

PWC SERVICE AND RATE REGULATIONS

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PWC SERVICE AND RATE REGULATIONS

SERVICE AGREEMENT

The Service Agreement is an agreement between The Public Works Commission of the City of Fayetteville, referred to herein as “PWC,” and the user or prospective user, referred to herein as the “Customer,” for the supply of electricity, water, sanitary sewer, or any combination of these utility services. The Service Agreement is based on the Customer’s Application for Service.

Terms of Agreement

Included as part of the Service Agreement between PWC and the Customer are:

- ◆ The applicable Rate Schedule(s) currently in effect at any time
- ◆ The various assessments for applicable services stated in the PWC’s “Schedule of Deposit, Fees, and Charges”
- ◆ All conditions of service and rate regulations set forth herein
- ◆ All lawfully made changes, additions, revisions and substitutions to any of the above

The Application for Service, Service Agreement and Applicable Rate Contracts may be accepted on behalf of PWC by the General Manager or a designee.

Verbal Agreement

The Application for Service and Service Agreement between PWC and the Customer may be verbal if:

- ◆ The supply of utility services is for residential use
- ◆ The supply is for nonresidential use, but under two hundred kilowatts (200 kW) of electricity per month, and/or under 150,000 gallons of water and sanitary sewer per month
- ◆ None of the utility services require extra facilities

When the agreement is verbal, PWC’s applicable rate schedules, riders, terms and conditions of service set forth herein will be effective in the same manner as if the PWC’s Standard Form of Agreement had been signed by the Customer and accepted by PWC.

CONDITIONS OF SERVICE

Once the Customer has applied for service, and PWC and the Customer have stipulated a Service Agreement – whether verbal or written – PWC will supply utility services to the Customer. As parties to this Service Agreement, PWC and the Customer agree to meet and uphold the following conditions.

Availability of PWC Services

Electric, water and sanitary sewer services are available throughout the territory served by the PWC in accordance with the regulations established herein. Certain rate schedules are restricted to the activities of governmental agencies. In addition, certain types of services may not be available in all areas served by PWC, including:

- ◆ Overhead or aerial electric service is not available in established underground areas or premises.
- ◆ In urban areas, electric service voltages may be restricted to those already in place in dedicated subsurface facilities.
- ◆ Certain sizes and configurations of water and/or sanitary sewer service may not be available in established urban areas, or in remote areas.

It is the responsibility of the Customer or Customer's agent to verify the availability of the service configuration contemplated before purchasing equipment for that service.

Interruption of Service

PWC does not guarantee continuous utility service, but shall use reasonable diligence in providing uninterrupted supplies of electricity and water. Having used such reasonable diligence, PWC shall not be liable for any failure to provide continuous service. The Commission reserves the right to interrupt or suspend service without liability on its part at such times and in such a manner as it may deem advisable:

- ◆ An emergency action due to an adverse condition or disturbance on PWC's system – or any other system directly or indirectly interconnected with it – which requires automatic or manual interruption of the utility service for any of the following reasons: to limit the extent of the adverse condition or disturbance; to prevent damage to PWC facilities, including generating and transmission facilities, lift stations, mains, and laterals; to expedite restoration of service, or to effect a reduction in service to compensate for an emergency condition on an interconnected system.
- ◆ Acts of God; fire; acts of terrorism, insurrection, riot, or civil disorder; or an order from any federal, state, county, municipal or other public authority.
- ◆ Making necessary adjustments, changes, or repairs to PWC facilities including lines, substations, lift stations, mains, and laterals
- ◆ In cases where, in its opinion, the continuance of services to the Customer's premises would endanger persons or property.
- ◆ In situations where the demand for services exceeds PWC's ability to provide them.

When work contemplated by PWC is projected to cause an interruption in water service for a significant duration, insofar as practical, PWC will provide advance notice to any Customer that will be affected.

The delivery time, quantity, and nature of the utility services supplied by PWC may be subject to changes, restrictions, interruptions, or suspensions due to the following:

- ◆ A lawful order or regulation of any federal, state or local government or agency thereof
- ◆ A lawful order of any court of competent jurisdiction
- ◆ An emergency or shortage due to war, catastrophe, or civil disturbance

Permits

The Customer or Customer's agent must furnish to PWC any inspection certificates or permits that may be required by local law for the use of utility services on the Customer's premises.

Access to Customer's Premises/Right of Way

In cases where it is necessary for PWC to cross private property to deliver utility services, the Customer shall convey to PWC, without cost to PWC, an easement across the property for the construction and maintenance of the required utility facilities. In the absence of a formal conveyance, PWC will nonetheless be vested with an easement over the Customer's premises to construct and maintain service to that premises.

PWC shall at all reasonable times have the right of entrance to and exit from the premises of the Customer for any and all purposes connected with the delivery of service, or the exercise of any and all terms of the Service Agreement.

The Customer shall also furnish PWC with lawful right of way over the Customer's premises when extensions are required. All extensions will be completed in accordance with PWC's Electric Extension and Water and Sewer Extension Procedures. The Customer is responsible for reimbursement to PWC for all or a portion of the costs, as determined by PWC to be associated with right of way acquisition across the Customer's property.

PWC shall not be liable to the Customer for any failure to deliver service because of PWC's inability to secure or retain permits, privileges, or rights-of-way over Customer's premises.

Meters

PWC will furnish all necessary meters for the delivery of service. When a meter is changed from one location to another, unless requested by PWC or installed for additional load, the Customer shall pay all expenses in connection with the relocation of the meter. PWC shall have the right, at its option and at its own expense, to place demand meters, voltmeters, or other instruments on the Customer's premises for the purpose of testing the Customer's service.

