 16: Big Sandy Forestry profits were included in Big Sandy's margins for 2023. Big Sandy Forestry's profit for 2023 was \$2,927.86.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Commission Staff's Post-Hearing Request for Information

Request 17: Refer to the Direct Testimony of Greg Meyer at 16, Table GRM-5 and Big Sandy RECC's Annual Reports from 2019-2023. Explain why Big Sandy RECC's transportation clearing was \$462,591.73 in 2022 and \$193,210.71 in 2023.

Response 17: Reviewing the information necessary to respond to this request, Big Sandy has discovered that 2022 Annual Report amount for transportation clearing should have been \$181,708.55. Big Sandy believes the incorrect number was used because of the accounting software conversion in mid-2022. This does not impact the revenue deficiency provided in the Wolfram Rebuttal because it was an error in the annual report that was not used for the calculations.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Commission Staff's Post-Hearing Request for Information

Request 18: Refer to Big Sandy RECC's response to the Attorney General's First Request for Information, Item 44d. Provide the ROW Miles Trimmed by year for the years 2015 and 2016.

Response 18:

2015 Trimmed miles = 64

2016 Trimmed miles = 78.4

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Commission Staff's Post-Hearing Request for Information

Request 19: Provide Big Sandy RECC's TIER and OTIER from 2024.

Response 19:

2024 TIER was -0.14.

2024 OTIER was -0.85.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2024-00287
Commission Staff's Post-Hearing Request for Information

Request 20: State and explain or provide a copy of the type of insurance coverage Big Sandy RECC has for employee misconduct including but not limited to civil liability.

Response 20: Big Sandy has an insurance policy with Federated Rural Electric Insurance Exchange for wrongful acts. See Attachment PSC PH DR-20 for a copy of the policy.

ATTACHMENT PSC PH DR-20

INSURING AGREEMENTS

In consideration of the payment of the premium, and in reliance upon the statements made to the Insurer by application, a copy of which is attached hereto and forms a part of the policy, and subject to the Declarations, Insuring Agreements, Terms, Conditions, Limitations and Amendments or Endorsements as hereinafter provided, **Federated Rural Electric Insurance Exchange** (hereinafter called the Company) agrees as follows:

Coverages A and B

- A. The Company will pay on behalf of the **Insureds** all **Loss** which the **Insureds** shall be legally obligated to pay for any claim or claims first made against them because of a **Wrongful Act**, provided that the claim is a result of events or circumstances during the **Policy Period** and the claim or claims are first made during the **Policy Period** by written notice received by the Company during the **Policy Period**.
- B. The Company will reimburse the **Entity** for all **Loss** for which the **Entity** shall be required by law to indemnify individual **Insureds** for any civil claim or claims first made against them and arising out of events or circumstances during the **Policy Period** because of a **Wrongful Act**, provided that the claim is first made during the **Policy Period** and written notice of said claim is received by the Company during the **Policy Period**.

In the event that **Insureds** renew this policy of insurance, any claims arising out of events or occurrences during prior consecutive **Policy Periods** insured by the Company will be considered claims arising during the **Policy Period**.

TERMS, CONDITIONS AND LIMITATIONS

Section 1. Definitions

- A. The term **Insureds** shall mean the **Entity** and any individual who was, now is, or shall be a Director, Officer, Trustee, Employee, Seasonal, Temporary or Leased Employee, Volunteer or Staff Member of the **Entity** and shall include any Executive, Officer, Board Member or Committee Member, whether salaried or not.

The lawful spouse of an individual **Insured** shall be considered an **Insured** under this policy only as concerning claims arising solely out of his or her status as the spouse of an individual **Insured**, including claims that seek damages recoverable from marital community property, property jointly held by the

individual **Insured** and the spouse, or property transferred from the individual **Insured** to the spouse, provided however, that coverage shall not apply to any claim for any actual or alleged **Wrongful Act** of the spouse.

