

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: July 25, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Draper, Guffey) *EDJ*
Office of the General Counsel (Crawford) *SKG*

RE: Docket No. 20190138-EC – Petition by Peace River Electric Cooperative, Inc. to establish temporary tariffs for customers previously served by Duke Energy Florida, LLC.

AGENDA: 08/06/19 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

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Case Background

On January 28, 2019, the Commission approved an amended territorial agreement (agreement) between Peace River Electric Cooperative (PRECO or utility) and Duke Energy Florida, LLC (DEF) in Hardee, Highlands, Polk, and Osceola Counties.¹ Through the agreement, PRECO and DEF (the petitioners) revised the service boundaries to serve customers more reliably and economically. Under the agreement, approximately 2,750 customers in Hardee County and a small area in southern Polk County will be transferred from DEF to PRECO. The petitioners stated that transferring customers from DEF to PRECO will eliminate duplication of services, create operational efficiencies for both utilities, and ensure customers continue to receive safe

¹ Order No. PSC-2019-0048-PAA-EU, issued January 28, 2019, in Docket No. 20180159-EU, *In re: Joint Petition for approval of amendment to territorial agreement in Hardee, Highlands, Polk, and Osceola Counties, by Peace River Electric Cooperative and Duke Energy Florida, LLC.*

and reliable service.² PRECO notified its customers that the transfer of customers from DEF to PRECO is scheduled to begin on August 1, 2019.

On June 26, 2019, PRECO filed in Docket No. 20190000-OT, the Commission's undocketed matters, tariffs applicable to the customers that were previously served by DEF.³ The tariffs were designed to allow the transferred customers to be billed by PRECO the current DEF rates, if beneficial to the customer, for a period up to five years. Based on discussions with staff, PRECO filed revised tariffs on July 12, 2019, that included a three-year transition period (instead of five years as originally proposed by PRECO). On July 23, 2019, the PRECO board of directors approved the proposed tariffs contingent on final approval by the Commission.

The Commission's jurisdiction over rural electric cooperatives can be found in Section 366.04(2), Florida Statutes (F.S.). The Commission does not have jurisdiction over the total revenues of a rural electric cooperative; however, the Commission has jurisdiction over territorial agreements and rate structure. Rule 25-9.051(7), Florida Administrative Code (F.A.C.), defines rate structure as the classification system used in justifying different rates between various customer classes.

The Commission's Administrative Procedures Manual (APM) provides guidance for administrative approval by staff for filings made by rural electric cooperatives. The APM states that certain filings cannot be administratively approved by staff. Specifically, APM 2.07.C.5.a(5) provides that a filing by a rural electric cooperative that contains new pricing concepts shall be brought before the Commission. Typically, in territorial agreements, transferred customers start paying the rates and charges of the utility they are being transferred to with their first bill under their new provider. Staff believes that PRECO's proposal to allow the transferred customers to stay on the DEF rates for a transition period constitutes a new pricing concept. Therefore, staff opened the instant docket.

This recommendation addresses PRECO's proposed temporary tariffs as filed on July 12, 2019, and the tariffs are shown in Attachment A to the recommendation. The Commission has jurisdiction pursuant to Section 366.04(2), F.S.

² *Id.* at page 3

³ Docket No. 20190000-OT, Document No. 05171-2019.

Discussion of Issues

Issue 1: Should the Commission approve PRECO's request to establish temporary tariffs for customers previously served by DEF?

Recommendation: Yes, PRECO's temporary tariffs as shown in Attachment A to the recommendation should be approved. The proposed temporary tariffs are designed to help transition customers and are not unduly discriminatory under Rule 29-9.053(1)(d), F.A.C. At the end of the 3-year transition period (August 1, 2022) PRECO should withdraw the temporary tariffs. (Draper, Guffey)

Staff Analysis: The temporary tariffs are applicable to the residential and commercial customers previously served by DEF and that were transferred from DEF to PRECO pursuant to the agreement approved in Order No. PSC-2019-0048-PAA-EU. The tariffs are available for three years (August 1, 2019 through August 1, 2022). Pursuant to the temporary tariffs, the transferred customers will have the option to stay on the DEF rate, or switch to the applicable PRECO rates at any time after the transfer, if it is advantageous for them to do so. However, the customer cannot switch back to the DEF rate after electing the PRECO rate. PRECO states that based on billing data on the acquired customers, PRECO will work with the new customers to determine if they are better off on the DEF or the PRECO rates. After the three-year period, all transferred customers will take service under the PRECO rates. PRECO does not intend to adjust the rates contained in the temporary tariffs to reflect changes in DEF's rates.