Meters for all residential services – and, to the extent practicable, for all other services – shall be located outdoors on the Customer’s premises at a place suitable to the Customer, but which meets all of PWC’s requirements for safety and accessibility for reading, testing, and servicing the meter. Where it is not practicable in PWC’s opinion to locate the meter and any associated apparatus outdoors, the Customer shall provide a suitable indoor location, which meets all of PWC’s safety and accessibility requirements.

Interference with PWC Property

The Customer shall not alter or interfere with PWC’s meters, seals, transformers, pedestals, or other equipment, nor shall the Customer permit interference by others, except for PWC’s authorized personnel or agents. Interference includes tampering with, removing, defacing, damaging, hiding, enclosing, burying, covering, or otherwise obscuring PWC equipment used to provide water, sewer, or electric service.

In the event of loss of, damage to, or interference with any PWC equipment caused by the Customer, the Customer’s agents or associated persons – or due to vandalism by known or unknown persons – the Customer will be responsible for the costs of replacing equipment, repairing damage, or removing any material covering or blocking access to PWC equipment.

Idle Service

Idle service is a utility service that is disconnected at the request of the Customer, or by PWC’s enforcement of Service Agreement conditions, and which remains disconnected for thirty (30) or more calendar days. Once services have been idle for six (6) months or more, these services will need to be re-inspected prior to reconnection and will be subject to current standards and regulations. After 210 days, it shall be lawful for PWC to remove its meters, apparatus, fixtures, or other property.

Customer Installations

The Customer is responsible for installing and maintaining all electric lines, water and sewer piping, and control equipment (exclusive of PWC’s meter and metering equipment) on the Customer’s side of the point of delivery. The customer shall have exclusive control of all electricity and water after it passes the point of delivery. All electric lines and water and sewer piping must be arranged so that each type of utility service can be measured by a single meter (including sanitary sewer discharge to a single point). PWC is under no obligation to connect or provide services that do not conform to this and the following installation provisions.

The Customer shall not utilize any equipment, appliance, or device that adversely affects PWC’s supply of services or the use of utility services by the Customer or others.

The Customer must provide suitable wiring and enclosures, as specified by PWC, for the convenient installation of the appropriate PWC metering equipment, in a place suitable to PWC. After December 31, 2004, PWC will no longer furnish self-contained meter enclosures. All self-contained meter enclosures installed or furnished before December 31,

2004 will become the property of the Customer at that time, and after that date, the customer will be responsible for maintenance of said property.

The Customer and, if applicable, the Customer's installation contractor shall determine the type of PWC service available at the premises before purchasing and installing plumbing, fixtures, wiring, or other utilization equipment. PWC may specify and restrict the voltage and type of electric service to be furnished, and will also specify the location of the meter and the point where the service connection shall be made. PWC is not responsible or liable for any costs involved in replacing or modifying equipment to operate on the type of PWC service available at Customer's premises.

The Customer and, if applicable, the Customer's installation contractor are responsible for making sure that all equipment connected to services provided by PWC is appropriately rated for the service supplied and conforms to applicable codes and industry standards. All of the Customer's wiring and equipment must be inspected, installed, and maintained in accordance with the requirements of the local municipal and state authorities; otherwise, PWC may refuse to connect service or may discontinue service to the Customer. The Customer shall keep in good repair all such wiring and equipment to the point of connection with PWC facilities.

The Customer and, if applicable, the Customer's installation contractor will provide all necessary equipment to protect the systems installed at the Customer's premise. This may include, but is not limited to: overcurrent protection, pressure regulators, overvoltage/surge protection, ground fault protection, phase-out protection, harmonic mitigation and backflow prevention.

When PWC supplies three-phase electric service, the Customer shall control usage so that the electrical load is maintained in reasonable balance between the phases at the point of delivery. The Customer shall install and maintain devices adequate to protect the Customer's equipment against irregularities on PWC's system, including devices to protect against single phasing and lightning.

A Customer who has outdoor area lights, furnished by PWC, on their property hereby grants to PWC the right to maintain a pole line on said property, along with right-of-way access for maintenance and repair of said line. The Customer shall also maintain an unencumbered route for maintenance of said electric line and shall hold PWC harmless for damages to property, lawns, trees, shrubbery, driveways, walkways, septic tanks, drain lines or other items on the Customer's premises.

The Customer assumes responsibility for all facilities on the Customer's side of the point of delivery. The Customer and employees or agents of Customer shall hold PWC harmless against all forms of liability and expense for injury, loss or damage caused by defective construction or equipment on the Customer's side of the point of delivery.

Other Providers

The customer shall not use PWC's electric service in parallel with electric service from any other provider – nor shall another provider's electric service be introduced on the Customer's premises for use in conjunction with or as a supplement to PWC's electric service – without written consent from PWC.

Backflow Protection

The Customer shall protect the potable water supply in PWC's service area against actual or potential contamination by isolating contaminants or pollutants, which could, under adverse conditions, backflow through uncontrolled connections into the public water system.

BILLING, PAYMENT & OTHER SERVICE CONDITIONS

Billing

PWC will bill the Customer on a monthly basis. PWC will read meters, as nearly as practicable, at regular intervals of not less than 25 days and not more than 35 days. If PWC is unable to read the Customer's meter for any reason, PWC may estimate the Customer's usage. Such estimates shall have equal validity as actual meter readings.

The term "Monthly" as used in PWC rate schedules refers to the interval between the previous meter reading (or estimated billing) and the current reading date, and bills shall be rendered accordingly. However, if the period covered by an initial or final bill – or due to rerouting the meter reading schedule – is more or less than 25-35 days, the bill will include metered costs for actual utility usage during the period, with basic facility charges prorated based a 30-day billing month.

Payments

Bills are due when rendered and must be paid within twenty (20) days. If a bill is not paid within 20 days, PWC has the right to suspend service. The customer may request an extension of the payment period for special circumstances. Such requests can be made by telephone or in person at PWC's Business Center during normal business hours. PWC will consider payment extension requests on a case-by-case basis.