- B. The term **Entity** shall mean only that Organization, Association or Corporation which is named in **ITEM 1** of the Declarations and is legally constituted at the inception date of this policy and any **Subsidiary** that existed at the time the application was completed. Coverage will automatically apply to any **Subsidiary** formed or acquired after the inception date of this policy, subject to: (1) written advice to the Company within 90 days of acquisition or formation and 2) payment of any additional premium required.
- C. The term **Subsidiary** shall mean any Organization, Association or Corporation of which the **Entity** owns more than 50 percent of the outstanding voting stock.
- D. The term **Wrongful Act** shall mean any actual or alleged error, mis-statement, misleading statement, omission, neglect or breach of duty by one or more of the **Insureds** while acting in their individual or collective capacities as authorized representatives of the **Entity**, including Wrongful Acts which are alleged, arising out of, based upon or attributable to, in part or in whole, from **employment-related claims**, or if a Limit of Liability is shown on the declarations page for fiduciary liability arising out of the ERISA Act of 1974 and subsequent amendment thereto; subject to the Terms, Conditions and Limitations of this policy.
- E. The term **Loss** means damages, judgments (including pre- and post-judgment interest) settlements, defense costs, charges and expenses (excluding salaries of officers or employees of the corporation) incurred in the defense of actions, suits or proceedings and appeals therefrom for **Wrongful Acts**, subject to the applicable limit, Insuring Agreements, Terms, Conditions and Limitations of this policy; provided always that **Loss** shall not include; costs, charges and expenses of grand jury or criminal proceedings; or matters or damages which may be deemed uninsurable under law.
- The term **Loss** does not mean any amount not indemnified by the **Entity** for which an individual **Insured** is absolved from payment by reason of any covenant, agreement or court order.
- F. The term **Policy Period** shall mean the term in accordance with **ITEM 6** of the Declarations or Amendments thereto.
- G. **Employment-related claim** means a claim alleging an employment practices violation, and that is defined as any actual or alleged:

1. wrongful dismissal, discharge or termination (either actual or constructive) of employment, including breach of an implied contract; or breach of an employment contract;
2. Employment-related harassment (including sexual harassment whether “quid pro quo”, hostile work environment or otherwise);
3. Employment-related discrimination, including but not limited to: age, gender, race, color, national origin, religion, sexual orientation or preference, pregnancy or disability);
4. Employment-related retaliation (including lockouts);
5. Employment-related misrepresentation;
6. Employment-related libel, slander, humiliation, defamation, invasion of privacy;
7. Wrongful failure to employ or promote;
8. Wrongful deprivation of career opportunity, wrongful demotion or negligent employee evaluation;
9. Wrongful discipline;
10. Failure to provide or enforce adequate or consistent organization policies and procedure relating to any employment practice violation;
11. Violation of an individual’s civil rights relating to any of the above but only if the employment practices violation relates to an Employee or applicant for employment whether direct, indirect, intentional or unintentional.

Employment-related claim does not mean any wage claim or inquiries or actions arising from unemployment benefits.

Section 2. Exclusions

The Company shall not be liable to make any payment of **Loss** in connection with any claim or claims made against the **Insureds**:

- A. Where all or part of such claim is, directly or indirectly, based on, attributable to, arising out of, resulting from or in any manner related to any actual or alleged profit, gain, advantage, or unjust enrichment or restitution.
- B. For the return by the **Insureds** of any remuneration paid to **Insureds** without the previous approval of the stockholders or membership of the **Entity**, when payment without such previous approval shall be held by

the courts to have been illegal;

C. Which is insured by another valid policy or policies;

D. For an accounting of profits made in fact from the purchase or sale by the **Insureds** of the securities of the **Entity** within the meaning of Section 16 (b) of the Securities Exchange Act of 1934 and amendments thereto, or similar provisions of any other federal or state law;

E. For bodily injury, sickness, disease, death, or emotional distress of any person; for damage to or destruction of any tangible or intangible property or loss of use of property; for violation of a person's right of privacy; or for libel or slander or defamation of character, false arrest, detention or imprisonment, malicious prosecution, wrongful entry or eviction, or other invasion of the right of private occupancy; or for dissemination of confidential credit, health, financial or any other personally identifiable information whether written, printed, electronic or by any other means; or for the inability of the **Insured's** computer system's security to prevent an electronic or computer attack, unauthorized access, unauthorized use, or use by an authorized person in an unauthorized manner, including such inability caused by theft of a password or access code by non-electric means. A computer system's security includes, but is not limited to, firewalls, filters, DMZ's, computer virus protection software, intrusion detection, the use of passwords or other identification of authorized users.