PRECO explained that it will start transferring customers on or around August 1, 2019 and continue until the process is complete in early 2020. Based on current active customer counts, PRECO expects to transfer 2,745 customers (2,353 residential and 392 commercial customers). As of July 2019, the residential 1,000 kilowatt-hour (kWh) bill for a PRECO customer is \$124.06 and \$125.36 for a DEF customer (calculations do not include Gross Receipts Taxes).

While the difference between PRECO and DEF customers for the residential 1,000 kWh bill is less than one percent, depending on usage, residential customers would see varying bill impacts as a result of the difference in rate design between PRECO and DEF. Specifically, DEF's residential customer charge is \$9.66, while PRECO's residential customer charge is \$26.50. The customer charge is a fixed monthly charge and does not vary based on usage. On the other hand, PRECO's energy charge, which is billed based on kWh usage, is lower than DEF's energy charge. Therefore, residential customers that use approximately less than 900 kWhs per month would experience lower bills under the current DEF rates; residential customers that use more than approximately 900 kWhs per month would experience lower bills under the current PRECO rates.

Regarding the commercial customers being transferred from DEF to PRECO, the utility explained that Duke's commercial rate schedules differ with respect to applicability. For example, DEF offers a General Service Time of Use rate, while PRECO does not. PRECO explained that once it has billing information on the transferred commercial customers, the utility will be able to determine which commercial PRECO rate schedule the customer would qualify for and whether it would be advantageous for the customer to choose a PRECO rate or remain on the temporary tariff that contains the DEF rates.

To support the temporary tariffs, PRECO explained that the utility is committed to make the transfer for the acquired customers as easy as possible. PRECO further states that the temporary, or transitional rates, are of limited duration and are not unduly discriminatory under Rule 29-9.053(1)(d), F.A.C.

Staff recognizes PRECO's desire to help customers transition from DEF to PRECO and to reduce any rate shock. However, PRECO should be cautioned if it enters into another territorial agreement where it seeks to offer temporary rates, the proposed territorial agreement should address the utility's plans to offer temporary rates for any transferred customers.

The petition for the territorial agreement, in accordance with Rule 25-6.0440(1)(d), F.A.C., stated that the impacted customers were notified by mail of the transfer and provided a description of the differences in rates between DEF and PRECO.⁴ Additionally, PRECO stated it held an open house in Wauchula on August 14, 2018, for customers affected by the proposed transfers. However, none of the information included in the petition for approval of the territorial agreement indicated that the transferred customers would have the option to continue being billed the DEF rates for a transition period. Staff is also not aware of a prior Commission-approved territorial agreement that provides for transferred customers to remain on another utility's rates.

Conclusion

Based on the information provided by PRECO, staff believes that the proposed temporary tariffs are designed to help transition customers and are not unduly discriminatory under Rule 29-9.053(1)(d), F.A.C; therefore, staff recommends approval. At the end of the 3-year period (August 1, 2022) PRECO should withdraw the temporary tariffs.

⁴ Exhibit F of the petition filed in Docket No. 20180159-EU.

Issue 2: Should this docket be closed?

Recommendation: If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order. (Crawford)

Staff Analysis: If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order.