Payment for all services must be with funds drawn on the Federal Reserve banking system. Payments can be made with US Currency, checks drawn on banks with an ABA routing number, money orders, and accepted credit cards.

Normally, all checks received for payment are processed on the same day received and without regard to the date inscribed on the check. PWC assumes that all checks are tendered with sufficient funds and abide by the applicable North Carolina statutes.

Deposits

At PWC's discretion, the Customer may be required to make a deposit payment before service is provided, or at any later time. The amount of the deposit will be in accordance with PWC's Schedule of Deposits, Fees, and Charges.

Services Used in Advance

If utility services are used by the Customer before a Service Agreement with PWC is completed, these services shall still be governed by the Service Agreement and the applicable Rate Schedule(s). PWC may discontinue service at any time upon failure or refusal of the Customer to complete the Agreement and pay in full the amount due for service to that date.

Billing Adjustments

If it is discovered, either through Customer-requested or PWC-initiated meter testing, that the meter has failed to register accurately, within the allowable limits, the amount of utility service used by the Customer, PWC will make a billing adjustment. PWC will adjust the Customer's account by the difference between the amount previously billed and the estimated

adjustment amount. Allowable limits are defined as plus or minus two percent (2 %) on electric meters and AWWA standards on water meters.

Residential Customer Billing Adjustments – including those due to metering which registers outside of the allowable limits, as well as other billing adjustments resulting from meter reading, improper installations, failure to read meter and/or present a bill, or any other errors – are subject to maximum terms of thirty-six (36) billing months, when the residential Customer is due a refund, and five (5) months, when the residential Customer is assessed additional charges.

Non-residential Customer-Electric Billing Adjustment

If a non-residential Customer's electric load is less than 50 kW the residential adjustment policy shall apply. If the non-residential Customer's electric load is greater than 50 kW, refunds or assessments of additional charges are subject to a maximum term of twelve (12) billing months preceding the date the error was discovered and must be refunded or assessed within twelve (12) months of discovery of the error.

Non-residential Customer-Water/Sewer Billing Adjustment

If a non-residential Customer's water meter size is less than 2 inches or the monthly usage is less than 50 mgals, the residential adjustment policy shall apply. If the non-residential Customer's water meter size is 2 inches and greater or the monthly usage is greater than 50 mgals, refunds or assessments of additional charges are subject to a maximum term of twelve (12) billing months preceding the date the error was discovered and must be refunded or assessed within twelve (12) months of discovery of the error.

Certain circumstances may arise where unusually high water volume occurs due to events on the customer's premises such as a plumbing leak, filling a swimming pool, etc. Upon a customer's request, PWC will use reasonable diligence in reviewing the facts and circumstances and will consider a billing adjustment on a case-by-case basis. Such adjustment should be limited to one occurrence in a 12 month period per customer account. PWC will use the following guidelines in determining and calculating billing adjustments of this nature:

- ◆ Water Service Only – 30% water volume adjustment with proper documentation that the problem has been repaired/corrected. The Basic Facility Charge still applies.
- ◆ Water and Sewer Service – 30% water and sewer volume adjustment with proper documentation that the problem has been repaired/corrected. If the water did not flow through the sewer system, the sewer is adjusted back to average historical usage. The Basic Facilities Charge for both utilities still applies.
- ◆ Swimming Pools - For those customers who fill their swimming pools using a domestic water meter, PWC will adjust the sewer usage to the average historical usage. The gallons credited will not exceed the number of gallons held by the pool. The Basic Facilities Charge still applies.

Conflicts

In case of conflict between any provision of this Service Agreement and provisions in PWC's Rate Schedule(s), the provisions of the Rate Schedule shall prevail.

Vacated Premises

The Customer shall notify PWC before quitting or vacating the premises served under the Service Agreement and shall pay, upon presentation, all bills due under all agreements or contracts.

Transfer of Agreement

A Service Agreement between PWC and a commercial Customer may be transferred by the Customer to any person, firm, or corporation purchasing or leasing and intending to continue the operation of the plant or business which is being served under such Agreement, subject to the approval of the PWC. PWC will grant such approval upon being reasonably satisfied that the assignee will fulfill the terms of the Agreement and if, at PWC's option, a satisfactory guarantee for the payment of bills is furnished by the assignee.

Resale Service

Utility service shall be supplied by PWC directly to the Customer and shall be used by the Customer solely for those purposes specified in, and in accordance with, the Service Agreement. The Customer shall not sell utility service, on a metered or unmetered basis, to lessees, tenants, or other third parties, unless such sales are a part of the Service Agreement between PWC and the Customer. The Customer may install or maintain metering facilities to measure utility service usage for informational purposes only, but not for the purpose of rendering bills to third parties.

Without the written consent of PWC, the Customer shall not connect utility service lines, which cross any publicly owned property, in order to supply utility service – purchased through one electric/water meter or sewer connection – to adjacent properties. Such written consent will be given by PWC only in instances where the adjacent properties are operated as one integral unit, under the same name and proprietorship, and used for conducting part of the same business.

Unauthorized Use

If unauthorized use of any PWC utility service is discovered, PWC may discontinue service, and the Customer shall be required to pay for the estimated unauthorized usage, as well as the costs of inspection, investigation, and reconnection, before service is restored.

Contract Documents

Application for Service forms, Service Agreements, Contracts, copies of Rate Schedules, riders and service regulations are available from PWC and will be furnished to Customer upon request.

Changes

All service requests, agreements, and contracts for service between PWC and the Customer, including the Rate Schedules and these Service Regulations, are subject to changes and modifications, as approved by PWC or imposed by any lawful authority.

Personal Customer Information

PWC does not give or sell any personal billing information to third parties. If a third party requests such information, PWC will furnish it only to the Customer whose name is on the account.

