

**FILED**

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MISS. PUBLIC SERVICE  
COMMISSION

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSISSIPPI**

**MISSISSIPPI PUBLIC SERVICE COMMISSION**

**DOCKET NO. 2011-AD-2**

**IN RE: ORDER OF THE MISSISSIPPI PUBLIC SERVICE COMMISSION  
ESTABLISHING DOCKET TO INVESTIGATE THE  
DEVELOPMENT AND IMPLEMENTATION OF NET METERING  
PROGRAMS AND STANDARDS**

**PETITION FOR REHEARING OF  
ELECTRIC POWER ASSOCIATIONS OF MISSISSIPPI, INC.**

COMES NOW Electric Power Associations of Mississippi, Inc., by and through counsel, and submits its Petition for Rehearing of the Mississippi Public Service Commission's December 3, 2015, Order adopting a Renewable Energy Net Metering Rule and a Distributed Generator Interconnection Rule, and in support thereof, would show the following:

**Introduction**

1. The members of Electric Power Associations of Mississippi, Inc. ("the Statewide") are rural electric cooperatives organized under Mississippi's Electric Power Association Law, §§ 77-5-201, *et seq.*, MISS. CODE ANN. This petition is submitted by the Statewide on behalf of itself and the following Statewide members who purchase electricity on a wholesale basis from the Tennessee Valley Authority ("TVA"): Alcorn County,

Central, East Mississippi, 4-County, Monroe County, Natchez Trace, Northcentral Mississippi, North East Mississippi, Pontotoc, Prentiss County, Tallahatchie Valley, Tippah, Tishomingo County, and Tombigbee.

**The Order Does Not Comply with Mississippi’s Administrative Procedures Law**

2. Mississippi’s Administrative Procedures Law, §§25-43-1.101, *et seq.*, MISS. CODE ANN., (“MAPL”) rejects the concept of regulation for regulation’s sake. Prior to adopting a proposed rule, an agency must establish, among other things, that there is a need for the rule. *See* §25-43-3.105(2)(a).

3. The Commission’s Order does not articulate nor establish any need for the subject rules insofar as Mississippi’s electric power associations are concerned. TVA has implemented net metering policies in the TVA area, and net metering is already available to the members/customers of Mississippi’s fourteen TVA distribution cooperatives. Similarly, South Mississippi Electric Power Association (“SMEPA”) has implemented net metering policies and net metering is already available to the members/customers of those Mississippi electric power associations who purchase wholesale power from SMEPA.

4. In light of the actions of TVA and SMEPA, there simply is no need for the Commission to adopt net metering rules for Mississippi’s electric power associations. The Commission’s Order implicitly recognizes this. The Order provides that the subject rules will not apply to the TVA cooperatives “so long as [they] participate in a net metering program offered by TVA” (Order at 10); and the Order “allows” the SMEPA cooperatives to develop and file their own metering programs and interconnection standards which “shall not be inconsistent with the purpose of the Commission’s rules.” (Order at 10) In order to achieve compliance with the MAPL and avoid regulatory uncertainty and potential conflicts,

{D0494293.1}

the Commission should modify its Order and the proposed rules to expressly state therein that there currently is no need for the rules to be applied to Mississippi's electric power associations and that the rules do not apply to them.

### **The Subject Rules Constitute Rate Regulation**

5. The Commission's Order erroneously concludes that the Commission has jurisdiction to impose the subject rules on electric power associations. Specifically, the Commission asserts that exemption of the cooperatives from rate regulation under Section 77-3-5(b) is inapplicable because "a net metering program is not a rate for the sale of energy *from a cooperative to its members*" (Order at 4; emphasis in original). The Commission further asserts that Section 77-3-5(b) "excludes the Commission from setting rates on only one side of the utility-consumer transaction, that is, sales of electricity *by the EPA to its member as a consumer*" (Order at 6; emphasis in original); and that "[n]et metering, however, concerns the offsetting of self-generated electricity *by the consumer* and exporting of that self-generating electricity *to the utility.*" (Order at 6; emphasis in original). With all due respect, the Commission's conclusions are incorrect, both factually and legally.

6. Under the subject rules, an electric utility will continue to provide electric service to consumers who host on-site/distributed generation facilities; and the net metering rules will allow such customers to deliver electricity to the electric utility and to *thereby compensate* the electric utility for the electricity and services that the electric utility delivered/provided to the customer. Thus, while the Commission asserts that "[n]et metering accounts for offsetting or displacement of energy that would otherwise be provided by the public utility," Order at 6, there is no electric service and energy that would "otherwise be provided" -- such service and energy will have actually *been provided*. In other words, net

metering requires an electric utility to accept electric energy, valued as specified by the Commission, as *compensation* for the electric service and energy the utility has *actually provided to the consumer*. This is rate regulation, pure and simple. See §77-3-3(e) of the Public Utilities Act which defines the term “rate” to mean and include “every *compensation, charge, fare, toll, rental, and classification, or the formula or method by which such may be determined, or any of them, demanded, observed, charged, or collected by any public utility for any service, product or commodity described in this section, offered by or to the public, and any rules, regulations, practices, or contracts relating to any such compensation, charge, fare, toll, rental, or classification . . .*” (Emphasis added).

7. No one would ever seriously suggest that the Commission has the authority to require cooperatives to accept pens, pencils, copy paper, and other items from office supply companies in payment of their electric bill, under the guise of promoting the economic development of office supply businesses. Yet the subject rules are a simple twist on such an absurd notion. The Commission simply has no authority to dictate to a cooperative the method by which certain consumers must be allowed to compensate the cooperative for the electric services and energy the cooperative has provided to the consumers. The rules are, therefore, void and inapplicable to the cooperatives as a matter of law.

#### **The Subject Rules Are Preempted by Federal Law**

8. The Commission attempts to skirt around the Statewide’s arguments on preemption by noting that under PURPA a “State regulatory authority” is not prohibited “from adopting, pursuant to State law, any standard or rule affecting electric utilities which is different from any standard established by this subchapter.” Order at 8, quoting 16 U.S.C.

