

JELICO ELECTRIC AND WATER SYSTEM

SCHEDULE OF RULES AND REGULATIONS

1. Application for Service. Each prospective customer desiring electric service will be required to sign Jellico Electric & Water System's (Utility) standard application for service contract, post a deposit, and pay the service connection charge before service is supplied by Utility. Proof of identity is required, such as driver's license and social security card (applicant must be 18 years of age or older), and Utility may make a credit investigation. If renting or leasing, a rent or lease receipt or agreement will be required. If the applicant is the owner of the property, proof of ownership is required. If this location has had previous utility service, the name of the former tenant is required. Service will not be supplied by Utility to any applicant (A) who is then indebted to Utility or (B) who, at the time of application, is an adult member of the household of a former customer who is indebted to Utility or (C) who was an adult member of the household of a former customer when said indebtedness was incurred and who was either a spouse of said customer or otherwise shared contractual liability for the indebtedness incurred, except upon payment of such indebtedness.

2. Deposit. A deposit or suitable guarantee may be required of any customer before electric service is supplied based on Customer's credit rating. The residential deposit amount will not exceed two (2) times the highest bill at that location. For residential customers requiring a deposit at locations that do not have a billing history, the highest bill amount for the location will be estimated on the 12-month average highest bill for the residential rate class. The amount of commercial and industrial deposits will be two (2) times the highest bill at that location (actual or estimated). Annually, upon written request, the commercial and industrial deposit requirement may be re-evaluated based on recent usage. For commercial and industrial accounts, Utility reserves the right to require additional deposit amounts should the account usage increase. For residential, commercial, and industrial customer accounts that have been turned over to collections or disconnected for failure to pay, additional deposits may be required in order to reinstate electric service. Utility may, at its option, return deposit to residential customer after twelve (12) consecutive months in which all payments were made on or before the due date, no payments were rejected or declined by the customer's financial institution, and a satisfactory credit rating is maintained, interest will accrue on a deposit held longer than twelve (12) months. The interest rate will be determined by the rates Utility earns on its general fund account. Interest accrued on all deposits will be applied annually to Customers account or refunded at the time the account is closed. Upon termination of electric service, such deposit, plus any accrued interest, may be applied by Utility against any unpaid bills of the customer, and if any balance remains after such application is made, said balance shall be refunded to the customer. Customer, upon written request, may review deposit and earned interest balances. Board approved standard customer deposit amounts will be shown in the Schedule of Rates and Fees. For additional information see Service Practice Policy Section Deposits.

3. Billing. Bills will be rendered monthly and shall be paid at the office of Utility or at other locations designated by Utility. The due date for payment on all bills will not be less than fifteen (15) days for residential customers, and no less than ten (10) days for all other classes of service, after the bill date. Failure to receive a bill will not release the customer from said payment obligation. Electric bills not paid by the due date will be assessed a 5% late fee charge. If not paid by the disconnect date noted on the bill, Utility may discontinue service to the customer. Should the due date for payment of the bill fall on Saturday, Sunday or a holiday, the due date will be extended to the following business day. For additional information see Service Practice Policy Section Billing.

4. Discontinuance and Reconnection of Service. Utility may refuse to connect or may discontinue service for violation by the customer of any of Utility's rules, regulations, policies, standards, contracts or service agreements, including but not limited to: nonpayment of a utility bill or outstanding debts owed by the customer to Utility; theft of electric energy or the appearance of current theft devices or any evidence whatsoever of meter tampering; safety reasons; inadequate

JELICO ELECTRIC AND WATER SYSTEM

SCHEDULE OF RULES AND REGULATIONS

deposit amount or lack of suitable guarantee; dispute as to the ownership of the premises requested for service or the customer's disputed right to occupancy of said premises; a violation of the National Electrical Code or the National Electrical Safety Code or any other applicable rule, law or ordinance addressing the safety of customer-owned electrical equipment; the existence of any unsafe electrical condition found on the customer's premises by Utility; any reason deemed in Utility's best interests and the best interests of Utility's electric system. Utility may refuse to connect or may discontinue service for the violation of any of its Schedule of Rules and Regulations, of any of the provisions of the Schedule of Rates and Fees, or of the application of Customer or contract with Customer. The discontinuance of service by Utility for any cause as stated in this rule does not release Customer from Customer obligation to Utility for the payment of minimum bills as specified in application of Customer or contract with Customer. For additional information see Service Practice Policy Section Termination of Service by Utility.