However, coverage shall apply for emotional distress, or for injury from libel or slander, false arrest, wrongful detention, humiliation, or defamation or disparagement, or for injury from a violation of a person's right of privacy; but only if arising out of **employment-related claims**;

F. Arising out of controversies or claims between **Insureds** involving the operation of the **Entity** or any other matter; except an **employment-related claim** that is and brought by or on behalf of a past, present, or future employee of the **Entity** which is not a labor or grievance proceeding subject to a collective bargaining agreement. Board members, Trustees, Committee Members and Volunteers are not considered employees for purposes of this exclusion.

G. Arising from charges of seepage, pollution or contamination and based upon or attributable to violations or alleged violation of any federal, state, or municipal law or ordinance prohibiting or providing for the control or regulation of emissions or effluents of any kind into the atmosphere or into or on any body of land, water, waterway or watercourse; or arising from any action or proceeding brought for enforcement purposes by any public official, agency, commission, or board of pollution control administration pursuant to any such statutes, regulations or ordinances or arising from any suits alleging seepage, pollution or contamination based upon common law nuisance or trespass;

H. For **Wrongful Acts** of the **Insureds** while acting in the capacity of director or officer for any

corporation, **Subsidiary** or other organizations not named in **ITEM 1** of the Declarations. However; coverage afforded under this policy shall extend to Directors, Officers, and Managers who were or now are or may hereafter become, at the direction of the **Insured**, a Director, Officer or Manager of any non-profit charitable or civic organization for any alleged **Wrongful Acts** in their respective capacities as Directors, Officers or Managers of such non-profit charitable or civic organization. The term non-profit charitable or civic organization shall include any non-profit charitable or civic entity other than the **Insured**. Coverage afforded to Directors, Officers, and Managers of any such non-profit charitable or civic organization shall be excess of any insurance in force as respects to these non-profit charitable or civic organizations and any indemnification provided by these non-profit charitable or civic organizations; No coverage is provided to any non-profit, charitable or civic entity or any of its other directors, managers, employees, staff or volunteers.

- I. Under Insuring Agreement A, where the **Insureds**, individually or collectively, are entitled to be indemnified by the **Entity**;
- J. Involving, arising out of, in consequence of, or in any way involving the construction, maintenance, use, operation or termination of any nuclear facility, or the disposal, handling or storage of nuclear or radioactive materials;
- K. Arising out of any negligent act, error, or omission in the administration of the **Insureds'** weatherization or energy audit program;
- L. Arising out of the sale or purchase of the **Entity** or substantially all of its assets except in the case of a hostile takeover attempt by a third party;
- M. Based upon, or attributable to, any failure or omission to effect and maintain insurance;
- N. Brought about or contributed to by the fraudulent, dishonest or criminal acts of the **Insureds**; however the provisions of this exclusion shall not apply unless a judgment or other final adjudication thereof adverse to the **Insureds** shall establish fraud, dishonesty or criminal acts;
- O. Where all or part of such claim is, directly or indirectly, based on, attributable to, arising out of, resulting from or in any manner related to any actual or alleged failure, inability or refusal of the **Insureds** to fulfill, in whole or in part, any financial or other obligation it has under any contract or agreement. This exclusion shall not apply to employment contracts;
- P. Where all or part of such claim is, directly or indirectly, based on, attributable to, arising out of, resulting from or in any manner related to any actual or alleged violation of any common, federal, state or provincial laws or statutes enacted to protect trade and commerce from unfair competition,

unlawful restraints, monopolies or fixing of prices, including but not limited to the Sherman Act, the Clayton Act or any similar legislation or common law;

Q. Where all or part of such claim is, directly or indirectly, based on, attributable to, arising out of, resulting from or in any manner related to the **Insureds** performance of or failure to perform professional services for others, including but not limited to engineering services, whether for a fee or not, or any act, error or omission relating thereto;

R. For any actual or alleged:

(1) direct or indirect infringement of any patent, copyright, trademark, trade secret, or any other intellectual or licensing rights, or

(2) unauthorized taking or use of any trade name, service mark, service name, mask work, title, slogan, trade secret, know-how or confidential or proprietary business information or other material or information in violation of any right under any patent, copyright or trademark registration, license, lease, franchise, permit, authorization or agreement (including secrecy and non-disclosure agreements).