Customer's Force Majeure

In the event the Customer's premises are destroyed by fire, natural disaster or other casualty beyond the Customer's control, causing a complete cessation of service, the Customer must notify PWC within thirty (30) days of the cessation of service and advise PWC that the Customer intends to resume service as soon as possible following repair/restoration of the premises. When service has ceased under such conditions, PWC shall have the option to:

- ◆ Waive the collection of a deposit to reestablish services, and/or
- ◆ Waive temporary service charges for temporary facilities or for reestablishment of service when such charges do not exceed a reasonable amount; and/or
- ◆ Waive the collection of a reconnection fee

Denial or Discontinuance of Service

PWC shall have the right to deny, suspend, or discontinue the Customer's service – including service for repairs or other necessary work on its lines or system – for any of the following reasons:

- 1) Any misrepresentations as to the identity of the Customer entering into the Service Agreement
- 2) Fraudulent or unauthorized use of utility services or use of utility services in such a manner as to circumvent payment of PWC's authorized fees or charges
- 3) Use or installation on the Customer's premises of any wiring, equipment, appliance or device which permits electricity and/or water to be used without passing through the PWC's meter, or which prevents or interferes with the measuring of electricity by PWC's meters
- 4) Violations by the Customer of any terms or conditions of the Service Agreement between PWC and the Customer, or violation of any of the service regulations, which are a part of the Service Agreement
- 5) Use of any PWC utility services by the Customer in a manner that is detrimental to the service of other Customers

- 6) Use of any PWC service by the Customer in a manner that conflicts with or violates orders, ordinances or laws of the state or any other authority having regulatory powers over PWC service
- 7) Nonpayment of any bill, when due, for services rendered at the Customer's existing location or at any former location
- 8) Failure or refusal by the Customer to make, restore, or increase the Customer's deposit as required as PWC
- 9) The owner of the property or a member of the household or business at the premises for which the service application is being made is indebted to PWC for service previously rendered by PWC at any location
- 10) The condition of the Customer's plumbing or wiring is found, by PWC personnel or inspection officials, to present an obvious hazard to people at the premises or the general public

Before terminating or suspending service, PWC will provide twenty-four (24) hours' written notice, delivered personally to the Customer's premises or sent by mail, stating the specific reason(s) for the termination or suspension of service. However, no notice need be given in the instances set forth in items (1), (2), (3), (5), and (10) above.

Failure by PWC to terminate the Service Agreement, or to suspend the delivery of utility services, at any time after the grounds for such termination or suspension have been established shall in no way waive PWC's subsequent right to invoke such termination or suspension or to seek other legal remedy.

Any suspension or termination of the delivery of utility services by PWC shall not relieve the Customer of their liability to pay for services previously supplied, nor shall it relieve the Customer of:

- 1) In the case of suspension, the Customer's liability for payment of minimum monthly charges during the period of suspension
- 2) In the case of termination, the Customer's liability for damages in the amount of the minimum monthly charges which would have been payable during any remaining term of the Service Agreement.
- 3) Any other obligations owed to PWC

DESCRIPTON OF SERVICES

WATER AND SANITARY SEWER SERVICE

The point of delivery for water and/or sanitary sewer utility service shall generally be at the property line of Customer adjacent to the public street where PWC's mains are located – or at a point on the Customer's property where the meter is located. Water pressure at this delivery point will not be less than 20 PSI.

Wastewater shall be collected and treated in accordance with the Sanitary Sewer Ordinance of the City of Fayetteville.

PWC will install and maintain all water distribution and sewer main facilities in accordance with PWC's Water & Sanitary Sewer Main Extension Policy.

As the Customer is responsible for all facilities and use of PWC services on the Customer's side of the point of delivery, the Customer shall hold PWC harmless against all forms of liability and expense in the event of a sanitary sewer backup, unless such backup is incurred due to negligence on the part of PWC.

Backflow protection shall be required on the Customer's side of, and just before the connection to, the point of delivery. The type of backflow protection installed shall conform to the requirements of the City of Fayetteville's Cross Connection Control Ordinance (Ordinance No. S2003-001). PWC will provide backflow protection for residential customers, and the residential Customer will be charged a monthly fee for the inspection provided by PWC. All non-residential Customers, at their expense, shall install, operate, test and maintain approved backflow prevention assemblies as directed by PWC.

Quality of Service

PWC endeavors to furnish water that meets the standards of the U.S. Environmental Protection Agency (EPA). PWC attempts to maintain a high quality of drinking water to its customers. This being said, however, there are some times when every system in the U.S. will experience water that might be discolored due to breaks in the line, construction, fires or regular flushing activities to keep the lines viable, failure of lines due to age or condition, problems within the customer's own service line and other causes not within the control of PWC. PWC attempts to maintain and replace its lines in a regular and orderly manner, based upon customer complaints, but PWC is not in a position to undertake major infrastructure renovations to its system without substantially increasing the cost of its services to its customers. PWC attempts to be fiscally responsible in its maintenance and replacement policies as well as providing for water that meets the federal and state standards.

PWC only warrants that its water meets EPA enforceable standards under the Safe Drinking Water Act and does not warrant or represent that its water is fit for any other purpose. PWC explicitly excludes any warranty under the Uniform Commercial Code including, but not limited to, an implied warranty of fitness for a particular purpose or an implied warranty for

merchantability. Customers who use PWC water for purposes other than drinking do so at their own risk and PWC will not be responsible for water that is used for any purpose other than drinking water. Any customers using PWC water for any purpose other than drinking water should provide for their own filtration and / or treatment of the water in order to assure that it meets the specific needs and quality standards that are necessary for their particular usage. The Customer assumes responsibility for all facilities on the Customer's side of the point of delivery. As such, the Customer and the Customer's employees shall hold PWC harmless against all forms of liability and expense for injury, loss or damage on account of defective construction or equipment on the Customer's side of the point of delivery.

