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FEB 10 1955

PUBLIC SERVICE COMMISSION

**U. S. DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION**

REA PROJECT Kentucky 61 Carter

THE WITHIN Wholesale Power Contract with

Kentucky Power Company

(Loan)
SUBMITTED BY THE BORROWER PURSUANT TO THE TERMS OF THE
MENGEBA-BOUN
APPROVED SOLELY FOR THE PURPOSES OF THE

It has not been the policy of the Rural Electrification Administration to give approval to dual rate provisions in power supply contracts. It is recognized, however, that circumstances in any individual case may serve to alter the concepts on which the foregoing stated policy is based. The attached contract is approved under exceptional circumstances stated by the cooperative and is, therefore, believed to be in the best interest of the borrower and of the security of the government loan. This approval is not intended to establish a precedent.

Ancher Nelson
Ancher Nelson, Administrator

FEB 8 1955

Dts

A G R E E M E N T
O F
G R A Y S O N R U R A L E L E C T R I C C O O P E R A T I V E C O R P O R A T I O N
F O R P U R C H A S E O F E L E C T R I C S E R V I C E
F R O M
K E N T U C K Y P O W E R C O M P A N Y

THIS AGREEMENT, made and entered into this 28th day of December, 1954, by and between Kentucky Power Company, hereinafter referred to as the "Company", a corporation organized and existing under and by virtue of the laws of the State of Kentucky, and Grayson Rural Electric Co-

operative Corporation hereinafter referred to as the "Cooperative", a corporation organized and existing under and by virtue of the laws of the State of Kentucky.

WITNESSETH: That in consideration of the mutual covenants and agreements herein contained, the parties hereto contract and agree with each other as follows, namely:

ARTICLE I. The Company agrees to sell and deliver to the Cooperative, and the Cooperative agrees to purchase and receive from the Company all of the electric energy which the Cooperative may require during the term of this agreement. This agreement relates only to the supply of service to facilities of the Cooperative which are capable of receiving service from the delivery point(s) described in Article II and does not relate to the supply of service to any other distribution facilities of the Cooperative which are located so that they are not capable of receiving service from such delivery point(s).

ARTICLE II. The electric energy to be supplied by the Company hereunder shall be what is commonly known as alternating current of approximately 60 cycles per second, three phase, delivered at volts and metered at 34,500 volts.

The Company agrees to deliver said electric energy at the following point(s)

Leon, Carter County, Kentucky

which point(s) shall constitute the point(s) of delivery.

It is the policy and intention of the Company to have available at all times ample capacity to satisfy all requirements of Cooperative. Cooperative shall give Company reasonable notice of expected increases in their requirements to enable Company to install such additional facilities as may be required to supply such increased requirements.

ARTICLE III. The Cooperative shall install, own and maintain the necessary substation equipment at the point(s) of connection to receive energy hereunder at 33 kv, 44 kv or 69 kv as designated by Company. Where the voltage of the Cooperative differs from that of the Company, the Cooperative shall install, own and maintain the necessary transformation equipment. The Cooperative shall own and maintain the necessary switching and protective equipment which may be reasonably necessary to enable the Cooperative to take and use the electric energy hereunder and to protect the system of the Company regardless of whether the voltage of the Cooperative differs from that of the Company. The Company shall install, own and maintain the necessary meters and metering equipment and make all final connections to its system at the point(s) of delivery. A suitable location for meters and metering equipment shall be provided by the Cooperative.

ARTICLE IV. The Cooperative hereby agrees to pay to the Company monthly for each month during the term of this contract, and every renewal thereof, for electric energy delivered to the Cooperative by the Company at the rates and under the terms and conditions set forth in Tariff R.C.S.S. attached to and made a part of this agreement.

ARTICLE V. Bills for energy furnished hereunder shall be rendered by the Company to the Coopera-

tive monthly. Payment for all electric energy which shall be delivered under the provisions of this contract shall be payable at the office of the Company in **Ashland**, Kentucky, within fifteen (15) days after the bill therefor shall have been mailed to the Cooperative. If such date falls on a Sunday or holiday the bill shall be due on the next day following such Sunday or holiday. On all accounts not so paid, an additional charge of two (2) per cent of the amount of such bill will be made.

ARTICLE VI. Company meters used in determining the demand and amount of electric energy supplied hereunder shall, by comparison with accurate standards, be tested and calibrated by the Company at intervals of not to exceed eighteen months. If a meter shall be found incorrect or inaccurate, it shall be restored to an accurate condition or a new meter shall be substituted.

The Cooperative shall have the right to request that a special meter test be made at any time. If any test made at Cooperative's request discloses that the meter tested is registering correctly or within 2% of normal, Cooperative shall bear the expense of such test. The expense of all other tests shall be borne by the Company.