§26217(b). Again, the Commission misses the point.

9. First of all, the quoted reference to “State regulatory authority” is limited, by definition, to those agencies who have “ratemaking authority with respect to the sale of electric energy.” 16 U.S.C. §2602(17). This is a clear recognition/affirmation by Congress that net metering and interconnection regulations directly involve and are inextricably intertwined with an electric utility’s rates. The Commission has no “ratemaking authority” over the cooperatives and, therefore, has no reserved authority under PURPA to implement “different” standards “pursuant to State law,” insofar as the cooperatives are concerned.

10. Further, TVA has been designated by Congress as the exclusive regulatory body to consider, promulgate, and/or implement net metering and interconnection standards with respect to the 14 Mississippi distribution cooperatives who are subject to rate regulation by TVA. With respect to TVA’s distributors, the “field” of net metering and interconnection has been federally-delegated to TVA; and any attempt by the Commission to impose net metering and/or interconnection standards over TVA cooperatives would invade and interfere with TVA’s authority, render the regulatory framework established by PURPA meaningless, and directly conflict with and frustrate the purposes and provisions of PURPA. See the Statewide’s Comments (served July 1, 2015) at 5-6.

11. The Commission claims it has authority to impose net metering on the TVA cooperatives, but then defers to TVA’s authority, stating that “as long as the distribution cooperatives (‘EPAs’) take service from the Tennessee Valley Authority (‘TVA’) and continue to participate in a TVA sponsored net metering program, such cooperatives satisfy these Rules.” (Order at 5) Such an acknowledgment in the Commission’s Order, while appreciated, does not go far enough. The Commission should include within the subject

rules an express statement confirming that the rules do not apply to the TVA cooperatives.

**The Subject Rules Do Not Fall Within the Commission's General Jurisdiction**

12. The subject rules also fail because they constitute Commission-imposed wholesale power supply contracts. (The rules require electric utilities to receive and purchase wholesale power from specified sources at specified prices, based on material terms and conditions prescribed by the Commission.) The Commission simply does not have the authority (express or implied) under the Public Utilities Act to impose such contracts.

13. Under the Act, the Commission has “jurisdiction over the intrastate business and property of public utilities,” but that power may only be exercised “in accordance with the provisions [of the Act].” §77-3-5. The “business” of an electric utility is defined by the Act to be the “generation, manufacture, transmission, or distribution to or for the public for compensation.” §77-3-3(d)(i). *See also* §77-3-3(d) (“A public utility’s business other than of the character defined in subparagraphs (i) through (iv) of this paragraph is not subject to the provisions of this chapter.”). Thus, under the Act, the Commission may regulate the distribution by electric utilities of electricity to the public (intrastate retail sales), but the Act does not grant the Commission the authority to impose wholesale power supply contracts on electric utilities and thereby seize control of and manage their purchases (not sales) of electricity. *See the Statewide’s Comments (July 1, 2015) at 13-16.*

14. Further, the TVA cooperatives’ wholesale power supply contracts with TVA obligate the cooperatives to purchase *all* of their wholesale power from TVA.<sup>1</sup> The subject

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<sup>1</sup> The Commission asserts that the TVA cooperatives’ power contracts with TVA do not require the cooperatives to purchase all of their electricity from TVA (Order at 9), but this is demonstrably incorrect. In reaching its conclusion, the Commission quotes a portion of the recital provisions of a “standard TVA wholesale power contract” and claims that this language is “aspirational” and that no obligation to purchase is created. *Id.* The Commission does not quote from nor take into account the (D0494293.1)

rules, if applicable to the TVA cooperatives, would require them to receive and/or purchase wholesale power from sources other than TVA and would dictate the material terms and conditions of those transactions. The Commission simply has no authority to interfere with/impair the cooperatives' contracts with TVA and make them purchase wholesale power from other specified sources at specified prices.

### Conclusion

15. The Statewide and the TVA cooperatives are appreciative of the Commission's desire to avoid a protracted debate about whether the Commission has the legal authority to impose the proposed rules on Mississippi's TVA distribution cooperatives, and the conclusion by the Commission that "so long as the TVA EPAs participate in a net metered program offered by TVA, such participation will be deemed to satisfy the purpose and requirements of the Commission's net metering and interconnection standards." (Order at 10) However, with all due respect, the Commission's Order fails to fully acknowledge the legal barriers that exist and preclude the Commission from adopting net metering rules that affect (or potentially affect) the TVA cooperatives. In view of those barriers -- and in further view of the fact that there is no need for net metering rules insofar as Mississippi's electric power associations are concerned (net metering is already available to their members/customers) -- the Statewide requests that the Commission revise its Order and the

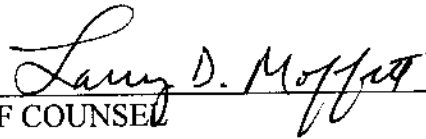
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substantive portions of the TVA wholesale power contract. A sample TVA wholesale power contract is attached hereto as Exhibit "1." The contract states, under Section 2, that "TVA shall produce and deliver to Cooperative . . . and Cooperative shall take and distribute the electric power required for service to Cooperative's customers." Cooperatives under TVA's contract are, in fact, obligated to purchase their power supply requirements from TVA, and TVA is obligated to produce and deliver that power.

subject rules to expressly state that the subject rules do not apply to Mississippi's TVA cooperatives.

Respectfully submitted,

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CERTIFICATE

I, Larry D. Moffett, of counsel for Electric Power Associations of Mississippi, Inc., do hereby certify that I have this day caused to be served, by e-mail and U.S. Mail, the original and twelve copies of the above and foregoing Separate Petition for Rehearing of Electric Power Associations of Mississippi, Inc. to:

Katherine Collier, Esq.  
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and that on this day I have caused an electronic copy of the Petition to be filed with the Commission, via electronic mail, to the following address:

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and that on this day I have caused to be sent via U.S. Mail and/or electronic mail true and correct copies of the foregoing to:

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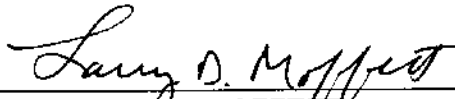
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Service List (attached)

and that in the filing of the Comments, I have complied with Rule 6 of the Commission's Rules of Practice and Procedure.