All drinking water, including bottled water, may reasonably be expected to contain at least a small amount of contaminants. The presence of contaminants does not per se indicate that the water poses a health risk. More information about contaminants and potential health effects can be obtained through the EPA.

Certain people may be vulnerable to contaminants in drinking water. Immunocompromised individuals – such as people with cancer undergoing chemotherapy, people who have undergone organ transplants, people with HIV/AIDS or other immune system disorders, the elderly and infants – can be particularly at risk for infections. These people should seek advice from their health care providers about drinking PWC's water.

ELECTRIC SERVICE

Electric service shall consist of single-phase (two or three wires) or three-phase (three or four wires), 60-cycle alternating electric current. Electric service to the Customer's premise shall be supplied through a single point of delivery, through a single electric meter, at a voltage specified by PWC. Except for Customers classified as Industrial, service will generally be at 240 volts or less. Nonresidential customers can be served at voltages of 480 and higher, as specified by the contract between PWC and the Customer. When a Customer desires two or more types of voltage service – if the types of voltage can be supplied by a single-phase, three-wire type or a three-phase, four-wire type without voltage transformation – only one of the types necessary for the Customer's usage will be supplied.

Transmission, distribution, and service facilities will be installed according to PWC's Electric System Extensions Procedure.

The point of delivery for electric service is the point where PWC's service conductors end. The Customer shall be required to provide suitable conductors up to the point of delivery. The Customer shall take all steps required to maintain the conductors on the Customer's side of the point of delivery in good order at all times. Unless otherwise stipulated in the Service Agreement, PWC shall designate the point of delivery as follows:

- ◆ In cases where PWC's overhead service conductors are connected to the Customer's conductors, the point of delivery shall be on the outside wall of the Customer's building, where PWC's service conductors can be conveniently extended and anchored.

- ◆ In cases where PWC's underground service conductors are connected to the Customer's conductors, the point of delivery shall be on the outside wall of the Customer's building, where PWC's conductors can be conveniently extended and terminated.
- ◆ In cases where PWC uses a substation, vault or other controlled area to supply electricity to the Customer, the point of delivery shall be an appropriate place as designated by PWC.

Where special circumstances, such as primary metering, render it impracticable for the point of delivery to be located as stipulated above, the point of delivery shall be at a place selected or approved by PWC, and the Customer shall bring his service conductors to that place.

Quality of Service

PWC shall use reasonable diligence at all times to provide quality service free of voltage fluctuations, blinks, and other interruptions. Having used such reasonable diligence, PWC shall not be liable to the Customer for failure to provide continuous service.

Responsibility Beyond the Delivery Point

It is understood and agreed that PWC is merely a furnisher of electricity, deliverable at the point where it passes from PWC's wires to the service wires of the Customer – or through a divisional switch separating the Customer's wires and equipment from PWC's wires and equipment. PWC shall not be responsible for any damage to the buildings, motors, apparatus or other property of the Customer due to lightning, defects in wiring or other electrical installations, defective equipment, or any other cause not due to the negligence of the PWC. PWC shall not in any way be responsible for the transmission, use or control of electricity beyond the delivery point, and shall not be liable for any property damage, injury or death of any person arising or resulting in any manner from the delivery and use of said electricity.

Changes in Demand

Customer shall give PWC reasonable notice in writing of any anticipated increase in demand exceeding 20 kW or ten percent (10%) of the former demand, whichever is greater. The notice shall state the approximate increase and the date required.

PWC will extend its facilities and change the point of delivery only when the investment required by PWC is warranted by the anticipated revenue, and when the extension is permissible and feasible.

Extra Facilities

The Customer may operate service to intermittent, fluctuating, or harmonic-generating loads through its regular service meter, when such operation does not adversely affect the quality of service to neighboring Customers. If, however, the operation of such service causes voltage fluctuations or other problems detrimental to the service of the Customer or other Customers, PWC may require the Customer to install additional service equipment to correct these fluctuations. If installed by PWC, such additional service equipment will be considered "Extra Facilities" and will be subject to the charges, clauses and conditions outlined in the "Extra Facilities Addendum" attached hereto.

RATE CLASSIFICATIONS AND STRUCTURES

PWC has established a series of rate schedules – based on Customer’s classifications – to meet the diverse requirements and usage needs of its Customers. The initial assignment of a given rate classification to the Customer is based on the nature of the Customer’s expected usage. Where two or more rate schedules and/or riders are available to the Customer, PWC will assist the Customer to a reasonable extent in determining which rate schedule and/or rider to select. It is the Customer’s right and responsibility to select the rate schedule and/or rider. PWC will not assume responsibility for this choice since the utility usage is under the ultimate control of Customer.

PWC reserves the right to change the Customer’s rate classification, should actual usage differ from expected usage to the extent that the initial classification was inappropriate or is no longer appropriate. Upon establishing a billing history of no less than twelve (12) months, the Customer may apply in writing for a review of the current rate classification. If usage indicates that such reclassification is justified, the Customer will promptly be reclassified.

PWC endeavors to classify its customers accurately, according to their expected and/or actual usages. However, PWC does not guarantee that all customers will be served under the most favorable rate schedule at all times. PWC shall not be held responsible for a Customer’s financial damages in the event that services are billed under a rate schedule that does not most accurately represent the Customer’s usage. Therefore, no refunds or credits shall be issued for the difference between previously billed rate schedule charges and charges which would have been billed had the Customer been served under a more appropriate rate schedule.

Rate schedule classifications, as well as the provisions of these schedules, are based, as closely as practicable, on the costs incurred by PWC in providing service.