5. Discontinuance of Service for Non-Payment of Bill. In the event that a bill becomes delinquent a prior written notice of termination (i.e., Disconnect Notice) will be mailed the customer. This notice will allow the Customer a total of ten (10) days after their original due date to make payment. Should any bill remain unpaid by the following month's bill date, a "Previous Balance (Past Due) Pay Immediately" will be visibly displayed in red print on the front of the following month's bill notifying the customer of the past due balance and providing the phone number to call with questions concerning the account status. If the Customer does not make payment, notify the Utility of dispute of the bill, or make other arrangements acceptable to the Utility by last date for payment, the Utility will proceed with termination. Failure to pay bills because of a dispute over the amount or liability to pay will not extend the discount date nor exempt service from being discontinued. In the event that any residential or commercial account of a customer becomes delinquent, then in order to collect on such delinquent account, LPC may inform the customer and apply the delinquent balance and termination of service procedures set forth in this policy to any other residential or commercial account held in the name of the delinquent customer or delinquent customer's spouse. By way of example, if a customer's commercial account becomes delinquent, LPC may transfer the amount owed to the customer's residential account and treat it as delinquent and may apply the delinquency and termination of service procedures to the customer's residential account in order to secure payment of the customer's delinquent commercial account.

Utility evaluates weather conditions daily at www.weather.com for Jellico, TN 37762. In the event the forecasted temperature is not expected to exceed 32 degrees Fahrenheit (all customers) or is expected to exceed 99 degrees Fahrenheit (residential customers only) on that date, Utility will postpone the disconnection of service of customers scheduled for such disconnection due to non-payment. During such events where service is extended due to weather conditions, the service extension shall not exceed past the extreme weather condition or past the Customer's next due date, whichever comes first.

Upon approval of Utility's Medical Necessity Form, disconnection of service will be postponed for 30 days from the original scheduled disconnection date to allow customer time to make payment or alternative shelter arrangements. The medical necessity form must be completed by a medical doctor or licensed nurse practitioner certifying that the disconnection of electric service would create a life-threatening medical situation for the customer or other permanent resident of the customer's household. The completed form must be approved by Utility to be valid. A life threatening medical condition does not relieve a customer of the obligation to pay for electric service, including any late fees incurred or other applicable charges. Utility will only grant this postponement for termination of service one (1) time in a twelve-month period. If full payment of the past due amount, including all late fees, is not received by the end of the 30-day postponement period, electric service will be

JELLICO ELECTRIC AND WATER SYSTEM

SCHEDULE OF RULES AND REGULATIONS

disconnected without further notice. Medical Necessity Form will have to be renewed annually by Customer. For additional information see Service Practice Policy Section Termination of Service by Utility.

6. Point of Delivery. The point of delivery is the point, as designated by the Utility, on Customer's premises where electric service 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 Utility. Point of delivery is further defined as the point where obligation ends for Utility to furnish and install conductor or equipment, and where obligation begins for the customer to furnish and install conductor or equipment. In all cases, the electric meter shall be accessible to Utility employees.

7. Customer's Wiring - Standards. All electrical wiring of the customer must comply to standards set forth by the National Electrical Safety Code, National Electrical Code, and all applicable local codes. A national code is superseded by the state or local codes if the national code is not as stringent, but in all cases the national code is the minimum acceptable standard. All meter locations, for both underground and overhead services, must be approved by a representative of the Utility. Utility shall not be obligated to provide protective equipment for the customer's lines, facilities, or equipment, and the customer shall provide such protective equipment as necessary for the protection of their own property and operation.