The results of all such tests and calibrations shall be open to examination by the Cooperative and a report of every requested test shall be furnished to the Cooperative. Any meter tested and found to be not more than 2% above or below normal shall be considered to be correct and accurate in so far as correction of billing is concerned. If as a result of any test, any meter is found to register in excess of 2% either above or below normal, then the readings of such meters previously taken for billing purposes shall be corrected according to the percentage of inaccuracy so found, and the Company will render corrected monthly bills for a period equal to one-half of the time elapsed since the last previous test, but in no case shall this period exceed three months.

For any period that a meter is found to have failed wholly or in part to register, it shall be assumed that the demand established, or electric energy delivered, as the case may be, during said period is the same as that for a period of like operation during which such meter was in service and operating.

ARTICLE VII. The Cooperative agrees to construct its distribution lines in accordance with R.E.A. requirements, but not less than specifications at least equal to those provided by the National Electric Safety Code of the U. S. Bureau of Standards. The Company, however, assumes no responsibility in respect to such construction and shall not be liable in any way with respect thereto.

ARTICLE VIII. Each party will give all necessary permission to the other to enable the agents of the other party to carry out this contract, and will give each other the right by their duly authorized agents and employees to enter the premises of the other at all reasonable times for the purposes of reading or checking meters; for inspecting, testing, repairing, renewing or exchanging any or all of its equipment which may be located on the property of the other; or performing any other work incident to rendering the services hereby contracted for.

ARTICLE IX. In the event that the Company is delayed in the delivery of electric energy herein contracted for by strike, riot, invasion, fire, flood, explosion, breakdown, act of God, or the public enemy, or any cause beyond its control, the time fixed for the commencement of delivery of electric energy hereunder shall be correspondingly extended.

The Company shall not be liable hereunder by reason of failure of the Company to deliver electric energy as the result of fire, flood, strike, riot, explosion, accident, breakdown, acts of God, or the public enemy, or other acts beyond the control of the Company. The Company shall be prompt and diligent in removing and overcoming the cause or causes of said interruption, but nothing hereunder contained shall be construed as permitting the Company to refuse to deliver, or the Cooperative to refuse to receive electric energy after the cause of interruption has been removed.

The Company does not guarantee that the supply of electric energy hereunder will be free from interruption, and it is agreed that interruption of the Company's service, occasioned by any of the causes mentioned in the foregoing paragraph, shall not constitute a breach of this contract on the part of the Company, and the Company shall not be liable to the Cooperative for damages resulting therefrom. In the event of interruption to service the Company will restore the service as soon as it can reasonably do so, and will at all times exert itself toward the end of supplying as nearly constant service as is reasonably practicable. In case of impaired or defective service, the Cooperative shall immediately give notice to the nearest office of the Company by telephone, confirming such notice in writing on the same date such notice is given.

ARTICLE X. The electric energy supplied under this agreement is supplied upon the express condition

that after it passes the point of delivery, such energy becomes the sole property of the Cooperative and the Company shall not be liable for loss or damage to any person or property whatsoever, resulting directly or indirectly from the use, misuse, presence or absence of the said electric energy on the Cooperative's premises, or elsewhere, after it passes the point of delivery to the Cooperative, except where such loss or damage shall be shown to have been occasioned by negligence of the Company, its agents or employees. The Cooperative agrees that it will save the Company harmless against liability for injury or damages resulting in any manner from the construction, location, operation, or maintenance of the Cooperative's lines and facilities, except where such loss or damage shall be shown to have been occasioned by negligence of the Company, its agents or employees.

ARTICLE XI. The Company reserves the right to disconnect Cooperative's wires or apparatus from its system, at any time, and without notice when, in its opinion, it becomes necessary in the interest of preserving or protecting life and property. Whenever the Cooperative has violated any of the terms of this contract, or has failed to pay any bill accruing under this contract on or before the 15th day after the date when such bill was mailed to the Cooperative, the Company may discontinue supply of electric energy, providing at least 10 days' written notice has been given to customer at **Grayson**, Kentucky, of such intention to discontinue the service, unless the Cooperative shall correct such violation, or shall pay such bill, before the expiration of such ten days' notice. Any such suspension of service shall not terminate this contract nor shall it abrogate the minimum charge hereunder.

ARTICLE XII. The Cooperative agrees that it will operate and maintain its distribution system so as not to interfere with the service of the Company to its other customers.