THIS, the 4th day of January, 2016.

  
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**FILED**

JAN 11 2016

MISS. PUBLIC SERVICE  
COMMISSION

**POWER CONTRACT**  
**Between**  
**TENNESSEE VALLEY AUTHORITY**  
**And**  
**\_\_\_\_\_ ELECTRIC POWER ASSOCIATION<sup>1</sup>**

THIS CONTRACT, made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 19\_\_, by and between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"), and \_\_\_\_\_ ELECTRIC POWER ASSOCIATION (hereinafter called "Cooperative"), a cooperative corporation duly created, organized, and existing under and by virtue of the laws of the State of Mississippi;

W I T N E S S E T H:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and

WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

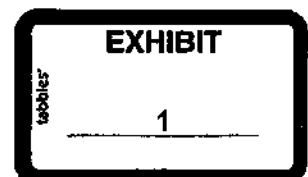
WHEREAS, Cooperative owns and operates an electric system, and in the operation thereof is presently purchasing and desires to continue to purchase its entire power requirements from TVA; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. **Purpose of Contract.** It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Cooperative's operation of a municipal electric system and TVA's wholesale service thereto are primarily for the benefit of the

<sup>1</sup> This is an example of the standard TVA wholesale Power Contract with a cooperative corporation. TVA's contracts with municipal customers contain the same standard provisions plus additional provisions to address payments by the electric system to the general fund of the municipality of an amount in lieu of taxes representing a fair share of the cost of municipal government properly to be borne by the electric system.





consumers of electricity. Toward that end, Cooperative agrees that the electric system shall be operated on a nonprofit basis, and that electric system funds and accounts shall not be mingled with other funds or accounts of Cooperative, and that resale rates and charges shall be applied which will provide revenues which can reasonably be expected to be at least equal to, and not substantially greater than, the sum required for the items listed in subsection (a) of section 6 hereof. In accordance with these principles, which are mutually recognized as of the essence of this contract, Cooperative agrees that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

## 2. Power Supply.

(a) Subject to the other provisions of this contract, TVA shall produce and deliver to Cooperative at the delivery point or points specified in or hereafter established under section 3 hereof and Cooperative shall take and distribute the electric power required for service to Cooperative's customers. Cooperative shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in making its forecasts of the loads of Cooperative and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Cooperative shall be entitled to use the power made available under this contract to serve all consumers except those TVA is entitled to serve directly as provided in subsection (c) below. However, notwithstanding the provisions of subsection (c), Cooperative shall remain entitled to serve all consumers it was serving as of \_\_\_\_\_.

(c) TVA shall be entitled to serve directly the following consumers:

- (i) any Federal installations excepting those with loads less than 5,000 kilowatts served from a general delivery point,
- (ii) any existing consumer being served by TVA directly in accordance with section 2 of this contract immediately prior to \_\_\_\_\_, and
- (iii) \_\_\_\_\_ any new consumer that begins taking electric service after \_\_\_\_\_, if the consumer's Projected Monthly Base Energy Amount (as determined in subsection (d) below) exceeds the sum of 15 million kilowatthours plus the amount determined by multiplying 1,250 kilowatthours times the applicable number of residential

consumers of Cooperative (as determined in subsection (e) below).

(d) The Projected Monthly Base Energy Amount for any new consumer shall be the lesser of (i) the consumer's projection of its highest expected average monthly energy use in kilowatt-hours or (ii) 547.5 hours multiplied by the consumer's projection of its highest expected monthly demand. Such projections shall be made by the consumer at the earliest feasible time during discussions regarding the supply of power to such consumer. Further, these projections shall reflect the energy and demand amounts expected by the consumer when its production facilities are in full operation, but in no event later than 36 months after initial service to the consumer. Both TVA and Cooperative shall have the right to participate in discussions with the consumer involving establishment of such projections, and either may request from the consumer such data and other information as it considers desirable in support of the consumer's projections. Such projections shall become accepted as the Projected Monthly Base Energy Amount only after TVA and Cooperative agree that such projections are realistic, which agreement shall not be unreasonably withheld.

(e) If TVA provides no transmission facilities (except such metering facilities, tap point or loop connection point facilities, communication facilities, and manual or sectionalizing switches as are determined by TVA to be necessary) to serve a new consumer, the number of residential consumers used in the computation in subsection (c)(iii) above shall be the total number of residential consumers that were being served by Cooperative as of the June 30 immediately preceding the date of such computation. Otherwise, the number of residential consumers used in that computation shall be only the residential consumers, if any, that were being served by Cooperative as of the immediately preceding June 30 with energy received from TVA at the delivery point through which Cooperative would receive the energy for such new consumer if it were served by Cooperative.

(f) The supply of power by TVA to Cooperative for resale to any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Cooperative shall be subject to such special arrangements as TVA may reasonably require.

(g) The party entitled to serve a new consumer, as provided under subsections (b) and (c) above, shall continue to be entitled to serve the consumer during the full term of this contract. Transfer between TVA and Cooperative of service to a consumer shall be made only upon specific request by Cooperative and upon agreement among TVA, Cooperative, and the consumer.

(h) Cooperative shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Cooperative regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Cooperative would be entitled to serve hereunder, TVA shall notify Cooperative of the time

schedule upon which the additional power required for such service could be made available to Cooperative at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Cooperative shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Cooperative, may change the designated amount of 5,000 kilowatts appearing in this subsection (h) to such other amount as TVA deems necessary.

(i) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Cooperative which would be inconsistent with those limitations; provided, however, that in the event section 15d(a) of the TVA Act is repealed by Act of Congress, this subsection (i) will be of no further force or effect; and provided further, that if the area limitation provisions in the first three paragraphs of section 15d(a) of the TVA Act are amended by Act of Congress, this subsection (i) shall incorporate such amended provisions herein by reference as fully as though set out herein.