8. Rates. All electricity furnished by Utility shall be supplied at the applicable rates in effect at the time as approved by the Utility Board of Directors. Residential rates shall apply only to electric service to a single-family dwelling (including its appurtenances if served through the same meter), where the major use of electricity is for domestic purposes such as lighting, household appliances, and the personal comfort and convenience of those residing therein. Separately metered appurtenances (e.g., well pumps, garages, outbuildings, etc.) shall be billed under the applicable General Power Rate Schedule. A single-family dwelling shall include an individually metered single-family apartment and an individually metered duplex unit. If the major portion of the electricity supplied to a dwelling is used regularly for the purpose of conducting business, the electricity consumed in that portion so used must be separately metered and billed under the applicable General Power Rate Schedule. If separate metering and circuitry are not provided by the customer, service to the entire premises shall be billed under the applicable General Power Rate Schedule. Customers must promptly notify Utility of any change in use or condition that may impact a change in rate classification. All rates for each class of service are based upon the supply of service to the entire premises through a single delivery and metering point, and at a single voltage. Separate supply for the same customer at other points of consumption, or at a different voltage, shall be separately metered and billed.

9. Inspections. Utility 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 Utility's standards; but such inspection or failure to inspect or reject shall not render Utility liable or responsible for any loss or damage resulting from defects in the installation, wiring, or appliances, or from violation of Utility's rules, or from accidents which may occur upon Customer's premises, it being understood that the utility installations and their safety shall be the sole responsibility of the Applicant/Customer. The Applicant/Customer further agrees to claim no damage on account of interruption of electrical service, it being understood that the rates charged applicant do not contemplate uninterrupted service guarantees.

JELLICO ELECTRIC AND WATER SYSTEM
SCHEDULE OF RULES AND REGULATIONS

10. Underground Electric Distribution & Service Lines. Customers desiring underground service from Utility must bear the excess cost of incident thereto. Specifications and terms for such construction will be furnished by Utility on request.

11. Customer's Responsibility for Utility's Property. All meters, service connections, and other equipment furnished by Utility shall be, and remain, the property of Utility. Customer shall provide a space for and exercise proper care to protect the property of Utility on its premises, and, in the event of loss or damage to Utility's property arising from neglect of Customer to care for same, the cost of the necessary repairs or replacements shall be paid by Customer. Customer shall be responsible for maintaining proper clearances between Utility's facilities and all structures or building additions constructed by the customer, including necessary tree trimming along the length of overhead service drops. In the event such facilities are interfered with, impaired in their operation or damaged by the customer, or by any other person, the customer shall indemnify Utility or any other person against death, injury, loss or damage resulting thereof, including but not limited to Utility's cost of repairing, replacing or relocating any such facilities.

12. Right of Access. Utility'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 Utility. Locked gates, weeds, and dogs are examples of inaccessible premises.

13. Connection, Reconnection, Disconnection and Other Charges. Utility will collect charges and fees to cover the cost, including associated administration, of connecting or reconnecting service, disconnecting service, or providing other utility services. Higher charges may be established and collected when connections and reconnections are performed after normal office hours or when special circumstances warrant.

14. Temporary Service. Customers requiring electric service on a short-term or limited basis, or any service classified by Utility as being temporary, will be required by Utility to pay all costs for connection and disconnection incidental to the supplying and removing of service at the time such service is requested.

15. Outdoor Lighting. Utility may offer outdoor lighting for individual customers. The type, size and associated monthly charges shall be in accordance with the applicable rate schedule and Utility's rules, regulations and policies governing such installations. Installations requiring the placement of a pole and/or associated equipment by Utility for the sole purpose of mounting an outdoor light shall be subject to additional charges prior to commencement of work. Temporary outdoor lighting for individual customers shall be provided in accordance with the section of this Schedule of Rules and Regulations entitled Temporary Service.