VOLUME II

FIRST REVISED SHEET NO. 7.00
CANCELLED ORIGINAL SHEET NO. 7.00

INDEX OF RATE SCHEDULES

Designation	Description	Sheet Number(s)
R-S	Residential Service	8.00
RS-TOU	Residential Service – Time-Of-Use	8.10 – 8.11
RS-DGE	Residential Service – Renewable Distributed Generation Energy	8.20 – 8.21
RS-DGD	Residential Service – Renewable Distributed Generation Demand	8.30 – 8.31
RS-PP	Residential Service – Prepaid	8.40 – 8.41
<u>RS-DEF</u>	<u>Residential Service – Duke Territory</u>	<u>8.50</u>
<u>RSS-DEF</u>	<u>Residential Service Seasonal – Duke Territory</u>	<u>8.60-8.61</u>
GS-S	General Service	9.00
GS-DGE	General Service – Renewable Distributed Generation Energy	9.10 – 9.11
GS-DGD	General Service – Renewable Distributed Generation Demand	9.20 – 9.21
I-S	Irrigation Service	9.30
GSD-S	General Service – Demand	9.60 – 9.61
GSD-TOU	General Service – Demand – Time-Of-Use	9.70 – 9.71
GSD-PM	General Service – Demand – Primary Metered	9.80 – 9.81
GSD-ITV	General Service – Demand – Industrial Transmission Voltage	9.90 – 9.91
GSD-INT	General Service – Demand – Time-of-Use Industrial Interruptible Service	10.00 – 10.01
<u>GSI-DEF</u>	<u>General Service - Duke Territory</u>	<u>10.10</u>
<u>GST1-DEF</u>	<u>General Service Time-Of-Use - Duke Territory</u>	<u>10.20-10.21</u>
<u>GSD1-DEF</u>	<u>General Service Demand - Duke Territory</u>	<u>10.30</u>
<u>GSDT1-DEF</u>	<u>General Service Demand Time-Of-Use - Duke Territory</u>	<u>10.40-10.41</u>
L-SP	Lighting Service Private Area Lighting	11.00 – 11.02
L-S	Reserved for Future Use Decorative Lighting	11.10 – 11.11
NM	Net Metering Service	13.00 – 13.01
--	Cost of Power Adjustment Clause	15.00
--	Tax Adjustment Clause	16.00

Issued By: Randall W. Shaw, General Manager/CEO

Effective: April 1, 2019



Peace River Electric
Cooperative, Inc.
A Touchstone Energy Cooperative

VOLUME II

ORIGINAL SHEET NO. 8.50

**RESIDENTIAL SERVICE – DUKE TERRITORY
RS-DEF**

AVAILABILITY

Available to customers located in Hardee, Highlands, Osceola, and Polk counties in territory previously served by Duke Energy Florida, LLC (DEF). Communities include but are not limited to Bowling Green, Zolfo Springs, Fort Meade, and Frostproof.

APPLICABILITY

Applicable to customers previously served by DEF on Rate Schedule RS-1 that were transferred to the Cooperative pursuant to PSC Order No. PSC-2019-0048-PAA-EU approving the territorial agreement between DEF and the Cooperative effective February 22, 2019.

CHARACTER OF SERVICE

Single or three phase (where available), 60 hertz, at available secondary voltages.

LIMITATIONS OF SERVICE

Standby or resale service not permitted hereunder.

RATE

Facilities Use Charge	\$ 9.66	per month
Energy Charge:		
0 – 1,000 kWh	\$ 0.11570	per kWh
Above 1,000 kWh	\$ 0.14196	per kWh

MINIMUM CHARGE

The Minimum Charge shall be the Facilities Use Charge plus applicable taxes.

CONDITIONS OF SERVICE

1. This rate schedule will be available to the affected customers under the applicability clause of this rate for a period of three (3) years from August 1, 2019.
2. The affected customer may choose to switch to an available PRECO rate at any time after the transfer. The customer cannot switch back to this rate after electing a PRECO rate.
3. Affected customers whose account is final billed for any reason will not be eligible to be reconnected on this rate.
4. The customers under this rate will be subject to all Service Rules and Regulations of the Cooperative.
5. The customers under this rate will be subject to Miscellaneous Charges and Fees on sheet 4.10 of the filed rate tariff of the Cooperative.

BILLING ADJUSTMENTS

The above rates shall be increased or decreased subject to the provisions of the Tax Adjustment Clause (Sheet 16.00).

TERM OF PAYMENT

The above rates are net. Bills are due upon receipt and payable within twenty-one (21) days of billing date.

Issued By: Randall W. Shaw, General Manager/CEO



VOLUME II

ORIGINAL SHEET NO. 8.60

**RESIDENTIAL SEASONAL SERVICE – DUKE TERRITORY
RSS-DEF**

AVAILABILITY

Available to customers located in Hardee, Highlands, Osceola, and Polk counties in territory previously served by Duke Energy Florida, LLC (DEF). Communities include but are not limited to Bowling Green, Zolfo Springs, Fort Meade, and Frostproof.

APPLICABILITY

Applicable to customers previously served by DEF on Rate Schedule RS-1 and rider RSS-1 that were transferred to the Cooperative pursuant to PSC Order No. PSC-2019-0048-PAA-EU approving the territorial agreement between DEF and the Cooperative effective February 22, 2019.

CHARACTER OF SERVICE

Single or three phase (where available), 60 hertz, at available secondary voltages.

LIMITATIONS OF SERVICE

Standby or resale service not permitted hereunder.