(j) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Cooperative to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Cooperative.

3. **Delivery and Receipt of Power.** The power to be supplied hereunder shall be delivered at the delivery points designated below and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below the normal wholesale delivery voltage specified below for each delivery point; provided, however, that any normal wholesale delivery voltage of 46 kV or higher specified below may be changed by TVA from time to time upon notice to Cooperative to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 46 kV or above will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of the parties may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

<u>Delivery Point</u>	<u>Normal Wholesale Delivery Voltage</u>
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It is recognized that load growth and development and the maintenance of high quality service in Cooperative's area may require new delivery points from time to time. Such new delivery points will be established by mutual agreement. In reaching such agreement Cooperative and TVA shall be guided by the policy of providing the most economical of the practical combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Neither party shall be responsible for installing at any delivery point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each party agrees so to design, construct, and operate its system as not to cause undue hazards to the other's system.

4. **Wholesale Rate.** Attached hereto and made a part hereof is a "Schedule of Rates and Charges" wherein Cooperative is referred to as "Distributor." Subject to the other provisions of this contract, Cooperative shall pay for the power and energy supplied by TVA in accordance with the provisions of Wholesale Power Rate--Schedule WS.

The payments to be made hereunder shall be made solely and exclusively from the revenues of the electric system and shall not be a charge upon Cooperative's general funds.

5. **Resale Rates.** In distributing electric energy in the area served by Cooperative, the parties agree as follows:

(a) Cooperative agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly.

(b) Cooperative agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules \_\_, \_\_, \_\_, and \_\_ of said Schedule of Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provisions of the paragraph entitled "Payment" of said resale schedules, Cooperative shall designate in its standard policy periods of not less than (1) 15 days, for residential customers, and (2) 10 days, for all other customers, after date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided,

which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce revenues sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Cooperative for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), the parties shall agree upon, and Cooperative shall put into effect promptly, such changes in rates and charges as will provide the increased revenues necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide revenues that are more than sufficient for such purposes, as more particularly described in section 6 hereof, the parties shall agree upon a reduction in said rates and charges, and Cooperative shall promptly put such reduced rates and charges into effect.

#### 6. Use of Revenues.

(a) Cooperative agrees to use the gross revenues from electric operations for the following purposes:

(1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, power at wholesale, and insurance;

(2) Current payments of interest on System Indebtedness, and the payment of principal amounts, including sinking fund payments, when due;

(3) From any remaining revenues, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks.

(b) All revenues remaining over and above the requirements described in subsection (a) of this section shall be considered surplus revenues and may be used for new electric system construction or the retirement of System Indebtedness prior to maturity; provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the need or desirability of financing a reasonable share of new construction from such surplus revenues, and fluctuations in debt service requirements.

7. Equal Opportunity. It is the policy of the Federal Government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the Federal Government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Cooperative will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Cooperative will take such affirmative action as is necessary to insure that all applicants are considered for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Cooperative will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Cooperative will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. **Terms and Conditions.** Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. **Rules and Regulations.** Cooperative hereby adopts the "Schedule of Rules and Regulations" attached hereto, in which Cooperative is referred to as "Distributor." Such Rules and Regulations may be amended, supplemented, or repealed by Cooperative at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said schedule, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. **Use of Lines for Transmission Purposes.** TVA is hereby granted the privilege of using any electric lines of Cooperative, to the extent of their capacity in excess of the requirements of Cooperative, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Cooperative the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Cooperative by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Cooperative from any damage or injury caused by TVA's exercise of such use.

11. **Waiver of Defaults.** Any waiver at any time by either party hereto of its rights with respect to any default of the other party or with respect to any other matter arising in connection with this contract shall not be considered a waiver with respect to any subsequent default or matter.

12. **Transfer of Contract.** Neither this contract nor any interest herein shall be transferable or assignable by either party without the consent of the other party.

13. **Restriction of Benefits.** No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Cooperative offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 5 C.F.R. part 2635 (as amended, supplemented, or replaced). Breach of this provision shall constitute a material breach of this contract.

14. **Termination of Existing Contracts.** It is hereby agreed that the power contract dated \_\_\_\_\_, 19\_\_, and numbered TV\_\_\_\_\_, as supplemented and amended, between the parties is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of the following agreements, or portions of agreements, it being the intention of the parties that said agreements, or portions thereof, shall remain in full force and effect for the term of this contract unless sooner terminated in accordance with specific provisions of each agreement, respectively:

- (a)
- (b)
- (c)

15. **Term of Contract.** This contract shall become effective as of (\_\_\_\_\_), and shall continue in effect for an initial term of 20 years from said effective date; provided, however, that beginning on the tenth anniversary of said effective date, and on each subsequent anniversary thereof (whether falling during said initial term or any renewal term as provided for herein), this contract shall be extended automatically without further action of the parties for an additional 1-year renewal term beyond its then-existing time of expiration. Notwithstanding any other provision of this section, either party may terminate this contract at any time upon not less than 10 years' prior written notice. If Cooperative should give notice of termination hereunder, TVA shall be under no obligation from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Cooperative unless Cooperative agrees to reimburse TVA for its nonrecoverable costs in connection with the making or completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest:

**TENNESSEE VALLEY AUTHORITY**

\_\_\_\_\_

By \_\_\_\_\_

Attest:

**ELECTRIC POWER ASSOCIATION**

\_\_\_\_\_

By \_\_\_\_\_



**SCHEDULE OF RATES AND CHARGES (WHOLESALE SCHEDULE AND DISTRIBUTOR'S RESALE RATE SCHEDULES) WOULD APPEAR HERE**

## SCHEDULE OF TERMS AND CONDITIONS

1. **Financial and Accounting Policy.** Cooperative agrees to be bound by the following statement of financial and accounting policy:

(a) Except as hereinafter provided, Cooperative shall administer, operate, and maintain the electric system as a separate department in all respects, shall establish and maintain a separate fund for the revenues from electric operations, and shall not directly or indirectly mingle electric system funds or accounts, or otherwise consolidate or combine the financing of the electric system, with those of any other of its operations. The restrictions of this subsection include, but are not limited to, prohibitions against furnishing, advancing, lending, pledging, or otherwise diverting electric system funds, revenues, credit or property to other operations of Cooperative, the purchase or payment of, or providing security for, indebtedness or other obligations applicable to such other operations, and payment of greater than standardized or market prices for property or services from other departments of Cooperative. In the interest of efficiency and economy, Cooperative may use property and personnel jointly for the electric system and other operations, subject to agreement between Cooperative and TVA as to appropriate allocations, based on direction of effort, relative use, or similar standards, of any and all joint investments, salaries and other expenses, funds, or use of property or facilities.

