




Cumberland Valley Electric

A Touchstone Energy Cooperative 

RECEIVED

JUL 10 2014

PUBLIC SERVICE
COMMISSION

July 8, 2014

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: PSC Case No. 2014-00051

Dear Mr. Derouen:

Enclosed are the original and seven copies of the response of Cumberland Valley Electric to Commission Staff's Second Request For Information in Case No. 2014-00051. Each response includes the name of the witness. A signed certification of the person supervising the preparation is included.

If you have any questions about this filing, please feel free to contact me.

Sincerely,



Robert Tolliver
Office Manager

Enclosures

MAIN OFFICE:

P.O. Box 440 ● Gray, KY 40734

Phone: 606-528-2677 ● Fax: 606-523-2698

DISTRICT OFFICE:

P.O. Box C ● Cumberland, KY 40823

Phone: 606-589-4421 ● Fax: 606-589-5297

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:


AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF EAST KENTUCKY)
POWER COOPERATIVE, INC. FOR THE)
SIX MONTH BILLING PERIOD ENDING)
DECEMBER 31, 2013 AND THE PASS THROUGH)
MECHANISM FOR ITS SIXTEEN MEMBER)
DISTRIBUTION COOPERATIVES)

CASE NO. 2014-00051

AFFIDAVIT

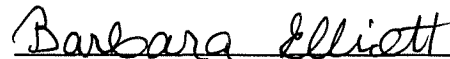
STATE OF KENTUCKY)
)
COUNTY OF KNOX)

Robert D. Tolliver, being duly sworn, states he has read the foregoing prepared testimony and that he would respond in the same manner to the questions if so asked upon taking the stand, and that the matters and things set forth therein are true and correct to the best of his knowledge, information and belief.



Robert Tolliver

Subscribed and sworn before me on this 7th day of July 2014



Notary Public

My Commission Expires 1-24-15

CUMBERLAND VALLEY ELECTRIC

PSC CASE NO. 2014-00051

RESPONSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

1. This question is addressed to each of the member distribution cooperatives. To further Staff's understanding of how environmental surcharge expenses and revenues impact a cooperative's financial position, explain how the transactions are recorded on your books and provide representative journal entries showing account numbers and descriptions.

Response:

The EKPC power bill is recorded on Cumberland Valley books in the month the expense was incurred. For example, the bill Cumberland Valley received from EKPC for November 2013 usage was recorded in Cumberland Valley books in November 2013. Here is the entry Cumberland Valley would make:

November 2013 (This records the power bill expense. This expense would include environmental surcharge paid to EKPC.) In this month that amount is \$449,675.00.

Dr. 555.00 Purchased Power	\$3,144,006.00	
Cr. 232.10 Accounts Payable-Gen		\$3,144,006.00

November 2013 (This records the revenue from sales. This revenue would include environmental surcharge collected from consumers.) In this month that amount is \$297,199.40. Keep in mind there is a lag in the environmental mechanism. The amount of environmental surcharge dollars Cumberland Valley pays EKPC may be drastically different than the amount we collect through our billing process for the same accounting month. In this example of November 2013, Cumberland Valley paid EKPC \$449,675.00 and collected \$297,199.40 from our consumers. This resulted in a loss of revenue for Cumberland Valley of \$152,475.60 just on environmental surcharge alone.

Dr. 142.00 Consumer Accounts Rec.	\$3,590,164.37	
Cr. 236.50 Acc St Sales Tax-Consumers		\$38,205.74
Cr. 236.54 Acc Franchise Tax-Cumb		\$115.42
Cr. 236.65 Acc School Tax		\$102,925.08
Cr. 252.30 Adv Construction Refundable		\$50.00
Cr. 440.10 Residential Sales-Rural Farm		\$2,450,619.61
Cr. 440.11 Residential Sales-Envirowatts		\$63.25
Cr. 442.10 Comm-Indust Sales-Small		\$215,158.38
Cr. 442.20 Comm-Indust Sales-Large		\$783,026.89

Witness: Robert Tolliver

CUMBERLAND VALLEY ELECTRIC

PSC CASE NO. 2014-00051

RESPONSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

2. This question is addressed to each of the member distribution cooperatives. Refer to the responses to the Commission Staff's First Request for information, Item 2.a., for your cooperative.
 - a. Using the month of July 2013 as an example, for the amount shown in the column titled "EKPC invoice Month recorded on Member's Books," for your cooperative, provide the month in which the expenses are incurred by EKPC and when this amount was billed to the member cooperative.

Response: EKPC incurred the expense in June 2013. Cumberland Valley was invoiced for the service month of July 2013 with a bill dated August 1, 2013.

- b. Using the month of July 2013 as an example, for the amount shown in the column titled "Billed to Retail Consumer & recorded on Member's Books," for your cooperative, provide the pass-through factor and the revenue amount to which it was applied to arrive at the amount shown.

Response: The pass-through factor used was 13.89% and the revenue amount it was applied to was \$3,144,887.97. The small difference between the numbers would be due to rounding.