As part of the merger agreement with Hope Mills in September, 1998, existing customers within the town limits of Hope Mills, NC transferred to PWC were eligible for rates equivalent to rates charged to PWC customers within the city limits of the City of Fayetteville. This allowance was strictly based on an assumed equity value of the system and is non-transferable to another location or customer at the same location. All new connections, service requests, and reconnections of service within the town limits of Hope Mills will be set up on an outside city rate schedule.

RATE CLASSIFICATIONS

Rate classifications are grouped into two categories: Residential and Nonresidential service.

Residential Classifications

Residential classifications, and applicable rate schedules, refer to Customers living in an individual residence, defined as a single dwelling unit, which provides permanent and independent facilities complete for living, sleeping, eating, cooking, and sanitation. An individual residence may include a house, condominium, modular home, mobile home, or

individually metered apartment. The residential rate schedules shall be applicable to only one meter serving an individual residence.

Outbuildings, garages, swimming pools, water pumps, and other uses that form a part of the general living establishment on the same property with a residence may be connected to the residential service meter, or they may be separately metered. Such separately metered services shall be served on one of the nonresidential rate schedules.

Professional Offices or Business Activities in Residences

For residences involving some business, professional, or other gainful activity, a residential rate schedule will be permitted only when:

- ◆ The electric energy used in connection with such activity is less than 15% of the total energy use.
- ◆ The electric energy is used only by equipment, which would normally be used in a residence.

If both of the foregoing conditions cannot be met, the entire premises shall be classified as nonresidential, and the appropriate nonresidential rate schedule shall be applied.

The Customer may, at their option, provide separate circuits so that the residential uses can be metered separately and billed under a residential schedule, and the other uses can be billed under a nonresidential rate schedule.

For residences in which day care services are operated, a residential rate schedule will be permitted only when:

- ◆ The operator of the day care and the operator's family, if any, live there.
- ◆ The day care service requires no extra electrical equipment or space in addition to that normally required for the operator's family.

If both of the foregoing conditions cannot be met, then the facility will be served on a nonresidential rate schedule.

Farm and Rural Service

The residential rate schedules are available for service through one meter to the Customer's personal farm residence – and for usual farm uses outside the dwelling unit, but not for: commercial operations such as retail selling; non-farming operations; or the processing, preparing, or distributing of products not indigenous to that farm.

The residential farm service customer may, at their option, elect to take their entire service under one of the nonresidential rate schedules. Separate circuits may be provided so that the residential dwelling unit, together with the usual farm uses outside the dwelling unit, can be metered and billed under a residential rate schedule – and utility usage for other activities are metered and billed under a nonresidential schedule.

NONRESIDENTIAL CLASSIFICATIONS

Nonresidential classifications, and applicable rate schedules, refer to all types of nonresidential Customers, including the following:

- (1) Office buildings, stores, shops, restaurants, service stations, and other commercial establishments
- (2) Hospitals, nursing homes and institutional care facilities
- (3) Schools, dormitories and churches, and other similar nonresidential institutions
- (4) Utility service(s) used in a multi-family residential structure (other than the individual residential units), such as hall lighting, laundry facilities, recreational facilities, etc.
- (5) Miscellaneous services with individual meters serving well pumps, signs, customer-owned lighting, garages, etc.

Industrial Service

The industrial service rate schedule is available to the Customer that is classified as a Manufacturing Industry by the North American Industrial Classification Standard (NAICS), published by the U.S. Government Census Bureau. More than 50% of the Customer's utility usage must be for its manufacturing purposes.

Outdoor Lighting Service

Customer-owned outdoor lighting may be connected to the residential, nonresidential, or industrial service meter – or it may be separately metered. If these services are separately metered, the nonresidential rate schedule shall apply.

Time of Use Service

Optional Time of Use rates are available to nonresidential customers.

Temporary Service

Temporary service will be provided under a nonresidential rate schedule during the construction of housing and other establishments – even if the housing will receive permanent utility service from PWC when completed. If any establishment under construction will not receive permanent utility service from PWC, the Customer is required to pay for the actual cost of installation and subsequent removal of PWC facilities not required for permanent service.

RATE STRUCTURES

WATER AND SANITARY SEWER RATE STRUCTURE

Customers who receive both water and sanitary sewer service from PWC are billed for both services based on the water meter supplied by PWC. If a sanitary sewer Customer does not receive water service from PWC, their sanitary sewer service is billed on a flat rate basis. A sanitary sewer Customer who serves multiple dwellings, and receives no water service from PWC, will normally be billed the flat charge for each dwelling unit. However, the Customer may contact the Water Resources Department for other options.

Rates and Charges Structure

PWC's various water and sanitary sewer rate schedules include different combinations of provisions, depending on the schedule. There are, however, only four distinct types of rates and charges. They are:

- (1) Flat Monthly Rate is used in billing residential and nonresidential sanitary sewer service, where the Customer receives all water requirements from other than the PWC's water mains. If a landlord provides some utility services free of charge, but charges a tenant for sanitary sewer service, PWC will bill the tenant separately for sanitary sewer service, but only if the tenant is a PWC Customer with another separately metered utility service from PWC. If not, PWC will bill the landlord for the sanitary sewer service.
- (2) Basic Facilities Charges apply to all water and sanitary sewer schedules except Flat Monthly Rates. These charges are assessed independent of, and in addition to, all consumption or discharge rates. Even if the Customer has no service usage for a particular billing period, they will still be billed for the Basic Facilities Charge. Basic Facilities Charges are graduated in accordance with the meter size to reflect the various levels of PWC's investment costs.
- (3) Consumption (Discharge) Rates apply, as appropriate, to all schedules except the Flat Monthly Rate and Sanitary Sewer Surcharges.
- (4) Sanitary Sewer Surcharges are applied in conjunction with nonresidential rate schedules. Sanitary sewer Customers are surcharged when discharges exceed allowances for Biochemical Oxygen Demand, Suspended Solids, and Ammonia Nitrogen.