(b) Cooperative shall keep the general books of accounts of the electric system according to the Federal Energy Regulatory Commission Uniform System of Accounts. Cooperative shall allow the duly authorized agents of TVA to have free access at all reasonable times to all books and records relating to electric system operations. TVA may provide advisory accounting service, in reasonable amount, to help assure the proper setting up and administering of such accounts.

(c) Cooperative shall supply TVA not later than August 15 of each year with an annual financial report in such form as may be requested, of electric system transactions for the preceding year ending June 30 and of electric system assets and liabilities as of June 30. Cooperative shall furnish to TVA such printed operating, statistical, and financial reports relating to electric system monthly operations as may reasonably be requested by TVA. Such monthly reports to TVA should be submitted not later than 30 days after each calendar monthly end. (Where information relating to such statistical reports is maintained on computers Cooperative will also provide such statistical report information by a computer medium, working with TVA in developing a satisfactory format.) In the event of failure by Cooperative to furnish promptly any such reports, TVA, following written notification to Cooperative of intention to do so, may with its own staff perform at Cooperative's expense all work necessary to collect and process the data necessary to provide the information that should have been furnished in the reports.

(d) Cooperative shall have the electric system financial statements examined annually by independent certified public accountants in accordance with generally accepted auditing standards. A copy of the audit report and any related letters to Cooperative from the certified public accountants shall be provided to TVA. These documents should be provided to TVA not later than October 31 of each year.

2. **Cooperative's Lines and Equipment.** All lines and substations from the point or points of delivery (as defined in section 3 of the contract of which these Terms and Conditions are a part), and all electrical equipment, except metering equipment of TVA, located on Cooperative's side of such point or points of delivery shall be furnished and maintained by Cooperative. Cooperative's electrical facilities shall conform to accepted modern standards. Failure to inspect for or to object to defects in such facilities shall not render TVA liable or responsible for any loss or damage resulting therefrom or from violation of the contract of which these Terms and Conditions are a part, or from accidents which may occur upon Cooperative's premises.

3. **Responsibility for Property of the Other Party.** All equipment furnished by each party shall be and remain its property. Each party shall exercise proper care to protect any property of the other on its premises and shall bear the cost of any necessary repairs or replacements arising from its neglect to exercise such proper care. The authorized employees of each party shall have access at all reasonable times to any of its facilities on the other's premises for such purposes as reading its meters and testing, repairing, or replacing its equipment.

4. **Measurement of Demand, Energy, and Power Factor.** TVA will, at its own expense, install and maintain or cause to be installed and maintained the necessary metering equipment for measuring the maximum demand and the amount of energy furnished Cooperative at each point of delivery. If, for economy or convenience, such equipment is located elsewhere than at the point of delivery, the readings shall be adjusted to reflect the quantities delivered at the point of delivery and such adjusted amounts shall be deemed to be the measured amounts for purposes of billing under Wholesale Power Rate--Schedule WS. TVA may also, at its option, provide equipment to determine power factor. Cooperative shall permit the use of its housing facilities, ducts, and supports for TVA's metering equipment.

Cooperative shall have the right at its own expense to install, equip, and maintain check meters in a mutually satisfactory location.

TVA will make periodical tests and inspections of its metering equipment in order to maintain a high standard of accuracy, and will make additional tests or inspections of its metering equipment at the request of Cooperative. Cooperative shall have the right to have representatives present at tests and meter readings. If any test shows that the metering equipment is accurate within two percent, no adjustment of past readings will be made and, if the test was requested by Cooperative, the testing charge will be paid by Cooperative; all other tests shall be at TVA's expense. In case any test shows the meter reading to be in error more than two percent, a corresponding adjustment

shall be made in Cooperative's bills for any agreed period of error; in the absence of such agreement, the adjustment shall be limited to the current billing period. Should the metering equipment fail, the deliveries will be estimated by TVA from the best information available.

5. **Billing.** Payment for power and energy used in any monthly period shall become due 15 days after TVA's meter reading date or 7 days after the date of bill from TVA, whichever is later. To any amount remaining unpaid 15 days after the due date, there shall be added a charge equal to the sum of (1) \$150 and (2) an amount calculated in the following manner: the average of the interest rates payable on TVA's short-term borrowings (having maturities of less than one year) made during the calendar month preceding the month of the date of bill is to be applied on a daily basis to the unpaid portion of the bill for each day of the period from and after the due date to and including the date of payment in full. (In the event that TVA made no short-term borrowings during such preceding calendar month, the amount used in making the calculation shall be the average effective interest rate on 91-day United States Treasury bills (based on the average of the closing bid and asked prices) during such preceding calendar month, plus 1/8 of one percent.) TVA will prepare and send to Cooperative appropriate invoices for such added charge, which shall be due and payable upon receipt. Upon failure of Cooperative to pay for the power and energy used in any monthly period within 60 days after due date, TVA shall have the right, upon reasonable notice, to discontinue the supply of power and energy and refuse to resume delivery so long as any part thereof remains unpaid. Discontinuance of supply under this section will not relieve Cooperative of its liability for the agreed minimum monthly payment during the time the supply of energy is so discontinued.