ARTICLE XIII. This agreement shall become effective on the ^{28th} day of ^{December, 1954} ~~for an initial period of 10 years~~ and shall remain in effect ^{for an initial period of 10 years} and will be renewed automatically for successive renewal periods of 5 years each thereafter unless written notice of termination is given by either party to the other at least 1 year prior to the expiration of the initial term or any renewal period provided, however, that Company agrees to review the rates incorporated herein at any time that due to advancements in the industry, it is indicated that Company's costs of furnishing power to Cooperative have been reduced from those existing at the time of signing of this contract.

ARTICLE XIV. This contract shall not be binding upon the parties until approved by the Public Service Commission of Kentucky and by the Administrator of the Rural Electrification Administration of the United States of America.

It is further understood and agreed that this contract shall not be assigned by the Cooperative except to the United States of America as security for Cooperative's indebtedness without the written consent of the Company.

ARTICLE XV. This agreement contemplates the delivery of service by Company at more than one delivery point. The Cooperative's distribution system is or may be so constructed as to permit the Cooperative to connect electrically any section of its electrical system normally supplied through a particular delivery point with one or more of the sections normally supplied through other delivery points. The parties hereto recognize that in the event an interconnection were made which would electrically connect through Cooperative's distribution system a particular delivery point with another delivery point when both such delivery points were energized by the Company, certain hazards would exist both to property and employees of the Cooperative and of the Company. The Cooperative, therefore, agrees that it will at all times operate its distribution system so that any section of its system then being supplied through a particular delivery point will not, normally, be interconnected with other sections of its system then being supplied through other delivery points. If, at any time, it becomes desirable on the part of the Cooperative to tie together any of its adjacent sections, fed from different delivery points served by the Company, such a tie will not be made until the Company has first been notified and arrangements have been made to effect the temporary interconnections. When the necessity for the interconnection has passed, the Cooperative will advise the Company and make arrangements to return the systems to normal operation.

The Cooperative agrees to protect, indemnify and save harmless the Company from and against all cost, damage or expense resulting from any and all loss of or damage to the property of Company, and from any and all liability for loss of life or property or damage to the person or property of the Cooperative or of any third person, firm or corporation (including the officers, agents and employees of either party hereto) and from and against any and all claims, demands or actions for such loss, injury or damage (including all costs

of suits and reasonable attorneys' fees) directly or indirectly resulting from or arising out of failure of the Cooperative to abide by the provisions of this Article XV, except when occasioned by the negligence of the Company.

ARTICLE XVI. The Cooperative agrees that the electric energy supplied by the Company hereunder shall not be sold by it for resale without the written consent of the Company provided, however, that this shall not preclude the right of the Cooperative to resell electric energy supplied to it to another rural electric distribution cooperative under temporary emergency conditions, subject to the approval of the Company in each such case. Resale under any conditions shall be subject to the provisions of Article XV.

ARTICLE XVII. It is the intent of both parties to this agreement to provide the most economical and reliable electric service to all consumers served from facilities in rural areas which the parties have built or may build under Certificates of Convenience and Necessity granted by the Public Service Commission of Kentucky. In order to avoid uneconomical duplication of facilities the parties agree as a working procedure under the said Certificates, and, subject in all cases, to any applicable orders of the Public Service Commission of Kentucky or of any other State or Federal agency having jurisdiction and subject to any applicable provisions of State or Federal law, as follows:

- A. Company will neither sell nor offer to sell or deliver its electric service at any given premises to a customer who is taking service from the Cooperative at such premises.
- B. Cooperative will neither sell nor offer to sell or deliver its electric service at any given premises to a customer who is taking service from the Company at such premises.
- C. Company will neither sell nor offer to sell or deliver its electric service to supply any loads which can be more economically served from Cooperative's existing facilities or extensions thereto providing Cooperative takes the necessary steps to render such service.
- D. Cooperative will neither sell nor offer to sell or deliver its electric service to supply any loads which can be more economically served from facilities of the Company or extensions thereto providing Company takes the necessary steps to render such service.

ARTICLE XVIII. It is agreed by the parties hereto that all previous existing contracts and/or their supplements covering the supply of electric service to the delivery points hereunder are hereby cancelled as of the effective date of this contract.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their respective authorized officials.

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

ATTEST:

J. E. Pulger

By

W. S. Baetzley

Chairman, Board of Directors
Title

KENTUCKY POWER COMPANY

ATTEST:

W. B. Barnett
Assistant Secretary

By

J. H. Wagoner

Vice President
Title

APPROVED:

PUBLIC SERVICE COMMISSION OF KENTUCKY

By

Robert Coleman
Chairman

ATTEST:

James E. Bonahan
Secretary

TARIFF R.C.S.S.