RATE

Facilities Use Charge	\$ 9.66	per month (Standard)
Facilities Use Charge	\$ 5.05	per month (Seasonal)
Energy Charge:		
0 – 1,000 kWh	\$ 0.11570	per kWh
Above 1,000 kWh	\$ 0.14196	per kWh

MINIMUM CHARGE

The Minimum Charge shall be the Facilities Use Charge plus applicable taxes.

SEASONAL BILLING PERIODS

The billing months of March through October.

SPECIAL PROVISIONS

1. To qualify for service under this rate, the customer's premise must be occupied each year during a portion of the billing months of November through February and must not be occupied at least three months during the billing months of March through October.
2. The maximum allowable consumption for a seasonal billing period is 210 kWh. However, if the seasonal billing period exceeds 30 days, the maximum allowable consumption is increased by seven (7) kWh per day.
3. If kWh usage during the seasonal billing period is less than or equal to the maximum allowable consumption for the billing period, the seasonal customer charge will apply. For non-seasonal billing months and those seasonal billing months that exceed the allowed maximum allowable consumption, the standard customer charge will apply.

"Continued to Sheet No. 8.61"

Issued By: Randall W. Shaw, General Manager/CEO



Peace River Electric
Cooperative, Inc.
A Touchstone Energy Cooperative

VOLUME II

ORIGINAL SHEET NO. 8.61

"Continued from Sheet No. 8.60"

CONDITIONS OF SERVICE

1. This rate schedule will be available to the affected customers under the applicability clause of this rate for a period of three (3) years from August 1, 2019.
2. The affected customer may choose to switch to an available PRECO rate at any time after the transfer. The customer cannot switch back to this rate after electing a PRECO rate.
3. Affected customers whose account is final billed for any reason will not be eligible to be reconnected on this rate.
4. The customers under this rate will be subject to all Service Rules and Regulations of the Cooperative.
5. The customers under this rate will be subject to Miscellaneous Charges and Fees on sheet 4.10 of the filed rate tariff of the Cooperative.

BILLING ADJUSTMENTS

The above rates shall be increased or decreased subject to the provisions of the Tax Adjustment Clause (Sheet 16.00).

TERM OF PAYMENT

The above rates are net. Bills are due upon receipt and payable within twenty-one (21) days of billing date.

Issued By: Randall W. Shaw, General Manager/CEO



**Peace River Electric
Cooperative, Inc.**
A Touchstone Energy Cooperative

VOLUME II

ORIGINAL SHEET NO. 10.10

**GENERAL SERVICE NON-DEMAND – DUKE TERRITORY
GS1-DEF**

AVAILABILITY

Available to customers located in Hardee, Highlands, Osceola, and Polk counties in territory previously served by Duke Energy Florida, LLC (DEF). Communities include but are not limited to Bowling Green, Zolfo Springs, Fort Meade, and Frostproof.

APPLICABILITY

Applicable to customers previously served by DEF on Rate Schedule GS-1 that were transferred to the Cooperative pursuant to PSC Order No. PSC-2019-0048-PAA-EU approving the territorial agreement between DEF and the Cooperative effective February 22, 2019.

CHARACTER OF SERVICE

Single or three phase (where available), 60 hertz, at available secondary voltages.

LIMITATIONS OF SERVICE

Standby or resale service not permitted hereunder.

RATE

Facilities Use Charge	\$12.78	per month
Energy Charge:	\$ 0.12288	per kWh

MINIMUM CHARGE

The Minimum Charge shall be the Facilities Use Charge plus applicable taxes.

CONDITIONS OF SERVICE

1. This rate schedule will be available to the affected customers under the applicability clause of this rate for a period of three (3) years from August 1, 2019.
2. The affected customer may choose to switch to an available PRECO rate at any time after the transfer. The customer cannot switch back to this rate after electing a PRECO rate.
3. Affected customers whose account is final billed for any reason will not be eligible to be reconnected on this rate.
4. The customers under this rate will be subject to all Service Rules and Regulations of the Cooperative.
5. The customers under this rate will be subject to Miscellaneous Charges and Fees on sheet 4.10 of the filed rate tariff of the Cooperative.

BILLING ADJUSTMENTS

The above rates shall be increased or decreased subject to the provisions of the Tax Adjustment Clause (Sheet 16.00).

TERM OF PAYMENT

The above rates are net. Bills are due upon receipt and payable within twenty-one (21) days of billing date.