TVA shall allow Cooperative an early payment credit (to be applied on its subsequent monthly bill) for any month for which Cooperative makes payment to TVA for power and energy use in time for TVA to receive and deposit such payment on or before the due date. The amount of the early payment credit shall be arrived at by applying for each day of the 15-day period following the due date the average of the interest rates used in calculating the amount in (2) above to the amount of such early payment.

All payments shall be made to TVA at its offices at Chattanooga, Tennessee, or at such other place as TVA may from time to time designate. For purposes of billing, the term "month" in Wholesale Power Rate--Schedule WS and the term "monthly period" in this section are defined as the period from the meter reading time in one month to the meter reading time in the next month; provided, however, that with respect to the determination of billing demand said period shall begin and end at midnight prior to said meter reading times. Subject to such changes in TVA's meter reading scheduling as it deems necessary, meters shall be read on the same day of each month.

6. **Adjustment and Change of Wholesale Rate and Resale Rates.** The wholesale rate and resale rates provided in sections 4 and 5 of the contract shall be subject to adjustment and change from time to time in accordance with this section in

order to assure TVA's ability to continue to supply the power requirements of Cooperative and TVA's other customers on a financially sound basis with due regard for the primary objectives of the TVA Act, including the objective that power shall be sold at rates as low as feasible, and to assure Cooperative's ability to continue to operate on a financially sound basis.

Wholesale power rates and charges shall be sufficient to produce revenue from TVA's wholesale power customers which, together with revenue from its other power customers, will assure TVA's ability each fiscal year to:

(a) meet the requirements of the TVA Act including particularly section 15d(f) thereof which provides in part that:

The Corporation shall charge rates for power which will produce gross revenues sufficient to provide funds for operation, maintenance, and administration of its power system; payments to States and counties in lieu of taxes; debt service on outstanding bonds, including provision and maintenance of reserve funds and other funds established in connection therewith; payments to the Treasury as a return on the appropriation investment pursuant to subsection (e) hereof; payment to the Treasury of the repayment sums specified in subsection (e) hereof; and such additional margin as the Board may consider desirable for investment in power system assets, retirement of outstanding bonds in advance of maturity, additional reduction of appropriation investment, and other purposes connected with the Corporation's power business, having due regard for the primary objectives of the Act, including the objective that power shall be sold at rates as low as are feasible.

and (b) meet all tests and comply with the provisions of TVA's bond resolutions as from time to time adopted and amended in such a manner as to assure its ability to continue to finance and operate its power program at the lowest feasible cost.

**Adjustment.** TVA may review with Cooperative or its representative, at least 30 days prior to the first day of any of the months of October, January, April, or July pertinent data concerning the current and anticipated conditions and costs affecting TVA's operations and the adequacy of its revenues from both wholesale and other power customers to meet the requirements of the TVA Act and the tests and provisions of its bond resolutions as provided in the second paragraph of this section; provided, however, that at least one such review shall be conducted each fiscal year; and provided further, that no adjustment shall be made as hereinafter provided in this paragraph unless such a review has been conducted within the 120 days preceding the effective date of such adjustment. Following any such review TVA, at least 15 days prior to the first day of whichever of the aforesaid months follows next, will determine what adjustments, if any, are required in the demand and energy charges provided for in the then effective

Schedule of Rates and Charges to assure (a) revenues to TVA adequate to meet the requirements of the TVA Act and the tests and provisions of its bond resolutions as provided in the second paragraph of this section and (b) revenues to Cooperative adequate to compensate for changes, if any, in the cost of power to Cooperative resulting from adjustments to Wholesale Power Rate-- Schedule WS made under the provisions of this section. Such adjustments as TVA determines are required shall be incorporated by TVA in Adjustment Addendums to Wholesale Power Rate--Schedule WS and to the resale schedules of the Schedule of Rates and Charges, which Adjustment Addendums shall be promptly published by TVA by mailing the same to Cooperative by registered mail and shall be applicable to bills rendered from meter readings taken for TVA and Cooperative billing cycles scheduled to begin on or after the effective date of said Adjustment Addendum; provided that any adjustment determined by TVA to be necessary as hereinbefore provided shall not be conditioned upon or be postponed pending the review provided for in the first sentence of this paragraph or the completion of such review. Cooperative shall pay for power and energy in accordance with Wholesale Power Rate--Schedule WS of the Schedule of Rates and Charges as so adjusted from time to time by any such Adjustment Addendums published by TVA as above provided, and shall adjust the charges in the resale schedules of the Schedule of Rates and Charges applicable to its customers in accordance with such Adjustment Addendums and the provisions of such resale schedules.

**Change.** Whenever any adjustment or adjustments made under the preceding paragraph, or the costs of TVA's service to Cooperative and TVA's other customers, or the costs of Cooperative's service to customers, or any other factors are believed by either party to warrant general or major changes in the Schedule of Rates and Charges, either party or its representative may request that the parties or their representatives meet and endeavor to reach agreement upon such changes. If within 180 days after any request for such changes the representatives of the parties for any reason have not agreed upon such changes, TVA may thereafter, upon not less than 30 days' notice by registered mail in which the basis for each change is set forth, place into effect such changes in the Schedule of Rates and Charges as it determines will enable TVA to carry out the objectives of the TVA Act and meet the requirements and tests and comply with the provisions of its bond resolutions as outlined in the second paragraph of this section and enable Cooperative to continue on a financially sound basis as provided in section 5(c) of the contract, and Cooperative shall thereafter pay and charge for power and energy in accordance with the Schedule of Rates and Charges as so changed; provided, however, that unless the parties agree otherwise, any adjustment determined by TVA to be required under the provisions of the preceding paragraph of this section shall become effective without reference to, and shall not be delayed or postponed pending completion of, any actions under this paragraph.

7. **Compensation for Additional Tax or in Lieu of Tax Payments.** It is recognized that among the costs which the rates specified in Wholesale Power Rate--Schedule WS were designed to cover are annual payments in lieu of taxes by TVA in an aggregate sum equivalent to 5 percent of its gross proceeds from sales of power exclusive of sales to agencies of the Government of the United States. If at any time TVA is

compelled by law to pay during any fiscal year of TVA taxes and payments in lieu of taxes in an aggregate amount which shall exceed 5 percent of such proceeds, TVA may, if it so elects, increase the billing amounts during the succeeding fiscal year by the number of percentage points (to the nearest 0.1 point) by which said aggregate amount exceeded 5 percent of said proceeds.