16. Interruption of Service. Utility will use reasonable diligence in providing a highly reliable supply of electric current, but shall not be liable for loss, injury, or damage to persons or property resulting from service interruption events such as, but not limited to; unintended interruptions in electric service; failure of any Utility electric system component; intentional discontinuance of the flow of electric current for reason involving maintenance, repair, safety or extensions of the electric system; nonpayment of a utility bill or violation of any Utility rule or regulation as indicated in the section of this Schedule of Rules and Regulations entitled Discontinuance and Reconnection of Service; single-phasing; fluctuations in voltage or current on Utility's electric system; any reason deemed in Utility's best interests and the best interests of Utility's electric system. Customer shall be responsible for protecting his or her service and end-use equipment from current and voltage

JELLICO ELECTRIC AND WATER SYSTEM
SCHEDULE OF RULES AND REGULATIONS

fluctuations by installing appropriate overcurrent protection devices, surge arresters, uninterruptible power sources and other standard safety and power conditioning devices. In no event will Utility be liable for any damages or for loss of data involving a customer's computer system and associated equipment.

17. Shortage of Electricity. In the event of an emergency or other condition causing a shortage in the amount of electricity for Utility to meet the demand on its system, Utility may, by an allocation method deemed equitable by Utility or pursuant to any emergency load curtailment plan in effect between Utility and its wholesale power provider, limit the amount of electricity to be made available for use by the customer and/or may otherwise restrict the time during which the customer may make use of electricity and the uses for which the customer may make of electricity. If such actions become necessary, the customer may request a variance because of unusual circumstances including matters adversely affecting the public health, safety and welfare. If the customer fails to comply with such allocation or restriction, Utility may take such remedial actions as it deems appropriate under the circumstances including temporarily disconnecting electric service and/or charging additional amounts because of the excess use of electricity. The provisions of the section of this Schedule of Rules and Regulations entitled Interruption of Service are applicable to any such allocation or restriction.

18. Electrical Fluctuations Caused by Customer. Electric service may not be used in such a manner as to cause unusual fluctuations or disturbances to Utility's system. Utility may require any customer identified by Utility as being a source of harmonic interference or otherwise causing any disturbance whatsoever to Utility's system or to the electric service provided by Utility, at the customer's own expense, to install suitable apparatus which will reasonably limit such fluctuations and mitigate all undesirable interference, as determined by Utility. Failure on behalf of the customer to adequately and promptly remedy undesirable fluctuations or interference after being notified by Utility may, at Utility's sole discretion, result in discontinuance of electric service.

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

20. Standby and Resale Service. All purchased electric service (other than emergency or standby service) used on the premises of the customer shall be supplied exclusively by Utility. Customer shall not, directly or indirectly, sell, sublet, assign, or otherwise dispose of the electric service or any portion thereof without Utility's express written consent.

21. Notice of Trouble. Customer shall promptly notify Utility should the electric service be unsatisfactory for any reason, or should there be any defects, trouble, irregularities, or anomalies affecting the supply of electricity.

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

23. Meter Tests. Utility will, at its own expense, make periodic tests and inspections of its meters and associated metering circuitry and equipment in order to maintain a high standard of accuracy. Utility will make additional tests or inspections of its meters at the request of the customer. If such

JELLICO ELECTRIC AND WATER SYSTEM

SCHEDULE OF RULES AND REGULATIONS

additional tests made at the customer's request show that the meter is accurate within two percent (2%), slow or fast, no adjustment will be made in the customer's bill, and Utility's standard testing charge will be billed to the customer. In case the test shows the meter to be in excess of two percent (2%), slow or fast, an adjustment will be made in the customer's bill and the cost of the test shall be borne by Utility. In the case of meter failure or loss of data for all or part of a billing period, Utility will estimate consumption from the best information available.