Issued By: Randall W. Shaw, General Manager/CEO



VOLUME II

ORIGINAL SHEET NO. 10.20

**GENERAL SERVICE NON-DEMAND TOU – DUKE TERRITORY
GST1-DEF**

AVAILABILITY

Available to customers located in Hardee, Highlands, Osceola, and Polk counties in territory previously served by Duke Energy Florida, LLC (DEF). Communities include but are not limited to Bowling Green, Zolfo Springs, Fort Meade, and Frostproof.

APPLICABILITY

Applicable to customers previously served by DEF on Rate Schedule GST-1 that were transferred to the Cooperative pursuant to PSC Order No. PSC-2019-0048-PAA-EU approving the territorial agreement between DEF and the Cooperative effective February 22, 2019.

CHARACTER OF SERVICE

Single or three phase (where available), 60 hertz, at available secondary voltages.

LIMITATIONS OF SERVICE

Standby or resale service not permitted hereunder.

RATE

Facilities Use Charge	\$20.97	per month
On-Peak Energy Charge:	\$ 0.25139	per kWh
Off-Peak Energy Charge:	\$ 0.06392	per kWh

MINIMUM CHARGE

The minimum monthly charge shall be the facilities use charge. Where special equipment to serve the customer is required, the Cooperative may require a specified minimum charge.

DETERMINATION OF PERIODS

1. On-Peak Periods
 - a. For calendar months of November through March,
Monday through Friday*: 6:00 a.m. to 10:00 a.m. and
6:00 p.m. to 10:00 p.m.
 - b. For calendar months of April through October,
Monday through Friday*: 12:00 Noon to 9:00 p.m.

* The following general holidays shall be excluded from the On-Peak Periods: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas. In the event the holiday occurs on a Saturday or Sunday, the adjacent weekday shall be excluded from the On-Peak Periods.

2. Off-Peak Periods – The designated Off-Peak Periods shall be all periods other than the designated On-Peak Periods set forth in (1) above.

"Continued to Sheet No. 10.21"

Issued By: Randall W. Shaw, General Manager/CEO



Peace River Electric
Cooperative, Inc.
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VOLUME II

ORIGINAL SHEET NO. 10.21

"Continued from Sheet No. 10.20"

CONDITIONS OF SERVICE

1. This rate schedule will be available to the affected customers under the applicability clause of this rate for a period of three (3) years from August 1, 2019.
2. The affected customer may choose to switch to an available PRECO rate at any time after the transfer. The customer cannot switch back to this rate after electing a PRECO rate.
3. Affected customers whose account is final billed for any reason will not be eligible to be reconnected on this rate.
4. The customers under this rate will be subject to all Service Rules and Regulations of the Cooperative.
5. The customers under this rate will be subject to Miscellaneous Charges and Fees on sheet 4.10 of the filed rate tariff of the Cooperative.

BILLING ADJUSTMENTS

The above rates shall be increased or decreased subject to the provisions of the Tax Adjustment Clause (Sheet 16.00).

TERM OF PAYMENT

The above rates are net. Bills are due upon receipt and payable within twenty-one (21) days of billing date.

Issued By: Randall W. Shaw, General Manager/CEO



VOLUME II

ORIGINAL SHEET NO. 10.30

**GENERAL SERVICE DEMAND – DUKE TERRITORY
GSD1-DEF**

AVAILABILITY

Available to customers located in Hardee, Highlands, Osceola, and Polk counties in territory previously served by Duke Energy Florida, LLC (DEF). Communities include but are not limited to Bowling Green, Zolfo Springs, Fort Meade, and Frostproof.

APPLICABILITY

Applicable to customers previously served by DEF on Rate Schedule GSD-1 that were transferred to the Cooperative pursuant to PSC Order No. PSC-2019-0048-PAA-EU approving the territorial agreement between DEF and the Cooperative effective February 22, 2019.

CHARACTER OF SERVICE

Single or three phase (where available), 60 hertz, at available secondary voltages.

LIMITATIONS OF SERVICE

Standby or resale service not permitted hereunder.

RATE

Facilities Use Charge	\$12.78	per month
Demand Charge:	\$10.70	per kW of Billing Demand
Energy Charge:	\$ 0.069940	per kWh

MINIMUM CHARGE

The minimum charge shall be the Facilities Use Charge.

DETERMINATION OF BILLING DEMAND

The Billing Demand shall be the highest integrated 15-minute kW measurement during the current billing period.