Third-Party Service

In certain situations, PWC will enter into a contract with a governmental, military or private entity to provide full or supplementary water and/or sanitary sewer service for use by that entity's Customers. In those situations, restrictions, which normally apply, may be waived, and rates and charges for service shall be as stated in the contract between PWC and said entity.

ELECTRIC RATE STRUCTURE

Rates and Charges Structure

PWC's various electric rate schedules include different combinations of provisions, depending on the schedule. There are, however, only five distinct types of rates and charges.

- (1) Flat Monthly Rates are used in billing street and area lighting facilities. These rates are used in situations, such as photoelectric controlled lighting, where total usage and the pattern of usage is known. Flat rates are also used to assess charges for street lighting outside the City of Fayetteville, for private thoroughfare lighting inside the City, and for additional area lighting poles and transformers, where applicable.
- (2) Basic Facilities Charges apply to all schedules except Flat Monthly Rates for lighting. These charges are independent of, and in addition to, electric usage and, where applicable, demand charges. Unless otherwise stipulated, even if the Customer has no service usage for a billing period, they will be billed for the Basic Facilities Charge. Basic Facilities Charges are graduated in accordance with the meter size to reflect the various levels of PWC's investment costs.
- (3) Energy Charges are assessed on a per kilowatt-hour basis and apply to all schedules except Flat Monthly Rates for lighting.
- (4) Demand Charges are assessed monthly on all nonresidential rate schedules. Demand charges are based on kilowatts of billing demand. Rate schedules with time of use rates contain on-peak and off-peak demand charges. The on-peak demand charge is billed according to the maximum demand metered or computed during the on-peak hours. When the off-peak demand exceeds the on-peak demand, the off-peak demand charge is applied to the difference between off-peak demand less on-peak demand.

Billing Demand is determined by the higher of: (A) The maximum kilowatts (kW) metered or computed for any 15-minute interval during the billing month based on PWC's meter readings; or (B) Fifty percent (50%) of the Contract Demand (see below) until such time as the registered or computed demand first equals or exceeds the Contract Demand.

All nonresidential rate schedules based on demands of 1,000 kilowatts or higher have a Power Factor Adjustment Clause. Under this clause, when a Customer's power factor in the current billing month is less than 85 percent, the registered or computed kW demand will be increased by one percent for each one percent by which the power factor is less than 85 percent.

Contract Demand

- a) The Contract Demand for electric service shall initially be 50% of the installed service transformer KVA rating for that Customer and location, or as specified in the executed Service Agreement Contract.

- b) If the actual demand exceeds the currently effective Contract Demand, that actual demand would become the Contract Demand.
 - c) In cases where actual demand exceeds the existing Contract Demand, PWC reserves the right to request, in writing and within 60 days, that the Customer reduce such actual demand due to inadequacy of the facilities used by PWC for the benefit of the Customer. In such case, PWC will direct the Customer to reduce their actual demand to the existing Contract Demand, or to a specific amount in excess thereof. If the Customer desires service in excess of the amount specified by PWC, PWC will advise the Customer under what conditions the excess service may be supplied.
 - d) If the Customer desires to reduce the currently effective Contract Demand, the Customer may do so, if one of the following conditions is met:
 - (i) The Contract Demand has not been reduced at the Customer's request during the preceding twelve months, and the Customer has received and paid for service during the full initial term of the Contract in accordance with the terms thereof.
 - (ii) The Customer pays PWC a sum equal to the estimated net cost of exchanging the facilities in place for facilities of a lesser capacity adequate to supply the reduced Contract Demand.
- (5) *Voltage Level Discounts* may apply to nonresidential rate schedules. There are two levels of discounts. One discount is for electric service received at 7,200 volts or higher and the other discount is for electric service received at 66,000 volts.

Discounts are given when the Customer receives service directly from the PWC's existing line of 7,200 volts or higher, and when the Customer owns, operates, and maintains all transformers and other equipment (not including metering) normally provided by PWC.

Service and Rate Regulations (Rev. 3)
Adopted by Commission: December 10, 2008
Effective Date: December 10, 2008

EXTRA FACILITIES ADDENDUM

At the request of the Customer, PWC will furnish, install, own and maintain facilities which are in addition to those necessary for delivery of service at one point, through one meter, at one voltage – and of adequate capacity to serve the contracted demand, in accordance with the applicable Rate Schedule. Such additional facilities shall be furnished under an “Extra Facilities Charges” Schedule – and shall be added to and made part of PWC’s Service Agreement with the Customer – and contain the following provisions:

- (1) Service shall be used solely by the contracting Customer in a single enterprise, located entirely on single, contiguous premises. This service shall not be exempted from any of the other applicable provisions of PWC’s service regulations.
- (2) “Extra Facilities” shall consist of any of the following: voltage regulators, capacitors, switches and/or circuit breakers, duplicate service, transformers, substations, connecting lines, enhanced metering, relay, or other equipment installed for the exclusive use of the contracting Customer – other than facilities which PWC would furnish to the Customer without cost under the standard form contract.
- (3) The facility(ies) to be supplied shall be served by PWC standard overhead transmission or distribution lines at standard PWC voltage, and the equipment shall be installed only on PWC’s side of the point of delivery.
- (4) A monthly “Extra Facilities Charge,” equal to a portion of the installed cost of the facilities as listed in the appropriate facilities charge rider, but not less than \$25.00, shall be billed to the customer, in addition to the billing for energy, or for demand plus energy, in accordance with the applicable Rate Schedule.
- (5) The installed cost of extra facilities shall be the original cost of materials used including spare equipment, if any, plus applicable labor, transportation, sales tax, engineering and general expenses, all estimated if not known. The original cost of materials used is the current market price of the equipment at the time the equipment is installed, whether said equipment is new or out of inventory.
- (6) “Extra Facilities” shall include the installed cost of meters appropriate for the voltage delivered to the customer. Upon mutual agreement between the Customer and PWC, demand and energy may be metered at primary voltage, without compensation for transformer loss, and without inclusion of any part of the metering cost as an extra facility. When extra facilities furnished include additional equipment, such as a voltage regulator or capacitors, metering equipment shall be installed on PWC’s side of the regulator or capacitors, or if this is not feasible, the meter shall be compensated so as to include registration of the additional equipment’s losses.