24. Relocation of and Changes to Utility's Facilities. Utility may, at the request of the customer, relocate or change existing Utility-owned equipment. Customer may be required to reimburse Utility for such changes at actual cost including appropriate overheads.

25. Service Fees and Charges. Utility Board may establish and collect standard fees to cover the reasonable average cost, including administration, for services, including but not limited to, connecting or reconnecting services, or disconnecting service, as provided in these rules and regulations, application fees, return check charges, meter testing charge, tap fees, etc. Higher charges may be established and collected when services are performed after normal office hours, or when special circumstances warrant. The Utility Board may revise, amend, supplement or otherwise change the fees and/or charges as necessary to maintain fees and charges that cover the reasonable average cost, including administration, necessary to provide service to customers and applicants for service. Board approved fees and charges will be shown in the Schedule of Rates and Fees.

26. Dispersed Power Production. Cogeneration and small power production facilities may be interconnected with Utility's electric system in accordance with Utility's applicable rules, regulations, and policies pertaining to such installations and upon approval of TVA. Customers desiring to construct environmentally-friendly forms of power generation such as solar panels or wind generation and make interconnection with Utility's electric system must follow Utility's applicable rules, regulations, and policies pertaining to such installations and the guidelines set forth in TVA's Green Power Providers Program. In the event of any conflict between the policies, rules and regulations of Utility and TVA, the most stringent shall control.

27. Unauthorized Use or Interference with Electric Supply. No person shall operate or attempt to operate, adjust, or alter any of Utility's switches or other Utility equipment without permission or authority from Utility's authorized personnel.

28. Customer Use of Generators. Customers utilizing generators for emergency power shall provide a disconnecting means to assure generated power and utility power cannot serve the same load simultaneously. Disconnecting means, such as a double-throw switch, must assure the generator power has no return path to Utility supplied meters, equipment or wires. Customer generated power represents an extreme danger to Utility employees working on lines considered de-energized.

29. Information to Customers. Utility shall reasonably inform Customers about rates, rate changes and service practice policies by making such information available upon application for service and at other times upon request. Utility may utilize news media, website/internet (www.jellicoutilities.com), newspapers, direct mail, monthly invoices, telephone, electronic mail, text messaging, or other appropriate media techniques to inform customers as to rates, rate actions, public meetings, promotional activities, service interruptions, load curtailments, service policies and similar business-related news and events. Utility, upon request, will provide a statement of Customer's monthly consumption for the prior 12 months.

JELLICO ELECTRIC AND WATER SYSTEM
SCHEDULE OF RULES AND REGULATIONS

30. Termination of Contract by Customer. Customers who have fulfilled their contract terms and wish to discontinue service must give at least two (2) 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 applicable contract or prevailing rate.

31. Vegetation Management. In order to maintain safe and reliable electric service, Utility's employees and/or Utility's contractors shall perform vegetation management on customer's premises along electric power line right of way by various methods in accordance with Utility's current Vegetation Management Policy. Customer is responsible for the trimming of service drops (lines from the transformer to the building).

32. Electric Line Extensions to New Customer Installations. Customers requesting extensions of Utility's existing facilities may be required to pay a fee or enter into a contractual agreement in accordance with Utility's current Line Extension Policy. Customers desiring underground service versus overhead must bear the excess cost incident thereto.

33. Service Practice Policies (SPP). Utility may adopt Service Practice Policies to implement this Schedule of Rules and Regulations.

34. Scope. This Schedule of Rules and Regulations, as amended from time to time, is a part of all contracts for electric service from Utility and applies to all service received from Utility, whether the service is based upon contract, agreement, application, rate schedule, or otherwise. Utility's obligation to provide electric service shall at all times be subject to the limitations and stipulations contained in the wholesale power supply agreement between Utility and its wholesale power provider.

35. Revisions. This Schedule of 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 Schedule of Rules and Regulations.

36. Conflict. In the event of conflict between any provision of any rate schedule and this Schedule of Rules and Regulations, the applicable rate schedule shall apply.