CONDITIONS OF SERVICE

1. This rate schedule will be available to the affected customers under the applicability clause of this rate for a period of three (3) years from August 1, 2019.
2. The affected customer may choose to switch to an available PRECO rate at any time after the transfer. The customer cannot switch back to this rate after electing a PRECO rate.
3. Affected customers whose account is final billed for any reason will not be eligible to be reconnected on this rate.
4. The customers under this rate will be subject to all Service Rules and Regulations of the Cooperative.
5. The customers under this rate will be subject to Miscellaneous Charges and Fees on sheet 4.10 of the filed rate tariff of the Cooperative.

BILLING ADJUSTMENTS

The above rates shall be increased or decreased subject to the provisions of the Tax Adjustment Clause (Sheet 16.00).

TERM OF PAYMENT

The above rates are net. Bills are due upon receipt and payable within twenty-one (21) days of billing date.

Issued By: Randall W. Shaw, General Manager/CEO



Peace River Electric
Cooperative, Inc.
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VOLUME II

ORIGINAL SHEET NO. 10.40

**GENERAL SERVICE DEMAND TIME OF USE – DUKE TERRITORY
GSDT1-DEF**

AVAILABILITY

Available to customers located in Hardee, Highlands, Osceola, and Polk counties in territory previously served by Duke Energy Florida, LLC (DEF). Communities include but are not limited to Bowling Green, Zolfo Springs, Fort Meade, and Frostproof.

APPLICABILITY

Applicable to customers previously served by DEF on Rate Schedule GSDT-1 that were transferred to the Cooperative pursuant to PSC Order No. PSC-2019-0048-PAA-EU approving the territorial agreement between DEF and the Cooperative effective February 22, 2019.

CHARACTER OF SERVICE

Single or three phase (where available), 60 hertz, at available secondary voltages.

LIMITATIONS OF SERVICE

Standby or resale service not permitted hereunder.

RATE

Facilities Use Charge	\$ 20.97	per month
Demand Charge:		
Billing Demand	\$ 6.15	per kW of Billing Demand
On-Peak Demand	\$ 4.49	per kW of On-Peak Demand
Energy Charge:		
On-Peak Energy	\$ 0.11148	per kWh
Off-Peak Energy	\$ 0.04848	per kWh
Fixed Charge Rate	\$ Per Agreement	

MINIMUM CHARGE

The minimum monthly charge shall be the facilities use charge. Where special equipment to serve the customer is required, the Cooperative may require a specified minimum charge.

DETERMINATION OF PERIODS

1. On-Peak Periods
 - a. For calendar months of November through March,
Monday through Friday*: 6:00 a.m. to 10:00 a.m. and
6:00 p.m. to 10:00 p.m.
 - b. For calendar months of April through October,
Monday through Friday*: 12:00 Noon to 9:00 p.m.

* The following general holidays shall be excluded from the On-Peak Periods: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas. In the event the holiday occurs on a Saturday or Sunday, the adjacent weekday shall be excluded from the On-Peak Periods.

"Continued to Sheet No. 10.41"

Issued By: Randall W. Shaw, General Manager/CEO



VOLUME II

ORIGINAL SHEET NO. 10.41

"Continued from Sheet No. 10.40"

2. Off-Peak Periods – The designated Off-Peak Periods shall be all periods other than the designated On-Peak Periods set forth in (1) above.

DETERMINATION OF BILLING DEMANDS:

1. The billing demands shall be the following:
 - a. The Base Demand shall be the maximum 15-minute kW demand established during the current billing period.
 - b. The On-Peak Demand shall be the maximum 15-minute kW demand established during designated On-Peak Periods during the current billing period.

CONDITIONS OF SERVICE

1. This rate schedule will be available to the affected customers under the applicability clause of this rate for a period of three (3) years from August 1, 2019.
2. The affected customer may choose to switch to an available PRECO rate at any time after the transfer. The customer cannot switch back to this rate after electing a PRECO rate.
3. Affected customers whose account is final billed for any reason will not be eligible to be reconnected on this rate.
4. The customers under this rate will be subject to all Service Rules and Regulations of the Cooperative.
5. The customers under this rate will be subject to Miscellaneous Charges and Fees on sheet 4.10 of the filed rate tariff of the Cooperative.

BILLING ADJUSTMENTS

The above rates shall be increased or decreased subject to the provisions of the Tax Adjustment Clause (Sheet 16.00).

TERM OF PAYMENT

The above rates are net. Bills are due upon receipt and payable within twenty-one (21) days of billing date.

Issued By: Randall W. Shaw, General Manager/CEO