This TARIFF contains two RATES: (1) *Rural Service Rate* and (2) *Industrial Service Rate* to be applied as follows:

RATES—Applicable at each point of delivery

Definition:

Rural Service Rate shall apply to:

1. All rural residential and related agricultural loads.
2. All small commercial loads with less than 50 kw demands,
3. All small industrial loads with less than 50 kw demands,

Provided, however, that for a period of 12 months after the signing of this contract the Rural Service Rate shall apply to all commercial and industrial loads. After this initial 12-month developmental period, those commercial and industrial loads with demands in excess of 50 kw shall be billed at the Industrial Service Rate.

Industrial Service Rate shall apply to:

All commercial and industrial loads with demands in excess of 50 kw, after the expiration of the developmental period which shall be considered the first 12 months of operation under this contract.

RURAL SERVICE RATE

- (A) Demand Charge—\$1.125 per kva of Rural billing demand
- (B) Energy Charge—.425¢ per kwhr for all Rural energy
- (C) Minimum Charge—Rate is subject to a minimum charge equal to \$1.125 times kva of monthly Rural billing demand, but in no event less than \$56.25.
- (D) Coal Clause

The above monthly rate is based upon the average cost of fuel consumed by the Appalachian Electric Power Company at Cabin Creek, Glen Lyn, Logan and Philip Sporn generating stations. Fuel other than coal which may be consumed will be converted to equivalent tons of coals on a British thermal unit basis.

If during any monthly period such average cost is above 14 cents per one million BTU by at least .5 cent, an additional charge during the second month thereafter will be made on the actual kilowatthours used during said second month at .00625 cent per kwhr for each full .5 cent increase in the cost of fuel above 14 cents per one million BTU.

If during any monthly period such average cost is less than 14 cents per one million BTU by at least .5 cent, the bill rendered to the Cooperative for the second succeeding month shall be decreased by an amount equal to the actual kilowatthours used during said second month at .00625 cent per kwhr for each full .5 cent decrease in the cost of fuel below 14 cents per one million BTU.

- (E) Determination of Rural Billing Demand

The Rural billing demand shall be taken each month as the difference between the maximum demand established at each delivery point and the sum of the individual Industrial Service demands but in no event to be considered less than an amount equal to the quotient of the monthly Rural energy consumption divided by 450 hours. The maximum demand in kva at each delivery point shall be taken each month as the average of the three highest 30-minute integrated peaks in kilowatts as registered during the month by a 30-minute integrating demand meter or indicator, or at the Company's option as the highest registration of a thermal type demand meter or indicator divided by the average monthly power factor established during the month corrected to the nearest kva. The reactive kva hour meter used in determining monthly power factor will not be ratcheted.

- (F) Determination of Rural Energy

Rural energy shall be considered each month to be the difference between the total energy measured at the delivery point and the sum of the individual Industrial Service energy registrations.

- (G) Metering Adjustment

The rate set forth above is based upon the measurement and delivery of energy at the transmission voltage nominated by Company, transforming equipment to any other voltage being supplied and maintained by Cooperative. The Company shall have the option of installing metering equipment at transmission line voltage or at the secondary voltage of Cooperative's substation. When the measurement of energy is made at the secondary voltage of Cooperative's substation, the kilowatthours, as metered, will for billing purposes be multiplied by 1.0275.

INDUSTRIAL SERVICE RATE

All of Cooperative's industrial customers having maximum demands not in excess of 1500 kva shall be billed collectively on the Company's most advantageous rate for firm industrial service as filed with the Public Service Commission of Kentucky. Any of Cooperative's individual customers having a demand in excess of 1500 kva shall be separately billed at the Company's most advantageous rate for firm industrial service as filed with the Public Service Commission of Kentucky.

Sub-transmission discount

Where Company is not required to provide sub-transmission facilities, after bill for Industrial Service has been determined there shall be allowed a discount of 6% of the gross bill to arrive at the net bill for Industrial Service.

Determination of Industrial Service Demand and Energy

Each month Cooperative shall furnish Company with the registration of the 15-minute integrating demand meter readings in kilowatts of each industrial load eligible for collective industrial billing. These readings will be added together to determine the collective Industrial maximum demand in kilowatts. To the sum of these readings there will be applied the average monthly power factor as determined at the Cooperative's delivery point to arrive at the collective Industrial Service demand in kva for billing purposes.

The corresponding energy registration of these industrial loads shall also be furnished to Company each month. The sum of this energy shall constitute the collective Industrial Service energy for billing purposes.

Other Provisions

All minimum provisions and other provisions of the applicable firm industrial rate schedule shall apply with the exception of the determination of demand, energy, and power factor as related above.

Metering

All meters measuring demand and energy of the individual Industrial Service loads shall be supplied, owned, operated, and maintained by Cooperative.