S. Where all or part of such claim is, directly or indirectly, based on, attributable to, arising out of, resulting from or in any manner related to the return and or the refund of patronage capital, capital credits, , patronage dividends, equity allocations, distributions of excess revenues or demands for restitution or disgorgement of funds, or rate reductions.

Section 3. Limits of Liability

A. The Company shall be liable to pay all **Loss** in excess of the amount of the Deductible as shown in **ITEM 5** of the Declarations up to the Limit of Liability shown in **ITEM 4** and **ITEM 4a** of the Declarations.

B. The maximum combined Limit of Liability stated in **ITEM 4a** of the Declarations as the Annual Aggregate Limit of Liability for the Company for all **Losses** during the **Policy Period** is the total limit of the Company's liability hereunder for all **Losses** during the **Policy Period**.

C. In the event a **Loss** is reported in accordance with provisions of Section 5 below, the Company's total liability shall not exceed the Annual Aggregate Limit of Liability for the **Policy Period**.

D. Any **Loss** incurred because of a series of related events occurring over more than one **Policy Period** shall be treated as a single claim. Actions or suits against more than one of the **Insureds** arising out of the same circumstances will be considered a single claim. The claim will be subject to the Limits of Liability in **ITEM**

4 and 4a of the Declarations.

Section 4. Defense Costs, Charges and Expenses (included in the Limit of Liability)

A. The Company shall have the right and duty to defend any suit against the **Insureds** to which this policy applies, even though the allegations of the suit may be groundless. The Company may investigate and settle any claim as it deems expedient. The Company has the right to select defense counsel. The Company's right and duty to defend ends when the Limit of Liability stated in Section 3 is exhausted.

Any and all costs, charges and expenses of defense payable by the Company are a part of, and not in addition to, the Limit of Liability. **Loss** includes costs, charges and expenses of defense and as such is subject to the provisions of Section 3.

B. Only those costs, charges, expenses and settlements consented to by the Company shall be recoverable as **Loss** under the terms of this policy. The Insureds agree not to settle or offer to settle any claim, incur any costs, charges and expenses or otherwise assume any contractual obligation or admit any liability with respect to any claim without the prior written consent of the Insurer, such consent not to be unreasonably withheld. The Company shall not be liable for any settlement, costs, charges and expenses, assumed obligation or admission to which it has not consented. The Insureds shall promptly send to Federated all settlement demands or offers received by any Insured from the claimant(s).

C. The words —“costs, charges and expenses” shall include the cost of any appeal, attachment or similar bonds. The Company shall not be obligated to provide appeal, attachment, or similar bonds.

Section 5. Notice and Loss Provision

If during the **Policy Period** or Discovery Period:

A. The **Entity** or any **Insureds** shall receive written or oral notice from any party that it is the intention of such party to hold the **Entity** or any **Insureds** responsible for the results of any specified **Wrongful Act** done or alleged to have been done by the **Insureds** while acting in the capacity aforementioned; or

B. The **Entity** or any one of the individual **Insureds** shall become aware of any circumstances which may subsequently give rise to a claim being made against an **Insured** with respect to any such alleged **Wrongful Act**;

The **Insureds** shall give written notice by certified mail, return receipt requested, to the Company of the receipt of such written or oral notice under Section 5A or of such circumstances under Section 5B.

- C. The **Insureds** shall give the Company such information and cooperation as the Company may reasonably require as shall be in the **Insureds'** power.
- D. All notices required by this section shall be by certified mail, return receipt requested, to FEDERATED RURAL ELECTRIC INSURANCE EXCHANGE, Claims Department, 7725 Renner Road, Shawnee, KS 66217-9414.