8. **Interference with Availability or Use of Power.** Neither TVA nor Cooperative shall be liable for damages or breach of contract when and to the extent the availability or use of power, respectively, is interrupted, curtailed, or interfered with or the performance of any other obligation hereunder is prevented by circumstances reasonably beyond the control of the party affected, such as (without limiting the generality of the foregoing) acts of God, strikes, accidents, laws of the United States or any State, regulations or orders of governmental agencies, judicial decrees, inability to obtain or install equipment, lack by TVA of necessary Congressional appropriations or legislative authorizations, or other inability of either party to obtain necessary financing. Acts of God shall be deemed to include the effects of drought if the drought is of such severity as to have a probability of occurrence of less than once in 40 years. Each party shall advise the other at the earliest practicable date of any circumstances which are likely to result in the interruption, curtailment, or interference with the performance of any obligation hereunder.

TVA will furnish electric service hereunder continuously so far as reasonable diligence will permit but TVA may interrupt, curtail, or otherwise interfere with service to Cooperative hereunder in the course of installation, operation, or maintenance of TVA's facilities, or for the purpose of safeguarding life or property, or otherwise, and in such event shall not be liable for damages or breach of contract. TVA, as far as reasonably possible, shall avoid such interruption, curtailment, or interference for routine operating purposes or repairs, and shall give such prior notice of those it deems necessary as may be reasonable under the circumstances.

9. **Additional Load.** The transmission system, transformers, meters, and equipment used for delivery of power to Cooperative have limited capacity and unless otherwise agreed no addition shall be made to Cooperative's load which would result in a total load at any delivery point in excess of the maximum available from the then existing facilities at said delivery point.

10. **Voltage and Load Fluctuations Caused by Cooperative.** Electric service must not be used in such a manner as to cause unusual fluctuations or disturbances on TVA's system. TVA may require Cooperative at its own expense to install suitable apparatus to reasonably limit such fluctuations or disturbances.

11. **Balancing of Loads.** Cooperative shall take and use power in such manner that the current on the most heavily loaded phase shall not exceed the current on either of the other phases by more than 20 percent. In the event that any check indicates a greater unbalance between phases, Cooperative agrees to make at its expense, upon request, the changes necessary to correct the unbalanced condition. If said unbalanced

condition is not corrected by Cooperative within 60 days, or such longer period as may be agreed upon, TVA may thereafter elect to meter the load on individual phases and to compute the billing demand as being equal to three times the maximum kilowatt load on any phase. For all purposes hereunder, the load on any phase shall be the load measured by a wattmeter connected with its current coil in that phase wire and its potential coil connected between that phase wire and the neutral voltage point.

12. **Notice of Trouble.** Cooperative shall notify TVA immediately should the service be unsatisfactory for any reason or should there be any defects, trouble, or accidents affecting the supply of electricity. Such notices, if oral, should be confirmed in writing.

13. **Submetering.** Cooperative shall not sell electricity for submetering or resale.

14. **Conflict.** In case of conflict between any express provision of the body of this contract or any provision of the Schedule of Rates and Charges and these Terms and Conditions, the former shall govern.

15. **Section Headings.** The section headings in this contract are only for convenience of reference and are not a part of the contract between the parties.



**SCHEDULE OF THE DISTRIBUTOR'S RULES AND REGULATIONS**  
**WOULD APPEAR HERE—AN EXAMPLE OF SUCH RULES AND**  
**REGULATIONS APPEARS BELOW**

## SCHEDULE OF RULES AND REGULATIONS

1. Application for Service. Each prospective Customer desiring electric service may be required to sign Distributor's standard form of application for service or contract before service is supplied by the Distributor.

2. Deposit. A deposit or suitable guarantee approximately equal to twice the average monthly bill may be required of any Customer before electric service is supplied. Distributor may at its option return deposit to Customer after one year. Upon termination of service, deposit may be applied by Distributor against unpaid bills of Customer, and if any balance remains after such application is made, said balance shall be refunded to Customer.

3. Point of Delivery. The point of delivery is the point, as designated by Distributor, on Customer's premises where current is to be delivered to building or premises. All wiring and equipment beyond this point of delivery shall be provided and maintained by Customer at no expense to Distributor.

4. Customer's Wiring--Standards. All wiring of Customer must conform to Distributor's requirements and accepted modern standards, as exemplified by the requirements of the National Electrical Safety Code and the National Electrical Code.

5. Inspections. Distributor shall have the right, but shall not be obligated, to inspect any installation before electricity is introduced or at any later time, and reserves the right to reject any wiring or appliances not in accordance with Distributor's standards; but such inspection or failure to inspect or reject shall not render Distributor liable or responsible for any loss or damage resulting from defects in the installation, wiring, or appliances, or from violation of Distributor's rules, or from accidents which may occur upon Customer's premises.

6. Underground Service Lines. Customers desiring underground service lines from Distributor's overhead system must bear the excess cost incident thereto. Specifications and terms for such construction will be furnished by Distributor on request.

7. Customer's Responsibility for Distributor's Property. All meters, service connections, and other equipment furnished by Distributor shall be, and remain, the property of Distributor. Customer shall provide a space for and exercise proper care to protect the property of Distributor on its premises, and, in the event of loss or damage to Distributor's property arising from neglect of Customer to care for same, the cost of the necessary repairs or replacements shall be paid by Customer.

8. Right of Access. Distributor's identified employees shall have access to Customer's premises at all reasonable times for the purpose of

reading meters, testing, repairing, removing, or exchanging any or all equipment belonging to Distributor.