- (7) When the facilities requested by the Customer are required to furnish service at either more than one delivery point on the premises, or more than one voltage, or both, the extra facilities charge will apply. The installed cost of the extra facilities, on which the monthly extra facilities charge is based, shall be the difference between the installed cost of the facilities made necessary by the customer's request, and the installed cost of the facilities that PWC would furnish without cost to the Customer to serve the total contract demand under its standard contract.
- (8) PWC shall have the option of refusing requests for extra facilities if, at PWC's discretion, the requested facilities are not feasible, or may adversely affect PWC's service to other customers. Likewise, PWC will have the option of installing extra facilities at the Customer's expense to mitigate any adverse effect that the Customer's load is reasonably expected, or found, to have on the service to other customers. This may include, but is not be limited to, harmonics generated by the Customer and flicker caused by fluctuating or intermittent loads.
- (9) Contracts containing the extra facilities clause shall have a minimum original term of five (5) years and will continue year to year thereafter. PWC may require payment of removal costs in contracts with original terms of 10 years or less. PWC may also require advance payment of the extra facilities charge for a period equal to one-half the original term of the contract.

Customers for whom PWC is furnishing extra facilities under contracts made prior to July 1, 2004 shall be exempted from all provisions of this extra facilities clause until such time as their contracts expire, are terminated by the Customer, or are terminated by PWC for reasons not related to the furnishing of extra facilities.

In the event that an existing extra facility must be modified or replaced – whether or not such modification or replacement is requested by the Customer – the installed cost of extra facilities, on which the monthly extra facilities charge is based, shall be the installed cost of existing equipment, plus the installed cost of new additions, less the installed cost of equipment removed. The installed cost of existing equipment shall be the same installed cost used for said equipment immediately prior to the modification or replacement. The installed cost of new additions shall be the current market price of said new additions at the time the new additions are installed. The installed cost of equipment removed shall be the same installed cost used for said equipment immediately prior to removal.

SERVICE AGREEMENT

For nonresidential customers with electric services over 200 kW or water and/or sanitary sewer services in excess of 150,000 gallons a month.

The Public Works Commission, City of Fayetteville, North Carolina, (hereinafter called "PWC"), and _____ (hereinafter called the "Customer") do hereby mutually agree and consent, subject to the following conditions, that PWC shall sell and deliver electric/water/sewer service to the Customer, and the Customer shall purchase, receive, and pay for the same.

1. **Service Address:** _____

2. **Service Requirements.**

Electric Service: The contract demand shall be _____ kilowatts.

Water/Sewer Service: The contract demand shall be _____ gallons per month.

3. **Rate Schedule and Service Regulations.** The sale, delivery, and use of utility services hereunder, and all services of whatever type to be rendered or performed in connection therewith, shall in all respects be subject to and in accordance with all the terms and conditions of PWC's Electric Rate Schedule _____, Water Rate Schedule _____ and/or Sewer Rate Schedule _____, as well as PWC's Service and Rate Regulations and Schedule of Deposit, Fees, and Charges. These Schedules and Regulations are hereby incorporated by reference and made a part hereof as though fully set forth herein. The minimum monthly bill for utility service shall be calculated in accordance with minimum bill provisions of the attached Rate Schedule, and the basic facilities charges, and the demand charge portion shall not be less than _____ per month for electric, and/or _____ per month for water and/or, _____ per month for sewer. PWC's Rate Schedules, Service and Rate Regulations, and Schedule of Deposit, Fees and Charges are subject to change, revision, alteration or substitution, either in whole or in part, upon order of PWC or any other regulatory authority having jurisdiction. Any such change, revision, alteration or substitution shall immediately be made a part hereof as though fully written herein, and shall nullify any prior provision in conflict therewith.

4. **The effective date** of this agreement shall be _____.

5. **The term** of this agreement shall be 5 years and shall continue thereafter until terminated. In any event, the Customer agrees to pay PWC for all utility service used at the above stated service address until the Customer has given PWC written notice and reasonable opportunity to discontinue service.

- 6. The beginning of delivery of utility services, as set forth in paragraph 4, is dependent upon PWC securing all necessary apparatus, equipment and material for the delivery of utility service(s), and PWC shall not be required to deliver utility service(s) until it has secured and installed such equipment, apparatus and material.
- 7. If the Customer is temporarily unable to receive the utility service(s) contracted due to physical destruction or damage to the Customer's premises, PWC will, upon request of the Customer and for a period reasonably required to replace or repair such premises, suspend billing under the agreement effective with the beginning of the next ensuing billing period. However, if the Customer desires to use utility services in lesser amounts than the minimums provided in the agreement, such services will be supplied and billed under PWC's rate schedule(s) and supporting documents applicable to such reduced use.
- 8. Extra Facilities to be charged monthly:

Electric: \$_____ ; Water \$_____ ; and Sewer \$_____.

IN WITNESS WHEREOF, PWC and the Customer have caused this Service Agreement to be executed in duplicate in their names by their respective duly authorized officials, as of the day and year written above (paragraph 4).

(CUSTOMER)

ATTEST:

_____ By: _____

ACCEPTED: PUBLIC WORKS COMMISSION

ATTEST:

_____ By: _____
Public Works Commission