Section 6. Cancellation

This policy may be canceled by the **Insureds** at any time only by mailing written prior notice to the Company or by surrender of this policy to the Company or its authorized agent. This policy may also be canceled by or on behalf of the Company only as provided in Section 8 of this policy by deliveries to the **Entity** or mailing to the **Entity**, by registered, certified or first class mail, written notice stating when, not less than sixty (60) days thereafter, the cancellation shall be effective. The making of such notice as aforesaid shall be sufficient proof of notice. The **Policy Period** terminates at the date and hour indicated in such notice, or at the date and time of surrender.

The Company shall not be held liable for **Loss** to any **Insureds** resulting from the failure or omission of any other **Insureds** or the **Entity** to promptly notify all **Insureds** of the cancellation or non-renewal of this policy.

If this policy is canceled by the **Insureds**, the Company shall retain the customary short-rate proportion of the premium hereon.

If this policy is canceled by the Company, the Company shall retain the prorata proportion of the premium hereon.

Payment or tender of any unearned premium by the Company shall not be a condition precedent to the effectiveness of cancellation, but such payment shall be made as soon as practicable.

If the period of limitation relating to the giving of notice is prohibited or made void by any law controlling the construction thereof, such period shall be deemed to be amended so as to be equal to the minimum period of limitation permitted by such law.

Section 7. Discovery Period

- A. If the Company cancels or refuses to renew this policy, the **Insureds** shall have the right, upon payment of additional 25 percent of the premium hereunder, to an extension of the coverage granted by this policy to report any claim or claims in accordance with Section 5, which claim or claims are made against the **Insureds** during the period of ninety (90) days after the effective date of cancellation or non-renewal, herein

called the Discovery Period, but only for any **Wrongful Act** committed before the effective date of such cancellation or non-renewal and otherwise covered by this policy.

In the event that **Insureds** elect the Discovery Period as set out in A above, the Aggregate Limit of Liability of the **Policy Period** and the Discovery Period will be the same as is set out in **ITEM 4a** of the Declarations Page of this policy. The purchase by the **Insureds** of the Discovery Period in no way increases the Company's liability under the terms of this policy.

The **Insureds** must provide written notice of such election together with the payment of the additional premium due, and the notice and premium must be received by the Company at the address shown on this policy within ten (10) days after the effective date of cancellation or non-renewal, or this right shall terminate.

The provision of this Section 7 and the right granted herein to the **Insureds** shall not apply to any cancellation resulting from non-payment of premium.

Section 8. Representations and Severability Clause

The **Insureds** represent that the particulars and statements contained in the application herein incorporated and made a part of this policy, are true, accurate and complete, and agree that this policy is issued in reliance on the truth of that representation, and are the basis of this policy.

No knowledge or information processed by an **Insured** person will be imputed to any other individual **Insured** person.

In the event that any of the particulars and statements in the application are untrue, coverage under this policy will be void with respect to any individual **Insured** person who knew of such untruth.

Only those particulars and statements known by any past, present or future general manager, chief executive officer, chief financial officer, board president or chair, or person completing the application, which are untrue will void the coverage afforded by this policy with respect to the **Entity** or any **Subsidiary**.

Except for the forgoing conditions and compliance with applicable state regulations, this policy shall not be rescinded except for non-payment of premium.

Nothing in this Section shall be construed to increase the Company's maximum liability as set forth in Section 3 of this policy.

Section 9. Subrogation Clause

In the event of any payment under this policy, the Company shall be subrogated to the extent of such payment to all rights of recovery therefore, and the **Insureds** shall execute all papers required and shall do everything that may be necessary to secure and preserve such rights including the execution of such documents necessary to enable the Company to effectively bring suit in the name of the **Insureds**.

Section 10. Notice and Authority

It is hereby agreed that the **Entity** shall act on behalf of all **Insureds** with respect to giving and receiving of notice of claim or cancellation, the payment of premiums and the receiving of any return premiums that may become due under the policy, the receipt and acceptance of any endorsements issued to form a part of this policy and the exercising or declining to exercise any right to a Discovery Period.

IN WITNESS WHEREOF, Federated Rural Electric Insurance Exchange has caused this policy to be signed by its Attorney-in-Fact, Federated Rural Electric Management Corp.



ASSISTANT SECRETARY

Susan M. Olander



PRESIDENT AND CHIEF EXECUTIVE OFFICER

Philip D. Irwin