9. Billing. Bills will be rendered monthly and shall be paid at the office of Distributor or at other locations designated by Distributor. Failure to receive bill will not release Customer from payment obligation. Should bills not be paid as above, Distributor may at any time thereafter, upon five (5) days' written notice to Customer, discontinue service. Bills paid after due date specified on bill may be subject to additional charges. Should the due date of bill fall on a Sunday or holiday, the business day next following the due date will be held as a day of grace for delivery of payment. Remittances received by mail after the due date will not be subject to such additional charges if the incoming envelope bears United States Postal Service date stamp of the due date or any date prior thereto.

10. Discontinuance of Service by Distributor. Distributor may refuse to connect or may discontinue service for the violation of any of its Rules and Regulations, or for violation of any of the provisions of the Schedule of Rates and Charges, or of the application of Customer or contract with Customer. Distributor may discontinue service to Customer for the theft of current or the appearance of current theft devices on the premises of Customer. The discontinuance of service by Distributor for any causes as stated in this rule does not release Customer from his obligation to Distributor for the payment of minimum bills as specified in application of Customer or contract with Customer.

11. Connection, Reconnection, and Disconnection Charges. Distributor may establish and collect standard charges to cover the reasonable average cost, including administration, of connecting or reconnecting service, or disconnecting service as provided above. Higher charges may be established and collected when connections and reconnections are performed after normal office hours, or when special circumstances warrant.

12. Termination of Contract by Customer. Customers who have fulfilled their contract terms and wish to discontinue service must give at least three (3) days' written notice to that effect, unless contract specifies otherwise. Notice to discontinue service prior to expiration of contract term will not relieve Customer from any minimum or guaranteed payment under any contract or rate.

13. Service Charges for Temporary Service. Customers requiring electric service on a temporary basis may be required by Distributor to pay all costs for connection and disconnection incidental to the supplying and removing of service. This rule applies to circuses, carnivals, fairs, temporary construction, and the like.

14. Interruption of Service. Distributor will use reasonable diligence in supplying current, but shall not be liable for breach of contract in the event of, or for loss, injury, or damage to persons or property resulting from, interruptions in service, excessive or inadequate voltage, single-phasing, or otherwise unsatisfactory service, whether or not caused by negligence.

15. Voltage Fluctuations Caused by Customer. Electric service must not be used in such a manner as to cause unusual fluctuations or disturbances to Distributor's system. Distributor may require Customer, at his own expense, to install suitable apparatus which will reasonably limit such fluctuations.

16. Additional Load. The service connection, transformers, meters, and equipment supplied by Distributor for each Customer have definite capacity, and no addition to the equipment or load connected thereto will be allowed except by consent of Distributor. Failure to give notice of additions or changes in load, and to obtain Distributor's consent for same, shall render Customer liable for any damage to any of Distributor's lines or equipment caused by the additional or changed installation.

17. Standby and Resale Service. All purchased electric service (other than emergency or standby service) used on the premises of Customer shall be supplied exclusively by Distributor, and Customer shall not, directly or indirectly, sell, sublet, assign, or otherwise dispose of the electric service or any part thereof.

18. Notice of Trouble. Customer shall notify Distributor immediately should the service be unsatisfactory for any reason, or should there be any defects, trouble, or accidents affecting the supply of electricity. Such notices, if verbal, should be confirmed in writing.

19. Non-Standard Service. Customer shall pay the cost of any special installation necessary to meet his peculiar requirements for service at other than standard voltages, or for the supply of closer voltage regulation than required by standard practice.

20. Meter Tests. Distributor will, at its own expense, make periodical tests and inspections of its meters in order to maintain a high standard of accuracy. Distributor will make additional tests or inspections of its meters at the request of Customer. If tests made at Customer's request show that the meter is accurate within two percent (2%), slow or fast, no adjustment will be made in Customer's bill, and the testing charge of Seven Dollars and Fifty Cents (\$7.50) per meter will be paid by Customer. In case the test shows meter to be in excess of two percent (2%) fast or slow, an adjustment shall be made in Customer's bill over a period of not over thirty (30) days prior to date of such test, and cost of making test shall be borne by Distributor.

21. Relocation of Outdoor Lighting Facilities. Distributor shall, at the request of Customer, relocate or change existing Distributor-owned equipment. Customer shall reimburse Distributor for such changes at actual cost including appropriate overheads.

22. Billing Adjusted to Standard Periods. The demand charges and the blocks in the energy charges set forth in the rate schedules are based on billing periods of approximately one month. In the case of the first billing of new accounts (temporary service, cotton gins, and other seasonal customers excepted) and final billings of all accounts (temporary service excepted) where the period covered by the billing involves fractions of a month, the

demand charges and the blocks of the energy charge will be adjusted to a basis proportionate with the period of time during which service is extended.

23. Scope. This Schedule of Rules and Regulations is a part of all contracts for receiving electric service from Distributor, and applies to all service received from Distributor, whether the service is based upon contract, agreement, signed application, or otherwise. A copy of this schedule, together with a copy of Distributor's Schedule of Rates and Charges, shall be kept open to inspection at the offices of Distributor.

24. Revisions. These Rules and Regulations may be revised, amended, supplemented, or otherwise changed from time to time, without notice. Such changes, when effective, shall have the same force as the present Rules and Regulations.

25. Conflict. In case of conflict between any provision of any rate schedule and the Schedule of Rules and Regulations, the rate schedule shall apply.

26. Shortage of Electricity. In the event of an emergency or other condition causing a shortage in the amount of electricity for Distributor to meet the demand of its system, Distributor may, by an allocation method deemed equitable by Distributor, fix the amount of electricity to be made available for use by Customer and/or may otherwise restrict the time during which Customer may make use of electricity and the uses which Customer may make of electricity. If such actions become necessary, Customer may request (if practical by Distributor) a variance because of unusual circumstances including matters adversely affecting the public health, safety and welfare. If Customer fails to comply with such allocation or restriction, Distributor may take such remedial actions as it deems appropriate under the circumstances including temporarily disconnecting electric service and charging additional amounts because of the excess use of electricity. The provisions of the Section entitled Interruption of Service of this Schedule of Rules and Regulations are applicable to any such allocation or restriction.